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**Measurement of the strategy construct in the lodging industry,  
and the strategy-performance relationship**

**Murthy, Bvsan, Ph.D.**

**Virginia Polytechnic Institute and State University, 1994**

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**MEASUREMENT OF THE STRATEGY CONSTRUCT  
IN THE LODGING INDUSTRY, AND THE  
STRATEGY-PERFORMANCE RELATIONSHIP**

by

**Bvsan Murthy**


Dissertation submitted to the Faculty of the  
Virginia Polytechnic Institute and State University  
in partial fulfillment of the requirements for the degree of

**DOCTOR OF PHILOSOPHY**

in

**Hospitality and Tourism Management**

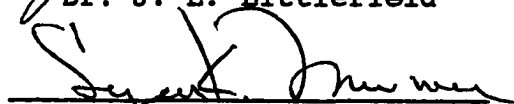
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**Doctoral Committee Chairman: Dr. Michael D. Olsen**

**Hospitality and Tourism Management**

**(ABSTRACT)**

Performance improvement is at the heart of all strategic management. Thus, the principal objectives of this study were to develop an industry-specific instrument to measure lodging strategy, identify a set of strategic dimensions underlying such strategy, and relate performance differences among lodging units to varying strategic dimensions emphasized by such units.

The study adopted the individual hotel as the unit of analysis, and realized strategy was measured as opposed to the intended. Five hundred and seventy nine hotels, which are part of the franchise systems of two industry-leading chains contributed information for this research.

Following a comparative approach to the measurement of the strategy construct, this study developed a 105-item lodging industry-specific strategy measurement scale,

capturing a comprehensive set of strategic characteristics from the business strategy (Porter, 1980) and service management (Gronroos, 1990; Zeithaml, Parasuraman, and Berry, 1990) literatures. Through factor analysis, a parsimonious set of seven strategic dimensions, Service Quality Leadership, Technological Leadership, Push, Cost Control, Pull, Group Channels, and Cross-Training, underlying this 105-item scale was delineated.

Using Yield Per Room, Market Share Index, and Return on Sales as the performance measures, the study indicated that strategies followed by high and low performing hotels were different. The empirical evidence showed that, in general, the Push, Service Quality Leadership, and Technological Leadership strategic dimensions tended to be associated with high performance.

The evidence also indicated that strategies emphasized by high and low performing hotels differed by the four control variables studied: Location, (Service) Segment, (Ownership-Management) Affiliation, and Size. Additionally, similar differences were also obtained when the hotels studied were classified by the performance measure most used by them to evaluate themselves, and the age of the properties. Preliminary indications were also obtained to confirm the existence of a strategic time lag effect.

The results from this study should be valuable not only for extending hospitality strategy research, but also for their normative implications.

## **Acknowledgements**

**This dissertation stands for much more than the research reported inside. It is the culmination of four-and-a-half momentous years of a Ph.D. program which has changed my professional life dramatically. I am grateful to many individuals who have made it possible for me to achieve this milestone.**

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## **Chapter 1**

### **INTRODUCTION**

## **Introduction**

### **Problem Statement**

The ultimate objective of strategic management is performance improvement (Venkatraman & Ramanujam, 1986). Contrary to the pop ecology view, Child (1972) posited that organizations do exercise strategic choice in charting their courses. If strategy is a match among organizational purposes, resources, skills, environmental opportunities, and risk (Hofer & Schendel, 1978), different firms within a given industry should make varied strategic choices with, consequently, varying resultant performance levels. Since there are only a limited number of strategies available to any firm, all such firms choosing similar strategies can be viewed together as a strategic group (Porter, 1980). Thus, performance differences between strategic groups has been an important area of interest to strategy researchers.

The limited number of research studies undertaken in the hospitality industry so far on the strategy-performance relationship have produced no conclusive evidence. A review of this literature shows that theories and methods borrowed from the manufacturing sector may not be adequate to study

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the strategy-performance relationship in the hospitality industry. The literature review further establishes that the operationalization and measurement of the strategy construct following traditional bases may not be adequate in their application to service industries such as the lodging industry. Zeithaml, Parasuraman, and Berry (1985, 1990), Parasuraman, Zeithaml, and Berry (1988), Barrington and Olsen (1987), and Grönroos (1990), among many other researchers, have highlighted the differences between goods and services. Service sector researchers generally agree that goods and services differ significantly in terms of four characteristics: intangibility, heterogeneity, perishability, and simultaneity (of production and consumption).

Services are intangible because they are performed rather than produced, and cannot be seen, felt, tasted, or touched. Production and consumption are inseparable in the case of services because in most services they are simultaneous. As a result, services are perishable because they cannot be produced and stored for later consumption. Because of the high degree of interaction involved between the service provider and the consumer, and the high degree of personal involvement of both in the service delivery process, services are heterogeneous in contrast to goods.

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In view of these differences, it is likely that service industry constituents such as lodging establishments have to adopt some different competitive methods to succeed. However, following Shostack (1977) who viewed goods and services on a continuum of tangibility and intangibility, one has to account for the possibility that some of the strategic dimensions identified in the manufacturing sector will also be applicable to the service sector.

Thus, the research problem investigated in this study is to identify such industry-specific strategic characteristics, also known as competitive methods in lay terms, which successful hotels in the lodging industry adopt to maximize performance. This is achieved by developing operational measures of the strategy construct drawn from (a) a broader and complete set of strategic dimensions postulated by Porter (1980), and (b) strategies prescribed by service management theorists such as Zeithaml et al. (1985, 1990), Parasuraman et al. (1988), and Grönroos (1990).



## **Theoretical Underpinnings**

### **The Concept of Strategy**

There are varied definitions of strategy in the literature, depending upon the theoretical perspectives from which researchers viewed the construct. The central theme of most such definitions, however, is that strategy is a set of concerted actions an organization adopts to achieve its desired performance goals.

It is generally agreed that strategies vary by the hierarchical level of the organization. Thus, there are strategies at the institutional level (Thompson, 1967), corporate level, business level, and functional level (Schendel & Hofer, 1979). Whereas the corporate level strategies are concerned with domain definition, the business level strategies address domain navigation issues (Bourgeois, 1980). The focus of the business-level strategies is on resource allocation and integration of different functional strategies (Schendel & Hofer, 1979), to enable an organization to effectively compete in a chosen product/market segment (Hofer & Schendel, 1978).

The total concept of strategy has two principal elements - process and content. The process element circumscribes the strategy formulation and implementation aspects. The content of strategy refers to the specific strategic actions organizations take to survive and succeed.

### Strategy Measurement

Strategy content has been studied by a number of researchers, and there are wide variations in the approaches to its measurement. Venkatraman (1989a) classified these various approaches into three types: (1) narrative approach, (2) classificatory approach, and (3) comparative approach. The description-oriented narrative approach (Andrews, 1980) has slowly made way for the other two approaches over the last two decades, as the atomistic view of the Industrial Organization researchers has been replaced by the contingency perspectives of the strategic management researchers (Ginsberg & Venkatraman, 1985).

While the classificatory approach to strategy measurement yielded a number of typologies (Miles & Snow, 1978; Porter, 1980) and taxonomies (Galbraith & Schendel, 1983; Miller & Friesen, 1978), a number of strategy researchers are increasingly turning to the comparative

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approach, particularly in the last decade. The comparative approach to strategy measurement relies on isolating and measuring key strategic dimensions. This is based on the realization that strategy is a multi-dimensional construct.

### Strategic Groups

Early strategy researchers used coarse-grained survey research methods or fine-grained case studies. Harrigan (1983) advocated balancing these two methods by using hybrid methodologies to improve the effectiveness of measurement. The study of strategic groups has emerged as a major stream of research in the wake of Harrigan's call. Porter (1980) noted that the notion of strategic grouping is an intermediate frame of reference to study organizations, compromising the extreme views of treating each firm separately and studying all firms in an industry together.

Introduced first by Hunt (1972), the concept of strategic groups has attracted the attention of many strategy researchers. While Porter (1980) studied it from a theoretical standpoint, perhaps the most concerted empirical research program on the relationship between strategy and performance, employing the strategic grouping concept, is the 'Purdue Studies' led by Hatten, Schendel, and Cooper

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(1978), Schendel and Patton (1978), and others. The Purdue Studies attempted to identify strategic groups in the U.S. brewing industry and tried to relate firm performance to strategic group membership. Other researchers, subsequently, extended this stream of research to different industries (Cool & Schendel, 1987, 1988, pharmaceuticals; Mascarenhas & Aaker, 1989, oil drilling; Fiegenbaum & Thomas, 1990, insurance).

The empirical results of this stream of research on strategic grouping has at best been equivocal. In general, the within-group differences were found to be more pronounced than the between-group differences. An analysis of some of these empirical studies shows two major problems associated with the ambiguity surrounding the concept of strategic groups. First, as the strategic variables that impact performance are industry-specific, no universal operationalization of the strategy construct could be established. Porter (1980) identified 13 strategic dimensions that form the basis of strategic posturing by firms: specialization, brand identification, push versus pull, channel selection, product quality, technological leadership, vertical integration, cost position, service, price policy, leverage, relationship with parent company, and relationship to home and host government. While the

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scope of differences along these dimensions may vary from industry to industry, Porter argued that these strategic dimensions collectively describe a firm's strategic position. However, none of the strategic group researchers tried to operationalize all these dimensions yet. Second, there has been a wide variety of performance measures used by different researchers of strategic grouping. The lack of agreement on the operationalization of this consequent construct in most strategic grouping research has also contributed to the inconclusive state of this research stream.

#### Hospitality Strategy Research

Hospitality strategy researchers have also been investigating the existence of strategic grouping, in their quest for establishing the strategy-performance link in this industry. Schaffer (1986), Dev (1988), Tse (1988), West (1988), and Crawford-Welch (1990) have conducted the most research in this area. All these researchers used either the Miles and Snow's (1978) or Porter's (1980) typologies, or a set of strategic characteristics drawn from Dess and Davis' (1984) work, to delineate the strategic postures of their respondents. However, their results have been

inconclusive in that none of them could establish the strategy-performance link.

There is also conflicting evidence on the strategic grouping concept as applied to the hospitality industry in these studies. Whereas Schaffer (1986) claimed to have identified five distinct strategic groups in his study of the lodging industry, Dev (1988), using only a slightly modified instrument, could find no such strategic grouping in his sample. This ambiguous state of empirical evidence led Tse (1988) and Crawford-Welch (1990) to conclude that the generic typologies of Miles and Snow (1978) and Porter (1980) are probably not adequate to explain hospitality strategy, whereas Dev questioned the adequacy of the Dess and Davis' (1984) instrument which formed the basis of the comparative approach to hospitality strategy measurement.

A close examination of these research studies shows that they suffer from both conceptual and methodological inadequacies. At the conceptual level, the imperfections are related to the definition of the strategy construct itself, the choice of the unit of analysis, and the operationalization of the constructs of strategy and performance. The methodological shortcomings are with respect to the methods used to measure the variables under

investigation, and the choice of statistical techniques. A brief summary of some of the more important problems follows.

**Problems with hospitality strategy research.**

Instead of studying realized strategy, most of these researchers, except for Dev (1988), tapped the intended strategy. To the extent that intentions may not be realized, and that unintended strategies may emerge (Mintzberg, 1978), the correspondence between the antecedent and consequent constructs, strategy and performance, seems to have got clouded because of studying the wrong antecedent construct.

Again with the exception of Dev (1988), all the other researchers used the firm as their unit of analysis. With many multi-unit firms in their samples, it appears that they ended up measuring corporate-level strategy, rather than business-level strategy, because multi-unit firms have to adopt different strategies for each of their units facing varying environments. In so far as the grounded theory used by these researchers is that of business strategy, whereas their actual measurements have been at a different level,

there are again correspondence problems between the constructs of strategy and performance.

As stated previously, either classificatory or comparative approaches to strategy measurement have been adopted in this stream of research. As Venkatraman and Grant (1986) pointed out, the use of nominal scales, the method followed in the classificatory approach using typologies to tap the strategy construct, is not advisable because nominal scales are useful only for highlighting across-group differences. In contrast, past research suggests the within-group differences are quite predominant.

As for the use of a set of strategic characteristics to delineate strategy, following the comparative approach, the problem seems to have been with the instrument used to measure the strategy construct. Briefly, the major problem areas in this regard are as follows:

- a. The basic instrument followed in most of this research is the one developed by Dess and Davis (1984) who used only six of the 13 strategic dimensions identified by Porter (1980): brand identification, channel selection, technological leadership, cost position, service, and leverage. It may be that the dimensions not taken into



account by Dess and Davis originally are resulting in an inadequate tapping of the strategy construct.

- b. All of the past strategic grouping research shows that the strategic variables used in such research have to be industry-specific. By using Dess and Davis' (1984) instrument, which is grounded in the manufacturing industry, as the basis, the hospitality strategy researchers seem to have failed to capture industry-specific strategic characteristics.
  
- c. There is considerable literature in the service sector, which suggests that services differ from manufactured goods in at least four important aspects: intangibility, perishability, heterogeneity, and simultaneity (of production and consumption) (Barrington & Olsen, 1987; Grönroos, 1990; Zeithaml, Parasuraman, & Berry, 1985). Hospitality research thus far has not given due credit to these differences in the measurement of strategy. This subject is followed up in the next section.

As regards the performance construct, the principal problems with past hospitality research are as follows:

- a. Most strategy research in the manufacturing sector has focused on financial and operational performance measurements, and not considered the overall concept of organizational effectiveness, difficult as it is to measure (Venkatraman & Ramanujam, 1986). Hospitality researchers have mostly concentrated on the financial performance alone, and not taken into account operational measures, such as market share, which are equally important.
  
- b. Because of the unit of analysis problem discussed previously, even the financial measures studied in past hospitality research are contaminated by the franchising/ownership/management arrangements varying across the sample firms.

The above problem areas are discussed in depth in the following chapters. One summary conclusion to be drawn from this review and critical examination of extant hospitality research is that more than justified adequacy of construct measurements has been assumed in these studies. Venkatraman (1989a) opined that "it is necessary to recognize that construct measurement is at least as important as the examination of substantive relationships" (p. 945). This fundamental tenet has not received enough attention so far

in hospitality strategy research. Venkatraman has also exhorted that "... it is premature to restrict the number and diversity of approaches to conceptualize the strategy construct" (p. 945), considering its multi-dimensionality and multi-facetedness. In a discussion on theory development, Whetten (1989) also expressed a similar view. As pointed out earlier, by not taking into account the important differences between goods and services, hospitality research has left out a major source of strategy variations. If the dimensions underlying the strategy construct in this industry have to be captured effectively, this omission needs to be remedied. As stated earlier, this goods-services dichotomy and its implications to strategy are briefly discussed next.

### The Goods-Services Dichotomy

There is universal agreement among service management researchers that services differ significantly from goods in their intangibility, heterogeneity, perishability, and simultaneity (of production and consumption). Zeithaml et al. (1985) and Grönroos (1990), among many other researchers, discussed these differences in depth. Barrington and Olsen (1987) highlighted these differences in the hospitality context. In the light of these differences

between goods and services, service management theorists believe that strategies borrowed from the manufacturing sector are not necessarily applicable to the services sector.

Distinguishing between *internal efficiency* and *external efficiency*, Grönroos (1990) discussed how a *strategic management trap* can result by trying to pursue a low cost strategy in service industries. He posited that trying to assume a low cost position in many service situations leads to lower service quality, by affecting the service provider-customer interactions. Buzzell and Gale (1987) and Grönroos also stated that it is the customer perceived service quality that is extremely important for service firms' success. Building on this, Grönroos presented a number of strategic characteristics for service firms to improve customer perceived quality and, consequently, performance. Zeithaml et al. (1985), reviewing service marketing strategy literature, consolidated a list of successful strategies prescribed by various researchers.

Parasuraman, Zeithaml, and Berry (1988) extended this thinking by constructing a scale to measure service quality. Defining service quality as the difference between customer expectations from/about a service and customer perceptions

of the quality of service actually received, Parasuraman et al. developed and tested their SERVQUAL instrument. Their investigations resulted in the delineation of five distinct service quality dimensions: tangibles, reliability, responsiveness, assurance, and empathy.

Zeithaml, Parasuraman, and Berry (1990) then used this SERVQUAL instrument to assess the differences between customers' ratings of service quality and managerial perceptions of the service quality being delivered. They found significant differences between the service quality ratings of management and customers. Zeithaml et al. captured these differences in a service-quality-gap model, which identified four service quality gaps: Customers' Expectations-Management Perceptions Gap, Management's Perceptions-Service Quality Specifications Gap, Service Quality Specifications-Service Delivery Gap, and Service Delivery-External Communications Gap. The cumulative effects of these four gaps, Zeithaml et al. posited, create Gap 5 which is the difference between the Customers' Expected Service and Perceived Service, which is what the SERVQUAL instrument developed by Parasuraman et al. (1988) is intended to measure.

### **Implications.**

It is well known that in the hospitality industry, product differentiation is becoming increasingly difficult. For all practical purposes, there is hardly any difference between lodging products within a given price range and offering generally similar levels of service. Therefore, it seems all the more important for the lodging industry constituents to look for that niche, each of them so desperately needs to effectively compete, in differentiating on service quality, improving customer perceived quality, and thereby reducing the gap between the customer expectations and perceptions of service quality. The service management researchers believe, it is only such strategies aimed at enhancing customer perceived quality which will enable a firm to succeed. However, following Shostack (1977) who viewed goods and services on a continuum of tangibility and intangibility, one has to account for the possibility that some of the strategic dimensions identified in the manufacturing sector will also be applicable to the service sector.

By not capturing the implications of this very important stream of literature, hospitality strategy researchers have missed out on measuring strategy in an

industry-specific context, exhorted so much by strategic group researchers in general. There is clearly a need for developing methods/instruments for measuring strategy in this industry which reflect the multifaceted nature of the strategy construct and, in particular, the unique service industry characteristics and determinants of success. Therefore, a combination of the strategic dimensions identified by Porter (1980), strategies recommended by service management theorists like Zeithaml et al. (1985, 1990), Parasuraman, Zeithaml, and Berry (1988), and Grönroos (1990) can possibly give hospitality strategy researchers a more robust measure of strategy with which the strategy-performance relationship could be studied.

### Context of the Study

The context of this study is the U.S. lodging industry. The lodging industry continues to face the vicissitudes of the economic slump it encountered in late '80s, after a meteoric growth in the decade before. While the long-term outlook for the industry seems to be good, now that it is considerably re-structured, lean and consolidated, the industry is expected to witness intense competition in the short-term. A brief review of the industry scenario is presented next.

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## Industry Performance

The industry average occupancy in 1992 increased by 2.7%, to 61.7% from 60.2% in 1991, but is still below the last peak of 62.6% reached in 1989. An occupancy of 68% is considered to be the minimum needed for continued profitability. Industry average room rate increased to \$59.82 in 1992 from \$59.03 in 1991 (McDowell, 1993; Reynolds, 1993). Still, 1992 was the sixth straight year in which the increase in the industry average room rate was below the corresponding overall inflation rate of the economy (Graves, 1992).

Despite the modicum of revival, the lodging industry continues to lose money on the average. According to Standard & Poor's, in 1991, full-service hotels lost on average \$1,531 per room, all-suites lost \$543, and only limited service properties posted a modest gain of \$206 per room (Graves, 1992). Overall, the industry is losing about \$1,000 per room, largely on account of the high debt servicing costs following the excessive capacity buildup and acquisition activities of the '80s (Reynolds, 1993). Although new hotel construction has slowed down significantly in the last two years, the industry is still trying to absorb the overbuilding in earlier years. Even in

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1992, about \$3 billion worth of new hotel construction came on stream, although this represents the lowest level of capacity increase since 1980. Leaving aside specific instances such as the opening of the 1,200-room Sheraton Chicago Hotel & Towers in an already overbuilt downtown Chicago (Morris, 1992), the total number of rooms in the country, however, declined in the last two years, partly because of the difficulty in obtaining finance (Graves, 1992; Sharav, 1993).

### Consolidation

With overall capacity shrinking, growth is being sought by several firms through conversions from other brands. According to Smith Travel Research, about 5% of all rooms in 1,240 hotels changed flags in 1991, double the level of such conversions in 1988. Of these conversions in 1991, about half the rooms switched from one chain to another, 29% changed from independents to chain affiliation, and 22% left the chains to become independent (Graves, 1992). In general, the industry is witnessing intense consolidation, with a handful of chains controlling the bulk of the capacity, much like the situation in the airline industry.

### **Cost Control**

Concomitant with this consolidation, the industry has considerably tightened its belt in controlling costs. Hyatt, for example, substituted white bed sheets for beige ones, made bed turn-down service optional in many hotels, downgraded courtesy transportation, cut back on bathroom linen, eliminated fancy garnishes in restaurants, among many cost-cutting measures, saving millions of dollars (Reynolds, 1993). The industry has also saved at least 10% in debt servicing through recapitalization, debt refinancing, apart from the benefit accrued from lower interest rates. Also, as a result of consolidation, with several brands coming under one management, marketing and operations efficiencies are being realized. Such multi-brand firms are able to "better leverage corporate resources such as management experience, access to capital markets, and back-office operations" (Graves, 1993, p. L44).

### **Future Outlook**

While improved economic conditions in the coming years are expected to help the industry fortunes, job security concerns, longer working hours and limited leisure time, the recent baby boom, anticipated increases in health care costs

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under the Clinton administration, increases in airfares because of reduced competition in the airline industry, reduced interest of the Japanese in investing in this industry because of their own domestic economic concerns, are some of the dampening trends facing the industry (Graves, 1992, 1993). In general, the U.S. lodging industry is expected to face a continued turbulent environment at least till the mid-'90s, and competitive savvy and imaginative strategies are required for survival till then.

### **Overview of the Research Study**

#### **Purpose and Objectives**

The preceding section highlights the need for understanding and differentiating successful and unsuccessful strategies in the lodging industry. However, this cannot be achieved until a strategy measurement valid for the lodging industry is developed. The principal objective of this study, therefore, is to develop an instrument to measure the strategy construct in the lodging industry context and to test the predictive validity of its relationship to performance.

## **Research Questions**

The main research question under study here is whether, in the context of the lodging industry, the strategy construct can be measured by empirically deriving its underlying dimensions and, if so, whether strategy thus measured can be related to performance. This broad research question can be framed into the following specific research propositions.

1. Through a combination of strategic characteristics rooted in business strategy theory and service management theory, it is possible to identify a set of strategic dimensions underlying lodging strategy.
2. Performance differences among lodging units can be related to varying strategic dimensions emphasized by such units.

## **Overview of the Study Design**

### **Strategy Construct**

In keeping with the emphasis on the measurement of the strategy construct in this study, circumscribing the

conceptual domain of this construct is considered critical to this exercise. Following Venkatraman (1989a), the domain of the strategy construct in this study is anchored within four boundaries, as follows:

|                       |   |                        |
|-----------------------|---|------------------------|
| Scope                 | : | Content of strategy    |
| Hierarchical Level    | : | Business-level (hotel) |
| Domain                | : | Holistic               |
| Intended vs. Realized | : | Realized strategy      |

Strategy has traditionally been operationalized in two ways: (1) through a nominal scale, using descriptors of typologies, such as those propounded by Miles and Snow (1978) or Porter (1980), or (2) multi-item scales capturing several strategic characteristics. Nominal scales are useful only for highlighting the between-group variances. When within-group variance is predominant, as seems to be the case in the lodging industry, use of multi-item scales is essential (Venkatraman & Grant, 1986). This study, hence, used a multi-item scale to measure realized strategy, developed from all of Porter's 13 strategic dimensions as well as service strategies prescribed by Zeithaml et al. (1985, 1990), Parasuraman et al. (1988), and Grönroos (1990).

### **Performance Construct**

Performance was measured through multiple operational and financial measures. Two financial measures, Return on Assets (ROA) and Return on Sales (ROS), and two operational measures, Yield Per Room and Market Share Index, were used to operationalize the performance construct. By using Income Before fixed Charges as the profit measure in the computation of ROA and ROS, the performance measured is restricted to the scope of responsibility and authority of a typical hotel manager. The ratios of ROA, ROS, YPR, and Market Share Index are such that a wide range of hotels can be compared with each other. Four control variables were used in this study: size, segment, location, and affiliation. These were measured in terms familiar to industry managers. Detailed descriptions of all the measures are presented in Chapter 3.

### **Strategic Time Lag**

One of the most vexatious and least resolved problem areas in strategy research is the issue of the time lag between strategy implementation and performance. This is a very ambiguous issue with very little theoretical support. On the one hand, strategic time lag is a concept which makes

intuitive sense. At the same time, with rapid imitation being so characteristic of service industries, there is also reason to believe that such a lag effect may have limited applicability in the hospitality context. To strike a balance between these two perspectives, this study measured strategy over the period 1991-1992, and measured performance in 1992 and 1993. The attempt was to account for the possibilities that some strategies take longer than others to implement, and that some strategies pay off faster than others, while still addressing the time lag issue.

#### Industry Cooperation

Owing to the predominance of private business units in this industry, performance measurement has always been a problem in hospitality strategy research. Neither are market-based measures available, nor is financial information freely forthcoming from the respondents. Since this is an exploratory study, where a major emphasis is on scale development and testing, getting a cooperative representative sample is considered more important than relying on a random sample with doubtful response outcomes. For this purpose, two large lodging chains were approached for their cooperation in this study, and their entire portfolios of upscale, midprice, and economy hotels were

targeted for study. Because of this co-optation of such industry giants in this research, one is assured of not only above average response but also reliable performance data which is so difficult to get from this industry.

### **Research Strategy**

The study used a sample survey design with individual hotels as the unit of analysis, and thereby tried to avoid some of the past problems in the performance measures created by the contamination from franchising/management arrangements.

### **Contribution of this Research**

There have been only three strategy research studies in the lodging industry so far (Crawford-Welch, 1990; Dev, 1988; Schaffer, 1986). Of these, Crawford-Welch got very poor response from his lodging sample as compared to his restaurant sample. Therefore, this study, of itself, adds to our current meager knowledge about lodging strategy.

This study represents the most comprehensive effort yet to develop an industry-specific instrument to operationalize the construct of lodging strategy by including all of



Porter's (1980) 13 strategic dimensions, as well as strategic characteristics prescribed in normative service literature. The study yielded a 105-item strategy scale with a high reliability. This strategy scale was successfully factor analyzed resulting in a 7-factor solution. The theoretical background to this eclectic approach to strategy measurement was discussed earlier in this chapter.

In previous studies, either the unit of analysis or the type of scale used (nominal) has been a problem. The present research studied individual hotels with a multi-item scale which has a better construct validity.

As West and Anthony (1990) noted, it is the realized strategy that we should be studying when performance implications are under investigation. Except for Dev (1988), no one has taken care of this. This study extends Dev's effort by using a multi-item scale to measure strategy. Though Dev did use a multi-item scale, because of the inherent weaknesses in the scale, he could not empirically derive any strategic dimensions.

By adding Market Share Index as an additional measure of performance not used before in hospitality strategy

research, this study for the first time tried to evaluate the often contradictory business goals of profitability and growth.

Last but not least, by using a different approach to the treatment of the strategic time lag issue, this study produced some preliminary evidence confirming the strategic time lag effect.

### **Limitations**

The research process is "a series of interlocking choices, in which we try *simultaneously to maximize several conflicting desiderata*" (p. 69), viz., generalizability, precision, and existential realism (McGrath, 1982). Though careful attention has been paid to the choices being made in the research design, methodology, scale development and other related issues, there are still limitations to this study as in most research.

Organizational performance is dependent upon a number of variables - strategy, structure, technology, life-cycle stage, and environmental influences, to name some of the major ones. In a dissertation, it is impossible to take care of all such variables owing to considerations of

parsimony of time and money. Nonetheless, as a researcher, one cannot ignore what one is missing.

Harrigan (1983) strongly equivocated the use of hybrid methodologies and multi-method measurement to balance the disadvantages of survey research and case studies. Once again, for reasons of parsimony, this study is cross-sectional and suffers from the error variance issues, as well as the inability to establish causality. However, it must be noted that given the current state of knowledge, there is no other method of measuring hospitality strategy that has merit. As far as performance is considered, this study did use multi-method measurement.

As Venkatraman and Ramanujam (1986) stated, financial and operational performance measures are only part of the overall effectiveness of an organization. There are other stakeholder interests that a business entity has to consider, which could not be attended to in this study.

Lastly, as McGrath (1982) stated, when one tries to balance two of the three conflicting issues, getting impaled on the third issue is certain. In this study, while precision and realism are balanced, generalizability had to be sacrificed. Nonetheless, further hospitality research

should greatly benefit from the construct-valid strategy measurement scale developed in this study.

## **Chapter 2**

### **LITERATURE REVIEW**

## Introduction

### Domain of the Strategy Construct

"A major task in conceptualizing a theoretical construct relates to the specification of its boundaries. For strategy constructs, this is particularly complex given the wide array of differences in terminology, disciplinary orientations as well as underlying assumptions" (Venkatraman, 1989a, p. 945). As stated in the previous chapter, developing an instrument to measure strategy in the lodging industry context, and then testing its predictive validity in its relationship to performance, is the main objective of the current research study. Thus, circumscribing the conceptual domain of the strategy construct is critical to this exercise. Venkatraman used four boundaries to anchor the strategy construct: scope, hierarchical level, domain, and intentions versus realizations.

The current study follows this scheme with the exception that whereas Venkatraman (1989a) viewed scope in terms of *means* or *ends* (actions or goals), scope in this study is viewed as *content* or *process*. Organizations may

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follow similar strategy-making processes but may actually choose different strategies (content). Thus, this study focused on strategy content rather than the process(es) by which it is arrived at.

It is generally agreed in strategy research that there are three levels of the strategy concept - corporate, business, and functional (Hofer & Schendel, 1978). Whereas corporate strategy is too broad a concept for studying firms involved with multiple product-market segments (Venkatraman, 1989a), functional strategy is too narrow and is subsumed in the integrative role played by business-level strategy. Thus, it is the business-level strategy which was studied in this research.

The issue of domain is concerned with the choice between *parts* versus *holistic* perspectives (Venkatraman, 1989a). The former refers to a focus on one or two functional areas, whereas the latter refers to viewing strategy in more comprehensive terms. In keeping with the philosophy of business-level strategy mentioned previously, a holistic perspective was adopted here.

The last issue involved in delineating the boundaries of the strategy construct is the distinction between

intended and realized strategies (Mintzberg, 1978). As strategies intended but not realized cannot possibly affect performance, whereas emergent strategies though unintended do affect performance, it is the realized strategy which was the focus of this study.

Not specifying the boundaries as discussed above and, more importantly, not constraining research to the boundaries specified can result in questionable construct validity and throw doubts on the results obtained. As will be seen in the later sections of this chapter, not anchoring the constructs firmly within such boundaries may also explain many of the inconsistencies in previous research.

### Chapter Preview

The purpose of this chapter is to review the literature on the constructs of strategy and performance and their inter-relationship. This is done by first reviewing the theoretical underpinnings of strategy as a research construct, in terms of the boundaries described above, and the approaches to measure it. This is followed by a review of the literature on the strategy-performance relationship, with special emphasis on the operationalization/measurement problems encountered in such research. The later part of

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this chapter exclusively examines the critical shortcomings of extant hospitality research in its attempt to confirm the strategy-performance relationship.

## **The Concept of Strategy**

### **Strategy Definitions**

Etymologically, the word strategy can be traced to the ancient Greek *strategos* meaning the art of the general. A large volume of literature on strategy has accumulated over the past four decades but no universally accepted definition has emerged (Venkatraman & Grant, 1986). There have been, however, a number of attempts by various researchers to define and measure strategy from different theoretical underpinnings. It is important to look at the major contributions of prominent strategy researchers in this effort.

Two of the earliest researchers to study organizational strategy were Chandler (1962) and Ansoff (1965). Chandler viewed strategy as a descriptive concept, contrary to the prevalent thinking at that time. He suggested that strategy was the means by which an organization achieves its goals and objectives. Ansoff observed strategy as the decision

rules and guidelines that define the scope and growth direction of a firm. According to Ansoff, the decisions made by the management in relation to the product/market domain reflect the essence of a firm's strategy. Other researchers who defined strategy and their descriptions of the concept are presented in Table 1 in chronological order. According to Schendel and Hofer (1979), the concept of strategy has four major components: (a) scope, defined by product/market and geographic territories, (b) resource deployments and distinctive competencies, (c) competitive advantage, and (d) strategy.

**Table 1. Definitions of Strategy**

---

|   |  |
|---|--|
| <b>Dror (1971)</b>                                      | <b>Application of structured rationality to problems of choice</b>   |
| <b>Hofer and Schendel (1978)</b>                        | <b>A match among organizational purposes, resources, skills, environmental opportunities, and risk ... the way the organization's aspirations are linked to its non-controllable environment</b>   |
| <b>Bourgeois (1978)</b>                                 | <b>How an organization defines its relationship to the environment in pursuit of its objectives</b>  |
| <b>Mintzberg (1978)<br/>Mintzberg and Waters (1982)</b> | <b>A pattern in the stream of decisions about a firm's domain</b>  |
| <b>Miles and Snow (1978)</b>                            | <b>A pattern or stream of major and minor decisions about an organization's possible future domains</b>  |
| <b>Porter (1980)</b>                                    | <b>Steps taken by an organization to ensure or protect its competitive position in the market</b>  |
| <b>Hambrick (1980)</b>                                  | <b>A pattern of important decisions that (1) guides the organization in its relationships with its environment, (2) affects the internal structure and processes of the organization, and (3) centrally affects the organization's performance</b> |
| <b>Thompson and<br/>Strckland (1981)</b>                | <b>Giving purposeful direction, formulating means to accomplish goals, marshaling and allocating resources, directing pursuit to produce desired results ... how an organization's purposes and objectives are to be accomplished</b>              |
| <b>Leontiades (1982)</b>                                | <b>Systematic methods for dealing with uncertain environments ... what course of action to follow, what steps to take</b>  |
| <b>Bower (1982)</b>                                     | <b>Management of the fundamental relationship across the boundary of a system and its environment</b>  |
| <b>Steiner, Miner<br/>and Gray (1982)</b>               | <b>Formulation of the organization's basic mission, purposes and objectives ... and the program to achieve them</b>  |

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These definitions vary semantically from one another. A central theme, however, is that strategy is a set of concerted actions an organization adopts to achieve its desired performance goals. In the process, strategy addresses specific product/market domains and co-aligns internal structures with the external environment.

Early researchers tended to view strategy as a situational art. The chief executive of an organization devised a comprehensive plan to balance the objectives of exploiting opportunities and avoiding threats while emphasizing the internal strengths and correcting weaknesses (Andrews, 1971; Chandler, 1962). Later research brought to light the subtler intricacies associated with the concept - such as the distinction between deliberate or intended, emergent, and realized strategies (Mintzberg, 1978), and the lag effect of strategy on performance (Miller & Freisen, 1983; Mintzberg, 1978; Snow & Hambrick, 1980).

### Levels of Strategy

The strategy content varies with the hierarchical level of the organization (Schendel & Hofer, 1979). Literature suggests that there are four distinct hierarchical levels

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of strategy related to the different levels of organization structure. They are the institutional level (Parsons, 1960; Thompson, 1967), the managerial/corporate level (Parsons, 1960; Schendel & Hofer, 1979; Thompson, 1967), the business/competitive level (Schendel & Hofer, 1979), and the technological/functional level (Schendel & Hofer, 1979; Thompson, 1967).

At the institutional level, strategy content comprehends how an organization integrates with its external environment. The overall role of the organization is defined at this level, thus establishing the constraints within which the organization must operate (Parsons, 1960; Thompson, 1967).

The next level of strategy, the managerial level (Parsons, 1960; Thompson, 1967), has also been labeled corporate-level strategy in the context of an economic organization (Schendel & Hofer, 1979). Reflecting the concerns of stockholders and society (Rumelt, 1974), strategy content at this level addresses the domain definition of an organization (Bourgeois, 1980), i.e., what business should the organization be in, and how its business activities are integrated with the internal and external environments of the organization. Taking a portfolio

approach and concentrating on the distinctive competencies of the organization, strategies at this level include concentration, product/market development, innovation, horizontal/vertical integration, joint ventures, concentric/conglomerate diversification, retrenchment/turnaround, divestiture, and liquidation (Rumelt, 1974). Necessarily, such decisions are made by the top management of an organization.

The business-level or competitive strategy of an organization, in contrast, is concerned with the domain navigation issues (Bourgeois, 1980). The focus is on how an organization competes within a chosen product/market segment (Hofer & Schendel, 1978). Resource allocation and integration of the different functional aspects of the organization are integral to this level of strategy (Schendel & Hofer, 1979). Heavily influenced by the task environment, decisions at this level are made by the business unit managers which include, inter alia, strategies of differentiation, segmentation, positioning, and profitability (Dev, 1988).

At the lowest level of strategy making, viz., the functional level or the technological level (Thompson, 1967), functional strategies in the areas of marketing,

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finance, operations, administration, research and development, and human resources are determined. The emphasis here is on finding the best way to implement/execute the strategic plan of the company (Pearce & Robinson, 1982), and the manner in which the different functional parts of an organization will discharge their responsibilities in tune with the organization's overall competitive strategy (Schendel & Hofer, 1979).

### Strategy Content and Process

The literature on strategy can be broadly classified into two categories - research on the process of strategy (Bourgeois, 1980; Hofer & Schendel, 1978; Mintzberg, 1978; Mintzberg & Waters, 1982; Reid & Olsen, 1981) as opposed to research on the content of strategy (Ansoff, 1965; Hambrick, 1980, 1983a; Miles & Snow, 1978; Rumelt, 1974).

The first stream of research is concerned with strategy formulation and implementation. Strategy formulation encompasses development of the business mission, goals and objectives, and resource allocation decisions to achieve such goals and objectives (Hofer & Schendel, 1978). The strategy implementation decisions are concerned with the adoption of administrative structures and control systems,

in addition to the resource allocation issues (Bourgeois, 1980). Hofer and Schendel developed a strategy formulation model consisting of seven steps describing how organizations arrive at strategic decisions. These seven steps are: strategy identification, environmental analysis, gap analysis, strategic alternatives, strategy evaluation, and strategic choice. In the hospitality literature, Reid and Olsen (1981) proposed a similar seven-step planning model which they recommended for the facilitation of strategy formulation, implementation and evaluation.

In contrast to the process of strategy which answers the *how* question, strategy content is concerned with the *what* question. "Strategy content research is defined as research which examines the content of decisions regarding the goals, scope and/or competitive strategies of corporations, or of one or more of their business units" (Dev, 1988, p. 34). Strategy and performance; environment, strategy and structure; and strategy taxonomies, are the important variables usually studied in strategy content research (Jauch, 1983). Whereas taxonomies refer to classification schema arrived at through empirical means, typologies refer to similar classification means developed from theory. Strategy literature has a number of strategic typologies put forward by various researchers (Buzzell,

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Gale, and Sultan, 1975; Hofer & Schendel, 1978; Miles, 1982; Miles & Snow, 1978; Porter, 1980; Utterback & Abernathy, 1975; Vesper, 1979; Wissema, Van der Poll, and Messer, 1980). While the classifications put forward in these typologies may be somewhat varying, one common basis underlying all of them is strategic choice.

### **Strategic Choice**

The concept of strategic choice advocates that organizations can and do choose appropriate actions to suit their respective positions in the environment. Child (1972) calls such a choice as being able to define and manipulate the organization's domain. Cyert and March (1963), Hofer and Schendel (1978), and Porter (1980) also hold a similar view. To the extent that different organizations within an industry may make different strategic choices about their domain definition and navigation, understanding and taking into account such varying domains is an essential prerequisite to the study of organizations (Child, 1972). Hofer (1975) has aptly summed up this argument thus: "unless one is willing to admit the possibility that there exists some strategy or set of strategies which are optimal for all businesses (corporations) no matter what their resources and no matter what environmental circumstances they face ... any

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theory of business (corporate) strategy must be a contingency theory" (p. 785-786). Strategic choice is thus integral to any business strategy theory.

Since different organizations may make different strategic choices, even though all of them may be in the same industry, the specific choices made in each case will have a direct bearing on their individual performances. Thus, content of strategy at the business level is the main focus of the subsequent sections of this dissertation.

### **Measurement of Business Strategy**

#### **Three Approaches**

Despite so much interest in strategy research, no universally accepted operationalization of the construct of business strategy exists. This lack of consensus among researchers regarding the measure of strategy is attributable to the wide differences in the vocabulary adopted by researchers in the various disciplines of strategic management (Ginsberg, 1984). Venkatraman (1989a) classified the various approaches to strategy measurement into three types: (1) narrative approach, (2) classificatory approach, and (3) comparative approach.

### Narrative Approach

The narrative approach to strategy measurement is based on the view that strategy is a holistic concept which, because of its being unique to each setting (Andrews, 1980), should be described in verbal terms. Early strategy researchers adopted this atomistic view of strategy, i.e., each firm was considered unique in every respect. Furthermore, early strategy research did not take into account the distinction between the various levels of strategy discussed previously, or the contingency perspectives (Ginsberg & Venkatraman, 1985). However, these viewpoints have changed significantly in the past two decades, and led to the notion that "the narrative approaches should give way for superior schemes" (Venkatraman, 1989a, p.943).

### Classificatory Approach

As Dess and Davis (1984) pointed out, the revised view of strategy research reflected the acceptance of commonalities existing between firms in a given industry. The classificatory approach to strategy measurement reflects this view, with strategies being classified either conceptually or empirically. Strategy classifications

derived conceptually are called typologies, whereas similar classifications arrived at through empirical means are termed taxonomies.

Researchers have postulated a number of strategic typologies since the '60s. Some of the prominent ones are those developed by Utterback and Abernathy (1975), Hofer and Schendel (1978), Miles and Snow (1978), Porter (1980), and Wissema et al. (1980). While all these typologies use different nomenclature to describe the groups of firms following various strategy types, most of these researchers conclude that there are but a few identifiable strategies. In fact, this parsimonious representation of strategy has been the principal attraction of following this approach to strategy classification/measurement. Among the most venerated and researched strategic typologies, Miles and Snow's and Porter's typologies stand out. More follow up research and literature exists on these two typologies than any other. All the hospitality strategy researchers have based their studies on one or the other of these typologies.

Among the prominent empirically derived strategic taxonomies, the works of Buzzell et al. (1975), Miller and Friesen (1978), and Galbraith and Schendel (1983) have received wide attention. Such taxonomies are based on

internally consistent configurations of strategic dimensions. Miller (1981) and Hambrick (1983b) referred to these configurations of like strategies as "gestalts" referring to "tightly interdependent and mutually supportive parts, the significance of which can best be understood by making reference to the whole" (Miller, p. 3).

While the strategic typologies are conceptually elegant, they are too broad and general; whereas the strategic taxonomies rely heavily on the correct choice of underlying dimensions (Venkatraman, 1989a).

### Comparative Approach

The third approach to strategy measurement, viz., the comparative approach, relies on isolating and measuring key strategic dimensions. Strategy is treated in this approach as a multi-dimensional, multi-faceted construct, and the emphasis here is on measuring the differences on a large set of strategic characteristics which "collectively describe the strategy construct" (Venkatraman, 1989a, p. 944).

Though less parsimonious than either of the classificatory approaches discussed previously, the comparative approach gives more depth and breadth to strategy measurement.

Researchers such as Dess and Davis (1984) have used this

approach to study the differences in strategies adopted by different firms in a given industry.

### Hybrid Methods

Early strategy research used either coarse-grained survey research methods or fine-grained case study approaches. Harrigan (1983) strongly equivocated the use of hybrid methodologies and multi-method measurement of business strategy, if the potentially large and unexplainable error terms common in survey research and the lack of generalizability in case study research are to be avoided. Influenced by similar thinking, many researchers of business strategy have turned to the use of strategic grouping as a balancing act in the measurement of strategy. Porter (1980) noted that the notion of strategic grouping is an intermediate frame of reference to study organizations, compromising the extreme views of treating each firm separately and studying all firms in an industry together as a whole.

In so far as research on strategic grouping has at its heart the normative theory that different organizations within a given industry follow different strategies, and further that such varying strategies have differing

performance implications, a brief review of this stream of research on strategic grouping is very relevant to the present context. However, it is first necessary to introduce the other major construct of interest in this study, viz., performance. Therefore, a review of the use of the performance construct in strategy research is presented next before discussing the stream of literature on strategic grouping which studies the strategy-performance link.

### **Performance**

The ultimate objective of strategic management is performance improvement (Venkatraman & Ramanujam, 1986). Given an environment in which an organization is operational, the choice of appropriate strategies and their effective implementation should intuitively lead to better performance than in the alternative. Thus, organizational performance is a major variable studied in strategy research. Yet, there still remains a great degree of controversy on the definition of organizational performance and its measurement. Snow and Hrebiniak (1980) felt that multifaceted phenomenon that performance is, it is difficult to understand the concept and measure it. Bedian (1986) commented about the divergent definitions, differing explanatory variable sets, and unintegrated analysis of

performance in organizational research. Venkatraman and Ramanujam aptly summed up the situation thus: "... the treatment of performance in research settings in perhaps one of the thorniest issues confronting the academic researcher today. With the volume of literature on this topic continually increasing, there appears to be little hope of reaching any agreement on basic terminology and definitions" (p. 801).

Venkatraman and Ramanujam (1986) stated that the importance of performance in strategic management can be argued along three dimensions: theoretical, empirical, and managerial. Viewed in theoretical terms, performance is the time test of any strategy (Schendel & Hofer, 1979). Empirically, performance is used to test strategy content and process issues (Miles & Snow, 1978). From the managerial point of view, performance relates to the prescriptions employed for performance improvement.

Anderson (1982) categorized organizational performance theories into two types - economic and behavioral. Following Parson's (1956) classification of organizations by type of goals or functions, Randolph and Dess (1984) say that measuring the performance of business organizations by financial criteria is quite appropriate. Snow and



Hrebiniak (1980) agree with this with some reservations. They opined that profitability does not fully account for organizational effectiveness. However, they felt that because well managed firms should perform better than poorly managed ones, using economic performance in the study of strategy is acceptable.

Thus, profitability and growth are two aspects which have been most predominantly used in performance measurement in extant literature. Whether performance should be measured with a single measure or multiple measures is a controversial issue (Hatten, Schendel, & Cooper, 1978). Tosi and Slocum (1984) and Bedian (1986) feel that profitability is the single most important criterion by which business performance should be measured. However, according to Venkatraman and Ramanujam (1986), business performance is only (emphasis added) a subset of the overall concept of organizational effectiveness. Therefore, it is a controversial issue whether performance measures which are of primary importance to organizations should be preferred over those that are of greater import to society at large (Parsons, 1960; Price, 1972; Steers, 1975). For the time being, organization-relevant measures seem to be holding the attention of most researchers, in so far as the literature is replete with return on investment

(ROI), return on assets (ROA), return on equity (ROE), market share, sales and profit as the variables mostly used to measure business performance.

### **Strategy-Performance Link**

While the strategy-performance linkage has always been of great interest to researchers both for its descriptive and prescriptive value, the strategic typologies enumerated by Miles and Snow (1978) and Porter (1980) have given a boost to this research. As a result, in the last decade, there have been several attempts to test and validate these two typologies in studying the strategy-performance link.

Snow and Hrebiniak (1980) studied four different industries to examine the relationship between strategy, distinctive competencies and performance. They found that only one distinctive competence, product research and development, discriminated among the four organizational strategies. They also found that strategy was a more powerful variable than industry affiliation in explaining performance variation. They concluded that significantly divergent strategies can co-exist among different firms within the same industry.

Hall (1980) studied 64 firms in eight manufacturing industries to investigate the relationship between firm strategies and financial performance. The target firms were all operating in hostile environments. He found that achieving the lowest delivered cost and/or the highest product/service/quality differentiation were the two strategies adopted by the more successful firms in their respective industries.

Hambrick (1983a) tested Miles and Snow's (1978) typology using the Profit Impact of Market Share (PIMS) database, and found differences in performance between defenders and prospectors. Galbraith and Schendel (1983) also concluded, from their study based on a consumer and industrial products database, that performance varied by distinctive strategic postures maintained by their sample firms. Based on their factor and cluster analyses, Galbraith and Schendel identified distinct strategic types of firms leading to their postulation of a strategic taxonomy.

Prescott (1986) also used the PIMS database and analyzed 1638 firms' strategy and performance. Classifying strategy into cost efficiency, asset parsimony and

scale-scope, he found that these variables explained 40% of the variance in firm performance as measured by ROI.

Schoeffler, Buzzell, and Heany (1974) and Schoeffler (1977) also utilized the PIMS database to study a sample of industrial firms and found that corporate strategy and market conditions jointly accounted for 80% of the variance in ROI. In general, most studies using the PIMS database conclude that market share and profitability are causally related (Buzzell et al. 1975). Perhaps the most concerted research program on the relationship between strategy and performance in the manufacturing industry is what has come to be termed as the 'Purdue Studies,' led by Hatten et al. (1978), Schendel and Patton (1978), and others. All these studies attempted to identify *strategic groups* in the U.S. brewing industry and tried to relate firm performance to strategic group membership.

### **Strategic Groups**

The concept of *strategic groups* has been receiving increasing attention in the last decade, as researchers try to understand why and how different sets of firms in a given industry achieve varying performance levels. Simply stated, strategic group refers to a group of firms in an

industry which adopt similar strategies to compete in the market place. In so doing, these firms diverge from other groups of firms in their strategic orientation. Whether such strategic grouping has any bearing on the differing performance levels of firms within an industry has been a matter of interest to strategy researchers, both for its explanatory power as well as predictive utility with regard to firm performance.

Hunt (1972) first coined the term *strategic groups* in departing from the traditional Bain and Mason paradigm, which took a deterministic view of the structure-performance relationship, characteristic of the Industrial Organization researchers. According to this paradigm (Bain, 1956; Mason, 1939), the structure-conduct-performance framework governs an industry's operations. Industry structure was viewed as an inviolable influence on the constituent firms' performance, with very little independent role for conduct (strategy). According to this tradition, since conduct was determined by structure, researchers could directly study the structure-performance relationship without regard to the possible ability of firms to vary their strategic orientation to change their performance levels. Hunt disagreed with this view. In his study of the U.S. home appliance industry in the 1960s, he found different groups

adopting common strategies to compete with other groups, in an industry characterized by intense rivalry. Hunt labelled them *strategic groups*. This concept was extended by Newman (1972) who noted that strategic grouping counters the possibility of collusion of firms, typically central to the Industrial Organization view.

A number of subsequent researchers have studied the concept of strategic groups from a theoretical standpoint (Porter, 1980) as well as through empirical investigations (Cool & Schendel, 1987, 1988; Dess & Davis, 1984; Fiegenbaum & Thomas, 1990; Mascarenhas, 1989; Mascarenhas & Aaker, 1989). Notwithstanding this growing interest in the concept of strategic groups, research findings on the strategy-performance relationship are still equivocal.

#### Problems with strategic group research

Two problems recurring in most research on strategic groups are of particular interest here. First, despite a lot of research interest in this area, no systematic procedure to operationalize the concept of strategic groups has emerged. The strategic variables that impact performance vary from industry to industry. As such, an in-depth knowledge of the industry in which the research on

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strategic grouping is being attempted is absolutely imperative to capture the relevant strategy variables (Cool & Schendel, 1987; Mascarenhas & Aaker, 1989). Following this basic assumption, correct as it is, researchers have focused their work on single industry empirical investigations in different industries with which they were most familiar (e.g., Cool & Schendel, 1987, pharmaceuticals; Mascarenhas & Aaker, 1989, oil drilling; Fiegenbaum and Thomas, 1990, insurance). In the process of tailoring each study to the industry in which it is being conducted, no broad-based consensus has been arrived at on the general strategic variables that need to be considered in operationalizing the concept of strategic groups. Normally, replication of any given research in different settings should increase the external validity. However, this is true only if the research findings are consistent across several studies. If the results are inconsistent, as is the case in this stream of research, not only is external validity not established but the very basis of the research, including the operationalization used, is also rendered questionable.

Porter (1980) has identified several strategic dimensions that "capture the possible differences among a company's strategic options in a given industry" (p. 127):

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specialization, brand identification, push versus pull, channel selection, product quality, technological leadership, vertical integration, cost position, service, price policy, leverage, relationship with parent company, and relationship to home and host government. While the industry setting influences the scope of differences along a particular dimension, and other dimensions may be appropriate for particular industries, Porter (1980) is unequivocal in his assertion that these dimensions describe a firm's strategic position.

While acknowledging Porter's (1980) contribution, and that his theory is not tested (Cool & Schendel, 1987), none of the researchers to date have captured all these dimensions in their operationalization of strategic groups. Cool and Schendel have taken into account only specialization, brand identification, push versus pull, channel selection, and technological leadership. Mascarenhas and Aaker (1989) have used specialization, technological leadership, and vertical integration. Fiegenbaum and Thomas (1990) have considered only specialization, cost position, and leverage. Donsimoni and Leoz-Arguelles (1981), Oster (1982), Tassej (1983), and Hergert (1983) have likewise considered only a few of the strategic dimensions identified by Porter. Strategy is a

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multi-dimensional concept, impacted as it is by the industry forces of competitors, substitutes, potential entrants, buyers, and suppliers (Porter , 1980). Thus, it is essential that a maximum number of possible dimensions of strategy should be captured in operationalizing the construct in any strategy research, if rich dividends are to be expected. In contrast, extant research has taken into account less than half of the strategic dimensions postulated by Porter.

The second problem is the inconsistent support from empirical investigations of the effect of strategic grouping on firm performance. Different researchers have used varied measures of firm performance. While Cool and Schendel (1987, 1988) and Fiegenbaum and Thomas (1990) have used market share, weighted market share, and risk-adjusted measures of these two shares, Mascarenhas and Aaker (1989) have used return on assets. Strategy research has generally used, among others, sales growth, return on investment, return on equity, and return on sales as measures of performance.

There seems to be a fundamental difference distinguishing researchers as far as performance measures used is concerned. The PIMS program treats market share as

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a competitive position/strategy factor (Buzzell et al. 1975). While information on return on assets, etc. is available in the database, the PIMS design treats only return on sales and return on investment as the performance measures. Hence, almost all strategy researchers using the PIMS database use these performance measures, though some exceptions do exist such as Dess and Davis (1984) who used annual sales growth and return on total assets. In contrast, as noted earlier, several researchers not using the PIMS database have considered market share and its derivatives as performance measures rather than strategy factors as the PIMS program does.

While many researchers have confirmed the existence of strategic groups in the different industries studied by them, not all of them could establish that some groups were better performers than others. In the absence of such evidence, it has become impossible to understand (much less be able to predict) which strategic variables lead to increased performance.

### **Strategy-Performance Research in the Hospitality Industry**

In the hospitality literature, Schaffer (1986), Dev (1988), Tse (1988), West (1988), and Crawford-Welch (1990)

studied either directly or indirectly the strategy-performance relationship. West and Anthony (1990) followed up on West's dissertation work. While Schaffer and Dev studied the lodging industry, West and Tse studied the restaurant industry, and Crawford-Welch studied both. Schaffer, Dev, and Crawford-Welch followed Miles and Snow's typology to operationalize strategy. West and Tse adopted Porter's generic strategies. A review of this literature follows.

#### Schaffer (1986)

Schaffer's study was aimed at (1) studying the characteristics of competitive strategies in the lodging industry, (2) comparing the strategic grouping obtained in this study with Miles and Snow's (1978) strategic typology, (3) studying the performance differences between lodging firms following different strategies, and (4) studying the strategy-structure match and its impact on firm performance in the lodging industry. Schaffer drew his sample from the 1984 Directory of Hotel and Motel Systems. He excluded hotel companies headquartered outside the U. S. and those firms with hotel units primarily located abroad. Also excluded were hotel firms which operated less than three units. According to Schaffer, there were 350 lodging firms

which met these criteria, representing "approximately 35% of the total number of domestic lodging units" (p. 88). This study was based on a final sample of 101 lodging firms.

Of the six hypotheses Schaffer tested, the following are relevant to the present context: "H1: Strategic archetypes corresponding to Defenders, Prospectors, Analyzers, and Reactors will be distinguishable from identifiable groupings of important strategy characteristics" (p. 11); and H5: There are no differences in the performance of organizations that are classified according to their strategic group memberships" (p. 12). In addition, Schaffer's sixth hypothesis tested if the strategy-structure match resulted in higher levels of performance.

Schaffer used the self-typing method in which respondents answered a structured questionnaire mailed to them. To operationalize strategy, Schaffer primarily used the instrument developed by Dess and Davis (1984) and added five strategic characteristics "that specifically address factors specified by Miles and Snow (1978) but were not included in ... Dess and Davis' strategic dimensions ... " (p. 106).

Porter (1980) described several strategic dimensions that "usually capture the possible differences among a company's strategic options in a given industry" (p. 127). These dimensions, as described by Porter, are specialization, brand identification, push versus pull, channel selection, product quality, technological leadership, vertical integration, cost position, service, price policy, leverage, relationship with parent company, and relationship to home and host government. According to Porter, firms in any given industry adopt "a number of different though internally consistent combinations of (these) dimensions" (p. 129). Dess and Davis (1984) in their study of the paint industry adopted some of these strategic dimensions articulated by Porter in developing their research instrument to measure the strategic orientations of their respondent firms.

Schaffer compared the 21-item scale of Dess and Davis' (1984) instrument with the strategic characteristics described by Miles and Snow (1978) to identify any missing characteristics not taken into account by Dess and Davis. It is thus that Schaffer's instrument had 26 strategic characteristics as shown in Table 2, the last five of which were the additions made by him to the Dess and Davis' instrument. Schaffer asked the CEOs of respondent firms to

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indicate the degree of importance associated by them with each strategic characteristic in the survey instrument. In so doing, respondents were asked, "to think of the organization's pattern of behavior over time rather than for any specific period" (p. 88), and "to focus their responses on operations for which the organization has direct control and profit responsibility, *excluding franchised operations* (emphasis added)" (p. 88).

**Table 2. Strategic Characteristics used in Schaffer's instrument**

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**Strategic Characteristic/Method**

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01. New Product/Service Development
  02. Customer Service
  03. Operating Efficiency
  04. Product/Service Quality Control
  05. Experienced Trained Personnel
  06. Maintain Extensive Inventory Levels
  07. Competitive Pricing (Price Leadership)
  08. Broad Range of Products/Services
  09. Developing/Refining Existing Products/Services
  10. Brand Name Identification
  11. Innovation in Marketing Techniques and Methods
  12. Control of Channels of Distribution
  13. Procurement of Raw Materials
  14. Minimizing the Use of Outside Financing
  15. Serving Special Geographic Markets
  16. Capability to Produce and Deliver Specialty Products and Services
  17. Products or Services in High Price Market Segments
  18. Advertising
  19. Reputation Within Industry
  20. Forecasting Market Growth
  21. Innovation in Service Processes
  22. A Narrow Product/Market Focus
  23. Stability in the Operating Environment
  24. Continually Searching for New Market Opportunities
  25. Environment Scanning Activities
  26. Continual Change in the Operating Environment
- 

Source: Schaffer (1986)

Schaffer used two performance measures in his study: (1) percentage change in total revenue, and (2) average percentage of income after property taxes and insurance, following the example of Hambrick (1983b) and Dess and Davis (1984), and the normative prescription of Pannell Kerr Forster (1983) for the lodging industry. The respondents were asked to consider the 4-year period 1979-'82 and rate their performance on both these measures on a 5-point interval scale relative to the overall industry averages.

Following a principal component analysis, a 5-factor solution, accounting for 47.5% of the total variance, was found to be the most acceptable. Schaffer labeled these five factors as Efficiency/Quality Controller, Prospector-like, Internalized Resource Controller, Market(ing) Focused Analyzer, and Geographic Focused Price Leadership, based on the strategic characteristics that significantly loaded on to each of the factors. Analyzing the strategic characteristics of each factor, Schaffer concluded that the Efficiency/Quality Controller strategy was similar to Miles and Snow's (1978) defender type. He argued that Market(ing) Focused Analyzer and Geographic Focused Price Leadership strategies were like those followed by analyzers, and he equated the Internalized Resource



Controllers to the reactors of Miles and Snow's typology. Notwithstanding the presence of two distinct types of analyzers in his classification, Schaffer argued that his results confirmed the presence of Miles and Snow's strategic types in the lodging industry.

To test the rest of the hypotheses, the respondent firms had to be categorized into strategic groups. For this, Schaffer performed two cluster analyses - one using the factor scores and another using the raw data. The objective of doing two cluster analyses was to validate the cluster solutions by comparing them with each other. After trying out various combinations of 4-, 5-, and 6-factor solutions with 4-, 5-, and 6-cluster solutions, a 5-factor/5-cluster solution was chosen as the most appropriate. Based on an examination of this solution together with the highest and lowest average factor scores for each of the clusters, five strategic groups were named: Do-It-All Differentiators, Internalized Resource Controllers, Narrow Focused Marketing Innovators, Efficiency/Quality Controllers, and Geographic Focused Price Leaders. A similar analysis was done using the raw scores of the 26-item scale, instead of the factor scores. Though a 5-cluster solution was accepted in this case as well, the

cluster solution based on factor scores was accepted as the basis for further analysis.

Firms classified as Do-It-All Differentiators were found to be both prospector- and defender-like at the same time. They emphasized "uniqueness and innovation as well as efficiency and quality control" (p. 168). Internalized Resource Controllers were concerned with control of resources and were characterized by an internal focus. Considering that the strategic characteristics of the firms in this group were very unlike any that can be expected in service organizations, Schaffer concluded that they lack a strategic focus and "may well represent the 'reactor' types referred to by Miles and Snow" (p. 169). The Narrow Focused Marketing Innovators exhibited an emphasis on innovative marketing techniques, advertising and so on, but a de-emphasis on quality, cost control and other efficiency factors. The Efficiency/Quality Controllers were those firms which exhibited "defender/cost leadership type of strategy with an aversion toward innovation" (p. 170). Last, Geographic Focused Price Leaders were found to emphasize concentration in limited geographic markets and price leadership with a de-emphasis on both efficiency and innovation. Schaffer concluded these firms were analyzer-like by Miles and Snow's typology.

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If one accepts Miles and Snow's (1978) theory, different competitive strategies would be expected to lead to different performance levels. Specifically, defenders, prospectors and analyzers should perform better than reactors. Schaffer used a one-way ANOVA procedure to test whether there were performance differences between his five strategic groups. Contrary to expectations, no statistically significant differences were found in the mean performance measures. As part of his further analysis (the details are omitted here as they are not relevant to the present context), Schaffer divided his respondent firms into four categories: transient hotels, resort hotels, motels with restaurants, and motels without restaurants. A chi-square test established statistically significant differences in strategies popularly employed by these four categories of lodging firms. Schaffer also analyzed the performance differences across the five strategic types in each of these four industry categories. Except in the case of motels with restaurants, no significant differences were found in the mean performance scores of the different competitive strategy types in the three other industry categories. In the case of motels with restaurants, significant differences at less than 0.05 level occurred in three of the five performance scores. Duncan's test indicated that Do-It-All Differentiators had significantly

higher mean performance scores than Narrow Focused Marketing Innovators in all three instances.

#### Dev (1988)

Dev's study of 204 U. S. lodging firms was aimed at investigating the relationship between perceived environmental uncertainty, business strategy, and financial performance. The strategic typology used in Dev's study is also that of Miles and Snow (1978). Unlike Schaffer (1986), Dev chose his unit of analysis to be the individual hotel. He drew his sample from a national data base of 25,711 lodging units in the U. S. maintained by Laventhol and Horwath (which is no longer in existence). Guided to some extent by the structure of the data base, and a key consideration of requiring the existence of a top management team, Dev selected as his sample frame all hotels with 150 or more rooms.

The central hypothesis relevant to the present context that Dev formulated is that no differences will be found in the performance of hotels classified according to their strategy type. He also tested the same hypothesis in two different environment conditions - stable and volatile.

To operationalize strategy, Dev followed Snow and Hrebiniak (1980) who used descriptive statements to clarify the terms defenders, prospectors, analyzers, and reactors, and asked respondents to choose the strategy which best described their firm's strategic orientation. Dev also used Schaffer's (1986) approach of asking the respondents to rate a set of strategic characteristics, as originally tried by Dess and Davis (1984). In adapting Schaffer's 26-item scale of strategic characteristics, Dev made two significant improvements. Schaffer did not make any changes in his original scale even after the feed back in his pilot test suggested that the respondents did not understand the scale statements in the same way the researcher intended. Dev corrected this mistake by replacing the original statements with the corresponding suggestions made by Schaffer's pilot test respondents. In purifying the scale as above, Dev also detected and eliminated some superfluous statements and ended with a 23-item scale of strategic characteristics as shown in Table 3.

**Table 3. Strategic Characteristics used in Dev's Instrument**

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**Strategic Characteristics/Methods**

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01. Serving specific markets/segments
  02. Controlling sources of business
  03. Financial/Cost control
  04. Training and development
  05. Building reputation of property in the community
  06. Monitoring guest satisfaction
  07. Providing high service level
  08. Quality control
  09. Maintaining market leadership
  10. New product/service development
  11. Maintaining high inventory of food, beverage, and operating supplies
  12. Providing many facilities/services
  13. Selling at your lowest rate
  14. Testing new marketing ideas and methods
  15. Serving a variety of customer groups
  16. Controlling material/supply sources
  17. Using debts (loans) to finance projects
  18. Providing special services
  19. Trying innovative service ideas/methods
  20. Maintaining operational efficiency
  21. Searching for new markets/opportunities
  22. Keeping track of competition
  23. Regular renovation/refurbishment
- 

Source: Dev (1988)

The other important change effected by Dev is with respect to the semantic anchors for the 23-item scale. Dev's pilot test showed that using *not important* and *very important* as the semantic anchors for the strategy characteristics led the respondents to think in terms of *intended* strategies rather than *realized* strategies (Mintzberg, 1978). Intended strategies may not always materialize in which case they become unrealized strategies. On the other hand, a firm may adopt originally unintended strategies as it goes through the process of strategy formulation and implementation. Thus, the strategies finally adopted by some firms may be emergent ones which may be different from their *intended* ones (Mintzberg, 1978). If we assume the normative theory that strategy impacts performance to be true, it is only the *realized* strategies, which may be intended or emergent, that we should concentrate on, for it is only strategies that are actually implemented that can affect performance. As such, what Dev observed from his pilot test is a very significant finding affecting instrument construction. Dev corrected the problem by changing the semantic anchors to *not part of strategy* and *key part of strategy* to ensure that respondents indeed considered their realized strategies while responding to his 23-item strategy characteristics scale.

Dev operationalized firm performance by measuring two financial performance indicators: total sales and income before fixed charges. To render this information comparable across diverse properties, Dev computed two measures as follows:

$$\text{Performance Ratio (PROF)} = \frac{\text{Income before fixed charges}}{\text{Total sales}}$$

$$\text{Sales Per Available Room (SPAR)} = \frac{\text{Total Sales}}{\text{Available Roomnights}}$$

Dev employed a variety of factor analytic and clustering routines to identify any strategic grouping underlying the 23-item scale of strategic characteristics. The objective was, of course, to validate Miles and Snow's typology with this data. Contrary to Schaffer's (1986) claim in a similar effort as discussed previously, Dev did not find any meaningful groupings leading to the conclusion that the strategy characteristics questionnaire was "inappropriate for further analysis" (p. 119). As a consequence, all his further analysis depended on the

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self-typing of strategies furnished by the General Managers of the respondent hotels, based on the descriptions provided to them of the Miles and Snow's four strategic types.

One-way ANOVA procedures failed to reject the null hypothesis that "no difference will be found in the performance of hotels classified according to their strategy type" (p. 140). Thus the normative theory that strategy impacts performance could not be confirmed, much the same as Schaffer (1986) found in his study. Dev, however, did find a significant relationship between the strategy-environment match and performance. An interesting finding by Dev was that analyzers outperformed both prospectors and defenders in a volatile environment.

#### West (1988)

In contrast to Schaffer (1986) and Dev (1988), West used Porter's (1980) generic strategy typology to study the relationship between strategy and environmental scanning to performance. Unlike the two previous studies which were set in the lodging industry, West's study was based on restaurant firms. West used a number of restaurant industry listings to draw his sample as there is no single source

where the entire industry, including the multitudinous small independents, is listed. His study is based on a final non-random sample of 65 firms with 106 individual responses, including the CEOs and other top management members.

The hypothesis of interest here that West tested is, "High performing firms will espouse at least one generic intended strategy while firms that do not espouse an intended strategy will exhibit low performance" (p. 84). West operationalized strategy through the self-typing method using descriptions of the three generic strategies postulated by Porter (1980). Performance was operationalized by three measures, Return on Sales (ROS), Return on Assets (ROA), and Growth in Unit Sales. For the calculation of ROS and ROA, net operating income before tax and interest was used. All performance data was collected for the 5-year period 1982-1986.

ANOVA procedures indicated that only ROS is significantly affected by strategy, with "firms espousing a differentiation strategy significantly outperform[ing] firms following a focus strategy" (p. 152). Given that only one out of three performance measures was found to be significantly affected by strategy and, more importantly,

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that firms not following any of Porter's generic strategies outperformed those following the focus strategy on all three performance measures and even those following differentiation and low cost strategies in Growth of Unit Sales, West was forced to conclude that his hypothesis should be rejected. Strategy, evidently, seemed to have no affect on performance in this study too.

#### Tse (1988)

Tse's study of the strategy-structure-performance relationship paralleled West's (1988) research. In fact, the survey instrument was common for both these studies. The operationalization of strategy and performance was also the same. Tse got responses from 91 restaurant firms. To test the strategy-performance relationship, Tse departed from West in the statistical methods used. Instead of using ANOVA, Tse adopted the chi-square test by dividing the firms into high, medium and low performers based on each of the performance measures. However, her results were identical to West's in that only ROS showed a significant variation by strategy. Tse concluded that they "were inconclusive as to support the relationship between strategy and performance" (p. 124).

### Crawford-Welch (1990)

Among the various research objectives of Crawford-Welch's study, the one which is relevant here is: "to determine if there exist any significant differences in the level of performance of hospitality organizations grouped according to type of business strategy" (p. 36). Crawford-Welch tried to combine the efforts of Schaffer (1986) and Dev (1988) on the one hand in studying the lodging industry, and West (1988) and Tse (1988) on the other in studying the restaurant industry. His samples from both these segments were drawn from similar sources relied on by the previous four researchers. However, Crawford-Welch got only 30 responses from lodging establishments and 116 responses from the restaurant industry.

To operationalize strategy, Crawford-Welch also relied on a self-typing method. He, however, combined the approaches of Dev (1988) and Schaffer (1986) by using both descriptor statements of Miles and Snow's (1978) strategic typology as well as a 23-item scale of strategic characteristics. Performance was operationalized by ROS,

ROA, and Growth in Unit Sales as West (1988) and Tse (1988) have done.

Factor analytic and clustering routines led Crawford-Welch to conclude the following:

- (1) Factor analysis resulted in only two meaningful factors conforming to Miles and Snow's (1978) descriptions of defenders and prospectors. Thus, it was opined that this typology has limited applicability to the hospitality industry.
  
- (2) While a few significant differences were found between low and high performers, these were more in terms of individual strategic characteristics rather than in clusters of these characteristics which alone would have indicated differences in strategies as a whole. Crawford-Welch concluded: "When firms were classified as either high or low performers according to return on sales, return on assets, and growth in unit sales, there was a high level of consensus in terms of the distinguishing strategic attributes of the cluster" (p. 374).

West and Anthony (1990)

West and Anthony followed up on West's (1988) work to study the performance differences between strategic groupings of firms in the restaurant industry. They used Dess and Davis' (1984) 21-item scale of strategic characteristics to operationalize strategy. Six strategic groups were identified through factor and cluster analyses of the scale responses from the same sample used by West, reflecting five underlying strategic factors - focused efficiency, product/service innovation and development, image management, focused differentiation, and control. The sixth cluster was found to consist of firms with no apparent strategy. West and Anthony also discovered significant performance differences between the strategic groups. Product/service innovation and focus strategies were found to result in a significantly higher performance in ROS than focused differentiation or control. Firms relying on product/service innovation significantly outperformed firms emphasizing focused differentiation or no apparent strategy, as measured by ROA.

## Discussion

It is evident from the literature that strategy research in the hospitality industry has not progressed far in the past six years. Looking at the conflicting results obtained in the different studies by Schaffer (1986), Dev (1988), Tse (1988), West (1988), Crawford-Welch (1990) and West and Anthony (1990), in fact, we seem to have come a full circle and reached the same point we were prior to Schaffer's work. This disillusioning fact is reflected in Tse's conclusion that "perhaps Porter's generic strategies cannot be extended to the service industry and may not be appropriate in examining the variation in firm performance in the restaurant industry" (p. 124). Crawford-Welch (1990) echoed this view, "In sum, it appears that the Miles and Snow (1978) strategic typology has limited applicability in the context of the hospitality industry" (p. 384).

The fact that neither of the two most popularly researched strategic typologies were found to be applicable in the hospitality industry raises some very fundamental questions and concerns. Are these typologies really not suitable to this industry, or are we not testing them properly? Are we operationalizing the strategy and performance constructs, and measuring the variables

involved, correctly in the first place? The big question, of course, is where do we go from here? In order to answer that, we must consider the possible reasons behind the inability of extant research to lead us in the intended direction. On close examination, it seems that the limited strategy research undertaken so far in this industry has failed to reckon with several imperfections. Understanding and correcting these imperfections should get us back on the road again. In the following section, some of the problems with the extant hospitality strategy research are discussed.

#### Where did we go wrong?

Broadly speaking, the imperfections in the past research in hospitality strategy can be viewed at two levels, the conceptual and the methodological. The former level refers to the definition of the construct of strategy itself, the unit of analysis, and the operationalization of the constructs of strategy and performance. The latter refers to the choice of statistical techniques, and the methods used to measure the variables under investigation. Each of these issues is dealt with hereafter.



## Conceptual Problems

### Intended vs. realized strategy.

At the outset, exception can be taken to the very conceptualization of business strategy itself in most of the reviewed studies. With the exception of Dev (1988), all the other studies measured *intended* strategies rather than *realized* strategies. It has been argued earlier that it is only the realized strategies which matter in any investigation of the strategy-performance link. It is obvious that most of these studies have failed to conceptualize the strategy construct correctly. It is only Dev (1988) who took pains to attend to this problem when he corrected the semantic anchors of the strategy characteristics scale after his pretest. The realization of this problem with the conceptualization of the strategy construct is succinctly summed up by West and Anthony, "Future research should be directed toward examining the realized strategy/performance relationship and the variables affecting it" (p. 264).

A related problem concerns strategy implementation. West and Anthony (1990) stated, "This study addressed intended strategy and possessed no means to ascertain if

firms were capable of actually implementing strategies they espoused. The within-group differences of the various strategic clusters is largely unexplained since environmental scanning explained only 8% of the variance in ROS and only 9% in ROA. The ability to implement intended strategy might explain much within group variance" (p. 263). West and Anthony further commented, "While it has been established that there are differences between members of the same strategic group in the food service industry, not much attention has been directed toward discovering conditions which may account for these differences such as implementation of chosen strategy by food service firms" (p. 264). In fact, "the ability of the firm to execute or implement its chosen strategy in an operational sense" (p. 142) is an important factor which determines the profitability of a firm within a strategic group (Porter, 1980).

While, admittedly, all these studies were concerned with the content of strategy rather than the process of strategy formulation and implementation, the researchers should have taken into account this very important theoretical consideration that variation in implementation can change the effect of an intended strategy. Once again, if realized strategy had been measured, this problem would

not have been relevant as realized strategy accounts for imperfections in implementation.

Unit of analysis.

Another conceptual problem in the extant research concerns the unit of analysis adopted. Once again, with the exception of Dev (1988), the unit of analysis adopted by the other researchers was the firm, multi-unit in some cases (Schaffer, 1986) and not necessarily so in others (Crawford-Welch, 1990; Tse, 1988; West, 1988). In contrast, Dev studied individual hotels as strategic business units. In the absence of due consideration to the unit of analysis, Schaffer, Tse, and West, in fact, measured corporate-level strategy and not business-level strategy as they presumed, because their samples included many multi-unit firms.

In such multi-unit firms, the individual business units face varying environments, in terms of demand and supply situation, competitive threats, availability of labor and operating supplies, taxation, etc. Consequently, the strategies of these business units have to be necessarily different in their effort to align themselves with their respective environments. In such a situation, there can be

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no single business strategy that can be articulated by the multi-unit firms as being common to all their constituent units. This is what these past researchers tried to measure, which clearly is not appropriate.

Literature is replete with the distinctions between these two levels of strategies (reviewed in an earlier section herein) and not taking these distinctions into account may have caused some of the inconsistent results. The seriousness of this problem will be all the more clear when the performance measurement issues are discussed in a subsequent section herein.

#### Operationalization of strategy.

To operationalize strategy, these researchers have followed one or both of these approaches: (1) responses to set descriptions of the strategic typology employed were solicited, and/or (2) responses on the appropriateness of a number of strategic characteristics were obtained which were then analyzed through factor analysis and clustering techniques. While all the studies had a pretest built into them, the strategic characteristics used to identify the strategies were not generated from ground up. Instead, these researchers borrowed the scale developed by Dess and

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Davis (1984) and made a few modifications before using it, if at all. Whether these characteristics are appropriate to the context of their research studies has not been paid as much attention as was necessary, thereby affecting the construct validity of the strategy scale.

#### The goods-services dichotomy.

In contrast to the exhortations of Miles and Snow (1978) and Porter (1980) that their strategic typologies are so generic that they can be used in any and all industries, other literature in the services sector raises doubts about this universal claim. Whether theories developed in the manufacturing sector are applicable to the service industries remains a moot point till today and is the subject of a regular debate between academicians on each side of this dichotomy. Zeithaml et al. (1985, 1990), Barrington and Olsen (1987), Parasuraman et al. (1988), and Grönroos (1990), among many other researchers, have highlighted the differences between goods and services.

There is universal agreement, at least among the researchers in the service sector, that goods and services are significantly different on four accounts: intangibility, inseparability, heterogeneity, and

perishability. Services are intangible because they are performed rather than produced, and cannot be seen, felt, tasted, or touched. Production and consumption are inseparable in the case of services because in most services they are simultaneous. As a result, services are perishable because they cannot be produced and stored for later consumption. Because of the high degree of interaction involved between the service provider and the consumer, and the high degree of personal involvement of both in the service delivery process, services are heterogeneous in contrast to goods.

#### Service management perspectives.

These significant differences between goods and services are reasons enough to question whether strategies developed and tested in the manufacturing sector are equally applicable in the service sector. Service management theorists believe that, in fact, such borrowing of strategies from the manufacturing sector to test in service settings is not likely to work. Grönroos (1990), for example, argued that trying to become cost-efficient by employing more technology and self-service concepts and reducing personnel, will not work in the service sector. He drew a distinction between *internal efficiency* and *external*

*efficiency* - the former referring to "the way the firm operates and the productivity of labor and capital" (p. 95), and the latter referring to "the way the customers perceive the operations and the output of the firm" (p. 95). Grönroos persuasively argued that trying to achieve internal efficiency will mostly lower external efficiency in service industries and result in what he labelled as the *strategic management trap*, which is a vicious circle of greater internal efficiency and lower service quality feeding on each other. Thus, it may be argued that strategies like overall cost leadership (Porter, 1980) aimed at achieving high cost efficiencies may not work in a service setting like the hospitality industry.

Similarly, differentiation may be difficult to be sustained in a service industry setting because competition can and does quickly copy any such efforts. Very few efforts towards differentiation in service industries give sustainable advantages to the pioneer firm over a long term. There may be some exceptions such as the high-tech, high-cost reservation systems being designed by some of the lodging chains in collaboration with other travel industry partners. Such differentiation attempts are indeed difficult to be imitated by one and all. But, such examples are by far too few and in between.

Buzzell and Gale (1987) and Grönroos also stated that it is the customer perceived service quality that is extremely important for service firms' success. Building on this, Grönroos presented a number of strategic characteristics for service firms to improve customer perceived quality and, consequently, performance. Zeithaml et al. (1985), reviewing service marketing strategy literature, consolidated a list of successful strategies prescribed by various researchers.

Parasuraman, Zeithaml, and Berry (1988) extended this thinking by constructing a scale to measure service quality. Defining service quality as the difference between customer expectations from/about a service and customer perceptions of the quality of service actually received, Parasuraman et al. developed and tested their SERVQUAL instrument. Their investigations resulted in the delineation of five distinct service quality dimensions: tangibles, reliability, responsiveness, assurance, and empathy. Zeithaml, Parasuraman, and Berry (1990) then used this SERVQUAL instrument to assess the differences between customers' ratings of service quality and managerial perceptions of the service quality being delivered. They found significant differences between the service quality ratings of management and customers. Zeithaml et al. captured these



differences in a service-quality-gap model, which identified four service quality gaps: Customers' Expectations-Management Perceptions Gap, Management's Perceptions-Service Quality Specifications Gap, Service Quality Specifications-Service Delivery Gap, and Service Delivery-External Communications Gap. The cumulative effects of these four gaps, Zeithaml et al. posited, create Gap 5 which is the difference between the Customers' Expected Service and Perceived Service, which is what Parasuraman et al.'s SERVQUAL instrument is intended to measure.

It is well known that in the hospitality industry, product differentiation is becoming increasingly difficult. For all practical purposes, there is hardly any difference between lodging products within a given price range and offering generally similar levels of service. Therefore, it seems all the more important for the lodging industry constituents to look for that niche, each of them so desperately needs to effectively compete, in differentiating on service quality, improving customer perceived quality, and thereby reducing the gap between the customer expectations and perceptions of service quality. The service management researchers believe, it is only such strategies aimed at enhancing customer perceived quality which will enable a firm to succeed.

### Problems with Dess and Davis' instrument.

By using the Dess and Davis (1984) instrument to measure strategy, hospitality researchers have not given adequate attention to this issue of the differences between the manufacturing and service sectors. The inconclusive results they obtained in their studies only tend to strengthen the argument that probably the Dess and Davis instrument is not entirely suitable for hospitality strategy research. Strategic group researchers are in agreement that the strategic variables that impact performance vary from industry to industry (Cool & Schendel, 1987; Mascarenhas & Aaker, 1989). Hospitality strategy researchers have not adequately addressed this issue. To this extent, some of the factor solutions of strategic characteristics expounded by these researchers are more methodological artifacts rather than credible discoveries. For instance, one of the strategic factors identified by Schaffer (1986) is what he labeled as *internalized resource controllers*. Discussing this factor, Schaffer states, "this appears to be an odd strategic profile for firms operating in a service industry. Emphasis on channels of distribution, raw material purchases and inventory levels may be critical in manufacturing but do

not seem to be the type of strategic issues that would be of high importance to service organizations. This peculiar competitive strategy profile may be indicative of firms in this industry that lack an appropriate strategic focus. They may well represent the 'reactor' types referred to by Miles and Snow" (p. 169). On the contrary, channels of distribution are extremely important to the lodging industry. That raw material purchases, etc. are not appropriate strategic issues in the context of the lodging industry should be a priori knowledge. Why were such strategic characteristics, which may have been relevant to Dess and Davis (1984) in the context of their study set in the manufacturing sector, included in the first place by Schaffer in his study? Including such obviously extraneous characteristics such as emphasis on raw material purchases and inventory levels in a study of lodging, and then equating them with Miles and Snow's (1978) reactors, is of no help in trying to establish the applicability of this typology to the hospitality industry.

A second issue related to the Dess and Davis (1984) instrument is that it, too, was based on only a limited set of strategic dimensions articulated by Porter (1980), as is the case with most other strategic group research.

According to Dess and Davis, of the 13 strategic dimensions

enunciated by Porter, they used six: brand identification, channel selection, technological leadership, cost position, service and leverage. To the extent that (1) the rest of Porter's strategic dimensions have not been considered by Dess and Davis (1984), and (2) some of those dimensions left out, viz., specialization, push vs pull, vertical integration, price policy, product quality, relationship with parent company, and relationship to home and host government, may be particularly significant to service industries in general and the hospitality industry in particular. Relying exclusively on Dess and Davis' instrument is clearly fraught with problems. Besides, none of the extant hospitality strategy research has also questioned and validated whether the strategic characteristics developed by Dess and Davis (1984) are collectively exhaustive in describing even the six strategic dimensions upon which they concentrated. Finally, there still remains the question whether Porter himself has identified all the strategic dimensions possible in the first instance.

Dev (1988) sums up these apprehensions aptly thus: "Is it realistic to hope that the essence of a multidimensional and complex construct [strategy] can be tapped through the analysis of responses on a few characteristics? To

adequately tap the construct, how many characteristics are appropriate? Were the characteristics used, drawn from the literature, appropriate for the analysis?" (p. 162). The answer seems to be in the negative, based on the results of the hospitality strategy research studies conducted thus far.

#### Operationalization of performance.

Operationalization of performance is also a problem in the extant research. There are really several issues involved here. First, are financial performance measures adequate to capture the essence of organizational effectiveness? What is wrong with hotel firms - particularly in the early years of their life cycle - concentrating on customer service and guest satisfaction even at the expense of financial performance? Such performance criteria correspond to what Anderson (1982) categorized under behavioral theories of organizational performance.

Second, are the financial performance measures used in extant research the right ones? If maximization of shareholder wealth is the ultimate objective of any good management, and if investors evaluate firms on this basis,

it would logically follow that return on investment (ROI) would be the most appropriate financial performance measure. Accounting measures such as ROA do not capture the essence of this evaluation at all. A firm may plow back the bulk of its cash flow into asset expansion and thereby show depressed profits and ROA. However, its long-term rate of return may in fact prove to be excellent. Thus, relying on short-term oriented accounting measures is not appropriate in evaluating a firm's performance. Further, none of the researchers have considered risk-adjustment of their financial performance measures, which is imperative if a realistic assessment of performance is desired.

Third, some performance measures may be conflicting with each other. Though market share has not been used as a performance measure in the research studies being discussed here, it is well known that market share and profitability are conflicting performance goals at least in the short-term. In general, growth and profitability could be conflicting performance criteria and different firms following a similar strategy may choose one or the other of these as their objective. This would increase the within-group differences in performance depending upon the measure used, and between-group performance differences will

fail to be proven in such a situation. This may well be the case in these studies under discussion.

Growth in unit sales is one of the performance measures used by all the researchers except Dev (1988). In the hospitality industry, particularly in the lodging sector, growth of a firm mostly comes from extending the distribution, i.e., increasing the number of units, rather than from improvement in same-unit sales. In fact, it is for this reason that many hospitality firms are multiplying their units. Growth in unit sales, which measures most closely the increase in same-store sales, is thus not the right measure of performance for this industry.

### Methodological Problems

#### Performance-unit of analysis.

Apart from some of these conceptual level problems, the past research is also beset with some methodological problems. The most important of these is a unique performance measurement problem in all the studies, with the exception of Dev (1988), because of the unit of analysis adopted. Schaffer (1986), Tse (1988), and West (1988), chose the firm as their unit of analysis. With

franchising being a popular strategy for growth and profitability in this industry, the samples in each of these studies had varying proportions of franchised and owned operations. The single-unit firms would have all been independently owned, whereas the multi-unit firms definitely had an assortment of owned and franchised properties. Comparing performance across such samples, with the measures used, is impossible. The single-unit firms would have reported their total assets and revenues as performance measures. But in the case of multi-unit part-franchised firms, part of the revenues would have been just franchising fees and not the actual revenues of the business units involved. Likewise, reporting of assets by such firms would also be depressed because franchisee assets are not reflected in their books. In such a scenario, comparing, say, ROA of all the firms is clearly methodologically incorrect. Hospitality strategy research definitely cannot copy the performance measures used in the manufacturing sector because of this peculiar nature of the industry.

#### Strategy-unit of analysis.

As a corollary to the above problem posed by the industry structure - varying proportions of owned and



franchised operations - except for Dev (1988), all the other studies had a built-in problem in the measurement of strategy. Schaffer (1986), for instance, asked his respondents to focus their responses on operations for which the organization had direct control and profit responsibility, *excluding franchised operations* (emphasis added). To expect any respondent to fulfill this task is being very optimistic. West (1988) and Tse (1988) did not specify any such guidelines to the respondents. However, their respondents, too, would have mixed up owned and franchised units in their minds while answering the survey instrument. As a result, the responses to the strategy characteristics scale may not have been comparable at all in any of these studies because a high degree of interpretative bias has been built into the questions.

#### Validity issues.

Further, while some of the researchers claimed using multi-method measurements to improve the construct validity, in fact, they did not fully analyze the data in the manner prescribed by Campbell and Fiske (1959) and Churchill (1979) as far as the strategy construct is concerned. Dev (1988) could not have attempted this because he could not factorize his strategic

characteristics. Schaffer (1986) did not use a multi-method measurement approach at all as far as the strategy construct is concerned. West (1988) and Tse (1988) did design their instrument to suit this purpose but did not follow through in their analysis. As a result, none of the researchers established the construct validity of their scales for measuring strategy.

#### Statistical techniques.

Another methodological problem is that, in a number of cases, ANOVA procedures were used when MANOVA procedures were appropriate, considering the multicollinearity existing between the performance variables. This would have affected the power of the tests as well as the results.

The foregoing discussion highlights some of the major flaws in extant hospitality strategy research. Though not central to the current study, it may be appropriate to present here a brief critique of the contingency research in hospitality strategy research before ending this literature review, so that future hospitality strategy researchers may address the issues raised.

## Contingency Research in the Hospitality Industry

### Contingency Variables

Harvey (1982) observed that the contingency approach to strategy implies that, a unique strategy exists for a given set of organizational and environmental conditions. At the heart of the contingency theory is the presumption that there is no one best way to organize, and that varying conditions require different ways of organizing for an enterprise to be successful (Galbraith, 1973). There is a general agreement today that to be successful an organization's strategy must be aligned with several contingent variables, the most important of which are environment, life cycle stage, technology, and structure. In the hospitality field, very limited research has been attempted so far in examining the relationships between strategy and these four contingency variables, and the impact of such relationships on firm performance. While Dev (1988), West (1988), and Crawford- Welch (1990) studied the strategy-environment-performance linkage, Tse (1988) studied the strategy-structure-performance relationship. No

empirical work exists on the relationship of strategy and life cycle stage or technology.

Following the earlier arguments that a fresh start is needed in the strategy-performance research because of the faulty conceptualization and operationalization of these two constructs in the extant research, it is imperative that research in the relationship of strategy and the four contingency variables and its effect on performance, also be re-examined. In the case of technology and life cycle stage, such research will, of course, be new as there are no empirical investigations of these variables in the hospitality strategy research till date.

### The Concept of Fit

While doing such a re-examination of the relationships between strategy and the four contingency variables mentioned above, strategy researchers must delineate the type of contingency relationship they anticipate or hypothesize in each case. Venkatraman (1989b) observed that phrases such as *contingent upon* are imprecisely used in research, without any consideration for the isomorphous relationship between the conceptualization of such a contingency and the analytical framework used to confirm

it. Venkatraman posited that there is a fixed relationship between a given contingency conceptualization and how it is measured. For example, a contingency relationship espoused as a *moderation* effect cannot be tested with an analytical framework that actually measures a *mediation* effect. The problem with the earlier research in this area is that the type of contingency relationship being studied is not carefully delineated. As a result, the analytical evaluations have not been consistent with the real (possible) contingency relationships. This might explain the conflicting results obtained so far in extant research. Though Venkatraman exclusively dealt with the strategic fit between environment and strategy as the starting point for his exposition on different perspectives of fit, the same arguments and theoretical perspectives can be applied to the contingency relationships between strategy and life cycle stage, technology, and structure as well, in their impact on firm performance.

#### Multiple perspectives.

Venkatraman (1989b) identified six different perspectives of fit: moderation, mediation, matching, gestalts, profile deviation, and covariation. Of these, only moderation, mediation, and matching could be

considered as alternative perspectives for most research questions involving the fit between only two concepts. In the moderation perspective, an *interaction* between two supposedly related variables which predict a criterion variable is assumed (Schoonhoven, 1981). The mediation perspective confirms the presence of an intervening factor which "accounts for a significant proportion of the relation between the predictor and criterion" (Venkatraman, 1989b, p. 429). In the matching perspective, the relationship between the predictor variables is specified without regard to the criterion variable. Each of these perspectives demands different analytical techniques to test the fit between the contingent variables (Venkatraman, 1989b).

In hospitality research, no consideration has so far been paid to these different contingency perspectives and the appropriateness of the analytical techniques used to test the bivariate fits. The predominant use of ANOVA procedures presumes a *moderation* effect of the contingency variables, whereas, in fact, no theoretical support has been provided by any of the researchers for such a presumption. When the contingency research in this field is revisited, as argued previously, Venkatraman's (1989b) exhortations need to be taken into account.

Further, even the limited hospitality research in the contingency relationship of strategy with other variables has examined only a bivariate fit. Also, only covariational relationships between these variables have been examined so far, and no causal modeling has been attempted. On the contrary, strategy, life cycle stage, environment, structure, and technology are all intricately related to each other. It is only a complex co-alignment of all these variables together that can result in effective firm performance. As such, future research should experiment complex causal models relating all the five variables to study their combined effect on firm performance. When we do that, the other three perspectives of fit - gestalts, profile deviation, and covariation - articulated by Venkatraman (1989b) will have to be taken into account, as these perspectives address multivariate fits in contingency relationships between several concepts.

### **Summary and Conclusion**

This chapter has reviewed the theoretical underpinnings of the strategy-performance relationship. The individual constructs involved have been examined conceptually. In particular, the different approaches to the measurement of strategy have been discussed. Empirical research till date

on strategic grouping, both in the manufacturing and hospitality industries, has been discussed in detail. The possible reasons for the inconclusive results so far of the studies on the strategy-performance relationship have been expounded. There is clear evidence that a more eclectic approach to the measurement of the strategy construct, using a broader set of underlying strategic dimensions is necessary. More specifically, if strategy research in the hospitality industry is to be fruitful, industry-specific strategic characteristics have to be identified to operationalize the strategy construct. It is only then that the relationship between strategy and performance can be studied in this setting. The main objective of this research is to develop such an instrument to measure lodging strategy and study its relationship to performance.



## **Chapter 3**

### **METHODOLOGY**

## **Introduction**

The preceding chapters identified the purpose and objectives of this research study, i. e., the development of a lodging industry-specific instrument to measure the construct of strategy and studying the relationship between strategy and performance in this industry. This chapter lays down the research procedures used in this study. The research propositions studied, operationalization of the constructs of strategy and performance, unit of analysis adopted, measurement issues, strategy scale development, sampling and data collection methods, statistical techniques used in data analysis, and reliability and validity issues are the focus of this chapter.

### **Objectives of the Study**

Venkatraman (1989a) based his study of the strategy construct on three premises:

1. Strategy research within a 'variance' perspective requires valid measures.
2. The search for a universal conceptualization of strategy is futile.

3. Construct measurement is at least as important as examination of substantive relationships.

Keeping in view the state of the art of strategy research in the hospitality industry, the last two premises stated above have, in particular, influenced the formulation of this research study. First, as Venkatraman stated, "... it is premature to restrict the number and diversity of approaches to conceptualize the strategy construct" (p. 945). From the literature review presented in the previous chapter, it appears that at the current stage in hospitality strategy research, a wide-ranging set of strategic characteristics with a variety of underlying dimensions should be employed to capture the strategy construct. Second, there is evidence to show from the literature review that more than justified adequacy of construct measurements has been assumed in past hospitality strategy research. In view of the inconclusiveness of results obtained thus far, it appears that more attention needs to be paid to the measurement of the strategy construct, in particular, in future research. As Venkatraman put it, "it is necessary to recognize that construct measurement is at least as important as the examination of substantive relationships" (p. 945).

Thus, the principal objective of this investigation was to develop an instrument to measure the strategy construct in the lodging industry context and to test the relationship of the strategy construct so captured to firm performance. At the heart of such an investigation is the notion that lodging units can improve their performance by exercising judicious strategic choice, as propounded by Child (1972).

This study adopted the comparative approach to the measurement of strategy discussed in the previous chapter, which attempts to identify and measure the key dimensions of the strategy construct (Venkatraman, 1989a). It is an approach used by other strategy researchers in the past (Dess & Davis, 1984; Hambrick, 1983a). The expectation was that by capturing a wide variety of strategic characteristics from varied strategic dimensions drawn from the manufacturing as well as service industry settings, it is possible to arrive at an appropriate instrument to measure strategy in the lodging industry context, and that it is possible from this to identify successful and unsuccessful strategies in the lodging industry. It is hoped that lodging firms can and will benefit from such an understanding of the performance implications of different strategies.

## **Conceptual Framework**

Before discussing the methodological issues such as operationalization of the constructs and statistical techniques used to test the relationship between the variables, it is appropriate that the theoretical underpinnings and limitations of hospitality research in this area till date are revisited briefly. The objective of this is to contribute to the knowledge accrual process, by striking the right balance between replication and triangulation (McGrath, Martin, & Kulka, 1982).

Organizations are able to define and manipulate their domain and choose appropriate strategies matching their respective positions in the environment. Several researchers contribute to this notion of strategic choice (Child, 1972; Cyert & March, 1963; Hofer, 1975; Hofer & Schendel, 1978; Porter, 1980). Though certain generic strategic typologies, notably those proposed by Miles and Snow (1978) and Porter, have gained wide acceptance by strategy researchers, the concept of unique (industry-specific) strategic groups has been equally popular ever since Hunt (1972) first coined the term. A strategic group refers to a group of firms in an industry adopting similar strategies to compete in the market place.

The last decade has witnessed considerable research effort on the relationship between organizational performance and strategic group membership. It is now generally accepted that the strategic variables impacting performance differ from industry to industry (Cool & Schendel, 1987; Mascarenhas & Aaker, 1989). Thus, most of the research in this area is industry-specific. The empirical evidence till date on the relationship between strategic group membership and performance has been inconclusive.

Porter (1980) identified 13 strategic dimensions characterizing firms' strategic options in a given industry: specialization, brand identification, push versus pull, channel selection, product quality, technological leadership, vertical integration, cost position, service, price policy, leverage, relationship with parent company, and relationship to home and host government. While acknowledging Porter's contribution, and that his theory is not tested (Cool & Schendel, 1987), none of the researchers till date tried to operationalize all these dimensions in identifying strategic groups, which may possibly be one of the reasons why research in this area has been so inconclusive. Whetten's (1989) advice about theory development seems to be appropriate to note here: "When

authors begin to map out the conceptual landscape of a topic they should err in favor of including too many factors, recognizing that over time their ideas will be refined. It is generally easier to delete unnecessary or invalid elements than it is to justify addition. However, this should not be interpreted as license to throw in the kitchen sink" (p. 490).

As in the case of research on strategic grouping in the manufacturing industry, similar research in the hospitality industry, limited as it has been so far, has also been inconclusive. Dev's (1988) data did not yield any strategic groups at all, whereas Schaffer (1986), Tse (1988), West (1988), and Crawford-Welch (1990) failed to confirm the strategy-performance relationship from their respective data. These researchers' work seems to be fraught with some conceptual as well as methodological limitations which may possibly account for their inconclusive results.

The conceptual limitations of the above cited research can be identified in some of their (1) definitions of the strategy construct, (2) unit of analysis adopted, and (3) operationalization of the strategy and performance constructs. The methodological limitations seem to be in the (1) methods used to measure the variables, and (2)

choice of statistical techniques used. These issues have been more fully discussed in the preceding chapter.

The present study tried to compensate for some of the limitations in earlier research in its attempt to contribute to the knowledge accrual process.

### Unit of Analysis

Strategy literature distinguishes between corporate-level, business-level, and functional-level strategies, as discussed in the preceding chapter. The strategic typologies of Miles and Snow (1978) and Porter (1980), which formed the basis of all the hospitality strategy research to date, are primarily business-level strategies. However, with the exception of Dev (1988), the unit of analysis adopted by the other hospitality researchers was the firm. In Schaffer's (1986) research, all the firms were multi-unit; whereas in the studies of Tse (1988), West (1988), and Crawford-Welch (1990), many firms were so. There is either a difference of opinion on the choice of the unit of analysis or an oversight of the implications of such a choice among these researchers. In multi-unit lodging firms, the individual hotels face varying environments, in terms of demand and supply situation, competitive threats,



availability of labor and operating supplies, taxation, and so on. As a consequence, each hotel of a multi-unit firm has to adapt its strategies in alignment with the environment in which it operates. Location, type of property, etc. necessitate variations in strategy. Hence, measuring strategy at the firm level instead of at the individual hotel level is clearly inappropriate when the theoretical underpinnings are rooted in business-level strategy. Dev alone took notice of this and used the individual hotel as the unit of analysis. The current study followed Dev's approach and treated each hotel establishment as a different unit.

### Operational Definitions: Key Variables

#### Business Strategy

The business-level or competitive strategy is concerned with domain navigation issues (Bourgeois, 1980) of how to compete within a chosen product/market segment, with resource allocation and integration of different functional strategies of the organization being the focus issues. There is no universally accepted definition of strategy. As a result, strategy has been measured by various researchers

using a variety of measures, including nominal, single-item, and multi-item scales.

In hospitality strategy research, nominal scales using either Miles and Snow's (1978) or Porter's (1980) typology descriptions, or multi-item scales adapted from Dess and Davis (1984) have been the two measurement approaches. When within-group differences are predominant, as seems to be the case from the strategic grouping research till date, using nominal scales which are only useful for highlighting across-group differences is not preferable. Such growing concerns for validity have prompted many strategy researchers to adopt multi-item scales of strategy (Venkatraman & Grant, 1986).

Most of the hospitality strategy researchers using multi-item scales for measuring strategy have asked the CEOs of the respondent business units as well as one or two other top management members of such units to indicate the degree to which a number of strategic characteristics, which constituted the items of the scale used, were important to or characterized the strategy of the business unit.

In this study, a multi-item scale of strategic characteristics was used to capture the strategy construct.

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However, only the General Managers of the hotels were asked to respond. This is considered preferable for two reasons. First, the general manager of a hotel is expected to be the person who knows best which strategies are to be / being employed. Second, many a time, the strategy of a business unit is not even fully articulated and it is this researcher's view that it is only the GM of the unit who really knows what s/he is trying to do. It may also be noted that in the previous research studies, only a small proportion of the respondent firms have returned multiple responses. So, sending more than one questionnaire to each hotel is felt to be a wasteful exercise.

As discussed in the preceding chapter, intended but unrealized strategies cannot possibly have any performance implications. So, it is only the realized - intended or emergent - strategies (Mintzberg, 1978) that one should study if the strategy-performance relationship is to be tested. This study followed Dev's approach in the instrument design to ensure that only realized strategy is tapped.

Snow and Hambrick (1980) discussed the advantages and disadvantages of four different approaches to the measurement of strategy: investigator inference, self-

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typing, external assessment, and objective indicators. Snow and Hambrick favored the self-typing method of measuring strategy because they felt it is the management of a business unit which is in the best position to articulate the strategies employed by the business unit, and also because self-typing allows large sample investigations making it also cost-effective. Other strategy researchers have since preferred the use of the self-typing method of strategy measurement (Dess & Davis, 1984; Venkatraman, 1989a). Therefore, the self-typing method was used in this study to tap the strategies employed by the respondent hotels.

### **Performance**

As in the case of measurement of strategy, strategic performance measurement is also a controversial subject with little agreement among researchers (Cameron & Whetten, 1983). Woo and Willard (1983) reported 14 separate measures of performance based on a survey of performance measures used in strategy research: Return on Investment, Return on Sales, Growth in Revenues, Cash Flow/Investment, Market Share, Market Share Gain, Product Quality Relative to Competitors, Product R & D, Process R & D, Variations in ROI, Percentage Point Change in ROI, and Percentage Point

Change in Cash Flow/Investment. A factor analysis of these 14 variables using the PIMS database yielded four factors: profitability, relative market position, change in profitability and cash flow, and growth in sales and market share, with profitability emerging as the dominant factor. Woo and Willard concluded that return on investment and return on sales were the more important performance measures.

Venkatraman and Ramanujam (1986) stated that "'business performance,' which reflects the perspective of strategic management, is a subset of the overall concept of organizational effectiveness" (p. 803). They viewed the domain of business performance at three levels: financial performance, financial + operational performance, and organizational effectiveness. Reviewing the measurement of business performance in strategy research, Venkatraman and Ramanujam concluded that "most strategy studies have restricted their focus to the first two [levels]" (p. 804).

Performance measurement in hospitality strategy research poses some unique problems. With most firms in this industry being in the private sector, the traditional market-based measurements such as ROI which require a lot of information are difficult, if not impossible, to be applied

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to this industry. Measures such as Return on Equity are also problematic with multiple unit ownership such as in chains. Alternative perspectives such as the bankruptcy model and quality of a firm's transformations through the deployment of slack resources (Chakravarthy, 1986) are difficult to be employed in this industry for want of required market-based information.

Hospitality strategy researchers have generally used Return on Assets (ROA), Return on Sales (ROS) and Growth in Unit Sales as the performance measures. As discussed in the preceding chapter, some of these measurements were contaminated because of the mixing up of firms with different ownership/management/franchising arrangements. However, in this study, with the unit of analysis being defined as the individual hotel, some of these contamination problems discussed previously are overcome. Growth in unit sales in the lodging context is largely achieved by either an increase in occupancy or increase in average room rate. With the difficult conditions the Industry has been facing in recent years, it is argued here that this measure is not appropriate in the current context, and may even give misleading indications. It is to be emphasized here that hospitality firms seem to depend more on increased number of operating units to achieve larger revenues, rather than

growth in revenue from existing units. This probably accounts for the rapid multiplication of units by most multi-unit hospitality firms during the past decade. As such, this study does not advocate and did not use Growth in Unit Sales.

Following the call of Venkatraman and Ramanujam (1986) regarding the use of operational performance measures, this study used Yield Per Room (YPR) and Market Share Index, in addition to the traditional financial performance measures of ROA and ROS. YPR is arrived at by dividing the Total Room Sales by the Available Roomnights (A roomnight is one room sold for one night). Its merit is that it combines the occupancy percentage and average room rate (in fact, an alternative way of arriving at the YPR is to multiply these two factors) into one statistic and eliminates the confusion of the common inverse relationship between these two factors. Though labeled differently, this is the same statistic which Dev (1988) used - SPAR. It is also labeled as REVPAR by other hospitality professionals. Market Share Index is defined as the actual market share divided by the fair share of a hotel, multiplied by 100. The fair share of a hotel is its capacity (number of rooms) as a proportion of the total competition's capacity. The following hypothetical example will clarify this measure:

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| Hotel | No. of Rooms | Fair Share | Occupancy | Occupied Roomnights | Market Share | Mkt. Share Index |
|-------|--------------|------------|-----------|---------------------|--------------|------------------|
| A     | 100          | 0.20       | 70%       | 70                  | 0.24         | 120              |
| B     | 150          | 0.30       | 60%       | 90                  | 0.32         | 107              |
| C     | 250          | 0.50       | 50%       | 125                 | 0.44         | 88               |
| Total | 500          | 1.00       |           | 285                 | 1.00         |                  |

As the example demonstrates, the higher the Market Share Index, the better the hotel is faring in the competitive arena. Whereas in the above example, one single day's hypothetical statistics are used, the actual study obtained this information on an annual basis.

In the financial performance ratios - ROA and ROS - the profit figure used was *Income Before Fixed Charges*. This is a term well-known to hotel managers, most of who follow the Uniform System of Accounts prescribed by the American Hotel & Motel Association. It is also the measure used by accounting and industry consulting firms such as Pannell Kerr Forster. As Dev (1988) pointed out, it is one figure which is within the realm of the hotel manager's control as it is entirely operations-oriented, and is not contaminated by debt-equity structure, nature of property ownership, etc.



### Operational Definitions: Control Variables

Hospitality researchers have in the past used size (Dev, 1988; Schaffer, 1986), location (Dev, 1988), and segment (Crawford-Welch, 1990; Schaffer, 1986) as control variables. There are, however, some variations in their approaches.

#### Size

Whereas Schaffer (1986) used number of employees as a measure of size, Dev (1988) preferred using number of rooms instead, following the advocacy of Price and Mueller (1986). There is considerable merit in the argument that the number of employees in a hotel can vary substantially depending upon the environment in which it is operating. For example, resort hotels usually have more employees than city hotels, given the same number of rooms. Further, hotel revenues are more dependent on the number of rooms. As such, this study used the number of rooms as a measure of size.

#### Location

Based on the normative prescription that environment and strategy have to be co-aligned for optimizing

performance, location was used in this study as a surrogate for environment. The standard industry classification for the location of hotels, used by industry consultants such as Pannell Kerr Forster, is city-center, suburban, airport, highway, and resort locations. It is intuitive that resort hotels need to use different strategies from, say, those located in city centers, because of the differences in the clientele, facilities offered and so on. Using such a classification will also enable comparison of operational performance statistics reported by industry analysts and consultants with the measurements obtained in this study.

### Segment

As for segment as a control variable, Schaffer (1986) classified his respondent units into transient hotels, resort hotels, and motels with and without restaurants. In contrast Crawford-Welch (1990) used the traditional classification scheme of budget, mid-scale, luxury and other hotels. However, in recent times, with increasing competition, the differences based on this schema are disappearing. Therefore, this study took the view that segment is a useful control variable when classified based on a different perspective, i.e., service level. This study, hence, used a classification scheme of full-service,

limited service, resort, all-suite and convention hotels, to capture the differences in service level. It is intuitive and general knowledge that full-service hotels have to compete differently from, say, limited service hotels. Besides, this is a classification used popularly by industry consultants such as Pannell Kerr Forster. Thus, using this classification for measuring the segment variable affords comparison of industry information with the sample data.

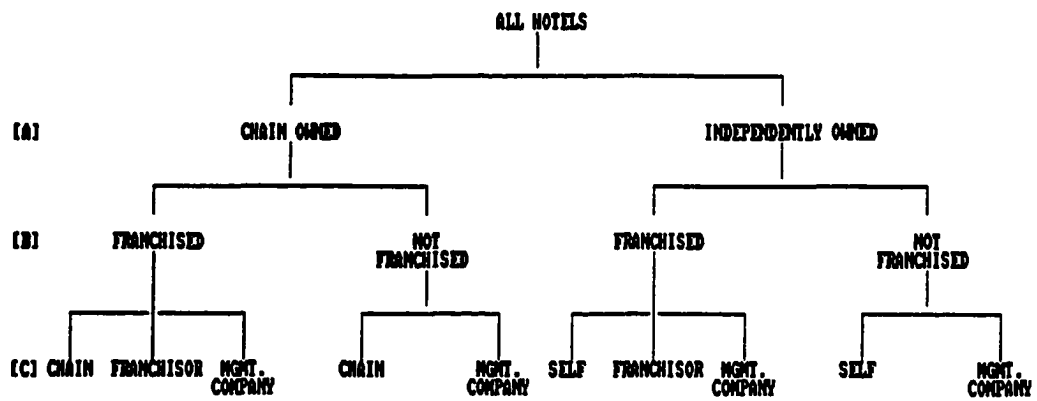
### Affiliation

In addition to these three control variables - size, location, and segment - it is felt that chain/management affiliation (labeled simply *affiliation* hereafter for brevity) is yet another important control variable that needs to be taken into account. While hospitality researchers have generally included this measure in their questionnaires, they have not considered it as a control variable. It seems only logical to assume that chain-managed hotels will follow more the strategies developed by the chain operator. In contrast, the independent hotelier is not constrained by such strategic directives or input. Franchised hotels probably fall somewhere in between following some independent strategies devised by the franchisee and adopting some strategies recommended by the

franchisor. Hotels managed by multi-unit management companies are also likely to have similar dual forces influencing their strategies. As such, affiliation was used as the fourth control variable in this study. From a study of the various permutations/combinations in vogue in the industry, as depicted in Figure 1, the following alternative possibilities are derived as the scale items for measuring this variable:

- \* Independent hotels, not franchised, self-managed
- \* Independent hotels, not franchised, managed by a management company
- \* Independent hotels, franchised, self-managed
- \* Independent hotels, franchised, managed by a management company
- \* Independent hotels, franchised, also managed by the franchisor
- \* Chain hotels, not franchised, self-managed
- \* Chain hotels, not franchised, managed by a management company
- \* Chain hotels, franchised, self-managed
- \* Chain hotels, franchised, managed by a management company
- \* Chain hotels, franchised, also managed by the franchisor

Of the above, non-franchised hotels were not used in this study, as will be explained in a subsequent section of this chapter.



Legend : A - Ownership  
 B - Franchising  
 C - Management

Figure 1. Affiliation Structure in Lodging Industry

## **Research Propositions**

Normative literature states that business units adopting different strategies have varying performance levels (Porter, 1980). This has been, somewhat inconclusively, investigated by researchers using the strategic grouping concept (Cool & Schendel, 1987, 1988; Fiegenbaum & Thomas, 1990; Mascarenhas & Aaker, 1989). In hospitality research, the identification of the strategic groups itself has been a problem. Dev's (1988) data did not yield any factors when the strategic characteristics were factor analyzed, and some of Schaffer's (1986) factors have very poor internal consistency. The major problem seems to be with the conceptualization and operationalization of the strategy construct itself. Thus, the main research question under investigation is whether, in the context of the lodging industry, the strategy construct can be measured by empirically deriving its underlying dimensions and, if so, whether strategy thus measured can be related to performance. This broad research question can be framed into the following specific research propositions:

1. Through a combination of strategic characteristics rooted in business strategy theory and service

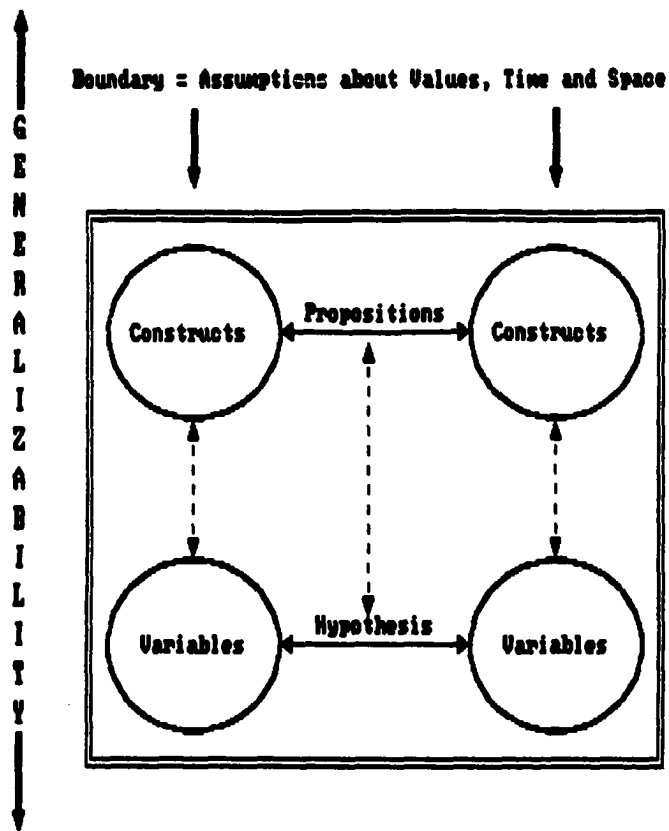
management theory, it is possible to identify a set of strategic dimensions underlying lodging strategy.

2. Performance differences among lodging units can be related to varying strategic dimensions emphasized by such units.

Bacharach (1989) viewed theory "as a system of constructs and variables in which the constructs are related to each other by propositions and the variables are related to each other by hypotheses. The whole system is bounded by the theorist's assumptions" (p. 498), as depicted in Figure 2. A construct is an unobservable "broad mental configuration of a given phenomenon" (p. 500), whereas a variable is an operationalization of the construct (Bacharach, 1989). In the present study, while the performance construct is operationalized by four variables, the theoretical relationship between the construct and its operationalization is still to be established. In fact, the question of which operational measures truly reflect performance is still a moot point and an evolving issue in hospitality research. As for strategy, though it is operationalized through a set of strategic characteristics, we are not interested in relating each and all of these numerous strategic characteristics to performance. It is



the strategic dimensions, which are really like an intermediate between a construct and a variable, that one is interested in identifying.



Source: Baoharach (1989)

Figure 2. Components of a theory

Thus, there is much abstraction involved in the entities being related, and the term hypotheses, which strictly "specify the relations among variables" (Bacharach, 1989, p. 500), is not appropriate in the present context. Hence, the term propositions is consciously used here because the current study is a theory building effort rather than being a theory testing attempt. In fact, given the state of hospitality strategy research, it does not seem possible at this stage to test any a priori hypotheses rooted in sound theory.

### **Research Design**

There is very limited research done till date on strategy in the lodging industry. Consequently, little attention has been directed at construct measurement issues. The identification of strategic groups and its performance implications have been inconclusive so far. It is hypothesized that one of the major reasons for the inconclusive research results is not taking into account all possible strategic dimensions in designing the multi-item scale to measure the strategy construct. Thus, a major emphasis in this study is on the development of the strategy scale. Consequently, this study is exploratory in nature

and used a cross-sectional field survey of a representative sample of hotels.

### Time Lag Issue

One of the most vexatious and least resolved problem areas in strategy research is the issue of the time lag between strategy implementation and performance. In fact, if the strategy formulation stage is also considered, the problem becomes compounded because then there is another time period to be accounted for, viz., the time it takes a firm to formulate strategy. Since the present study is concerned only with strategy content and not the process, of interest here is only the time lag between strategy implementation and the resultant performance.

No hospitality strategy researcher, except for Crawford-Welch (1990), has addressed this issue so far, and there is very little literature on the subject. With most of the strategy research being cross-sectional in nature, all such research shares the same weakness of not addressing this confounding factor. In hospitality strategy research, Dev (1988) measured strategy and performance for the same year, and Schaffer (1986) measured performance for the period 1979-1982 in the year 1985 while asking the

respondents about their strategies over an undefined longer term. Tse (1988) and West (1988) followed Schaffer's approach on strategy measurement, but obtained more current performance data. In these last three studies, while performance was measured over a 4- or 5-year period, there is nothing definite about the corresponding period over which strategy is measured.

Crawford-Welch (1990) was the first to point out this fallacy in hospitality strategy research. However, his attempt to remedy the situation is also not uncontroversial. Based on an intrinsically legitimate assumption that environmental events, strategy formulation, and performance are sequential in that order, Crawford-Welch measured the strategy for 1988 and performance for 1989. But, the argument on which he arrived at this is not entirely error-free. For instance, he states, "if a strategy were formulated in *mid to late 1988* (emphasis added) as a result of environmental conditions in early 1988, it is suggested that the financial results of pursuing that strategy would not begin to appear until 1989" (p. 137). If a strategy were *formulated in mid to late 1988*, its *implementation* could only have been later, say late 1988 to early 1989, and his measuring strategy for 1988 and performance for 1989 is clearly not in consonance with his argument. In fact, some

strategies may pay dividends immediately whereas others may take much longer. There is no known way to distinguish between such variations.

Also to be considered here is the general pattern of business behavior. While strategy-making is not a one-time exercise, firms do follow a strategic planning cycle. Most generally, environmental information of, say, 1990 is gathered in early 1991 and this information is used around mid-1991 to formulate strategies for 1992. By the time the various levels of the organization involved review these strategies and approve them, it is the end of 1991 and the implementation begins at the beginning of 1992. Assuming that some strategies pay off the same year and some do so later on, part of the performance of 1992 and subsequent years may be the result of these strategies implemented in 1992. So, measuring the strategy of 1991 and performance of 1992 is not necessarily the right solution, given such a scenario.

There is, thus, no unambiguous solution to this problem. On the one hand, strategic time lag is a concept which makes much intuitive sense. At the same time, with quick copying of any new strategy being so easy and common in service industries, there is also reason to believe that

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such a lag effect may have limited applicability in service industries. Therefore, this study measured strategy for the period 1991-1992, and measured performance for the years 1992 and 1993. Hopefully, this will address the time lag issue, while at the same time accounting for the possibilities that some strategies take longer than others to implement, and further that some strategies pay off sooner than others. By no means, can it be claimed that this is an error-free approach, if there is any such thing at all to address this issue.

#### Instrumentation and Scaling

There are two major constructs in this study: strategy (independent variable) and performance (dependent variable). In addition, four control variables are also involved: size, location, segment, and affiliation. The approach to operationalizing/measuring these has been discussed in earlier sections. The scales/measures used in each case are described here. In particular, the process used to develop the strategy scale is explained in detail. In this exercise, the procedure suggested by Churchill (1979), as shown in Figure 3, was used as a guideline. This procedure has been used by several strategy researchers (Dess & Davis, 1984; Hambrick, 1983a, 1983b; Venkatraman, 1989a).

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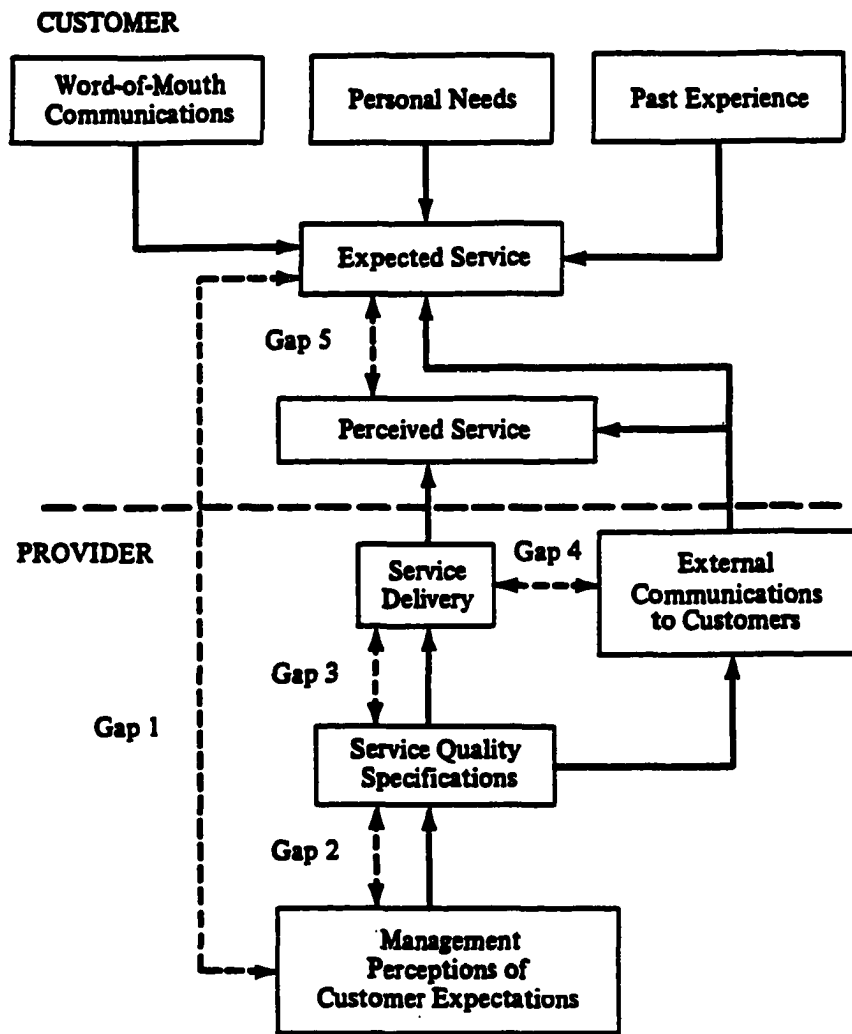


Figure 4. Conceptual Model of Service Quality  
 Source : Zeithaml et al (1990, p. 46)



### Multi-item scale to measure strategy

Strategy is a multi-dimensional construct. There are two methods by which this dimensionality can be formulated. In the *a priori* approach, various dimensions of the construct are developed from theory and techniques such as Confirmatory Factor Analysis are used to confirm the dimensionality. The alternative is the *a posteriori* approach in which the dimensions are derived empirically through techniques such as Exploratory Factor Analysis (Venkatraman, 1989a). There is no theory of hospitality strategy available that can guide researchers at this stage in adopting the *a priori* approach. Even those researchers who adopted the *a priori* approach, such as Venkatraman, have seldom provided convincing *a priori* evidence that their theory-based dimensions are mutually exclusive and collectively exhaustive, or for that matter as to how the dimensions chosen were decided upon to start with. Thus, this study will adopt the *a posteriori* approach as it is the only choice "in those cases where little theoretical basis exists for *a priori* deriving the dimensions" (Venkatraman, 1989a).

Porter (1980) identified 13 strategic dimensions which underlie the strategic differences between businesses

competing in any industry. These are: specialization, brand identification, push versus pull, channel selection, product quality, technological leadership, vertical integration, cost position, service, price policy, leverage, relationship with parent company, and relationship to home and host government. Porter advocates that while the industry setting influences the scope of differences along a particular dimension, and other dimensions may be appropriate for particular industries, these dimensions describe a business unit's strategic position.

The 21-item scale used by Dess and Davis (1984) to measure strategy used only six of the above dimensions: brand identification, channel selection, technological leadership, cost position, service and leverage. Though hospitality researchers (Dev, 1988; Schaffer, 1986) made some modifications in the Dess and Davis' scale, the latter remained the principal basis on which hospitality strategy was measured. As discussed in the previous chapter, this led to two major problems: (1) As most of Porter's (1980) and Dess and Davis' work is based on manufacturing industry experiences, the unique characteristics of service industries are not reflected in their work (2) Not all of Porter's 13 strategic dimensions have been used in developing the strategy measurement scale. As strategic

characteristics that impact performance vary from industry to industry (Cool & Schendel, 1987; Hambrick, 1983b; Mascarenhas & Aaker, 1989), there is a great need to develop such a strategy measurement scale grounded in the lodging industry practices. Thus, as befitting an exploratory study of this type, an eclectic approach is taken in developing the multi-item scale to measure strategy in this study, following Whetten's (1989) advocacy.

As a first step, the cooperation of a medium-sized hotel company headquartered in a major town in a mid-Atlantic state was enlisted. This company, called Merlin Hotels here to maintain anonymity, owned/operated a chain of 35 hotels across several states along the east coast of the U.S. These 35 hotels carried a variety of flags - Holiday Inn, Ramada, Sheraton, Howard Johnson and Day's Inns. At a workshop session where the 35 hotels' general managers were assembled, the managers were asked to list all the major competitive methods they have adopted to face the competition. In the normal course, a consolidation of the strategic characteristics (competitive methods) listed by this large group of managers should have yielded the desired comprehensive multi-item scale to measure lodging strategy. However, a content analysis of the strategic characteristics listed by these managers revealed that their responses were

conditioned by the exposure they received earlier to the strategy scales used by earlier hospitality researchers. The strategic characteristics listed were thus generally restricted once again only to the six strategic dimensions originally tapped by Dess and Davis (1984), as modified later by the hospitality researchers. Therefore, further steps were necessary to expand this scale as discussed earlier. The following steps were undertaken to arrive at such a comprehensive scale:

Step 1.

Porter's (1980) 13 strategic dimensions were first screened using the definitions provided (p. 127-129), to eliminate any dimensions obviously irrelevant to the present context. Table 4 enumerates these dimensions and their definitions/descriptions. From a study of these definitions, it was concluded that "relationship to home and host government" is irrelevant to the present problem context as it is set in the domestic lodging industry. It was further concluded that "vertical integration" and "relationship with parent company" are also unsuitable for inclusion in this study, each for a different reason though. Vertical integration is a widely recognized strategy, but seems inapplicable to a single hotel which is the unit of

analysis here. After all, any one hotel can hardly be expected to find it worthwhile either to integrate backward (by getting into the business(es) of the suppliers of food and beverages, and operating supplies) or to integrate forward (by getting into the distribution business, such as travel trade). Larger, multi-unit lodging firms may well employ these strategies, but then the unit of analysis in that case would be the firm and not the individual hotel as is the case here.

As for "relationship with parent company", two reasons contributed to its elimination. First, it is not applicable to a large portion of the sample studied, viz., the independent hotels. Second, though it may be relevant in the context of hotels owned by multi-unit firms (the other significant part of the sample), it is not a competitive method per se. Relationship with the parent company is more a "given" situation outside the control of the hotel manager. It is more an environmental variable aiding or constraining the hotel manager's functioning. Thus, after eliminating these three dimensions from Porter's (1980) list, there were ten dimensions to be addressed in the subsequent steps.

**Table 4. Porter's Dimensions of Competitive Strategy**

| <b>Dimension</b>                | <b>Definition/Description</b>  |
|---------------------------------|--|
| <b>Specialization</b>           | The degree to which it [a company] focuses its efforts in terms of the width of its line, the target customer segments, and the geographic markets served  |
| <b>Brand Identification</b>     | The degree to which it seeks brand identification rather than competition based mainly on price or other variables. Brand identification can be achieved via advertising, sales force, or a variety of other means   |
| <b>Push vs. Pull</b>            | The degree to which it seeks to develop brand identification with the ultimate consumer directly versus the support of distribution channels in selling its product  |
| <b>Channel Selection</b>        | The choice of distribution channels ranging from company-owned channels to specialty outlets to broad-line outlets   |
| <b>Product Quality</b>          | Its level of product quality, in terms of raw materials, specifications, adherence to tolerances, features, and so on  |
| <b>Technological Leadership</b> | The degree to which it seeks technological leadership versus following or imitation. It is important to note that a firm could be a technological leader but deliberately not produce the highest quality product in the market; quality and technological leadership do not necessarily go together |
| <b>Vertical Integration</b>     | The extent of value added as reflected in the level of forward and backward integration adopted, including whether the firm has captive distribution, exclusive or owned retail outlets, an in-house service network, and so on  |
| <b>Cost Position</b>            | The extent to which it seeks the low-cost position in manufacturing and distribution through investment in cost-minimizing facilities and equipment  |

|   |  |
|---|--|
| <b>Service</b>                                  | The degree to which it provides ancillary services with its product line, such as engineering assistance, an in-house service network, credit, and so forth. This aspect of strategy could be viewed as part of vertical integration but is usefully separated for analytical purposes   |
| <b>Price Policy</b>                             | Its relative price position in the market. Price position will usually be related to such other variables as cost position and product quality, but price is a distinct strategic variable that must be treated separately   |
| <b>Leverage</b>                                 | The amount of financial leverage and operating leverage it bears   |
| <b>Relationship with Parent Company</b>         | Requirements on the behavior of the unit based on the relationship between a unit and its parent company. The firm could be a unit of a highly diversified conglomerate, one of a vertical chain of businesses, part of a cluster of related businesses in a general sector, a subsidiary of a foreign company, and so on. The nature of the relationship with the parent will influence the objectives with which the firm is managed, the resources available to it, and perhaps determine some operations or functions that it shares with other units (with resulting cost implications) |
| <b>Relationship to Home and Host Government</b> | In international industries, the relationship the firm has developed or is subject to with its home government as well as host governments in foreign countries where it is operating. Home governments can provide resources or other assistance to the firm, or conversely can regulate the firm or otherwise influence its goals. Host governments often play similar roles   |

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Source : Porter (1980, p. 127-129)

## Step 2.

The multi-item strategy scales used by earlier hospitality strategy researchers were examined at this stage to eliminate such items which are unsuited for inclusion in the new scale being developed. The scales examined here included those used by Schaffer (1986), Dev (1988), Tse (1988), West (1988), Crawford-Welch (1990), as well as Dess and Davis' (1984) scale which formed the basis for the scales used by the hospitality researchers. There were two types of items which were eliminated from this examination. The first set to be eliminated included such statements as, "maintaining market leadership", which were more like goals/objectives to be reached rather than being the vehicles (competitive methods) to reach them. Second, there were items such as, "stability in the operating environment," which were, once again, more environment descriptions rather than strategic characteristics. The remainder of the items from all the scales listed earlier were then classified under the ten dimensions of Porter (1980) short-listed in Step 1. No duplications were removed at this stage yet.



### Step 3.

The previous step, obviously, resulted only in a thin representation of the ten dimensions of Porter (1980) since all the scales examined had only around 20 items in each, after the eliminations described above. In this step, the strategic characteristics listed by the Merlin general managers were classified by the ten dimensions.

### Step 4.

At the conclusion of Step 3, four observations emerged. First, the dimensions were now better represented by larger sets of scale items than at the end of Step 2. Second, some dimensions were, however, still underrepresented. Third, no scale items which could be classified under the three dimensions eliminated in Step 1 were present. This strengthened the validity of the decision to eliminate these three dimensions. Fourth, there were some items left from the Merlin general managers' listings which could not be classified under any of Porter's (1980) dimensions. These items were mostly service-related. These were kept under a temporary category labelled "Unclassified" until further steps described below were executed.

**Step 5.**

To capture the underrepresented dimensions more adequately, additional statements of competitive methods were developed, based on the researcher's personal experience with, and knowledge of, the lodging industry. Other sources such as the TRENDS Database at the Dept. of Hospitality and Tourism Management at Virginia Tech were also used as the basis for the development of these additional scale items under the respective dimensions.

**Step 6.**

At this stage, all scale items under each dimension were critically examined to eliminate duplications. Since most of the scales considered so far had common and inter-linked origins, there were, obviously, many duplications with minor semantic variations. This stage eliminated all such duplications resulting in parsimonious sets of scale items under each dimension.

The above procedure thus far was still rooted in Porter's (1980) work. For a truly eclectic approach to this scale building, it was necessary to bring in the service literature's perspective to ensure that the unique

characteristics of service industries - intangibility, heterogeneity, perishability and simultaneity (of production and consumption) - are reflected in the scale being developed.

### Service Strategy Dimensions.

Buzzell and Gale (1987) and Grönroos (1990) stated that customer perceived quality is extremely important for service firms' success. Building on this, Grönroos (1990) presented several strategic characteristics for service firms to improve the customer perceived quality and, consequently, performance. Some of the strategic characteristics identified by Grönroos are listed below:

- \* Improving the technical skills of the employees
- \* Service orientation of attitudes and behavior of employees
- \* Making systems and the technology more supportive to employees and/or to customer participation
- \* Industrializing the service operation
- \* Increasing customer cooperation in the service production process
- \* Reducing the mismatch between supply and demand

**\* Practicing relationship marketing (as opposed to transaction marketing)**

Zeithaml et al. (1985) consolidated a list of (marketing) strategies from their review of service literature, and classified them by the unique service features they address. An adaptation of their exercise is shown in Table 5.

**Table 5. Marketing Strategies from the Service Literature**

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**Suggested (Marketing) Strategies for  
Problems Stemming from Unique Service Features**

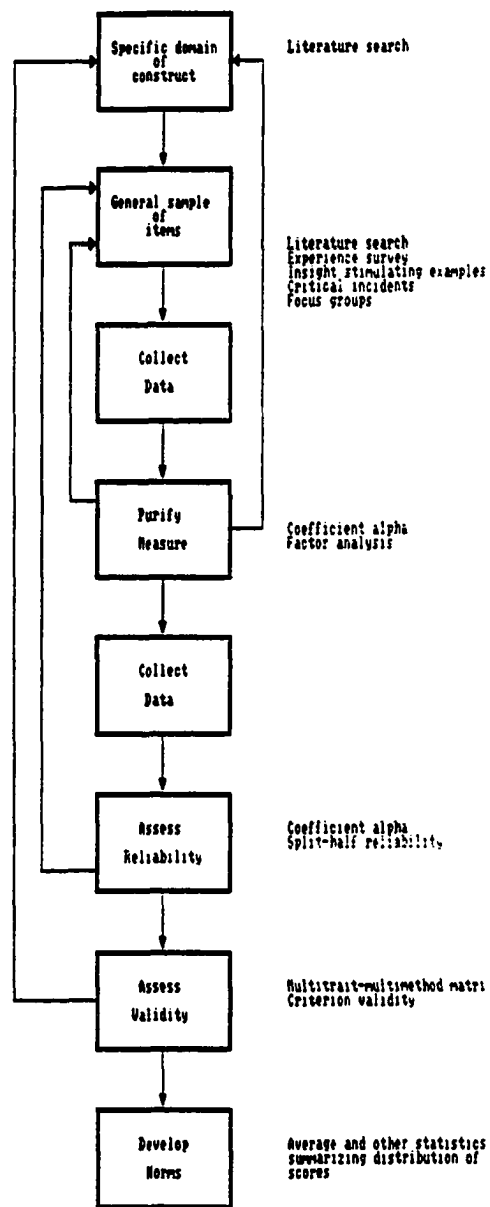
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| <b>Unique Service<br/>Features</b> | <b>(Marketing) Strategies to Solve Problems</b>  |
|------------------------------------|--|
| <b>Intangibility</b>               | <ol style="list-style-type: none"><li>1. Stress tangible cues</li><li>2. Use personal sources more than non-personal sources</li><li>3. Simulate or stimulate word-of-mouth communications</li><li>4. Create strong organizational image</li><li>5. Use cost accounting to help set prices</li><li>6. Engage in post-purchase communications</li></ol> |
| <b>Inseparability</b>              | <ol style="list-style-type: none"><li>1. Emphasize selection and training of public contact personnel</li><li>2. Manage consumers</li><li>3. Use multi-site locations</li></ol>  |
| <b>Heterogeneity</b>               | <ol style="list-style-type: none"><li>1. Industrialize service</li><li>2. Customize service</li></ol>  |
| <b>Perishability</b>               | <ol style="list-style-type: none"><li>1. Use strategies to cope with fluctuating demand</li><li>2. Make simultaneous adjustments in demand and capacity to achieve a closer match between the two</li></ol>  |

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(Adapted from Zeithaml et al (1985))

Parasuraman et al. (1988) developed a service quality measurement scale, SERVQUAL. Their investigations using this scale yielded five service quality dimensions: tangibles, reliability, responsiveness, assurance, and empathy. Zeithaml et al. (1990) used SERVQUAL to identify the differences between managerial perceptions of service quality being delivered and customer' ratings of service quality. Based on this study, Zeithaml et al. developed a service-quality-gap model in which five Gaps have been identified. As customer perceived service quality is held to be the key to service businesses' success, according to normative service management theory (Buzzell & Gale, 1987; Grönroos, 1990; Parasuraman et al. 1988; Zeithaml et al. 1985, 1990), whether respondent lodging units are differentiating on service quality, and trying to improve customers' perceptions of service quality, are areas of interest that need to be investigated here. To capture the strategic characteristics unique to the service industries such as lodging, Ziethaml et al's (1990) Service Quality Gap Model was used as the starting point for additional scale development. Ziethaml et al's service quality model is depicted in Figure 4.



Source: Churchill (1979)

Figure 3. Suggested Procedure for Developing Better Measures

Four Gaps identified in the model are:

Gap 1: Not Knowing What Customers Expect

Gap 2: The Wrong Service Quality Standards

Gap 3: The Service Performance Gap

Gap 4: When Promises Do Not Match Delivery

Gap 5, between customers' expected service and perceived service is a result of the first four Gaps, according to the Model. Zeithaml et al (p.51-135) discussed a number of strategies that business units can adopt to bridge Gaps 1 through 4 and, as a result, reduce or even eliminate Gap 5. Several strategic characteristics applicable to the lodging industry were isolated from this literature and classified under four strategic dimensions. These dimensions were labelled as Service Identification, Service Specification, Service Delivery, and Service Communication, corresponding to the four Gaps identified by Zeithaml et al. Strategic characteristics isolated from other service literature cited before, such as Grönroos (1990), were then classified under these four dimensions.

At this stage, two observations came to light. First, it was now possible to classify the strategic characteristics categorized earlier under the label,

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"Unclassified", into the four new service strategy dimensions just created. Second, it was found that one of Porter's (1980) ten strategy dimensions - Service - shortlisted in Step 1 was now found to be redundant in the wake of the more detailed scales developed for the four service strategy dimensions. Thus, Porter's 'Service' dimension was eliminated. At this stage, all semantic duplications were also screened out as was done earlier, so that each dimension had a set of mutually exclusive scale items.

The consolidation of competitive methods from the above sources, which are grounded in service theory literature, resulted in a rich source of service industry-oriented strategic characteristics. Combining these strategic characteristics with the list developed in Step 6 previously, taking care to eliminate any duplications, yielded the most comprehensive strategy measurement scale till date. This strategy scale classified by the 13 final dimensions, nine from Porter (1980) and four service dimensions, is enumerated in Table 6. Throughout this process of developing this 122-item strategy measurement scale, two expert faculty members were involved constantly.

**Table 6. Multi-item Scale to Measure Lodging Strategy**

| Strategy Dimension | Scale Item   |
|--------------------|--|
| Specialization     | 1. Developing new products and/or services   |
|                    | 2. Providing a broad range of products/facilities/services                                       |
|                    | 3. Serving a variety of market segments  |
|                    | * 4. Focusing on few specific market segments and/or geographic markets                          |
|                    | 5. Searching for new markets/opportunities   |
|                    | 6. Catering to the specific needs of individual customers/customer groups                        |
|                    | 7. Positioning food & beverage operations compete with outside competition                       |
|                    | 8. Testing new marketing ideas and methods   |
|                    | 9. Providing better security than competitors  |
| Push vs. Pull      | 10. Concentrating on direct selling to local businesses  |
|                    | 11. Using sales blitzes in source markets to tap corporate clients                               |
|                    | 12. Emphasizing on working relationships with local visitor/tourist bureau for referral business |
|                    | 13. Cultivating competitors to get their overflows   |
|                    | 14. Promoting the hotel to the travel trade to get bookings                                      |
|                    | 15. Entertaining regular guests to solidify repeat business                                      |
|                    | 16. Participating actively in franchise alliance for referral business                           |
|                    | 17. Offering special rates and/or privileges for repeat guests                                   |

- \* 18. Giving overriding (i.e., above normal) commissions to travel trade
  - 19. Contacting customers after they have stayed at the hotel
  - 20. Trying to increase business in low season by calling on customers
- Product/Service Quality**
- 21. Renovating and/or refurbishing regularly
  - \* 22. Using high quality food & beverage as roomnight generator
  - 23. Maintaining consistently high quality product and/or service
  - 24. Using technology to enhance product and/or service quality
  - 25. Using training and development to raise service quality standards
  - 26. Developing standard operating procedures for all areas of the hotel to ensure consistently high quality service delivery
- Price Policy**
- \* 27. Adopting competitive pricing (at par with competition)
  - \* 28. Assuming price leadership (high end pricing in the market) stressing superior quality
  - \* 29. Being the lowest-priced hotel in the market
  - \* 30. Increasing service offerings to improve the perceived dollar value received by guests (e.g., extra room amenities, free breakfast buffet, providing the best tourist information, etc.)
  - \* 31. Pricing decisions based on a cost plus approach
  - \* 32. Pricing based on what the market is willing to pay
- Brand Identification**
- 33. Building a good reputation of the property in the community

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34. Advertising to create and/or maintain awareness of the hotel
35. Deploying a highly visible professional sales force
36. Gearing much of marketing effort to project a specific image of the hotel
37. Using the uniforms/dresses of guest-contact employees as a means to project image
38. Designing facilities to achieve specific image objectives

**Channel Selection**

39. Adopting joint marketing and distribution along with competitors, local chamber of commerce, etc. to bid for shared business (e.g., conferences)
40. Affiliating with hotels located in other markets to build mutual referral business
41. Setting up sales offices in generating markets
42. Contracting with hotel representation firms to promote the property
43. Promoting the hotel to incentive houses
44. Negotiating contracts with travel agents and tour operators for volume business
45. Tying up with airlines and/or car rental firms to offer integrated reservations

**Technological Leadership**

46. Developing innovative service ideas/methods
47. Introducing latest computer/communication technologies in guest rooms
48. Expanding automation/computerization in guest handling
49. Leading the competition in introducing new technologies

- \* 50. Waiting till competitors introduce some new technology before following suit
  - 51. Adopting innovative technologies wherever possible in different areas of the hotel
- Cost Position**
- 52. Employing automation/computerization to reduce costs
  - 53. Bargaining with suppliers for lowest prices
  - 54. Using every management decision to reach the goal of achieving the lowest cost of operation among the competition
  - 55. Using a cost accounting system to establish costs accurately
  - 56. Using cross-training of employees to reduce costs
- Leverage**
- 57. Minimizing the use of debt financing
  - 58. Minimizing overhead through standardization
  - 59. Achieving high operational efficiency levels
  - 60. Employing rigorous cost control systems/procedures in all areas
  - 61. Adopting risk management practices
  - 62. Training employees in risk management
  - 63. Maximizing the use of debt financing
  - 64. Minimizing debt servicing costs through refinancing
- Service Identification**
- 65. Using guest complaints/suggestions/feedback as a resource in strategic planning

- 66. Researching what service standards customers expect from industries similar/related to hotels (e.g., airlines)
  - 67. Researching sources of business (e.g., travel agents) to understand what guests want
  - \* 68. Using customer panels to get regular information on customer needs/expectations
  - 69. Soliciting guest comments on their stay at the time of departure
  - 70. Using market research effectively in designing product and/or service strategies
  - 71. Encouraging all departmental managers to interact with customers personally and experience the service delivery process
  - 72. Encouraging free upward communication between guest-contact employees and management
  - 73. Staying close to the customers by reducing the organizational levels between the guest-contact level and management level
- Service Specification**
- 74. Enhancing the personalization of service in all areas of the hotel
  - 75. Employing yield management techniques/systems
  - 76. Ensuring that hotel activities are coordinated to enhance customer satisfaction
  - 77. Adopting user-friendly (to both employees and guests) systems and new technologies which improve the effectiveness of service delivery

- \* 78. Industrializing the service operation by substituting technology and automation for people wherever possible (e.g., video check-in/check-out)
- \* 79. Increasing the number of self-service operations in as many areas of the hotel as possible (e.g., coffee shops, swimming pools)
- 80. Improving customer participation skills (in self-help services) by simplifying systems and procedures, installing easy-to-understand signage, etc.
- 81. Employing additional part-time workers to maintain service levels in peak demand periods
- 82. Promoting special rates and/or packages to improve traffic in low season
- \* 83. Reducing service levels in high season to restrict demand
- 84. Using differential scheduling of existing employees to cope with seasonal fluctuation in demand
- \* 85. Making employees work overtime in peak season
- 86. Cross-training employees to perform other tasks as a means of coping with peak season demand
- 87. Educating customers to use the hotel during non-peak periods
- 88. Constantly and visibly expressing/demonstrating management's commitment to product/service quality
- 89. Training departmental managers in the skills needed to lead employees to deliver quality service

90. Instituting financial incentives for departmental managers linked to behaviors that foster high service quality
91. Viewing customers' demands as challenges and puzzles rather than as problems (i.e., believing in the feasibility of solving any customer problem)
92. Using computerized information systems as the basis for setting standards to improve customer service
93. Standardizing service tasks with the help of information databases (e.g., pre-registration)
94. Standardizing routine service tasks through automation, so that time is freed to personalize other service aspects
95. Effectively using computers/automation to improve job scheduling, service delivery, etc.
96. Ensuring that a single guest-contacting employee can handle customer problems involving interaction between different departments of the hotel
97. Setting service quality goals that are designed to meet customer expectations
98. Setting specific service quality goals for employees which emphasize critical service tasks
99. Setting service quality goals which are challenging but realistic, are accepted by the employees, and measured and reviewed regularly



## Service Delivery

100. Improving the service orientation of employee behavior (particularly among those in guest-contact positions)
101. Training employees in the technical aspects of the services they are supposed to provide
102. Training employees in interpersonal skills
103. Training employees in communication skills
104. Training guest-contact employees about their customers/customers' expectations
105. Providing regular feedback to employees on their service delivery achievement
106. Designing employee incentive/reward/recognition systems based, at least in part, on the delivery of quality service
107. Adopting innovative recruitment and retention methods to foster employee loyalty (e.g., recruiting physically challenged personnel)
108. Carefully choosing personnel who interact with customers (e.g., assessment of social adaptation skills)
109. Emphasizing employee empowerment by pushing decision-making down to the lowest organizational levels of the hotel
110. Building teamwork by cross-training employees, team-based reward systems, etc.
111. Re-doing service when a customer is dissatisfied
- \* 112. Educating customers on their roles in receiving quality service

- Service Communication
113. Promoting horizontal communication between different departments of the hotel (e.g., sales/marketing and operations)
  114. Emphasizing in external communications those aspects of service quality (e.g., reliability) which customers consider most important
  115. Effectively using external communications (e.g., advertising) to manage customers' expectations (e.g., advertising only what can be and/or actually is delivered)
  116. Determining pricing carefully to convey the appropriate quality signals
  117. Designing marketing programs aimed at developing and enhancing enduring customer relationships, i.e., repeat business
  118. Making specific effort to encourage customers to tell others about the hotel's good service
  119. Stressing tangible cues in all communications (advertising, in-house signage, direct mail, etc.) to define the product/service
  120. Communicating service quality guarantees to customers
  121. Treating employees as customers and seeking their input in product/service design
  - \* 122. Featuring actual employees doing their jobs in external communications (such as advertising)

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Scale items marked with an asterisk (\*) were dropped in the scale purification process

Though almost all these strategic characteristics are extracted from grounded theory, some of them - notably those developed anew for the strategic dimensions of Porter (1980) and the adaptations from the service management literature - have not been operationalized previously in hospitality research. Therefore, it was necessary to validate this scale before it could be further used in the current study. For this purpose, a pilot questionnaire, shown in Appendix I, was developed and mailed to the Merlin general managers. By the time this scale development process was completed, Merlin Hotels had gone through a restructuring process, and only 18 hotels out of the earlier 35 were with the company. As such, the pilot questionnaire was mailed to only these 18 general managers. The main purpose of this pilot study was to assess the comprehensiveness and comprehensibility of the strategy scale. Thus, Question 1 in Appendix I was the principal question in this survey instrument. The question read as follows:

Considering your property as a whole and using your competitors as a frame of reference, please indicate the extent to which each of the following items was a part of the overall competitive posture (strategy) of your unit for the year 1992:

|  | Not part of<br><u>strategy</u> |   |   | Key part of<br><u>strategy</u> |   |   |
|--|--------------------------------|---|---|--------------------------------|---|---|
| [Comprehensive list of<br>strategic characteristics<br>as developed above] | 1                              | 2 | 3 | 4                              | 5 | 6 |

This question was adapted from Dev's (1988) survey instrument. Framing this question as above had the following advantages:

- \* Its wording had been pretested.
- \* As Dev modified the semantic differential used by Schaffer (1986), realized strategy is captured instead of intended strategy. This eliminated one of the contentious issues discussed in the preceding chapter.

As can be seen from Appendix I, the strategy scale items were randomized for this pilot study. Other additional questions were added to verify some assumptions, to assist in the development of the survey instrument to be used in the final study. Some of the findings of this pilot study formed the basis of the decision rules adopted in the design of the final instrument, and these are discussed in Chapter 4.

### Measurement of Performance

The operational measures of performance were (1) ROA (2) ROS (3) YPR and (4) Market Share Index. To compute these, the following information was requested from the respondent units:

1. Number of Available Roomnights
2. Number of Occupied Roomnights
3. Total Room Sales
4. Total Annual Sales
5. Income before fixed charges (before interest, income taxes, rent, property taxes, insurance, depreciation, and reserve for replacement of FF&E)
6. Total Fixed Assets
7. Total capacity (number of rooms) of all competition, including the respondent hotel
8. Total Occupied Roomnights of all competition, including the respondent hotel

All the above information was obtained for the years 1992 and 1993.

From the above information, the performance measures can be calculated as below:

$$\text{ROA} = \frac{\text{Income before Fixed Charges}}{\text{Total Fixed Assets}}$$

$$\text{ROS} = \frac{\text{Income Before Fixed Charges}}{\text{Total Annual Sales}}$$

$$\text{YPR} = \frac{\text{Total Room Sales}}{\text{Number of Available Roomnights}}$$

Market Share Index:

$$\text{a) Fair Share} = \frac{\text{Capacity of respondent hotel}}{\text{Total capacity of competition}}$$

$$\text{b) Market Share} = \frac{\text{Occupied Roomnights of respondent hotel}}{\text{Total Occupied Roomnights of competition}}$$

$$\text{Market Share Index} = (a / b) \times 100$$

Quantile statistics of these performance variables were then used to classify the respondent hotels as high and low performers. This was done on each performance variable separately. The practice of classifying respondent business entities falling in the upper quartile as high performers, and those falling in the lower quartile as low performers, is quite common in this type of research.

### Measurement of Control Variables

Size was measured by the average number of rooms available for sale in each year. This is obtained by dividing the Available Roomnights by the number of days in the year.

Location was measured by asking the respondents to classify their hotel's location, using the following classification scheme: city-center, suburban, highway, airport, and resort locations.

Segment was measured by asking the respondents to classify the type of their hotel, using the following classification: city-center, full-service, limited service, all-suite, resort, and convention hotels.

Affiliation was measured by asking the respondents to classify their hotels, using the following classification:

- \* Independently owned, self-managed
- \* Independently owned, managed by the franchisor
- \* Independently owned, managed by a management company  
(other than the franchisor)

- \* Chain owned (i.e., part of a multi-unit company),  
managed by the chain
- \* Chain owned, managed by the franchisor
- \* Chain owned, managed by a management company (other  
than the franchisor)
- \* Other than any of the above

It is to be noted that four of the ten types of affiliations discussed previously had to be dropped in this scale, since all the respondent hotels carry the flags of the hotel companies whose cooperation was sought to conduct this research. This arrangement is discussed in the next section.

#### Sample Frame

One of the major problems faced in hospitality research is the predominance of private business units. As a consequence of this, many market-based measures, that researchers in the manufacturing industry so easily have access to, are unavailable to hospitality researchers. Specifically, in the case of performance measures, hospitality researchers neither have the luxury of secondary sources of data to cross-check their primary data, nor is primary data forthcoming in the first place as private firms



are very confidentiality-minded. The poor response rates some of the earlier researchers got is evidence of this problem.

As such, if a researcher needs a high response rate, particularly on performance measures, alternative mechanisms for selecting the respondent population have to be considered. For this reason, as well as the fact that this is an exploratory study where a major emphasis is on scale development and refining, it is felt that getting a cooperative representative sample is more important than seeking a random sample with doubtful response pattern. Such non-random but representative sample frames were used by other hospitality researchers such as West (1988). With this reasoning, two very large lodging chains - both industry leaders - known for their interest in scientific management and research-based decision making were approached for their cooperation in this study. With the support of the top management of these chains, identified hereafter as Company A and Company B to preserve their anonymity, it was expected that reliable performance measures as well as a high response rate would be obtained. Though this method does not allow any law-like generalizations from this study, the quality and quantity of data produced should make the results more robust and set

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the stage for other researchers to attempt confirmatory studies.

The entire portfolios of the upscale, midprice, and economy hotels of both the companies were targeted in this study. As these three classificatory labels are frequently used hereafter, a brief explanation of this labelling is in order here. As everyone involved with this industry knows, these labels have lost much of their discriminatory power in recent years. A Days Inn hotel on the oceanfront in Jacksonville, FL, charges \$100 for a room per night. Many other Days Inns located on highways charge as little as \$29.95 for a room per night. Examples of this type abound with most brands. As such, hotels are classified by the companies mostly on the basis of the average profile of their brands. Detailed discussions with the top managements of the two participating companies confirmed this, and these discussions formed the basis for the classification of the hotels into upscale, midprice, and economy price segments.

The upscale hotels here are those whose brands on average sell at more than \$70 a room per night. Midprice hotels are those whose brands on average sell between \$55 to \$70 a room per night. Economy hotels are those whose brands on average sell between \$40 to \$55 a room per night. Of

course, depending on the specific location, exception cases are there in all the three price segments, like the Days Inn example cited above. The Budget brands were deliberately excluded from this study, based on the recommendation of the participating companies. The managements of these companies expressed the view that because almost all of their Budget properties are managed by just one person who, most usually, is not very sophisticated in professional management, it is extremely unlikely that these persons would be able to complete the research instrument used in this study.

#### **Data Collection**

A modified version of the total design method of Dillman (1978) was adopted for this study. Owing to several frequent changes in the strategic management department of Company B over the past year, necessary arrangements to execute this research study could not be tied up at the same time as they were with Company A. As such, the research commenced with Company B around three weeks after it did with Company A, and the mechanical procedures followed differed slightly for the two companies.

In both cases, the first mailing to the respondent hotels included a cover letter from a top management person

from the respective companies, a cover letter jointly signed by the Chairman of the Doctoral Committee and the researcher, the final questionnaire and a postage-paid self addressed envelope. A copy of the final questionnaire is included in Appendix II. Company A provided 1344 mailing labels for all of its hotels in continental U.S.A. and the mailing was done by the researcher. About a week later, a reminder post-card was sent to all non-respondents (Appendix III). When the first reminder still did not produce sufficient response desired, a second reminder (Appendix IV) was sent one week later, requesting the respondents to complete at least the sections excluding the performance question. As discussed previously, obtaining performance data from hospitality businesses has always been a serious problem. It was hoped that the second reminder would eliminate this problem by requesting for less confidential information. However, even this attempt did not generate sufficient response. So, Company A agreed to another fresh mailing of the research documentation. A random sample of 300 hotels was drawn out of the non-respondents up to that point of time, and this second mailing was undertaken a fortnight after the second reminder of the first mailing. The cover letters used for this second mailing were similar to those used earlier.

As for Company B, owing to the delayed start, the company graciously agreed to undertake the mailing for this study. The researcher provided the company a sample of the documentation materials (with the exception of the Company's cover letter) and the company put together all the materials and mailed them to 1361 hotels, which constituted all of its portfolio of hotels in continental U.S.A. Approximately one week later, Company B also sent a reminder post-card to all the respondent hotels. To protect the confidentiality of the Companies involved, some of the above referred communications which contained the Companies' names are not appended hereto.

The entire data collection process lasted about eight weeks, commencing from March 1, 1994 and ending April 30, 1994. At the time of writing this dissertation, responses are still trickling in. However, owing to the time constraints, further coding of data from newly received questionnaires stopped on May 1, 1994, and the analysis was completed only with the questionnaires received till April 30, 1994.

## **Reliability and Validity Tests**

There is some debate about whether reliability is part of the overall concept of validity as it represents the internal consistency of operationalization (Bagozzi, 1980), or it is different from validity (Nunnally, 1978; Peter, 1981). Whichever may be the case, it is essential that the reliability and validity of the measures used to tap the constructs under investigation be established to lend credibility to any research study.

Construct validity cannot be established by any one study (Cronbach, 1971). It can be achieved only when multiple studies tapping the same construct are validated. However, hospitality strategy research is too nascent to have reached such a stage. In view of this, as well as due to the fact that the concepts of reliability and validity have not always been studied rigorously, it is imperative that these issues be paid greater attention in hospitality research.

### **Reliability**

Reliability is one part of the general concept of internal consistency, the other being unidimensionality

(Nunnally, 1978). The latter, which assesses whether all the items in a multi-item scale measure a unidimensional construct is not relevant to this study because the major scale here is that developed for measuring strategy, and it is a priori based on multiple dimensions. Thus, we are concerned only with reliability in this study. Peter (1981) defined reliability "conceptually as the correlation between a measure and itself" (p. 136). Reliability, a necessary precondition for validity, is measured by the coefficient alpha (Cronbach, 1951; Nunnally, 1978). The multi-item strategy scale was subjected to this reliability test. A more detailed description of this important part of this research study is presented later in Chapter 4.

### Construct Validity

"The term 'construct validity' generally is used to refer to the vertical correspondence between a construct which is at an unobservable, conceptual level and a purported measure of it which is at an operational level. In an ideal sense, the term means that a measure assesses the magnitude and direction of (1) all of the characteristics and (2) only the characteristics of the construct it is purported to assess" (Peter, 1981, p. 134). In simple terms, construct validity refers to whether an

operational measure is indeed measuring the construct it is supposed to, and only that construct. There are four different components of construct validity usually discussed in the literature: content validity, convergent validity, discriminant validity, and nomological validity.

Venkatraman and Grant (1986), in a comprehensive critique on the current state of construct measurement in strategy research, opined that "in the present stage of development of strategy theories, this [nomological validity] is not yet a key requirement" (p. 82). Nomological Validity can be established only when a network of relationships between different constructs is developed through programmatic research. In hospitality strategy research, these constructs would be strategy, structure, environment, and so on. In the absence of a reliable and valid strategy measurement instrument, past research has thus far not been able to establish such relationships. So, only the first three components of construct validity are discussed below.

### Content Validity

This refers to the "extent to which empirical measurement reflects a specific domain of content" (Venkatraman & Grant, 1986, p. 79). Content validity can be established through the use of expert panels of scholars and



executives (Hambrick, 1981, 1983a). In this study, content validity is established through the process by which the strategy scale was developed. First, 35 general managers provided input on the competitive methods they actually use to compete in the market place. Second, all the hospitality strategy scales used by past researchers were consolidated into this scale. Third, new strategy scale items were developed directly from the strategic management and service literature. Fourth, the consolidated scale that was finally developed was thoroughly scrutinized by two experts in hospitality research. Last, the scale was subjected to several iterations of reliability testing using sophisticated methodology. Thus, the rigorous process of the scale development ensured its content validity.

#### **Convergent Validity and Discriminant Validity**

If the correlation between responses obtained through maximally different methods measuring the same construct is high, convergent validity is established. Conversely, if the correlation between responses from two methods measuring different constructs is low, discriminant validity is established. Convergent and discriminant validities are generally examined by using multi-trait-multi-method matrices (Campbell & Fiske, 1959; Churchill, 1979). This

procedure, however, needs more than one measurement method for tapping the same construct. In the current study, it was not possible to use this approach to establish these components of construct validity as there is only one scale for measuring strategy. In the current state of knowledge of hospitality strategy, there is no second method that can be used.

Another method that can be used in this context is confirmatory factor analysis. If a construct can be a priori hypothesized to have  $n$  dimensions underlying it, and a factor analysis of a measure operationalizing that construct produces the same  $n$  number of interpretable factors, the construct validity is presumed to have been established (Peter, 1981). However, since this is an exploratory study trying to develop a new scale for measuring strategy, confirmatory factor analysis could not be used because one did not know a priori how many interpretable factors there ought to be.

Venkatraman and Grant (1986), however, stated that among other methods, using "multiple managers in different key functions, ... [and] expert opinion" (p. 82) are also acceptable alternatives. Thus, the process used in the development of the strategy scale involving, as it did, the

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input of general managers of several hotels and two experts is considered sufficient evidence to establish construct validity.

The other variables involved in this study - performance, size, location, segment, and affiliation - do not require any validation, as they are drawn from universally standard industry terminology, used by previous researchers as well.

### Data Analysis

The following statistical tests were performed in this study:

- \* Descriptive statistics were generated by all the variables used in the study, except for the strategy scale, to assess the distribution pattern of the data. This was necessary to ensure that the data does not suffer from any abnormalities.
  
- \* Chi-square tests were performed on the cross-tabulations to evaluate the inter-relationships in the data.

- \* The strategy scale was factor analyzed to identify the strategic dimensions underlying the response pattern, which is the primary objective of this study. Successful factorization resulting in meaningfully interpretable factors supports Proposition 1.
- \* The factor scores were then used in multivariate analysis of variance procedures to identify the differences in the strategy dimensions between high and low performers, identified by using the quantile statistics. This was done for each performance measure separately.
- \* Based on the results obtained in the previous step, univariate ANOVAs were performed in all such cases where the MANOVAs indicated significant differences.
- \* For each significant ANOVA result, factor means were calculated to verify the direction of the relationship between the significant strategy dimensions and the performance variables concerned.
- \* To investigate how the strategy-performance relationship varies across the different classifications of the control variables, a similar

series of MANOVA->ANOVA->factor means procedures were performed for each control variable.

- \* Last, differences in performance between 1992 and 1993 were classified into high and low, and analysis of variance procedures were used to investigate the strategic time lag issue.

The detailed steps in executing the above analytical procedures are more fully explained in the next Chapter as the results are presented.

#### **Summary**

This chapter dealt with the methodological issues of the study. Specifically, the operationalization of the variables, statement of propositions, research design, the detailed process used in the development of the multi-item strategy scale, validity and reliability issues, and the statistical tests to be performed were discussed.

## **Chapter 4**

### **RESULTS AND ANALYSIS**

## **Introduction**

The previous chapter described the methodology followed in this research study. This chapter reports the findings from this study. Specifically, the results of the pilot testing of the strategy scale and the survey instrument used in the final study are presented first. This is followed by a discussion of the extensive diagnostic checks performed on the data. Next, the purification of the strategy scale using reliability testing is discussed, which is followed by a factor analysis of the strategy scale. The relationship between the strategy dimensions and performance is discussed thereafter, followed by a presentation on the effect of the control variables on this strategy-performance relationship. Last, the investigation of the strategic time lag issue is reported.

## **Pilot Study Results**

One question that is frequently raised in hospitality strategy research is whether strategy should be measured over a longer term, say five years. Notwithstanding its intuitive appeal, as strategy is after all supposed to reflect a longer term orientation, there are problems in

implementing this idea. Two major problems in this regard are as follows:

1. In a turbulent environment, strategies have to change frequently and, hence, their measurement over a longer term, desirable as it may be, is a difficult task if not an impossible one.
2. With all the corporate restructuring that is being witnessed over the past few years, it is equally difficult to find hotel managers who have been with one property for five years to help measure the strategy construct over a longer term.

Each of the above problems have been addressed in the pilot study which obtained 16 usable responses. In Question 2 (Appendix I), respondents were asked to indicate if their hotel's competitive activities in 1990-1991 were significantly different from those adopted by them during 1987-1989. It will be noted that these two time periods together add up to five years. Twelve out of 13 respondents (with three missing values) answered that their competitive methods, as described by their responses to the strategy scale in Question 1, significantly differed between the two time periods.



Question 8 investigated whether the respondents were in their current position in 1990 as well as 1991. The results were as follows :

7 respondents were at the same (current) hotel in both 1990 and 1991.

7 respondents were not there in either 1990 or 1991.

2 respondents were not there in 1990, but came in 1991.

Both these results tend to confirm this researcher's view that, despite its desirability, measuring hospitality strategy over a five-year period is infeasible at this time. This in no way refutes the importance of trying to measure strategy over a longer term, which should be undertaken when more stable environmental conditions prevail.

A new question might arise from the above findings, and that is, how did the respondents know whether the hotel's competitive methods were different between 1987-1989 and 1990-1991, if half of them were not even there in 1990 and 1991. A Chi-Square test was performed to examine this question by cross-tabulating the responses to Questions 2 and 8. It was found that regardless of whether the respondents were at the current hotel in both 1990 and 1991 or not, their responses to Question 2 were the same. This

means that their not being at the current hotel in 1990 and 1991 did not affect their knowing whether the 1987-1989 competitive methods were different from those of 1990-1991.

Another issue that was verified was whether or not the responses to the strategy scale in Question 1 were different between those respondents who were at the current hotel in both 1990 and 1991 and those who were not. It was found that the responses were in general the same. Only in the case of three competitive methods out of the total of 122 scale items, were any differences found.

From the above findings, it was concluded that :

1. it was more pragmatic to measure strategy over a recent 2-year period, and
2. that it was not necessary to reject the responses of such hotel managers who were not present at the current hotel in the relevant 2-year period (as was originally contemplated by the researcher).

One is, of course, conscious of the fact that these conclusions are being drawn from a study of only 16 respondents.

As stated in Chapter 3, the primary purpose of this pilot study was to assess the comprehensibility and comprehensiveness of the strategy scale. Questions 3, 4 and 5 in the pilot survey instrument addressed the first issue, i.e., comprehensibility. Fourteen out of 15 respondents did not find any problems with the clarity of the strategy scale. The lone exception was a respondent who claimed that he was in this industry for 48 years, and considered most academic research of this kind to be of no value. Considering the nature of this exception, it was ignored and the strategy scale as tested was considered to be comprehensible enough to be adopted for the final study without any changes.

The comprehensiveness issue was addressed through Questions 6 and 7. Again, 14 out of 15 respondents did not find any competitive methods missing in the scale compared to what they have been practicing. The lone exception in this case (not the same respondent as the one referred to previously) responded that maintaining a high profile with the Welcome Center managers to get more seniors' leisure business is an additional competitive method he follows which was not included in the strategy scale. As it so happens, this competitive method was indeed in the strategy scale (no. 12 in Table 6) and this respondent, as a matter

of fact, correctly identified this item of the strategy scale as being a key part of his strategy. In view of this, his exception response to Question 5 was disregarded, and the strategy scale was deemed to be comprehensive.

### **The Final Instrument**

A copy of the final survey instrument is included in Appendix II. Most of the measurement issues involved in this instrument have already been discussed in detail in Chapter 3 and are not being repeated here. This section will thus only briefly introduce the instrument and provide below a few additional clarifications not covered elsewhere herein:

1. Questions 1, 3 and 4 in Section I were designed to measure the control variables Location, Segment, and Affiliation. Measurement of the control variable Size is embedded in Question 2 of Section III (page 6 of the instrument), as the variable Rooms Available.
2. In an earlier discussion of this research study, the relevance of assessing whether a hotel's location is good or bad, in addition to simply classifying the location by a scale, was raised. To address this

concern, Question 2 investigated how the respondents rated their hotel's location vis-a-vis their competition.

3. Likewise, in the previous discussion referred to above, whether the quality of a property had anything to do with its performance was another point that was raised. Considering the aging inventory of hotels in the market place, at issue here is whether all hotels regardless of age can follow similar strategies and achieve similar performance levels. To address this issue, the age of the respondent hotels was measured through Question 5 in Section I.
  
4. The 122-item strategy scale in Section II is identical to the one used in the pilot study, as no changes were warranted from the pilot study responses. However, the question relating to this strategy measurement was slightly modified on the recommendation of the corporate sponsors, by separating the instructional part from the question per se and highlighting the former in a box. In fact, from the consultations with the corporate sponsors, the presentation of the instrument was enhanced by prominently including instructions and preamble statements.

5. Another issue that was raised in the earlier discussion was whether the objective/goal of a business unit (of analysis) had any bearing on the strategies pursued by such a unit. For instance, do hotels which aim for a higher market share (probably a longer term goal) differ from those which look for immediate gratification through a higher gross operating profit? A related question might be, "Is market share a performance variable (as a goal/objective) or a strategy variable?" The discussion on strategy research based on the PIMS-Database in an earlier part of this dissertation has dealt with this subject. Question 1 of Section III, thus, investigated which of several alternatives was the most important performance objective for the hotel. The criterion by which the hotel manager's performance is judged is deemed to be a surrogate of the objective of the hotel (owners).
  
6. Question 2 of Section III of the instrument was designed to capture the data on the four performance variables under study. The formulae by which these performance measures - YPR, MSI, ROA and ROS are calculated from the information solicited in this question have already been described in Chapter 3.

An extensive list of diagnostic checks were employed to scan the information reported by the respondents who returned the completed survey instrument described above. The next section reports on these checks and the findings.

### Diagnositics

As reported earlier, this study was conducted in collaboration with two corporate sponsors who are industry leaders with large portfolios of hotel properties. The final survey documentation was mailed to a total of 2705 hotels belonging to these chains. The questionnaires returned by the respondents added up to 654, representing a 24.2% response rate. Very few packets mailed to Company A's hotels were returned undelivered. As Company B undertook the mailing to its hotels, the corresponding information of returned questionnaires was not available for Company B. However, as both companies provided/used their current mailing labels, the returns in the latter case also could not have been too many. As such, this returns figure has not been considered in the response rate calculated. Likewise, the questionnaires received after the data processing has commenced have also not been included in the total response figure. This rate compares very favorably with the experience of previous hospitality strategy

researchers. This is particularly so considering the length of the survey instrument in this study and the breadth and exactness of the performance information solicited. The company-wise break up of the response pattern is as shown in Table 7.



**Table 7. Response Pattern of the Survey of Lodging Establishments of Two Major Chains in U.S.A.**

|                                | Company A | Company B | Total |
|--------------------------------|-----------|-----------|-------|
| <b>Total Mailing</b>           | 1344      | 1361      | 2705  |
| <b>Questionnaires Returned</b> | 302       | 352       | 654   |
| <b>Response Rate</b>           | 22.5%     | 25.9%     | 24.2% |
| <b>Questionnaires Rejected</b> | 55        | 20        | 75    |
| <b>Effective Responses</b>     | 247       | 332       | 579   |
| <b>Effective Response Rate</b> | 18.4%     | 24.2%     | 21.4% |

As Table 7 shows, 75 questionnaires were rejected for various reasons described in the ensuing section, yielding a final sample of 579 hotels for further analysis. This represented an effective response rate of 21.4%. This response rate compares well with the response rates obtained in past hospitality strategy research. More importantly, this final sample size of 579 is four to five times the sample sizes realized in previous studies, and was considered more than adequate for the analyses contemplated in this study.

The diagnostic checks made were of two types. First, the questionnaires received back were physically screened, and then they were subjected to statistical checks.

### Physical Screening

The following decision rules were adopted a priori to screen the questionnaires received:

1. Each questionnaire was scanned, and any questionnaire found to have been mutilated or filled lackadaisically was rejected outright. For instance, three respondents obliterated the price segment codes on the

questionnaires, thereby disabling their identification as upscale, midprice, or economy hotels. A couple of respondents encircled the entire columns of numbers on each page. All such frivolous cases were eliminated first.

2. Several responding hotels were not in operation in 1991 and/or 1992. Many of them even clearly indicated as such. Since the strategy scale refers to the period 1991-1992, it was decided even before the first questionnaires started returning that any hotel not in operation at least for the entire year of 1992 should be eliminated.
3. Also eliminated at this stage were all such questionnaires in which the respondents did not completely respond to the strategy measurement question. Less than 10% missing values were, however, accepted.

These decision rules resulted in the 75 rejections reported earlier. The 579 accepted responses were coded and analyzed with the SAS package. The diagnostic checks reported in the ensuing section have been performed with computer analysis.

One of the first observations made during the physical screening process was that respondents, while reporting the performance information, failed to take into account the fact that 1992 was a leap year and had 366 days. Many of them provided exact performance figures right down to the second decimal place (thereby confirming their willingness to furnish accurate information), but forgot to adjust their own available roomnights and those of the competition as a whole for 1992. In contrast, many other respondents not only took care of this adjustment, but even pointed out in writing that they have done so lest the researcher misinterpret the data. It was thus obvious that the data needed some adjustment. This was accomplished as follows.

The Rooms Available for 1992 and 1993 were each divided by 365. If the resultant pair of data was identical, it is obvious that adjustment for the leap year was forgotten. If the resultant numbers (of daily rooms) were unequal, obviously, the respondents have made adjustments. So, for all such cases where the Rooms Available for 1992 and 1993 were the same, the 1992 figure was recomputed using 366 days. A similar exercise was done in respect of Total Rooms Available of Competition. The rest of the performance

fields are not affected by this leap year difference as they are all actual achieved figures.

The Average Room Rates (ARR) for 1992 and 1993 were computed by dividing the Net Room Sales figures reported by the corresponding Rooms Sold/Occupied figures. Scanning these ARR's not only helped in locating data entry errors but also highlighted highly improbable situations (e.g., an ARR less than \$5). Such questionnaires were re-examined and the corresponding performance information was deleted, if found inaccurate.

Another very important observation which resulted from the physical screening of the returned questionnaires concerned the Total Fixed Assets figures reported by the respondents (Q.2, Section III, p. 6 of Appendix II). It was observed that these figures seemed to vary radically among the questionnaires, and appeared to have no discernable pattern of relationship with the size of the respondent hotels. To investigate this further, an intermediate variable COST (per room) was computed for each year. These calculations gave two figures, COST92 and COST93, being the result of dividing the Total Fixed Assets by the number of rooms. The latter figure was taken from the just described exercise of adjusting the Rooms Available for the leap year.

The computations of COST92 and COST93 was done for upscale, midprice, and economy hotels separately for obvious reasons.

These calculations highlighted the problem at hand which was not all that clear from merely studying the Total Fixed Assets figures. For upscale hotels, it was found that the COST figures ranged from a minimum of \$6,145 to a maximum of \$116,224. The corresponding minima and maxima for midprice and economy hotels were \$308 and \$87,260, and \$361 and \$68,236 respectively. It was quite clear from these figures that the sample consisted of a mixture of leased and owned hotels. This is quite representative of the larger universe of the lodging industry in general. The leased properties seem to have reported as their fixed asset values only such amounts which account for the limited capital infused by them after leasing the properties. Usually, such investments are restricted to some limited remodelling, acquisition of new computers, and so on. This is conjectural, of course, but is based on one's knowledge of the industry and an interpretation of the lower end of the COST figures computed.

It must be clarified here that the possibility of older hotels having low fixed asset values (because of being fully depreciated) as compared to newer hotels was considered and

rejected as an explanation for the variations in this data. This is because an examination of the COST and Age figures showed that there were many new hotels with very low COST figures and vice versa. Further probing on this subject also revealed that there are some prevalent industry practices which confound this issue. For example, it appears there are informal cartels of hotel owners who by turn depreciate their properties on the books and then sell them off at a higher (than book) value to another cartel member. The differential between the book value of the assets and the sale price in these cases is accounted for by "good will" of the property. The cartel member who purchases the property once again starts depreciating it on his/her books, and the cycle continues. As a result, all the cartel members are able to reap huge tax savings.

Faced with these kinds of dynamics, it was obvious that using the Total Fixed Assets figures reported in these questionnaires for computing ROA was fraught with serious problems. It is not surprising that hospitality strategy researchers have never managed to get any meaningful results in the past in their attempts to relate ROA with the different independent variables under investigation. Though the phenomenon that came to light here may have been generally known, it is only in the current study that

"exact" data on assets was collected for the first time, confirming the enormity of the problem in using ROA as a dependent variable measuring performance. While possible solutions to this problem for future research are discussed in Chapter 5, it was decided that in this study ROA should not be used as a performance measure. Thus, in all subsequent analyses reported in the ensuing sections, only YPR, MSI, and ROS have been used as the performance measures.

#### Statistical Checks

In the remainder of this dissertation, the variables are referred to by the names used to process them in the SAS programs. This is being done (a) for brevity, and (b) to create an integrity between the narration and the computer outputs. To facilitate easy identification/reference of these variables, a dictionary of variables is included in Table 8.



**Table 8. Dictionary of Variables Used in this Study**

| <b>Variable Abbreviation</b> | <b>Description</b>  |
|------------------------------|---|
| <b>AFFILIAT</b>              | <b>Affiliation, i.e., ownership-management structure of a hotel (Independently owned, self-managed, etc.)</b>         |
| <b>LOCATION</b>              | <b>Location of hotel (City-center, etc.)</b>  |
| <b>LOCRATE</b>               | <b>Variable classifying RATELOC into most superior (=1) or most inferior (=2) location</b>                            |
| <b>MSI92</b>                 | <b>Market Share Index for 1992</b>  |
| <b>MSI93</b>                 | <b>Market Share Index for 1993</b>  |
| <b>MSI</b>                   | <b>Average of MSI92 and MSI93</b>   |
| <b>MSIDIFF</b>               | <b>Difference between MSI93 and MSI92</b>   |
| <b>NEWAGE</b>                | <b>Variable classifying the Age of a hotel into four categories (&lt;=7 years, etc.)</b>                              |
| <b>NEWMSI92</b>              | <b>Variable classifying MSI92 into high or low by quartiles (High = 1, Low = 2)</b>                                   |
| <b>NEWMSI93</b>              | <b>Variable classifying MSI93 into high or low by quartiles (High = 1, Low = 2)</b>                                   |
| <b>NEWMSI</b>                | <b>Variable classifying MSI into high or low by quartiles (High = 1, Low = 2)</b>                                     |
| <b>NEWMSIDF</b>              | <b>Variable classifying MSIDIFF into high or low by quartiles (High = 1, Low = 2)</b>                                 |
| <b>NEWRMS92</b>              | <b>Variable classifying the Size (Available Rooms) of a hotel in 1992 into four categories (&lt;=100 rooms, etc.)</b> |
| <b>NEWRMS93</b>              | <b>Variable classifying the Size (Available Rooms) of a hotel in 1993 into four categories (&lt;=100 rooms, etc.)</b> |
| <b>NEWROS92</b>              | <b>Variable classifying ROS92 into high or low by quartiles (High = 1, Low = 2)</b>                                   |
| <b>NEWROS93</b>              | <b>Variable classifying ROS93 into high or low by quartiles (High = 1, Low = 2)</b>                                   |
| <b>NEWROS</b>                | <b>Variable classifying ROS into high or low by quartiles (High = 1, Low = 2)</b>                                     |
| <b>NEWROSDF</b>              | <b>Variable classifying ROSDIFF into high or low by quartiles (High = 1, Low = 2)</b>                                 |

|                 |   |
|-----------------|---|
| <b>NEWYPR92</b> | Variable classifying YPR92 into high or low by quartiles (High = 1, Low = 2)  |
| <b>NEWYPR93</b> | Variable classifying YPR93 into high or low by quartiles (High = 1, Low = 2)  |
| <b>NEWYPR</b>   | Variable classifying YPR into high or low by quartiles (High = 1, Low = 2)  |
| <b>NEWYPRDF</b> | Variable classifying YPRDIFF into high or low by quartiles (High = 1, Low = 2)  |
| <b>PERFMESR</b> | Performance Measure, which the respondents considered to be the most important to evaluate the performance of their hotel |
| <b>RATELOC</b>  | Variable measuring the rating of a hotel's location vis-a-vis its competition   |
| <b>ROS92</b>    | Return On Sales for 1992  |
| <b>ROS93</b>    | Return On Sales for 1993  |
| <b>ROS</b>      | Average of ROS92 and ROS93  |
| <b>ROSDIFF</b>  | Difference between ROS93 and ROS92  |
| <b>SEGMENT</b>  | Variable classifying the service-level of a hotel (Full-service, etc.)  |
| <b>YPR92</b>    | Yield Per Room for 1992   |
| <b>YPR93</b>    | Yield Per Room for 1993   |
| <b>YPR</b>      | Average of YPR92 and YPR93  |
| <b>YPRDIFF</b>  | Difference between YPR93 and YPR92  |

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To perform various data manipulations and statistical checks involving the variables Size and Age, these continuous variables had to be categorized first. In order that a balanced distribution across categories is obtained for each of these variables, frequency distributions were first printed and the categories were then decided in such a way that the distribution is uniform. This resulted in Size being categorized as:  $\leq 100$  rooms, 101-150 rooms, 151-250 rooms, and  $> 250$  rooms. Age was categorized as:  $\leq 7$  years, 8-20 years, 21-30 years, and  $> 30$  years.

Unless otherwise specified, an  $\alpha = .05$  was used in all statistical analyses.

### Response Bias

The next diagnostic test(s) dealt with verifying whether there was any response bias. Whereas generalization to the whole universe of lodging properties was not the main objective of this study as discussed previously, it is nevertheless important to ensure that the respondents in this study are not significantly different from the non-respondents, so that the results could at least be generalized to the level of the universe of both sponsors' total portfolios of properties. In as much as these two

companies, as industry leaders, account for a significant number of hotels in the total population, being able to generalize the results to the level of their total portfolios will enhance the robustness of the findings from this study. With this objective in mind, respondent-nonrespondent differences, if any, were studied as described below.

The response bias tests had to be performed in different ways for each of the sponsors' respondent-nonrespondent groups. This was because information about the non-respondents was available for each of these groups in different formats. It should be clarified here that with the 2705 hotels to whom the research documentation was mailed being spread all across the country, it was not possible to reach the non-respondents directly. In any case, such an exercise would have been futile because the non-response can safely be presumed to be due to the reluctance of hotel managers to part with confidential information on their strategies and performance. This meant that any response bias checks could be performed only on classificatory data, such as Location, Segment, and so on. Information on these variables was gathered in different ways for each sponsor's portfolios.

### Company A.

At the time of this study, Company A was going through an overhaul of its information database and could not access any franchisee-descriptive data. So, it was decided in this case to treat the respondents of the second mailing (described earlier), as the non-respondents to the first mailing. Anticipating the necessity of this strategy, the 300 hotels to whom the second mailing was done (as described in Chapter 3) were randomly selected from the non-respondents up to that point of time. As such, the responses received from this second mailing could be generalized to all non-respondents of the first mailing, and if there are no differences between the respondents to the two mailings, then the possibility of any response bias can be discounted. The additional advantage of this strategy was that even performance data was available for the second group of respondents, so that the response bias checks could be performed on the dependent variable too, in addition to the classificatory information. Usually, this is never possible in most research studies because performance information is never available for non-respondents.

Chi-square tests were performed on the cross-tabulations of LOCATION, SEGMENT, AFFILIAT, NEWAGE,  
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NEWRMS92, and NEWRMS93, with the two respondent groups. As Table 9 shows, the null hypothesis of equality failed to be rejected in all the tests . So, it can be presumed that there is no response bias as measured by these variables. As for the performance variables, Cochran T-tests were performed on the means of the two respondent groups for the variables, YPR92, YPR93, MSI92, MSI93, ROS92, and ROS93. As the tariffs and, consequently, the revenues of hotels in general differ from upscale to midprice to economy, it was considered appropriate to perform these tests for each price classification separately, for the revenue related performance variables - YPR92, YPR93, ROS92, and ROS93. To maintain uniformity, the same approach was taken in respect of MSI92 and MSI93 as well. As Table 10 shows, all the T-tests failed to reject the null hypothesis of equality of means. Therefore, it can be presumed that there is no response bias as measured by the performance variables as well. The summary conclusion from both the Chi-square and T-tests put together is that in the case of Company A, the respondents and non-respondents are alike in all respects.

**Table 9. Response Bias Tests between Respondents and Non-respondents by Classificatory Variables (Company A)**

| <b>Classificatory Variables</b> | <b>N</b> | <b>DF</b> | <b>Chi-Square</b> | <b>Probability</b> |
|---------------------------------|----------|-----------|-------------------|--------------------|
| LOCATION                        | 245      | 4         | 3.492             | .479*              |
| SEGMENT                         | 248      | 4         | 5.664             | .226*              |
| AFFILIAT                        | 248      | 5         | 8.239             | .144*              |
| NEWAGE                          | 243      | 3         | 0.235             | .972*              |
| NEWRMS92                        | 181      | 3         | 2.711             | .438*              |
| NEWRMS93                        | 187      | 3         | 1.999             | .573*              |

\* Not Significant

**Table 10. Response Bias Tests between Respondents and Non-respondents by Performance Variables (Company A)**

**Upscale Hotels**

| Performance Variables | DF    | T - Value | Probability>\T\ |
|-----------------------|-------|-----------|-----------------|
| YPR92                 | (2,2) | 0.5248    | .6274*          |
| YPR93                 | (2,3) | (0.3280)  | .7562*          |
| MSI92                 | .     | 0.7653    | .5841*          |
| MSI93                 | .     | 0.0993    | .9370*          |
| ROS92                 | (1,3) | (0.3646)  | .7339*          |
| ROS93                 | (1,4) | (0.5194)  | .6257*          |

**Midprice Hotels**

| Performance Variables | DF     | T - Value | Probability>\T\ |
|-----------------------|--------|-----------|-----------------|
| YPR92                 | (5,47) | (1.7133)  | .0926*          |
| YPR93                 | (6,49) | (1.2974)  | .1999*          |
| MSI92                 | (18,1) | (1.3465)  | .1940*          |
| MSI93                 | (20,1) | (1.4473)  | .1626*          |
| ROS92                 | (4,28) | 0.3579    | .7227*          |
| ROS93                 | (4,28) | 0.3374    | .7380*          |



**Economy Hotels**

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| <b>Performance Variables</b> | <b>DF</b> | <b>T - Value</b> | <b>Probability&gt;\T\</b> |
|------------------------------|-----------|------------------|---------------------------|
| YPR92                        | (71,13)   | 1.2307           | .2219*                    |
| YPR93                        | (74,13)   | 1.7108           | .0907*                    |
| MSI92                        | (1,21)    | 0.8942           | .8305*                    |
| MSI93                        | (1,23)    | 0.5117           | .9049*                    |
| ROS92                        | (4,39)    | 2.8179           | .2000*                    |
| ROS93                        | (4,41)    | 2.4730           | .2652*                    |

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\* Not Significant

### Company B.

Company B presented a different scenario for similar testing. They had an information database on their franchisees readily available and it was decided to use this database to check the response bias. Of course, in this case, no such checks could be attempted on the performance variables as such information was unavailable and not forthcoming. Once again, a random sample of 100 non-respondents were chosen from Company B's portfolio for this testing. Company B tried to prepare a subset of information from their database on the variables LOCATION, SEGMENT, and AFFILIAT as well as tabulate data on age and number of rooms (corresponding to the variables NEWAGE, and RMS92 and RMS93). Some problems were encountered in this exercise. The Company's classification on AFFILIAT did not match with the one used in this study, and no type of reclassification was successful in making the two sets of data comparable. So, though this information was available, it could not be used. In the case of age, it was found that the Company's database reflected only the year in which a property became its franchisee, and not the year in which the hotel was first put up. The Company tried to collect this information as they too became interested in measuring the age as this research study did, but the data compilation could not be

completed by them in time for this analysis. As for number of rooms, the Company's database reflected the total number of rooms as published, but not adjusted for rooms taken out for repairs and maintenance. The information gathered in this research study was based on the latter. So, once again, though the information was available, it could not be used owing to comparability problems.

Thus, Chi-square tests were performed in this case on LOCATION and SEGMENT to check the response bias. As Table 11 shows, the null hypothesis of equality failed to be rejected for SEGMENT, and was narrowly rejected for LOCATION. Being surprised at the last result, a check was made on the Company's classification of LOCATION for the respondent hotels. It was found that there were some differences between how the Company classified a hotel's LOCATION and the hotel's own classification on this variable as reported in the questionnaires received back. In view of the strong support obtained in the case of Company A for the hypothesis of no response bias, and the fact that the portfolios of these two Companies are very similar, it was considered safe to presume similarly in the case of Company B as well.

**Table 11. Response Bias Tests between Respondents and Non-respondents by Classificatory Variables (Company B)**

| <b>Classificatory Variables</b> | <b>N</b>   | <b>DF</b> | <b>Chi-Square</b> | <b>Probability</b> |
|---------------------------------|------------|-----------|-------------------|--------------------|
| <b>LOCATION</b>                 | <b>428</b> | <b>4</b>  | <b>9.713</b>      | <b>.046**</b>      |
| <b>SEGMENT</b>                  | <b>430</b> | <b>4</b>  | <b>8.248</b>      | <b>.083*</b>       |

\* Not Significant

\*\* Significant  $p < .05$

Thus, it was concluded overall that there is no response bias in this study, which means that the results can be generalized to the portfolio populations of these two companies. This set the stage for the next diagnostic check to verify whether the respondent populations from the two companies' franchisees are similar. Obviously, one would like them to be similar so that all the responses can be combined for all further analysis. The results of these checks are reported in the next section.

#### Company A vs. Company B

Unlike in the response bias checks reported above, we are not interested here in verifying the similarity between the two groups of respondents on the classificatory variables, LOCATION, SEGMENT, etc. This is because the two companies could well have different mixes of properties on each of these variables without making any difference to this study. In fact, the portfolios of these two Companies have differences in LOCATION, etc. and these are reported just for sample description purposes later on. On the other hand, what is critical here is that the two respondent groups be similar on the dependent and independent variables because of the nature of the statistical analysis contemplated, as outlined in the previous chapter. In

particular, that the two respondent groups be similar on the strategy construct is important and this reasoning is discussed first before presenting the results of the diagnostic checks.

The strategy construct is measured in this study by a 122-item scale. Factor analytic techniques are to be employed on the responses to this scale to identify the underlying dimensions of strategy. The appropriate sample size for factor analysis is a controversial subject, and there is no one ultimate word on this subject. As Pedhazur and Schmelkin (1991) put it, "although there is general agreement that large samples are imperative for stability of factor analytic results, there is no agreement as to what constitutes large" (p. 624). According to Nunnally (1978), "a good rule is to have at least 10 times as many subjects as variables" (p. 421). This translates to 1220 sample hotels needed for analysis in this study. As every hospitality strategy researcher knows, this is an utopian situation, particularly considering the fact that this study required the respondents to answer a very long questionnaire (largely because of the strategy scale) and also report very detailed performance data. As such, it was quite clear from the beginning that sample size would pose a major problem in this study and, hence, the extreme efforts taken to maximize

the returned responses through multiple reminders, multiple mailings, and coopting two sponsors (despite the delay in the second sponsor coming on board). It will be recalled that in the second reminder of the first mailing to Company A's hotels, hotel managers were requested to provide at least the non-performance-related data so that the strategy scale responses could be maximized. Through all this process, it was considered that a sample size of somewhere between 500 to 600 would be acceptable for two reasons. First, assuming that the scale purification process would leave around 110 items, a sample size of, say, 550 would give a 5:1 ratio between subjects and variables. In organizational research, unlike consumer studies, such a ratio should be considered adequate considering the difficulty of obtaining any better response rates. Further, a sample size of 500-600 would constitute a fairly large sample size by itself. Second, in the past, other hospitality strategy researchers such as Schaffer (1987) and Crawford-Welch (1990) have relied on a 5:1 ratio of responses to employ factor analytic techniques.

Assuming that a target of, say, 550 responses have to be achieved, it will be apparent that this cannot be realized from either Company's franchisees alone, because response rates are seldom greater than around 20% in

hospitality strategy research. Thus, the only way a sample size of around 550 could be achieved was to hope that the responses to the strategy scale from the two Companies' franchisees would be similar. As it turned out, the sample size achieved (579) was enough to meet the analytic requirements, if only there are no dissimilarities between the two respondent groups. To verify the differences, if any, between these respondent groups, the MANOVA technique was used for the strategy scale and Chi-square tests were performed on the performance variables. The results of these tests are reported next.

#### Strategy Comparison.

As the strategy scale consists of as many as 122 items, it was considered inappropriate to subject the whole scale to a multivariate analysis of variance. This is because the two respondent groups may be similar on 12 of the 13 dimensions (based on which the scale items were developed) and differ only in the remaining single dimension, and yet a MANOVA test on the total scale might result in rejecting the null hypothesis of equality. Clearly, this is an impractical approach. After all, we do hope to discover differences in strategy between all the respondents and, thus, need only a general similarity between the two



respondent groups and not equality on every last dimension and item of the strategy scale. Thus, it was considered that the most appropriate approach here would be to perform a MANOVA for each strategy dimension, i.e., on sets of scale items constituting such dimensions. However, in doing so, it was apparent that the general  $\alpha$ -level of .05 for testing the Type I error should not be employed here because of the Bonferroni's Inequality. When multiple independent tests are performed at, say,  $\alpha' = .05$ , but conclusions are to be drawn on a total set of such multiple tests, then the overall  $\alpha$ , which is the "probability of at least one false rejection when the null hypothesis is true" (Stevens 1992), across the group of tests is not the same as  $\alpha'$ . The upper bound of this Bonferroni Inequality is given by, overall  $\alpha \leq k\alpha'$ . But, this upperbound is conservative and, hence,  $k\alpha'$  can be used only for up to 10 tests. For larger number of tests, a tighter upperbound is required which is given by, overall  $\alpha = 1 - (1 - \alpha')^k$  where 'k' is the number of tests. In the current situation, as  $k = 13$ , the latter Bonferroni's upper bound was used.

Translating the above formula, the level of  $\alpha'$  was calculated such that the overall  $\alpha = .05$ , with  $k = 13$ . This comes to .004 as shown below:

$$\alpha = 1-(1-\alpha')^k$$

$$\therefore \alpha' = 1-(1-\alpha)^{1/k}$$

$$= 1-(1-.05)^{1/13}, \text{ in the present case}$$

$$= .004$$

This means that if the p-value of the F-statistic in each MANOVA (of each sub-scale accounting for individual strategy dimensions) is less than .004, the null hypothesis of equality has to be rejected. On the other hand, if the p-value for any of the MANOVA's is greater than .004, we fail to reject the null hypothesis, and the two groups of respondents can be considered to be similar on that strategy dimension.

Table 12 shows the results of the 13 MANOVAs performed to determine the differences between the two groups of respondents. Of the 13 comparisons, the two groups are similar in eight cases, dissimilar in four cases, and one test presents a tie and can be considered as failing to reject the null hypothesis of equality. As nine out of 13 comparisons indicate similarity of the two groups, it is argued that there is sufficient evidence to presume their overall similarity, and combine them for all subsequent statistical analyses.

Table 12. Differences in Strategy - Company A vs Company B

| Strategy Dimension       | F      | NUM DF | DEN DF | PR > F             |
|--------------------------|--------|--------|--------|--------------------|
| Specialization           | 2.3919 | 9      | 373    | .0121*             |
| Push vs. Pull            | 3.7109 | 11     | 371    | .0001 <sup>—</sup> |
| Product/Service Quality  | 3.2708 | 6      | 381    | .0038 <sup>—</sup> |
| Price Policy             | 2.2804 | 6      | 379    | .0356*             |
| Brand Identification     | 4.7821 | 6      | 378    | .0001 <sup>—</sup> |
| Channel Selection        | 2.8559 | 7      | 379    | .0065*             |
| Technological Leadership | 0.5055 | 6      | 380    | .8042*             |
| Cost Position            | 2.3549 | 5      | 392    | .0400*             |
| Leverage                 | 2.5110 | 8      | 350    | .0115*             |
| Service Identification   | 1.5133 | 9      | 370    | .1412*             |
| Service Specification    | 2.3546 | 26     | 345    | .0003 <sup>—</sup> |
| Service Delivery         | 1.7935 | 13     | 370    | .0424*             |
| Service Communication    | 6.3401 | 10     | 374    | .0001 <sup>—</sup> |

Bonferroni's Inequality Upper Bound : .004 at k=13

\* Not Significant

<sup>—</sup> Significant  $p < .004$

<sup>—</sup> Tie

Nonetheless, curiosity is the hallmark of every good researcher, and we should thus see why the null hypothesis was rejected in the four cases that it was. This was done by studying the univariate analysis of variance statistics produced by the MANOVA procedure. Here too, the individual  $\alpha'$  has to be calculated, as described previously, for each test separately as the value of  $k$  (the number of scale items for which individual ANOVAs are reported) varies from dimension to dimension. These values of  $\alpha'$  and the observations from this examination of the ANOVA output are reported next.

For the Push vs. Pull dimension, given  $k = 10$ , the  $\alpha'$  works out to .0004, such that the overall  $\alpha$  for this subscale is .004 as calculated previously. Against this critical value, only the comparison on scale item 19 (Table 6) was found to be rejected ( $PR > F .0001$ ) and for all the other nine items of this subscale, the test failed to reject the null hypothesis. An examination of the means of this scale item for the two companies revealed that Company B's hotels adopted this strategy, of contacting customers after they stayed at the hotel, more than Company A's hotels did.

For the Brand Identification dimension, given  $k=6$ , the  $\alpha'$  works out .0007. Against this critical value, only the

comparison on scale item 34 (Table 6) was found to be rejected. For the remaining five scale items of this dimension, the test failed to reject the null hypothesis. Once again, comparing the means of this scale item for the two companies, we find that Company A's hotels rely more on this strategy, of advertising to create and/or maintain awareness of the hotel, than Company B's hotels do.

For the Service Specification dimension, while the MANOVA results indicated differences between the two Companies' strategies, univariate ANOVAs failed to show any significant differences at  $\alpha' = .0001$ , given  $k=26$ .

For the Service Communication dimension, given  $k=10$ ,  $\alpha'$  is once again .0004, such that the overall  $\alpha$  for the subscale is .004. Against this critical value, only the comparison on scale item 120 (Table 6) was found to be rejected. Comparing the means of this scale item, it is found that Company B's hotels relied more on this strategy, of communicating service quality guarantees to customers, than Company A's hotels did.

Thus, it is only in three scale items out of a total of 122 items that significant differences were found between the two Companies' hotels. This evidence is considered

strong enough to assume that the two Companies' hotels are overall similar in their strategies.

#### Performance Comparison.

To study the differences, if any, in the dependent variables - YPR92, YPR93, MSI92, MSI93, ROS92, and ROS93 - between the two respondent groups, T-tests were performed on the means of each variable. As the tariffs and revenues of the various price segments differ from each other, these tests were conducted for the upscale and midprice segments separately. No tests were possible for the economy segment as Company B had no representation in that segment. It may be clarified here that Company B had only recently entered this segment. Thus, there were 12 T-tests in all. At  $\alpha = .05$  level, only two tests, for YPR92 and YPR93 for upscale hotels, rejected the null hypothesis of equality, as Table 13 indicates. The balance of the 10 tests showed that the two respondent groups are similar. In fact, even here the Bonferroni's Inequality has to be taken into account as we are looking at 12 T-tests and making a combined judgement on the similarity or otherwise of the two groups. The  $\alpha'$  to account for the Bonferroni Inequality works out to .0042 at  $k = 12$ . Using this critical value of  $\alpha'$ , only in the case of YPR93 of upscale hotels is there any difference between

the two groups. Even YPR92 of upscale hotels does not show a difference at this  $\alpha'$  level. In view of the fact that 11 out of 12 variables fail to show any differences, it may be presumed that the two Companies' hotels do not differ in the dependent variables as well.

**Table 13. Differences in Performance - Company A vs. Company B**

**Upscale Hotels**

| Performance Variables | DF    | T - Value | Probability>\T\    |
|-----------------------|-------|-----------|--------------------|
| YPR92                 | (9,5) | (2.6314)  | .0197 <sup>—</sup> |
| YPR93                 | (9,6) | (3.7796)  | .0018 <sup>—</sup> |
| MSI92                 | (2,6) | (0.3821)  | .7123 <sup>*</sup> |
| MSI93                 | (2,6) | 0.0529    | .9591 <sup>*</sup> |
| ROS92                 | (5,8) | 0.7578    | .4621 <sup>*</sup> |
| ROS93                 | (6,8) | (0.1542)  | .8797 <sup>*</sup> |

**Midprice Hotels**

| Performance Variables | DF       | T - Value | Probability>\T\    |
|-----------------------|----------|-----------|--------------------|
| YPR92                 | (252,53) | (1.9294)  | .0546 <sup>*</sup> |
| YPR93                 | (254,56) | (1.8957)  | .0589 <sup>*</sup> |
| MSI92                 | (20,119) | (0.7045)  | .4823 <sup>*</sup> |
| MSI93                 | (22,125) | (0.6249)  | .5330 <sup>*</sup> |
| ROS92                 | (33,203) | 0.3622    | .7175 <sup>*</sup> |
| ROS93                 | (33,210) | (0.1147)  | .9088 <sup>*</sup> |

<sup>\*</sup> Not significant  
<sup>—</sup> Significant  $p < .05$   
<sup>—</sup>  $p < .005$



However, we should know why YPR93 indicates a difference between the two groups. Looking at the means for this test, it is seen that Company B's upscale hotels averaged \$64.22 per available room in 1993 compared to \$34.94 per available room for Company A's hotels. Company A's YPR for 1992 was \$34.97, showing practically no change between the two years. In sharp contrast, Company B's average YPR92 was \$59.23, showing a \$5 increase from 1992 to 1993. A closer examination revealed practically similar increases in the Average Room Rates (ARR) for both the groups between 1992 and 1993. This means that the YPR increase for Company B's upscale hotels from 1992 to 1993 can be solely attributed to an increase in their average occupancy level between the two years. In fact, computations show that Company B's upscale hotels increased their average occupancy from 69.3% to 73.1% between 1992 and 1993, whereas Company A's hotels in this segment suffered a decrease in occupancy from 60.6% to 57.3%. Company B has been going through an extensive reorganization during this period under new management and this improved performance may be attributable in some part to the new management style. However, the upscale segment accounts for only 17 hotels out of the 579 hotels in the total sample.

Considering this fact along with that the rest of the evidence showed overwhelming similarities, the two respondent groups were considered not dissimilar. Thus, it has been possible to combine the two groups into one overall sample resulting in a set of 579 responses which met the sample size criterion for the factor analytic techniques employed later in this analysis. From this stage onwards, all tests and descriptions refer to the whole sample.

Now that we have one wholesome sample of 579 respondent hotels to deal with, it is appropriate that the sample be described first before any further statistical analyses are presented. In the next section, the sample in this study is described by various classificatory variables used in the questionnaire.

#### Sample Description

Table 14 shows the LOCATION by SEGMENT crosstabulation of the sample. Highway hotels accounted for the largest proportion of the sample (37.8%) followed by suburban hotels (25.9%). City-Center hotels formed nearly 17% of the sample. Airport and resort hotels were roughly equal in proportions. Full-service hotels accounted for more than 60%, while limited-service hotels were 28.7% of the sample.

Tables 15 and 16 show the crosstabulation of LOCATION with NEWRMS92 and NEWRMS93. There are virtually no differences between these tables. Hotels with 151-250 rooms were the largest segment of the sample (32.3%), while those with 100 rooms or less and those with 101-150 rooms were roughly equal in number (111 and 119 in 1992, and 115 and 122 in 1993, respectively).

Table 17 shows the crosstabulation between LOCATION and NEWAGE. This table indicates that on average the lodging properties are quite aged. Slightly more than 10% of the hotels are more than 30 years old. Nearly 33% of the sample consisted of 21 to 30 years old hotels.

**Table 14. Cross-tabulation of LOCATION by SEGMENT**

| LOCATION     | SEGMENT      |                 |           |           |            | Total      |
|--------------|--------------|-----------------|-----------|-----------|------------|------------|
|              | Full-service | Limited-service | All-suite | Resort    | Convention |            |
| City-center  | 60           | 20              | 5         | 0         | 12         | 97         |
| Suburban     | 101          | 38              | 4         | 0         | 5          | 148        |
| Highway      | 128          | 80              | 2         | 0         | 6          | 216        |
| Airport      | 41           | 9               | 1         | 0         | 1          | 52         |
| Resort       | 16           | 17              | 1         | 23        | 1          | 58         |
| <b>Total</b> | <b>346</b>   | <b>164</b>      | <b>13</b> | <b>23</b> | <b>25</b>  | <b>571</b> |

**Table 15. Cross-tabulation of LOCATION by NEWRMS92**

| LOCATION     | NEWRMS92   |            |            |           | Total      |
|--------------|------------|------------|------------|-----------|------------|
|              | <=100      | 101-150    | 151-250    | >250      |            |
| City-center  | 16         | 16         | 23         | 34        | 89         |
| Suburban     | 22         | 30         | 51         | 17        | 120        |
| Highway      | 62         | 56         | 45         | 12        | 175        |
| Airport      | 3          | 5          | 19         | 13        | 40         |
| Resort       | 8          | 12         | 11         | 7         | 38         |
| <b>Total</b> | <b>111</b> | <b>119</b> | <b>149</b> | <b>83</b> | <b>462</b> |

**Table 16. Cross-tabulation of LOCATION by NEWRMS93**

| LOCATION     | NEWRMS93   |            |            |           | Total      |
|--------------|------------|------------|------------|-----------|------------|
|              | <=100      | 101-150    | 151-250    | >250      |            |
| City-center  | 17         | 15         | 24         | 33        | 89         |
| Suburban     | 22         | 31         | 51         | 17        | 121        |
| Highway      | 64         | 57         | 45         | 12        | 178        |
| Airport      | 3          | 7          | 19         | 13        | 42         |
| Resort       | 9          | 12         | 12         | 7         | 40         |
| <b>Total</b> | <b>115</b> | <b>122</b> | <b>151</b> | <b>82</b> | <b>470</b> |

Table 17. Cross-tabulation of LOCATION by NEWAGE

| LOCATION     | NEWAGE     |            |            |           | Total      |
|--------------|------------|------------|------------|-----------|------------|
|              | <=7        | 8-20       | 21-30      | >30       |            |
| City-center  | 27         | 29         | 28         | 13        | 97         |
| Suburban     | 40         | 43         | 47         | 15        | 145        |
| Highway      | 65         | 55         | 77         | 13        | 210        |
| Airport      | 9          | 19         | 19         | 5         | 52         |
| Resort       | 17         | 15         | 14         | 11        | 57         |
| <b>Total</b> | <b>158</b> | <b>161</b> | <b>185</b> | <b>57</b> | <b>561</b> |

Table 18. Cross-tabulation of LOCATION by RATELOC

| LOCATION     | RATELOC                                    |            |            |  |           |          | Total      |
|--------------|--|------------|------------|--|-----------|----------|------------|
|              | Most superior location against competition |            |            | Most inferior location against competition |           |          |            |
|              | 1  | 2          | 3          | 4  | 5         | 6        |            |
| City-center  | 18   | 36         | 24         | 9  | 8         | 1        | 96         |
| Suburban     | 20   | 48         | 36         | 28   | 12        | 4        | 148        |
| Highway      | 41   | 77         | 61         | 27   | 7         | 2        | 215        |
| Airport      | 4  | 23         | 16         | 7  | 2         | 0        | 52         |
| Resort       | 16   | 25         | 9          | 5  | 2         | 2        | 59         |
| <b>Total</b> | <b>99</b>                                  | <b>209</b> | <b>146</b> | <b>76</b>                                  | <b>31</b> | <b>9</b> | <b>570</b> |

RESULTS AND ANALYSIS

Table 18 crosstabulates LOCATION with RATELOC. As many as 54% of the respondents (scale responses 1 and 2 combined) rated their property's location as being most superior against the competition, whereas only 7% (scale responses 5 and 6 combined) rated themselves most inferior. More resort properties tended to rate themselves as being most superior in location in comparison to the overall sample (69.5% vs. 54%). In contrast, a lesser proportion of suburban hotels felt this way about their properties compared to the total sample (46% vs. 54%).

Tables 19 and 20 crosstabulate SEGMENT with NEWRMS92 and NEWRMS93. As these tables indicate, full-service hotels account for 64.3% of the sample and limited-service hotels account for an additional 26.3%. Full-service hotels are relatively larger in size, compared to the overall distribution of the sample. In contrast, limited-service hotels are expectedly concentrated in the smaller size categories. For example, there were no limited service hotels with more than 250 rooms.

**Table 19. Cross-tabulation of SEGMENT by NEWRMS92**

| SEGMENT         | NEWRMS92   |            |            |           | Total      |
|-----------------|------------|------------|------------|-----------|------------|
|                 | <=100      | 101-150    | 151-250    | >250      |            |
| Full-service    | 30         | 66         | 134        | 71        | 301        |
| Limited-service | 73         | 42         | 8          | 0         | 123        |
| All-suite       | 6          | 3          | 1          | 0         | 10         |
| Resort          | 2          | 7          | 1          | 3         | 13         |
| Convention      | 2          | 3          | 6          | 10        | 21         |
| <b>Total</b>    | <b>113</b> | <b>121</b> | <b>150</b> | <b>84</b> | <b>468</b> |

**Table 20. Cross-tabulation of SEGMENT by NEWRMS93**

| SEGMENT         | NEWRMS93   |            |            |           | Total      |
|-----------------|------------|------------|------------|-----------|------------|
|                 | <=100      | 101-150    | 151-250    | >250      |            |
| Full-service    | 29         | 69         | 136        | 70        | 304        |
| Limited-service | 77         | 42         | 7          | 0         | 126        |
| All-suite       | 6          | 3          | 1          | 0         | 10         |
| Resort          | 3          | 7          | 2          | 3         | 15         |
| Convention      | 2          | 3          | 6          | 10        | 21         |
| <b>Total</b>    | <b>117</b> | <b>124</b> | <b>152</b> | <b>83</b> | <b>476</b> |



Table 21 crosstabulates SEGMENT with AFFILIAT. Nearly 43% of the hotels were independently owned and self-managed. Around 28% were also independently owned, but managed by a management company (other than the franchisor). Around 17% of the hotels were managed by the franchisors.

Table 22 crosstabulates SEGMENT with NEWAGE. Generally, more full-service hotels seem to be older than the overall sample. As many as around 58% of the limited-service properties were seven years old or newer. This is the largest proportion of new properties compared with all other segments, indicating a higher growth of this segment in recent years.

**Table 21. Cross-tabulation of AFFILIAT by SEGMENT**

| AFFILIAT   | SEGMENT          |                     |               |           |            |            |
|--|------------------|---------------------|---------------|-----------|------------|------------|
|  | Full-<br>service | Limited-<br>service | All-<br>suite | Resort    | Convention | Total      |
| <b>Independently owned,</b>  |                  |                     |               |           |            |            |
| <b>self managed</b>  | 124              | 92                  | 6             | 14        | 11         | 247        |
| <b>managed by the franchisor</b>   | 67               | 20                  | 0             | 1         | 5          | 93         |
| <b>managed by a management company<br/>    (other than the franchisor)</b> | 103              | 40                  | 6             | 5         | 5          | 159        |
| <b>Chain owned (i. e., part of a multi-unit company),</b>                  |                  |                     |               |           |            |            |
| <b>managed by the chain</b>  | 43               | 10                  | 1             | 2         | 4          | 60         |
| <b>managed by the franchisor</b>   | 4                | 2                   | 0             | 0         | 0          | 6          |
| <b>managed by a management company<br/>    (other than the franchisor)</b> | 4                | 2                   | 0             | 1         | 0          | 7          |
| <b>Other than any of the above</b>   | 2                | 0                   | 0             | 0         | 1          | 3          |
| <b>Total</b>   | <b>347</b>       | <b>166</b>          | <b>13</b>     | <b>23</b> | <b>26</b>  | <b>575</b> |

**Table 22. Cross-tabulation of SEGMENT by NEWAGE**

| SEGMENT         | NEWAGE     |            |            |           | Total      |
|-----------------|------------|------------|------------|-----------|------------|
|                 | <=7        | 8-20       | 21-30      | >30       |            |
| Full-service    | 48         | 105        | 154        | 36        | 343        |
| Limited-service | 95         | 37         | 20         | 11        | 163        |
| All-suite       | 8          | 3          | 1          | 1         | 13         |
| Resort          | 4          | 8          | 5          | 6         | 23         |
| Convention      | 5          | 9          | 8          | 2         | 24         |
| <b>Total</b>    | <b>160</b> | <b>162</b> | <b>188</b> | <b>56</b> | <b>566</b> |

**Table 23. Cross-tabulation of PERFMESR by SEGMENT**

| PERFMESR  | SEGMENT      |                 |           |           |            | Total      |
|---|--------------|-----------------|-----------|-----------|------------|------------|
|   | Full-service | Limited-service | All-suite | Resort    | Convention |            |
| Percentage of Occupancy                                 | 33           | 44              | 2         | 3         | 0          | 82         |
| Average Room rate                                       | 5            | 8               | 2         | 0         | 0          | 15         |
| Market Share  | 12           | 10              | 0         | 0         | 1          | 23         |
| Gross Operating Profit /<br>Income Before Fixed Charges | 208          | 74              | 7         | 15        | 18         | 322        |
| Return on Sales (i.e., Profit/Sales)                    | 23           | 10              | 1         | 2         | 3          | 39         |
| Return on Assets (i.e., Profit/Fixed Assets)            | 10           | 1               | 0         | 0         | 1          | 12         |
| Other than any of the above                             | 26           | 8               | 1         | 0         | 1          | 36         |
| <b>Total</b>  | <b>317</b>   | <b>155</b>      | <b>13</b> | <b>20</b> | <b>24</b>  | <b>529</b> |

Table 23 crosstabulates SEGMENT with PERFMESR. By far, Gross Operating Profit/Income Before Fixed Charges is the single most important performance measure (nearly 61% of the sample) by which hotel owners/management judge the performance of their properties. A distant second performance measure is the percentage of occupancy. Limited-service properties seem to be more interested in this measure of performance. Average Room Rate and Return on Assets seem to be the least popular measures. Nearly seven percent of the sample used measures other than those specified in the questionnaire. Of the 36 respondents who fell into this category, 25% used REVPAR (revenue per available room) and another 36% used either NOP (net operating profit) or NOI (net operating income). It appears that using YPR (which is the same as REVPAR) and not using ROA (though this was done for entirely unrelated reasons) in this study conform very well with industry practices. Further research in this area might benefit from including either NOP or NOI or both as additional/alternative performance measures.

Tables 24 and 25 crosstabulate AFFILIAT with NEWRMS92 and NEWRMS93. Independently owned and self-managed properties tended to be smaller in size, and chain-owned and

managed properties tended to be larger, as compared to the overall sample distribution by size.

**Table 24. Cross-tabulation of AFFILIAT by NEWRMS92**

| AFFILIAT   | NEWRMS92   |            |            |           | Total      |
|--|------------|------------|------------|-----------|------------|
|  | < =100     | 101-150    | 151-250    | >250      |            |
| <b>Independently owned,</b>                                    |            |            |            |           |            |
| self managed   | 78         | 51         | 49         | 18        | 196        |
| managed by the franchisor                                      | 12         | 16         | 34         | 14        | 76         |
| managed by a management company<br>(other than the franchisor) | 19         | 44         | 45         | 26        | 134        |
| <b>Chain owned (i. e., part of a multi-unit company),</b>      |            |            |            |           |            |
| managed by the chain   | 2          | 5          | 19         | 24        | 50         |
| managed by the franchisor                                      | 1          | 1          | 0          | 1         | 3          |
| managed by a management company<br>(other than the franchisor) | 1          | 2          | 3          | 0         | 6          |
| Other than any of the above                                    | 0          | 1          | 0          | 1         | 2          |
| <b>Total</b>   | <b>113</b> | <b>120</b> | <b>150</b> | <b>84</b> | <b>467</b> |

**Table 25. Cross-tabulation of AFFILIAT by NEWRMS93**

| AFFILIAT   | NEWRMS93   |            |            |           | Total      |
|--|------------|------------|------------|-----------|------------|
|  | < = 100    | 101-150    | 151-250    | > 250     |            |
| <b>Independently owned,</b>                                    |            |            |            |           |            |
| self managed   | 78         | 52         | 50         | 18        | 198        |
| managed by the franchisor                                      | 12         | 18         | 34         | 14        | 78         |
| managed by a management company<br>(other than the franchisor) | 21         | 44         | 47         | 25        | 137        |
| <b>Chain owned (i. e., part of a multi-unit company),</b>      |            |            |            |           |            |
| managed by the chain   | 4          | 5          | 18         | 24        | 51         |
| managed by the franchisor                                      | 1          | 1          | 0          | 1         | 3          |
| managed by a management company<br>(other than the franchisor) | 1          | 2          | 3          | 0         | 6          |
| Other than any of the above                                    | 0          | 1          | 0          | 1         | 2          |
| <b>Total</b>   | <b>117</b> | <b>123</b> | <b>152</b> | <b>83</b> | <b>475</b> |

Table 26 crosstabulates AFFILIAT with NEWAGE. Hotels managed by the franchisors and multi-unit chained-managed hotels tended to be concentrated more in the older properties, particularly the 21-30 years old segment.

Table 27 crosstabulates AFFILIAT with PERFMESR. As stated previously GOP/IBFC is the leading measure of performance used by a majority of the sample hotels. However, the independently owned and self-managed hotels seem to rely less on this measure in proportion (slightly more than 50%) as compared to the total sample. These hotels relied more on percentage of occupancy to judge their performance as compared to the total sample.



**Table 26. Cross-tabulation of AFFILIAT by NEWAGE**

| AFFILIAT   | NEWAGE     |            |            |           | Total      |
|--|------------|------------|------------|-----------|------------|
|  | < = 7      | 8-20       | 21-30      | > 30      |            |
| <b>Independently owned,</b>                                    |            |            |            |           |            |
| self managed   | 78         | 72         | 72         | 21        | 243        |
| managed by the franchisor                                      | 18         | 26         | 40         | 7         | 91         |
| managed by a management company<br>(other than the franchisor) | 53         | 44         | 42         | 18        | 157        |
| <b>Chain owned (i. e., part of a multi-unit company),</b>      |            |            |            |           |            |
| managed by the chain   | 9          | 13         | 31         | 7         | 60         |
| managed by the franchisor                                      | 1          | 1          | 0          | 3         | 5          |
| managed by a management company<br>(other than the franchisor) | 0          | 5          | 1          | 1         | 7          |
| Other than any of the above                                    | 1          | 1          | 1          | 0         | 3          |
| <b>Total</b>   | <b>160</b> | <b>162</b> | <b>187</b> | <b>57</b> | <b>566</b> |

**Table 27. Cross-tabulation of AFFILIAT by PERFMESR**

| AFFILIAT   | PERFMESR  |           |           |            |           |           |           | Total      |
|--|-----------|-----------|-----------|------------|-----------|-----------|-----------|------------|
|  | 1         | 2         | 3         | 4          | 5         | 6         | 7         |            |
| <b>Independently owned,</b>                                    |           |           |           |            |           |           |           |            |
| self managed   | 52        | 8         | 9         | 114        | 19        | 7         | 16        | 225        |
| managed by the franchisor                                      | 16        | 3         | 4         | 46         | 4         | 3         | 10        | 86         |
| managed by a management company<br>(other than the franchisor) | 9         | 2         | 7         | 110        | 14        | 1         | 7         | 150        |
| <b>Chain owned (i. e., part of a multi-unit company),</b>      |           |           |           |            |           |           |           |            |
| managed by the chain   | 3         | 2         | 2         | 45         | 1         | 0         | 4         | 57         |
| managed by the franchisor                                      | 0         | 0         | 0         | 2          | 0         | 1         | 0         | 3          |
| managed by a management company<br>(other than the franchisor) | 1         | 0         | 1         | 4          | 0         | 0         | 0         | 6          |
| Other than any of the above                                    | 0         | 0         | 0         | 1          | 1         | 0         | 0         | 2          |
| <b>Total</b>   | <b>81</b> | <b>15</b> | <b>23</b> | <b>322</b> | <b>39</b> | <b>12</b> | <b>37</b> | <b>529</b> |

**Legend:**

- 1 - Percentage of Occupancy
- 2 - Average Room rate
- 3 - Market Share
- 4 - Gross Operating Profit / Income Before Fixed Charges
- 5 - Return on Sales (i.e., Profit / Sales)
- 6 - Return on Assets (i.e., Profit / Fixed Assets)
- 7 - Other than any of the above

Table 28 and 29 crosstabulate NEWRMS92 and NEWRMS93 with NEWAGE. In general, the newer hotels tended to be smaller. For example, 41.7% of hotels which are less than 7 years old had less than 100 rooms. The larger properties, in contrast, were the oldest ones. Clearly, there seems to be a trend of new construction being concentrated in smaller hotels.

**Table 28. Cross-tabulation of NEWRMS92 by NEWAGE**

| NEWRMS92     | NEWAGE     |            |            |           | Total      |
|--------------|------------|------------|------------|-----------|------------|
|              | <=7        | 8-20       | 21-30      | >30       |            |
| <= 100       | 54         | 28         | 18         | 9         | 109        |
| 101 - 150    | 37         | 34         | 37         | 12        | 120        |
| 151 - 250    | 22         | 47         | 63         | 14        | 146        |
| > 250        | 17         | 25         | 38         | 4         | 84         |
| <b>Total</b> | <b>130</b> | <b>134</b> | <b>156</b> | <b>39</b> | <b>459</b> |

**Table 29. Cross-tabulation of NEWRMS93 by NEWAGE**

| NEWRMS93     | NEWAGE     |            |            |           | Total      |
|--------------|------------|------------|------------|-----------|------------|
|              | <=7        | 8-20       | 21-30      | >30       |            |
| <= 100       | 55         | 29         | 20         | 9         | 113        |
| 101 - 150    | 37         | 34         | 39         | 13        | 123        |
| 151 - 250    | 23         | 49         | 62         | 14        | 148        |
| > 250        | 17         | 24         | 38         | 4         | 83         |
| <b>Total</b> | <b>132</b> | <b>136</b> | <b>159</b> | <b>40</b> | <b>467</b> |

Table 30 and 31 crosstabulate NEWRMS92 and NEWRMS93 with PERFMESR. For the total sample, more than 60% of the hotels used GOP/IBFC as the most important performance measure. However, these tables show that the smaller hotels (with less than 100 rooms), in contrast, use percentage of occupancy more as the performance measure. Nearly 34% of these hotels reported preferring occupancy percentage as the performance measure, against only about 15% for the overall sample.

**Table 30. Cross-tabulation of PERFMESR by NEWRMS92**

| PERFMESR  | NEWRMS92   |            |            |           | Total      |
|---|------------|------------|------------|-----------|------------|
|   | < = 100    | 101-150    | 151-250    | >250      |            |
| Percentage of Occupancy                                 | 37         | 14         | 12         | 2         | 65         |
| Average Room rate                                       | 7          | 4          | 0          | 2         | 13         |
| Market Share  | 6          | 5          | 5          | 3         | 19         |
| Gross Operating Profit /<br>Income Before Fixed Charges | 41         | 70         | 93         | 62        | 266        |
| Return on Sales (i.e., Profit/Sales)                    | 8          | 10         | 13         | 3         | 34         |
| Return on Assets (i.e., Profit/Fixed Assets)            | 3          | 1          | 3          | 3         | 10         |
| Other than any of the above                             | 7          | 10         | 12         | 4         | 33         |
| <b>Total</b>  | <b>109</b> | <b>114</b> | <b>138</b> | <b>79</b> | <b>440</b> |

**Table 31. Cross-tabulation of PERFMESR by NEWRMS93**

| PERFMESR  | NEWRMS93   |            |            |           | Total      |
|---|------------|------------|------------|-----------|------------|
|   | <=100      | 101-150    | 151-250    | >250      |            |
| Percentage of Occupancy                                 | 37         | 15         | 14         | 2         | 68         |
| Average Room rate                                       | 7          | 4          | 0          | 2         | 13         |
| Market Share  | 8          | 6          | 5          | 3         | 22         |
| Gross Operating Profit /<br>Income Before Fixed Charges | 44         | 71         | 93         | 62        | 270        |
| Return on Sales (i.e., Profit/Sales)                    | 7          | 10         | 14         | 2         | 33         |
| Return on Assets (i.e., Profit/Fixed Assets)            | 2          | 2          | 3          | 3         | 10         |
| Other than any of the above                             | 8          | 8          | 12         | 4         | 32         |
| <b>Total</b>  | <b>113</b> | <b>116</b> | <b>141</b> | <b>78</b> | <b>448</b> |

Table 32 crosstabulates NEWAGE with RATELOC. The cross-distributions here follow more or less the overall distribution of the sample.

Table 33 crosstabulates NEWAGE with PERFMESR. Nearly 87% of the hotels who considered Average Room Rate (ARR) as the most important performance measure tended to be 20 years old or newer. In the overall sample, only 57% of the hotels were 20 years old or newer. So, a larger proportion of the newer hotels prefer ARR as the performance measure than the overall sample.



**Table 32. Cross-tabulation of NEWAGE by RATELOC**

| NEWAGE       | RATELOC                                    |            |            |  |           |          | Total      |
|--------------|--|------------|------------|--|-----------|----------|------------|
|              | Most superior location against competition |            |            | Most inferior location against competition |           |          |            |
|              | 1  | 2          | 3          | 4  | 5         | 6        |            |
| < = 7        | 32   | 53         | 47         | 19   | 6         | 3        | 160        |
| 8 - 20       | 26   | 64         | 41         | 18   | 12        | 1        | 162        |
| 21 - 30      | 34   | 70         | 46         | 26   | 9         | 2        | 187        |
| > 30         | 7  | 22         | 12         | 10   | 4         | 2        | 57         |
| <b>Total</b> | <b>99</b>                                  | <b>209</b> | <b>146</b> | <b>73</b>                                  | <b>31</b> | <b>8</b> | <b>566</b> |

**Table 33. Cross-tabulation of PERFMESR by NEWAGE**

| PERFMESR  | NEWAGE     |            |            |           | Total      |
|---|------------|------------|------------|-----------|------------|
|   | <=7        | 8-20       | 21-30      | >30       |            |
| Percentage of Occupancy                                 | 27         | 26         | 21         | 7         | 81         |
| Average Room rate                                       | 7          | 6          | 1          | 1         | 15         |
| Market Share  | 7          | 3          | 12         | 1         | 23         |
| Gross Operating Profit /<br>Income Before Fixed Charges | 82         | 93         | 110        | 34        | 319        |
| Return on Sales (i.e., Profit/Sales)                    | 12         | 12         | 8          | 3         | 35         |
| Return on Assets (i.e., Profit/Fixed Assets)            | 3          | 2          | 5          | 1         | 11         |
| Other than any of the above                             | 8          | 10         | 15         | 3         | 36         |
| <b>Total</b>  | <b>146</b> | <b>152</b> | <b>172</b> | <b>50</b> | <b>520</b> |

Overall, the sample seems to be fairly well distributed, reflecting current industry patterns. No serious anomalies were discovered. While the above descriptions of the sample may seem like a long exposition, it was done deliberately because no recent hospitality research study collected data from such a large size sample of hotels. The information reported here should serve interested researchers well in comparing their own investigations with the distributions reported here. This brings us to the last diagnostic check and that is to verify the normality of the sample over the performance measures, These checks are described in the ensuing section.

#### Normality of Performance Variables

Many statistical procedures such as analysis of variance assume that the variables being studied are normally distributed. If this assumption of normality is violated, the power of such statistical procedures is seriously compromised. Thus, it is necessary in the present context to check the normality of the distribution of the performance variables, YPR92, YPR93, MSI92, MSI93, ROS92, and ROS93. Once again, as the tariffs and revenues differ between price segments, these checks have to be performed

for the upscale, midprice, and economy segments of the sample separately.

Normality of distribution of any variable can be verified by testing for the significance of the skewness and kurtosis in the data distribution or by studying the plots of the data, such as the normal probability plot. Other statistics such as the Shapiro-Wilk's W are also available for this purpose.

"The drawback to tests of normality is that their power is greatest at the wrong times. With large samples, the tests are very powerful and generally reject the null hypothesis of normality, even when the data are relatively close to the normal shape .... On the other hand, if the sample size is very small, the tests for normality are weak. We are liable to accept the null hypothesis of normality even when the data depart rather markedly from the normal shape. The tests for normality are powerful only with large sample sizes, precisely when we need be least concerned with the normality assumption [as increasing sample size tends to lessen the need for normality]. Instead, we recommend plotting the data to see if they

resemble the normal shape. When examining this plot, we should keep in mind that relatively greater departures from normality can be tolerated with larger sample sizes" (Schulman 1992, p. 92).

Considering the large sample size in this study, it was considered appropriate to follow Schulman's (1992) advice and use the normal probability plots to verify the normality of the distribution of the variables. The normal probability plot "is a quantile-quantile plot of the data. The empirical quantiles are plotted against the quantiles of a standard normal distribution. Asterisks (\*) mark the data values. The vertical coordinate is the data value, and the horizontal coordinate is

$$\phi^{-1}(r_i - 3/8)/(n + 1/4)$$

where

$r_i$  is the rank of the data value,

$\phi^{-1}$  is the inverse of the standard normal distribution function,

$n$  is the number of nonmissing data values. The plus signs (+) provide a reference straight line that is drawn using the sample mean and standard deviation. If the data are from a normal distribution, they should tend to fall along the reference line" (SAS Institute Inc., 1990a, p. 414).

As Figures 5 to 31 indicate, the plots in this case seem to be reasonably normal. While there are some aberrations in some of these plots, they are very minor considering the large sample size. Thus, the performance data is considered to be normally distributed for further analysis.

It must be pointed out, however, that some of the data indicates the incidence of leptokurtosis (peaked distribution), notably in the YPR data. This is to expected in a highly competitive situation where the margin for differences in room rates is rather narrow and very many hotels realize almost the same room rates.

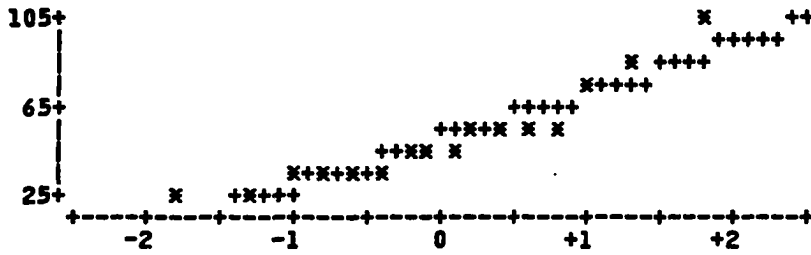


Figure 5. Normal Probability Plot-YPR92 of Upscale Hotels

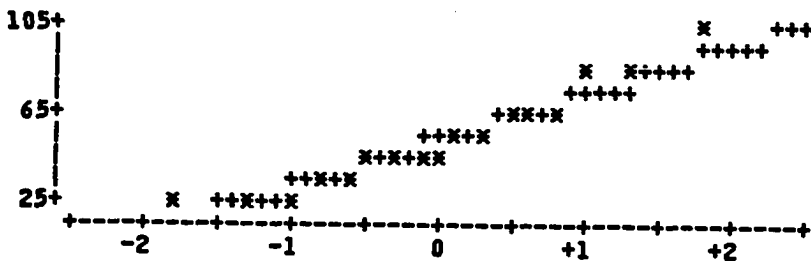


Figure 6. Normal Probability Plot-YPR93 of Upscale Hotels

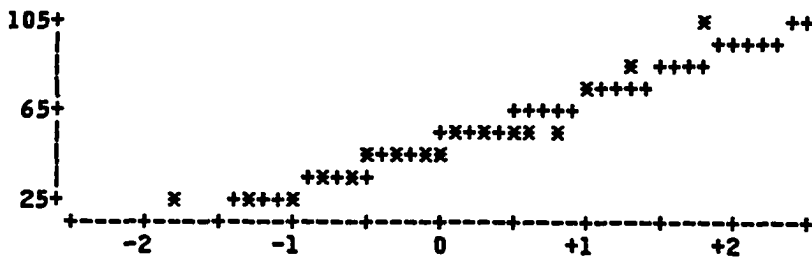


Figure 7. Normal Probability Plot-YPR of Upscale Hotels

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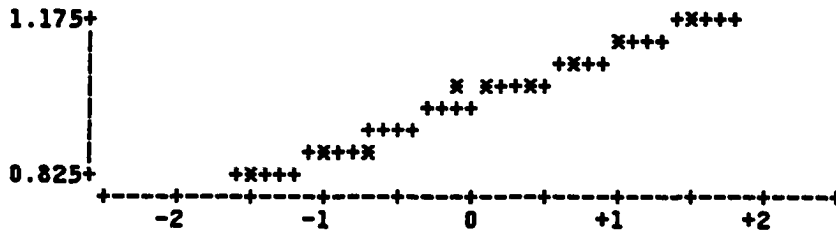


Figure 8. Normal Probability Plot-MSI92 of Upscale Hotels

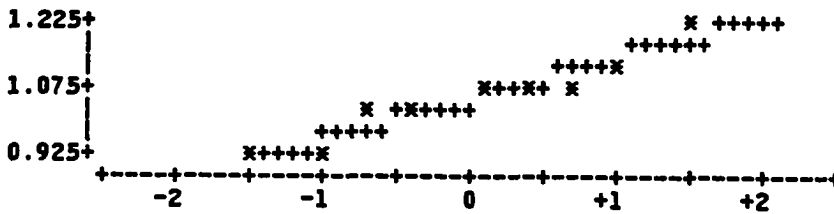


Figure 9. Normal Probability Plot-MSI93 of Upscale Hotels

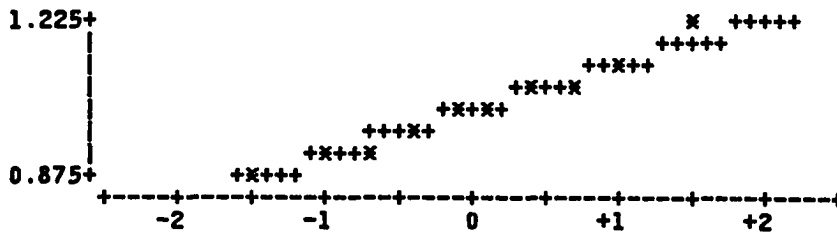


Figure 10. Normal Probability Plot-MSI of Upscale Hotels

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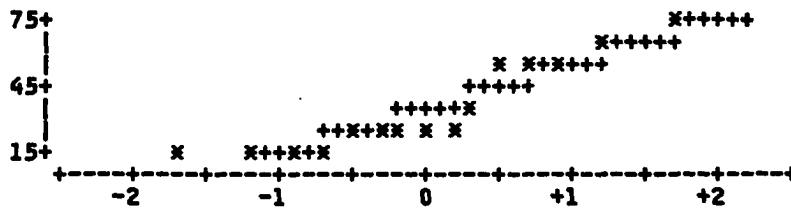


Figure 11. Normal Probability Plot-ROS92 of Upscale Hotels

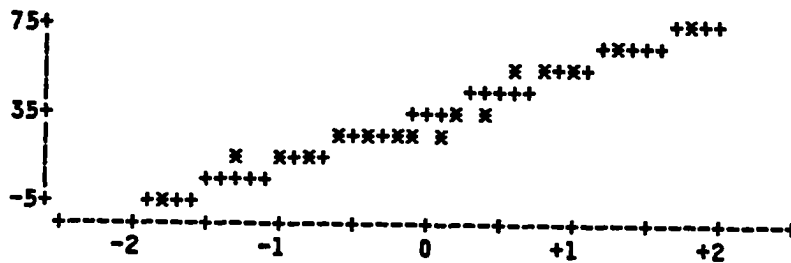


Figure 12. Normal Probability Plot-ROS93 of Upscale Hotels

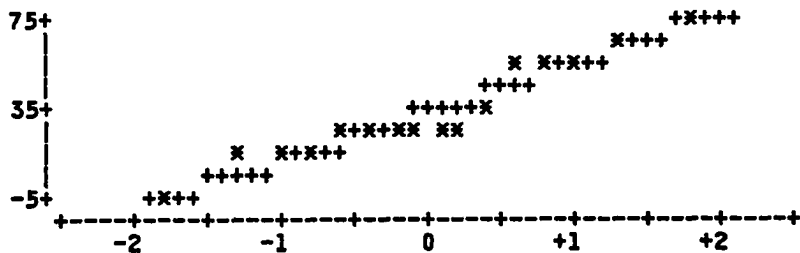


Figure 13. Normal Probability Plot-ROS of Upscale Hotels

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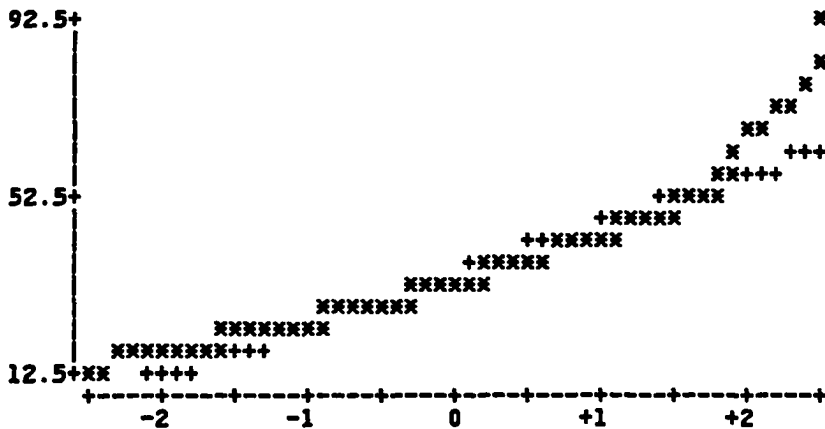


Figure 14. Normal Probability Plot-YPR92 of Midprice Hotels

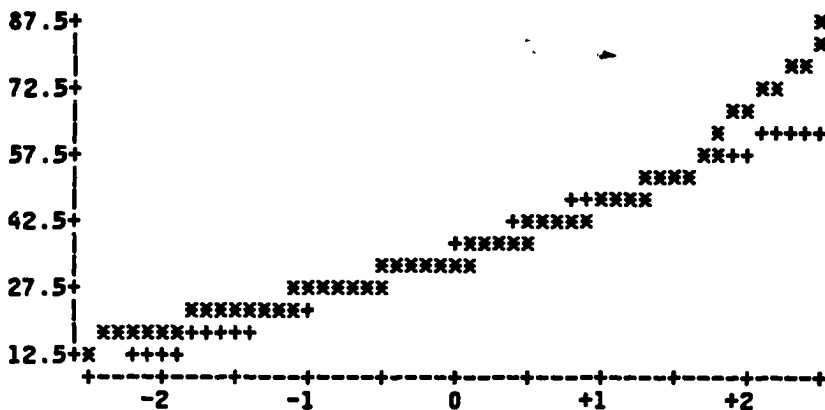


Figure 15. Normal Probability Plot-YPR93 of Midprice Hotels

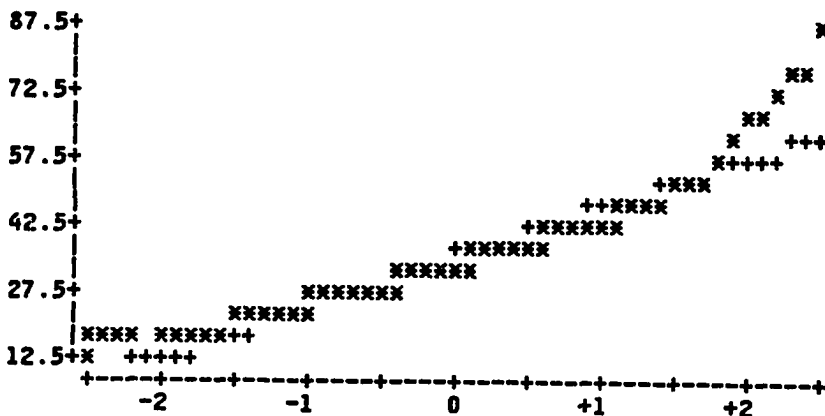


Figure 16. Normal Probability Plot-YPR of Midprice Hotels

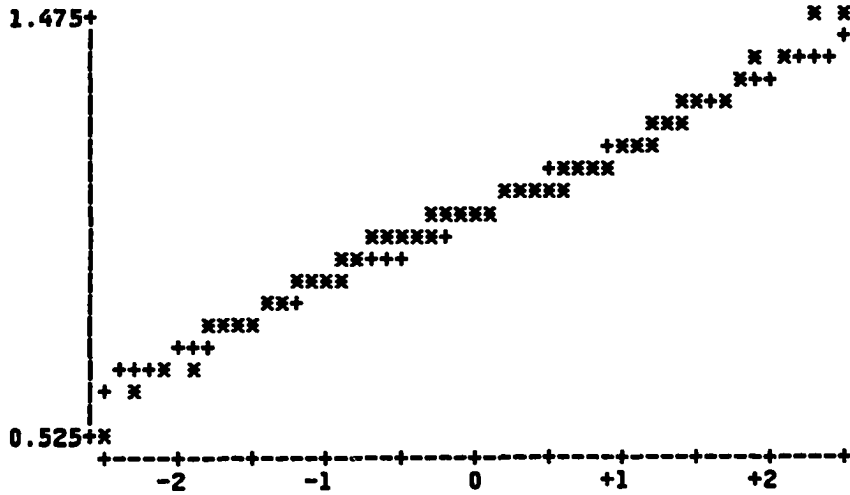


Figure 17. Normal Probability Plot-MSI92 of Midprice Hotels

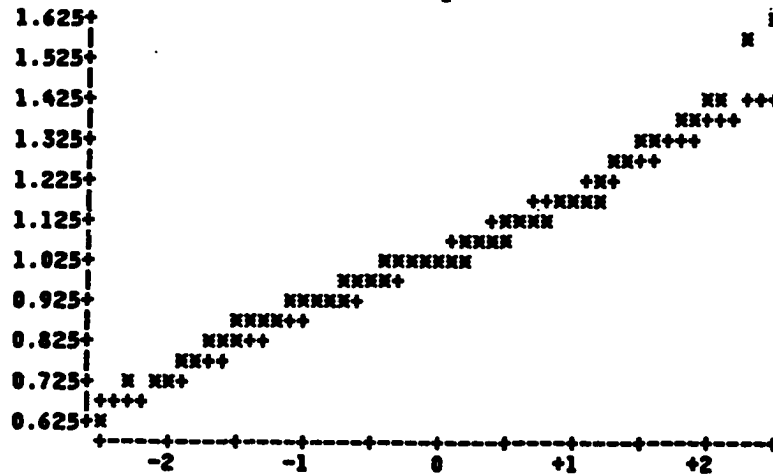


Figure 18. Normal Probability Plot-MSI93 of Midprice Hotels

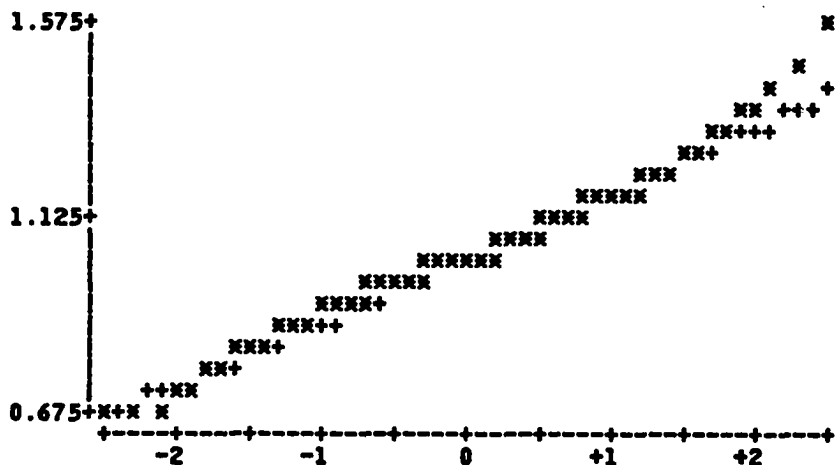


Figure 19. Normal Probability Plot-MSI of Midprice Hotels

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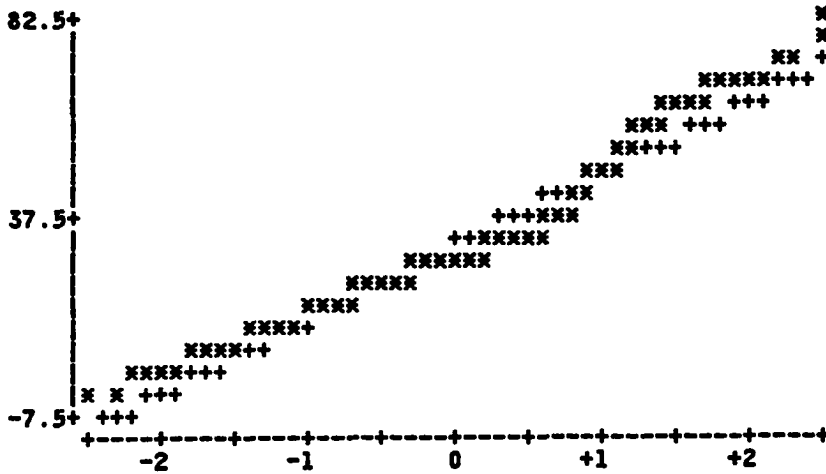


Figure 20. Normal Probability Plot-ROS92 of Midprice Hotels

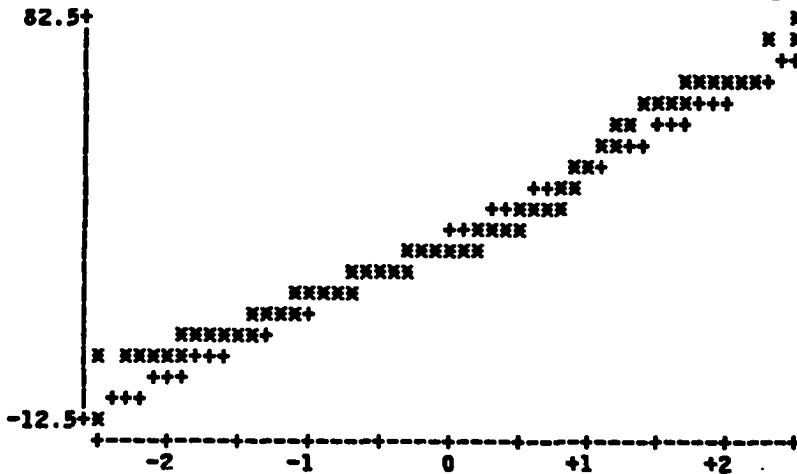


Figure 21. Normal Probability Plot-ROS93 of Midprice Hotels

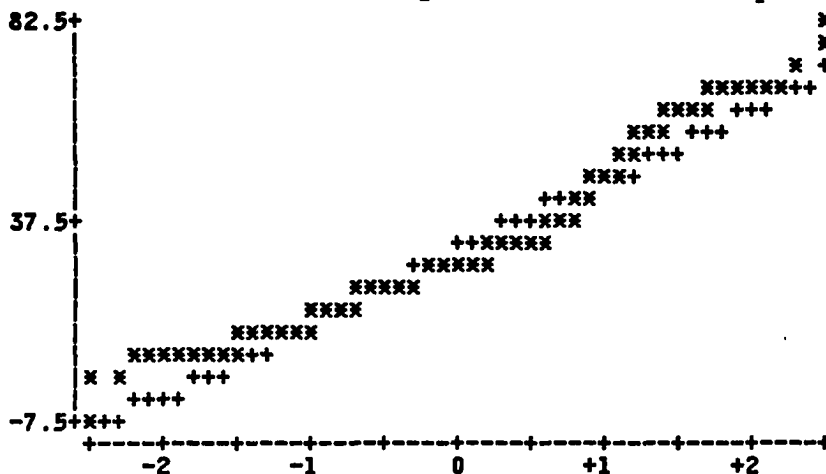


Figure 22. Normal Probability Plot-ROS of Midprice Hotels

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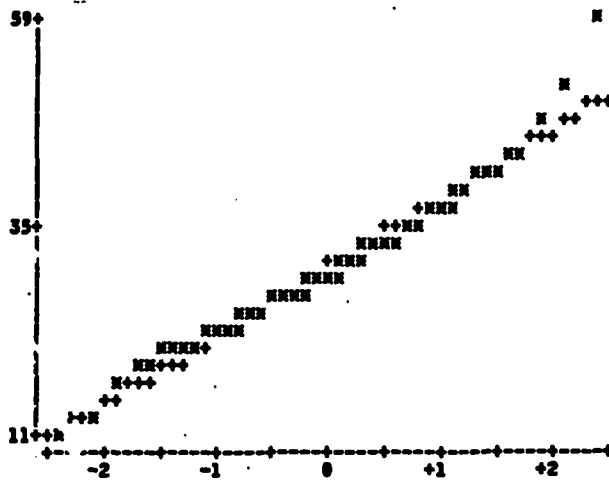


Figure 23. Normal Probability Plot-YPR92 of Economy Hotels

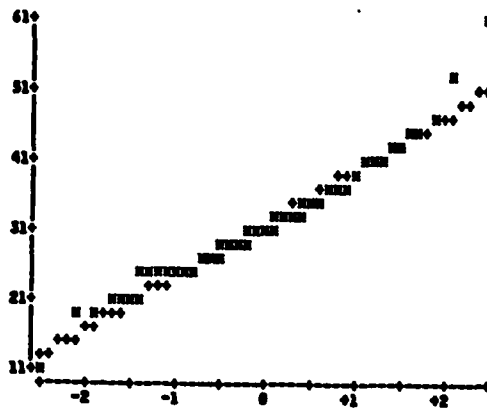


Figure 24. Normal Probability Plot-YPR93 of Economy Hotels

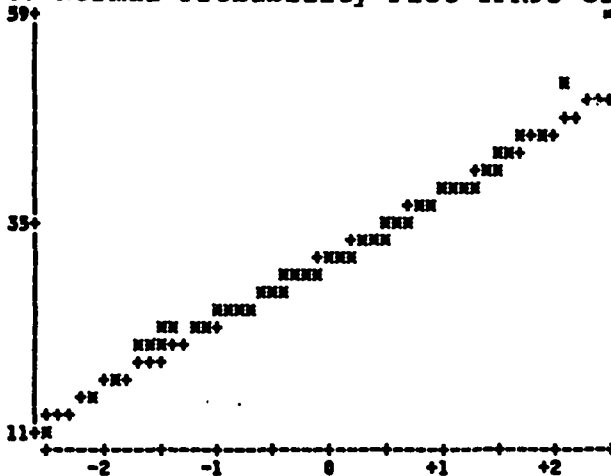


Figure 25. Normal Probability Plot-YPR of Economy Hotels

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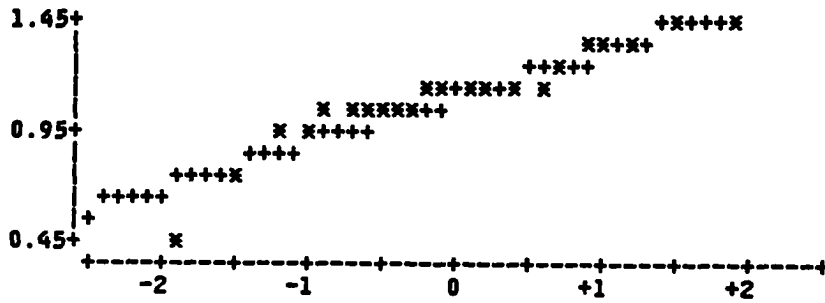


Figure 26. Normal Probability Plot-MSI92 of Economy Hotels

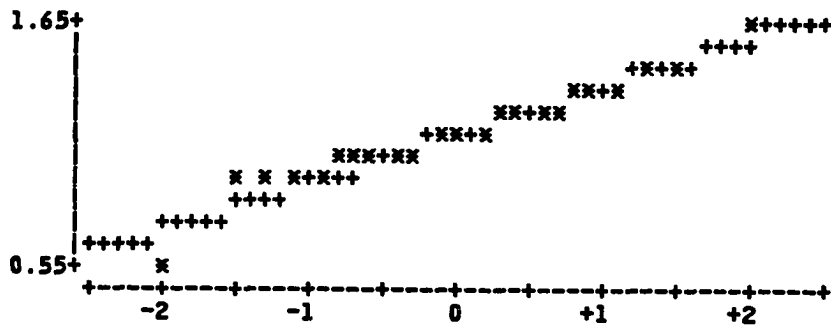


Figure 27. Normal Probability Plot-MSI93 of Economy Hotels

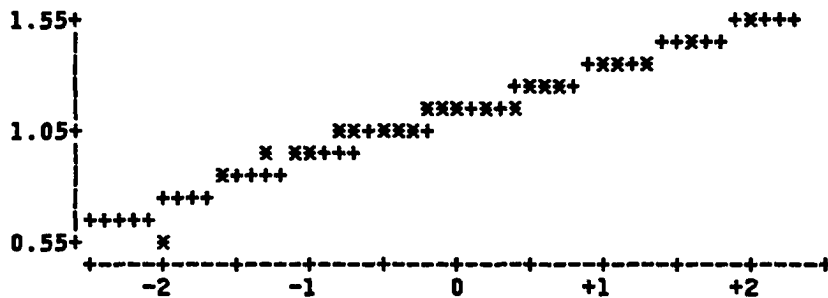


Figure 28. Normal Probability Plot-MSI of Economy Hotels

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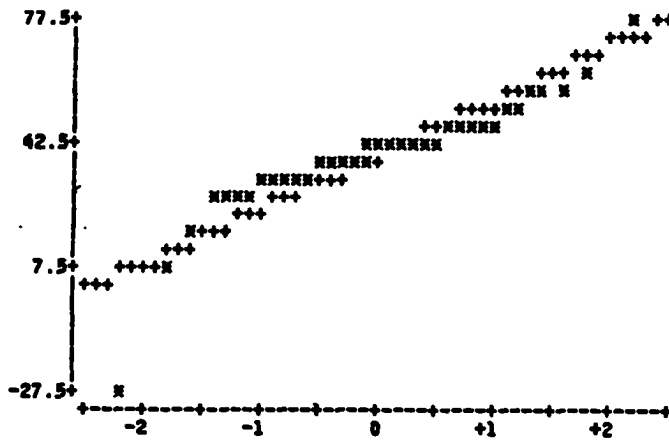


Figure 29. Normal Probability Plot-ROS92 of Economy Hotels

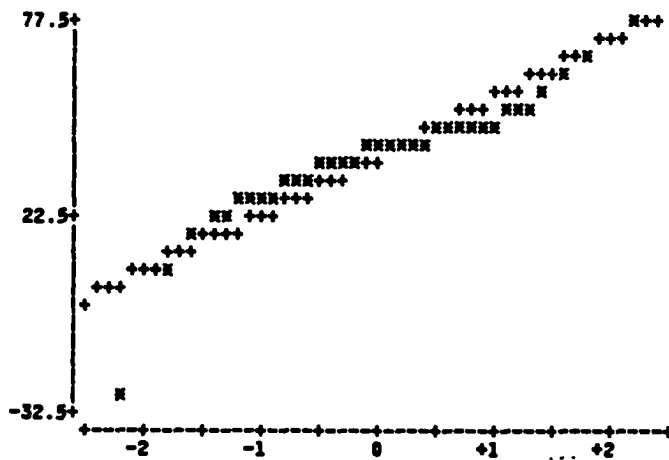


Figure 30. Normal Probability Plot-ROS93 of Economy Hotels

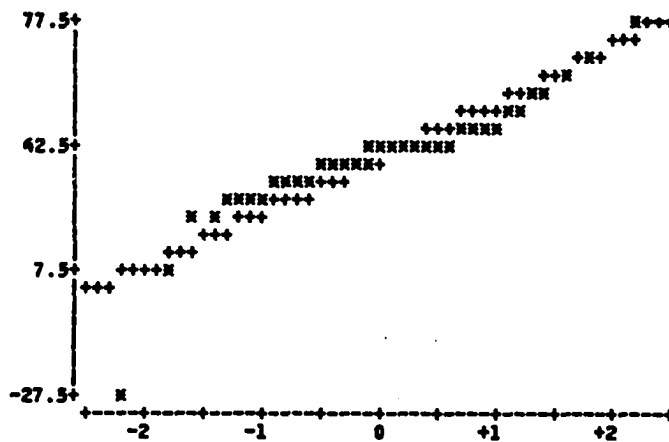


Figure 31. Normal Probability Plot-ROS of Economy Hotels

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Having thus far established that the data does not indicate any serious abnormalities from response bias, dissimilarities between the respondent groups from the two sponsors' portfolios, and non-normality, further analysis of the strategy and performance constructs are proceeded with. The next section describes the results of the strategy scale purification process.

### Purification of the Strategy Scale

#### Reliability of Individual Strategic Dimensions

The multidimensional scale developed for measuring the strategy construct was subjected to reliability testing using the Cronbach  $\alpha$ . According to Churchill (1979), "Coefficient alpha absolutely should be the first measure one calculates to assess the quality of the instrument" (p. 68). As the strategy scale here is multidimensional, we need to measure the reliability of a linear combination of measures (Nunnally 1978). Nunnally (p. 246-254) provided the formula which should be used for this purpose, which is as follows:

$$r_{yy} = 1 - \frac{\sum \sigma_i^2 - \sum r_{ii} \sigma_i^2}{\sigma_y^2}$$



where,  $r_{yy}$  is the reliability of the total scale composed of several dimensions,  
 $\sigma_i^2$  is the variance of each dimension,  
 $\sigma_y^2$  is the variance of the total scale, and  
 $r_{ii}$  is the reliability of each dimension

In actual computations,  $\sigma_i^2$  is measured by the variance of the mean of each subscale, and  $\sigma_y^2$  is measured by the variance of the total of all the subscale means.

To compute the reliability of the strategy scale, Cronbach  $\alpha$  was obtained for each subscale of items. The computer output also provides the standardized item-to-total correlations (i.e., the correlation between the score of an item and the sum of scores of all other items making up the dimension) and the expected Cronbach  $\alpha$  value if the item were to be excluded from the dimension. From this printout, scale items with the least item-to-total correlations were identified for each subscale. If the Cronbach  $\alpha$  is expected to increase by dropping the item, that item was dropped and the Cronbach  $\alpha$  was recomputed. This iterative exercise was repeated till no additional exclusion of a scale item could improve the Cronbach  $\alpha$  of the subscale.

Table 34 shows for each dimension the values of Cronbach  $\alpha$  at the first instance and at the end of the purification process, along with the scale items dropped in this process and their corresponding item-to-total correlations with the respective dimensions. As can be seen from this table, except for the dimension labelled Price Policy, the Cronbach  $\alpha$  values have been very high, ranging from .64 to .90. These reliabilities compare very favorably with most contemporary research. The Price Policy dimension had six scale items to begin with and the initial Cronbach  $\alpha$  for this dimension was only .39. Of the six scale items, the item "being the lowest-priced hotel in the market" had the lowest item-to-total correlation. In fact, it was negatively correlated with the rest of the items in this subscale. After it was eliminated, the Cronbach  $\alpha$  increased to .499. An examination of the means revealed that this item had a very low mean (1.9) as compared to the rest of the items falling under this dimension. It seems no hotel manager wants his/her hotel to be the lowest-priced in the market. Most of the other items in this subscale are alternative strategies (e.g., competitive pricing vs. price leadership) and thus have low correlations with each other. Dichotomous scale items which cannot be reverse coded lead to poor reliabilities and this is the reason why this dimension fared so poorly in its reliability measurement in

contrast to the rest of the dimensions. Considering its poor reliability score of .499, it was decided to drop this dimension from further analysis. Further research will be needed to add the Pricing dimension back to this scale, as the scale items have to be reconsidered so as to improve the reliability of this subscale.

**Table 34. Cronbach Alphas Before and After Scale Purification**

| <b>Strategy Dimension</b>       | <b>Cronbach Alpha at Beginning</b> | <b>Scale Item No.</b> | <b>Item-to-Total Correlation</b> | <b>Cronbach Alpha at End</b> |
|---------------------------------|------------------------------------|-----------------------|----------------------------------|------------------------------|
| <b>Specialization</b>           | <b>0.75</b>                        | <b>4</b>              | <b>0.166</b>                     | <b>0.77</b>                  |
| <b>Push vs. Pull</b>            | <b>0.75</b>                        | <b>18</b>             | <b>0.232</b>                     | <b>0.76</b>                  |
| <b>Product/Service Quality</b>  | <b>0.73</b>                        | <b>22</b>             | <b>0.266</b>                     | <b>0.75</b>                  |
| <b>Price Policy</b>             | <b>0.39</b>                        | <b>29</b>             | <b>(0.073)</b>                   | <b>0.50</b>                  |
| <b>Brand Identification</b>     | <b>0.69</b>                        |                       |                                  | <b>0.69</b>                  |
| <b>Channel Selection</b>        | <b>0.71</b>                        |                       |                                  | <b>0.71</b>                  |
| <b>Technological Leadership</b> | <b>0.69</b>                        | <b>50</b>             | <b>0.015</b>                     | <b>0.77</b>                  |
| <b>Cost Position</b>            | <b>0.64</b>                        |                       |                                  | <b>0.64</b>                  |
| <b>Leverage</b>                 | <b>0.75</b>                        |                       |                                  | <b>0.75</b>                  |
| <b>Service Identification</b>   | <b>0.81</b>                        | <b>68</b>             | <b>0.308</b>                     | <b>0.81</b>                  |
| <b>Service Specification</b>    | <b>0.89</b>                        | <b>85</b>             | <b>0.049</b>                     | <b>0.89</b>                  |
|                                 | <b>0.89</b>                        | <b>83</b>             | <b>(0.008)</b>                   | <b>0.90</b>                  |
|                                 | <b>0.90</b>                        | <b>78</b>             | <b>0.258</b>                     | <b>0.90</b>                  |
|                                 | <b>0.90</b>                        | <b>79</b>             | <b>0.260</b>                     | <b>0.90</b>                  |
| <b>Service Delivery</b>         | <b>0.89</b>                        |                       |                                  | <b>0.89</b>                  |
| <b>Service Communication</b>    | <b>0.83</b>                        |                       |                                  | <b>0.83</b>                  |

### Reliability of the Total Strategy Scale

Table 35 shows the computations for obtaining the overall reliability of the total strategy scale, as a linear combination of the remaining 12 dimensions. These computations are performed after all scale items with poor item-to-total correlations are eliminated as described earlier. The computations show an extremely high overall reliability of 0.97. In general, Cronbach  $\alpha$  tends to increase with sample size. Notwithstanding this feature of this statistic, the reliability estimated for this new strategy scale lends credibility to the process adopted for realizing this task and the theoretical underpinnings which contributed to its development.

**Table 35. Computation of the Overall Reliability of the Strategy Scale**

| Strategy Dimension       | Cronbach Alpha<br>( $r_{ii}$ ) | Variance<br>( $\sigma_i^2$ ) | $r_{ii}\sigma_i^2$ |
|--------------------------|--------------------------------|------------------------------|--------------------|
| Specialization           | 0.771946                       | 0.6811753                    | 0.525830           |
| Push vs. Pull            | 0.756084                       | 0.6797140                    | 0.513920           |
| Product/Service Quality  | 0.751908                       | 0.8472075                    | 0.637022           |
| Brand Identification     | 0.687914                       | 0.7656077                    | 0.526672           |
| Channel Selection        | 0.705526                       | 0.9611032                    | 0.678083           |
| Technological Leadership | 0.769334                       | 1.0880564                    | 0.837078           |
| Cost Position            | 0.643511                       | 0.8808422                    | 0.566831           |
| Leverage                 | 0.749144                       | 0.8608720                    | 0.644917           |
| Service Identification   | 0.811352                       | 0.7581359                    | 0.615115           |
| Service Specification    | 0.904372                       | 0.6378849                    | 0.576885           |
| Service Delivery         | 0.892580                       | 0.7765891                    | 0.693167           |
| Service Communication    | 0.830010                       | 0.8068895                    | 0.669726           |

$$\Sigma\sigma_i^2 = 9.7440777$$

$$\Sigma r_{ii}\sigma_i^2 = 7.485251$$

$$\sigma_y^2 = 75.2231636$$

$$\therefore r_{yy} = 1 - \frac{9.7440777 - 7.485251}{75.2231636}$$

$$= 0.97$$

This scale purification process resulted in 17 scale items being dropped, leaving a 105-item strategy scale for further analysis. The 17 scale items dropped in this purification process are shown with an asterisk (\*) mark against each of them in Table 6. This 12-dimensional scale was next subjected to a factor analysis, the results of which are presented in the next section.

### **Delineation of Strategic Dimensions**

Factor analysis is a term which is misapplied not too infrequently. Quite apart from the fact that there are very many types of factor analyses, each with a specific label, much confusion is created by labelling principal component analysis as factor analysis, and referring to principal components as factors. Whereas a principal component is an observable linear combination of variables, a common factor is most often a hypothetical, unobservable variable. The more important distinction here stems from the fact that components are not correlated with each other. As linear combinations, they are orthogonal. In contrast, common factors can be and most often are correlated with each other. Whereas factor analysis explains the common variance, principal component analysis extracts the total variance, i.e., including the error variance. Commenting on

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some of these differences, Pedhazur and Schmelkin (1991) conclude as follows:

".... unless the first few components extract a sizeable percentage of the total variance, there is little to be gained from the application of a PCA [principal component analysis]. As a rule of thumb, one would want the first two or three components to extract over 50% of the variance .... It does not make sense to rotate components, nor to attach substantive meaning to them" (p. 598-599).

In so far as principal components are orthogonal linear combinations, they can at best be subjected only to orthogonal rotations, where the underlying assumption is one of zero correlation between the components. If, on the other hand, there is reason to believe that the factors are correlated and, consequently, oblique rotations are called for to interpret the factors, then factor analysis is the right choice. In this study, there is every reason to believe that the underlying dimensions of the strategy construct are correlated with each other. In fact, several of the a priori dimensions around which the strategy scale items have been developed have much in common (e.g., all the

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related items grouped under the four service dimensions) and they are expected to show significant inter-correlations necessitating oblique rotation of the factors for interpretation. With this in view, the 105 strategic characteristics, remaining in the scale after the previously described purification process, have been subjected to a principal factor analysis.

Two early decisions that had to be made in this analysis related to the number of factors that should be extracted and the minimum factor loadings that should be considered significant. Stevens (1992) provided a lucid discussion on these issues and recommends the following as far as the number of factors to be extracted is concerned:

"The Kaiser rule will accurately determine the number of components when the number of variables  $< 30$  and the communalities are  $> .70$ , or when  $N > 250$  and the mean communality  $> .60$ . For other situations when  $N < 200$ , a statistical test is advisable. For  $N > 200$ , use of the scree' test will probably be reasonably accurate, provided most of the communalities are fairly large" (p. 401).

As this last condition was the most applicable to this study, it was decided that the scree' test would be used to decide on the number of factors to be extracted. As for the minimum factor loadings that should be considered significant, the popular rule of thumb is greater than .30. Presenting evidence against this practice, Stevens (1992) recommended that the sample size should be taken into account in deciding on the critical values for a correlation coefficient. Interpolating from the table of "Critical Values for a Correlation Coefficient at  $\alpha=.01$  for a Two Tailed Test" (p. 383), the FUZZ level was set at .22 in this study. The result is that the SAS program takes into account only factor loadings higher than .22 as being significant and treats lower correlations as missing values.

The last decision that needed to be taken at this stage was regarding the factor rotation method that should be used. As stated previously, it was expected that the factors would be inter-correlated and, hence, an oblique rotation would be necessary to interpret them. Among the choices of oblique rotations available in SAS, the PROMAX rotation was considered the best alternative. This is because, according to the SAS Institute Inc. (1990), the PROMAX rotation "has the advantage of providing orthogonal

and oblique rotations with only one invocation of PROC FACTOR" (p. 778).

With these decisions made, a preliminary run of the FACTOR procedure was performed to check the scree diagram. As Figure 32 shows, the scree test indicates the appropriate choice as being seven factors. The preliminary diagnostic output, however, showed that 13 factors account for 82.04% of the variance in the model. In contrast, the first seven factors account for a variance of 70.76%. This meant that the later six factors account for only an additional 11.28% of the variance. Clearly, the trade off was not in favor of the larger number of factors, considering the difficulties in interpreting such a large number. As such, a seven factor solution was specified as indicated by the scree test. Table 36 shows the eigenvalues and the variance explained by the factors pre- and post-rotation.

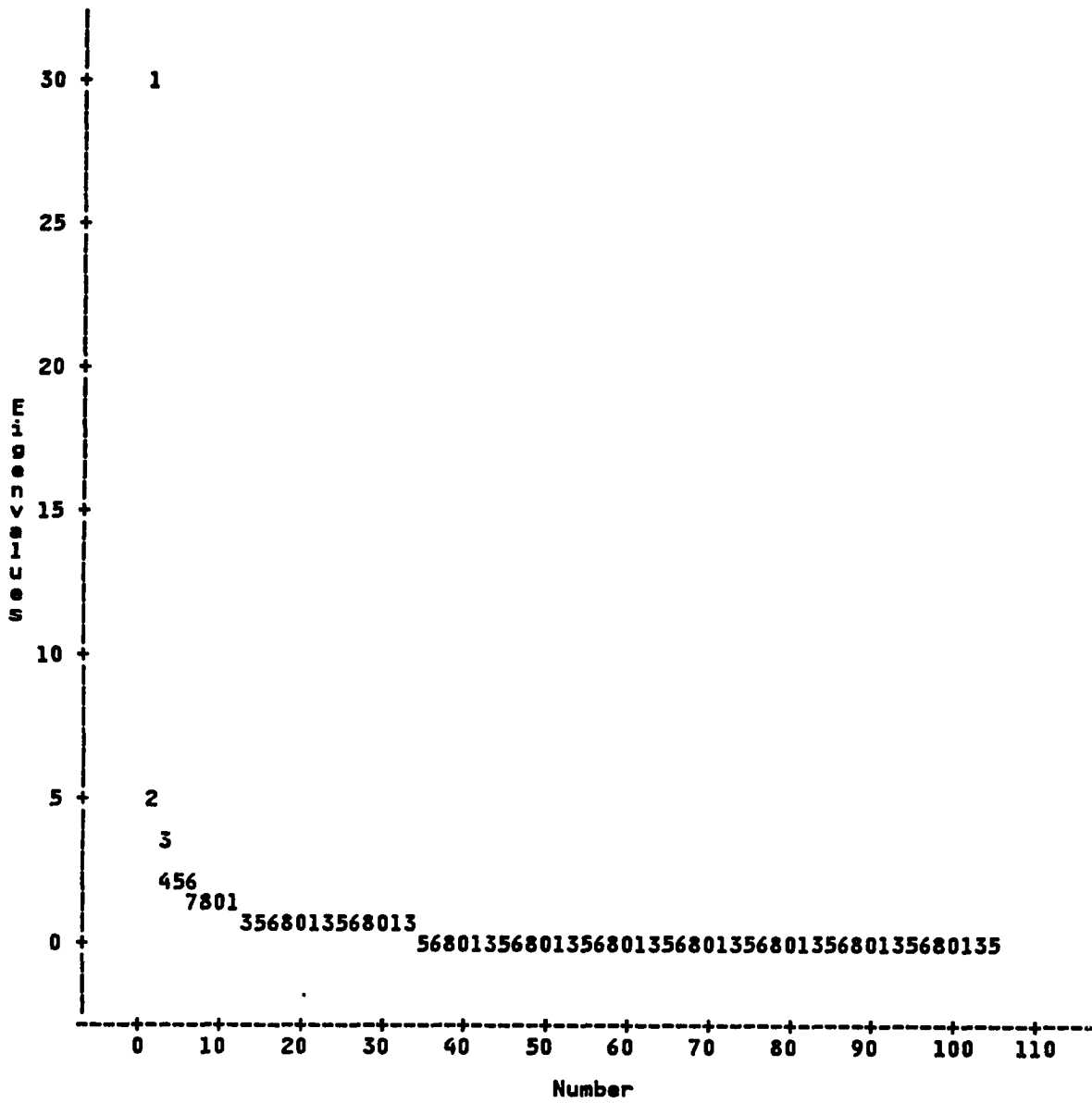


Figure 32. Scree Plot of Eigenvalues  
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**Table 36. Seven Factor Solution for the Strategy Scale**

| <b>Factor No.</b>                                       | <b>Eigen Value</b> | <b>Cumulative<br/>% Variance<br/>Explained</b> | <b>Post-Rotation<br/>Variance Explained</b> |
|---|--------------------|--|---|
| 1   | 29.68              | 45.66  | 17.16                                       |
| 2   | 5.00               | 53.66  | 7.86  |
| 3   | 3.38               | 58.56  | 6.67  |
| 4   | 2.37               | 62.21  | 4.80  |
| 5   | 2.07               | 65.39  | 3.77  |
| 6   | 1.95               | 68.39  | 3.33  |
| 7   | 1.54               | 70.76  | 2.41  |
| 8   | 1.50               | 73.08  |   |
| 9   | 1.40               | 75.24  |   |
| 10  | 1.18               | 77.06  |   |
| 11  | 1.15               | 78.83  |   |
| 12  | 1.08               | 80.49  |   |
| 13  | 1.01               | 82.04  |   |
| <b>Total for the<br/>Reduced<br/>Correlation Matrix</b> | <b>64.99</b>       |  |   |

Among other things, the computer output indicated that the correlations between the scale items within each strategy dimension were generally high and significant. The correlation matrix could not be included here as the printout was nearly 100 pages long. The computer output also showed that the partial correlations controlling the other variables were generally small, which should be the case if the data is appropriate for common factor analysis. The Kaiser's Measure of Sampling Adequacy (MSA) showed an overall MSA of 0.94. Almost all the individual variables' MSAs were also above 0.8 which is considered to be desirable. The MSA is an indicator of "how small the partial correlations are relative to the ordinary correlations" (SAS Institute Inc., 1990b, p. 798). The goodness-of-fit of a common factor model can be assessed from the residual correlations, which are the differences between the predicted correlations and the actual correlations between variables. The SAS output confirmed the goodness-of-fit through low residual correlations.

As Table 37 shows, the PROMAX rotation has yielded an interpretable 7-factor solution, accounting for 70.76% of the total variance. In social sciences, a factor solution accounting for 60% of the total variance is considered

satisfactory (Hair, Anderson, and Tatham 1987), and the result in this study is thus considered good. Further, the choice of the factor rotation (oblique) is proved to be quite correct by the fact that the factor structure and reference structure are different from the factor pattern (a condition that occurs if the common factors are correlated), and also that the computer output clearly shows inter-factor correlations, as shown in Table 38. The next step in this analysis is to interpret and name the factors, which is discussed next.

**Table 37. Factor Matrix After Promax Rotation**

| Scale Item No. | Factor 1 | Factor 2 | Factor 3 | Factor 4 | Factor 5 | Factor 6 | Factor 7 |
|----------------|----------|----------|----------|----------|----------|----------|----------|
| 1.             | 83       |          |          |          |          |          |          |
| 2.             | 77       |          |          |          |          |          |          |
| 3.             | 76       |          |          |          |          |          |          |
| 4.             | 76       |          |          |          |          |          |          |
| 5.             | 75       |          |          |          |          |          |          |
| 6.             | 73       |          |          |          |          |          |          |
| 7.             | 70       |          |          |          |          |          |          |
| 8.             | 70       |          |          |          |          |          |          |
| 9.             | 69       |          |          |          |          |          |          |
| 10.            | 68       |          |          |          |          |          |          |
| 11.            | 68       |          |          |          |          | 23       |          |
| 12.            | 68       |          |          |          |          |          | 24       |
| 13.            | 67       |          |          |          |          |          |          |
| 14.            | 65       |          |          |          |          |          |          |
| 15.            | 64       |          |          |          |          |          |          |
| 16.            | 64       |          |          |          |          |          |          |
| 17.            | 63       |          |          |          |          |          |          |
| 18.            | 61       |          |          |          |          |          |          |
| 19.            | 61       |          |          |          |          |          |          |
| 20.            | 60       |          |          |          |          |          |          |
| 21.            | 60       |          |          |          |          |          |          |
| 22.            | 56       |          |          |          |          |          |          |
| 23.            | 55       |          |          |          | 32       |          |          |
| 24.            | 53       |          |          |          |          |          |          |
| 25.            | 53       |          |          |          |          |          |          |
| 26.            | 53       |          |          |          |          |          |          |
| 27.            | 51       |          |          |          |          |          |          |
| 28.            | 51       |          |          |          |          |          |          |
| 29.            | 43       |          | 23       |          |          |          |          |
| 30.            | 43       |          |          |          | 27       |          |          |
| 31.            | 41       |          |          |          |          |          |          |
| 32.            | 39       |          |          |          |          |          |          |
| 33.            | 34       | 25       |          |          |          |          |          |
| 34.            | 34       |          |          |          | 28       | 25       |          |
| 35.            |          | 87       |          |          |          |          |          |
| 36.            |          | 81       |          |          |          |          |          |
| 37.            |          | 77       |          |          |          |          |          |
| 38.            |          | 72       |          |          |          |          |          |
| 39.            |          | 68       |          |          |          |          |          |
| 40.            |          | 67       |          |          |          |          |          |
| 41.            |          | 59       |          |          |          |          |          |
| 42.            |          | 59       |          |          | 22       |          |          |
| 43.            |          | 57       |          |          |          |          |          |



| Scale Item No. | Factor 1 | Factor 2 | Factor 3 | Factor 4 | Factor 5 | Factor 6 | Factor 7 |
|----------------|----------|----------|----------|----------|----------|----------|----------|
| 44.            | 44       | 46       |          |          |          |          |          |
| 45.            |          | 45       |          |          |          |          |          |
| 46.            |          | 43       |          |          |          |          |          |
| 47.            |          | 41       |          |          |          | 31       |          |
| 48.            |          | 28       |          |          |          |          |          |
| 49.            |          |          | 67       |          |          |          |          |
| 50.            |          |          | 64       |          |          | 28       |          |
| 51.            |          |          | 62       |          |          |          |          |
| 52.            |          |          | 61       |          |          |          |          |
| 53.            | 30       |          | 45       |          |          |          |          |
| 54.            | 27       |          | 43       |          |          |          |          |
| 55.            | 26       |          | 42       |          |          |          | 27       |
| 56.            | 24       | (23)     | 41       |          |          |          |          |
| 57.            |          |          | 39       |          |          |          |          |
| 58.            |          |          | 39       |          | 28       |          |          |
| 59.            |          |          | 37       |          |          | 30       |          |
| 60.            |          |          | 37       |          | 24       |          |          |
| 61.            |          |          | 36       |          |          |          |          |
| 62.            |          |          | 35       |          | 24       |          |          |
| 63.            | 30       |          | 32       |          |          |          |          |
| 64.            |          |          | 31       |          |          |          |          |
| 65.            |          |          | 31       |          |          |          |          |
| 66.            |          |          | 28       |          |          | 24       |          |
| 67.            |          |          |          | 55       |          |          |          |
| 68.            |          |          |          | 54       |          | 26       |          |
| 69.            |          |          |          | 48       |          |          |          |
| 70.            |          |          | (27)     | 45       | 22       |          |          |
| 71.            |          |          |          | 44       |          |          |          |
| 72.            |          |          |          | 42       |          |          |          |
| 73.            |          |          | 28       | 39       |          |          |          |
| 74.            |          |          |          | 38       |          |          |          |
| 75.            |          |          |          | 32       |          |          |          |
| 76.            | 24       |          |          | 31       |          |          |          |
| 77.            |          |          | 23       | 30       |          |          |          |
| 78.            |          |          | 25       | 29       |          |          |          |
| 79.            | 28       |          |          | 28       |          |          |          |
| 80.            |          |          | 23       | 26       |          |          |          |
| 81.            | 26       | 26       |          | 26       |          |          |          |
| 82.            | 34       |          | 25       | (32)     |          |          |          |
| 83.            |          |          | 26       |          | 47       | 28       |          |
| 84.            |          |          |          |          | 45       |          |          |
| 85.            |          |          | 38       |          | 42       |          |          |
| 86.            |          |          | 23       |          | 41       | 31       |          |
| 87.            |          |          |          |          | 38       |          | 23       |

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| Scale Item No. | Factor 1 | Factor 2 | Factor 3 | Factor 4 | Factor 5 | Factor 6 | Factor 7 |
|----------------|----------|----------|----------|----------|----------|----------|----------|
| 88.            | 23       |          |          |          | 38       |          |          |
| 89.            |          |          |          |          | 36       |          | (29)     |
| 90.            |          |          |          |          | 36       | 25       |          |
| 91.            |          |          |          |          | 30       |          |          |
| 92.            |          | 30       |          |          | 30       |          |          |
| 93.            |          |          |          |          |          | 69       |          |
| 94.            |          |          |          |          | 22       | 59       |          |
| 95.            |          |          |          |          |          | 51       |          |
| 96.            |          |          |          |          |          | 35       |          |
| 97.            | 25       |          |          |          | 22       | 26       |          |
| 98.            | 25       |          |          | 31       |          |          | 63       |
| 99.            | 38       |          |          |          |          |          | 48       |
| 100.           | 42       |          |          |          |          |          | 41       |
| 101.           |          |          | 32       |          |          |          | 37       |
| 102.           |          |          |          | 38       |          |          | 36       |
| 103.           | 27       |          |          |          |          |          | 30       |
| 104.           | 22       |          | 25       |          |          |          | 27       |
| 105.           |          |          |          |          | 24       |          | 27       |

**Table 38. Inter-factor Correlations**

|          | Factor 1 | Factor 2 | Factor 3 | Factor 4 | Factor 5 | Factor 6 | Factor 7 |
|----------|----------|----------|----------|----------|----------|----------|----------|
| Factor 1 | 100      |          |          |          |          |          |          |
| Factor 2 | 46       | 100      |          |          |          |          |          |
| Factor 3 | 50       | 31       | 100      |          |          |          |          |
| Factor 4 | 41       | 37       | 31       | 100      |          |          |          |
| Factor 5 | 32       | 23       | 18       | 16       | 100      |          |          |
| Factor 6 | 15       | 37       | 21       | 9        | (1)      | 100      |          |
| Factor 7 | 29       | 19       | 25       | 4        | 17       | 24       | 100      |

### Factor Interpretation

Table 39 shows the factor loadings obtained from the 7-factor solution, together with the scale items under each factor and their communalities. As may be expected in any factor analysis, particularly one using a large measurement scale as in the present case, some cross-loadings were present as indicated in Table 37. But these were neither too many nor too large, and are to be expected as the factors were a priori hypothesized to be correlated. It will be seen that the loadings of the scale items on the respective factors are quite large. Commenting on the criteria for the significance of factor loadings, Hair, Anderson and Tatham (1987) state, "... factor loadings greater than  $\pm 0.30$  are considered significant. Loadings  $\pm 0.40$  are considered more important, and if the loadings are  $\pm 0.50$  or greater, they are considered very significant" (p. 249). Looking at Table 39, it is evident that most of the factor loadings obtained meet this significance criteria. In fact, very few loadings are found to be below the  $\pm 0.30$  threshold level prescribed by most researchers. Thus, the results obtained are considered to be appropriate for accepting the factor solution, and naming these factors was undertaken next. As the ensuing sections naming each factor show, there were sufficient number of scale items loading on

each factor meeting the significance criteria. In view of this, the relatively small proportion of cross-loadings were considered mere 'noise' and disregarded.

**Table 39. Rotated Factor Solution for the Strategy Scale**

| Scale<br>Item No.                                  | Factors / Scale items   | Factor<br>Loadings | Commu-<br>nalities |
|--|---|--------------------|--------------------|
| <b><u>FACTOR 1: SERVICE QUALITY LEADERSHIP</u></b> |   |                    |                    |
| 1.   | Maintaining consistently high quality product and/or service  | 83                 | .61                |
| 2.   | Using training and development to raise service quality standards   | 77                 | .62                |
| 3.   | Improving the service orientation of employee behavior (particularly among those in guest-contact positions)                          | 76                 | .62                |
| 4.   | Training guest-contact employees about their customers/customers' expectations  | 76                 | .63                |
| 5.   | Setting service quality goals that are designed to meet customer expectations   | 75                 | .59                |
| 6.   | Setting service quality goals which are challenging but realistic, are accepted by the employees, and measured and reviewed regularly | 73                 | .56                |
| 7.   | Constantly and visibly expressing/demonstrating management's commitment to product/service quality                                    | 70                 | .59                |
| 8.   | Training employees in communication skills  | 70                 | .54                |
| 9.   | Encouraging free upward communication between guest-contact employees and management  | 69                 | .60                |
| 10.  | Carefully choosing personnel who interact with customers (e.g. assessment of social adaptation skills)                                | 68                 | .52                |
| 11.  | Setting specific service quality goals for employees which emphasize critical service tasks   | 68                 | .54                |
| 12.  | Training employees in interpersonal skills  | 68                 | .65                |

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|     |  |           |            |
|-----|--|-----------|------------|
| 13. | <b>Achieving high operational efficiency levels</b>  | <b>67</b> | <b>.47</b> |
| 14. | <b>Providing regular feedback to employees on their delivery achievement</b>   | <b>65</b> | <b>.39</b> |
| 15. | <b>Viewing customers' demands as challenges and puzzles rather than as problems (i.e., believing in the feasibility of solving any customer problem)</b> | <b>64</b> | <b>.52</b> |
| 16. | <b>Training departmental managers in the skills needed to lead employees to deliver quality service</b>  | <b>64</b> | <b>.60</b> |
| 17. | <b>Developing standard operating procedures for all areas of the hotel to ensure consistently high quality service delivery</b>                          | <b>63</b> | <b>.49</b> |
| 18. | <b>Encouraging all departmental managers to interact with customers personally and experience the service delivery process</b>                           | <b>61</b> | <b>.49</b> |
| 19. | <b>Using guest complaints/suggestions/feedback as a resource in strategic planning</b>   | <b>61</b> | <b>.54</b> |
| 20. | <b>Building a good reputation of the property in the community</b>   | <b>60</b> | <b>.50</b> |
| 21. | <b>Treating employees as customers and seeking their input in product/service design</b>   | <b>60</b> | <b>.49</b> |
| 22. | <b>Enhancing the personalization of service in all areas of the hotel</b>  | <b>56</b> | <b>.43</b> |
| 23. | <b>Making specific effort to encourage customers to tell others about the hotel's good service</b>   | <b>55</b> | <b>.51</b> |
| 24. | <b>Re-doing service when a customer is dissatisfied</b>  | <b>53</b> | <b>.38</b> |
| 25. | <b>Ensuring that a single guest-contacting employee can handle customer problems involving interaction between different departments of the hotel</b>    | <b>53</b> | <b>.49</b> |
| 26. | <b>Developing innovative service ideas/methods</b>   | <b>53</b> | <b>.55</b> |

|                             |  |  |     |     |  |
|-----------------------------|--|--|-----|-----|--|
| <b>RESULTS AND ANALYSIS</b> | 27.  | Emphasizing employee empowerment by pushing decision-making down to the lowest organizational levels of the hotel                  | 51  | .42 |  |
|                             | 28.  | Ensuring that hotel activities are coordinated to enhance customer satisfaction  | 51  | .46 |  |
|                             | 29.  | Communicating service quality guarantees to customers  | 43  | .36 |  |
|                             | 30.  | Emphasizing in external communications those aspects of service quality (e.g. reliability) which customers consider most important | 43  | .46 |  |
|                             | 31.  | Soliciting guest comments on their stay at the time of departure   | 41  | .38 |  |
|                             | 32.  | Staying close to the customers by reducing the organizational levels between the guest-contact level and management level          | 39  | .37 |  |
|                             | 33.  | Using the uniforms/dresses of guest-contact employees as a means to project image  | 34  | .30 |  |
|                             | 34.  | Determining pricing carefully to convey the appropriate quality signals  | 34  | .38 |  |
|                             | <br><b><u>FACTOR 2: TECHNOLOGICAL LEADERSHIP</u></b>   |  |     |     |  |
|                             | 35.  | Expanding automation/computerization in guest handling   | 87  | .61 |  |
| 36.                         | Employing automation/computerization to reduce costs   | 81   | .56 |     |  |
| 37.                         | Using technology to enhance product and/or service quality   | 77   | .68 |     |  |
| 38.                         | Using computerized information systems as the basis for setting standards to improve customer service                                  | 72   | .49 |     |  |
| 39.                         | Standardizing routine service tasks through automation, so that time is freed to personalize other service aspects                     | 68   | .53 |     |  |
| 40.                         | Adopting user-friendly (to both employees and guests) systems and new technologies which improve the effectiveness of service delivery | 67   | .50 |     |  |



|                              |     |  |    |     |
|------------------------------|-----|--|----|-----|
| <b>RESULTS AND ANALYSIS</b>  | 41. | Adopting innovative technologies wherever possible in different areas of the hotel   | 59 | .55 |
|                              | 42. | Leading the competition in introducing new technologies  | 59 | .53 |
|                              | 43. | Effectively using computers/automation to improve job scheduling, service delivery, etc.   | 57 | .50 |
|                              | 44. | Training employees in the technical aspects of the services they are supposed to provide   | 46 | .47 |
|                              | 45. | Improving customer participation skills (in self-help services) by simplifying systems and procedures, installing easy-to-understand signage, etc. | 45 | .33 |
|                              | 46. | Standardizing service tasks with the help of information databases (e.g. pre-registration)   | 43 | .40 |
|                              | 47. | Introducing latest computer/communication technologies in guest rooms  | 41 | .41 |
|                              | 48. | Researching what service standards customers expect from industries similar/related to hotels (e.g. airlines)                                      | 28 | .39 |
| <b><u>FACTOR 3: PUSH</u></b> |     |  |    |     |
|                              | 49. | Deploying a highly visible professional sales force  | 67 | .49 |
|                              | 50. | Using sales blitzes in source markets to tap corporate clients   | 64 | .50 |
|                              | 51. | Trying to increase business in low season by calling on customers  | 62 | .47 |
|                              | 52. | Concentrating on direct selling to local businesses  | 61 | .35 |
|                              | 53. | Employing yield management techniques/systems  | 45 | .45 |
|                              | 54. | Designing marketing programs aimed at developing and enhancing enduring customer relationships, i.e., repeat business                              | 43 | .41 |

|                             |  |   |   |     |     |
|-----------------------------|--|---|---|-----|-----|
| <b>RESULTS AND ANALYSIS</b> | 55.                                      | Promoting horizontal communication between different departments of the hotel (e.g. sales/marketing and operations)                             | 42  | .50 |     |
|                             | 56.                                      | Serving a variety of market segments  | 41  | .38 |     |
|                             | 57.                                      | Contacting customers after they have stayed at the hotel  | 39  | .31 |     |
|                             | 58.                                      | Adopting joint marketing and distribution along with competitors, local chamber of commerce, etc. to bid for shared business (e.g. conferences) | 39  | .32 |     |
|                             | 59.                                      | Researching sources of business (e.g. travel agents) to understand what guests want   | 37  | .45 |     |
|                             | 60.                                      | Emphasizing on working relationships with local visitor/tourist bureau for referral business  | 37  | .40 |     |
|                             | 61.                                      | Positioning food & beverage outlets to compete with outside competition   | 36  | .21 |     |
|                             | 62.                                      | Testing new marketing ideas and methods   | 35  | .45 |     |
|                             | 63.                                      | Catering to the specific needs of individual customers/customer groups  | 32  | .45 |     |
|                             | 64.                                      | Entertaining regular guests to solidify repeat business   | 31  | .18 |     |
|                             | 65.                                      | Tying up with airlines and/or car rental firms to offer integrated reservations   | 31  | .27 |     |
|                             | 66.                                      | Instituting financial incentives for departmental managers linked to behaviors that foster high service quality                                 | 28  | .34 |     |
|                             | <br><b><u>FACTOR 4: COST CONTROL</u></b> |   |   |     |     |
|                             |  | 67.   | Minimizing debt servicing costs through refinancing       | 55  | .28 |
|                             |  | 68.   | Maximizing the use of debt financing                      | 54  | .34 |
|                             |  | 69.   | Designing facilities to achieve specific image objectives | 48  | .47 |

|                             |     |   |      |     |
|-----------------------------|-----|---|------|-----|
| <b>RESULTS AND ANALYSIS</b> | 70. | Minimizing the use of debt financing  | 45   | .34 |
|                             | 71. | Using every management decision to reach the goal of achieving the lowest cost of operation among the competition   | 44   | .36 |
|                             | 72. | Effectively using external communications (e.g. advertising) to manage customers' expectations (e.g. advertising only what can be and/or actually is delivered) | 42   | .37 |
|                             | 73. | Providing a broad range of products/facilities/services   | 39   | .47 |
|                             | 74. | Minimizing overhead through standardization   | 38   | .44 |
|                             | 75. | Bargaining with suppliers for lowest prices   | 32   | .31 |
|                             | 76. | Providing better security than competitors  | 31   | .35 |
|                             | 77. | Using a cost accounting system to establish costs accurately  | 30   | .33 |
|                             | 78. | Using market research effectively in designing product and/or service strategies  | 29   | .47 |
|                             | 79. | Gearing much of marketing effort to project a specific image of the hotel   | 28   | .41 |
|                             | 80. | Employing rigorous cost control systems/procedures in all areas   | 26   | .32 |
|                             | 81. | Renovating and/or refurbishing regularly  | 26   | .28 |
|                             | 82. | Designing employee incentive/reward/recognition systems based, at least in part, on the delivery of quality service   | (32) | .36 |
|                             |     | <b><u>FACTOR 5: PULL</u></b>  |      |     |
|                             | 83. | Promoting the hotel to the travel trade to get bookings   | 47   | .44 |

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|  |  |    |     |
|--|--|----|-----|
| 84.                                    | Promoting special rates and/or packages to improve traffic in low season   | 45 | .33 |
| 85.                                    | Searching for new markets/opportunities  | 42 | .51 |
| 86.                                    | Negotiating contracts with travel agents and tour operators for volume business  | 41 | .34 |
| 87.                                    | Cultivating competitors to get their overflow  | 38 | .30 |
| 88.                                    | Offering special rates and/or privileges for repeat guests   | 38 | .28 |
| 89.                                    | Advertising to create and/or maintain awareness of the hotel   | 36 | .28 |
| 90.                                    | Affiliating with hotels located in other markets to build mutual referral business   | 36 | .36 |
| 91.                                    | Participating actively in franchise alliance for referral business   | 30 | .27 |
| 92.                                    | Developing new products and/or services  | 30 | .35 |
| <b><u>FACTOR 6: GROUP CHANNELS</u></b> |  |    |     |
| 93.                                    | Promoting the hotel incentive houses   | 69 | .49 |
| 94.                                    | Contracting with hotel representation firms to promote the property  | 59 | .34 |
| 95.                                    | Setting up sales offices in generating markets   | 51 | .33 |
| 96.                                    | Educating the customers to use the hotel during non-peak periods   | 35 | .30 |
| 97.                                    | Stressing tangible cues in all communications (advertising, in-house signage, direct mail, etc.) to define the product/service | 26 | .38 |

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**FACTOR 7: CROSS-TRAINING**

|      |  |    |     |
|------|--|----|-----|
| 98.  | Using cross-training of employees to reduce costs  | 63 | .65 |
| 99.  | Cross-training employees to perform other tasks as a means of coping with peak season demand                                       | 48 | .54 |
| 100. | Building teamwork by cross-training employees, team-based reward systems, etc.   | 41 | .53 |
| 101. | Adopting risk management practices   | 37 | .51 |
| 102. | Using differential scheduling of existing employees to cope with seasonal fluctuation in demand                                    | 36 | .42 |
| 103. | Training employees in risk management  | 30 | .51 |
| 104. | Adopting innovative recruitment and retention methods to foster employee loyalty (e.g. recruiting physically challenged personnel) | 27 | .40 |
| 105. | Employing additional part-time workers to maintain service levels in peak demand periods   | 27 | .30 |

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### **Factor 1: SERVICE QUALITY LEADERSHIP**

Thirty four out of the 105 scale items loaded above the FUZZ level of .22 on this factor which, being the first to be extracted, explains the maximum common variance in the variables. Twenty seven out of these 34 scale items loaded on this factor are from the four service dimensions - Service Identification, Service Specification, Service Delivery, and Service Communication. Going by the normative literature, one expected that the scale items belonging to each of these a priori dimensions would load on separate factors. However, it appears that in the average hotel manager's mind, the nuances of the service quality gaps delineated by Zeithaml et al (1990) are somewhat blurred. The respondents seem to view most competitive methods related to service quality maintenance and improvement as one whole dimension. Nonetheless, the fact that so many of the service quality scale items loaded together is in itself significant, considering that the average hotel manager is not as sophisticated as an academic researcher in terms of understanding the theory of service quality. Three other items loaded on to this factor, which were not part of the original set of scale items developed for the four service dimensions, but they are also related to service quality. These items, nos. 1, 2, and 17, are scale items developed to

tap Porter's (1980) Product/Service Quality dimension.

Keeping the central theme of such a large number of scale items loading on to this factor, Factor 1 was named SERVICE QUALITY LEADERSHIP. This name signifies the aim and thrust of all the scale items referred to, viz., to improve and maintain a high level of service quality.

### **Factor 2: TECHNOLOGICAL LEADERSHIP**

Fourteen scale items loaded on to this factor above the FUZZ level. Four out of five scale items developed to capture Porter's (1980) Technological Leadership dimension are among these. It will be recalled that a sixth scale item from this dimension was dropped in the scale purification process. Six additional items (nos. 38, 39, 40, 43, 45, and 46) are from the original set of scale items developed to capture the Service Specification dimension. All these six scale items have a central theme of adopting/using technology (computers, automation, etc.,). Thus, though these six scale items came from a different original subset, they are nomologically closely related to the four scale items from Porter's Technological Leadership dimension. Scale item 37, though originally from Porter's Product/Service Quality dimension, is also a technology-related item. Scale item 36, originally from Porter's Cost

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Position dimension, is likewise another technology-related item. The loading of these two items on this factor tends to strengthen the content validity of this strategy dimension. It is interesting to note that even scale item 44 which reads, "training employees in the technical [emphasis added here] aspects of the services they are supposed to provide," loaded on to this factor. It is quite clear from all this that the respondents mentally related all technology-related competitive methods as belonging to one domain. Thus, this factor was named TECHNOLOGICAL LEADERSHIP (retaining Porter's original label) so as to capture the thrust of this collection of strategic characteristics.

#### **Factors 3 and 5: PUSH and PULL**

These two factors have something in common, as will be apparent from the ensuing discussion, and , hence, are being dealt with together. Eighteen scale items loaded on to Factor 3 and 10 scale items loaded on Factor 5 above the FUZZ level. Ten out of this total of 28 scale items are from Porter's (1980) Push vs. Pull dimension. Porter's Push vs. Pull dimension originally had 11 scale items, one of which was dropped in the scale purification process. This means that all the remaining 10 items from this dimension



are loaded on either Factor 3 or Factor 5. Push and Pull are in actuality dichotomous strategies, though Porter treated them together. Though most business enterprises adopt some of each type of these strategies, the relative emphasis can and does differ from enterprise to enterprise. If, in the context of the lodging industry, we were to view all such strategies which involve direct customer contact (such as personal selling, and so on) as Push strategies and, as a corollary, all such strategies which involve intermediates and/or rely on referral business, with no direct customer contact, as Pull strategies, the distinction between Factors 3 and 5 becomes clear. It is seen that most of the former type of strategies involving direct customer contact to generate and retain business are loaded on to Factor 3. For example, scale items 50, 51, 52, 57, and 64 fall into this category. In contrast, strategies relying on intermediaries (such as travel agents) and referrals (such as from franchise alliances) are loaded on Factor 5. Scale items 83, 87, and 91 are examples of this. Though there are contrary loadings (item 60 on Factor 3, and item 88 on Factor 5), these are lone exceptions in each case. The majority of the loadings are, in fact, separated on the lines identified above.

Further, even some of the other scale items loaded on to these two factors also fit this pattern. For example, scale items 49, 54, and 58 which loaded on Factor 3 have direct (or implied) customer contact in common among them. Thus, they are Push strategies. In contrast, items 84, 86, 89, and 90, which are loaded on Factor 5, are strategies which do not rely on direct customer contact. They are, obviously, Pull strategies. Further, as Hair, Anderson, and Tatham (1987) stated, although "all significant factor loadings typically are used in the interpretation process ... variables with higher loadings will influence to a greater extent the name or label selected to represent a factor" (p. 257). Looking at Table 36, we see that some of the scale items with the higher loadings on Factors 3 and 5 are from the two sets discussed above. Thus, it appears that Porter's (1980) Push vs. Pull strategy dimension is divided into its dichotomous parts in the current factor analysis. This seems not only appropriate, but the fact that other like scale items also have loaded on to each of these factors lends credence to the validity of this dichotomization. Thus, it was decided to name Factor 3 as PUSH and Factor 5 as PULL strategy dimensions.

#### **Factor 4: COST CONTROL**

Sixteen scale items loaded on to Factor 4 above the FUZZ level. Eight items out of these are from Porter's (1980) Cost Position and Leverage dimensions. An additional item, no. 82, though originally from the Service Delivery subscale, also has a financial note to it as it concerns employee incentives and rewards. It appears that respondents viewed it as a cost item. To this extent, its loading on this factor added to the factor's validity as a cost-related dimension. Thus, nine out of sixteen items loaded on this factor are finance-related. Further, four out of the top five loadings are from the Cost Position and Leverage subscales. Preserving the central theme of these statements, viz., reducing costs, this factor was named COST CONTROL.

#### **Factor 6: GROUP CHANNELS**

This factor has only five scale items loaded on it. The top three items are from Porter's (1980) Channel Selection dimension. This dimension was a priori captured by seven scale items. However, the balance of these four items did not load on to this factor. So, at first it appeared as if this factor did not have much of a central

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theme. But, a closer examination of the statements reveals an underlying theme. The unit of analysis in this study is the individual hotel. Keeping this fact in view, setting up sales offices in generating markets, contracting with hotel representation firms to promote the property, and promoting the hotel to incentive houses (the top three scale items loading on this factor) are not within the scope of such a unit's ability. None of these three strategies are worth pursuing from a single hotel's perspective. However, individual hotels can and do benefit from these strategies, if only such efforts can be/are made at a group level. In practice, this is what normally happens in the industry. These strategies are pursued by corporate sales offices of multi-unit operations for the common benefit of all units. Thus, these are legitimate channels under Porter's frame of reference, but are practically employed only at a group/consortium level. In fact, several respondents pointed this out in the returned questionnaires through marginal notes to the effect that these strategies are implemented at a group level. Thus, this factor was labelled as GROUP CHANNELS.

## **Factor 7: CROSS-TRAINING**

Eight scale items loaded on to this last factor loaded above the fuzz level. The top three scale items have a central theme of cross-training. However, there are other patterns as well in this subscale which had to be carefully examined before naming this factor. The most important of these was management of seasonal demand. Three scale items are related to this theme. However, a close examination of the original Service Specification subscale shows at least four other statements directly related to demand management. Two of these were dropped during the scale purification process. The rest loaded on to other factors. So, if seasonal demand management is the central theme in Factor 7, the other scale items relating to this issue should have also loaded here. Another observation was that the scale item 98, which has the highest loading (far ahead of the next best loading), also relates to cost reduction. However, this could not be considered to be the central theme in this factor for two reasons. First, it is the only statement in this subscale with a cost orientation. Second, most other scale items relating to the theme of cost reduction already loaded on to Factor 4. Besides, two other scale items, nos. 102 and 105, also have cross-training implications though no explicit connection is visible. If

these scale items are also taken into account, cross-training seems to be a strong central theme in this factor. In the current environment of labor shortage (of trained employees who are willing to stick with one employer for a time), cross-training is, indeed, an important human resource strategy. Keeping these considerations in view, this last factor was labelled CROSS-TRAINING.

Thus the seven strategy dimensions that emerged from this factor analysis were : Service Quality Leadership, Technological Leadership, Push, Cost Control, Pull, Group Channels, and Cross-Training. Together, they accounted for all but two of Porter's (1980) dimensions and the four service dimensions added from the service strategy literature. In most cases, revised labelling had to be done solely to better reflect the component scale items of a given subscale. But, the core concepts from both the manufacturing and service literatures have been preserved in the new scale/dimensions. This in itself is a strong reason to believe that the new strategy scale is content valid. The only a priori dimension of Porter which did not satisfactorily load on any factor is Specialization. This point is discussed later in Chapter 5. The other dimension from Porter which is not represented in this scale is Pricing Policy, which was dropped because of its low

reliability. Except for these variations, a parsimonious factor solution accounting for much of the Literature seems to have emerged from this process. Thus, it is considered that an interpretable 7-factor strategy scale has been realized from the analysis thus far, setting the stage for subsequent analysis of the strategy-performance relationships, which is the focus of the ensuing sections.

### **Strategy-Performance Relationship**

To investigate the relationship between the performance measures and the strategy factors, a series of MANOVAs were conducted. To facilitate this analysis, some data transformations were first needed. First, for each of the performance measures, Yield Per Room, Market Share Index, and Return on Sales, there are two observations, one for each year. The means of these pairs across the two years were computed and labelled YPR, MSI, and ROS. To clarify, the mean of YPR92 and YPR93 is YPR, and so on. Thus, nine performance variables, YPR92, YPR93, YPR, MSI92, MSI93, MSI, ROS92, ROS93, and ROS, were involved in the analysis from here on. MANOVAs were planned separately for each of these dependent variables. Later on in this chapter, the differences between the pairs of these performance measures for 1992 and 1993 and their implications are discussed.

But, for the present, all nine variables are used in the analysis. Second, these performance variables had to be classified as high and low. To recapitulate, one of the objectives of this study was to verify if there were any strategy differences between high performers and low performers in the lodging industry. To facilitate this analysis, the quartile statistics of the performance variables were used, and each of the nine variables was classified as high (greater than or equal to 75%, i.e., upper quartile), low (less than or equal to 25%, i.e., lower quartile), and medium (25%-75%). The recoded variables were given a prefix 'NEW', to distinguish them from the original data. For example, YPR92, after being classified into high, medium, and low ranges, resulted in NEWYPR92 which assumed the values 1 for high and 2 for low, the medium range having been discarded from further analysis. The quantile statistics were first obtained separately for each price segment, i.e., upscale, midprice, and economy, because of the differences in tariffs, etc. as explained earlier. After the respondent hotels were first separated into high performing and low performing sets by each of these segments, all high performing hotels were combined into one set and all low performing hotels were combined into another set. Table 40 shows the quantile statistics used in this exercise. These high and low subsets which yielded a good



separation in the performance measurement were used in the MANOVAs, as many previous researchers have done. MANOVA is sensitive to the differences in the variances of the subsets being compared. In other words, in this case, the variances of the strategy vectors being compared between the two groups (high and low performers on a given performer measure) should be equal, if a MANOVA is to be used to compare the vector means, as is proposed here. However, the SAS package does not have a homogeneity of variance procedure to test this. So, the strategy vectors of the high and low performers were visually scrutinized with the help of frequency tables to assess their variances. This approach is appropriate given the relatively large sample size in this study. The frequency distributions suggest that the variances of the two groups are not unequal. Last, the factor scores were obtained directly from the PROC FACTOR program used in the previous stage of analysis. The results of these MANOVAs are reported below.

**Table 40. Quartile Statistics used for Classifying Performance Variables into High and Low**

| Performance Variables |    | Upscale Hotels | Mid-price Hotels | Economy Hotels |
|-----------------------|----|----------------|------------------|----------------|
| YPR92                 | Q3 | 54.400         | 40.300           | 35.000         |
|                       | Q1 | 35.850         | 27.100           | 24.800         |
| YPR93                 | Q3 | 61.000         | 41.300           | 36.200         |
|                       | Q1 | 35.400         | 28.400           | 26.400         |
| YPR                   | Q3 | 57.500         | 40.600           | 35.000         |
|                       | Q1 | 34.300         | 28.100           | 25.900         |
| MSI92                 | Q3 | 1.050          | 1.100            | 1.205          |
|                       | Q1 | 0.890          | 0.960            | 1.025          |
| MSI93                 | Q3 | 1.090          | 1.120            | 1.290          |
|                       | Q1 | 1.020          | 0.950            | 1.010          |
| MSI                   | Q3 | 1.060          | 1.115            | 1.250          |
|                       | Q1 | 0.930          | 0.945            | 1.020          |
| ROS92                 | Q3 | 56.330         | 35.980           | 45.990         |
|                       | Q1 | 19.550         | 21.000           | 33.850         |
| ROS93                 | Q3 | 56.795         | 37.500           | 47.600         |
|                       | Q1 | 19.955         | 20.170           | 31.790         |
| ROS                   | Q3 | 55.375         | 36.500           | 45.060         |
|                       | Q1 | 20.475         | 20.245           | 32.820         |

Q3: Upper Quartile (>75%)

Q1: Lower Quartile (<25%)

As Table 41 shows, the MANOVA results indicate significant differences in the strategy dimensions between high and low performers on the variables NEWYPR92, NEWYPR93, NEWYPR, NEWMSI92, NEWMSI93, and NEWMSI. All the four test statistics, Wilk's Lambda, Pillai's Trace, Hotelling-Lawley Trace, and Roy's Greatest Root, indicate the same results and, hence, only one set of F and p values have been reported. As the values of the last two statistics are identical, only one value is reported for these two statistics. As far as Return on Sales is concerned, the null hypothesis of equality of the two groups narrowly failed to be rejected in the case of NEWROS92. On NEWROS93, the result was more clear cut, in that the null hypothesis failed to be rejected in no uncertain terms. As a consequence, a similar result was obtained on NEWROS, which as explained previously is the average of NEWROS92 and NEWROS93. The interpretation of these and other results reported in the following sections of this chapter are discussed in Chapter 5.

**Table 41. MANOVA Results Comparing the Strategy Dimension Vectors between High and Low Performers**

| Performance Variables | 1      | 2      | 3      | F      | NUM DF | DEN DF | PR > F               |
|-----------------------|--------|--------|--------|--------|--------|--------|----------------------|
| NEWYPR92              | 0.8185 | 0.1815 | 0.2217 | 7.3483 | 7      | 232    | .0001 <sup>---</sup> |
| NEWYPR93              | 0.8225 | 0.1775 | 0.2158 | 7.1214 | 7      | 231    | .0001 <sup>---</sup> |
| NEWYPR                | 0.8098 | 0.1902 | 0.2349 | 7.6833 | 7      | 229    | .0001 <sup>---</sup> |
| NEWMSI92              | 0.9279 | 0.0721 | 0.0777 | 3.4432 | 7      | 310    | .0015 <sup>---</sup> |
| NEWMSI93              | 0.9420 | 0.0580 | 0.0616 | 2.7540 | 7      | 313    | .0087 <sup>---</sup> |
| NEWMSI                | 0.9369 | 0.0631 | 0.0674 | 2.9838 | 7      | 310    | .0048 <sup>---</sup> |
| NEWROS92              | 0.9526 | 0.0474 | 0.0498 | 1.9269 | 7      | 271    | .0655 <sup>*</sup>   |
| NEWROS93              | 0.9623 | 0.0377 | 0.0392 | 1.5180 | 7      | 271    | .1611 <sup>*</sup>   |
| NEWROS                | 0.9646 | 0.0354 | 0.0367 | 1.4006 | 7      | 267    | .2051 <sup>*</sup>   |

1:Wilk's Lambda;2:Pillai's Trace;3:Hotelling-Lawley Trace & Roy's Greatest Root

\* Not Significant

--- Significant  $p < .01$

—  $p < .005$

—  $p < .0005$

The above results as shown in Table 41 only indicate that there are significant differences in the mean vectors of the strategy dimensions between high and low performers. These results do not yet show which factors these differences are possibly stemming from. To understand such differences in specific factors, one has to turn to the univariate ANOVA output of the MANOVA procedure. The results from the univariate ANOVAs for each strategy dimension are summarized in Table 42. As seen from this table, there are significant differences in the strategy dimensions Push and Pull (Factors 3 and 5) between the high and low performers on NEWYPR92, NEWYPR93, and NEWYPR. The dimension Push shows significant differences in NEWMSI92, NEWMSI93, and NEWMSI. In the case of NEWMSI92, the null hypothesis of equality on the Service Quality Leadership dimension narrowly failed to be rejected ( $PR > F = .06$ ). However, these differences in Factor 1 are reflected in the significant difference obtained in NEWMSI. As there are nine performance variables and seven strategy dimensions involved in this as well as similar, subsequent analyses, only significant results are tabulated here as well as in the tables following for brevity and clarity of presentation.

Table 42. ANOVA Results Comparing Individual Strategy Dimensions between High and Low Performers

| Performance Variables |             | Service Quality Leadership | Push               | Pull           |
|-----------------------|-------------|----------------------------|--------------------|----------------|
| NEWYPR92              | F<br>PR > F |                            | 25.07<br>.0001**** | 4.34<br>.0382* |
| NEWYPR93              | F<br>PR > F |                            | 23.85<br>.0001**** | 4.26<br>.0402* |
| NEWYPR                | F<br>PR > F |                            | 26.53<br>.0001**** | 4.61<br>.0328* |
| NEWMSI92              | F<br>PR > F |                            | 8.55<br>.0037***   |                |
| NEWMSI93              | F<br>PR > F |                            | 5.37<br>.0211*     |                |
| NEWMSI                | F<br>PR > F | 3.89<br>.0493*             | 7.60<br>.0062**    |                |

Only significant results reported

- \*  $p < .05$
- \*\*  $p < .01$
- \*\*\*  $p < .005$
- \*\*\*\*  $p < .0005$

While the previous table indicates on which strategy dimensions the high and low performers differ, there is still one missing piece of information. For example, knowing that the high and low performers differ in Push strategy is not sufficient. Further information is needed to see whether relying more or less on this strategy is associated with high (or low) performance, as the case may be. To obtain this insight, factor means were computed for those strategy dimensions which showed significant differences between high and low performers. Table 43 shows these factor means. Looking at the top half of this table indicating the information on the Yield Per Room variables, it is evident that hotels realizing higher yields per room rely more on the Push strategy than the hotels realizing lower yields per room. Contrastingly, the low performers on these variables rely more on the Pull strategy as compared to the high performers. Combining these two results, the evidence seems to indicate that the high performers (only on these three variables) rely more on the Push strategy and less on the Pull strategy, whereas the low performers rely more on the Pull strategy and less on the Push strategy.

Turning to the Market Share Index variables, shown in the bottom half of Table 43, once again, it is evident that the high performers rely more on the Push strategy. The

contrary evidence on the Pull strategy is not reported here as it was not significant from the previous analysis. However, the results on the two sets of variables related to Yield Per Room and Market Share Index are consistent with each other. Any contradiction here would have rendered the results suspect, considering that Yield Per Room is a product of Average Room Rate and Percentage of Occupancy, and the higher the occupancy, the higher the market share is likely to be.

The other difference indicated in the bottom half of Table 43 is that high performers on the variable NEWMSI rely more on Service Quality Leadership as compared to low performers. As stated previously, this result was not supported for the individual years (NEWMSI92 and NEWMSI93), though it was a narrow failure of rejection in 1992 (NEWMSI92). The factor means of high and low performers in NEWMSI92 and NEWMSI93 have been included in this table, despite the differences not being significant, only for comparison purposes vis-a-vis the NEWMSI figures. Though somewhat less conclusive as compared to the Push vs. Pull strategies, Service Quality Leadership is nonetheless an important strategy that distinguishes between high and low performers.



**Table 43. Factor Means of Significantly Different Strategy Dimensions for High and Low performers**

| Performance Variables | Performance | Factor Means               |          |
|-----------------------|-------------|----------------------------|----------|
|                       |             | Push                       | Pull     |
| NEWYPR92              | High        | 0.4047                     | (0.2499) |
|                       | Low         | (0.2652)                   | 0.0391   |
| NEWYPR93              | High        | 0.3667                     | (0.2390) |
|                       | Low         | (0.2862)                   | 0.0456   |
| NEWYPR                | High        | 0.4044                     | (0.2738) |
|                       | Low         | (0.2816)                   | 0.0259   |
|                       |             | Service Quality Leadership | Push     |
| NEWMSI92              | High        | 0.3049                     | 0.3972   |
|                       | Low         | (0.0256)                   | (0.1069) |
| NEWMSI93              | High        | 0.1976                     | 0.2927   |
|                       | Low         | (0.0050)                   | (0.0866) |
| NEWMSI                | High        | 0.3117                     | 0.3499   |
|                       | Low         | (0.0175)                   | (0.1070) |

Having studied the issues of whether there are any differences in strategies between high and low performers and, if so, on which strategy dimensions are such differences evident and, further, the direction of such differences, the next set of issues examined were relating such differences to the control variables of Location, Segment, Affiliation, and Size. The results obtained from the analyses in this regard are reported next.

#### Control variables vs Strategy-Performance Relationship

"In the broadest sense, explanatory research can be conceived of as an attempt to explain variability of the phenomena of interest (the dependent variables). It is, however, necessary to recognize that countless variables, in addition to the ones the researcher is studying, may be affecting, to a greater or lesser extent, the phenomenon under investigation, thereby posing potential threats to the validity of findings and to inferences made from them" (Pedhazur and Schmelkin 1991, p. 212). It is with this in mind that this study proposed to study four control variables, viz., Location, Segment, Affiliation, and Size. These have already been defined earlier.

Among the different forms of control, four types are most frequently discussed in scientific literature, viz., control by manipulation, control through elimination or inclusion, statistical control, and control by randomization. Of these, manipulation is possible only in experiments. In organizational research of the type being reported here, variables such as Location can, obviously, not be manipulated. Statistical controls are mostly relevant when the control variables are of the continuous type (Pedhazur and Schmelkin 1991, p. 212-215). As such, these two forms of control are not suitable in the present context. So is the case with randomization as already discussed previously. This leaves control through elimination or inclusion as the most suitable form of control for this study. In the former case of this type of control, the variables are made constants; whereas in the latter, their interaction with the phenomenon under investigation is studied. Considering that this is an exploratory research, and that there is not much of hospitality literature based on which specific interactions can be hypothesized a priori, it was felt that control through elimination is the most suitable approach for this study. Accordingly, all analyses reported in the ensuing sections held the relevant control variables constant. This is done by studying the phenomenon under investigation,

viz., strategy differences between high and low performers, separately under each category of the control variables under investigation and comparing the results there from for interpretation.

### Location

To study the differences in strategies adopted by high and low performers among hotels classified by LOCATION, a series of MANOVAs were first performed, one for each LOCATION category. As Table 44 shows, significant differences in the vector of strategy of dimensions between high and low performers (NEWYPR92, NEWYPR93, NEWYPR) were found in City-Center hotels and Highway hotels, and in NEWMSI92 among Airport hotels. Following a similar pattern of analysis adopted before, Table 45 shows the specific strategy dimensions in which these high and low performers differed in these LOCATION types, from univariate ANOVAs. The significant differences between high and low performing City-Center hotels in NEWYPR92, NEWYPR93, and NEWYPR were seen in the Push strategy. On the same performance variables, the high and low performing Highway hotels differed not only in the Push strategy, but also in the Technological Leadership dimension, with the exception that no strategy differences were significant on the variable

NEWYPR92. In this latter case, though the MANOVA showed an overall significant difference, the differences in individual strategy dimensions were clearly not pronounced enough. Likewise, though Airport hotels showed a significant overall strategy difference between high and low performers on NEWMSI92, the individual ANOVAs failed to substantiate such differences in any specific strategy dimension.

Table 46 shows the corresponding factor means to assist in identifying the directional relationship between the strategy dimension and performance. In all the variables in this table, the high performers relied more on the Push strategy than the low performers. Additionally, among the Highway hotels, the high performers on NEWYPR93 and NEWYPR also stressed more on the Technological Leadership dimension.

Table 44. MANOVA Results Comparing the Strategy Dimension Vectors between High and Low performers by LOCATION

| Performance Variables         | 1      | 2      | 3      | F      | NUM DF | DEN DF | PR > F               |
|-------------------------------|--------|--------|--------|--------|--------|--------|----------------------|
| <u>LOCATION = City-Center</u> |        |        |        |        |        |        |                      |
| NEWYPR92                      | 0.5763 | 0.4237 | 0.7352 | 4.4110 | 7      | 42     | .0010 <sup>---</sup> |
| NEWYPR93                      | 0.6449 | 0.3551 | 0.5507 | 3.3043 | 7      | 42     | .0069 <sup>**</sup>  |
| NEWYPR                        | 0.5801 | 0.4199 | 0.7239 | 4.3433 | 7      | 42     | .0011 <sup>---</sup> |
| <u>LOCATION = Highway</u>     |        |        |        |        |        |        |                      |
| NEWYPR92                      | 0.7740 | 0.2260 | 0.2920 | 3.0451 | 7      | 73     | .0072 <sup>**</sup>  |
| NEWYPR93                      | 0.8167 | 0.1833 | 0.2245 | 0.2245 | 7      | 74     | .0303 <sup>*</sup>   |
| NEWYPR                        | 0.7517 | 0.2483 | 0.3302 | 3.2551 | 7      | 69     | .0048 <sup>---</sup> |
| <u>LOCATION = Airport</u>     |        |        |        |        |        |        |                      |
| NEWMSI92                      | 0.4665 | 0.5335 | 1.1438 | 2.9412 | 7      | 18     | .0307 <sup>*</sup>   |

1:Wilk's Lambda; 2:Pillai's Trace; 3:Hotelling-Lawley Trace & Roy's Greatest Root

Only Significant results reported

- p < .05
- p < .01
- p < .005

**Table 45. ANOVA Results Comparing Individual Strategy Dimensions between High and Low Performers by LOCATION**

| Performance Variables         |             | Push           | Technological Leadership |
|-------------------------------|-------------|----------------|--------------------------|
| <u>LOCATION = City-Center</u> |             |                |                          |
| NEWYPR92                      | F<br>PR > F | 6.39<br>.0148* |                          |
| NEWYPR93                      | F<br>PR > F | 4.75<br>.0343* |                          |
| NEWYPR                        | F<br>PR > F | 5.22<br>.0268* |                          |
| <u>LOCATION = Highway</u>     |             |                |                          |
| NEWYPR93                      | F<br>PR > F | 5.51<br>.0214* | 4.71<br>.0330*           |
| NEWYPR                        | F<br>PR > F | 5.64<br>.0202* | 4.67<br>.0339*           |

Only significant results reported  
\* p < .05

**Table 46. Factor Means of Significantly Different Strategy Dimensions for High and Low Performers by LOCATION**

| Performance Variables         | Performance | Factor Means |                          |
|-------------------------------|-------------|--------------|--------------------------|
|                               |             | Push         | Technological Leadership |
| <u>LOCATION = City-Center</u> |             |              |                          |
| NEWYPR92                      | High        | 0.5948       |                          |
|                               | Low         | (0.0809)     |                          |
| NEWYPR93                      | High        | 0.5739       |                          |
|                               | Low         | (0.0184)     |                          |
| NEWYPR                        | High        | 0.5741       |                          |
|                               | Low         | (0.0420)     |                          |
| <u>LOCATION = Highway</u>     |             |              |                          |
| NEWYPR93                      | High        | 0.1850       | 0.5325                   |
|                               | Low         | (0.4701)     | (0.0943)                 |
| NEWYPR                        | High        | 0.2957       | 0.6130                   |
|                               | Low         | (0.4702)     | (0.1324)                 |



## Segment

A series of MANOVAs performed in this case indicated strategy differences between high and low performers only in the full-service segment. These significant differences were obtained in NEWYPR92, NEWYPR93, NEWYPR, and NEWMSI92, as shown in Table 47. It may be added here that in the case of NEWMSI93 and NEWMSI, the tests of null hypothesis of equality of strategy narrowly failed to be rejected ( $PR > F = 0.0734$  and  $0.0742$  respectively). All the test statistics confirmed similar results as has been the case with all the tests conducted thus far. Univariate ANOVAs on the performance variables, where the MANOVAs indicated significant differences, showed that it is once again the Push strategy where the differences are significant. These results are reported in Table 48. Factor means were then computed as before to study the direction of the strategy-performance relationship. Once again, the high performers (in NEWYPR92, NEWYPR93, NEWYPR, and NEWMSI92) relied more on the Push strategy than the low performers, as indicated in Table 49.

**Table 47. MANOVA Results Comparing the Strategy Dimension Vectors between High and Low Performers by SEGMENT**

| Performance Variables         | 1      | 2      | 3      | F      | NUM DF | DEN DF | PR > F |
|-------------------------------|--------|--------|--------|--------|--------|--------|--------|
| <b>SEGMENT = Full-Service</b> |        |        |        |        |        |        |        |
| NEWYPR92                      | 0.7167 | 0.2833 | 0.3953 | 7.3405 | 7      | 130    | .0001* |
| NEWYPR93                      | 0.7438 | 0.2562 | 0.3444 | 6.3460 | 7      | 129    | .0001* |
| NEWYPR                        | 0.7057 | 0.2943 | 0.4170 | 7.6847 | 7      | 129    | .0001* |
| NEWMSI92                      | 0.9080 | 0.0920 | 2.6341 | 2.6341 | 7      | 182    | .0001* |

1:Wilk's Lambda;2: Pillai's Trace;3: Hotelling-Lawley Trace & Roy's Greatest Root

Only significant results reported

\* p < .0005

**Table 48. ANOVA Results Comparing Individual Strategy Dimensions Between High and Low Performers by SEGMENT**

| Performance Variables         |        | Push    |
|-------------------------------|--------|---------|
| <b>SEGMENT = Full-Service</b> |        |         |
| NEWYPR92                      | F      | 21.61   |
|                               | PR > F | .0001** |
| NEWYPR92                      | F      | 16.88   |
|                               | PR > F | .0001** |
| NEWYPR                        | F      | 22.39   |
|                               | PR > F | .0001** |
| NEWMSI92                      | F      | 5.85    |
|                               | PR > F | .0165*  |

Only Significant results reported

\* p < .05

\*\* p < .0005

**Table 49. Factor Means of Significantly Different Strategy Dimensions for High and Low Performers by SEGMENT**

| Performance Variables         | <u>Factor Means</u> |          |
|-------------------------------|---------------------|----------|
|                               | Performance         | Push     |
| <u>SEGMENT = Full-Service</u> |                     |          |
| NEWYPR92                      | High                | 0.6428   |
|                               | Low                 | (0.1135) |
| NEWYPR93                      | High                | 0.5291   |
|                               | Low                 | (0.1482) |
| NEWYPR                        | High                | 0.6083   |
|                               | Low                 | (0.1493) |
| NEWMSI92                      | High                | 0.5271   |
|                               | Low                 | 0.0577   |

## **Affiliation**

It will be recalled that this control variable has been categorized based on ownership (independent or a part of multi-unit companies) and management (self, franchisor, or management company). Thus, there are six possible combinations of arrangements involved here. The research question of interest here is whether the different groups have varying strategy-performance relationships.

In the first stage on analysis, the MANOVAs performed for each AFFILIAT category showed the following significant results as indicated in Table 50:

1. Among the independently owned, self-managed hotels, differences in strategies were significant between high and low performers in NEWYPR92, NEWYPR93, NEWYPR, NEWMSI92, and NEWMSI.
2. Among the hotels which were part of multi-unit chains and were also managed by such chains themselves, strategy differences were significant between the high and low performers in NEWROS93 and NEWROS. The null hypothesis of equality failed to be rejected for NEWROS92 (PR > F = .0850).

3. Among the independently owned hotels which were managed by the franchisors, strategy differences were significant between the high and low performers in NEWYPR92, NEWYPR93, and NEWYPR.

As a corollary, there were no strategy differences between the high and low performers among hotels falling under the rest of the AFFILIAT categories.

**Table 50. MANOVA Results Comparing the Strategy Dimension Vectors between High and Low Performers by AFFILIAT**

| Performance Variables     | 1      | 2      | 3      | F      | NUM DF | DEN DF | PR > F               |
|---------------------------|--------|--------|--------|--------|--------|--------|----------------------|
| <b><u>AFFILIAT: A</u></b> |        |        |        |        |        |        |                      |
| NEWYPR92                  | 0.8162 | 0.1838 | 0.2253 | 3.0892 | 7      | 96     | .0056 <sup>---</sup> |
| NEWYPR93                  | 0.8348 | 0.1652 | 0.1979 | 2.9405 | 7      | 104    | .0075 <sup>---</sup> |
| NEWYPR                    | 0.7916 | 0.2084 | 0.2633 | 3.6113 | 7      | 96     | .0017 <sup>---</sup> |
| NEWMSI92                  | 0.8930 | 0.1070 | 0.1198 | 2.2927 | 7      | 134    | .0308 <sup>*</sup>   |
| NEWMSI                    | 0.8967 | 0.1033 | 0.1152 | 2.2549 | 7      | 137    | .0334 <sup>*</sup>   |
| <b><u>AFFILIAT: B</u></b> |        |        |        |        |        |        |                      |
| NEWYPR92                  | 0.4771 | 0.5229 | 1.0959 | 3.4441 | 7      | 22     | .0122 <sup>*</sup>   |
| NEWYPR93                  | 0.4971 | 0.5029 | 1.0115 | 3.1789 | 7      | 22     | .0176 <sup>*</sup>   |
| NEWYPR                    | 0.4989 | 0.5011 | 1.0044 | 3.0133 | 7      | 21     | .0235 <sup>*</sup>   |
| <b><u>AFFILIAT: C</u></b> |        |        |        |        |        |        |                      |
| NEWROS93                  | 0.5894 | 0.4106 | 0.6966 | 2.4878 | 7      | 25     | .0438 <sup>*</sup>   |
| NEWROS                    | 0.5619 | 0.4381 | 0.7796 | 2.6728 | 7      | 24     | .0340 <sup>*</sup>   |

1:Wilk's Lambda 2: Pillai's Trace 3: Hotelling-Lawley Trace & Roy's Greatest Root

A: Independently owned, self-managed

B: Independently owned, managed by the franchisor

C: Chain owned (i.e., part of a multi-unit company), managed by the chain

Only significant results reported

\*  $p < .05$

<sup>\*</sup>  $p < .01$

<sup>---</sup>  $p < .005$

**RESULTS AND ANALYSIS**

Univariate ANOVAs were then performed on the performance variables which indicated significant strategy differences between the high and low performers. The results are tabulated in Table 51. This table shows the following results:

1. High and low performers in NEWYPR92, NEWYPR93, NEWYPR, NEWMSI92, and NEWMSI among the independently owned, self-managed hotels differ in the Push strategy.
2. In addition, these groups also differ in the Service Quality Leadership dimension, but this result is significant only for NEWMSI92 and NEWMSI.
3. In contrast, independent hotels managed by the franchisors present a different picture. Here, the high and low performers in NEWYPR92, NEWYPR93, and NEWYPR differ in the Cost Control and Pull strategy dimensions. In addition, these groups also differ in the Cross-Training strategy dimension when the performance variables NEWYPR92 and NEWYPR are considered.
4. Among the hotels which are part of multi-unit chains and are also managed by such chains themselves, the

high and low performers in NEWROS significantly differ on the Service Quality Leadership dimension.

5. In this last group, though the MANOVA results showed an overall significant difference in NEWROS93, no individual strategy dimension proved to be significantly different between the high and low performers on this performance variable.



**Table 51. ANOVA Results Comparing Individual Strategy Dimensions between High and Low Performers by AFFILIAT**

| Performance Variables     |        | Push                 | Service Quality Leadership | Cost Control         | Pull               | Cross-Training |
|---------------------------|--------|----------------------|----------------------------|----------------------|--------------------|----------------|
| <b><u>AFFILIAT: A</u></b> |        |                      |                            |                      |                    |                |
| NEWYPR92                  | F      | 14.95                |                            |                      |                    |                |
|                           | PR > F | .0002 <sup>***</sup> |                            |                      |                    |                |
| NEWYPR93                  | F      | 15.78                |                            |                      |                    |                |
|                           | PR > F | .0001 <sup>***</sup> |                            |                      |                    |                |
| NEWYPR                    | F      | 17.41                |                            |                      |                    |                |
|                           | PR > F | .0001 <sup>***</sup> |                            |                      |                    |                |
| NEWMSI92                  | F      | 11.99                | 4.55                       |                      |                    |                |
|                           | PR > F | .0007 <sup>***</sup> | .0347 <sup>*</sup>         |                      |                    |                |
| NEWMSI                    | F      | 12.58                | 6.55                       |                      |                    |                |
|                           | PR > F | .0005 <sup>***</sup> | .0116 <sup>*</sup>         |                      |                    |                |
| <b><u>AFFILIAT: B</u></b> |        |                      |                            |                      |                    |                |
| NEWYPR92                  | F      |                      | 4.59                       | 16.23                | 6.42               |                |
|                           | PR > F |                      | .0410 <sup>*</sup>         | .0004 <sup>***</sup> | .0172 <sup>*</sup> |                |
| NEWYPR93                  | F      |                      | 4.87                       | 11.55                |                    |                |
|                           | PR > F |                      | .0357 <sup>*</sup>         | .0021 <sup>**</sup>  |                    |                |
| NEWYPR                    | F      |                      | 6.15                       | 13.47                | 5.54               |                |
|                           | PR > F |                      | .0197 <sup>*</sup>         | .0011 <sup>**</sup>  | .0261 <sup>*</sup> |                |
| <b><u>AFFILIAT: C</u></b> |        |                      |                            |                      |                    |                |
| NEWROS                    | F      |                      | 5.55                       |                      |                    |                |
|                           | PR > F |                      | .0252 <sup>*</sup>         |                      |                    |                |

A:Independently owned, self-managed

B:Independently owned, managed by the franchisor

C:Chain owned (i.e., part of a multi-unit company), managed by the chain

Only significant results reported

\* p < .05    \*\* p < .005    \*\*\* p < .001    \*\*\*\* p < .0005

**RESULTS AND ANALYSIS**

The factor means tabulated in Table 52 clarify the specific strategy differences described above. The results indicate the following:

1. Among the independently owned, self-managed hotels, the high performers rely more on the Push strategy than the low performers. These results are indicated in NEWYPR92, NEWYPR93, NEWYPR, NEWMSI92, and NEWMSI.
2. Additionally, on the last two performance variables related to market share, the high performers in this type of hotels stress more on Service Quality Leadership than the low performers do.
3. In contrast, a different set of strategy dimensions distinguish the high and low performers, in NEWYPR92, NEWYPR93, and NEWYPR, among the independently owned hotels managed by the franchisors. Here, the low performers stress more on Cost Control, rely more on the Pull strategy, and also stress on Cross-Training, as compared to the high performers.
4. Finally, among the chain owned and managed hotels, hotels in the low performance group in NEWROS stress more on the Service Quality Leadership dimension.

Some of the results narrated in items 3 and 4 seemed a little surprising at first. But on a deeper consideration of the phenomena, the results seem to be logically probable. Discussion on these issues is deferred to Chapter 5 so that the rest of the study results may also be presented first.

**Table 52. Factor Means of Significantly Different Strategy Dimensions for High and Low Performers by AFFILIAT**

| Performance Variables     |      | Factor Means |          |                            |              |      |
|---------------------------|------|--------------|----------|----------------------------|--------------|------|
|                           |      | Performance  | Push     | Service Quality Leadership | Cost Control | Pull |
| <b><u>AFFILIAT: A</u></b> |      |              |          |                            |              |      |
| NEWYPR92                  | High | 0.4158       |          |                            |              |      |
|                           | Low  | (0.5610)     |          |                            |              |      |
| NEWYPR93                  | High | 0.3690       |          |                            |              |      |
|                           | Low  | (0.5317)     |          |                            |              |      |
| NEWYPR                    | High | 0.5293       |          |                            |              |      |
|                           | Low  | (0.5495)     |          |                            |              |      |
| NEWMSI92                  | High | 0.7720       | 0.5933   |                            |              |      |
|                           | Low  | (0.3855)     | (0.1540) |                            |              |      |
| NEWMSI                    | High | 0.5616       | 0.5624   |                            |              |      |
|                           | Low  | (0.3896)     | (0.1469) |                            |              |      |
| <b><u>AFFILIAT: B</u></b> |      |              |          |                            |              |      |
| NEWYPR92                  | High |              | (0.4153) | (1.0455)                   | (0.4666)     |      |
|                           | Low  |              | 0.2810   | 0.1850                     | 0.2610       |      |
| NEWYPR93                  | High |              | (0.5220) | (0.8902)                   | (0.4489)     |      |
|                           | Low  |              | 0.2019   | 0.1599                     | 0.1351       |      |
| NEWYPR                    | High |              | (0.5141) | (0.9337)                   | (0.3995)     |      |
|                           | Low  |              | 0.2682   | 0.1822                     | 0.2723       |      |
| <b><u>AFFILIAT: C</u></b> |      |              |          |                            |              |      |
| NEWROS                    | High |              | (0.0144) |                            |              |      |
|                           | Low  |              | 0.5247   |                            |              |      |

A:Independently owned, self-managed    B:Independently owned, managed by the franchisor  
 C:Chain owned (i.e., part of multi-unit company), managed by the chain

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## Size

To study the research question whether the strategy-performance relationship varies with the Size of a hotel, MANOVAs were performed for the four different NEWRMS categories. As Table 53 indicates, only the Over-250 rooms category showed any significant differences in the strategy dimensions between high and low performers in NEWYPR93 and NEWYPR. None of the other results were significant. Univariate ANOVAs indicated that the Technological Leadership dimension was the one on which the high and low performers differed. These results are reported in the middle section of Table 53. The bottom third of Table 53 shows the factor means, which indicate that the high performers in NEWYPR93 and NEWYPR rely more on Technological Leadership than do the low performers.

**Table 53. Comparison of Strategy Dimensions between High and Low Performers by NEWRMS93 (Size)**

**MANOVA**

| Performance Variables        | 1      | 2      | 3      | F      | NUM DF | DEN DF | PR > F |
|------------------------------|--------|--------|--------|--------|--------|--------|--------|
| <b>SIZE = &gt; 250 rooms</b> |        |        |        |        |        |        |        |
| NEWYPR93                     | 0.5580 | 0.4420 | 0.7921 | 2.8290 | 7      | 25     | .0257* |
| NEWYPR                       | 0.5623 | 0.4377 | 0.7785 | 2.8916 | 7      | 26     | .0225* |

=====

**ANOVA**

| <b>Technological Leadership</b> |        |         |
|---------------------------------|--------|---------|
| NEWYPR93                        | F      | 10.59   |
|                                 | PR > F | .0027** |
| NEWYPR                          | F      | 7.48    |
|                                 | PR > F | .0101*  |

=====

**FACTOR MEANS**

|          | <b>Factor Means</b> |                          |
|----------|---------------------|--------------------------|
|          | Performance         | Technological Leadership |
| NEWYPR93 | High                | 0.0736                   |
|          | Low                 | (0.9432)                 |
| NEWYPR   | High                | 0.1208                   |
|          | Low                 | (0.7647)                 |

1:Wilk's Lambda;2:Pillai's Trace;3:Hotelling-Lawley Trace & Roy's Greatest Root

Only significant results reported.

\* p < .05

\*\* p < .005

**RESULTS AND ANALYSIS**

## **Strategy-Performance Relationship Related to Other Variables**

The results reported thus far covered the development of the strategy scale, its reliability, the overall strategy-performance relationship, and the variations in this relationship across different categories of the four control variables: Location, Segment, Affiliation, and Size. As discussed earlier, three additional questions were raised when the research proposal was discussed. These questions related to (1) the performance measures that hotel managements use in judging how well they are doing, (2) the age of the property, and (3) the rating of a hotel's location vis-a-vis its competition. These issues have already been discussed earlier on. In each case, the question is the same, and that is, does the strategy-performance relationship vary by the concerned variable. The results of the investigation in respect of these three additional variables are presented next.

### **PERFMESR**

The first variable considered was PERFMESR, i.e., the measure that hotel managements considered to be the most important to assess performance. The results of the MANOVAs conducted in this regard are presented in Table 54. As this

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table indicates, among the hotels which considered Gross Operating Profit (GOP) / Income Before Fixed Charges (IBFC) as the most important performance measure, significant differences were found in the strategy dimensions between the high and low performances on NEWYPR92, NEWYPR93, NEWYPR, NEWMSI92, NEWMSI93, and NEWMSI. Among the hotels which considered Return on Sales (ROS) as the most important performance measure, significant strategy differences were found between the high and low performances on NEWYPR92, NEWYPR, NEWROS92, NEWROS93, and NEWROS. The differences on NEWYPR93 were also close to being significant ( $PR > F = .0599$ ).



**Table 54. MANOVA Results Comparing the Strategy Dimension Vectors between High and Low Performers by PERFMESR**

| Performance Variables     | 1      | 2      | 3      | F      | NUM DF | DEN DF | PR > F               |
|---------------------------|--------|--------|--------|--------|--------|--------|----------------------|
| <b><u>PERFMESR: A</u></b> |        |        |        |        |        |        |                      |
| NEWYPR92                  | 0.8230 | 0.1770 | 0.2151 | 3.8095 | 7      | 124    | .0009 <sup>---</sup> |
| NEWYPR93                  | 0.8123 | 0.1877 | 0.2310 | 4.0590 | 7      | 123    | .0005 <sup>---</sup> |
| NEWYPR                    | 0.7794 | 0.2206 | 0.2830 | 4.9732 | 7      | 123    | .0001 <sup>---</sup> |
| NEWMSI92                  | 0.8926 | 0.1074 | 0.1203 | 2.8880 | 7      | 168    | .0071 <sup>-</sup>   |
| NEWMSI93                  | 0.9222 | 0.0778 | 0.0844 | 2.0980 | 7      | 174    | .0461 <sup>*</sup>   |
| NEWMSI                    | 0.8880 | 0.1120 | 0.1262 | 3.0456 | 7      | 169    | .0048 <sup>---</sup> |
| <b><u>PERFMESR: B</u></b> |        |        |        |        |        |        |                      |
| NEWYPR92                  | 0.2480 | 0.7520 | 3.0327 | 4.3324 | 7      | 10     | .0186 <sup>*</sup>   |
| NEWYPR                    | 0.2109 | 0.7891 | 3.7426 | 4.8119 | 7      | 9      | .0164 <sup>*</sup>   |
| NEWROS92                  | 0.4375 | 0.5625 | 1.2855 | 2.7546 | 7      | 15     | .0472 <sup>*</sup>   |
| NEWROS93                  | 0.4375 | 0.5625 | 1.2855 | 2.7546 | 7      | 15     | .0472 <sup>*</sup>   |
| NEWROS                    | 0.4375 | 0.5625 | 1.2855 | 2.7546 | 7      | 15     | .0472 <sup>*</sup>   |

1:Wilk's Lambda 2:Pillai's Trace 3:Hotelling-Lawley Trace & Roy's Greatest Root

A:Gross Operating Profit/Income Before Fixed Charges

B:Return on Sales

Only significant results reported.

<sup>\*</sup>p < .05

<sup>-</sup>p < .01

<sup>-</sup>p < .005

<sup>---</sup>p < .001

<sup>---</sup>p < .0005

## RESULTS AND ANALYSIS

The corresponding univariate ANOVA results are presented in Table 55. As this table indicates, significant differences were found in the strategy vectors between the high and low performers in several variables. Among the hotels which rated GOP/IBFC as the most important performance measure, these differences were found in the Push strategy, when the performance variables NEWYPR92, NEWYPR93, NEWYPR, and NEWMSI92 were considered. Significant differences in the Cross-Training dimension were found when the performance variables used were NEWMSI93 and NEWMSI. Among the hotels which considered ROS as the most important performance measure, significant differences in the Push strategy were found between the high and low performances in NEWYPR92, NEWYPR, NEWROS92, NEWROS93, and NEWROS. Significant differences were also found in the Technological Leadership, and Cross-Training dimensions, when the performance variables NEWROS92, NEWROS93, and NEWROS were used to classify the high and low performers.

**Table 55. ANOVA Results Comparing Individual Strategy Dimensions between High and Low Performers by PERFESR**

| Performance Variables    |             | Push                          | Cross-Training             | Technological Leadership   | Cost Control |
|--------------------------|-------------|-------------------------------|----------------------------|----------------------------|--------------|
| <b><u>PERFESR: A</u></b> |             |                               |                            |                            |              |
| NEWYPR92                 | F<br>PR > F | 13.49<br>.0003 <sup>---</sup> |                            |                            |              |
| NEWYPR93                 | F<br>PR > F | 15.02<br>.0002 <sup>---</sup> |                            |                            |              |
| NEWYPR                   | F<br>PR > F | 16.96<br>.0001 <sup>---</sup> |                            |                            |              |
| NEWMSI92                 | F<br>PR > F | 4.04<br>.0460 <sup>*</sup>    |                            |                            |              |
| NEWMSI93                 | F<br>PR > F |                               | 4.55<br>.0343 <sup>*</sup> |                            |              |
| NEWMSI                   | F<br>PR > F |                               | 5.78<br>.0172 <sup>*</sup> |                            |              |
| <b><u>PERFESR: B</u></b> |             |                               |                            |                            |              |
| NEWYPR92                 | F<br>PR > F | 6.90<br>.0183 <sup>*</sup>    |                            |                            |              |
| NEWYPR                   | F<br>PR > F | 6.34<br>.0237 <sup>*</sup>    |                            |                            |              |
| NEWROS92                 | F<br>PR > F | 7.42<br>.0127 <sup>*</sup>    | 7.17<br>.0141 <sup>*</sup> | 7.25<br>.0136 <sup>*</sup> |              |
| NEWROS93                 | F<br>PR > F | 7.42<br>.0127 <sup>*</sup>    | 7.17<br>.0141 <sup>*</sup> | 7.25<br>.0136 <sup>*</sup> |              |
| NEWROS                   | F<br>PR > F | 7.42<br>.0127 <sup>*</sup>    | 7.17<br>.0141 <sup>*</sup> | 7.25<br>.0136 <sup>*</sup> |              |

A: Gross Operating Profit / Income Before Fixed Charges  
 B: Return on Sales

Only significant results reported

\* p < .05

--- p < .0005

Table 56 shows the factor means in respect of these significant differences. As this table shows, among the hotels which consider GOP/IBFC as the most important performance measure, the high performers on NEWYPR92, NEWYPR93, NEWYPR, and NEWMSI92 rely more on the Push strategy. With NEWMSI93, and NEWMSI as the performance variables used to classify high and low performers, it is found that low performers rely more on Cross-Training as compared to high performers. Among the hotels which consider ROS as being the most important performance measure, once again, high performers in NEWYPR92, NEWYPR, NEWROS92, NEWROS93 and NEWROS rely more on the Push strategy. In addition, high performers in NEWROS92, NEWROS93, and NEWROS in this group rely more on Technological Leadership and Cost Control, than the low performers.

**Table 56. Factor Means of Significantly Different Strategy Dimensions for High and Low Performers by PERFMESR**

| Performance Variables     |      | Factor Means |          |                  |                          |
|---------------------------|------|--------------|----------|------------------|--------------------------|
|                           |      | Performance  | Push     | Cross - Training | Technological Leadership |
| <b><u>PERFMESR: A</u></b> |      |              |          |                  |                          |
| NEWYPR92                  | High |              | 0.4042   |                  |                          |
|                           | Low  |              | (0.2255) |                  |                          |
| NEWYPR93                  | High |              | 0.3766   |                  |                          |
|                           | Low  |              | (0.2736) |                  |                          |
| NEWYPR                    | High |              | 0.4204   |                  |                          |
|                           | Low  |              | (0.2691) |                  |                          |
| NEWMSI92                  | High |              | 0.3698   |                  |                          |
|                           | Low  |              | (0.0381) |                  |                          |
| NEWMSI93                  | High |              |          | (0.2483)         |                          |
|                           | Low  |              |          | 0.1124           |                          |
| NEWMSI                    | High |              |          | (0.3245)         |                          |
|                           | Low  |              |          | 0.0853           |                          |
| <b><u>PERFMESR: B</u></b> |      |              |          |                  |                          |
| NEWYPR92                  | High |              | 0.9929   |                  |                          |
|                           | Low  |              | (0.2493) |                  |                          |
| NEWYPR                    | High |              | 0.9929   |                  |                          |
|                           | Low  |              | (0.2473) |                  |                          |
| NEWROS92                  | High |              | 0.7916   | 1.1350           | 0.9664                   |
|                           | Low  |              | (0.3602) | 0.0000           | (0.0416)                 |
| NEWROS93                  | High |              | 0.7916   | 1.1350           | 0.9664                   |
|                           | Low  |              | (0.3602) | 0.0000           | (0.0416)                 |
| NEWROS                    | High |              | 0.7916   | 1.1350           | 0.9664                   |
|                           | Low  |              | (0.3602) | 0.0000           | (0.0416)                 |

A:Gross Operating Profit / Income Before Fixed Charges  
 B:Return on Sales

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## Age

The second variable considered in this part of the analysis was the age of the property, labelled here NEWAGE. As the MANOVA results in Table 57 show, every age group had some significant strategy differences between the high and low performers. Univariate ANOVAs were performed for all significant findings in Table 57, and these results are presented in Table 58. Among the 7-year old or newer hotels, significant differences in both the Push and Pull strategies were found between high and low performers in NEWYPR92, NEWYPR93, and NEWYPR. In addition, high and low performers in NEWMSI were also found to differ in the Push strategy. From these results and Table 59, where the factor means are reported, it is evident that high performers in this group rely more on the Push strategy, and the low performers rely more on the Pull strategy. These results are consistent with the others reported thus far.

Among the 8-20 years old hotels, the high performers in NEWYPR92, NEWYPR93, and NEWYPR rely more on the Push strategy than the low performers. The low performers in this group rely more on Cross-Training than the high performers, once again, consistent with results reported previously. Among the 21-30 years old hotels, the high

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performers in NEWROS92, NEWROS93, and NEWROS rely more on Cross-Training than the low performers. Additionally, in this group, the high performers in NEWROS93 also rely more on the Push strategy than the low performers.

Though the MANOVA results showed an overall strategy difference between the high and low performers in NEWYPR93, NEWMSI92, NEWMSI93, and NEWMSI among the more than 30-year old hotels, no individual strategy dimensions turned out to be significant from the ANOVAs.

**Table 57. MANOVA Results Comparing the Strategy Dimension Vectors between High and Low Performers by NEWAGE**

| Performance Variables   | 1      | 2      | 3      | F      | NUM DF | DEN DF | PR > F               |
|-------------------------|--------|--------|--------|--------|--------|--------|----------------------|
| <b><u>NEWAGE: A</u></b> |        |        |        |        |        |        |                      |
| NEWYPR92                | 0.6935 | 0.3065 | 0.4420 | 3.6626 | 7      | 58     | .0024 <sup>***</sup> |
| NEWYPR93                | 0.6633 | 0.3367 | 0.5076 | 4.3508 | 7      | 60     | .0006 <sup>***</sup> |
| NEWYPR                  | 0.6982 | 0.3018 | 0.4322 | 3.5193 | 7      | 57     | .0033 <sup>***</sup> |
| NEWMSI                  | 0.8407 | 0.1593 | 0.1895 | 2.1661 | 7      | 80     | .0460 <sup>*</sup>   |
| <b><u>NEWAGE: B</u></b> |        |        |        |        |        |        |                      |
| NEWYPR92                | 0.7526 | 0.2474 | 0.3286 | 3.1925 | 7      | 68     | .0056 <sup>**</sup>  |
| NEWYPR93                | 0.7857 | 0.2143 | 0.2728 | 2.5721 | 7      | 66     | .0209 <sup>*</sup>   |
| NEWYPR                  | 0.7237 | 0.2763 | 0.3819 | 3.6004 | 7      | 66     | .0024 <sup>***</sup> |
| <b><u>NEWAGE: C</u></b> |        |        |        |        |        |        |                      |
| NEWROS92                | 0.8065 | 0.1935 | 0.2399 | 2.5015 | 7      | 73     | .0232 <sup>*</sup>   |
| NEWROS93                | 0.8324 | 0.1676 | 0.2014 | 2.2439 | 7      | 78     | .0392 <sup>*</sup>   |
| NEWROS                  | 0.8273 | 0.1727 | 0.2087 | 2.2065 | 7      | 74     | .0431 <sup>*</sup>   |
| <b><u>NEWAGE: D</u></b> |        |        |        |        |        |        |                      |
| NEWYPR93                | 0.3719 | 0.6281 | 1.6886 | 3.6184 | 7      | 15     | .0174 <sup>*</sup>   |
| NEWMSI92                | 0.5547 | 0.4453 | 0.8028 | 2.7524 | 7      | 24     | .0301 <sup>*</sup>   |
| NEWMSI93                | 0.5214 | 0.4786 | 0.9179 | 3.0160 | 7      | 23     | .0211 <sup>*</sup>   |
| NEWMSI                  | 0.5558 | 0.4442 | 0.7992 | 2.6260 | 7      | 23     | .0378 <sup>*</sup>   |

1:Wilk's Lambda 2: Pillai's Trace 3: Hotelling-Lawley Trace & Roy's Greatest Root

A: <= 7 years B: 8-20 years C: 21-30 years D: >30 years

Only significant results reported.

<sup>\*</sup> p < .05    <sup>\*\*</sup> p < .005    <sup>\*\*</sup> p < .01    <sup>\*\*\*</sup> p < .001

**RESULTS AND ANALYSIS**



**Table 58. ANOVA Results Comparing Individual Strategy Dimensions between High and Low Performers by NEWAGE**

| Performance Variables   |             | Push                          | Pull                       | Cross - Training             |
|-------------------------|-------------|-------------------------------|----------------------------|------------------------------|
| <b><u>NEWAGE: A</u></b> |             |                               |                            |                              |
| NEWYPR92                | F<br>PR > F | 10.37<br>.0020 <sup>---</sup> | 6.44<br>.0136 <sup>*</sup> |                              |
| NEWYPR93                | F<br>PR > F | 13.93<br>.0004 <sup>---</sup> | 5.38<br>.0235 <sup>*</sup> |                              |
| NEWYPR                  | F<br>PR > F | 11.63<br>.0011 <sup>---</sup> | 4.58<br>.0362 <sup>*</sup> |                              |
| NEWMSI                  | F<br>PR > F | 6.37<br>.0135 <sup>*</sup>    |                            |                              |
| <b><u>NEWAGE: B</u></b> |             |                               |                            |                              |
| NEWYPR92                | F<br>PR > F | 5.05<br>.0276 <sup>*</sup>    |                            | 5.23<br>.0251 <sup>*</sup>   |
| NEWYPR93                | F<br>PR > F | 4.77<br>.0323 <sup>*</sup>    |                            | 5.28<br>.0245 <sup>*</sup>   |
| NEWYPR                  | F<br>PR > F | 6.27<br>.0146 <sup>*</sup>    |                            | 5.42<br>.0227 <sup>*</sup>   |
| <b><u>NEWAGE: C</u></b> |             |                               |                            |                              |
| NEWROS92                | F<br>PR > F |                               |                            | 7.14<br>.0091 <sup>---</sup> |
| NEWROS93                | F<br>PR > F | 4.35<br>.0401 <sup>*</sup>    |                            | 8.31<br>.0050 <sup>---</sup> |
| NEWROS                  | F<br>PR > F |                               |                            | 7.86<br>.0063 <sup>---</sup> |

A: ≤ 7 years  
 B: 8-20 years  
 C: 21-30 years

Only significant results reported.  
 \* p < .05  
 - p < .01  
 - p < .005  
 - p < .0005

**Table 59. Factor Means of Significantly Different Strategy Dimensions for High and Low Performers by NEWAGE**

| Performance Variables   | Performance | Factor Means |          |                |
|-------------------------|-------------|--------------|----------|----------------|
|                         |             | Push         | Pull     | Cross-Training |
| <b><u>NEWAGE: A</u></b> |             |              |          |                |
| NEWYPR92                | High        | 0.2538       | (0.5031) |                |
|                         | Low         | (0.4548)     | 0.1834   |                |
| NEWYPR93                | High        | 0.3148       | (0.4683) |                |
|                         | Low         | (0.4969)     | 0.1448   |                |
| NEWYPR                  | High        | 0.2886       | (0.4433) |                |
|                         | Low         | (0.4771)     | 0.1487   |                |
| NEWMSI                  | High        | 0.4588       |          |                |
|                         | Low         | (0.2742)     |          |                |
| <b><u>NEWAGE: B</u></b> |             |              |          |                |
| NEWYPR92                | High        | 0.5451       |          | (0.4863)       |
|                         | Low         | (0.0044)     |          | 0.0771         |
| NEWYPR93                | High        | 0.5010       |          | (0.4168)       |
|                         | Low         | (0.0300)     |          | 0.1438         |
| NEWYPR                  | High        | 0.5700       |          | (0.4702)       |
|                         | Low         | (0.0343)     |          | 0.1091         |
| <b><u>NEWAGE: C</u></b> |             |              |          |                |
| NEWROS92                | High        |              |          | 0.4218         |
|                         | Low         |              |          | (0.2214)       |
| NEWROS93                | High        | 0.2593       |          | 0.5382         |
|                         | Low         | (0.2546)     |          | (0.1830)       |
| NEWROS                  | High        |              |          | 0.4928         |
|                         | Low         |              |          | (0.1828)       |

A: ≤ 7 years  
 B: 8-20 years  
 C: 21-30 years

## RATELOC

The third variable considered here was RATELOC, the variable which measured whether a respondent hotel's location was superior or inferior compared to its competition. This variable was measured on a 6-point scale (Q.2 of Part I, Appendix II). To transform the data to suit this analysis, the responses to this question were recoded. Response categories 1 and 2 were coded as 1, and response categories 5 and 6 were coded as 2. Thus, the new variable created LOCRATE took the value 1 to signify a most superior location, and a value of 2 to signify a most inferior location. As reported previously, the number of respondents rating their location as inferior were quite low. MANOVAs were performed on each of the categories of this new variable LOCRATE.

As Table 60 shows, significant differences in the strategy vector between high and low performers were found only in the set of hotels rated superior in location. These differences were found on the performance variables NEWYPR92, NEWYPR93, NEWYPR, NEWMSI92, NEWROS92, NEWROS93, and NEWROS. As the ANOVA results in Table 61 indicate, all these significant differences seem to be due to the differences in the Push strategy. The factor means in Table

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62 show that the high performers on each of the performance variables listed above rely more on the Push strategy than the low performers. No significant differences were found in the set of hotels rated inferior in location.

**Table 60. MANOVA Results Comparing the Strategy Dimension Vectors between High and Low Performers by LOCRATE**

| Performance Variables | 1      | 2      | 3      | F      | NUM DF | DEN DF | PR > F               |
|-----------------------|--------|--------|--------|--------|--------|--------|----------------------|
| <b>LOCRATE = 1</b>    |        |        |        |        |        |        |                      |
| NEWYPR92              | 0.7700 | 0.2300 | 0.2986 | 5.1192 | 7      | 120    | .0001 <sup>***</sup> |
| NEWYPR93              | 0.7845 | 0.2155 | 0.2747 | 4.5906 | 7      | 117    | .0001 <sup>***</sup> |
| NEWYPR                | 0.7495 | 0.2505 | 0.3342 | 5.4900 | 7      | 115    | .0001 <sup>***</sup> |
| NEWMSI92              | 0.9125 | 0.0875 | 0.0959 | 2.1225 | 7      | 155    | .0443 <sup>*</sup>   |
| NEWROS92              | 0.8962 | 0.1038 | 0.1158 | 2.3319 | 7      | 141    | .0278 <sup>*</sup>   |
| NEWROS93              | 0.8965 | 0.1035 | 0.1155 | 2.3263 | 7      | 141    | .0282 <sup>*</sup>   |
| NEWROS                | 0.8918 | 0.1082 | 1.1214 | 2.3752 | 7      | 137    | .0254 <sup>*</sup>   |

**LOCRATE = 1: Respondent hotel's location most superior compared to competition**

**1:Wilk's Lambda**

**2:Pillai's Trace**

**3:Hotelling-Lawley Trace & Roy's Greatest Root**

Only significant results reported

<sup>\*</sup>  $p < 0.05$

<sup>\*\*\*</sup>  $p < 0.0005$

**Table 61. ANOVA Results Comparing Individual Strategy Dimensions  
Between High and Low Performers by LOCRATE**

| Performance Variables |             | Push                          |
|-----------------------|-------------|-------------------------------|
| <b>LOCRATE = 1</b>    |             |                               |
| NEWYPR92              | F<br>PR > F | 21.85<br>.0001 <sup>---</sup> |
| NEWYPR93              | F<br>PR > F | 17.53<br>.0001 <sup>---</sup> |
| NEWYPR                | F<br>PR > F | 22.46<br>.0001 <sup>---</sup> |
| NEWMSI92              | F<br>PR > F | 6.24<br>.0135 <sup>*</sup>    |
| NEWROS92              | F<br>PR > F | 5.60<br>.0193 <sup>*</sup>    |
| NEWROS93              | F<br>PR > F | 9.09<br>.0030 <sup>---</sup>  |
| NEWROS                | F<br>PR > F | 8.03<br>.0053 <sup>---</sup>  |

**LOCRATE = 1: Respondent hotels' location most superior compared to competition**

Only Significant results reported

- <sup>\*</sup> p < .05
- <sup>\*</sup> p < .01
- <sup>---</sup> p < .005
- <sup>---</sup> p < .0005

**Table 62. Factor Means of Significantly Different Strategy Dimensions for High and Low Performers by LOCRATE**

| Performance Variables | Factor Means |          |
|-----------------------|--------------|----------|
|                       | Performance  | Push     |
| <u>LOCRATE = 1</u>    |              |          |
| NEWYPR92              | High         | 0.4047   |
|                       | Low          | (0.2652) |
| NEWYPR93              | High         | 0.3667   |
|                       | Low          | (0.2862) |
| NEWYPR                | High         | 0.4044   |
|                       | Low          | (0.2816) |
| NEWMSI92              | High         | 0.3972   |
|                       | Low          | (0.1069) |
| NEWROS92              | High         | 0.1016   |
|                       | Low          | (0.1724) |
| NEWROS93              | High         | 0.1388   |
|                       | Low          | (0.1947) |
| NEWROS                | High         | 0.0847   |
|                       | Low          | (0.1854) |

Though not central to the study objectives and, consequently, not planned for a priori, similar comparisons were also made on the strategy differences by the price segments of the sample hotels (upscale, midprice, and economy), as well as by the two sponsoring Companies. The statistical data is not being tabulated here. But, these results were also consistent with the ones reported in detail so far. For example, among the midprice hotels, high performers in NEWYPR92, NEWYPR93, and NEWYPR, relied more on the Push strategy than did the low performers. The low performers in NEWROS92, NEWROS93, and NEWROS, among the economy hotels, relied more on the Pull strategy and Service Quality Leadership. From the Company-wise analysis, it is seen that Company B's high performing hotels in NEWYPR92, NEWYPR93, and NEWYPR relied more on the Push strategy. No other significant results were obtained in respect of other possibilities.

#### Strategic Time Lag

As discussed in the previous Chapter, the issue of strategic time lag was addressed in this study by measuring strategy for 1991-1992 and performance for the years 1992 and 1993. It is hypothesized that if strategic time lag were to be confirmed by this data, the 1993 performance

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should vary from that of 1992. Further, for strategies which lead to higher performance, this variation should be positive, i.e., 1993 performance should be higher than in 1992. Conversely, for strategies which lead to lower performance, the variation should be negative.

It is, thus, obvious that the first thing that needed to be checked in this analysis was whether or not the 1993 performance is different from that in 1992. If there is no difference, then no further analysis on this subject of strategic time lag would be possible. Once again, as the tariffs, rates realized, and revenues differ between upscale, midprice and economy hotels, this verification had to be done for each of these segments separately. PROC UNIVARIATE procedure in SAS provides a T-test comparing two means, testing for the null hypothesis that  $\mu_2 - \mu_1 = 0$ . This procedure was used to compare the pairs of performance means (YPR92 vs. YPR93, etc.). Of the nine tests (Yield Per Room, Market Share Index, and Return On Sales by upscale, midprice, and economy hotels), seven tests rejected the null hypothesis. The two exceptions were both in Return On Sales (ROSDIFF) for upscale and economy hotels. This meant that in the remaining seven cases, the 1993 performance was different from the corresponding 1992 achievement. A simple

examination of the means showed that in all the cases, the 1993 performance was higher than that in 1992.

The above results made it possible to test whether there were any significant differences in the strategy dimension vectors between high and low performers. However, in this analysis, the interpretation of high and low performance is slightly different from what has been used so far. Of interest here is the increase in performance between 1992 and 1993, so that one may relate such increases to strategies adopted. Therefore, the quantile statistics used in this case were for the performance differences (YPRDIFF, MSIDIFF, and ROSDIFF) between 1992 and 1993. Using the upper (75%) and lower (25%) quartile statistics for each price segment, the sample was divided into high (increase in) performance and low (increase in) performance sets, discarding the middle set, as is usually done in this type of analysis. Once the sample was divided into high and low performers there was no more any need to distinguish the price segments as all the comparisons are now relative. Thus, in the MANOVAs conducted next, the individual price segments are disregarded i.e., the tests were conducted between all high performers and all low performers. As would be obvious, the test on ROSDIFF was done only for the

midprice segment, as the differences in the other two segments were not significant.

As the MANOVA results in Table 63 show, there were significant differences in the strategy vectors of hotels which achieved higher and lower increases in performance on NEWYPRDF. For the midprice hotels only, there were also significant strategy differences between high and low performers on NEWROSDF. From the ANOVA results in Table 64, it is seen that in the case of NEWYPRDF, the significant differences are in the Push strategy and Cross-Training. For NEWROSDF, the significant difference is only in the Push strategy. Table 65 shows the corresponding factor means. From this table, it appears that hotels which stressed more on the Push strategy have achieved higher increases in YPR and ROS than hotels which did not. Also, hotels which stressed more on Cross-Training achieved lower increases in YPR, as compared to those which relied less on this strategy dimension.

**Table 63. MANOVA Results Comparing the Strategy Dimension Vectors between High and Low (increases in) Performance**

| Performance Variables | 1      | 2      | 3      | F      | NUM DF | DEN DF | PR > F               |
|-----------------------|--------|--------|--------|--------|--------|--------|----------------------|
| NEWYPRDF              | 0.9041 | 0.0959 | 0.1060 | 3.5893 | 7      | 237    | .0011 <sup>***</sup> |
| NEWROSDF <sup>†</sup> | 0.9035 | 0.0965 | 0.1067 | 2.6840 | 7      | 176    | .0115 <sup>*</sup>   |

<sup>†</sup> only for the midprice hotels  
Only Significant results reported

<sup>\*</sup> p < .05

<sup>\*\*\*</sup> p < .005

**Table 64. ANOVA Results Comparing the Strategy Dimension Vectors between High and Low (increases in) Performance**

| Performance Variables |        | Push                 | Cross-Training     |
|-----------------------|--------|----------------------|--------------------|
| NEWYPRDF              | F      | 7.38                 | 4.08               |
|                       | PR > F | .0071 <sup>***</sup> | .0444 <sup>*</sup> |
| NEWROSDF <sup>†</sup> | F      | 12.27                |                    |
|                       | PR > F | .0006 <sup>***</sup> |                    |

<sup>†</sup> Only for the midprice hotels  
Only Significant results reported

<sup>\*</sup> p < .05

<sup>\*\*</sup> p < .01

<sup>\*\*\*</sup> p < .001

**Table 65. Factor Means of Significantly Different Strategy Dimensions for High and Low (increases in) Performance**

| Performance Variables | Factor Means |          |                |
|-----------------------|--------------|----------|----------------|
|                       | Performance  | Push     | Cross-Training |
| NEWYPRDF              | High         | 0.1763   | (0.1705)       |
|                       | Low          | (0.1621) | 0.0828         |
| NEWROSDF <sup>†</sup> | High         | 0.4694   |                |
|                       | Low          | (0.0952) |                |

<sup>†</sup> Only for the midprice hotels

## Summary

This Chapter presented the results from the pilot testing of the strategy scale and then described the final survey instrument and how it was developed. Detailed diagnostic checks were performed on the final data before any further processing was done. These diagnostic checks have been reported, followed by a description of the reliability testing of the strategy scale. The 7-factor solution obtained to delineate the strategy dimensions underlying the 105-item strategy scale developed in this study was described. The seven strategy dimensions were labelled Service Quality Leadership, Technological Leadership, Push, Cost Control, Pull, Group Channels, and Cross-Training. The differences in these strategy dimensions between high and low performers in YPR, MSI, and ROS were discussed. This was followed by a presentation of the differences in the strategy-performance relationships across various levels of four control variables, Location, Segment, Affiliation, and Size. A similar analysis relating the strategy-performance relationship to (a) the performance measure most preferred by hotels managements, (b) the age of the properties, and (c) the rating of the location of the respondent hotels vis-a-vis their competition, was presented. Last, the results of the investigation of the

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strategic time lag issue were reported. The next Chapter discusses the interpretation of all these results and a synthesis thereof.

## **Chapter 5**

### **DISCUSSION AND CONCLUSION**

## **Introduction**

In the previous chapter, the results of all the analysis conducted in this study have been reported. With the exception of one or two instances, most of this reporting was done without any comments on the results. In this last and concluding chapter, all those results are pulled together, interpreted and commented upon. Specifically, the results are discussed with reference to the two major propositions of this research study and the associated research questions that were raised in the earlier chapters. Acknowledging the limitations of this study is an integral part of this discussion. The discussion of the results is followed by a concluding section which sums up what has been achieved in this study, and how it relates to the ongoing knowledge accrual process. This logically leads into recommendations for future research in this area.

### **Research Propositions Revisited**

To keep the focus of the discussion within the boundaries of the principal objectives of this research



study, it is only appropriate to recap the two main research propositions involved, which are as follows:

1. Through a combination of strategic characteristics rooted in business strategy theory and service management theory, it is possible to identify a set of strategic dimensions underlying lodging strategy.
2. Performance differences among lodging units can be related to varying strategic dimensions emphasized by such units.

The results of this research study support and confirm both these research propositions. In the following sections, each of these research propositions and the corresponding results from this study are synthesized.

#### Proposition 1

The principal arguments for this study were that, (1) strategic characteristics used to measure strategy must be industry-specific, (2) previous research in hospitality strategy has not attempted to do this, and (3) the ambivalent results in relating hospitality strategy and performance in past research may be attributable to not

measuring the strategy construct based on the first tenet above. The basis for putting forward these premises has been discussed in detail in the earlier chapters, and is not being repeated here. However, it is apt to recall here Venkatraman's (1989a) writing on this subject, viz., the search for a universal conceptualization of strategy is futile and, more importantly, construct measurement is at least as important as examination of substantive relationships.

Accordingly, this study focused a great deal of attention on the development of an industry-specific strategy scale, the details of which were discussed in Chapter 3. In the process, unlike in many past business strategy studies (Cool & Schendel, 1987, 1988; Dess & Davis, 1984; Feigenbaum & Thomas, 1990; Mascarenhas & Aaker, 1989) where only a limited set of the strategic dimensions found in the business strategy literature (Porter, 1980) were taken into account, this study considered all the strategic dimensions postulated by Porter. It is only after a careful evaluation of the appropriateness of each of Porter's 13 strategic dimensions that three of them were dropped, viz., vertical integration, relationship with parent company, and relationship to home and host governments. Even this elimination was only due to the inappropriateness of these

three dimensions to the context of this research study and the unit of analysis adopted. Further, this study expanded the scope of the measurement of hospitality strategy by including strategic dimensions from the service management literature (Grönroos, 1990; Parsuraman et al., 1988; Zeithaml et al., 1990), not captured by Porter's (1980) work.

The result of this scale development work was a 122-item strategy scale tailored to measure lodging strategy which, after a scale purification process, reduced to a 105-item scale comprising of 12 a priori dimensions. Eight of these dimensions came from the business strategy literature, and the remaining four from the service management literature. That this strategy scale is appropriate for use in further study was confirmed by the high reliability estimates obtained for each dimension, as well as for the total scale. The Cronbach  $\alpha$  for the total scale, using the linear composite calculations necessary for a multi-dimensional scale (Nunnally, 1978), was as high as 0.97.

The 105-item strategy scale, when subjected to a principal factor analysis, yielded an interpretable 7-factor solution, which accounted for nearly 71% of the common variance in the strategy scale. The seven factors extracted

were: Service Quality Leadership, Technological Leadership, Push, Cost Control, Pull, Group Channels and Cross-Training. The Service Quality Leadership factor captured all the four a priori strategy dimensions identified from the service management literature. The Technological Leadership factor, though it bears the same label given by Porter (1980) for its simplicity, is loaded with industry-specific strategic characteristics. The Push and Pull factors represent the breakup of the dichotomous strategies combined by Porter into one strategic dimension. It is only appropriate that this result turned out to be what it is. Even in these two factors, the strategic characteristics are mostly industry-specific. The Cost Control factor is one which mostly retained Porter's original conceptualizations under a dimension of the same label. The Group Channels factor is a subset of Porter's original Channel Selection dimension. This seems to be the weakest factor coming out of this study, and will be revisited for discussion later in this chapter. Last, the Cross-Training factor is a subset of the a priori dimensions isolated from the service management literature. It appears that the strategic characteristics loaded here seem to have enough in common to stay together around the central theme of Cross-Training, but also enough variation from the rest of the service-oriented strategic

characteristics to be separated from them. The latter are all in the first factor, Service Quality Leadership.

In view of the facts that these seven factors extracted in this study, (1) capture the breadth of the business strategy and service management theoretical foundations, and (2) provide interpretable industry-specific factor solutions, they are posited as being lodging strategy dimensions, which have been the quest of this study. Based on these results, it is concluded that Proposition 1 is confirmed by this study. In the process, Child's(1972) postulation about strategic choice, subsequently supported by a number of researchers, is confirmed in the lodging industry context, with performance implications as discussed in the next section.

#### Proposition 2

As Venkatraman and Ramanujam (1986) put it, the ultimate objective of strategic management is performance improvement. If there is no interest in the latter, there would be no reason to study the different underlying dimensions of the strategy construct. Proposition 2 captures this ethos.

This study yielded the following results in this regard:

1. With performance measures YPR and MSI, significant differences were found in the strategy dimension vectors between high and low performers on both these measures. These significant differences were found in each of the years, 1992 and 1993.
2. With the performance measure ROS, however, similar results were not obtained. Nevertheless, it must be noted that for 1992, the null hypothesis of equality of the strategy vectors between the high and low performers on ROS narrowly failed to be rejected ( $PR > F = 0.0655$ ).
3. The differences in the strategies followed by the high and low performers, referred to in item 1 above, were found to be mostly in the Push, Pull and Service Quality Leadership dimensions.
4. High performers on YPR seem to rely more on the Push strategy and less on the Pull strategy. In contrast, the low performers seem to follow the Pull strategy more and the Push strategy less.

5. With MSI as the performance measure, once again, it was found that the high performers follow the Push strategy more than the low performers.
  
6. Last, high performers on MSI seem to follow the Service Quality Leadership strategy more than the low performers. However, this result was confirmed only for the average MSI of 1992 and 1993, but not each year separately. Nevertheless, it must be noted that the results for 1992 came very close to be accepted as significant ( $PR > F = .06$ ).

The overall conclusions that can be drawn from the above are that, in general, strategies followed by high performers are different from the strategies followed by the low performers, as supported by the evidence for the performance measures YPR and MSI. Further, high performers follow the Push strategy and the Service Quality Leadership strategy more, whereas the low performers rely less on these strategies and, instead, follow the Pull strategy more. There are, however, some questions that arise from these summary findings. These questions and possible explanations are discussed next.

The first question that comes to mind is, why were no strategy differences found between the high and low performers on the performance measure ROS, as they were on YPR and MSI? In general, in this set of findings as well as in other results to be discussed subsequently in this chapter, ROS does not seem to be a good performance measure to work with. While significant results were obtained most of the time with YPR and MSI, the same was not the case with ROS. Two possible explanations for this are offered.

First, YPR and MSI have something in common as performance measures. Both rely on increased occupied roomnights. In contrast, ROS is more an efficiency measure. For example, even with increased occupancy which will result in increased YPR and MSI, there may be no increase in ROS, if the cost of sales goes up by the same proportion as the sales revenue itself. Though Cost Control is indeed one of the strategic dimensions identified, overall, it appears that the strategy differences are better discriminators of performance measured in terms of increased business (YPR and MSI) as compared to performance measured in terms of increased cost efficiency.

Second, the ownership/management structure seems to have a bearing on these results. It will be recalled that



as many as 87% of the sample hotels were independently owned. Around 43% were also self-managed, nearly 28% were managed by a management company, and the rest were managed by the franchisors. It will also be recalled that independent hotels preferred percentage of occupancy as a performance measure in greater proportion than did the overall sample. Thus, the distribution of this sample may have had influence on the results under discussion. Further, and more importantly, it is well known that independent owners (of any business) mix their business and personal finances a great deal and keep the books of accounts to suit more their personal financial planning than that of the business in question. As such, it would not be far fetched to conjecture that the ROS measure, which is based on the IBFC figures reported, may be more tainted than the purer measures of YPR and MSI. If this study were replicated on a sample consisting of a larger proportion of chain owned properties, there is every reason to believe that similar results would be obtained on ROS as well, as they were here on YPR and MSI.

The second important question that comes to mind from the summary findings is, why was no difference found in the Service Quality Leadership dimension between high and low performers on YPR, as it was found on MSI? The answer seems

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to, once again, relate to the nature of these performance measures. YPR is a more "immediate" result, whereas MSI is a more long-term result. Thus, while the Push strategy is able to show the results in the short-term itself, explaining the differences between high and low performers on YPR, the Service Quality Leadership strategy takes time to implement as well as to take effect. Hence, it is only appropriate that differences in MSI are related to differences on this strategy dimension.

From the results obtained in this part of the study, there seems to be enough evidence to confirm Proposition 2, viz., performance differences among lodging units can be, as they were, related to differential emphasis on certain strategic dimensions by the high and low performers. It is gratifying to note from the results that both general business strategies (Push and Pull) and service-oriented strategies (Service Quality Leadership) are related to these performance differences. The latter supports the postulations of service management theorists, such as Parasuraman et al. (1988), Grönroos (1990), and Zeithaml et al. (1990).

Having discussed the support for Propositions 1 and 2 from the results of this study, the next section should be

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about the variations in the strategy-performance relationship by the control variables, Location, Segment, Affiliation, and Size. However, a brief departure to address the issues of reliability and construct validity of the strategy measurement scale seems to be appropriate at this juncture before exiting this section. Therefore, these issues are discussed next before turning to the control variables.

### Reliability

That a highly reliable strategy measurement instrument in the lodging industry context has been developed through this study has already been affirmed. The overall Cronbach  $\alpha$  for the scale was a very respectable 0.97. In fact, it seems almost too high. But then, it should be remembered that Cronbach  $\alpha$  increases with sample size which was also large in this study, when compared to most other hospitality strategy research. The high Cronbach  $\alpha$  value confirms that even with an adjustment for sample size, the reliability of this scale would be very acceptable.

### Construct Validity

As discussed in Chapter 3, the content validity of the strategy scale is ensured through the rigorous process by which it has been developed. Further, the successful delineation of an interpretable 7-factor solution is a further confirmation of the content or trait validity of the scale. It has already been reported that scale items a priori developed from different theoretical underpinnings have loaded on appropriate factors under the 7-factor solution. For example, items 1, 2, and 17 (Table 36) from Porter's (1980) Product/Service Quality dimension have loaded on the Service Quality Leadership factor. Similarly, items 38, 39, 40, 43, 45, and 46, all of which have a central theme of adopting/using technology, but were originally developed under the Service Specification dimension loaded on to the Technological Leadership factor, which is once again quite appropriate. These and other similar results discussed in the previous chapter confirm the content validity of the strategy scale.

The use of a panel of hotel managers, and, subsequently, two academic experts in the process of developing this strategy scale is a method which researchers have posited is sufficient basis for establishing construct

validity. In addition, some of the analytical results from the use of this strategy scale also confirm its construct validity. For example, in the process of testing for differences between Company A and Company B, the strategy scale was responded to by two samples of 247 and 332 respondents respectively. As already reported, the responses differed only on 3 items of the original 122-item scale. This exercise, though conducted for a different purpose, represents a replication as the two samples came from different sources. As one of the accepted methods of confirming construct validity is replication, the analysis reported is assumed to have served that purpose.

Thus, the strategy scale developed in this study is deemed to have met the standards expected for an exploratory research of this type to assume its construct validity.

#### **The Role of Control Variables**

Each of the four control variables was studied by control through elimination, as discussed in Chapter 4. In the MANOVAs of each case, differences in the strategy dimension vectors were found between high and low performers. These results, the details of which have been reported earlier, are now discussed.

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### Location

The most prominent result here seems to be that with YPR as the performance measure, high performing City-Center hotels followed the Push strategy more than the low performers. This was true for Highway hotels as well (though no significant result was obtained for 1992). In addition, high performing Highway hotels also seem to follow the Technological Leadership strategy more than the low performers. The results regarding the Push strategy are in conformity with the earlier discussion. Intuitively also, City-Center hotels, in particular, would definitely benefit from aggressive personal selling and other forms of direct customer contact to achieve and maintain repeat business. To a lesser extent, this would be true for Highway hotels as well as many such hotels have additional facilities such as conference rooms which cannot be filled with transient traffic and need to be "pushed." In this sense, in the case of Highway hotels, the need for a Push strategy is probably dictated more by the product mix. The significant results obtained for Technological Leadership among Highway hotels were a little surprising. It is not that Technological Leadership is unimportant, but it is the fact that these differences proved to be significant only for Highway hotels

and not for the other locations, particularly City-Center and Suburban, which was surprising.

### Segment

The notable result in this case was that significant strategy differences between high and low performers were found only in the case of Full-service hotels. On both YPR and MSI as performance measures, high performers seem to follow the Push strategy more than the low performers. It must be noted here that the Full-service and Limited-service hotels together account for more than 90% of the sample. Therefore, the only other segment where any significant results could have been obtained was the Limited-service segment. In fact, the null hypothesis failed to be rejected in this segment with  $PR > F=.0899$ . It is quite possible that this segment, being largely composed of hotels smaller in size, does not find it worthwhile to adopt the Push strategy, and relies more on the Pull strategy (business generated by the franchisor's reservation networks, franchisor's brand advertising, and so on). In contrast, the Full-service hotels are generally larger in size and need greater roomnight generation and, hence, the reliance on the Push strategy.

### Affiliation

Analysis with this control variable produced some very interesting results. In fact, as alluded to before, some of these results appeared to be surprising and questionable at first glance. But, a more deliberate consideration of the results does find rational explanations for most of the results.

There were no surprises as far as independently owned, self-managed hotels are concerned. On both YPR and MSI, the high performers relied on the Push strategy more than the low performers. Additionally, on MSI as the performance measure, the high performers relied on Service Quality Leadership more than the low performers. The probable reason for differences in this later strategy being discovered only with MSI but not with YPR has already been discussed earlier.

In sharp contrast to the above, if the independently owned hotels were managed by the franchisors instead, the results obtained were radically different. In this case, the strategy differences were discovered only with YPR as the performance measure. But, more importantly, the low performers here relied on the Pull, Cost Control, and Cross-

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Training strategies more than the high performers. The first of these is not surprising, as it is in conformity with the general results so far. It is the latter two results which need rational explanations.

First, why would hotels stressing on cost control perform worse than hotels which do not? It must be noted that these are franchisor-managed hotels. Most management contracts provide for a percentage of profits as part of the management fees. In fact, franchisors and management companies would rather that their fees be tied to sales than profits. But the hotel owners generally are against this and prefer to tie up a larger proportion of the management fees to the unit profitability rather than sales revenue. This being the scenario of the industry operations, it is in the interest of the management companies (in this case the franchisors) to reduce costs as much as possible so as to boost profits and, as a consequence, their own fees. It is here that Grönroos' (1990) argument, that trying to become cost-efficient by employing more technology and self-service concepts and reducing personnel will not work in the service sector, becomes relevant. According to Grönroos, trying to achieve internal efficiency will lead to reduced external efficiency, and create, what he termed as, a strategic management trap. The low performance of this group of

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hotels resorting to Cost Control more than the high performers, may be empirical evidence of Grönroos' theory of the strategic management trap.

The second question arising from the results of this part of the analysis is, why would hotels adopting the Cross-Training strategy perform worse than those who do not? Franchisors do bring modern management concepts to the operations. Thus, these hotels managed by the franchisors may be adopting Cross-Training strategies advocated by the franchisors. But they may also happen to be poor performers because of relying on the Pull strategy and Cost Control strategy, as discussed above. If this is the case, the low performance is probably attributable to these two strategies, and not to Cross-Training. That these hotels also emphasize on Cross-Training may then be incidental. In other words, there may be no causality involved between Cross-Training and lower performance.

The third group where significant results were obtained is the set of hotels which are chain owned and managed. With ROS as the performance measure, low performers here emphasized the Service Quality Leadership dimension. From the overall results reported first, as well as intuitively, this result seems surprising. One of the possible rational

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explanations for this phenomenon is that because of low performance these hotels are having to rely on Service Quality Leadership to remedy the situation. But, since this strategy cannot be implemented overnight as it were, the performance results are still low at the time of this study.

### Size

The last control variable studied was Size, defined by the number of rooms available for sale. As reported in Chapter 4, significant differences were found in this case only for the largest size hotels, viz., the category with 250 or more rooms. With YPR as the performance measure, high performers here emphasized more on Technological Leadership than low performers. With the explosive growth of new technologies finding hospitality applications, this result is in tune with current industry environment. That this result was significant for the larger size hotels than otherwise is also intuitively appropriate.

In the foregoing discussion on the strategy-performance relationship by control variables, it may appear that significant results were not obtained in many cases not discussed above. However, it should be noted that not finding significant results in all such cases is not

necessarily unexpected once the sample distribution was known. As analysis becomes more and more detailed in terms of level, the effective sample size being used for that part of the analysis becomes too small. In such cases, significant results cannot be obtained even if a relationship may, in fact, be true. For example, with Segment as a control variable, the three categories of All-Suite, Resort, and Convention hotels together accounted for less than 10% of the sample. Therefore, no significant results could possibly here been obtained, even if the relationship being studied is in general true for these categories. It is only when this study is replicated with a larger sample of such segments that any conclusive evidence can be obtained one way or another.

To summarize, the results discussed above seem to confirm that, (1) differences in strategy dimensions emphasized exist between high and low performers in different categories of the control variables studied, viz., Location, Segment, Affiliation, and Size, and (2) whereas the Push strategy is generally the strategic dimension in which differences are found, there are other dimensions as well in which differences do exist. Specifically, Service Quality Leadership and Technological Leadership have emerged

as the additional strategic dimensions with significant differences.

### **The Role of Other Variables**

Three additional questions this research addressed related to the performance measure hotel managements considered most important, the age of the property, and the rating of a hotel's location. The results of this investigation are discussed next.

#### **PERFMESR**

Gross Operating Profit/Income Before Fixed Charges (GOP/IBFC) is the measure considered most important by a majority of the respondents (over 60%). Significant differences in strategy dimensions between high and low performers were found among those who considered either GOP/IBFC or ROS as the most important performance measures.

Among the first group, i.e., those for whom GOP/IBFC was most important, the strategy-performance relationship was not confirmed on ROS, as was expected a priori. Instead, the significant differences showed up on the other two performance measures, viz., YPR and MSI. In contrast,

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among those who considered Return on Sales as the most important performance measure, the strategy-performance relationship was found to be significant with ROS and YPR as the performance measures. Specifically, high performers in this group emphasized the Push, Technological Leadership, and Cost Control strategies more than the low performers did.

GOP/IBFC and ROS are really measures of the same thing, viz., profits. The only difference is that the former is an absolute measure, whereas the latter is a relative measure. Respondents seem to prefer the more simplistic absolute measure. Intuitively, one would tend to believe that if profit(ability) is the performance measure considered most important, then managements would strive to maximize their performance on that measure, and differences in strategies should be evident between those who succeeded in this endeavor and those who did not. The results of the analysis here seem to be mixed at best and no conclusions seem to be possible based on this.

#### Age

The most important result here is in conformity with earlier findings, i.e., high performers emphasized the Push

strategy more than the low performers. Among the less than 7-year old hotels, confirmation on the opposite was also evidenced. The more than 30-year old hotels did not turn up any significant evidence of individual strategy differences.

One interesting finding here is that the low performers in the 8-20-year old hotels emphasized on Cross-Training more than high performers; whereas the opposite was true for the 21-30-year old category. In the absence of any way to establish causality in this study, it is not possible to say whether these are contradictory results. All that one can state is that the probable explanation discussed earlier in this regard could be the reason behind these results.

#### RATELOC

This variable measured the rating of the respondent hotel's location vis-a-vis its competition. As an overwhelming majority (nearly 89%) of the respondents rated their locations as being most superior to their competitors', no significant differences could possibly be discovered in the group which considered their location to be inferior. This is what turned out to be the case, as reported previously. As such, the question of whether these

two groups had varying strategy-performance relationships could not be studied with this sample.

The last analysis in this research study concerned the subject of strategic time lag. The results of this analysis are discussed next.

### **Strategic Time Lag**

The existence of strategic time lag was sought to be verified by testing for strategic differences between hotels which experienced a high increase in a performance variable as compared to hotels which experienced a low increase (or decrease, as the case may be) in the same performance variable. It must be noted that it was first confirmed that all performance variables on which these tests are being done show differences between 1992 and 1993. If some strategies are related to high or low increases in performance, while others are not, one may conclude that evidence of strategic time lag has been found. Further, whether such strategies lead to a high or low increase in performance also throws light on the nature of this strategic time lag.



From the results, it appears that the Push strategy has a strategic time lag effect. Hotels emphasizing this strategy achieved a high increase in YPR and ROS, as compared to those who did not. However, these results need to be interpreted carefully, before drawing any sweeping conclusions. For instance, it was found in most of the analysis thus far that Push strategy was associated with more immediate results, in that the 1992 performance differences were associated with emphasizing this strategy. Typically, a lag effect means that the results (effects) are felt only after some time and not immediately. Thus, the results of this section and all the previous analysis, when read together, seem to suggest that emphasizing on Push strategy has both immediate and continuing effects. This is not strictly the meaning of a lag effect.

In contrast, very few tests thus far have related strategy differences with performance differences in ROS, let alone specifically in 1992. Yet, the results of this section show that those who emphasized on the Push strategy showed a higher increase in ROS between 1992 and 1993 as compared to those who did not. This is a more meaningful evidence of strategic time lag. In other words, whereas emphasizing on Push strategy was not associated with a higher performance on ROS immediately (1992) or may be even

in 1993, yet such an emphasis seemed to lead to a higher increase in ROS from 1992 to 1993, indicating a strategic time lag effect.

The other result obtained in this part of the analysis was that hotels which stressed on Cross-Training achieved only low increases in YPR, as compared to those who emphasized less on this strategy. Once again, the lack of causality evidence complicates the interpretation of this result. As discussed before, such results are interpretable in two different ways, and the implications of the results are somewhat inconclusive.

Thus far in this chapter, the results reported in Chapter 4 have been discussed and interpreted. Past theoretical postulations are related to the discussion as applicable. In the next section, the principal findings are summarized and normative implications posited.

### **Conclusions**

Over five chapters of this dissertation, the background literature was reviewed to provide the necessary theoretical underpinnings to this study, research propositions were developed, a proposed methodology was described taking care

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to improve upon some of the shortcomings in past research, the results of the study described, and finally these results were discussed. It is time to put this all together and state succinctly the principal findings of this study, which are as follows:

1. Through this study, a comprehensive, industry-specific 105-item strategy measurement instrument was developed, tapping a variety of strategic dimensions from the business strategy theory and service management theory, following a comparative approach to the measurement of the strategy construct.
2. By factor analyzing this new strategy scale, a 7-factor solution was identified yielding the following strategic dimensions: Service Quality Leadership, Push, Cost Control, Pull, Group Channels, and Cross-Training.
3. Lodging units classified by different performance measures into high and low performers were shown to emphasize different strategic dimensions. These results have obvious normative implications. Adopting the Push strategy seems to be effective

in improving YPR in most situations. In contrast, striving for Service Quality Leadership seems to have a long-term influence in improving the MSI. Technological Leadership is a strategy particularly relevant for larger hotels from the evidence obtained in this study.

4. Variations in the strategy-performance relationship were related to different categorizations of four control variables: Location, Segment, Affiliation and Size.
5. From all the empirical evidence obtained in this study, there seem to be two broad strategic groups in this sample. While one of these groups emphasizes the Push strategy, the other follows the Pull strategy. Performance differences are evident between these two strategic groups, with the group emphasizing on the Push strategy performing better than the other.
6. Last, preliminary evidence of strategic time lag in the strategy-performance relationship was found.

In the process, this study found empirical support in the context of the lodging industry for the postulations on strategic choice and the strategy-performance relationship. Notwithstanding the fact that this study achieved its primary objectives, there are a number of loose ends that still can and should be tied up in follow-up research. The ensuing sections, therefore, will enumerate the limitations of this research, the contributions of this research, and the future research directions in the wake of the current study.

#### **Limitations of this Research Study**

As is common with most research, this study too had several limitations. Thus, the results of this study should be interpreted and used taking cognizance of these limitations enumerated below:

1. For reasons of parsimony, of time and money, associated with almost all doctoral dissertations, this study was cross-sectional in nature and failed to establish causality in general. More specifically, as the results were discussed, this shortcoming became more apparent particularly when

trying to interpret the role of the Cross-Training strategy dimension.

2. As with many research studies, this study too got locked in the three-horned dilemma of McGrath (1982). In the effort to balance precision and realism, this research sacrificed generalizability.
3. On a more specific note, of the two financial performance measures proposed to be used, one (ROA) had to be discarded because of contaminated data. While some possible solutions are discussed in this regard in the last section of this dissertation, for the present, this study suffered from this loss of one of the two financial performance measures.
4. Because of poor reliability, one important strategic dimension, Price Policy, was dropped in the scale purification process. Though, technically, this was an appropriate decision, still, pricing is an important element of the strategy mix, and the effects of its loss on the factor solution remain unknown.

5. Last, once again for reasons of parsimony of time and money, several other possible statistical analyses were not conducted in this study. For example, regression techniques could be used to model a relationship between the seven strategy dimensions identified and the performance measures. There are many other possibilities of this nature given the rich data set that is available from this study.

#### **Contributions of this Research Study**

Notwithstanding some of the limitations narrated in the previous section, this study has achieved several objectives and makes some very important contributions to the knowledge accrual process in hospitality strategy research. The major contributions of this research are as follows:

1. In the first place, by finding positive empirical support to most of the research questions being investigated, this study broke the deadlock in hospitality strategy research, where most recent studies have ended with inconclusive results as regards the strategy-performance relationship (Tse, 1988; Crawford-Welch, 1990).

2. It is acknowledged in strategy research that the strategic characteristics used to tap the strategy construct should be industry-specific (Cool & Schendel, 1987; Mascarenhas & Aaker, 1989). Hospitality strategy research till date has mostly borrowed the strategy measurement instruments from the manufacturing sector. Thus, the single most critical contribution of this research is its pioneering effort in developing a reliable, industry-specific instrument to measure the strategy construct. The 105-item scale developed through this study captures a comprehensive set of strategy dimensions from the business strategy and service management literatures. This process follows the calls of researchers like Venkatraman (1989a) and Whetten (1989), who exhort strategy researchers to take the broadest possible view of the multi-dimensional construct that strategy is.
  
3. By finding an interpretable, 7-factor solution, this study succeeded in delineating seven lodging strategy dimensions underlying the 105-item strategy scale, thus providing a parsimonious description of the strategy construct in the lodging industry context. This should, hopefully,



end the frustrating experience most hospitality strategy researchers have had with trying to test the applicability of Miles and Snow's (1978) and Porter's (1980) strategic typologies to this industry.

4. Through empirical evidence, the study demonstrated that on different performance measures, high and low performers could be identified to be emphasizing different strategic dimensions. Notably, the Push, Service Quality Leadership, and Technological Leadership dimensions emerged to be the ones associated with higher performance. These results have very important normative implications. This empirical demonstration of the strategy-performance relationship extends the earlier hospitality strategy research efforts of Dev (1988) and others.
5. This research has also produced empirical evidence of important associations between several control variables, such as Location, Segment, Affiliation, and Size, and the strategy-performance relationship.

6. The study has presented, albeit preliminary and simplistic, evidence to support the complex notion of strategic time lag in the lodging industry context. Though there is still much work to be done in this area, this study represents an important step forward from the previous work of Crawford-Welch (1990).
  
7. Last, this research has corrected several conceptual and methodological limitations of past hospitality strategy research, as in the cases of conceptualizing the strategy construct as intended strategy, as recommended by West and Anthony (1990); adopting the unit of analysis as the individual hotel instead of a firm as Dev (1988) alone has done so far; and, the improvements in the measurement of the performance variables, following the call of Venkatraman and Ramanujam (1986).

Building on the contributions made by this pioneering research study and compensating for some of its limitations, a future research stream is quite clearly in focus. Some of the possible, and much needed, investigations to progress this research agenda are enumerated in the ensuing section.

## **Agenda for Future Research**

Introspecting on what is possible and what has not been or could not be attempted here, the following research directions emerge for extending the results of this and past hospitality strategy research:

1. Other statistical techniques such as regression analysis, cluster analysis, and discriminant analysis could be performed with either this or a similar data set. Such analyses will help in triangulating the results and in enriching the interpretation of the findings.
2. Concentrating on precision and realism, this study sacrificed generalizability. Replicating it with a random sample of the larger population of the lodging industry will not only verify the generalizability of the results of this study, but also contribute towards further establishing the construct validity of the strategy measurement scale developed in this study.
3. More specifically, future studies should try to achieve a higher representation in the sample of

some of the under-represented segments of this study to strengthen generalizability and construct validity. For example, this study had very few upscale hotels, all-suites, resort hotels and so on, looking at the sample from different perspectives.

4. Financial performances measures have always stymied hospitality strategy research. Even in this study, ROA had to be discarded because leasing and owning hotel properties have got mixed up, with the consequent effect on the Fixed Assets values. One possible solution to the problem with ROA seems to be to gather the data on the market value of assets. However, this is fraught with serious problems due to variations in the real estate climate in different places. Another, more feasible, solution could be to incorporate a question on whether the hotel property is leased or owned. Once this information is available, ROA can be computed for the owned properties and used for analysis as originally contemplated in this research.

5. More importantly, this last solution can help answer some new and interesting questions never studied before. For example, are lease-holders more likely to be longer-term players, because they have very little money tied up, in contrast to owners who want a quicker return because they have locked up their money by investing in the property? Or, alternatively, are lease-holders the make-a-quick-buck types acquiring properties in distress (a most common phenomenon these days), as compared to owners who are investing the money for the long haul? These questions can be studied by analyzing the performance measures preferred by these groups and the strategy-performance relationships.
  
6. Pricing is an important element of the strategy mix. By dropping out the Pricing Policy dimension from the strategy measurement scale, this study has probably suffered from its exclusion. A replication of this study including this dimension will help clarify its importance and also confirm the construct validity of the strategy scale.

7. The dimension, Group Channels, did not figure in any significant strategy-performance relationships. Whether this is merely a spurious dimension can be investigated by replicating this study without this dimension. Further, a factor analysis after eliminating some of the cross-loadings considered to be "noise" in this study, may reveal new insights into the underlying strategic dimensions.
  
8. Now that there is a reliable instrument to measure the strategy construct in the lodging industry context, future research can make use of this instrument and extend the nomological net of related variables to include environment, structure, and so on, many of which already have established measurement instruments.
  
9. Last, though the strategy scale developed here has been specifically tailored to the lodging industry context, it can easily be modified to suit other segments of the hospitality industry, such as the food service segment. Replicating the use of this instrument with such modifications not only strengthens the construct validity of this

instrument, but will also further strategy research in the other segments of the hospitality industry.

### **Summary**

This concluding Chapter discussed and interpreted the results presented in Chapter 4. Normative implications and relationship to past theoretical underpinnings have been interwoven into this presentation as appropriate. Limitations of the study, its contributions to the knowledge accrual process, and future research directions are enumerated.

### **Conclusion**

According to McGrath (1982), the cycle of empirical research is a series of spirals starting with questions about the real world, and then proceeding through the stages of problem identification, research design, operational plan, observations of the real world, data generation, measurement of variables, and analysis of relations between variables, finally culminating in conclusions about the real world. The last step once again raises new questions about

the real world. This research study, as most others, has gone through all this cycle.

In the process, the study has improved upon past research, contributed fresh knowledge, developed new tools, exposed new limitations, and made fresh recommendations for further research.

Though this study has been specifically tailored to the lodging industry, the tools developed and the methods used here are equally applicable to other segments of the hospitality industry with, of course, appropriate modifications. Considering the rigorous process adopted in developing the instrument to measure the strategy construct in this research, with further modifications to suit the industry context, this new tool may also be used with good effect in other service industry settings as well. This is particularly so because of the considerable theoretical input brought to bear from the service management literature in developing this instrument to measure the strategy construct.



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## **APPENDICES**

**TO BE COMPLETED BY THE GENERAL MANAGER OF THE HOTEL**

1. Considering your property as a whole and using your competitors as a frame of reference, please indicate the extent to which each of the following items was a part of the overall competitive posture (strategy) of your hotel for the years 1990 and 1991 taken together. (Please encircle one chosen response for each item)

In responding to this question, please consider as your competition only those hotels which directly compete with you for the same business.

|  | Not Part of Strategy ..... |   | Key Part of Strategy |   |   |   |
|--|----------------------------|---|----------------------|---|---|---|
|  | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Entertaining regular guests to solidify repeat business  | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Providing regular feedback to employees on their service delivery achievement  | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Employing rigorous cost control systems/procedures in all areas  | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Using customer panels to get regular information on customer needs/expectations  | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Emphasizing on working relationships with local visitor/tourist bureau for referral business   | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Advertising to create and/or maintain awareness of the hotel   | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Training departmental managers in the skills needed to lead employees to deliver quality service   | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Training employees in interpersonal skills   | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Minimizing overhead through standardization  | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Adopting user-friendly (to both employees and guests) systems and new technologies which improve the effectiveness of service delivery             | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Using market research effectively in designing product and/or service strategies   | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Improving customer participation skills (in self-help services) by simplifying systems and procedures, installing easy-to-understand signage, etc. | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Giving overriding (i.e., above normal) commissions to travel trade   | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Instituting financial incentives for departmental managers linked to behaviors that foster high service quality                                    | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Concentrating on direct selling to local businesses  | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Designing employee incentive/reward/recognition systems based, at least in part, on the delivery of quality service                                | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Increasing the number of self-service operations in as many areas of the hotel as possible (e.g. coffee shops, swimming pools)                     | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Using the uniforms/dresses of guest-contact employees as a means to project image  | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Using computerized information systems as the basis for setting standards to improve customer service  | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Catering to the specific needs of individual customers/customer groups   | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Re-doing service when a customer is dissatisfied   | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Setting service quality goals which are challenging but realistic, are accepted by the employees, and measured and reviewed regularly              | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Setting specific service quality goals for employees which emphasize critical service tasks  | 1                          | 2 | 3                    | 4 | 5 | 6 |

|  | Not Part of Strategy ..... Key Part of Strategy |   |   |   |   |   |
|--|---|---|---|---|---|---|
|  | 1   | 2 | 3 | 4 | 5 | 6 |
| Training employees in communication skills   | 1   | 2 | 3 | 4 | 5 | 6 |
| Participating actively in franchise alliance for referral business   | 1   | 2 | 3 | 4 | 5 | 6 |
| Designing facilities to achieve specific image objectives  | 1   | 2 | 3 | 4 | 5 | 6 |
| Using differential scheduling of existing employees to cope with seasonal fluctuation in demand  | 1   | 2 | 3 | 4 | 5 | 6 |
| Developing new products and/or services  | 1   | 2 | 3 | 4 | 5 | 6 |
| Making employees work overtime in peak season  | 1   | 2 | 3 | 4 | 5 | 6 |
| Cultivating competitors to get their overflows   | 1   | 2 | 3 | 4 | 5 | 6 |
| Enhancing the personalization of service in all areas of the hotel   | 1   | 2 | 3 | 4 | 5 | 6 |
| Researching what service standards customers expect from industries similar/related to hotels (e.g. airlines)                                  | 1   | 2 | 3 | 4 | 5 | 6 |
| Expanding automation/computerization in guest handling   | 1   | 2 | 3 | 4 | 5 | 6 |
| Training employees in the technical aspects of the services they are supposed to provide   | 1   | 2 | 3 | 4 | 5 | 6 |
| Employing automation/computerization to reduce costs   | 1   | 2 | 3 | 4 | 5 | 6 |
| Assuming price leadership (high end pricing in the market) stressing superior quality  | 1   | 2 | 3 | 4 | 5 | 6 |
| Carefully choosing personnel who interact with customers (e.g. assessment of social adaptation skills)   | 1   | 2 | 3 | 4 | 5 | 6 |
| Encouraging free upward communication between guest-contact employees and management   | 1   | 2 | 3 | 4 | 5 | 6 |
| Using guest complaints/suggestions/feedback as a resource in strategic planning  | 1   | 2 | 3 | 4 | 5 | 6 |
| Achieving high operational efficiency levels   | 1   | 2 | 3 | 4 | 5 | 6 |
| Pricing based on what the market is willing to pay   | 1   | 2 | 3 | 4 | 5 | 6 |
| Promoting special rates and/or packages to improve traffic in low season   | 1   | 2 | 3 | 4 | 5 | 6 |
| Ensuring that a single guest-contacting employee can handle customer problems involving interaction between different departments of the hotel | 1   | 2 | 3 | 4 | 5 | 6 |
| Adopting innovative technologies wherever possible in different areas of the hotel   | 1   | 2 | 3 | 4 | 5 | 6 |
| Searching for new markets/opportunities  | 1   | 2 | 3 | 4 | 5 | 6 |
| Maintaining consistently high quality product and/or service   | 1   | 2 | 3 | 4 | 5 | 6 |
| Promoting the hotel to the travel trade to get bookings  | 1   | 2 | 3 | 4 | 5 | 6 |
| Training guest-contact employees about their customers/customers' expectations   | 1   | 2 | 3 | 4 | 5 | 6 |
| Pricing decisions based on a cost plus approach  | 1   | 2 | 3 | 4 | 5 | 6 |
| Minimizing the use of debt financing   | 1   | 2 | 3 | 4 | 5 | 6 |
| Determining pricing carefully to convey the appropriate quality signals  | 1   | 2 | 3 | 4 | 5 | 6 |
| Negotiating contracts with travel agents and tour operators for volume business  | 1   | 2 | 3 | 4 | 5 | 6 |
| Setting service quality goals that are designed to meet customer expectations  | 1   | 2 | 3 | 4 | 5 | 6 |
| Employing additional part-time workers to maintain service levels in peak demand periods   | 1   | 2 | 3 | 4 | 5 | 6 |
| Ensuring that hotel activities are coordinated to enhance customer satisfaction  | 1   | 2 | 3 | 4 | 5 | 6 |
| Using training and development to raise service quality standards  | 1   | 2 | 3 | 4 | 5 | 6 |
| Developing innovative service ideas/methods  | 1   | 2 | 3 | 4 | 5 | 6 |

- 2 -

|  | Not Part of Strategy ..... |   | Key Part of Strategy |   |   |   |
|--|----------------------------|---|----------------------|---|---|---|
|  | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Soliciting guest comments on their stay at the time of departure   | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Waiting till competitors introduce same new technology before following suit   | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Tying up with airlines and/or car rental firms to offer integrated reservations  | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Increasing service offerings to improve the perceived dollar value received by guests (e.g. extra room amenities, free breakfast buffet, providing the best tourist information, etc.) | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Promoting horizontal communication between different departments of the hotel (e.g. sales/marketing and operations)  | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Reducing service levels in high season to restrict demand  | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Researching sources of business (e.g. travel agents) to understand what guests want  | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Using sales blitzes in source markets to top corporate clients   | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Standardizing service tasks with the help of information databases (e.g. pre-registration)   | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Testing new marketing ideas and methods  | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Standardizing routine service tasks through automation, so that time is freed to personalize other service aspects   | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Stressing tangible cues in all communications (advertising, in-house signage, direct mail, etc.) to define the product/service   | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Leading the competition in introducing new technologies  | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Staying close to the customers by reducing the organizational levels between the guest-contact level and management level  | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Building teamwork by cross-training employees, team-based reward systems, etc.   | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Adopting competitive pricing (let par with competition)  | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Gearing much of marketing effort to project a specific image of the hotel  | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Contracting with hotel representation firms to promote the property  | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Using technology to enhance product and/or service quality   | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Deploying a highly visible professional sales force  | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Using a cost accounting system to establish costs accurately   | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Emphasizing employee empowerment by pushing decision-making down to the lowest organizational levels of the hotel  | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Adopting risk management practices   | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Bargaining with suppliers for lowest prices  | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Minimizing debt servicing costs through refinancing  | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Promoting the hotel to incentive houses  | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Encouraging all departmental managers to interact with customers personally and experience the service delivery process  | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Using every management decision to reach the goal of achieving the lowest cost of operation among the competition  | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Viewing customers' demands as challenges and puzzles rather than as problems (i.e., believing in the feasibility of solving any customer problem)                                      | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Serving a variety of market segments   | 1                          | 2 | 3                    | 4 | 5 | 6 |
| Providing better security than competitors   | 1                          | 2 | 3                    | 4 | 5 | 6 |

|   | Not Part of Strategy ..... |   |   | Key Part of Strategy |   |   |
|---|----------------------------|---|---|----------------------|---|---|
|   | 1                          | 2 | 3 | 4                    | 5 | 6 |
| Minimizing the use of debt financing  | 1                          | 2 | 3 | 4                    | 5 | 6 |
| Contacting customers after they have stayed at the hotel  | 1                          | 2 | 3 | 4                    | 5 | 6 |
| Focusing on few specific market segments and/or geographic markets  | 1                          | 2 | 3 | 4                    | 5 | 6 |
| Featuring actual employees doing their jobs in external communications (such as advertising)  | 1                          | 2 | 3 | 4                    | 5 | 6 |
| Constantly and visibly expressing/demonstrating management's commitment to product/service quality  | 1                          | 2 | 3 | 4                    | 5 | 6 |
| Training employees in risk management   | 1                          | 2 | 3 | 4                    | 5 | 6 |
| Industrializing the service operation by substituting technology and automation for people wherever possible (e.g. video check-in/check-out)                    | 1                          | 2 | 3 | 4                    | 5 | 6 |
| Adopting joint marketing and distribution along with competitors, local chamber of commerce, etc. to bid for shared business (e.g. conferences)                 | 1                          | 2 | 3 | 4                    | 5 | 6 |
| Being the lowest-priced hotel in the market   | 1                          | 2 | 3 | 4                    | 5 | 6 |
| Positioning food & beverage outlets to compete with outside competition   | 1                          | 2 | 3 | 4                    | 5 | 6 |
| Emphasizing in external communications those aspects of service quality (e.g. reliability) which customers consider most important                              | 1                          | 2 | 3 | 4                    | 5 | 6 |
| Treating employees as customers and seeking their input in product/service design   | 1                          | 2 | 3 | 4                    | 5 | 6 |
| Providing a broad range of products/facilities/service  | 1                          | 2 | 3 | 4                    | 5 | 6 |
| Cross-training employees to perform other tasks as a means of coping with peak season demand  | 1                          | 2 | 3 | 4                    | 5 | 6 |
| Trying to increase business in low season by calling on customers   | 1                          | 2 | 3 | 4                    | 5 | 6 |
| Improving the service orientation of employee behavior (particularly among those in guest-contact positions)  | 1                          | 2 | 3 | 4                    | 5 | 6 |
| Adopting innovative recruitment and retention methods to foster employee loyalty (e.g. recruiting physically challenged personnel)                              | 1                          | 2 | 3 | 4                    | 5 | 6 |
| Designing marketing programs aimed at developing and enhancing enduring customer relationships, i.e., repeat business   | 1                          | 2 | 3 | 4                    | 5 | 6 |
| Developing standard operating procedures for all areas of the hotel to ensure consistently high quality service delivery  | 1                          | 2 | 3 | 4                    | 5 | 6 |
| Employing yield management techniques/systems   | 1                          | 2 | 3 | 4                    | 5 | 6 |
| Educating customers on their roles in receiving quality service   | 1                          | 2 | 3 | 4                    | 5 | 6 |
| Communicating service quality guarantees to customers   | 1                          | 2 | 3 | 4                    | 5 | 6 |
| Setting up sales offices in generating markets  | 1                          | 2 | 3 | 4                    | 5 | 6 |
| Educating customers to use the hotel during non-peak periods  | 1                          | 2 | 3 | 4                    | 5 | 6 |
| Introducing latest computer/communication technologies in guest rooms   | 1                          | 2 | 3 | 4                    | 5 | 6 |
| Effectively using external communications (e.g. advertising) to manage customers' expectations (e.g. advertising only what can be and/or actually is delivered) | 1                          | 2 | 3 | 4                    | 5 | 6 |
| Assisting with hotels located in other markets to build mutual referral business  | 1                          | 2 | 3 | 4                    | 5 | 6 |
| Offering special rates and/or privileges for repeat guests  | 1                          | 2 | 3 | 4                    | 5 | 6 |
| Using high quality food & beverage as roomnight generator   | 1                          | 2 | 3 | 4                    | 5 | 6 |
| Building a good reputation of the property in the community   | 1                          | 2 | 3 | 4                    | 5 | 6 |
| Making specific effort to encourage customers to tell others about the hotel's good service   | 1                          | 2 | 3 | 4                    | 5 | 6 |



|  | Not Part of Strategy ..... |   |   | Key Part of Strategy |   |   |
|--|----------------------------|---|---|----------------------|---|---|
|  | 1                          | 2 | 3 | 4                    | 5 | 6 |
| Revening and/or restructuring regularly  |                            |   |   |                      |   |   |
| Using cross-training of employees to reduce costs  |                            |   |   |                      |   |   |
| Effectively using computers/automation to improve job scheduling, service delivery, etc. |                            |   |   |                      |   |   |

**ATTENTION:** Please check to make sure you have encircled a number for each item above.

2. Were your hotel's competitive activities as described by your responses to Q.1 significantly different during 1987-1989 as compared to 1980-1981? (Please encircle one response)

| Significantly ..... |   |   | Not significantly |   |   |
|---------------------|---|---|-------------------|---|---|
| Different           |   |   | Different         |   |   |
| 1                   | 2 | 3 | 4                 | 5 | 6 |

A major objective of this phase of the research study is to ascertain the appropriateness of the strategy measurement scale used in Q.1. Please provide your input in response to the following questions to help us refine this scale, if deemed necessary.

3. Are any of the scale items in Q.1 lacking in clarity? (Please check one)

Yes       No

4. If YES, which items were not clearly worded? (Please indicate the serial numbers of the items from Q.1 in the space below. Please use commas to separate the item numbers)

---



---

5. How would you have preferred the wording to be, to improve the clarity of these items? (Please indicate for each item noted in your previous response, your suggested rewording. Please use additional paper if necessary)

| <u>Item No.</u> | <u>Your suggestion for rewording</u> |
|-----------------|--------------------------------------|
| _____           | _____                                |
| _____           | _____                                |
| _____           | _____                                |
| _____           | _____                                |
| _____           | _____                                |

6. Are there any competitive methods that you have adopted at your hotel that are not covered by the strategy scale in Q.1?  
\_\_\_ Yes      \_\_\_ No

7. If YES, please write below all such competitive methods which you recommend being included in our strategy scale.  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

8. Were you in your present position at this hotel in the following years? (Please check below for each year)  
1990: \_\_\_ Yes      \_\_\_ No  
1991: \_\_\_ Yes      \_\_\_ No

*In the space below, please write any additional comments you wish to make relating to any aspect of the questionnaire you have just completed.*

If you would like to receive an executive summary of the results of this research study, please enclose your business card with the completed questionnaire.

*Thank you very much for your valuable time.*

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ID \_\_\_\_\_

**TO BE COMPLETED BY THE GENERAL MANAGER OF THE HOTEL**

Several questions below request you to relate your hotel with your "competition" while giving your responses. While responding to this questionnaire, please consider as your competition **ONLY** those hotels which directly compete with you for the same business.

**I. General information**

The purpose of the following questions is to obtain some general background about your hotel.

1. Please indicate below the category that most closely describes the location of your hotel. (Please circle one number)

- |                      |                  |
|----------------------|------------------|
| 1 <i>City-center</i> | 4 <i>Airport</i> |
| 2 <i>Suburban</i>    | 5 <i>Resort</i>  |
| 3 <i>Highway</i>     |                  |

2. Location is a very important factor for the success of a hotel. For example, in a beach resort destination, properties located right on the beach are considered to have an advantage over those located far away. Similarly, highway hotels located just off the exits and visible from the highway and/or the exit may have an edge over those which are a mile or two away from the exit. Using such criteria, and considering your competition as a frame of reference, how would you rate your hotel's location? (Please circle one number below)

- |   |   |
|---|---|
| <i>Most superior location<br/>against competition</i> | <i>Most inferior location<br/>against competition</i> |
| 1        2        3        4        5        6        |   |

3. Please indicate below the segment that most closely describes the type of your hotel. (Please circle one number)

- |                          |                     |
|--------------------------|---------------------|
| 1 <i>Full-service</i>    | 4 <i>Resort</i>     |
| 2 <i>Limited-service</i> | 5 <i>Convention</i> |
| 3 <i>All-suite</i>       |                     |

4. Please indicate below the type that most closely describes the ownership and management arrangement of your hotel. (Please circle one number)

- |   |  |
|---|--|
| 1 <i>Independently owned, self-managed</i>  |  |
| 2 <i>Independently owned, managed by the franchisor</i>                                   |  |
| 3 <i>Independently owned, managed by a management company (other than the franchisor)</i> |  |
| 4 <i>Chain owned (i.e., part of a multi-unit company), managed by the chain</i>           |  |

1

- 5 Chain owned, managed by the franchisor
- 6 Chain owned, managed by a management company (other than the franchisor)
- 7 Other than any of the above

Please describe: \_\_\_\_\_

5. When was your hotel first constructed? (Please give the year)

\_\_\_\_\_

**II. Your Hotel's Strategy**

The following question is about the strategies your hotel has used to compete in the market place.

Please indicate how much each of the following items was a part of the competitive strategy of your hotel in 1991 and 1992 combined. (Please circle one number for each item)

In responding to this question, please use your hotel's strategies and those of your competition as a frame of reference. Please keep in mind that it is what your hotel **actually did** that we are studying, and **not** what you think it should have done. Please use a scale of 1 = NOT PART OF STRATEGY to 6 = KEY PART OF STRATEGY.

|  | Not part of strategy |   |   | Key part of strategy |   |   |
|--|----------------------|---|---|----------------------|---|---|
|  | 1                    | 2 | 3 | 4                    | 5 | 6 |
| Entertaining regular guests to solidify repeat business  | 1                    | 2 | 3 | 4                    | 5 | 6 |
| Providing regular feedback to employees on their service delivery achievement  | 1                    | 2 | 3 | 4                    | 5 | 6 |
| Using customer panels to get regular information on customer needs/expectations  | 1                    | 2 | 3 | 4                    | 5 | 6 |
| Advertising to create and/or maintain awareness of the hotel   | 1                    | 2 | 3 | 4                    | 5 | 6 |
| Adopting user-friendly (to both employees and guests) systems and new technologies which improve the effectiveness of service delivery             | 1                    | 2 | 3 | 4                    | 5 | 6 |
| Improving customer participation skills (in self-help services) by simplifying systems and procedures, installing easy-to-understand signage, etc. | 1                    | 2 | 3 | 4                    | 5 | 6 |
| Giving overriding (i.e., above normal) commissions to travel trade   | 1                    | 2 | 3 | 4                    | 5 | 6 |
| Concentrating on direct selling to local businesses  | 1                    | 2 | 3 | 4                    | 5 | 6 |
| Designing employee incentives/reward/recognition systems based, at least in part, on the delivery of quality service                               | 1                    | 2 | 3 | 4                    | 5 | 6 |
| Increasing the number of self-service operations in as many areas of the hotel as possible (e.g. coffee shops, swimming pools)                     | 1                    | 2 | 3 | 4                    | 5 | 6 |
| Using the uniformedness of guest-contact employees as a means to project image   | 1                    | 2 | 3 | 4                    | 5 | 6 |
| Using computerized information systems as the basis for setting standards to improve customer service  | 1                    | 2 | 3 | 4                    | 5 | 6 |

|   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|
| <i>Revising service when a customer is dissatisfied</i>   | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Setting service quality goals which are challenging but realistic, are accepted by the employees, and measured and reviewed regularly</i>  | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Setting specific service quality goals for employees which emphasize critical service tasks</i>  | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Training employees in communication skills</i>   | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Developing new products and/or services</i>  | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Making employees work overtime in peak season</i>  | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Outbidding competitors to get their overflows</i>  | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Enhancing the personalization of service in all areas of the hotel</i>   | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Researching what service standards customers expect from industries similar/related to hotels (e.g. airlines)</i>  | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Expanding customer participation in guest handling</i>   | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Training employees in the technical aspects of the services they are supposed to provide</i>   | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Employing customer participation to reduce costs</i>   | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Assuming price leadership (high end pricing in the market) stressing superior quality</i>  | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Carefully choosing personnel who interact with customers (e.g. assessment of social adaptation skills)</i>   | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Encouraging two upward communication between guest-contact employees and management</i>  | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Achieving high operational efficiency levels</i>   | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Promoting special rates and/or packages to improve traffic in low season</i>   | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Ensuring that a single guest-contacting employee can handle customer problems involving interaction between different departments of the hotel</i>   | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Adopting innovative technologies wherever possible in different areas of the hotel</i>   | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Searching for new market opportunities</i>   | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Promoting the hotel to the travel trade to get bookings</i>  | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Training guest-contact employees about their customer/customers' expectations</i>  | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Pricing decisions based on a cost plus approach</i>  | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Minimizing the use of debt financing</i>   | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Determining pricing carefully to convey the appropriate quality signals</i>  | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Negotiating contracts with travel agents and tour operators for volume business</i>  | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Setting service quality goals that are designed to meet customer expectations</i>  | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Employing additional part-time workers to maintain service levels in peak demand periods</i>   | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Ensuring that hotel activities are coordinated to enhance customer celebration</i>   | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Using training and development to raise service quality standards</i>  | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Developing innovative service ideas/methods</i>  | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Soliciting guest comments on their stay at the time of departure</i>   | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Warning all competitors to introduce some new technology before following suit</i>   | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Increasing service offerings to improve the perceived dollar value received by guests (e.g. extra room amenities, free breakfast buffet, providing the best tourist information, etc.)</i> | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Reducing service levels in high season to restrict demand</i>  | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Researching sources of business (e.g. travel agents) to understand what guests want</i>  | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Using sales blitzes in source markets to tap corporate clients</i>   | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Testing new marketing ideas and methods</i>  | 1 | 2 | 3 | 4 | 5 | 6 |

|   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|
| <i>Standardizing routine service tasks through automation, so that time is freed to personalize other service aspects</i>                           | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Setting targets (such as in all communications (advertising, in-house signage, direct mail, etc.) to define the products/service</i>             | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Leading the competition in introducing new technologies</i>  | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Building teamwork by cross-training employees, team-based reward systems, etc.</i>   | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Adopting competitive pricing (at par with competition)</i>   | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Georing much of marketing effort to project a specific image of the hotel</i>  | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Using technology to enhance product and/or service quality</i>   | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Deploying a highly visible professional sales force</i>  | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Using a cost accounting system to establish costs accurately</i>   | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Emphasizing employee empowerment by pushing decision-making down to the lowest organizational levels of the hotel</i>                            | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Adopting risk management practices</i>   | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Bargaining with suppliers for lowest prices</i>  | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Minimizing debt servicing costs through refinancing</i>  | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Encouraging all departmental managers to interact with customers personally and experience the service delivery process</i>                      | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Using every management decision to reach the goal of achieving the lowest cost of operation among the competition</i>                            | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Serving a variety of market segments</i>   | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Providing better security than competitors</i>   | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Maximizing the use of debt financing</i>   | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Contacting customers after they have stayed at the hotel</i>   | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Focusing on few specific market segments and/or geographic markets</i>   | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Featuring actual employees doing their jobs in external communications (such as advertising)</i>   | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Constantly and visibly expressing/demonstrating management's commitment to products/service quality</i>  | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Training employees in risk management</i>  | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Industrializing the service operation by substituting technology and automation for people wherever possible (e.g. video check-in/check-out)</i> | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Being the lowest-priced hotel in the market</i>  | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Partnering food &amp; beverage operators to compete with outside competition</i>   | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Emphasizing in external communications those aspects of service quality (e.g. reliability) which customers consider most important</i>           | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Treating employees as customers and seeking their input in products/service design</i>   | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Providing a broad range of products/facilities/services</i>  | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Cross-training employees to perform other tasks as a means of coping with peak season demand</i>   | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Trying to increase business in low season by calling on customers</i>  | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Adopting innovative recruitment and retention methods to foster employee loyalty (e.g. recruiting physically challenged personnel)</i>           | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Designing marketing programs aimed at developing and enhancing enduring customer relationships, i.e., repeat business</i>                        | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Developing standard operating procedures for all areas of the hotel to ensure consistently high quality service delivery</i>                     | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Employing yield management techniques/systems</i>  | 1 | 2 | 3 | 4 | 5 | 6 |
| <i>Educating customers on their roles in receiving quality service</i>  | 1 | 2 | 3 | 4 | 5 | 6 |

|  |   |   |   |   |   |   |
|--|---|---|---|---|---|---|
| Communicating service quality guarantees to customers  | 1 | 2 | 3 | 4 | 5 | 6 |
| Setting up sales offices in generating markets   | 1 | 2 | 3 | 4 | 5 | 6 |
| Scheduling customers to use the hotel during non-peak periods  | 1 | 2 | 3 | 4 | 5 | 6 |
| Introducing latest computer/communication technologies in guest rooms  | 1 | 2 | 3 | 4 | 5 | 6 |
| Effectively using external communications (e.g. advertising) to manage customers' expectations (e.g. advertising only what can be order actually is delivered) | 1 | 2 | 3 | 4 | 5 | 6 |
| Aligning with hotels located in other markets to build mutual referral business  | 1 | 2 | 3 | 4 | 5 | 6 |
| Using high quality food & beverage as roomnight generator  | 1 | 2 | 3 | 4 | 5 | 6 |
| Building a good reputation of the property in the community  | 1 | 2 | 3 | 4 | 5 | 6 |
| Making specific effort to encourage customers to tell others about the hotel's good service  | 1 | 2 | 3 | 4 | 5 | 6 |
| Renewing order requisitioning regularly  | 1 | 2 | 3 | 4 | 5 | 6 |
| Effectively using computer/automation to improve job scheduling, service delivery, etc.  | 1 | 2 | 3 | 4 | 5 | 6 |
| Employing rigorous cost control systems/procedures in all areas  | 1 | 2 | 3 | 4 | 5 | 6 |
| Emphasizing on working relationships with local visitors/tourist bureaus for referral business   | 1 | 2 | 3 | 4 | 5 | 6 |
| Training departmental managers in the skills needed to lead employees to deliver quality service   | 1 | 2 | 3 | 4 | 5 | 6 |
| Training employees in interpersonal skills   | 1 | 2 | 3 | 4 | 5 | 6 |
| Minimizing overhead through standardization  | 1 | 2 | 3 | 4 | 5 | 6 |
| Using market research effectively in designing product and/or service strategies   | 1 | 2 | 3 | 4 | 5 | 6 |
| Instituting financial incentives for departmental managers linked to behaviors that foster high service quality  | 1 | 2 | 3 | 4 | 5 | 6 |
| Catering to the specific needs of individual customer/customer groups  | 1 | 2 | 3 | 4 | 5 | 6 |
| Participating actively in franchise alliances for referral business  | 1 | 2 | 3 | 4 | 5 | 6 |
| Designing facilities to achieve specific image objectives  | 1 | 2 | 3 | 4 | 5 | 6 |
| Using differential scheduling of staff employees to cope with seasonal fluctuation in demand   | 1 | 2 | 3 | 4 | 5 | 6 |
| Using guest complaints/suggestions/feedback as a resource in strategic planning  | 1 | 2 | 3 | 4 | 5 | 6 |
| Pricing based on what the market is willing to pay   | 1 | 2 | 3 | 4 | 5 | 6 |
| Maintaining consistently high quality product and/or service   | 1 | 2 | 3 | 4 | 5 | 6 |
| Tying up with airlines and/or car rental firms to offer integrated reservations  | 1 | 2 | 3 | 4 | 5 | 6 |
| Promoting horizontal communication between different departments of the hotel (e.g. sales/marketing and operations)  | 1 | 2 | 3 | 4 | 5 | 6 |
| Standardizing service tasks with the help of information databases (e.g. pre-registration)   | 1 | 2 | 3 | 4 | 5 | 6 |
| Bringing closer to the customers by reducing the organizational levels between the guest-contact level and management level                                    | 1 | 2 | 3 | 4 | 5 | 6 |
| Contracting with hotel representation firms to promote the property  | 1 | 2 | 3 | 4 | 5 | 6 |
| Promoting the hotel to incentive houses  | 1 | 2 | 3 | 4 | 5 | 6 |
| Viewing customers' demands as challenges and puzzles rather than as problems (i.e., believing in the feasibility of solving any customer problem)              | 1 | 2 | 3 | 4 | 5 | 6 |
| Adopting joint marketing and distribution along with competitors, local chamber of commerce, etc. to bid for shared business (e.g. conferences)                | 1 | 2 | 3 | 4 | 5 | 6 |
| Improving the service orientation of employee behavior (particularly among those in guest-contact positions)   | 1 | 2 | 3 | 4 | 5 | 6 |
| Offering special rates and/or privileges for repeat guests   | 1 | 2 | 3 | 4 | 5 | 6 |
| Using cross-training of employees to reduce costs  | 1 | 2 | 3 | 4 | 5 | 6 |

**ATTENTION:** Please check to make sure you have circled a number for each item above.

**III. Your Hotel's Performance**

*Next, we request you to provide some information about the operating performance of your hotel. As already stated in the cover letter, this information is for research purposes only, and will be held in the strictest confidence.*

1. Listed below are several performance measures applicable to hotels in general. Please indicate the most important of these by which your performance is judged by the owners/management. (Please circle one number)

- 1 *Percentage of Occupancy*
- 2 *Average Room rate*
- 3 *Market Share*
- 4 *Gross Operating Profit/Income Before Fixed Charges*
- 5 *Return on Sales (I.e., Profit/Sales)*
- 6 *Return on Assets (I.e., Profit/Fixed Assets)*
- 7 *Other than any of the above*

Please specify: \_\_\_\_\_

2. Please provide in the table below the information requested for the years 1992 and 1993. While the terms used below are fairly universal, we appreciate that you may be using some variations at your hotel. If any of the terms below do not match with your usage, please peruse the clarifications of the terms following the table.

|  | 1992 | 1993 |
|--|------|------|
| Rooms Available                            |      |      |
| Rooms Sold/Occupied                        |      |      |
| Net Room Sales                             | \$   | \$   |
| Total Sales                                | \$   | \$   |
| Income Before Fixed Charges                | \$   | \$   |
| Total Fixed Assets                         | \$   | \$   |
| Total Rooms Available of Competition       |      |      |
| Total Rooms Sold / Occupied of Competition |      |      |

**Clarification of Terms used above**

- Rooms Available** The number of rooms available for sale for the year (eg.: if an average of 100 rooms were available for sale each day of the year, the Rooms Available would be 100x365 = 36,500). Rooms that were out-of-order or under repair should not be included here.
- Rooms Sold / Occupied** The cumulative number of rooms sold/occupied in the whole year.
- Net Room Sales** Annual revenue from rooms, less discounts, taxes on room sales, and service charges paid to employees, if any.



|   |   |
|---|---|
| <b>Total Sales</b>                                | Total of all departmental revenues: rooms, food&beverage, telephone, minor operated departments, store rentals, and other income.   |
| <b>Income Before Fixed Charges (IBFC)</b>         | Also known as Gross Operating Profit. It is Total Sales, less all departmental and undistributed operating expenses. Thus, IBFC is the total income before deducting rent, insurance & property taxes, depreciation, interest, income tax, and reserve for replacement. |
| <b>Total Fixed Assets</b>                         | Net fixed assets value (i.e., after depreciation) from the balance sheet, including: land, building, plant & equipment, furniture & fixtures, and operating supplies.   |
| <b>Total Rooms Available of Competition</b>       | Similar to your own Rooms Available (please see above), this figure is the total rooms available for sale of all competition*, including your own.  |
| <b>Total Rooms Sold / Occupied of Competition</b> | Similar to your own Rooms Sold/Occupied (please see above), this figure is the total rooms sold/occupied of all competition*, including your own.   |

\* Please remember the definition of competition as first described.

#### IV. Your Hotel's Environment

Finally, we would like to understand the business environment in which your hotel has been operating.

Business environments are classified as being STABLE or VOLATILE, based on the degree (rate) of changes experienced in different segments of the environment. Listed below are various segments of the business environment. For each of these, please indicate the degree of change your hotel experienced during the years 1991 and 1992 combined. (Please circle one number for each segment)

Please use a scale of  
1 = STABLE (unchanging/steady) to 6 = VOLATILE (changing/unsteady).

|   | Stable..... |   |   |   |   | .....Volatile |
|---|-------------|---|---|---|---|---------------|
| <b>Suppliers of food, beverage and operating supplies</b> |             |   |   |   |   |               |
| a. price charged  | 1           | 2 | 3 | 4 | 5 | 6             |
| b. product quality standards                              | 1           | 2 | 3 | 4 | 5 | 6             |
| c. product/service specifications                         | 1           | 2 | 3 | 4 | 5 | 6             |
| d. introduction of new products                           | 1           | 2 | 3 | 4 | 5 | 6             |
| <b>Competitors' actions</b>                               |             |   |   |   |   |               |
| a. supply of rooms  | 1           | 2 | 3 | 4 | 5 | 6             |
| b. rates charged  | 1           | 2 | 3 | 4 | 5 | 6             |
| c. renovation and refurbishment                           | 1           | 2 | 3 | 4 | 5 | 6             |
| d. new services/facilities offered                        | 1           | 2 | 3 | 4 | 5 | 6             |
| e. attempts at differentiating products                   | 1           | 2 | 3 | 4 | 5 | 6             |
| <b>Customers' demand</b>                                  |             |   |   |   |   |               |
| a. for your services                                      | 1           | 2 | 3 | 4 | 5 | 6             |
| b. for new facilities/services                            | 1           | 2 | 3 | 4 | 5 | 6             |

**Financial/Capital markets**

|                                    |   |   |   |   |   |   |
|------------------------------------|---|---|---|---|---|---|
| a. interest rates                  | 1 | 2 | 3 | 4 | 5 | 6 |
| b. availability of capital         | 1 | 2 | 3 | 4 | 5 | 6 |
| c. cost of capital other than debt | 1 | 2 | 3 | 4 | 5 | 6 |

**Labor markets**

|                              |   |   |   |   |   |   |
|------------------------------|---|---|---|---|---|---|
| a. wage and salary rates     | 1 | 2 | 3 | 4 | 5 | 6 |
| b. availability of employees | 1 | 2 | 3 | 4 | 5 | 6 |
| c. union activities          | 1 | 2 | 3 | 4 | 5 | 6 |

**Government regulations**

|  |   |   |   |   |   |   |
|--|---|---|---|---|---|---|
| a. regarding rates you can charge            | 1 | 2 | 3 | 4 | 5 | 6 |
| b. regarding room, food and beverage quality | 1 | 2 | 3 | 4 | 5 | 6 |
| c. regarding provision of your services      | 1 | 2 | 3 | 4 | 5 | 6 |
| d. affecting personnel/labor decisions       | 1 | 2 | 3 | 4 | 5 | 6 |
| e. affecting sales and marketing             | 1 | 2 | 3 | 4 | 5 | 6 |
| f. affecting accounting/book-keeping         | 1 | 2 | 3 | 4 | 5 | 6 |
| g. imposing new tax measures                 | 1 | 2 | 3 | 4 | 5 | 6 |

**Technological developments**

|   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|
| a. in the application of computers and communication technologies | 1 | 2 | 3 | 4 | 5 | 6 |
| b. in the application of expert systems/decision support systems  | 1 | 2 | 3 | 4 | 5 | 6 |
| c. in reservation systems   | 1 | 2 | 3 | 4 | 5 | 6 |
| d. in training and development                                    | 1 | 2 | 3 | 4 | 5 | 6 |

*In the space below, please write any comments you wish to make relating to any aspect of the questionnaire you have just completed.*

*Please return the completed questionnaire to Bryan Murthy, Department of Hospitality and Tourism Management, 352 Wallace Hall, Virginia Tech, Blacksburg, VA 24061-0429, in the postage-paid, self-addressed envelope provided herewith. If you need any clarifications on this questionnaire, please call collect Murthy @ (703) 851-1646.*

*If you would like to receive an executive summary of the results of this research study, please enclose your business card with the completed questionnaire.*

*Thank you very much for your valuable time.*

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Department of Hospitality and Tourism Management  
362 Wallace Hall, Blacksburg, VA 24061-0429

*February 28, 1994*

*Dear Colleague:*

*We wrote to you about a week ago requesting you to participate in a pioneering research study of competitive strategies and performance in the lodging industry. If you have already returned the completed questionnaire we sent you, please accept our sincere thanks. If you have not responded yet, we urge you to do so today.*

*We realize how busy you are, but without the active participation of industry professionals like you, we cannot hope to advance the knowledge base of our industry. So, if you would like to understand which competitive strategies can help you outperform your competition, which is the principal focus of this important research study, please act upon this request immediately.*

*If you need any clarifications on the questionnaire, or you did not receive it at all, or it got misplaced, please call Murthy @ (703) 951-1646 now, and we will send you another copy right away.*

*Thank you for your cooperation.*

A handwritten signature in black ink that reads "Michael D. Olsen".

*Michael D. Olsen, Ph.D.  
Professor & Chairman, Doctoral Committee*

A handwritten signature in black ink that reads "Bysan Murthy".

*Bysan Murthy  
Doctoral Candidate*



Department of Hospitality and Tourism Management  
362 Wallace Hall, Blacksburg, VA 24061-0429

March 10, 1994

Dear Colleague:

*We have still not received your response to the request for your participation in our research study of competitive strategies and performance in the lodging industry.*

*Perhaps, you have been very busy and couldn't find the time to complete the questionnaire yet. We do appreciate the demands on your precious time posed by the competitive pressures of the market place. In fact, this is precisely what we are researching, i.e., which strategies succeed and which do not in a highly competitive environment. And, we want to share this valuable insight with you in return for your contribution. So, won't you please spare a few moments and participate in this important research?*

*Or perhaps, you are hesitating to participate because you are not comfortable with disclosing your confidential performance information. If this is the reason for your not responding yet, please note that we consider your input on the rest of our questionnaire equally important. So, we will appreciate it if you would at least complete Sections I, II, and IV of our questionnaire (i.e., leaving out the performance part) and return it to us.*

*We hope you will act on this request immediately and thank you for your valuable time and input.*

A handwritten signature in black ink, appearing to read "Bryan Murthy".

Bryan Murthy  
Doctoral Candidate

## **VITA**

## **BVSAN MURTHY**

Terrace View Apts., # 101 G  
1200 Toms Creek Rd., Blacksburg, VA 24060  
Ph. : (703) 951 1646

### ***EDUCATION***

Ph.D. in Hospitality and Tourism Management, 1994  
Virginia Polytechnic Institute and State University  
Major: Strategy; Minor: Marketing  
QCA: 3.65

M.B.A. in Marketing and Quantitative Methods, 1969  
Indian Institute of Management, Ahmedabad, India

M.Sc. (Technology) in Applied Geology, 1967  
Andhra University, Waltair, India

B.Sc. (Honours) in Geology, 1965  
Andhra University, Waltair, India

### ***INDUSTRY EXPERIENCE***

General Manager - Marketing, and Member of the Board of  
Directors, Dalmia Resorts International, India, 1986 - 1989

Corporate Marketing Planning Manager, Oberoi Hotels, India,  
1981 - 1986

Marketing Manager, Lupin Laboratories Pvt. Ltd., India,  
1978 - 1979

Marketing Manager, Ranbaxy Laboratories Pvt. Ltd., India,  
1976 - 1978

Marketing Manager, Ganesh Mills Co. Ltd., India, 1974 - 1976

Market Research and Systems Executive, The Coca-Cola Export  
Corporation, India, 1971 - 1974

Marketing Executive, The Coca-Cola Export Corporation,  
India, 1969 - 1971

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## ***ACADEMIC EXPERIENCE***

Research Associate, Michael D. Olsen & Associates, Blacksburg, U.S.A., 1993 - 1994

Project Co-ordinator, USAID Peace Fellowship Program, VPI&SU, Blacksburg, U.S.A., 1993

Graduate Assistant / Graduate Teaching Assistant, 1990 - 1992  
Department of Hotel, Restaurant and Institutional Management, VPI&SU, Blacksburg, U.S.A.

- GTA to Dr. Michael D. Olsen (HRIM 5414: Chain Management in the Hospitality Industries, HRIM 5514: Contemporary Problems in the Hospitality Industry, and HRIM 4534: Hospitality Management Policy), 1992 - 1993
- Research Associate, The Center for Hospitality Research and Service, 1992 - 1993
- GTA to Dr. Mahmood A. Khan (HRIM 4964: Field Study in HRIM), Fall 1990 - Summer 1992
- GTA, HRIM 4414: Food and Beverage Management, Summer 1992
- Assistant Manager, Cochran Dining Hall, Spring 1990
- Assistant to Dr. Deloris J. Pourchot, Assistant Director, Virginia Cooperative Extension Service, Summer 1990, '91, and '92

Faculty Member, Advanced Management Development Program, Department of HRIM, 1992. I was the only student member of the faculty for this international program conducted for members of the Swiss Hotel Association. I put together the curriculum for the Program and was also the Coordinating Assistant.

Instructor, HRIM 4454: Hospitality Marketing Management, Fall 1991

Member, Faculty Research Committee, 1991

Adjunct Instructor, Marketing Planning and Marketing Information Systems, Oberoi Hotel School, India, 1981 - 1986

## ***PUBLICATIONS***

Murthy, Bvsan and Murrmann, S.K. (1993, Jun). Employee Leasing: An Alternative Staffing Strategy. The Cornell H.R.A. Quarterly.

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Murthy, Bvsan and Dev, C.S. (1993). Average Daily Rate. In M.D. Olsen, et al (Eds.), Encyclopedia of Hospitality and Tourism. New York: Van Nostrand Reinhold.

Murthy, Bvsan and Olsen, M.D. (1992). Merlin Hotels, Inc. (case study). In M. D. Olsen, et al, Strategic Management in the Hospitality Industry. New York: Van Nostrand Reinhold.

Murthy, Bvsan and Murrmann, S.K. (1992, Spring). Employee Leasing: An Alternative Staffing Strategy. Canadian Hospitality Institute Journal, 20(1), 2-5 (Reprint from The Annual CHRIE Conference Proceedings, 1991).

Holtzman, Warren L., Murthy, Bvsan and Gordon, J.C. (1991, Oct). Cultural Bridging with the Japanese. The Cornell H.R.A. Quarterly, 52-59.

"Dalmia Resortimes" (a consumer education newsmagazine on Vacation Timesharing), Founding Editor and Publisher, 1988 - 1989.

### ***CONFERENCE PRESENTATIONS AND REFEREED PROCEEDINGS***

"Employee Leasing - An Alternative Staffing Strategy", The Annual CHRIE Conference, Houston, TX, July, 1991, co-presented with Dr. Suzanne K. Murrmann.

"Environment, Strategy, Structure and Performance - A Literature Review of Statistical Techniques Being Used", The Annual CHRIE Conference, Houston, TX, July, 1991, co-presented with Dr. Pamela Weaver.

Conducted a Marketing Information Systems Workshop for Oberoi Hotels International, 1982

Assisted in planning and conducting a Marketing Planning Conference for Oberoi Hotels International, 1982

### ***OTHER SCHOLARLY ACTIVITIES***

#### **REFEREE**

International Journal of Hospitality Management

The Cornell Hotel and Restaurant Administration Quarterly

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## ***RESEARCH GRANTS***

"The International Hospitality and Tourism Research Register." Team member with Dr. Michael D. Olsen, and Dr. Richard Teare, Bournemouth University, U.K. Research process was underwritten by The Hotel, Catering & Institutional Management Association (HCIMA). A database of research studies specific to the hospitality and tourism industry has been developed to be released in a CD-ROM format in June 1994. The first release of this CD-ROM captures the academic research from 1988 to 1994 and work in progress, leading to Master's and Doctoral dissertation studies, in academic institutions across the USA, Canada, the UK, South Africa, and select countries in Western Europe. Planned to be updated annually, the 1994-95 release, already under planning, will extend the scope of coverage of the Register to the Asia-Pacific region and all of Western Europe, and also capture research studies in non-academic settings, such as studies conducted by industry associations; governments and multilateral organizations; and industry firms, consultants and analysts.

"Environmental Scanning for Strategic Planning in the Multinational Lodging Industry." Team member with Dr. Michael D. Olsen. A report on the research study conducted for the International Hotel Association, Paris, being distributed by the IHA to CEOs of all lodging companies around the world. Planned to be a continuing research program to be updated every year, the 1994 study is in the final design stage.

## ***PROFESSIONAL CONSULTING***

Krisch Hotels, Roanoke. Strategic planning for financial restructuring and corporate repositioning of the 35-hotel chain. Team member with Dr. Michael D. Olsen. Also conducted independently a 2-day Workshop on Strategic Marketing Planning for the management group of the chain.

## ***PROFESSIONAL ASSOCIATIONS***

### **PRESENT**

Council on Hotel, Restaurant, and Institutional Education (CHRIE), since 1991  
South East CHRIE, since 1990  
Travel and Tourism Research Association, 1992

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## **PAST**

**PATA Research Authority  
All India Management Association  
Delhi Management Association  
Federation of Hotel and Restaurant Associations of India  
Punjab, Haryana and Delhi Chamber of Commerce and Industry  
Computer Society of India  
Indian Society of Advertisers**

## **HONORS/AWARDS/POSITIONS**

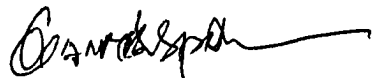
**Selected to serve on the Graduate Honor System Investigative  
Board / Judicial Panel, Virginia Tech, 1992 - 1993  
Outstanding Graduate Student, Dept. of HRIM, 1992  
Member of Board of Directors, TTRA - VT Chapter, 1992 - 1993  
President, Graduate Hospitality and Tourism Association,  
1991 - 1992  
Statler Foundation Scholarship, 1991 & 1992  
HRIM Departmental Scholarship, 1991 & 1992  
Travel Grant from the College of Human Resources, 1991  
Travel Grant from the GSA Travel Fund, 1991  
Eta Sigma Delta International Hospitality Honor Society,  
1991 - present Kappa Omicron Nu Honor Society, 1991 -  
present  
Founding Affiliate of Students for Tourism and Hospitality  
Research (STAHR), 1990 - present  
University Grants Commission Merit Scholarship (Government  
of India), 1965 - 1967**

## **COMMUNITY SERVICE**

**Lions Club International, India, 1988 - 1990; 2nd Vice  
President, 1989 - 1990**

## **REFERENCES**

**Available upon request**



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