



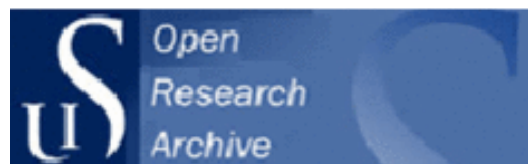
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# Editorial: Strategy in Hospitality Management

Doing research in strategy is exciting but perhaps also one of the most difficult things to do. It is exciting because strategy concerns considering the overall situation and development of companies and industries in a changing environment. Difficult because it leads to multidimensional models where it is neither clear which variables should be included or excluded, or what causality, if any, there is between the chosen variables.

A glimpse into the most relevant scientific electronic base (“Hospitality & Tourism Complete”, 2008) in search of hospitality strategy publications, gives 1451 hits<sup>1</sup> for the last 10 years. However, only 163 of these were filed as “peer reviewed”. This information reveals mainly two things: First, the urge to announce and give opinions about strategic issues is high with close to 150 publications each year. However, the number of peer-reviewed publications is less than 17 per year, and without any other knowledge about why and how such peer-reviewed papers become published, it is easy to conclude that less than 17 academic contributions each year from hundreds of hospitality schools and research centres is a very small amount.

## **Researchers’ Contribution**

Researchers within the field of hospitality contribute to the academic society and the industry in various ways. They can inform about ideas, e.g. how to understand phenomena, or they can focus on how to establish a better practice. These are the normative contributions. Besides this, most contributions give insights in how things are and will be in the industry or in companies in the industry – testing out differences, relationships and predicting consequences. Whatever form such research contributions have, there are some common norms underlying the researchers’ work – they all review what knowledge actually exists in the field they address, they emphasize the clear-cut understanding of words and concept, and they reveal the rationale and methodology that lead to conclusions.

In this special issue of the *Scandinavian Journal of Hospitality and Tourism* (SJHT) we can present four research-based papers that all address strategic issues. Two of them, Mossberg and Brownell, are conceptual and normative – they give researchers and practitioners new ideas and illustrate how these ideas work. The other two contributions, by Enz, Canina and Liu, and Heide, White, Grønhaug and Østrem, are based on empirical data – and by analysing the data the papers make conclusions about how the world is and which consequences this has for hospitality companies and industries.

## How do Hospitality Companies make Success?

A running controversy in strategic management is how to understand and explain the success of a company and the management role. According to idealism theory, human beings have the opportunity to make their own free/intentional choices. In strategic management theory this position is called “the free choice perspective” (see e.g. Thompson & Tuden, 1959). Adaptation to the external environment is explained by the organization’s ability to restructure itself in an intentional manner. Good management is being responsible, intentional and creative and creates conditions for the success of a company. We find this perspective in both Mossberg’s and Brownell’s contributions: It is, respectively, that a company can give customers an extraordinary experience by basing their business around a story or theme, and by managers listening effectively to their staff to allow the successful implementation of strategic plans.

According to functionalism, a company is a function of the environment in which it is a part. In strategic management theory, this is called the “ecological perspective” (see e.g. Hannan & Freeman, 1987). According to this view, every organization takes part in an evolutionary process with competitive selection in which the entire staff of the organization adapts to environmental changes. Institutional inertia or specific resources can block individual organizations. Good management includes correctly interpreting and correctly responding to stimuli from external environments. Good management does not decide how the future should be, but should take advantage of opportunities and avoid threats in the environment. In the papers by Enz, Canina and Liu, and Heide, White, Grønhaug and Østrem we find the ecological perspective where performance is explained, respectively, by co-location in industrial clusters and the ability to make pricing calculations.

Research based on either of these perspectives tries to find an answer to the basic crucial issue in strategic theory and management realm: *What makes the success of a company?* A clear answer to this would point out relevant variables, endogenous and/or exogenous, and tell us the exact relationship between necessary input and expected output. Or, is it so? No, of course not. In a changing world different strategic efforts will give different results, e.g. a good web page has another strategic function today compared with 10 years ago.

The fact that the importance of different strategic focus changes over time, makes the topics of research in strategic management change. When the discipline of strategic management was formed (cf. Olsen, West, & Tse, 2008), it was important to view the company above the functional disciplines (like marketing, accounting, human resources, etc), and to be able to see the company as a whole. This is also what is done traditionally and currently in the discourse of strategic management, among theorists as well as practitioners. However, in these holistic models, it is also a question of current importance of strategic elements and functions, i.e. what is important to emphasize in the hospitality market of our time? The four contributions

in this special issue do exactly that: They point out the importance of strategic visions, management style, pricing and revenue analyses and consequences of market co-location.

### **What's our Business? Why not tell a Story?**

A core strategic question in hospitality is “what business are we doing?”. Recently, an excellent elaboration and discussion of the basic business of hospitality industry was done by Morrison and O’Gorman (2008). Giving hospitality and service can be differentiated in quantity and quality – which has been the more traditional differentiation strategy, marketed in the number of stars. Alternative differentiation dimensions can be e.g. design and themes or additional service functions, but, also as Lena Mossberg proposes, storytelling.

The storytelling hotel does not only deliver functional service according to the guests’ needs, but create an experience that is extraordinarily. This experience is beyond receiving luxury services because it seems to give the guest the adventure of taking part in an intriguing story – and this is, according to Mossberg, something that will be remembered and appreciated.

In Lena Mossberg’s paper she elaborates the background of storytelling, gives examples of how this can be done, but also points out the relation to servicescape and discusses under which conditions storytelling will work.

The originality of this paper is that Mossberg combines knowledge from dramaturgy, servicescape and psychology of service experience and puts this into a strategic company thinking. In addition to this, Mossberg gives a case example and discusses necessary conditions and limitations for a storytelling hotel.

### **Strategy Implementation by Listening and Learning**

Judi Brownell has made studies in strategy implementation, and seems to combine traditional strategic planning perspective with more contemporary perspectives of symbolic communication and organizational learning. The traditional planning approach (cf. Mintzberg, 2003, p. 23 ff) arises when strategy is given as a plan and the leaders’ task is to implement this plan. So, this is about how managers establish as high an organizational effectiveness as possible by fulfilling the strategic plan and pursuing its goals. Strategy implementation is as important as the strategy itself because a non-implemented strategy is of little value. In Brownell’s literature review the importance and need for better implementation practices in the hospitality industry is well documented. The issue that makes the basis for the paper is that information does not float automatically in an organization, and, in the complex service delivery of hotel organizations, the information float may be even more difficult. Important then, for listening hotel managers, is to understand communicational networks on different levels in the organization, make information shared by organizational members and promoting organizational learning. Listening is therefore the key mean that will make a hotel able to implement a strategic plan by arranging task performances in accordance with these goals. Brownell argues that it seems like very few managers in the hospitality

sector have listening skills among their core competencies, and present a model (HURLER) that points out the elements in listening behaviour. The listening practice should be directed towards three levels in the organization; individual, group and organizational, and will respectively increase self efficacy and prepare individuals to participate in a learning environment, on group level it will increase information sharing and employees in ongoing knowledge processes, and finally, at organizational level it will strengthen culture and create a learning environment.

In the contemporary strategy literature addressing the hospitality industry, the problem of being able to implement strategies is an important issue that is pointed out as a main brake on the success of strategic management (see e.g. Doran, Haddad, & Chow, 2002; Evans, 2005; Harrington, 2005; Harrington & Kendall, 2006; Qiaohui, 2006; Sila & Ebrahimpour, 2003). Brownell's contribution has its strength in the fact that she recognizes not only the important systems, processes, and managers, but also gives propositions of how to deal with the implementation issue by defining the importance of specific management behaviour, the listening practice.

### **Co-location as Explanation of Strategic Success**

When the hotel managers in a hotel chain come to the annual meeting in order to explain their figures and successes, some of them can report – in spite of being localized in an area of high competition – a much better performance than others. And, perhaps they explain this by their own and subordinate managers' listening practice, or, maybe they tell their peers that high performance is achieved by storytelling. Can this be the truth? Yes, of course it can. But there can also be other not so obvious explanations of high performance, namely where and with whom the hotel is co-located.

Cathy Enz, Linda Canina and Zhaoping Liu present their study of competitive dynamics and pricing behaviour explained by the role of co-location. Compared to the two previously discussed papers, there is a shift over to ecological strategic theory – management success is to interpret, analyse and adapt to the environment.

In the paper's review it is shown that localization and industrial clusters have been reported to have a strategic importance in general and in industrial research. In the hospitality industry the importance of location (in or outside the city centre, close to airports, etc.), is well known and proven. The study of co-location in industrial clusters is based on agglomeration economics, originating from the work of Marshall (1920), which points out two types of agglomeration gains, yielded production enhancements and yielding heightened demand. However, in the hospitality industry, co-location effects are mainly to be expected on demand.

The reported findings in Enz et al.'s paper are based on a sample of almost 15,000 lodging organizations in the US. By employing advanced analytical techniques the authors conclude, among other things, that low scale hotels which are geographically co-located in clusters with a high concentration of luxury hotel suppliers, can achieve higher performance. Also, a co-location can under other circumstances lead to price erosion and thereby lower performance. It is worth noticing, as Enz et al. point out, that the conclusions of this study (that co-locating in a cluster can give a price premium), can appear different from traditional economic thinking, where high

concentration of hotel suppliers with high competition should rather be associated with reduced prices and revenue.

The overall research question of this paper is: Can a hotel improve its relative competitive position simply by co-locating with the right mix of other hotels? The answer seems to be yes. And the answers and results from this study show the importance of generic strategy (cost leader or differentiating). An important element in choice of generic strategy should, according to these results, be done by considering who your neighbours are.

This paper with its reported amazing findings gives more knowledge of the market conditions in which the hospitality industry is comprised of. In general there are relatively few published studies about overall market conditions – so more research in this field would be most welcome.

### **Pricing Strategies in the Restaurant Industry**

Heide, White, Grønhaug and Østrem present findings from a study of pricing strategies in the fast-food (pizza) segment in Norway. Pricing strategies are presented as a tool for increased revenue and enhancement of company performance. Pricing strategies are, as mentioned above, categorized as a functional strategy and will therefore be one of a company's many functional strategies.

Unlike Enz et al.'s paper that also studies pricing, Heide et al. founded their study on micro economic theory: By theorizing about what options companies under given market conditions can achieve, the research challenge was to show how such defined options can be reached. The market they study is between the perfect competition and monopoly: An oligopoly market where there are some few pizza restaurant chains that have the possibility to affect prices (market power).

What makes this study most interesting is that the researchers have not only employed and concluded on historical data (which is often the case in studies like this), but developed hypothesis of the market based on a priori supplier and customer knowledge, and then collected the necessary empirical data based on customers' and potential customers' preferences. By doing this the analyses show that there is potential for increased use of several pricing strategies towards existing and potential customer groups, like price, discrimination peak load pricing and bundling.

Although there is a long tradition of doing pricing strategy studies, focus on the restaurant sector is more seldom. And research in the Scandinavian restaurant market is even scarcer. In a market where, according to the authors, pricing strategies have been mostly ignored, it illustrates important options for pricing strategies that exist for restaurants, and it shows how such options can be converted into practical strategies for management.

### **Conclusion**

This review of the four papers presented in this special issue demonstrates a range of different perspectives on strategy in the hospitality sector. The papers address the creation of business ideas, how to ensure implementation of strategies, how geographical co-location can increase performance, and finally, how restaurants can take advantage

of pricing strategies. All papers raise new and interesting research questions for future research, but also offer practical ideas and advice for hospitality managers.

## Acknowledgements

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## Note

1. Search for words in “Subject terms” and “Author keywords” on “hotel or hospital\* or lodg\*” combined with “compet\* and advantage\* or capab\* or strateg\*”, 1998–2007.

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