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From Top Executives to Departmental Managers: A Comparative Study of Strategic Issues Perceived by Hotel Corporate Executive and General Managers

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ABSTRACT

To achieve optimal strategy development and implementation, an organization should identify relevant strategic issues, and ensure that the strategies are understood and supported at all levels of the organization. However, literature suggests that lower- and middle-level managers, while playing a critical role in an organization's strategy development and implementation, may not necessarily always share the same understandings and goals with the top managers regarding strategic issues. In this study, we seek to complement existing research in organizational strategy by exploring (1) whether the strategic issues perceived by hotel organizations' executives at the corporate level are consistent with those perceived by hotel general managers (GMs) at the property level, and (2) whether such consistency/inconsistency is influenced by those managers' demographic characteristics. The findings will not only contribute to the strategic management literature in general, but also enhance our understanding of multi-level hotel management in particular.

Key Words: Strategic Issue; Strategic Management; Multi-level Management; Hotel Industry

1. REVIEW OF LITERATURE

1.1. Strategic Analysis and Strategic Issue Perceptions (SIPs)

It is widely recognized that strategy development and implementation are critical to an organization's success. In the strategy development process, managers scan their operating environment, surmise strategic issues from their direct observation of their operating environment, and then operationalize a strategy based on identified strategic issues (e.g., David, 2001; Hambrick, 2004; Mintzberg, 1990). Research has indicated that strategic analysis, more generally referred to as "SWOT" analysis, which systematically investigates an organization itself and its environment, is essential for an organization to develop and execute sound strategies. That is, the organization must develop strategies through a process of executive management matching an organization's internal strengths and weakness with external, or environmental, opportunities and threats facing the organization, in an effort to achieve long-term organizational coping and survival (e.g., David, 2001; Harrison, 2003; Mintzberg, 1990).

It is clear that managers, as a result of their environmental scanning, form their perceptions of strategic issues (strategic issue perceptions, or "SIPs") before developing strategies. In a study on the executives of the hotel industry, O'Neill, Beauvais and Scholl (2004) define a SIP as "a manager's perception of the issues that will affect the organization's long-term success". As in any other industries, SIPs play a critical role in developing successful strategies for hotel companies. However, it is suggested that hotel managers tend to choose to selectively ignore certain issues while focusing their attention on other issues. The primary reason for this selectivity is that managers are confronted with substantial amounts of information regarding the environment, and much of this information is ambiguous. Therefore, the formulation of certain SIPs can be affected by a number of factors, including the organizational culture and the demographics of the managers.

1.2. Upper Echelons Theory and Effects of Demographics

Upper echelons theory proposes that top managers act on the basis of their personal biases, experiences, and values, and the demographic variables of the top managers may serve as useful, although imprecise, proxies for the executives' cognitions and values. Consequently, organizational outcomes including strategic choices and performance can be at least partially predicted by managerial demographics such as education, tenure, and functional background, because such demographics influence the environmental elements to which they are sensitive and the strategic actions they take (e.g., Hambrick and Mason, 1984). According to Hambrick (2004), a complete picture of the upper echelons theory incorporates four major constructs: first, the "strategic situation", which refers to the external environment of the organizations; second, independent from external strategic environment, there also exists "executive orientation", which consists of top managers' psychological factors (i.e., values, cognitive model, cognitive style, and personality) and observable demographics (i.e., age, tenure, education, functional background); third, the "filtering process", which suggests that executives selectively perceive and interpret the outside strategic situations based on their own psychological factors and demographical background; and fourth, after the "filtering process", the executives make strategic choices and actions, and consequently reach the organizational performance. All these strategic choices, actions, behaviors, and performance are regarded as "organizational outcome". Although the link between the "executive orientation" on the one hand, and "organizational outcome" on the other hand, have been widely supported (e.g., Walsh, 1988), there is little, if any, research regarding the "filtering process". In a recent review regarding upper echelon theory, Hambrick (2004, p.20) states "we have little evidence that executives filter the information they confront in any way that resembles" the previously outlined process. As previously discussed, because strategic actions and the performance outcome are largely affected by the SIPs of the managers, studying the managers' SIPs and examining the relationships between such SIPs and the managers' demographic background might shed light on this very important "filtering process".

1.3. Multiple Levels of Management

The labor force of the hotel industry can be categorized into a four-level pyramidal structure. At the bottom of the pyramid are hourly employees including the housekeepers, desk clerks, and food service employees who keep hotels running. They are managed and supervised on a daily base by the lower-level department managers (DMs), a term we use to include entry-level managers and department heads. On the third level of the pyramid are middle-level managers – the GMs, who have the top position in the hotel property, and who play a uniquely pivotal role in the company because they connect all property employees and managers with the corporate headquarters. At the top of the pyramid are corporate executives who oversee hotel operations, plan and develop new hotels, and strategize about how to position their companies with regard to industry competitors. Although top managers determine strategies and allocate resources to develop competitive advantages, they rarely are involved in the day-to-to day operations that implement the strategies and exploit the competitive advantages. It is the middle- and lower-level managers (GMs and DMs) who reconcile top-level perspectives and bottom-level implementation issues. As a result, middle- and lower-level management plays a critical role in organizational strategy development (e.g., Guth and McMillan, 1986). Researchers reveal that middle managers' participation in strategy formulation is associated with improved firm performance, and their commitment is essential to successful strategy implementation (e.g., King et al., 2001; Floyd and Wooldridge, 2000).

Because middle- and lower-level managers are responsible for interpreting and communicating top-level vision and strategies to bottom-level employees who must execute them, researchers argue that it is vital for organizations to achieve consensus on strategic issues not only among top managers but also between top-, middle- and lower-level managers (King et al., 2001; Mangaliso, 1995). For example, literature suggest that when middle managers agree on the strategic issues and competencies required to execute certain strategies, they are likely to communicate this agreement to lower-level managers and line employees; therefore, this agreement and communication help to create a shared understanding of the organization's most important goals and most valuable resources of competitive advantage (King et al., 2001). However, when such consensus between headquarters and subdivisions are lacking, Hammond et al. (1997) suggest that the policies and intended culture of headquarters can sometimes disappear in decentralized divisions or autonomous work groups. A study conducted by King et al. (2001) reveals that even when senior managers at the national level believed a competency was very important for competitive advantage, disagreement among middle managers across regions prevented the organization from obtaining such competitive advantage throughout the subdivisions in all regions.

2. RESEARCH QUESTIONS

Previous research indicates that SIPs are critical to an organization's success because SIPs constrain the formulation of business strategies, which is also related to the organization's culture and management demographics. Although a few empirical research studies have explored the SIPs of hotel executives with a general interest in application of the environmental scanning process on the hospitality industry (e.g., Costa, 1995; Olsen, Murthy and Teare, 1994), no research has simultaneously examined SIPs of managers at multiple levels. Consequently, whether there is a gap between the SIPs of top- and middle-level managers, and what factors may affect such gap, remain unknown. In this study, the focal interests are the similarities and/or differences of the SIPs of the managers at the top-, and middle-level, and how the managers' demographics may affect such similarities and/or differences. Therefore, to complement existing research in organizational strategy, we propose to conduct a qualitative study to answer the following four research questions. Due to its nature of being exploratory, no hypotheses are proposed in this study. Instead, we expect that the answers of these proposed research questions will assist in developing relevant hypotheses that can be statistically tested in future quantitative research.

Research Questions:

1. *What are the perceived strategic issues (particularly strategic opportunities, threats, and competitive advantages) of hotel corporate executives and property GMs?*
2. *How do the hotel corporate executives' and property GMs' demographics (particularly educational background, industry tenure, organization tenure, and functional background) relate to their perceptions of the strategic issues?*
3. *How do the corporate level executives' perceptions regarding strategic issues differ from the perceptions of the property GMs?*

3. METHODOLOGY

As part of a large research grant, this study is currently at the stage of developing the interview protocols. A total of five full service hotel companies had agreed to participate in

this grant research. For this study, 30 executives at corporate offices and 30 hotel property GMs will be interviewed. The interviews will be semi-structured and average about one hour, with approximately 15 minutes allocated to the interview questions related to this study.

The 60 semi-structured interviews will be transcribed from tape recordings. Then the analysis will be conducted in two major steps. First, the data will be coded with Strauss and Corbin's (1998) open-coding and axial-coding techniques, and Spradley's (1979) definitions of semantic relationships were applied to facilitate such coding process. Second, following Strauss and Corbin (1998), selective coding will be applied to examine the links between the emerged themes with a view to create a conceptual framework that would at minimum partially propose some of the focuses for future research on the related topics. Detailed first order and second order analyses will be conducted after the selective coding, and then the results and findings will be summarized.

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