.A Test of the Co-Alignment Principle
In Independent Hotels: A Case Study

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(ABSTRACT)

The purpose of this study was to understand the types of competitive methods used by independent hotels in their bid to obtain and sustain competitive advantage. The concept of the co-alignment principle, as it relates to the choice of competitive methods and their implementation, was the focus of the research. The study investigated the co-alignment between the elements of the co-alignment principle; strategy choice, firm structure and firm performance. Five hotels in Jamaica and two propositions were used to test the model. The theoretical discussions were based upon the resource-based view literature. The empirical section of the study consisted of in-depth case studies, direct observations, guests' surveys and secondary data of independently owned and operated hotels in Jamaica. Interviews were conducted with general managers (or acting general managers) and other managers at each hotel.

The study revealed the importance of co-alignment in hotels and the results indicated that performance was best when there was co-alignment. The results also indicated that the competitive methods cited by managers, as providing the greatest value to the hotels, were not always in line with what guests saw as important to them. Six conclusions were reached, which revealed the actions of managers of independent hotels. Unlike past research that focused on only one element of the co-alignment principle, this study focused on three elements; strategy choice, firm structure, and firm performance. The fourth element, environmental forces, was held constant in this study.

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CHAPTER ONE

INTRODUCTION

Introduction

In today's competitive environment, management must constantly make strategic choices about how to compete (Olsen, Tse and West, 1998). These strategic choices must be the result of environmental activities that allow managers to identify the forces that drive change and understand the opportunities available (Olsen, et al., 1998). Understanding the opportunities is a major challenge for many managers, as most are unable to interpret the meaning of the activities or to identify the forces driving change. The ultimate goal of all hotel managers is to obtain the best return possible on their investments. This can only be achieved when the right strategic choices are made about gaining competitive advantage. This is the challenge that all managers must overcome to obtain the competitive advantage needed to survive in today's environment.

This challenge has led firms to seek different ways to achieve and maintain a competitive advantage over their competitors and at the same time keep abreast of the forces that are driving change in the environment. There are firms that have demonstrated superior performance and are more successful in achieving and maintaining a competitive advantage than other firms. One question that might be asked is "why?" It is has been said that superior performance of some firms arises because they possess something unique, which is hard to imitate (Bharaday, Varadarajam, Fahy, 1993). Unfortunately, hospitality and tourism services are easy to copy given the ability of competitors to visit and observe the services of their competitors, the inability to protect trade secrets through patents and the fact that services are provided by people who can imitate other people (Morrison, 1996).

The Caribbean has been known as a premier tourist destination for the past five decades (CTO). Even with this history, it is not immune to the changes in the competitive environment, and each sector within the hospitality industry must constantly seek ways to add value to its firms to gain and sustain a competitive advantage.

The Lodging Industry in the Caribbean

The Lodging Industry in the Caribbean has experienced many challenges during the last three decades, the most significant being growth in competition and keeping pace with the other forces driving change in the environment. This increased competition is a result of the massive expansion of multinational chain hotel companies in the Caribbean and the growth of Caribbean chain hotels. Another important contributor is the increase in tourist destinations worldwide. While the average growth rate of 5.5% for tourist arrivals in the Caribbean is somewhat faster than the international tourist movement worldwide (4.9%), the traditional destinations such as Jamaica, are experiencing low growth rates annually (CTO Statistics, 1999).

The Lodging Industry in Jamaica

The Lodging Industry in Jamaica is a good example of the changes that have taken place in the Caribbean over the last decades and is taking place today. Traditionally known for its small family-owned resorts, Jamaica has experienced growth in the size and types of resorts. There have also been changes in the type of tourist that visits the island. With the recent opening of Ritz Carlton, Rose Hall and a Spanish owned, All-Inclusive hotel—Riu—in Negril, the increase in competition has become even more threatening, as both hotels are raising the bar on the level of service customers are expecting. In an unofficial survey conducted by students at the University of Technology in August 2000, of hotels in the Montego Bay area, most hoteliers reported that although they did not consider the Ritz Carlton, Rose Hall as a competitor, they felt that they needed to increase the level of service at their properties.

Today, travelers recognize Jamaica as an All-Inclusive destination (a hotel concept based on a rate that covers accommodation, meals, drinks, activities, taxes, tips and air transportation) that is dominated by two locally owned chains, Sandals and Superclub. These two dominant players have made their presence felt to the extent that the independently owned hotels see them as a major threat to their survival. In addition to the local chains, major multinational chains such as the Renaissance, Holiday Inn, and Ritz Carlton, to name a few, are currently operating in the island and other major chains such as the Hyatt and Marriott are awaiting the opportunity to enter the market. Allegro, the largest All-Inclusive hotel company, has for the past three years been seeking to enter the market with a major hotel (JAMPRO, 2001). With the renewed interest and the opening of major hotels, the competition intensifies.

Added to the highly competitive environment, the Lodging Industry in Jamaica is also plagued with ongoing problems of the unstable exchange rate and negative publicity caused by the high crime rate. These problems have put additional pressure on managers and owners to stay competitive. At the same time, each year, the government has constantly cut its promotional budget, while aggressive marketing by the locally owned All-Inclusive chains have allowed them to take over, shifting the focus to individual properties (Davis and Roxorough, 2001). In addition to the aggressive marketing, in down times, the All-Inclusive chains also offer low rates in a bid to lure tourists to Jamaica, making it harder for the independent hotels to compete. Despite these problems, the political climate is relatively stable and the government encourages both local and foreign investments in the tourist industry by offering very attractive tax exemptions and other benefits to assist the growth of the sector (JAMPRO, 1999).

In 1999 there were 194 hotels, 15,560 rooms in Jamaica. During 2000, an additional three hotels and 540 rooms were added thereby increasing the number of rooms to 16,100 and the number of hotels to 197 (JTB 2000 statistics). Eighty-six percent of the total hotels in Jamaica are independently owned and thirteen percent are either local chains or multinationals. However, 70% of the independent hotels have less than fifty rooms. All-Inclusive hotels account for 25% of the total hotels and 56% of the total rooms (JTB), and non-All-Inclusive hotels account for 75% of the total hotels and 44% of the rooms. The sizes of the hotels range from as low as ten rooms to 725 rooms. Occupancy for the All-Inclusive category has remained stable over the past four years, averaging 67% occupancy annually, while the non-All-Inclusive category has shown a steady decline during that period, averaging 41% occupancy in 1999 (JTB).

Multinationals in Jamaica

Multinationals have been in Jamaica since the 1950s. In the 1970s however, companies such as the Hilton, Sheraton and Intercontinental exited the market in the wake of political upheavals and the nationalization of hotels by the government. With the change in the political climate, the '90s saw the reentry of the multinationals. Nine multinational chains are presently operating in Jamaica (Holiday Inn, Hilton, Allegro (Jack Tar), Wyndham, Le Meridian, Renaissance, Ritz Charlton, Rio Hotels and Choice

Hotels). Five of the nine are either under management contracts or franchised, and the remaining four are foreign-owned (JAMPRO, 2001). These multinationals are not only competing with the local chains, but they are also competing with the independently owned properties such as Sunset Beach Resort (423 rooms)—an All-Inclusive hotel. New entrants, such as the Ritz Carlton and Rio, have had a significant impact on the local hotels, especially in the area of human resources and quality. The competition is expected to escalate with Rio building two more properties and the Barbados All-Inclusive chain, Almond Resorts, entering the Jamaican market.

Locally Owned Hotels in Jamaica

Ninety percent of the hotels in Jamaica are locally owned. This includes the multinationals that are either franchised or under a management contract and the local chains—Sandals and Superclub. Most of the independently owned hotels are very small, starting from as low as ten rooms (60% of the total have less than 50 rooms). The mode of operations of hotels in Jamaica was traditionally owner operated. Recently the larger hotels have started converting to either local chains or multinational chains, making it more difficult for the others to compete.

The Sandals and Superclub chains are the leaders in the locally owned property and more or less set the standards for the other properties. Chain hotels that left the island in the 70's and 80's are starting to return, putting more pressure on the independently owned properties to seek ways to survive. The independently owned hotels are finding it very hard to survive in this competitive market, mainly because they lack the capital resources to invest in competitive methods that can add value to their hotels and the inability to take advantage of low interest rate loans to upgrade the physical product.

Chain affiliation has been one competitive method used by independently owed hotels lately. This is evident in the growth of multinationals that have entered or are entering the market and the growth in management contracts by the locally owned chains. There is also evidence that some hotels invest in human resource development programs that can assure the delivery of high quality service. Most hotels have recognized the importance of repeat business. Therefore, a great deal of time is spent building lasting relationship with the guests. Hotels are also investing in technology, by posting web sites and reservation systems. As mentioned above, hotels in Jamaica recognize the increased competition and the standards that are being set by the major players.

The fate of hotels in Jamaica is no different from any other tourist destination in the world. The competition will continue to grow and, according to Olsen (1998), the demand will continue to be balancing the greater demands for the perfect delivery of services and products, with the requirements of owners and investors who want returns on their assets on par with other investment opportunities. The challenge for hoteliers, especially those that operate independent hotels, is how to reach this balance.

Problem Statement

In today's turbulent competitive environment, more than ever managers need to make strategic choices that specify the kind of competitive advantage they seek, and that which can add value to the firm. The goal of every organization is to gain sustainable competitive advantage. Managers do so by investing in competitive methods as a way of ensuring that they are able to sustain the competitive advantage once achieved, in order to get the necessary returns (Olsen, et al., 1998). In the Lodging Industry, achieving a sustainable competitive advantage is very difficult, as competitive methods, regardless of how unique, can be easily copied by other hotels (Olsen, et al., 1998). Olsen, West and Tse (1998) suggest that for firms to achieve the sustainability, they should combine several of their unique products and services into a number of competitive methods in such a way that it will be difficult for others to imitate. In Jamaica, independent hotels are experiencing increased competition from the chain affiliated hotels every day. Some have found ways to compete successfully, while others have not. They have been able to combine their unique products and services into a number of competitive methods that have given then the competitive edge they need to survive. However, the majority has not. How some are able to do this and others are not will be the focus of this research.

Purpose of Study

There are many independently owned hotels that have achieved sustainable competitive advantage very successfully, while others have not. The purpose of this study was to understand the types of competitive methods used by non-chain affiliated hotels in Jamaica, in their bid to obtain and sustain competitive advantage. Independently owned and operated hotels were chosen because a critical aspect in understanding competitive advantage is identifying firm specific advantages, particularly in an outlying rather than the average representative firm (Aharoni,1993). The concept of the co-alignment principle as it related to the choice of competitive methods and their implementation was the focus of the research. The research attempted to develop a methodology that accurately identified competitive methods used by hotels. The propositions guiding this study are:

a) firms that achieve greater alignment between competitive methods and firm structure, contingent on the objectives of the owners, performed better than those that did not; and

b) firms that have an agreement between what customers perceived as the competitive methods and what management did found higher levels of performance on available performance measures.

The questions the study aimed to answer are:

Strategic Choice

1. How were competitive methods chosen?
1. What competitive methods were used to gain competitive advantage?
2. What was the relationship between the strategic choice, firm structure and firm performance?

Firm Structure

3. What investments were being made to best utilize the competitive methods?
4. What resources, human or material, were allocated to the competitive methods?
5. How were the resources aligned so that there was no compromise in achieving the mission of the hotel?
6. What core competencies were identified?
7. How did the contextual and process variables affect the implementation and expectation of the competitive methods?

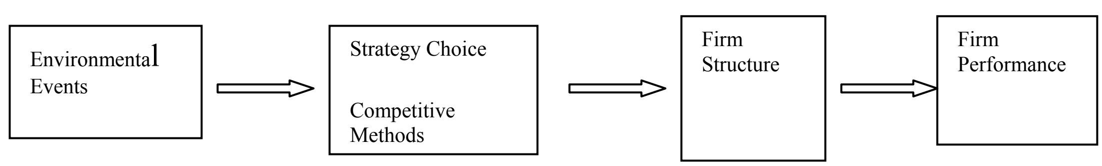
Firm Performance

8. How did management evaluate investment decisions that supported the competitive methods?
9. How was the success of the competitive methods measured?
10. What cash flow was generated from each competitive method?
11. What return on invested capital was realized by the hotel?
12. How did the guests, relative to the competitive methods employed, perceive the hotel?

The Co-Alignment Principle

The principal focus of this research was the co-alignment principle, which suggested that firms would achieve competitive advantage if they were able to identify opportunities in their environment, take advantage of the opportunities by consistently allocating resources to the competitive methods which added value to the firm (Chandler, 1962; Bourgeous, 1980; Venkatramen, 1990; Murthy, 1994; Olsen, et al., 1998; and Connolly, 1999). In essence, as demonstrated in Figure 1.1, there is a relationship between the elements of the co-alignment principle, environmental events, strategic choice/competitive methods, firm structure and firm performance.

Figure 1.1 – The Co-Alignment Principle



The model illustrates the linkage between the forces driving change in the environment, strategy choice, firm structure and firm performance. The constructs investigated were competitive methods, firm structure and firm performance. In the model, the competitive methods reflect the portfolios of products and services, which include both tangible and intangible resources, designed to create a competitive advantage. The forces that drive changes in the environment also drive the strategy choice made by management. The premise is that the strategy choices are the competitive methods identified to best address the opportunities available and the ones that are assumed will add the greatest value. The assumption is that the competitive methods are made up of the firm's resources, the core competencies and capabilities of the hotels, and are driven by the forces driving change in the environment.

The firm's structure in the co-alignment principle indicates the factors affecting the implementation process. The relationship between these factors and the dimensions that make up these factors must be understood so that the right decisions can be made. The implementation process involves an analysis of the different dimensions (the contextual and process variables, and core competencies). The firm's resources are allocated based on the presumed value of each dimension. The linkage reflects the continuous resource allocation that is needed to support the competitive methods chosen.

The hotel's performance is the final link in the model. The performance is measured by both financial and behavioral measures. The financial performance was measured using cash flow analysis, aggregate value and/or customer service. The effective bundling of the products and services to form competitive methods are reflected in the hotel's performance. The assumption is that an evaluation of the hotel's performance will reflect the most valuable competitive methods. The relationship between the four elements of the co-alignment model should be reflected in why strategy choices/competitive methods are made and implemented and how the firms perform because of these choices.

Theory And Concept

Strategic Management

Researchers differ on their conception of strategic management. There are those who view strategic management as an ongoing process (Henderson, 1979; Bracker, 1980; Thompson & Strickland, 1996; Pierce & Robinson, 1997) while others consider strategic management a way of thinking (Mintzberg, 1979; Webster & Hudson, 1991; and Olsen, et al., 1998). The key difference in the definitions was that the process researchers included the overall process of strategic planning while the others saw strategic management as a stream of decisions—a way of thinking. This study adopted the view used by Olsen, et al. (1998). They viewed strategic management as a way of thinking, "that must be embedded into every decision, every activity, and at every point of customer contact. It should be the fabric woven into every decision regarding the acquisition and transformation of all resources the firm uses to achieve its objectives" (pg. 6).

Strategy

"Strategy," as defined in the strategic management literature, varies across a wide spectrum. Tse and Olsen (1999) presented a sample of twenty-three different definitions, beginning with Van Neumann and Morgenstern in 1947 and ending with Porter's 1999 definitions. The commonality found in the different definitions was the focus on how to better deal with competition (Tse & Olsen, 1999). Van Neumann and Morgenstern (1947) is one of the first definitions on record that address strategy from a business perspective (Tse & Olsen, 1999). They defined strategy as a series of actions by a firm that are decided on according to the particular situation. Other researchers, such as Hofer (1975); Mintzberg (1979); Lawrence & Dyer (1980) and Chakravarthy (1982), defined strategy as a pattern/stream of decisions taken to achieve the most favorable match between the external environment and organizational capabilities. Porter (1980), the dominant view of strategy in the 80's, described strategy as coping with competitive forces, and believed that firms must take offensive or defensive actions to create a defendable position in an industry. In a later article, Porter (1996) defined strategy as the creation of a unique and valuable position, involving different sets of activities. This definition is more in line with current definitions that view strategy as a way to achieve and sustain competitive advantage (Aharoni, 1993). All the definitions above highlighted the importance of strategy in organizations.

Business Strategy

There are three levels of strategy: corporate, business and functional (Thompson and Strickland, 1996). The level is dependent on where it is applied. Business strategy, within a single-unit or stand-alone single-business company, is the same as corporate strategies centering on achieving sustainable competitive advantage. It is concerned with how firms compete within industries and is directed at determining the competitive methods to be used (Olsen, et al., 1998). Researchers (Miles and Snow, 1978; Porter, 1980; Hambrick, 1980; Segev, 1989; and Barnett, Grieve and Park, 1994) have developed different typologies of types of strategies firms must use to out-perform their competitors.

The most followed are Porter's (1980) three generic strategies: overall cost leader, differentiation and focus. He suggested that firms should use these generic strategies to cope with the competitive forces. The major focus of the studies mentioned above was on resource allocation and the integration of the functional strategies (Schendel & Hofer, 1979).

Competitive Advantage

The concept of competitive advantage which drives business strategy (Lado, Boyd & Wright, 2000) is about how firms can out-perform their competitors in specific areas. Understanding how this is done has been the focus of many researchers in the field of strategic management (Barney, 1991; Porter, 1985). Lado, et al. (2000) found two competing models. There are models that deal with industrial organizations (Bain, 1956; Hill, 1988; and Porter, 1980, 1981, 1985) and others that focus on the resource-based view (Barney, 1986, 1988; Dierickx & Cool, 1989; Lippman & Rumlet, 1982; Reed & DeFillipi, 1990; Collis & Montgomery, 1995). The resource-based view focuses on competencies and capabilities of the firm that are bundled and used to gain competitive advantage. There are however, other works that focus on specific resources that are used to gain competitive advantage, such as intellectual resources (Zack, 1999), distinctive competencies (Lado, et al., 1992) and human resources (Pfeffer, 1995).

Sustainable Competitive Advantage

The down side of achieving a competitive advantage is that it is not necessarily sustainable. Sustainable competitive advantage is best achieved when a firm is able to prevent competition from firms that can easily duplicate its portfolio (Olsen, et al., 1998). The core competencies and the capabilities that make up the portfolio must be inimitable to sustain a competitive advantage. It is in the firm's best interest then to not only aim for competitive advantage, but also seek ways to sustain it. Because of its demonstrable contribution to sustainable competitive advantages and superior profitability, research—in the area of sustainability in strategic management—focuses on capabilities (Day, 1994).

Core Competencies

Sustainability of competitive advantage depends on matching the firm's capabilities (resources) with the firm's competencies (what the firm does best). Traditional strategic management models define the firm's strategy in terms of the products it makes and the markets it serves (Zack, 1999). More recently, studies have been focusing on the firm's core competencies as capabilities, which seek to identify the abilities within an industry or firm that offer competitive advantage (Olsen & Roper, 1998). Prahalad & Hamel (1990) viewed the company as a portfolio of competencies, which are its critical resources. They defined core competencies as the collective learning in the organization, communication, involvement, and deep commitment to working across organizational boundaries. The idea, however, has been extended over the years to cover the firm's many skills and functions (Coyne, Hall & Clifford, 1997).

Resources, as used in strategic management literature, refer to the capabilities of the firms, which may be tangible or intangible. They are the result of the accumulation of interconnected tangible (technologies) and intangible (managerial skills) resources, which result in the diffusion of technology across functional boundaries (Wasserman, Pagell & Bechtel, 1994). These resources are defined as complex bundles of skills and collective learning, exercised through organizational processes, which ensure superior coordination of functional activities (Day, 1994). In other words, capabilities are business process strategies that deliver value to the customer (Stalk, Evans & Shulman, 1992). Capabilities-based competitors identify their key business processes, manage them centrally, and invest in them heavily, looking for long-term payback (Stalk, et al., 1992). In the resource-based view of the firm research, capabilities can be interpreted as competitive methods and are sometimes referred to as strategies (Aharoni, 1993), resources (Duncan, Ginter, & Swayne, 1998), configurations (Miller & Whitney, 1999). In other literature competitive methods are also referred to as the 'core competencies' that are bundled into capabilities (Olsen, et al., 1998).

Competitive Methods in the Hotel Industry

The evolvement of strategic management research from the product market orientation to the resource-based view, has led researchers to identify core competencies and competitive methods utilized by firms. The strategic management literature refers to strategic assets (Amit and Schoemaker, 1993) and strategy (Aharoni, 1993), as being made up of portfolios of products and services (capabilities) that can give firms the competitive advantage. In the hospitality industry strategic management literature, the concept of competitive methods refers to the investment choice that firms make when they match opportunities within their environment (Olsen, et al., 1998). Competitive methods are also viewed as new and creative generation of value that brings new revenue to the firm. These methods are designed by firms to gain competitive advantage over their competitors. According to Olsen (1995), competitive methods must be viewed by the firm as an important value-adding dimension of the firm's overall strategy. The competitive methods chosen are usually in response to the changes taking place in the environment (Olsen, et al., 1998). Firms, in responding to the opportunities and threats in the environment, create portfolios of both their tangible and intangible resources that are capable of adding value to the firm. The challenge for all firms is to recognize the resources and capabilities to include in the portfolios. The decision is dependent on those that will add the most value to the firm.

For the past two decades, hospitality researchers in strategic management have attempted to answer the question why some firms succeed and some do not. Some of the seminal works of these researchers have focused on strategy and the environment (West, 1988; Dev, 1988; Crawford-Welch, 1991), strategy and structure (Schaffer, 1996; Tse, 1988) and strategy and implementation (Schmelzer, 1992; Parsa, 1994). More recently, researchers such as Murthy (1994); Griffin (1994); Jogaratnam (1996); Cho (1996); de Chabert (1997) and Connolly (1999), have investigated different areas within the competitive methods' concept in their quest to answer the question on a firm's success.

Murthy (1994) identified competitive methods utilized by hotels to gain a competitive advantage. He adapted a typology to measure hotel competitive methods, identify dimensions associated with high performance—the relationship between the competitive methods and performance. He identified seven strategic dimensions: service quality leadership, technological leadership, push, cost control, pull, group channels and cross-training. Murthy also found that strategies followed by high and low performing hotels were different and that performance was based on the choice of competitive methods chosen. Griffin (1994) tried to identify critical success factors of yield management systems in hotels.

Jogaratnam (1996) also investigated the relationship between competitive methods and performance. He focused on the restaurant industry and found that both strategic posture and environmental munificence are independent predictors of performance. Jogaratnam developed a typology that demonstrated the determinant of performance and the relationship between competitive methods and performance. Both Murthy and Jogaratnam found significant relationship between competitive methods and performance.

Cho (1996) and de Chabert (1997) focused on the core competencies firms used to gain competitive advantage. Cho (1996) investigated how informational technology application was used to create and sustain competitive advantage. Cho also found a relationship between competitive methods, competitive advantage, and resources and capabilities. de Chabert (1997) developed and tested a model of core competency implementation and development in casual restaurants. The study revealed co-alignment is a determinant of high performance.

The latest study is Connolly's (1999) that investigated decision-making as it relates to investments in informational technology in hotels. Connolly utilized the co-alignment principle in his investigation of the resource allocation process used with respect to information technology and global distribution systems. He confirmed that co-alignment existed between competitive methods and informational technology used as a core competency. The commonality in the above studies is the relationship between competitive methods and performance. Each researcher chose different avenues to prove this relationship.

Olsen did one of the most comprehensive studies of competitive methods in the hospitality industry in 1995 for the International Hotel Association. Olsen identified competitive methods utilized by multinational hotel companies during the period 1985-1994. In a follow-up study in 2000, Olsen and Zhao identified competitive methods utilized by multinational hotel companies during the period 1995-1999. In both studies it was found that hotels choose their competitive methods to match their environment. Additionally, Olsen (1995) was able to identify the forces driving change in the environment and analyzed how the firms reacted to them along with the financial performance of these hotels. Despite an increase in research in the hospitality industry, further work is needed in the understanding of the utilization of competitive methods, especially in smaller firms within the industry.

Research Design

The research approach was a case study. The case study increased our knowledge in understanding the competitive methods utilized by hotels in a very competitive environment. Six independently owned and operated hotels in Jamaica were chosen from a possible fifty-two hotels (there are 170 independent hotels in Jamaica, but 70% have less than 50 rooms). The hotels were selected randomly from a list submitted by representatives of the Jamaica Hotel and Tourism Association (JHTA) and Jamaica Promotions Corporation (JAMPRO). The final selections were made based on each hotel meeting the criteria of being an independent hotel in the resort areas of Jamaica, with over fifty rooms, and the willingness of the hoteliers to share information. Structured interviews were conducted with the general managers and other executive committee members within the hotels, along with observations of the operations. A questionnaire was administered to a sample of the present guests registered at each hotel to measure their perception of the hotels, against that of the managers.

Contribution of Study

By addressing the research objectives, this study contributed significantly to the body of knowledge on competitive methods utilized in the hotel industry. This research was the first time that three elements of the co-alignment instrument (strategy choice, firm structure and firm performance) were investigated as to the relationship of each element. The first element—the environment—was taken into consideration. However, the assumption was made that hotels in Jamaica were subjected to the same environmental forces, and should therefore be held constant in this study.

Summary

The thesis in the literature is that competitive methods are developed in response to challenges driving change as firms seek to achieve and sustain competitive advantage. This research focused on the competitive methods developed by outlying hotels. Given the challenges and competitiveness of the hotel industry environment today, this was a critical area of research. The case study served as the overall research approach. This method of data collection was reflective of methods used in prior competitive methods' research. The hotels included in the case study were all independently owned and operated. It was the researcher's hope that the findings would add to the body of knowledge in strategic management literature.

CHAPTER TWO

LITERATURE REVIEW

Introduction

Strategic management is one of the most important activities employed by any organization. How this activity is carried out determines the long-term success of the organization, which is determined by the ability to achieve a sustainable competitive advantage that adds value to the firm. The value-added ability of the firm is determined by the use of its resources and capabilities. The resources and capabilities of a firm are the pivotal factors when formulating strategy (Grant, 1991). According to Grant (1991), the basis of strategy formulation is to design a strategy that makes the most effective use of core resources and capabilities that are durable, difficult to understand, imperfectly transferable, not easily replicated, and in which the firm possesses clear ownership and control.

The discipline of strategic management has evolved from a market-oriented focus to an operational focus. Traditionally, researchers focused on the positioning of a firm with the external environment, and later to the resource-based view of the firm (the internal environment). More recent works point to the need to align the internal competencies and capabilities with the external environment.

The review of the related literature in this chapter will serve as the groundwork for this study and highlights the application of the co-alignment principle in the firm's quests for sustainable competitive advantage. The review will begin with an overview of strategy and strategic management to introduce the topic at hand, and the co-alignment principle model. The second section reviews the literature on strategy choice, competitive advantage, and competitive methods from a resource-based view of the firm's perspective, which is the focus of this study. The third section will focus on the implementation section of the co-alignment principle, with a review of the literature on the resource-based view of the firm, competencies and capabilities, the contextual and process oriented variables and measurement of the firm performance. Finally it will summarize the proposition of the research and identify the constructs of relevance to the study.

Strategy

Strategy derives its meaning from the Greek word *strategos* the art of the general (Hart, 1967). This use of the word was derived from the military and adapted to the study of organizations. There is no one definition of strategy that researchers agree on. However, in an effort to adapt strategy to organizations, researchers have presented a wide range of definitions over the years. Van Neumann (1947) was the first to relate the concept of strategy to organizations, by defining strategy as a series of actions by a firm that are decided according to the particular situations. The key contributors to the concept of strategy however, were Chandler (1962), Drucker (1954), Andrews (1971) and Ansoff (1965).

Chandler (1962) contributed to the basic concept of strategy that has served as the basis for most other studies. Chandler's definition of strategy focused on the need to develop basic long-term objectives of an organization and the courses of action and allocation of resources, which must be made to carry out the organization goal. The focus was oriented towards growth and product/market.

Drucker (1954), in his text "*The Practice of Management*" emphasized the need for objectives in every area where performance and results directly affect the survival and prosperity of the business. In his view, management must constantly analyze the present situation and make changes where necessary. This view of the concept of strategy was also adopted by Ansoff (1965). Ansoff (1965) viewed strategy as the common thread in the firm and as a relationship between present and future product markets, which would enable outsiders to perceive where the firm is heading and allow management to guide the firm. He defined strategy as the decision rules and guidelines that define the scope and growth direction of the firm. Ansoff (1965) also identified the complementary components of strategy as the product-market scope, the growth vector which indicates the direction in which the current product-market is moving, competitive advantage, and synergy.

Andrews (1971) defined strategy as a pattern (objectives, purposes, goals and major policies, along with a plan for achieving the firm intended goals) within the organization. His definition of strategy also encompasses the reconciliation of the components in the ultimate choice of what an organization should to be. The four components are market opportunities, corporate competencies and resources, personal values, and obligations to segments of society other than stockholders (Andrews, 1965). These early views of strategy, though somewhat different, shared a common view of strategy as a process.

Others researchers presented different definitions of the concept of strategy in earlier works as demonstrated in Table 2.1. According to Tse and Olsen (1999), the differences are found in three primary areas: the breadth of the concept of business strategy, the components of strategy and the inclusiveness of the strategy-formulation process. The similarities lies within the recognition that business strategy is an environmental analysis used to determine a firm position and the firm resources are used to reach its major goals. Hofer and Schendel (1978) summarized the concept of strategy into four components:

1) scope (product/market and geographic territories);

2) resource deployments and distinctive competencies;

3) competitive advantage;

4) synergy.

The four components put forward by Hofer and Schendel (1978), has been the focus of recent researchers where the emphasis is on the resource-based view, which emphasizes the firm's resources and capabilities as the determinant for competitive advantage and the synergy between all the components. In essence, one can summarize that a firm strategy can be best viewed as a way of thinking (Olsen, et al., 1998), the competitive methods utilized by the firm in its quest to gain competitive advantage, and a fit among the firm activities (Porter, 1996; Olsen et al., 1998). Competitive methods address specific product/market domains and co-align internal structure with external environment (Murthy, 1994). Despite the different definitions, strategy is an attempt by a firm to achieve and sustain competitive advantage over other firms (Aharoni, 1993).

Table 2.1 Strategy Definitions

Von Neumann and Morgenstern (1947)	A series of actions by a firm that are decided on according to the particular situations.
Drucker (1954)	Analyzing the present situation and changing it as necessary.
Chandler (1962)	The determination of the basic long-term goals of an enterprise and the adoption of courses of action and the allocation of resources necessary for carry of these goals.
Andrews (1965)	The pattern of objectives, purposes or goals and major policies and plans for achieving these goals.
Ansoff (1965)	A rule for making decisions determined by product/market scope, growth vector, competitive advantage, and synergy.
Cannon (1968)	The directional action decisions, which are required competitively to achieve the company purpose.
Schendel and Hatten (1972)	The basic goals and objectives of the organization, the major programs of actions chosen to reach these goals and objectives, and the major pattern of resource allocation used to relate the organization to its environment.
Ackoff (1974)	Concerned with long-range objectives and ways of pursuing those that affect the system as a whole.
Glueck (1975)	A unified, comprehensive, and integrated plan designed to assure that the basic objectives of the enterprise are achieved.
Hofer and Schendel (1978)	The match between organization resources and skills and the environmental opportunities and the risk it faces and the purposes it wishes to accomplish.
Miles and Snow (1978)	A pattern or stream of major and minor decisions about an organization possible future domains.
Mintzberg (1979)	Consistent patterns in streams or organizational decisions to deal with the environment.
Porter (1980)	Coping with competition
Olsen & DeNoble (1981)	The means through which organizational resources are employed to meet organizational objectives and the accomplishment of an organization purpose
Leontiades (1982)	Systematic methods for dealing with uncertain environments.
Webster & Hudson (1991)	A general program of action of major importance with an implied commitment of emphasis and resources to achieve a basic mission.
Shaw (1992)	General aspirations toward which all activities in a firm are directed.
Hamel (1996)	Revolution
Porter (1996)	The creation of a unique and valuable position involving different activities.
Thompson & Strickland (1996)	The pattern of actions managers employ to achieve organizational objectives.
Olsen, Tse, & West (1998)	A reflection of the competitive methods management has invested in. A way of thinking.

Strategic Management

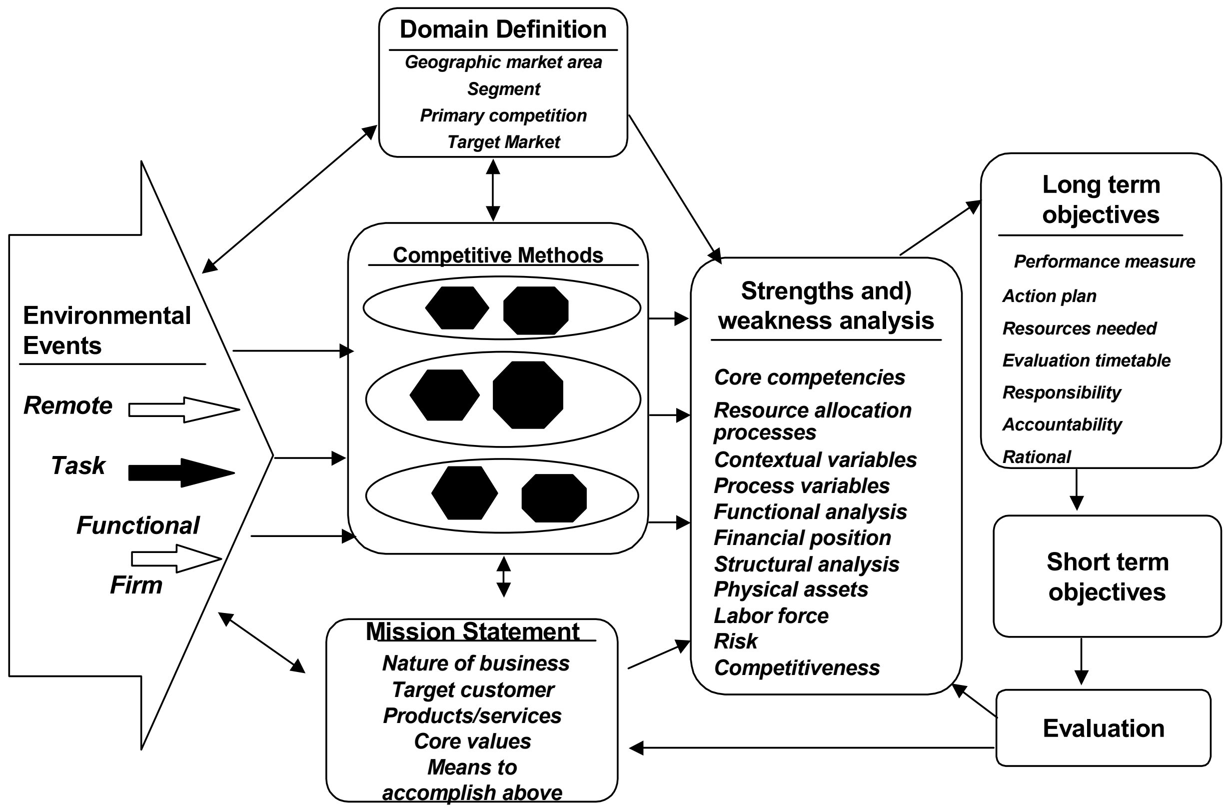
Strategic management also referred to as policy, or simple strategy (Rumelt, Schendel and Teece, 1994), "is the process though which strategies are chosen and implemented." (Barney, 1997: 27). It includes the analysis of the internal and external environment, the formulation of strategies and the implementation and measurement of the firm performance.

In the literature there are as many definitions for strategic management, as there are researchers. The concept of strategic management, like strategy, is viewed across a wide spectrum by researchers. The most common view is that strategic management is a process. The goal of strategic management is to match the resources of the organization to the threats and opportunities in the environment (Hofer and Schendel, 1978). Olsen et al. (1998) defined strategic management as a continuous process in analyzing the internal and external environments of a firm, investing in competitive methods which are effective, and maximizing the utilization of resources. They used the strategic management model (Figure 2.1) as a framework to demonstrate the different ways in which strategic management is used to accomplish the objectives of the firm. According to Aaker (1989), the essence of strategic management is the development and maintenance of meaningful assets and skills and the selection of strategies and competitive arenas, to form sustainable competitive advantage.

Co-Alignment Principle

Co-alignment principle refers to the relationship between the environment, strategic choice, the firm structure and firm performance. It implies that for a firm to be successful, it must be able to identify the opportunities and threats that exist in the forces driving change in its environment. The firm must also take advantage of the opportunities by investing in strategies/competitive methods that will provide the greatest value for the owners and investors (Bourgeois, 1980; Chandler, 1962; Connolly, 1999; Fuchs, Mifflin, Miler and Whitney, 2000; Murthy, 1994; Olsen et al., 1998; Venkatramen, 1990).

Figure 2-1
Strategic Management Model



Source: Olsen, M., West, J. & Tse, E. (1998) -Strategic Management in the Hospitality Industry

The co-alignment approach is not new to strategic management research. In fact, it predated the positioning approach, which dominated the 1980s (Powell, 1992). Since then, the main foci of strategy research over the past two decades are the positioning concept which is market oriented (e.g., Porter, 1980, 1985) and focuses on the external positioning of the firm against its competitors and the resource-based view which, is operational oriented (e.g., Barney, 1991) and focuses on the execution of the strategy (Fuchs et al., 2000). Although the end result of both is for the firm to gain competitive advantage, both views have developed independent of each other. According to Fuchs et al. (2000), the reason why some firms frequently fail to achieve the desired results is because responses are not integrated into a cohesive strategy. Instead, the positioning (external) concept and the RBV (internal) operate independently of each other, but are both shaped by competitive advantage principles. Recent research however, does show a shift in thinking. For example, even Porter (1996) in a later study maintained that both the positioning view and the resource-based view are essential for superior performance. Researchers such as Fuchs et al. (2000), Olsen et al. (1998) and Powell (1992) have attempted to address the gap in the literature.

Powell (1992) addressed the issue of alignment between the environment and the internal structure, by testing the financial performance consequences of organizational alignments in context with the effects of industry, market share, generic strategy and strategic membership groups. He showed how alignment within a firm might produce sustainable competitive advantage. To do so, Powell first explored the theoretical connections between organizational alignment and performance by examining the different research contingency and configuration theories.

Using two manufacturing industries as his sample, Powell found that independent of the profits produced by traditional industry and strategy variables, some organizational alignments do produce supernormal profits and constitute an important source of competitive advantage. Powell's finding, although open to criticism, did open up room for further research in other industries.

According to Fuchs et al. (2000), the three most influential schools over the past two decades in strategic management (Positioning, Resource-Based View and Process) do not align with each other or address the concerns of each other. The three schools identified by Fuchs et al. (2000) are:

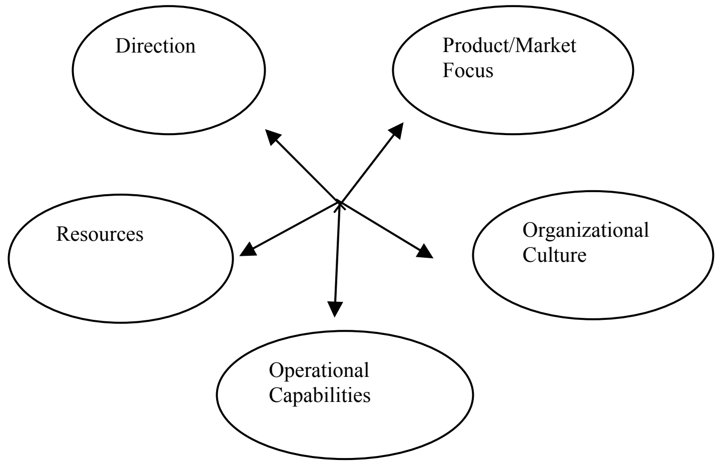
I. Positioning school, supported by Porter (1980, 1985, 1996), provides valuable insight into the importance of competitive advantage, but does not address how to develop skills to achieve it.

II. Resource-Based View school, supported by Barney (1991); Hamel and Prahalad (1994); Teece, Pisano and Shuen (1997), stresses the importance of rare, valuable and inimitable resources in gaining sustainable competitive advantage. However, the suitability of different resources for different competitive context or the process and infrastructure needed to develop the assets are not addressed.

III. Process school, supported by Ghoshal and Barrett (1997); Collins and Porras (1994); Miller and Whitney (1999); Peters (1994), focuses on strategy formulation and how it is rooted in the firm's structures and culture. The Process school ignores the positioning and execution strategies.

Fuchs et al. (2000) argue that all three schools provide sources of sustainable competitive advantage. But each cannot stand alone in explaining success. They believe there is a need to show how the three can be aligned. Fuchs et al. (2000) introduced a strategic integration model (Fig. 2.2) that explains how the integration should occur to make firms effective.

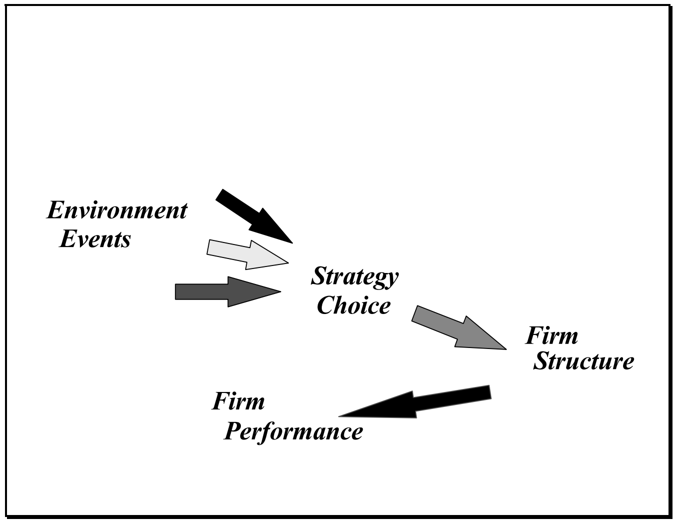
Figure 2.2: Strategic Integration Model



Source: Fuchs, P. et al., (2000). Strategic Integration

In their book, "S*trategic Management in the Hospitality Industry"* Olsen et al. (1998) addressed the issues argued by Fuchs et al. (2000) by introducing the co-alignment principle model (Fig. 2.3). In their model, Olsen et al. (1998) demonstrated the importance of the alignment with all functions of the strategic management concept. In addressing the importance of the co-alignment principle, Olsen et al. (1998) states that to be successful, organizations must marry their competitive methods/companies strategy with the opportunities and threats created by the forces driving change and allocate resources accordingly. In other words all three schools mentioned by Fuchs et al. (2000) must be aligned in the process.

Figure 2.3: The Co-Alignment Principle



Source: Olsen et al. (1998)

In the hospitality industry researchers have tested the relationship between strategy and structure (Schaffer, 1986; Tse, 1988; Eccles and Teare, 1996); strategy and performance (Murthy, 1994); strategy and implementation (Schmelzer, 1992; Parsa, 1994); strategy and environment (Crawford- Welch, 1991; Dev, 1988; Jorgaratnam, 1996; West, 1988); competitive methods and performance (Brotherton and Shaw, 1996; Cho, 1996; Connolly, 1999; de Chabert, 1997; Griffin, 1994) and the environment and competitive methods (Olsen, 1995).

As the above suggests, there are studies that have examined different concepts of the co-alignment principle. However, what is missing is the testing of all variables, the underpinning of this study.

Strategy Choice

All firms are in competition and, because of competition they must make choices if they are to survive. Managers must therefore choose strategies that will give them competitive advantage over their competitors. The role of the manager, therefore, is to convert resources into something of value to customers.

The definitions of strategy suggest that different firms can choose among alternatives, based on their resources and what strategy to invest in. According to Pearce and Robinson (1997), strategic choice identifies strategies that are most effective at building sustainable competitive advantage, based on their core competencies. Making the strategy choice means identifying the major opportunities available and investing in the choices made.

In the co-alignment principle, strategic choice refers to the competitive methods firms invest in to achieve their objectives (Olsen, et. al., 1998). The concept of strategy choice suggests that management is constantly engaged in making choices about how to compete (Olsen et al., 1998). According to Olsen et al., the choices made are based on environmental scanning activities and the competitive methods chosen are the ones that generate the highest levels of cash flow for the firm.

Sustainable Competitive Advantage

Gaining competitive advantage has been the focus of strategic management research, as researchers sought the answer to the question of how to compete. Hofer and Schendel (1978) define competitive advantage as the unique position a firm develops, vis-à-vis its competitors through its patterns of resource deployment. Kay (1993) defines competitive advantage as the advantage one firm has over a competitor or group of competitors in a given market, industry or strategic group. Kay's definition can be viewed from the positional advantage perspective, while and Schendel's definition can be viewed from the RBV. Both relate competitive advantage to the firm's strategy. Competitive advantage is not exclusive in any industry — more than one firm can have competitive advantage in any given market (Kay, 1993).

Sustainability refers to the longevity of competitive advantage, maintaining the competitive advantage over time. Sustainable competitive advantage leads to long-term profitability (Cool and Schendel, 1988). Ghemawat (1986) breaks sustainable advantage into three categories: size in the target market, superior access to resources or customers, and restrictions on competitors' options. According to Ghemawat, being large may not be the choice of all firms because of the investments involved and customer preferences can affect market access. He suggests that competitors' options may be different, giving firms an opportunity to preempt them.

According to Aaker (1989), the basis of competitive advantage is the assets and skills of the business, which provide the foundation of a sustainable competitive advantage and long-term performance. Aaker suggests that to develop and maintain sustainable competitive advantage, the firm's assets and skill must be linked to the business objective and they must fit the strategy. In other words, the skills and assets must be the focus of the objective and the strategies must be developed to exploit the assets and skills.

There are two competing models of sustainable competitive advantage in the strategic management literature, the industrial organization perspective and the resource-based view of the firm (Lado, Boyd, and Wright 1992). In Porter (1980, 1985) five-force framework, competitive advantage is considered a matter of positioning, where firms occupied a competitive space in its industry, and builds and defends their market share (Duncan, Ginter, Swayne, 1998). According to Barney (1986b), much of this research rests on the observation that a firm's strategic opportunities are determined by the nature and character of the competitive conditions facing the firm. The RBV, on the other hand, focuses on the individual firm and its resources in determining how to gain competitive advantage (Barney, 1986b). While both schools of thought views are different, they both view competitive advantage as the key to profitability for a firm and focus on the alignment of the firm with its environment.

Collis (1994) view strategy content at the business level evolving from competitive advantage as positioning strategy (see Porter, 1980, 1985) through the identification of the conditions which account for sustainability of competitive advantage (the Resource-based View) to the importance of organizational capabilities.

Researchers focusing on both competitive advantage and sustainable competitive advantage have presented frameworks for evaluating the determinants of competitive advantage. Resource-based approaches to the theory of competitive advantage point towards four characteristics of resources and capabilities which are likely to be particularly important determinants of the sustainability of competitive advantage: durability, transparency, transferability, and replicability (Grant, 1991).

Day and Wesley (1988) view competitive advantage as a process. From their perspective, "effective competitive strategy begins with the timely and actionable diagnosis of the current and prospective of the business within the served market." Day and Wesley argue that superior skills and superior resources are the only sources of competitive advantage for a firm. Both are used to achieve either low cost or differentiation competitive advantage.

Lado, et al. (1992) examined the concept of sustainable competitive advantage within the framework of environmental determinism (which incorporates the traditions of microeconomic and industrial organizations) and strategic selection (which incorporates the perspective of Schumpterian economic and strategic choice), by developing a systems model. They presented four sources of firm-specific distinctive competencies: managerial, resource-based, transformation-based and output-based. Results of the Lado et al. (1992) study indicated that when managerial efforts are focused on the development and management of idiosyncratic organizational competencies, competitive advantage is possible. The implications point to the need for continual investment in skills and capabilities that are casually undeterminable, difficult to trade in the strategic factors market and possess the potential for producing above average returns (Lado, et al., 1992).

Ma (2000) suggests that there are two types of competitive advantage: positional, which is the result of owning valuable assets and gaining superior access; and kinetic, which is derived from a firm's knowledge, expertise, competencies or capabilities in conducting business activities and processes. According to Ma, a firm can achieve kinetic advantage if its knowledge and capabilities allow the business activities and processes to be creative, efficient, and flexible, and respond to customers and markets in a timely manner. On the other hand, a firm's positional advantage is determined by its strive for leadership within its focal ecosphere, endowment and position or status and entities in the ecosphere. Both are needed to achieve sustainable competitive advantage.

Sources of Sustainable Competitive Advantage

Barney (1986a) based on empirical research findings, suggests that an organization's culture can be a source of sustainable competitive advantage. However, Barney emphasized that the culture must be valuable, rare and inimitable. Barney defines culture as "a complex set of values, beliefs, assumptions and symbols that define the way in which a firm conducts its business." (pg. 657).

Wasserman, Pagell and Britchel (1999) argue that sustainable competitive advantage is achieved through the development of complex, interrelated stock of organizational capabilities. Wasserman et al. (1999) substantiated their argument by examining the source of competitive advantage from a cross-functional perspective and presented a model of tangible and intangible factors that lead to sustainable competitive advantage.

The Wasserman et al. (1999) model provides a general explanation of firm and industry performance by considering capability development across and within functional areas. The relationship between capability and performance was demonstrated in the model. Performance is depicted as a function of capabilities and the environment, while capability is depicted as a function of technology and managerial skills. According to Wasserman et al. (1999), the model suggests firms should develop managerial skills to transform technologies that are expected to lead to sustainable competitive advantage into capabilities. Managerial skills determine the relationship between the level of technology utilized by the firm, relative to competitors, and relative firm performance. The implications from the study points to the fact that managers must be aware of activities that affect the rest of the firm, and to add value, the firm must be viewed as a whole when making plans.

Hofer and Schendel (1978) argue that there is a direct relationship between distinctive competency and competitive advantage. They suggested that advantage is achieved through the unique position a firm attains, relative to its competition, by the deployment of its competencies.

Lippaman and Rumelt (1982) used casual ambiguity to describe the phenomenon surrounding business actions and outcome that make it difficult for competitors to emulate strategies. When an advantage is based on competencies that have casually ambiguous characteristics, then it will be difficult for competitors to overcome the advantage by imitation.

Reed and DeFillippi (1991) argue that competitive advantage can be sustained if it is based on casually ambiguous competencies and that causal ambiguity creates barriers to imitation. According to Reed and DeFillippi, if competencies are casually ambiguous, they are inimitable and therefore create barriers to imitation. Competencies are defined as "the particular skills and resources a firm possesses and the superior way in which they are used." (Reed and DeFillippi, 1990: 90). The characteristics of causal ambiguity are said to be tacitness, complexity and specificity. Reed and DeFillippi (1990) suggest reinvestment in casual ambiguous competencies to sustain the competitive advantage.

Barney and Hansen (1994) presented the conditions under which trust and trustworthiness in exchange relationships can be a source of competitive advantage.

They adopted Sabel' (1993: 1133) definition of trust: "trust is the mutual confidence that no party to an exchange will exploit another vulnerabilities." Trustworthiness is when an exchange partner is worthy of the trust of others (pg. 170). Barney and Hansen identified three types of trusts in economic exchanges: weak-form trust (limited opportunities for opportunism), semi-strong trust (trust through governance) and strong-form trust (hard-core trustworthiness).

Barney and Hansen (1994) did caution that the three types of trust are not equally likely to be sources of competitive advantage. According to Barney and Hansen, weak-form trust is a competitive advantage when competitors invest in unnecessary and costly semi-strong form governance mechanisms; However, semi-strong form trust is a source of competitive advantage if competing exchange partners vary in their skills and abilities in conceiving of and implementing governance mechanisms. On the other hand, strong-form trust can be a source of competitive advantage when firms can find other strong-form trustworthy exchange partners to work with.

Powell (1995) examined Total Quality Management (TQM) as a potential source of sustainable competitive advantage. He conducted a study that compared the performance of TQM firms and non-TQM firms, long-term TQM firms and manufacturing TQM firms, with service TQM firms. He also compared performance to twelve TQM variables. Powell concluded that TQM, as a source of competitive advantage, is based on tacit resources (open culture, employee empowerment and executive commitment), and not the usual features of TQM (quality, training, process improvement, and benchmarking). According to Powell, while TQM can produce competitive advantage, it is not necessary for success. His result is consistent with RBV that suggests that resources are inimitable.

Fahy (1996) addressed the issue of the sources of competitive advantage in service organizations, by proposing a model designed to help managers evaluate the potential of such advantage. Fahy's model suggests that a service firm's competitive advantage lies in the unique resources and capabilities possessed by the firm. However, the source of competitive advantage is dependent on the nature of the service, the particular traits of the firm, the nature of the industry, and the country of origin (Fahy, 1996). Fahy also supports the RBV that for the resources or capabilities to be sources of competitive advantage, they must be considered of value, rare, immobile and inimitable (Fahy, 1996).

Dyer and Singh (1998) argue that the relationship between firms is an important unit of analysis for explaining sustained competitive advantage. They suggest that alliances and networks can generate rational rents through relation-specific assets, knowledge-sharing routines, complementary resource endowments, and effective governance. Dyer and Singh (1998) also identified casual ambiguity, time compression diseconomies, inter-organizational asset interconnectedness, partner scarcity, resource indivisibility, and institutional environment, as mechanisms that preserve relational rents.

Miller and Whitney (1999) point to configuration as the most powerful source of competitive advantage. Configuration is defined as constellations of organizational elements that are pulled together by a unifying theme. Constellations refer to the core, (the mission, the means and the markets) and the systems (processes and structures that supports the core). Miller and Whitney (1999) suggested that configurations arise from a mixture of chance, insight, inspiration, and trial and error. Therefore, managers can exploit a wide range of opportunities. According to Miller and Whitney (1999), distinctive competence and competitive advantage lie in the orchestrating theme it produces among the constellations. Six primary competitive advantages of good configuration were introduced: clarity of direction; smooth collaboration, solid commitment; core competency; market superiority, and enduring originality.

Gulanti, Nahoria and Zeheer (2000) also suggest the use of strategic networks as a source of competitive advantage. Their suggestion is based on the notion that by examining the network of relationships of a firm, the conduct and performance can be understood better. Gulanti, et al. (2000) pointed out five areas of differential returns to firms in strategic research that have the potential for applying strategic networks:

1) Industry structure, including the degree of competition ;
2) Positioning within an industry including strategic groups and barriers to mobility;
3) Inimitable firm resources and capabilities;
4) Contracting and coordinating costs;
5) Dynamic and path dependent constraints and benefits.

<u>Competitive Methods in the Hotel Industry</u>

The concept of competitive methods draws on the RBV of the firm. This suggests that a firm’s unique resources and capabilities provide the basis for its strategy and are the primary sources of profit for the firm (Grant, 1991). According to Haanes and Fjeldstad (2000), the underlying approach of the RBV is to see the firm as bundles of tangible and intangible resources and to recognize some as costly to copy and trade (pg. 53). Resources are referred to as inputs into a firm's production process (Grant, 1991) and can be either tangible or intangible (Amit and Schoemaker, 1993). Capabilities refer to a firm's capacity to deploy resources (Amit and Schoemaker, 1993), the capacity for a set of resources to interactively perform a task or activity (Hitt, Ireland and Hoskisson, 2000). RBV is widely accepted as the answer to why some firms achieve sustainable competitive advantage.

The term competitive methods was first introduced by Murthy (1994), who suggested that because of the differences between goods and services, service firms are likely to adopt different competitive methods to succeed. In his study, Murthy focused on the need to develop methods for measuring strategies that reflected the multifaceted nature of the strategy construct. He therefore used Porter's strategic dimensions, strategies recommended by Ziethaml, Parasuraman, and Berry (1985, 1990), and Gronroos (1990) to examine the strategy-performance relationship. The RBV was not taken into consideration.

The concept of competitive methods was taken a step further by Olsen in 1995, when he approached the concept from the RBV perspective and included the analysis of both the external and internal environment. Olsen argued that because of the complexity and the dynamism of the hotel industry environment, the competitive methods utilized must reflect the environmental forces present. According to Olsen et al. (1998), in the hospitality industry, competitive methods are made up of portfolios of goods and services designed to bring the unique resources and capabilities of the firm together in order to achieve competitive advantage.

Competitive methods are a major part of the co-alignment principle which states that to gain competitive advantage, firms must identify the opportunities in the forces driving change in their environment, invest in competitive methods (resources and capabilities) that take advantage of these opportunities, and allocate resources to the competitive methods that have the ability to create the greatest value and the financial returns desired by owner and investors (Olsen et al., 1998). Competitive methods are designed by firms to gain competitive advantage over their competitors. They are therefore viewed as a value-adding dimension of the firm's overall strategy (Olsen, et al., 1998).

The strategic management literature refers to distinctive competencies (Castanias and Helfat, 1991; Mahoney & Pandian, 1992); strategic assets (Amit and Schoemaker, 1993; Dierickz and Cool, 1989; Winter, 1987); and dynamic capabilities (Teece, et al., 1997) as ways firms seek to gain competitive advantage. The similarities of these terms with competitive methods lie in the bundling of the resources and capabilities and the alignment/synergy that is necessary in the strategic process. The difference is that competitive methods are designed to take advantage of the forces driving change in the business environment, to gain and sustain competitive advantage, by adding extra value to the firm. Competitive methods are in essence new and creative products and services designed to generate value and bring new revenue to the firm.

Competitive methods in the hotel industry are the tangible and intangible assets. The building, location, restaurants, the menu, etc. are all considered tangible assets. While the services offered such as the attitude of the employees, the amenities, and room service etc. are all considered the intangible assets. A comprehensive list of competitive methods utilized by hotels cited in both Olsen (1995) and Olsen and Zhao (2000) research is included in Table 2. 2.

Research in Competitive Methods in Hotels

Olsen's 1995 study, commissioned by the International Hotel Association, identified the competitive methods utilized by successful multinational hotel companies. In his report, Olsen tested the assumption that successful performance is a function of how well a firm identifies the threats and opportunities that exist in the business environment, chooses the appropriate competitive methods to match them and allocates its resources for their implementation. To do so, he looked at the key events in the environment, 1985-1994, identified the competitive methods used and analyzed the performance of the most successful companies.

The result of the study showed that the hotel industry was affected by the events in the environment during the ten-year period. To test if the industry response to threats and opportunities resulted in improved performance, financial data of the twelve largest multinational firms in the industry was combined and the following ratios were applied: net profit ratio, long term liability per room, return on assets, debt to equity ratio, return on equity, current liability per room, net income per room and current ratio values. The analysis showed a relationship between the environment, competitive methods and performance. The competitive methods used by the multinationals in response to events are listed in Table 2.2. From the result Olsen, concluded that the value of matching resources to environmental threats and opportunities and the level of resource commitment made by the firm was very evident.

Table 2.2: Competitive Methods Used by Multinational Hotel Companies, 1985-1999

1995-1999

Rapid Information technology development
Customer-oriented technology
Management-oriented technology

International expansion and market cooperation
Mergers and acquisitions
Management contracts
Franchise agreements
Joint ventures
Strategic alliances

Relationship management
Customer relationships - Frequent -stay programs, free perks and customer surveys
Employee relationship - Through training, visits and rewards
Franchise relationship management - Through financial support, direct dialogue, franchisee committee, field trips and rewards
Travel agency relationship management - Through technical assistance and prompt payment of commissions

Customer-oriented products and services development
New segments, brand names, hotel room design and style
Health awareness amenities
Time-share programs

Structural engineering
New presidents and CEOs
New divisions
Decentralization

New Market initiatives and campaigns
Heavy advertising investment
Co-promoting activities
Brand and image marketing
Competitive pricing tactics

Quality control
Use of brand name products
Renovation and modernization
Quality performer rewards

Termination
Employee as assets
Training

<u>Social Awareness and environmental protection</u>
Social responsibility
Responsible corporate citizenship
Protecting the natural environment

1985-1994

<u>Customer Products and Services</u>
Frequent guest programs
Special service for frequent guests
Amenities
In-room sales and entertainment
Business services

<u>Technology Development</u>
Technology innovation
Database management
Computer reservation systems

<u>Market Efforts</u>
Branding
Niche marketing and advertising
Pricing tactics
Direct to consumer marketing

<u>Market Expansion</u>
International expansion
Strategic alliances
Franchising and management fee

<u>Operation Management</u>
Cost containment
Core business management
Service quality management
Travel agency valuation
Employee as assets
Conservation/ecology programs

Source: Olsen 1995; Olsen & Zhoa 2000.

In a continuation of the first White Paper, Olsen and Zhao (2000) identified competitive methods of multinational hotel companies for the period 1995-1999 in a second White Paper conducted for the IH&RA. Using content analysis as the research method, information on twenty multinational hotel companies from ten countries was analyzed and categorized to identify the competitive methods utilized (see Table 2. 2). Olsen and Zhao also compared the competitive methods identified to those found for the period 1985-1999. For a more accurate comparison, they separated them into five categories: customer products and services, technology development, marketing efforts, market expansion and operation management (see Table 2. 2).

Both differences and similarities were found in the two periods. There was significant improvement found in the areas of information technology, structural changes, new products and services, quality control, marketing tactics, international expansion and operations management. The differences were found in use of the Internet as a method of marketing and an increase in the marketing budget. An increase in co-operations, partnerships and strategic alliances was also evident. In the area of operations management more efforts were found in protecting the environment and community relations.

Dube and Renagham (1999a) examined the United States' lodging industry best practices. Twenty -nine best practices found in corporate and individual hotels were chosen, based on the opinions of practitioners, guests and intermediaries, of corporate and individual hotels. The result was summarized in cases based on industry segments and by core competency. The areas of core competency highlighted were the physical property, customer service, quality, employee-satisfaction and profitability. Dube and Renagham concluded, based on the results of the study, that all the champions demonstrated a deep understanding and commitment in the lodging industry. They also stated that being profitable is a matter of patience, the ability to focus on the long-term and consistent attention to details that create value to the hotel customers through connected and well-implemented business strategies in key functional areas.

In another article titled "Sustaining Competitive Advantage," Dube and Renaghan (1999b), referred to the competitive-positioning strategies that surfaced in their best practice study. They noted that the source of excellence was credited to consistency, quest for creativity, knowledge of the guests, the markets, or the industry, the culture, strong financial and operational muscle to grow. The business strategies and the systems reported showed a focus on human resources management, emphasized marketing, process design and quality management. The common traits reported were the hotels success at developing sustainable competitive advantage in their markets, and credit for competitive leadership as a strategic orientation.

According to Dube and Reneghan (1999b), using the prerequisites of sustainable competitive advantage, none of the best-practice champions could be identified as contributing to sustainable competitive advantage. They did however identify areas where sustainability was evident:

a). Alignment between the value proposition to the customers and the thing they did best.

b). Competencies used to deliver brand promises.

c). Focused strategic positioning - the value proposition of the brand clearly defined in line with core competencies.

d). Structural alignment.

e). Aligning human resource's strategy.

f). Positioning drives operations.

g). Alignment of brand, franchisee, owner.

h). Balancing innovation and consistency.

i). Growth by operational and financial muscle.

j). Preparing for success.

Dube and Reneghan's study highlighted the use of competitive methods by hotels in their quest for success. While there were no formal processes recognized, the relationship between the best practices and profitability was evident.

Brotherton and Shaw (1996) investigated the critical success factors (CSFs) in UK hotels and the disaggregated approach to the identification of Departmental/Functional level CSFs within the hotels. CSFs are viewed as the must achieve internal and external factors of a firm or critical factors that are important to the competitive survival/success of a company. The study was conducted with the use of mailed surveys to managing directors of thirty-four hotel companies (twenty replies) to identify the CSFs and associated Critical Performance Indicators (CPIs), on a disaggregated basis. The results were categorized into human and technical groupings or hard/soft groupings. The CSFs for the human category are concerned with the effectiveness of the direct provision of the hospitality experience (staff attitudes, skills, morale, training and development). The CPIs show heavy dependence on the customers' feedback. The CSFs for the technical category are concerned with the efficiency and economy of the structures, systems, processes and procedures of the delivery of the hospitality product and the management of the hotel operations. The CPIs tend to be harder, more clearly defined, and quantitative (business volumes, market penetration, gross profit margins, occupancy/yield etc.). According to Brotherton and Shaw, the CSF's themes brought out in the study were in the areas of consistency, quality, appropriateness, flexibility and adaptability.

In their study, Roberts and Shea (1996) sought to identify core capabilities indigenous to the hotel industry. To do so, they created a panel of six experts representing hospitality publications, hotel general managers and academia, who were asked to identify capabilities that were important to the hotel industry. Using the Delphi method, eight assets and twenty-two skill items were identified. The final survey form, listing thirty identified capabilities, was constructed, using a Likert scale and distributed to 251 managers in 44 US top management teams. Factor analysis was used to determine the important underlying strategic dimensions, or the primary strategies. Only eighteen of the thirty items identified by the panel loaded on the factors. Factors identified were: intangible assets (reputation, loyalty, employee commitment); tangible assets (computer systems, databases, real estate, brands); human resource management; sales and marketing; architectural design; pricing; and marketing planning. The seven factors represent sets of core capabilities intended for competitive use in the hotel industry. The result of the study suggests that core capabilities center around the seven factors identified. Another conclusion drawn from this study was that managers rely on the individual strengths of their hotels to build core capabilities on which to compete.

Cho (1996), using the case study method, investigated informational technology application in creating competitive advantage, and its impact on competitive advantage. Cho's study, based on the RBV of the firm theory, developed a model for competitive advantage through an information technology application on competitive advantage. The model presents the seven dimensions used to measure competitive advantage and indicates that a lodging firm can gain competitive advantage through an information technology application.

The result of Cho's study indicates that lodging firm's competitive advantage was the result of improved efficiency and eventual reduction in cost. Relationship between information technology applications and the hotel's strategies and marketing policies was also identified. Cho concluded that in asset holding and managed hotels a higher degree of efficiencies was associated with organizational structure, management competencies, and centralization. In franchising hotels, a higher degree of pre-emptiveness is related to organizational structure and management competencies.

Firm Structure

In the traditional strategic management literature, structure is a dimension of organizational theory, which refers to the ways the task and responsibilities of the firm are allocated in the strategy implementation process. From this perspective, it is agreed that successful strategy implementation depends mostly on the firm's primary structure (Kroll, and Parnell, 1999).

For the purpose of this study, the RBV of the firm concept of strategy will be adopted, where structure refers to the allocation of resources and the importance of the co-alignment between strategy choice, structure and performance is emphasized. As stated by Tse (1999), "implementation involves the actual utilization of resources for the successful execution of processes and activities associated with each competitive method." (P. 356). In the RBV theory, firms must recognize the competitive methods that add the most value and allocate resources accordingly.

The recognition of the importance of resource allocations is brought out in Thompson and Strickland's (1996) principal task of managers in the implementation of strategy. According to Thompson and Strickland (1996), certain bases must be covered regardless of the firm circumstances. The bases refer to the eight managerial components of implementing strategy that appear in the implementation process, regardless of the situation, and drive the priorities of the strategy. The eight managerial components of strategy implementation are:

1. Building an organization capable of carrying out the strategy successfully;
2. Allocating ample resources to strategy-critical activities;
3. Establishing strategy-supportive policies;
4. Instituting best-practices and mechanisms for continuous improvements;
5. Installing support systems that enable company personnel to carry out their strategic roles proficiently;
6. Tying rewards and incentives to the achievement of key strategic targets;
7. Creating a strategy-supportive work environment and corporate culture;
8. Exerting the internal leadership needed to drive implementation forward and to keep improving on how the strategy is being executed.

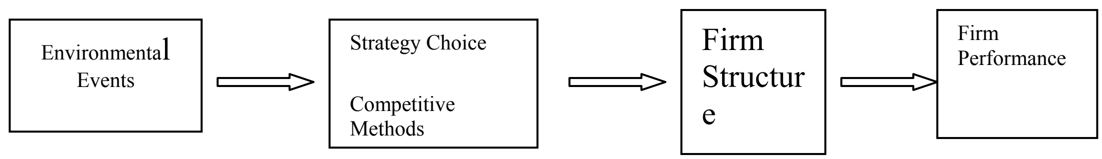
How the firm performs its value-chain activities and conducts its internal business to its effective execution of its strategy should be the priority of the strategy implementation process. "Aggressive resource allocation can have a positive payoff." (Thompson and Strickland, 1996:p.277).

Porter (1985), points to the value-chain in the design of the firm structure. According to Porter, activities performed by firms are segregated by similarities and then integrated, "the organizational structure balances the benefits of segregation and integration." (p.59). Porter also states that a firm can improve its ability to create and sustain competitive advantage if the organizational structure corresponds to the value chain. The concept of the value chain refers to a systematic way of examining the collection of activities performed by a firm (Porter, 1985). It can be used to diagnose, create and sustain competitive advantage.

The Co-Alignment Principle and Strategy Implementation

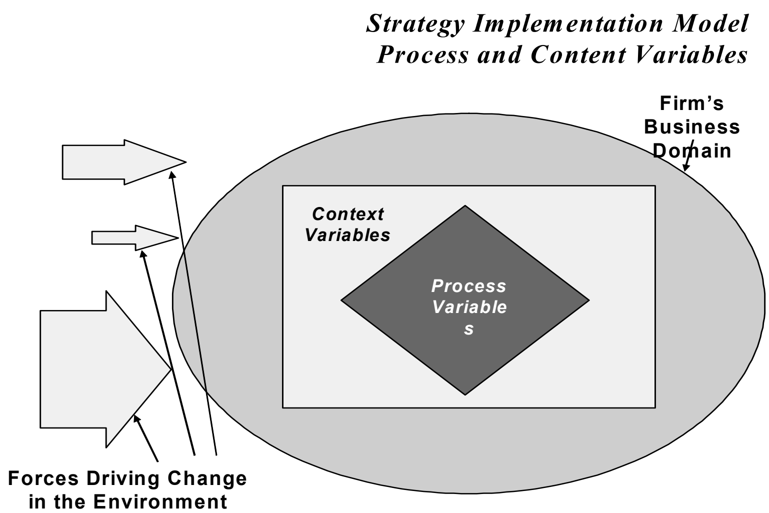
The term "firm structure," in the co-alignment principle, refers to the ability of the firm to effectively implement its strategy (see Figure 2.4). Implementation refers to the process of allocating resources, bringing all the firm's resources in alignment to achieve the objectives (Olsen, et al., 1998). According to Olsen et al. (1998) the alignment between the core competencies (the unique resources) and the competitive methods are the most important internal match-up that can be achieved. In other words, the internal environment plays an important part in the implementation of the strategy choice.

Figure 2.4 – The Co-Alignment Principle



Olsen defines strategy implementation as “the process of allocating resources on a consistent basis to the products and services that produce the highest levels of cash flow to equity and will continue to do so well into the future.” (p 206). Strategy implementation in this context includes an analysis of the strengths and weaknesses of the firm, setting of long-term and short-term objectives and evaluation (Olsen et al., 1998). Olsen used a model to illustrate the activities of the implementation process (see Figure 2.5). The strength and weaknesses analysis includes an analysis of the core competencies, resource allocation processes, the contextual and process variables, functional analysis, financial position, structural analysis, physical assets, the labor force, risk and competencies.

Figure 2.5: Strategy Implementation



Source: Olsen et al. (1998) – Strategic Management in the Hospitality Industry

The RBV connection to competitive advantage has been explored by many researchers (Barney, 1986c; Dierickx and Cool, 1989; Lado, et al., 1992; Lippman and Rumlet, 1982; Reed and DeFillipi, 1990). The research rests on the assumption that views an organization as a bundle of specialized resources deployed to create competitive advantage and add value to the firm (Amit and Schoemaker, 1993; Barney, 1986c; Dierickx and Cool, 1989; Eisenhardt and Martin, 2000; Lado, et al., 1992; Lippman and Rumelt, 1982; Primrose, 1959; Olsen, 1995; Reed and DeFillipi, 1990; Rumelt, 1984, 1987; Wernerfelt, 1984). The specialized resources are also referred to in the RBV literature as competencies (Prahlad and Hamel, 1990), distinctive competencies (Hofer and Schendel, 1978; Seklznick, 1957; Reed and DeFillippi, 1990), dynamic capabilities (Teece et al., 1997).

According to Marino (1996), application of the resource-based view requires management to examine the internal resources. The resources that lead to sustainable competitive advantage should be nurtured and objective standards used to valuating the resources. Marino (1996) characterized core competence as consisting of a technology or knowledge-based component, that result from a fusion of technology and skills, as compared to capabilities that rooted in processes and business routines.

The Resource-Based View

The resource-based view (RBV) of the firm research is influenced by ideas of Selznick, (1957) and Penrose, (1959) and became a emerging trend in strategy during the 1980s and 1990s. Unlike traditional strategy research that focuses on the external organization, the RBV focuses on the internal organization. The firm's economic performance becomes the central issue of the research. The RBV of the firm suggests that a firm can achieve competitive advantage only if its resources are inimitable by other firms (Amit and Schoemaker, 1993; Barney, 1986c; Lippman and Rumelt, 1992; Nelson, 1991; Peteraf, 1993; Rumelt, 1991; Wernerfelt, 1984, 1995). It further states that for an organization resources to be a source of competitive advantage, those resources must be heterogeneously distributed within an industry; it must be impossible to buy or sell in the available factor markets at less than its true value; and it must be difficult or costly to imitate (Wernerfelt, 1984; Barney, 1986; Peteraf, 1993). According to Barney (1991), to achieve sustainable competitive advantage, the resource must be able to create value for the firm. The RBV is based on the assumption that firms have many tangible (buildings, technology, capital, etc.) and intangible (human resources, knowledge, culture, etc.) resources that, when uniquely combined, are sources of competitive advantage.

The firm's resources are classified as the assets, capabilities, competencies, organization processes, firm attributes, information, and knowledge that are controlled by the firm and enable the firm to formulate and implement strategies that improve its effectiveness and efficiency (Daft, 1983). They are defined as the strengths and weaknesses that can be used to formulate and implement strategies (Learned, Christensen, Andrews and Guth, 1969). Barney (1997) divides resources into three categories:

1) financial capital (capital from owners and investors, banks and retained earnings); human capital (training, experience, judgment, intelligence, relationships etc.);
2) physical capital (building and equipments, geographical location, physical technology and raw materials)
3) organizational capital (firm structure, formal and informal planning, controlling and coordinating systems, its culture and reputation).

Hofer & Schendel (1978) suggested six major categories of resource: Financial, physical, human, technological, reputation, and organizational, all of which are included in Barney's list. Other researchers have used different terms to describe the firm resources such as capabilities (Stalk, Evans and Schulman, 1992), core competencies (Prahalad and Hamel, 1990), and assets (Hall, 1994).

Resource-Based Research

The resource-based view of the firm research focuses on how a firm achieves competitive advantage, and how the advantage may be sustained over time (Barney, 1991; Peteraf, 1993; Prahalad and Hamel, 1990; Teece, Pisano and Shuen, 1997; Wernerfelt, 1984). Different researchers have explored different aspects of the relationship between the resources and capabilities of the firm and competitive advantage, to the extent that at times it can become confusing when trying to understand the different uses and variations of the terms. Majority of the research that focused on competitive advantage was influenced by Selnick (1957), and Penrose (1959), who addressed the heterogeneity of the firm, and Rumelt (1987), who addressed the economic-based reasoning. Other notable works include: Barney (1986), Castanias and Helfat (1991), Conner (1991), Lippman and Rumelt (1982), Mahoney and Padian (1992), Teece (1980, 1982), Wernerfelt (1984). This section will review other contributors to the resource-based view of the firm.

The term "RBV of the firm," was originally coined by Wernerfelt (1984). In his paper, Wernerfelt (1994) looked at firms in terms of their resources by examining the relationship between profitability and resources and looked at ways to manage the firm's resource position over time. He refers to resources as anything that could be thought of as a strength or weakness of a given firm. According to Wernerfelt, the strategy for profitability is for firms to build resource position barriers. Bundling existing resources that can support the position barrier and combining them with new resources can do this. He identified attractive resources as: machine capacity, customer loyalty, production experience, and technological leads.

Dierickx and Cool (1989) suggest that firms deploy both tradable and non-tradable assets, but not all assets are linked to sustainable competitive advantage. They denounced Barney's (1986) claim that all required assets can be bought and sold by arguing that the sustainability of a firm's asset is dependent on how easily it can be imitated and substituted. Dierickx and Cool (1989) maintain that the imitability of an asset is dependent upon the nature of the process by which it is accumulated. They presented a framework that gauged the sustainability of the stream of quasi-rents generated through the deployment of non-tradable assets. Dierickx and Cool (1989) concluded, "attempts to explain performance differences among firms on the basis of current strategic expenditures only are pointless and likely to lead to conflicting results." (p.1510).

Prahalad and Hamel (1990) use the term core competencies to describe what they term, the central strategic capabilities the collective learning in the organization. They see core competence as "the company critical resource, the root system that provides nourishment, sustenance, and stability" (p. 82) to the corporation. To identify core competencies, Prahalad and Hamel suggest three tests: 1) it should provide potential access to a wide variety of markets, 2) it should make a significant contribution to the perceived customer benefits and 3) it should be difficult to imitate. They argued that at the corporate level, core competencies should be the focus for strategy.

Barney (1991) developed a framework to examine the link between firm resources and sustained competitive advantage. To demonstrate how the framework may be applied, he first presented the assumption that a firm resources maybe heterogeneous and immobile and the attributes that resources must have to be sustainable. The attributes presented are:

a) they must be valuable;

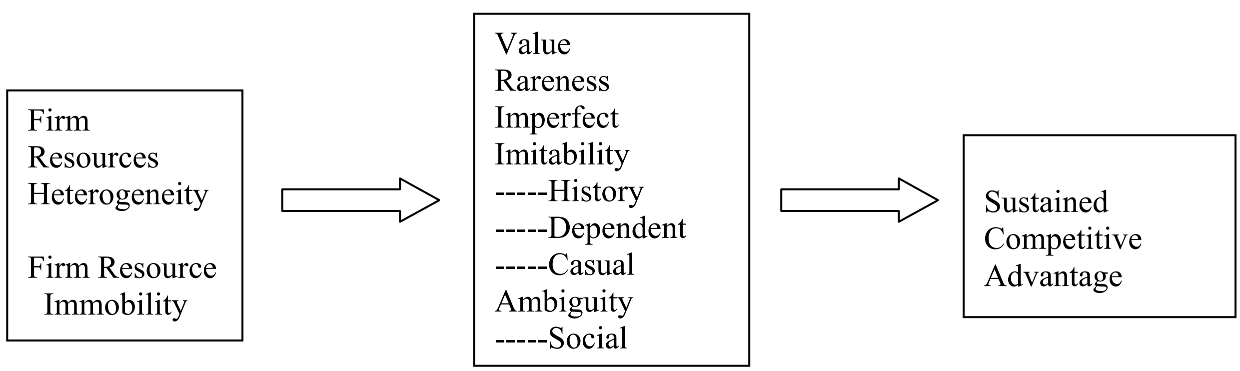
b) they must be rare among a firm current and potential competition;

c) they must be perfectly imitable;

d) there cannot be a strategically equivalent substitute.

Barney suggested that the attributes be used in the context of the framework to question the sustainability of the resources (Fig. 2.6). Barney's framework suggests that a firm's resources can lead to sustained competitive advantage if they create value for the firm, if the resources are rare, imitable, and not subject to substitution.

Figure 2.6: The Relationship Between Resource Heterogeneity and Immobility, Value, Rareness, Imperfect Imitability and Sustainability, and Sustained Competitive Advantage.



Peteraf's (1993) study on the resource-based view added to the body of knowledge of competitive advantage by introducing a model of resources and firm performance that suggest four conditions (resource heterogeneity, ex-post limits to competition, imperfect resource mobility and ex ante limits to competition) that underlie sustained competitive advantage. The model addressed issues such as how resources are applied and combined, what makes competitive advantage sustainable, the nature of rents and the origins of heterogeneity.

In Peteraf's (1993) model, the first condition for sustainable competitive advantage, heterogeneity, implies that firms of varying capabilities are able to compete in the marketplace and at least, break even. Based on the above implication, the condition for heterogeneity must be relatively durable to add value. However, Peteraf emphasized that regardless of the nature of the rent, sustained competitive advantage requires that the condition of heterogeneity be preserved. The second condition, ex post limits to competition, implies that after a firm gains a superior position and earns rents, there must be forces that limit competition of those rents.

Amit and Schoemaker (1993) drawing on economics, examined conditions that contribute to the rationalization of sustainable economic rents. Amit and Shoemaker (1993) sought to replace the concept of key success factors with the notions of strategic industry factors and strategic assets, by examining conditions that contributed to sustainable economic rent. Building on the Resource-Based View of the firm and Behavioral Decision Theory, they identified a multidimensional view for creating strategic assets, in relation to strategic industry factors. The focus was on the linkages between the industry analysis framework, the resource-based view of the firm, behavioral decisions basis and organizational implementation issues. Amit and Shoemaker (1993) introduced the notion of strategic industry factors (the opportunities in the environment), strategic assets (competitive methods) and the rent producing capacity of these strategic assets and found that due to uncertainty, complexity and intra-organizational conflicts, different firms will implement different strategic assets. They concluded that the existence of strategic assets and the presence of bounded rationality are closely linked. Their study also emphasized the need for managers to react to the forces driving change in the environment, because different strategic assets are needed as the environment changes. The inclusion of the behavioral decision biases and organizational implementation aspects as deterrents added a new dimension to the resource-based view.

Collis and Montgomery (1995) argue that the RBV combines the internal and external perspective on competitive advantage and explain why some firms are more successful than others. According to Collis and Montgomery (1995), competitive advantage is based on developing and deploying a competitive distinct set of resources in a well-conceived strategy. They suggest that to be qualified as a value creating resource, it must pass five tests: inimitability, durability, appropriability, substitutability and competitive superiority. They also suggest that managers should build their strategies on resources that pass the tests and continually invest in them.

Fahy (2000), in one of the latest work on the RBV of the firm, assessed the body of literature for its contribution to our understanding of the nature of competitive advantage. From his assessment, Fahy concluded that the firm's key resources and the role of management in converting them to positions of sustainable competitive advantage are the essential elements of the RBV of the firm. In his evaluation of the contribution of the RBV of the firm to the field of strategic management, he cites the lack of enough empirical studies to validate some key propositions and the need for future research to find suitable ways of operationalizing the role of management.

RBV of the firm focuses on the resources' characteristics and its relationship with profitability. This section reviewed some of the major works in the area, most of which are theoretical based, and focus on manufacturing firms, ignoring service organizations. The confusion persists in the different terms used and their interpretation. One can, however, conclude that the RBV of the firm is about firm bundling and deploy its valuable resources, which are inimitable, rare, and non-substitutable.

Capabilities

Collis (1994) examined the value of capabilities from the RBV which refer to a firm's capabilities as a valuable source of competitive advantage. Collis argues that organizational capabilities are not always sources of sustainable competitive advantage and that positions of competitive advantage based on organizational capabilities, are vulnerable to competitive actions on a number of dimensions.

Organizational capabilities' definitions were grouped by Collis (1994) into three categories. The definitions are applicable to the ability of firms to perform an activity more effectively than competitors, with otherwise similar resource endowments. The groups are as follows:

1. Those that reflect an ability to perform the basic functional activities of the firm more efficiently than competitors (Amit & Schoemaker, 1993; Stalk et al, 1992; Grant, 1991a; & Tracy and Wieseman, 1993).

2. Those that share a common theme of dynamic improvement to the activities of the firm (Amit & Schoemaker, 1993; Teece et al, 1994; Hayes and & Pisano, 1994).
3. Those that are based on a firm ability to recognize the intrinsic value of other resources, or to develop novel strategies before competitors (Barney, 1992; Henderson & Cockburn, 1994).

Snow & Hrebiniak (1980) examined capabilities in relation to ten functional areas: general management, financial management, marketing and selling, market research, product R & D, engineering, production, distribution, legal affairs and personnel.

Stalk, Evans & Shulman (1992) defined capability as a set of business processes strategically understood. They used Kmart and Wal-Mart to illustrate what they called the new paradigm of competition in the 1990's. They contrasted how each applied capabilities-based competition (the identification of key capabilities, and the management and allocating of resources in an effort to add value) and demonstrated how firms gain competitive advantage. According to Stalk et al., (1992), “in dynamic business environment, the essence of strategy is not the structure of the firm product and market, but the dynamics of its behavior.” (p.62). They see the goal of a firm as the identification and development of hard-to imitate organizational capabilities that differentiate a company from its competitors in the eyes of the customer. Stalk et al. (1992) suggested four principles of capabilities-based competition:

1). The building block of corporate strategy is not products and markets, but business processes.

2). Competitive success depends on transforming a company key process into strategic capabilities that consistently provide superior value to the customer.

3). Companies create these capabilities by making strategic investments in a support infrastructure that links together and transcend traditional SBUs and functions.

4). Because capabilities necessarily cross functions, the champion of a capabilities-based strategy is the CEO.

Based on the above principles, Stalk et al. concluded that most companies can compete on capabilities if they change their perception and view the firm in terms of its strategic capabilities. This would mean identifying and linking core competencies to serve customer needs and reshaping the organization to encourage the new behavior. The firm's success will be dependent on the specific capabilities that they choose to invest, in other words, the strategy choice that the firms make.

Day (1994) proposed that organizations can become more market-oriented by identifying and building special capabilities that set market-driven firms apart. Capabilities are viewed as "bundles of skills and collective learning, exercised through organizational processes, which enable firms to coordinate activities and make use of their assets." (p.3). The capabilities allow the processes to be executed. Identifying capabilities may be difficult because they are embedded in the organization and because their knowledge component is tacit and dispersed. The key is to identify superior capabilities, which must be supported by commitment of resources, assignment of dedicated people, and continued efforts to learn. According to Day (1994), the decision on which capabilities to support is guided, is based on an understanding of the industry structure, the needs of the target markets, the positional advantage being sought and the trends in the environment. The process also involves deciding on which capabilities to support, and whether the capabilities are imitable.

Citing a direct connection between distinctive capabilities and superior profitability, Day (1994) developed three categories of capabilities, based on the orientation and focus of the defining processes:

1. Those that is deployed from the inside out and activated by market requirements, competitive challenges and external opportunities (human resource management, logistics, transformation activities).
2. Those whose focal point is almost exclusively outside the organization (market sensing, customer linking, channel bonding, technology monitoring).
3. Spanning capabilities that are needed to integrate the inside out and the outside-in capabilities (strategic development, new product/service development, pricing, customer service delivery, purchasing).

Two capabilities Day (1994) found especially important in recognizing the external issues are:

1. the market sensing capability, which determines how well the organization is able to continually recognize changes and anticipate the reposes to marketing actions.

2. customer linking capability, which is made up of the skills, abilities and processes necessary to achieve collaborative customer relationship.

Dynamic Capabilities

Hall (1992) argued that intangible resources could lead to sustainable competitive advantage. He classified intangible resources as assets or skills. To determine the perceptions of the importance of intangible resources to the success of a firm, how long it takes to replace these resources, and the most important areas of employee know-how, Hall (1992) surveyed chief executives in the UK. Company reputation, product reputation and employee know-how were identified as the most important contributors to the firm's success. All three were listed as the resources that would take the longest to replace and operations were viewed as the most important area of employee know-how. Finally, Hall presented a model that he suggested would be useful in tracing the linkage between competitive advantage, capability differentials and intangible resources, to gain a better understanding of the key intangible resources, and how they can be exploited, protected and developed.

In a subsequent article, Hall (1993) examined the role of intangible resources in business strategy. His objective was to demonstrate that a taxonomy of intangible resources provides a means of identifying both the resources of sustainable competitive advantage, and the relative contribution different intangible resources make to the firm. A case study was conducted using a framework of intangible resources and capabilities as the basis of structured interviews with senior executives in six companies. The most common attributes of competitive advantage identified were quality, availability, image and price. In respect to the contribution they make to competitive advantage, regulatory, positional and functional capabilities were found to be the most important. Again, in this study, the key intangible resources were found to be company and product reputation, and employee know-how. The sustainability of the key product attributes pointed to the attributes of availability and image as the ones most difficult to match, while employee know-how and culture were identified as being a medium of high durability.

Eisenhardt and Martin (2000) argued the defense of criticisms that dynamic capabilities research is conceptually vague and tautological by examining the nature of dynamic capabilities, how they are influenced by market dynamism and their evolution over time. They defined dynamic capabilities as the organizational and strategic routines by which firms create new resources to meet the changes in the environment.

Eisenhardt and Martin (2000) argued that dynamic capabilities are identifiable as specific processes that are often the subject of extensive empirical research. From their research they found evidence of dynamic capabilities integrating resources (e.g., Clarke and Fujumoto, 1991; Doughterty, 1992; Eisenhardt, 1989; Helfat and Rubitschek, 2000; Judge and Miller, 1991); focusing on reconfiguration of resources within firms (e.g., Burgelman, 1994; Eisenhardt and Galunic, 2000; Hansen, 1999; Hargadon, and Sutton, 1997; Wetlaufer, 2000); gain and release of resources (e.g., Copron, Dussauge, and Mitchell, 1998; Gulanti, 1999; Helfat, 1997; Henderson and Cockburn, 1994; Lane and Lubatkin, 1998; Zollo and Singh, 1998).

In their article, Eisenhardt and Martin also examined the commonalities of key features of dynamic capabilities and the market dynamism that affect it. They found commonality across firms that are considered effective, which implies that firms can develop capabilities at any time along different paths. They also found that dynamic capabilities relied on new knowledge in high-velocity markets and in moderately dynamic markets routines are efficient and powerful processes. Eisenhardt and Martin also observed that the evolution of dynamic capabilities is guided by well-known learning mechanisms.

Finally, in their article, Eisenhardt and Martin (2000) disputed the claim of persistent heterogeneity across firms, and concluded that dynamic capabilities are a source of long-term competitive advantage. They concluded that dynamic capabilities are all about the strategic value of organizational and strategic processes, such as product development and alliance that have the ability to manipulate resources into creating value strategies. The Eisenhardt and Martin (2000) study opens the door for further research in the area of dynamic capabilities.

Teece, Pisano and Shuen (1997) sought to build on prior research that analyzed strategies firms use to achieve and sustain competitive advantage. They took the research a step further in seeking to understand how and why firms build competitive advantage. They did so by identifying the dimensions of firm-specific capabilities that can be sources of advantage, and to explain how combinations of competencies and resources can be developed, deployed, and protected. Teece et al. (1997) introduced a dynamic capabilities framework that analyzes the sources and methods of profitability of private firms operating in environments of rapid technological change. They emphasized the development of management capabilities, and difficult-to-imitate combinations of organizational, functional and technological skills. From this investigation Teece et al. found the competitive advantage of firms depended on distinctive processes, shaped by the firm's strategic assets and the evolution path they have adopted or inherited. Teece et al.'s (1997) framework suggested that competitive advantage is dependent on the firm's strategic assets, and how they are utilized. Their study added to the knowledge by showing that creating strategic assets in response to opportunities in the environment to gain competitive advantage is more important than strategizing to out perform the competitor.

Distinctive Competencies

Selznick (1957) used the term "distinctive competencies" to describe the leadership capabilities used by managers as the source of competitive advantage for a firm. Distinctive competencies refer to those things that a firm does well (Selznick, 1957). Learned et. al (1969), further extended the concept to their business policy framework that placed emphasis on assessing internal organizational capabilities, matching them with environmental opportunities and threats.

Hofer and Schendel (1978), the first researchers to associate distinctive competencies and competitive advantage, viewed competencies as the resources and skills of the firm that are integral parts of an organization strategy. They introduced the argument that a company can achieve competitive advantage, relative to its competition, through its unique positioning, by the deployment of its competencies. They supported the findings of Rumelt (1974), Hofer, (1973) and Rumelt (1977) that suggested that the root of strategy at the product/market segment level might be the organization's distinctive competencies.

Snow and Hrebiniak (1980) examined the relationships among strategy, distinctive competence, and organizational performance. They suggested that functional areas can become distinctive competencies. Their result shows significant relationships among business level strategies, certain distinctive competencies (functional activities) and performance.

Hitt and Ireland (1985) examined the relationships between corporate level distinctive competencies, corporate level strategies, industry type and corporate performance. Two hypotheses were tested in 185 firms, through the use of mailed questionnaires to chief executive officers. The results of the study suggested that corporate distinctive competencies do exist and, depending on the strategy and the firm's principal industry, these competencies can be useful when investigating the relationship between corporate distinctive competencies and firm performance. The result also indicated that strategy and industry characteristics interact to affect relationships between distinctive competencies and performance. Fifty-five distinctive competencies were identified, which Hitt and Ireland (1985) categorized into functions: general administration, production/operations, engineering, and research and development, marketing, finance, and public governmental relations.

Reid and DeFillippi (1990) related distinctive competencies to sustainable competitive advantage and casual ambiguity. Casual ambiguity refers to the complexity in the patterns of skill and resource deployment. Reed and DeFillippi (1990) argued that competitive advantage, based on casually ambiguous competencies, can be sustained in gradually evolving environments and that sustainability comes from the building of barriers. However, they concluded that to achieve sustainable competitive advantage, reinvestment in the sources of ambiguity must take place.

Core Competencies

Core competencies are different from competitive advantage. In essence, core competencies are what firms traditionally used to gain competitive advantage. They are the competencies that define a firm's business (Teece, et al., 1997), and are created by firms to provide a particular benefit to customers that are superior to their competitors (de Chabert, 1998).

One of the first studies carried out on core competencies was done by Prahalad and Hamel (1990), who suggest that core competencies are the employees' collective learning in a firm. In their view, core competencies are the root of competitiveness, which begin with management's ability to consolidate technologies and skills into competencies. According to Prahalad and Hamel (1990), core competencies do not diminish with use, but are enhanced as they are applied. They must however be cultivated and nurtured. Firms that do not invest in core competencies will find it very difficult to enter an emerging market. Prahalad and Hamel (1990) suggested three tests to identify core competencies: provide potential access to a wide variety of markets; offer real benefits to customers; and be difficult for competitors to imitate.

Grant (1991), argues that long-term strategy depends on two assumptions: First, internal resources and capabilities provide the basic direction for a firm's strategy. Second, resources and capabilities are the primary sources of profit for the firm. On these premises, Grant proposed a framework for a resource-based approach to strategy formulation. The framework suggests five steps for strategy formulation:

1) analyzing the firm resource-base;

2) appraising the firm capabilities;

3) analyzing the profit-earning potential of the firm resources and capabilities;

4) selecting a strategy;

5) extending and upgrading the pool resources and capabilities.

According to Grant (1991), resources are the source of firm capabilities; capabilities are the main source of its competitive advantage.

Snyder and Ebeling's (1992) solution for a firm to gain competitive advantage is for the firm to recognize its core competencies, then focus its resources on the core competencies in order to maximize competitive advantage. They refer to core competencies as unique and enduring activities performed in a firm and view the firm as a system of activities that must be organized and managed to create competitive advantage. According to Snyder and Ebeling (1992), the real core competencies are tangible value-added activities that are performed more effectively and at a lower cost than that of the competitor (p. 27).

Tampoe (1994, recognizing the short-comings in the literature on core competencies, offered a technique for identifying core competencies and a set of models that shows how the core competencies can be linked to the firm's strategy of achieving sustainable competitive advantage. He defined core competencies "as a technical or management subsystem which integrates diverse technologies, processes, resources and know-how to deliver products and services which confer sustainable and unique competitive advantage and added value to an organization." (p. 69). Tampoe (1994) suggested that the test for core competencies is that they must be:

- essential to corporate survival in the long and short term;
- invisible to competitors;
- difficult to imitate;
- unique to the corporation;
- a mix of skills, resources and processes;
- a capability which the organization can sustain over time;
- greater than the competence of a individual;
- essential to the development of core products and eventually to end products;
- essential to the implementation of the strategic vision of the corporation;
- essential to the strategic decisions of the corporation;
- marketable and commercially valuable;
- few in number.

To identify the core competencies of the firm, Tampoe (1994) offers a model that starts with the end product or served markets and end with the technologies that form the input to core competencies. This method will identify new opportunities because of new-found strengths identified. Another model offered by Tampoe assumes a causal relationship between factors: core competence, shared corporate direction, market leverage and motivated organization. The model suggests that by combining its shared goals, its organizational motivation, and its core competence to generate the core and end products and services, profitable growth can be derived from converting its vision into reality. The final model introduced suggests that the firm must link its products to its markets and identify the products that have the highest potential for sustained profit.

Coyne, Hall and Clifford's (1997) research on core competencies prompt them to propose the following:

1. Core competence is an umbrella phrase covering two distinct bases of advantage (insight/foresight competencies, and frontline execution competencies)
2. Certain tests can help predict whether a competence-led strategy will be successful.
3. There are three distinct paths to developing a competence (evolution, incubation, and acquisition).
4. Sustaining core competence requires just as much rigor as developing core competence.

Coyne et al. (1997) argues that most firms say they have competencies but do not, so they should therefore begin to define their competencies and test to see if they are valuable, and then develop the ones that are valuable. They suggest when evaluating core competencies, factors such as employee skills and the generation of value should be considered.

Campbell, Stonehouse and Houston (1999) described competencies as the attributes such as skills, knowledge, technology and relationships that are common among industry competitors. Core competencies, on the other hand, are based on the unique way that the firm builds, develops, integrates and deploys its resources and competencies. Core competencies add value to a firm and are usually possessed by firms whose performance is above industry average. They are based on unique skills and knowledge that are unique to the firm, but they need to be sustained over time, as they do not last indefinitely (Campbell, et al., 1999).

Process and Contextual Oriented Variables

Olsen, et al.'s (1998) implementation model points to the dynamic relationship between the two categories of variables, contextual and process oriented. They describe the process variables as the resources and competencies used to transform inputs into outputs and are the most important in the implementation process. The process variables ensure all the competitive methods are executed. They include such variables as: resource allocation systems, management information systems, planning, control and evaluation systems, education, development and training programs, rewards and incentives, operating systems. The contextual variables, on the other hand, influence the process variables. They are considered the key elements of the co-alignment principle. Contextual variables include the culture, strategy content, environmental uncertainty, and the organizational structure.

Firm Performance

In the RBV of the firm literature, the value-added capability of a firm's resources and the generation of rent is the focus of most RVB of the firm studies. Rent is defined as the return in excess of a firm opportunity cost (Tollison, 1982 in Mahoney and Pandian, 1992). According to Mahoney and Pandian (1992), based on a firm's resource capability, a strategy is selected to generate rents. Basic economics tell us that valuable resources that are in short supply, relative to demand, yield a distinct return, (rent) that is related to the resource being both valuable and rare (Foss, 1997). How to measure the yield of each firm and ultimately the performance of each resource has been a question of contention for researchers. In measuring economic return, profitability and growth of a firm are two measures of performance popularly used in strategic management research (Murthy, 1994). Both are considered financial measures.

Murthy (1994) in reviewing hospitality strategic management research argued whether financial performance measures, the most widely used measurement of performance, were adequate methods to be used. Murthy’s argument was based on the fact that some hotels focused on customer service and guest satisfaction, at the expense of financial performance in the early years and that some firms reinvest into asset expansion. He also argued the point of measures conflicting with each other, such as market share and profitability. Murthy (1994) used yield per room, market share index and return on sales as the performance measurement in his development of an instrument to measure lodging strategy, and strategy relationship to performance. The result suggested that high and low performing hotel strategies performed differently.

Another area of performance studied by researchers is the idea that resources add value to a firm and make it more profitable. The question of how a firm adds value is the continuing question of any business (Connolly, 1999). While we ponder the question, we do know that the different stakeholders measure value differently. Connolly suggests that value is measured in economic terms by shareholders, by salary and the intrinsic rewards of the job by employees and in terms of the price-value relationship by customers.

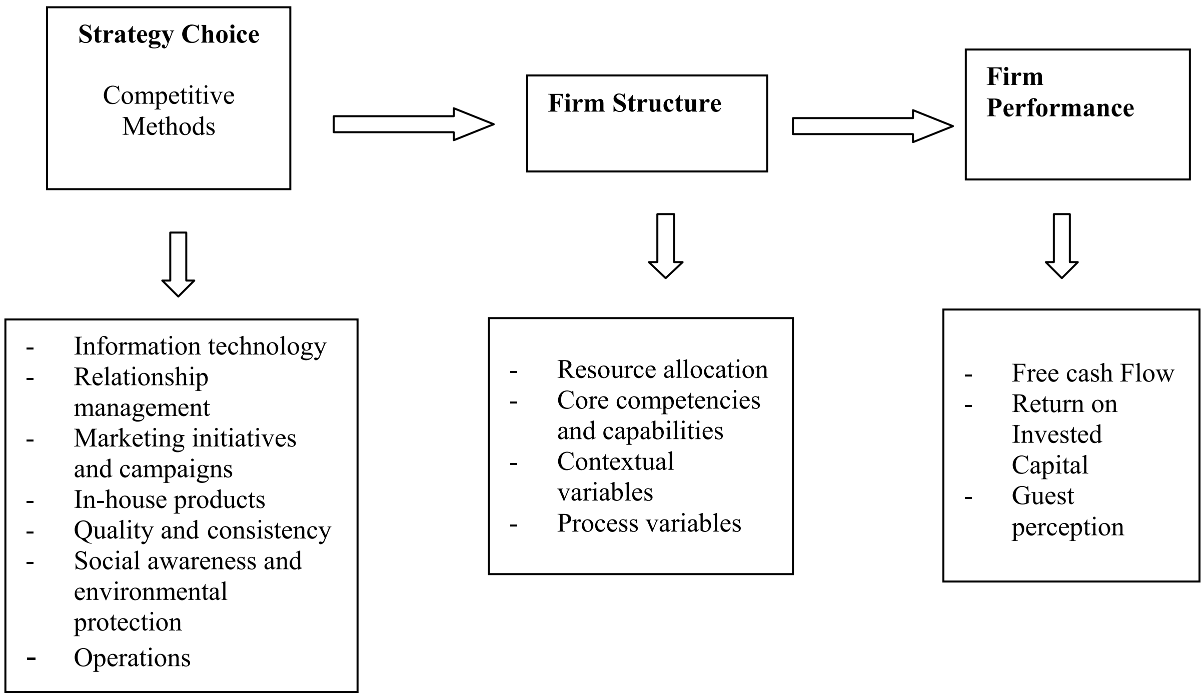
Connolly (1999) introduced a model illustrating how hotels value will be created in the hotel of the future. Connolly's model suggests technology, human resources and knowledge will be the resources used to create value in the future. The model illustrates the linkage of the environment, competitive methods and the service experience in adding value.

In the International Hotel and Restaurant Association White Paper, Olsen (1995) used several financial ratios to analyze the performance of multinational hotel companies. The ratios used include profitability, debt management, liquidity and equity, and leveraging per room.

The Co-Alignment Principle Model

Competitive methods utilized by independent hotels will be the main constructs investigated in this study. The other constructs to be investigated are firm structure and firm performance. The conceptual premise is the RBV of the firm, which assumes that each firm is a collection of unique resources and capabilities that provide the basis for the strategy, and that strategy is the primary source of return for the firm (Hitt and Ireland, 1986). Figure 2.7 illustrates the relationship of each construct - competitive methods, firm structure and firm performance - in the co-alignment principle that will be investigated. These constructs will be reviewed in this section of the literature review.

Figure 2.7: The Relationship of Competitive Methods, Firm Structure and Firm Performance



Source: Olsen, M., West, J., & Tse, E. (1998) – Strategic Management in the Hospitality Industry

<u>Key Constructs and Their Co-Alignment</u>

<u>*Strategy Choice - Competitive Methods*</u>

The strategic management literature, although rich with information on the RBV of the firm research, is very limited in service firms' research, and specifically, the hospitality industry. Studies in the hotel industry, such as Cho (1996) and Connolly (1999) are limited to information technology as a competitive method. The only comprehensive studies found are the 1995 and 2000 White Papers published by the International Hotel and Restaurant Association, where the competitive methods utilized by multinational hotel companies are reported. The competitive methods that are assumed applicable to independent hotels are listed in Table 2.3 thru Table 2.6.

Olsen's (1995) premise is that in the hospitality industry, competitive methods are made up of portfolios of products and services designed to bring the unique resources and capabilities of the firm together in order to achieve competitive advantage. These competitive methods are the tangible and intangible assets of the firm which, when combined, are used by the firms to compete. The competitive methods are the new and creative generators of value to the business. Research has shown that the strategy choice firms make, are based on the forces driving change in the environment. The strategy choice is therefore management way of taking advantage of these forces. How well, the forces are interpreted determines the success of the firm.

In the White papers, the methods used to identify competitive methods utilized by hotels were based on secondary research. The key events in the environment were examined, the competitive methods employed identified, and their performance analyzed (Olsen, 1995).

Table 2.3 - Technology Competitive Methods

Competitive Methods	Description
Customer-oriented technology	Online reservations Working room In-room high-speed internet services Multifunction device In-room computer installation Electronic lock system Featured-added website E-Commerce concierge Teleconference and videoconference
Management-oriented technology	Computer network system Information technology Decision-making system Business intelligence system Property management system Global distribution system Information database system Data processing system Franchise service delivery system Material handling system Yield management system Revenue management system Direct marketing application Database marketing Financial application Cash flow analysis system

Table 2.4 - Relationship Management Competitive Method

Competitive Methods	Products and Services
Customer relationship management Employee relationship management Travel Agency relationship management	Frequent-stay programs, free perks, customer surveys Training, visits and rewards Through technical assistance and prompt payment of commissions

Table 2.5 - Market Initiatives and Campaigns Competitive Methods

Competitive Methods	Products and Services
Marketing Initiatives and campaigns	Heavy advertising investment Co-promoting activities Brand and image marketing Competitive pricing tactics

Table 2.6 - Other Competitive Methods

Competitive Methods	Products and Services
Quality and consistency	Use of brand name products Renovation and modernization Quality performer rewards Termination Employee as assets Training Service quality management
Social Awareness and Environmental protection	Responsible corporate citizen Recycling Conservation
Operation Management	Cost containment Core business management Service quality management

Other studies in the hotel industry such as Roberts and Shea (1996) and Dube and Ranagham (1999a) have identified certain dimensions of competitive methods, and specific skills and assets (core competencies) employed by hotels. Competitive methods are also interpreted as resources and capabilities, referred to in the RBV of the firm literature, as the bundling of resources and capabilities used by firms to gain and sustain competitive advantage.

Firm Structure and The Co-Alignment Principle

The theory of the co-alignment principle refers to the firm structure as the process of allocating resources to the competitive methods chosen by the firm. It cannot be assumed that once a strategy is chosen, implementation takes place. Barney (1991) suggests that in order for financial returns to be realized, management controls must be in place. Naugle and Davis (1987) stress the importance of having a plan for the development of resource allocation and capital. Lado et al. (1992) suggest that achieving and sustaining competitive advantage require continual investment in skills and capabilities that meet all the characteristics of the RBV of the firm.

Before resources can be allocated, an internal analysis must be done to identify the core competencies of the firm (Olsen, et al., 1998). Tampoe (1994) suggests identifying core competencies based on the selection of products and services that contributes the most to the firm's strategy, revenues and profit. Different researchers have identified a wide range of competencies firms may have, such as culture (Barney, 1986; Powell, 1992), technological skills (Tampoe, 1994), knowledge (Zack, 1999) and human resources (Swanson, 1995). Once the core competencies are identified, resources can be allocated based on the ones that are assumed to be capable of adding the most value to the firm.

Firm Performance and the Co-Alignment Principle

Snow and Hrebiniak (1980) suggest that the performance of an organization may vary according to whose viewpoint is taken, the time period observed and the criteria used. However, it is generally agreed that cash measures are better predictors of success in hotels (Cho, 1994). The two measures to be investigated in this research are free cash flow and return on invested capital. The objective is to find the added value provided by each competitive method to the firm's cash flow.

Copeland, Koller, and Murrin (2000) view the cash flow generating ability of a firm as driven by long-term growth and the return that the firm earns on invested capital relative to its cost of capital. Free cash flow, a company true operating cash flow, is the after-tax cash flow generated that is available to all providers of the company capital (Copeland, et al., 2000). Free cash flow is calculated before taxes therefore, it is not affected by the company financial structure. Mills (1995) suggests that future cash flow can be generated in future estimates, which are shown different value drivers: sales growth rates; operating profit; cash tax rates; fixed capital needs; working capital needs; planning period; and cost of capital. Mills however, cautioned that estimates of the value drivers are dependent on assumptions about future sales growth rates.

Return on invested capital (ROIC) is a good analytical tool to help understand the company performance because it focuses on the true operating performance of the company. It is usually used at the beginning or ending of a period (Copeland et al., 2000). Copeland et al. stress the importance of consistency in using ROIC to measure performance. They suggest that net operating profit less adjusted taxes (NOPLAT) should reflect any additional assets and income from the asset.

Table 2.7 illustrates the key constructs and the dimensions, variables and measures to be investigated.

Table 2.7 - Research Constructs

Construct	Dimensions	Variables	Measures
Competitive methods	**Information Technology** Customer-oriented technology	On-line reservations Working rooms In-room high-speed internet service Multifunction device In-room computer installation Electronic lock system Featured-added website E-Commerce concierge Teleconference and videoconference	Cash flow Variables used by the firm Guests feedback
	Management-oriented technology	Computer network system Information technology Decision-making system Business intelligence system Property management system Information database system Data processing system Material handling system Yield management system Revenue management system Direct marketing application Database marketing Financial application Cash flow analysis system	Cash flow Systems used by hotel Capital investment Resource allocation
	Relationship Management Customer relationship management Employee relationship management Travel Agency relationship mgmt.	Frequent stay programs, free perks, Customers surveys Training, visits and rewards Technical assistance Prompt payment of commission	Cash flow Guests feedback Employee programs T/A system Resource allocation
	Marketing initiatives and campaigns	Heavy advertising investment Co-promoting activities Image marketing Competitive pricing tactics Local culture Public relations Internal marketing All-inclusive packages Direct marketing	Guest feedback Cash flow Marketing expenditure Marketing programs
	In-house products	Restaurants and menus Guest room amenities Guest activities Spa Gym Facilities	Guest feedback Cash flow Physical facilities

	Quality and consistency Social awareness and environmental protection Operation Management	Use of brand name products Renovation and modernization Quality performer rewards Termination Employee as assets Training Service quality management Responsible corporate citizen Recycling Conservation Cost control systems Productions systems Capital budgeting	Guest feedback Capital expenditure Training programs Reward system Community involvement Green Hotel program Cash flow Operations systems
Firm Structure	Resource allocation Core competencies and capabilities Contextual variables Process variables	Strengths of the firm (tangible and intangible) Perceived environmental uncertainty Business strategy Organizational structure Culture Life-cycle stage Resource allocation systems Management information systems Planning and control systems Rewards and incentives Training, development and education Operating systems	Cash flow Capital investment Resource allocation Guest feedback Relationship with competitive methods Identification of core competencies Hotel objectives Contextual variables Stage of life cycle Hotel systems Decision making Competitive methods
Firm Performance	Free Cash Flow Return on invested capital Guest perception	Capital expenditures Gross investment Gross cash flow Net profit Invested capital Guest value	FCF=NOPLAT-Net investment ROIC=NOPLAT/ Invested capital Guest feedback

Summary

This chapter summarized the literature on the concept of strategy, and the importance of competitive advantage in strategy choice. The emphasis on the RBV of the firm, that states that firms use their resources and capabilities to gain competitive advantage, was brought out in the review. The aim of the literature was how firms achieved competitive advantage using their resources and capabilities. In doing so, it was necessary to review different views of both empirical and theoretical research done over the years.

The hotel industry was chosen to examine the alignment between a firm strategy choice, its structure and its performance. A model was introduced that illustrated this alignment. The dimensions introduced were based on prior research in the industry. The main focus is the strategy choice (competitive methods) used in hotels. Both theoretical and empirical literature was used to help explain the purpose of study.

CHAPTER THREE

METHODOLOGY

Introduction

In Chapter 1 it was indicated that the study sought to identify the competitive methods utilized by independent hotels in Jamaica in their bid to gain and sustain competitive advantage. In Chapter 2, the relevant literature was reviewed to identify the constructs, dimensions and variables for the study. Chapter 3 describes the research methodology and design of the study. The concept of the co-alignment principle, which demonstrates a relationship between the environment, strategy choice, firm structure and performance, was the focus of this study. However, the environment was held constant as the assumption was made that the environment in the hotel industry in Jamaica was a controlled one, and therefore all the hotels (resorts) were subject to the same environmental forces. The study also compared the competitive methods utilized by the hotel with the competitive methods guests perceived offered the most value to them. The objective was to see if there was an agreement between what customers perceived as the competitive methods and what management did.

The research approach is a case study. Both qualitative and quantitative methods were used to answer the research questions. Independently owned hotels were chosen to investigate the choice of competitive methods, and their relationship to the hotel's structure and the hotel's performance.

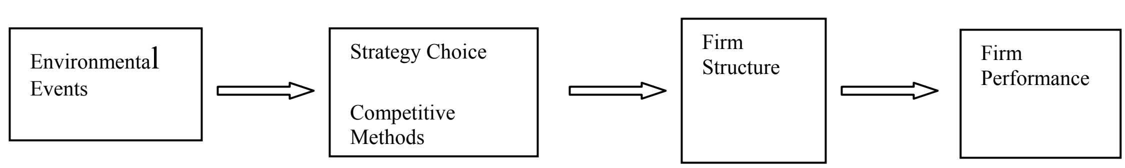
The Co-Alignment Principle Model

The co-alignment principle model (see Figure 3.1) illustrates the relationship among the four components: the environment, strategy choice, firm structure, and firm performance. According to Olsen, et al. (1998), the co-alignment principle implies that “if the firm is able to identify the opportunities that exist in the forces driving change, invest in competitive methods that take advantage of these opportunities, and allocate resources to those which create the greatest value, the financial results desired by owners and investors have a much better chance of being achieved.” (p. 2). The objective of the study therefore was to test the theory of the co-alignment principle. As mentioned above, given the homogeneous nature of the Jamaican tourist environment, in this study, the first component—the environment—was held constant and the other three components were the constructs investigated.

The three constructs studied are illustrated in Figure 3.1:

1. competitive methods;
2. firm structure;
3. firm performance.

Figure 3.1 – The Co-Alignment Principle Model



Research Design

Nachmias and Nachmias (1976) describe the research design as a plan that guides the researcher in the collecting, analyzing and interpreting of observations. Yin (1989) suggests five components that are important to research design:

1. the study's questions;
2. its propositions, if any;
3. its unit(s) of analysis;
4. the logic linking the data to the propositions; and
5. the criteria for interpreting the findings.

The research design, for the case study conducted, also required the development of a theoretical framework (Yin, 1989). According to Yin, the use of theory is a tremendous aid in defining the appropriate research design and the data collection and is the main vehicle for generating the results.

The design of case study research, like any other research, must also be tested for validity and reliability. Yin (1989) suggests four relevant tests to judge the quality of the research:

1. construct validity;
2. internal validity;
3. external validity;
4. reliability.

Research Questions

The research questions are the first component of a research design (Yin, 1989). The questions are also considered the most important step in the research process as they help to define what the study is about (Yin, 1989). The propositions follow the research question and, according to Yin (1989), the propositions direct attention to something that should be examined in the study.

The focus of this study was on the co-alignment principle, using the RBV of the firm as a framework. Specific emphasis was placed on the competitive methods utilized by independently owned and operated hotels in Jamaica. In this light, the propositions guiding this study were:

a) firms that achieve greater alignment between competitive methods and firm structure, contingent on the objectives of the owners, should perform better that those that do not; and

b) firms that have agreement between what customers perceive as the competitive methods and what management does, will find higher levels of performance on available performance measures.

The following questions were the focus of this research in pursuit of the propositions:

1. How are competitive methods chosen?
2. What competitive methods are used to gain competitive advantage?
3. What is the relationship between the strategic choice, firm structure, and firm performance?

4. What investments are made to best utilize the competitive methods?
5. What resources, human capital or material, are allocated to the competitive methods?
6. How are the resources aligned so that there is no compromise in achieving the mission of the hotel?
7. What core competencies are identified?
8. How do the contextual and process variables affect implementation and expectation of the competitive methods?
9. How does management evaluate investment decisions that support the competitive methods?
10. How is the success of the competitive methods measured?
11. What cash flow is generated from each competitive method?
12. What return on invested capital is realized by the hotel?
13. How do the guests, relative to the competitive methods employed, perceive the hotel?

The Case Study Method

Yin (1989) defined the case study as "an empirical inquiry that investigates a contemporary phenomenon within its real-life context, when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence is used." (p. 23). Eisenhardt (1989), on the other hand, suggests that the case study is a research strategy, which focuses on understanding the dynamics present within single settings. Case study research can be either quantitative or qualitative or it can be a combination of both. Both are employed when a more complete understanding is needed and to create a source of triangulation (Connolly, 1999).

The case study method is preferred when the research questions focus on "how" or "why," when the researcher has little control over events, and when the focus is on gaining an understanding of a contemporary phenomenon within a real life setting (Yin, 1989). According to Perry (1998), the "how" and "why" problem captures the positive versus a normative dichotomy, because case study research is concerned with real world phenomena rather than developing normative decision models.

Perry (1998) describes the case study methodology as a rigorous, coherent one, based on justified philosophical positions. A case study is essentially an inductive theory building research, as it fits within the critical realism paradigm, although both induction and deduction are each necessary for the other to be of value (Perry, 1998). This methodology works best when organizational and managerial issues are to be examined (Yin, 1989).

Justification of the Case Study Method

The type of research questions usually determines the choice of the research method; the control an investigator has over actual behavioral events; and the focus on contemporary versus an historical phenomenon (Yin, 1989). According to Yin (1989), the case study usually reflects the topic to which it is applied.

Based on the criteria set out by Yin, the case study method was the most appropriate method for the study at hand. This research called for investigation into a contemporary phenomenon within a real-life context. Because of the complexity of the constructs being investigated, the only way to get information was to ask questions. The assumption was made that in examining the co-alignment principle, the use of interviews would prove more effective because the hoteliers may not be familiar with the concept and interviewing would allow the researcher to probe and use questions to get a valid response. It allowed the interviewer to define or reemphasize terms during the interview, when the interviewee did not seem to understand the terms being used. This method also allowed for the use of artifacts and observations to validate the responses received during the interviews. The review of the literature pointed to the complexity and the difficulty involved in getting practitioners to identify the competitive methods being utilized (Olsen, et al., 1998).

The case study approach allowed for answers to the questions that addressed the "how" and "why" issues and the use of multiple sources of evidence (interviews, questionnaire, direct observations and artifacts). The application of the multiple case studies will provide richer insight of the proposed inquiry, and lend more credence to the results and findings through a higher order of external validity (Yin, 1989/1994). The use of the case study methodology will offer more flexibility during the data collection process, by allowing the researcher to alter and revise the research design after the initial stage of the study (Yin, 1989/1994). It will also allow for cross-case analysis to be used for richer theory building (Yin, 1989/1994).

Researchers differ on the number of acceptable cases to be used. Yin (1989/1994) suggests the use of multiple case studies be viewed as multiple experiments and not multiple respondents to a survey, and that the choice of the number of cases should be made because it either predicts similar results for predictable reasons or produces contrary results for predictable reasons. The consensus falls between two to four as the minimum and ten, twelve or fifteen as the maximum (Perry, 1998).

According to the Jamaica Tourist Board 2000 Statistical Report, there are six major resort areas in Jamaica competing with each other for visitors. There are one hundred and ninety seven hotels in the island and 86% are independent hotels. The majority of the independent hotels did not offer full service, have less than fifty rooms (70%), and functioned as “mom and pop” operations. The remaining 30% varied in the type of properties, ranging from European-Plan hotels to All-Inclusive, and from five stars, luxury hotels to one star.

For this study, five independently operated hotels in the tourist resort areas across the island were chosen. Because of the diversity in the type of hotels in Jamaica, the five hotels were chosen to test whether the co-alignment principle model worked across all different types of hotels. Independent hotels were chosen because in Jamaica they are seen as a declining segment. In the past year, five independent hotels, each with more than one hundred rooms joined with local All-Inclusive chains.

A hotel was selected from five of the six resort areas. The number of cases chosen reflected the diversity in the types of hotels in Jamaica and allowed for better comparison and contrast of the findings. The different hotels were chosen randomly from a list submitted by representatives of the Jamaica Hotel and Tourism Association (JHTA) and Jamaica Promotions Corporation (JAMPRO). Because of the reluctance of hoteliers to share information, both organizations were approached for recommendations and support. The hotels suggested were based on the criteria that the hotels must be independent hotels with more than fifty rooms, and the willingness of the hoteliers to share information. The hotels were all considered full service resorts that catered mainly to both North American and European tourists. One also catered to the Japanese. The hotels chosen were based on the willingness of the owners/managers to participate, hotel's reputation in the industry, commitment to service, location, and accessibility to the management. To protect the privacy of the hotels the identities of the hotels were not revealed.

In this study, multiple sources of evidence were employed. Permission to use the hotels selected in the case study was sought from the managers/owners of the hotels. First, interviews were conducted with the management of each hotel to identify the competitive methods utilized by the hotels and to test the co-alignment theory. The second method used to collect evidence was done through direct observation. The purpose of the direct observation was to verify information received in the interviews. The third collection of evidence was done through the use of guests' surveys designed to evaluate what is of value to a guest versus the competitive methods utilized by the hotel. Guests' stay varied from 1 to 14 days, therefore, only guests staying for three days and over were asked to complete the questionnaire. The interviews with management provided information for the main focus of the guests' questionnaire. The final collection of evidence was artifacts such as reports, brochures, articles, advertisements and any other documentation that was available.

Units of Analysis

The unit of analysis specifies at what level data will be collected and is related to the way the questions have been defined (Yin, 1989). In this study, the units of analysis were independently owned and operated hotels in Jamaica and the registered guests of the hotels. Specifically, the hotels chosen operated as resorts in the tourist areas of Jamaica and were not managed or held a franchise agreement with any chain-affiliated company. Within each hotel the general manager/owner was interviewed and then, based on the competitive methods identified, department heads were also interviewed. An administered survey was conducted with a random sample of registered guests of the hotels. The study addressed the relationship between the hotels' competitive methods, their structure and performance in their bid to gain competitive advantage.

Linking Data to Propositions and Interpretation of Data

Yin (1989) suggests using the proposition to guide the case analysis. According to Yin (1989), the proposition helps to focus attention on certain data and also helps to organize the case study and define alternative explanations to be examined. In doing case study research, three dominant modes of analysis are suggested by Yin (1989): pattern-matching, explanation building, and time-series analysis. For this study, explanation building analysis was employed. This method is used specifically with explanatory case studies and involves stipulating causal links to explain a phenomenon (Yin, 1989). As mentioned above, the environment was held constant in this study. Causal links explained the relationship between the other elements of the co-alignment principle (competitive methods, firm structure, and firm resources). The research questions guided the data collection, and the data collected was used to test the co-alignment principle—shown in Figure 3.1. The literature review provided the guide for the interpretation of the data, based on the presentation of evidence collected.

Research Steps

For this study, multiple sources of data collection were used. Interviews of the management staff of each of the test hotels were conducted to get their answers to the research questions. Next, the researcher observed the operation of each hotel to support the answers gained from the management. Finally, a self-administered survey was conducted of the current guests to evaluate what is of value to guests versus the competitive methods utilized by the hotel. The final step was done to compare what management view as the competitive method that adds the most value, in comparison to what the guest view as adding the most value to them.

Pilot Test

A pilot test was conducted prior to the actual case study, as suggested by Yin (1989). The purpose of the pilot test was to assist the researcher in refining both the content of the data collection plan and the procedures to follow (Yin, 1989). Hotel practitioners and someone from academia were asked to review the wording and the comprehensibility of the questions, answer the questions designed specifically for this study, so that their interpretation of key concepts could be evaluated and reviewed.

Interviews

This step in the data collection is considered the most important in the case study process. Focused interviews were conducted, using the research questions that were designed to encourage the respondents to give their opinions and add more information on facts pertaining to the inquiry (see Appendix 1). This type of interview allowed the respondents to be more open in the conversation. The questions for the interviews were developed from the literature review and were designed to promote interaction during the interview. During the interviews, the responses were noted in writing and by the use of a tape recorder. The notes and audio recording were then transcribed. The interviewer reported as accurately as possible. The role of the interviewer/researcher was to ask the questions during the interview and explain them when the interviewee needed the questions simplified. The explanations were consistent in each interview, as the same parameters were brought out to simplify the questions.

Direct Observations

Each interview was supplemented by direct observations. The direct observations method was carried out to ascertain whether the extent of the information given during the interview was in fact being practiced. Direct observation served as another source of evidence in the case study (Yin, 1989). According to Yin (1989), observational information is often useful in providing additional evidence. The observation focused on the competitive methods identified and their relationship with the firm structure. This involved actions and reactions of management and employees, and material evidence. During the observation process, the researcher sought to confirm what was brought out in the interviews with the general managers/owners.

Observations were conducted in both front and back-of-house areas (i.e., in public and operational areas). The observations involved the researcher observing the different areas that were part of the portfolio of products and services included in each competitive method. This involved observation of the delivery of service and evidence of resource allocation and core competencies. The information was recorded for future comparison to information received during the interview.

Administered Surveys

Surveys were administered to current guests to get their responses on what they perceived as value compared to the answers received from management. The main objective of this survey was to capture how the guests viewed the hotel and their perception of the competitive methods employed. The questionnaire asked questions on the guests' choice of the particular hotel and their satisfaction. Specific questions on competitive methods were based on the answers received during the interview of the management/owner (see Appendix 2). The perception of the guests was determined by questions 2, 3, 6, 8, 9, and 11 on the guests' survey. The responses were measured by frequency and cross tabulation.

Methods of Analysis

The research questions guided the analysis of this case study. As Yin (1989) suggests, case studies should be designed with construct validity, internal validity, external validity and reliability. The section below explains how validity was tested in this study.

Construct validity refers to "use of instruments and measures that accurately operationalize the constructs of the study." (Yin, 1993: p. 38). Yin suggests the use of multiple sources of evidence to test the validity of the construct. Four sources of evidence were used in this study:

1. Structured interviews, utilizing structured questions designed specifically for this study. The interviews were taped and then transcribed.
2. Direct observations provided additional information of the hotels. The observation was in the form of casual observations during the visit for the interviews.
3. Administered survey of present guests designed specifically for each individual hotel, based on the responses received.
4. Physical artifacts that are physical evidence (brochures, internal marketing collateral, newsletters, etc.) were collected for review of the evidence gathered during the interviews.

   The data gathered from the interviews was analyzed using quantitative methods, while the data from the survey was analyzed based on the frequency of answers. According to Miles and Huberman (1994), data analysis consists of three concurrent flows of activities: data reduction, data display, and conclusion drawing and/or verification.

In the data reduction process, case summaries were prepared from each hotel visited. The case was arranged by each research question and highlighted what other information was needed. The data display process included matrices that displayed answers to questions grouped by the constructs and listed core competencies for each hotel. This step allowed the researcher to determine missing data and clarified what were competitive methods versus core competencies. Matrices were also utilized to compare the hotels. Matrices aligning the competitive methods and core competencies were used to measure the degree of co-alignment for each hotel. The final step was drawing and verifying conclusions on the linkages in the co-alignment principle.

The direct observations carried out were included in the analysis. Direct observations added to the drawing of and verifying of conclusions in the final step of the research.

The administered surveys were analyzed through the use of quantitative method. The results of the survey were examined to verify if there were agreements between what customers perceived as the competitive methods and what managers did.

Physical evidence collected from each hotel included physical artifacts such as brochures and internal marketing collateral. Other secondary data included news articles retrieved through the local hotel association, the tourist board, and a data-based search of each hotel. The information collected from the secondary data was used to verify information collected in the interviews.

Table 3.1: Sample Matrix for Questions, Responses, Summary Statements

Hotel A	Hotel B	Hotel C	Hotel D	Hotel E
Question 1	Question 1	Question 1	Question 1	Question 1
Question 2	Question 2	Question 2	Question 2	Question 2
Question 3	Question 3	Question 3	Question 3	Question 3
Question 4	Question 4	Question 4	Question 4	Question 4
Question 5	Question 5	Question 5	Question 5	Question 5
Question 6	Question 6	Question 6	Question 6	Question 6
Question 7	Question 7	Question 7	Question 7	Question 7
Question 8	Question 8	Question 8	Question 8	Question 8
Question 9	Question 9	Question 9	Question 9	Question 9
Question 10	Question 10	Question 10	Question 10	Question 10
Question 11	Question 11	Question 11	Question 11	Question 11
Question 12	Question 12	Question 12	Question 12	Question 12
Question 13	Question 13	Question 13	Question 13	Question 13

Table 3.2: Sample Matrix for Analysis of Competitive Methods Dimensions

Dimensions	Hotel A	Hotel B	Hotel C	Hotel D	Hotel E
Information Technology.					
Relationship Management					
Marketing initiatives and campaigns					
In-house products					
Quality and consistency					
Social awareness					
Environmental protection					
Operation management					
Other					

Note: Similar matrices were used to analyze the dimensions for firm structure and firm performance

The final test was the reliability of the findings. Reliability refers to the ability to replicate the same study and reduce the basis and error in a study (Yin, 1989). To ensure the reliability of this study, a case study database was developed. The case study database included the case study notes, the case study documents, tabular materials collected from the hotels—notes from the direct observations and narratives that helped in the analysis.

<u>Test Instrument Development, Validity and Reliability</u>

Internal validity refers to the design of research that anticipates questions that will test the validity of the evidence given (Yin, 1989). Yin also suggests that internal validity be used when an investigator is trying to determine the relationship between one event and another and when an event cannot be directly observed. Explanation building is one analytical internal validity strategy that was used in this study. This was done through the data reduction process, which explained the linkages in each hotel. Cross-case analysis, with the use of matrices (see Tables 3.2 and 3.3), was the method employed to draw conclusions and develop ideas based on the responses of the interviewees.

External validity tests the validity of a study beyond the immediate case study (Yin, 1989). It addresses the issue of generalization of findings. The use of multiple case studies tested the replications of the findings. Again, the use of matrices helped in the comparison of the findings in the analysis.

In this study the same questionnaire was administered at all five sites. The questionnaire was tested during the pilot study involving practitioners and academia to test the wording for clarity and comprehension. As suggested by Ary, Jacobs and Razavieh (1990), the items in the questionnaire should be examined to judge whether they are adequate for measuring what they are supposed to measure.

Measurement of Constructs

This section defines the constructs in the case study and how they were measured (see Figure 3.2). As mentioned above, the constructs in this study are strategy choice, firm structure and firm performance. The length of the section devoted to each construct in the questionnaire was not indicative of the importance of the constructs. The length of the section was dependent on the number of variables used to determine the importance of each construct.

Strategy Choice/Competitive Methods

The term "competitive methods" was adopted from Olsen, et al. (1998), who referred to competitive methods as the "portfolio of products and services that the firm chooses to compete within its environment." (p. 57). In essence, competitive methods are the strategies hotels invest in to achieve their objectives (Olsen et al., 1998). The portfolio of products and services did not take into consideration the traditional products and services generic to the particular hotel, but rather new and creative generation of value by management that brought new revenue to the business. The literature suggested that management should make adjustments, based on activities in the environment, on how to compete. The competitive methods utilized by multinational hotel companies between 1985 and 1999, as listed in Table 2.2 (see Chapter 2), acted as a guide in identifying competitive methods employed in the selected sample hotels.

In identifying the resources that are sources of competitive advantage, the RBV of the firm view was adapted. The RBV of the firm suggests that for an organization's resources to be a source of competitive advantage, the resources must be valuable, rare, and inimitable and cannot be substituted (Barney, 1991).

The sub-proposition for this construct is: the forces driving change in a firm's industry determine the strategy choice/competitive methods. The questions used to investigate this construct were:

1. How are competitive methods chosen in the hotels?
2. What competitive methods are identified to gain competitive advantage?
3. What is the relationship between the strategic choice, firm structure and firm performance?

The objective was to get managers' feedback on what competitive methods the hotels were utilizing and how they decided on what competitive methods to use.

Firm Structure

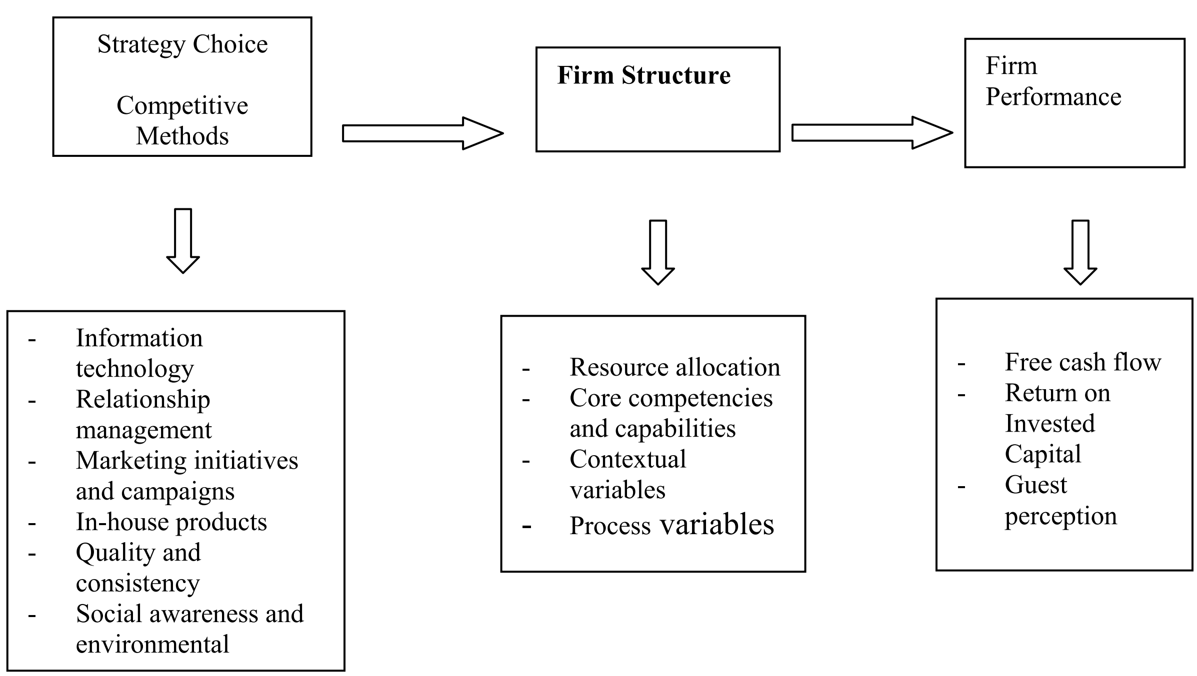
In the co-alignment principle model, firm structure refers to the ability of the hotel to effectively implement its intended strategy. This involves allocating resources to the competitive methods that are perceived to be able to add the most value to the hotel (Olsen, et al., 1998). Firm structure also involves matching the competitive methods to the strengths of the hotel (the core competencies), and the contextual and process variables. Tse and Olsen (1999) refer to the utilization of resources for the successful execution of process and activities associated with the competitive methods. An analysis of the strengths of the hotel helps managers to identify the hotels core competencies. This analysis also enabled the researcher to verify the resources allocated to the competitive methods and the effect of the contextual and process variables.

The sub-proposition for this construct was: Firms that are in alignment should allocate resources to the implementation and development of core competencies that support the competitive methods chosen. The questions asked in the investigation of the different dimensions of this construct were:

1. What investments are made in competitive methods to take advantage of them?
2. What resources, human or material, are allocated to competitive methods?
3. How are the resources allocated?
4. How are the resources aligned so that there was no compromise in achieving the mission of the hotel?
5. What core competencies are identified?

How does contextual and process variables affect implementation and the evaluation of the competitive methods?

Figure 3. 2: The Relationship of Competitive Methods, Firm Structure and Firm Performance



Firm Performance

In the co-alignment principle model, firm performance referred to the financial and customer performance of the hotels. The two financial measures used in this study were the firm's free cash flow and return on invested capital (ROIC). According to Copeland, et al. (2000), free cash flow is the true operating cash flow of a firm. It should be calculated to see how the company generates or consumes cash (Copeland, et al., 2000). On the other hand, the ROIC helps a firm understand how the different generators, depending on the current position of the firm, may have different impacts (Copeland, et al., 2000). Essentially, the cash flow generated from each competitive method and the return on invested capital that relates to the competitive methods was the objectives of this construct. Additionally, the guests' perceived value of the hotel was investigated.

The sub-proposition for this construct was: Firms that were in alliance with the environment, strategy choice, and firm structure should find a higher level of performance. The questions asked in this section were:

1. How does management evaluate investment decisions that support the competitive methods?
2. How are the successes of the competitive methods measured?
3. What cash flow is generated from the competitive method?
4. What return on invested capital is realized by the competitive methods?
5. How do the guests, relative to the competitive methods employed, perceive the firm?

Dimensions

In addition to the above analysis, dimensions identified in previous studies (International Hotel and Restaurant Association White Papers for 1996 and 2000 that identified competitive methods employed by multinational hotel organizations) were used to measure the competitive method construct. It was understood that each hotel would identify other competitive methods it was currently utilizing. The analysis was done to compare the competitive methods identified by each hotel to the competitive methods identified in the previous studies to see if multinationals and independent hotels utilized similar competitive methods. Along with an analysis of cash-flow generated from each competitive method, and guest feedback, the dimensions used to measure the construct were:

- Information technology: Consisted of both customer-oriented (on-line reservations, high-tech in room amenities, electronic lock systems, in-room computer and internet service, etc.) and management-oriented technology (computer network system, decision making systems, yield management system, revenue management system, property management system, cash flow analysis, etc.).
- Relationship management: Involved customer relationship management (frequent stay programs, free perks, customer surveys, etc.), employee relationship management (training, visits and rewards, etc.) and travel agency relationship management (prompt payment of commissions, familiarization trips and supplier relationship).

- Marketing initiatives and campaigns: Included heavy advertising investments, co-promoting activities, image marketing, competitive marketing tactics, local culture, public relations, internal marketing, All-Inclusive packages and direct marketing.
- In-house products: Included the creation of new menus, guest room amenities, guest activities, addition of a gym, spa or other facilities.
- Quality and consistency: Involved the use of brand name products, renovation and modernization of the facilities, the awarding of rewards for quality performers, treating employees as assets, training and service quality management.
- Social awareness and environmental protection: Involved commitment as responsible corporate citizens (recycling, conservation, etc.).
- Operation management: Involved setting up of cost control systems, production systems and capital budgeting.
- Other competitive methods: Other methods identified by the individual hotels that they used to gain competitive advantage.
- The firm structure construct was measured against the following dimensions:
- Resource allocation: Involved the allocation of resources and investments in the competitive methods.
- Core competencies and capabilities: Consisted of the matching of the core competencies and capabilities to the competitive methods.

- Contextual variables: Involved investigating the effects of perceived environmental uncertainty; business strategy; organizational structure; culture and life cycle stage of the competitive methods.
- Process variables: Involved investigating the effects of resource allocation systems; management information systems; planning and control systems; rewards and incentives; training, development and education; and operating systems of the competitive methods. The firm performance construct evaluated and measured the effect of the competitive methods on the success of the firm. The dimensions used were:
- Free Cash Flow: Involved the calculation of the capital expenditures, gross investments and gross cash flow (Free Cash Flow = NOPLAT – Net Investment).
- Return on Invested Capital: Involved the calculation of net profit and invested capital (ROIC = NOPLAT / Invested Capital).
- Guest Perception: Involved surveying registered guests to measure their perception against that of management.

Table 3.3 gives a breakdown of the questions used in the structured interviews.

Table 3.3: Interview Questions

Research Questions	Operations Questions
How were competitive methods chosen?	Please explain what environmental factors (the forces driving change in the hotel environment) were important to you in determining the choice of competitive methods? Explain the factors that were most important in determining the choice of competitive methods used to gain competitive advantage?
What competitive methods were used to gain competitive advantage?	What were the top three value-producing competitive methods chosen? What products and services made up the different competitive methods?
What was the relationship between strategy choice, firm structure and firm performance?	Explain the adjustments if any, made to the firm structure to utilize the competitive methods chosen. What resources were allocated (specify for each competitive method)? How was the performance of each competitive method evaluated? How did the financial performance of each competitive method affect the hotel's performance? Did the hotel's performance show a direct and continuous relationship to the competitive methods? Of the competitive methods utilized, which in your estimation produced the most value? What strategies were in place to ensure that all resources were directed at the competitive methods that generated the largest amount of cash flow? What percentage of the hotel's resources was in place to reward employees for the value they added to the hotel? What stage of the life cycle was the hotel at now (growth, maturity, decline)? Based on where you were now, did it affect the choice of competitive methods and how they were implemented? Through what format did the management information systems provide information on the progress of the competitive methods? What systems were in place for continuous planning, controlling and evaluation?
What investments were being made to best utilize the competitive methods?	Explain your formal decision-making process regarding investment in this hotel.

	What percentage of your total revenues was devoted to each competitive method?
What resources, human or material, were allocated to the competitive methods?	How many employees were employed at this hotel? How many were managers? What was your capital budget? How many saleable rooms? What were the labor costs? Was the reward and incentives structure geared towards minimizing the overall cost of the hotel? How was leadership awarded?
How were the resources aligned so that there was no compromise in achieving the mission of the hotel?	What was the mission of this hotel? Did the mission reflect commitment to the competitive methods? What processes existed to insure a consistent allocation of resources to each competitive method? What reasons were most often given for a divergence of resources , if any, from primary competitive methods?
What core competencies were identified?	What were your core competencies? How were the core competencies decided on? Did the core competencies represent something of value to the guests? Were the core competencies matched with the competitive methods? How? Was the mission of the hotel tied to the alignment between the core competencies and the competitive methods?
How did the contextual and process variables affect the implementation and expectation of the competitive methods?	How did the following contextual variables affect the implementation of the competitive methods? Perceived environment uncertainty? Strategy content? Structure? Culture? Life cycle? How did the following process variables affect the implementation of the competitive methods? Resource allocation? Management information systems? Planning and control systems? Project initiation and leadership style? Rewards and incentives?

	Was there a plan in place for the continuous use of competitive methods? Were the procedures used to implement the competitive methods working as planned? Were training, development and education programs in place for employees to help the implementation of the competitive methods? Did the implementation of the competitive methods improve the efficiency of the staff? Was there a distinct organizational culture? How did the organizational culture facilitate implementation and execution of the competitive methods? Was there a relationship between the organizational culture and the competitive methods chosen? Were the operational systems (cost control, production, quality control, purchasing, property management, yield management) designed to focus on the competitive methods?
How did management evaluate investment decisions that supported the competitive methods?	What methods were used to evaluate the investments made in the competitive methods?
How was the success of the competitive methods measured?	How can you tell if a competitive method was successful or rated? Occupancy? Profit? Guests' feedback? Employee satisfaction? Other? Which competitive methods were the best value producers?
How much cash flow was generated from each competitive method?	What was the cash flow per share of equity generated from each competitive method? What was the total of gross investment in each competitive method? What was the gross cash flow generated by each competitive method? What was the occupancy percentage? What was the average room rate?
What return on invested capital was realized by the firm?	What was your net ROIC? What was the total of invested capital?
How did the guests, relative to the competitive methods employed, perceive the hotel?	Guests survey were used to answer this question.

Summary

This chapter gave a brief overview of the case study method and the process utilized in carrying out the research. The choice of the case study method was justified and definitions of the constructs given.

CHAPTER FOUR

RESULTS

Introduction

This chapter presents the results of the research and describes the units of analysis using the constructs (strategy choice, firm structure and firm performance) previously identified in Chapter Three. The information stated in this section reflects the opinions of the persons interviewed. The case studies are presented first, followed by responses to the questions asked in interviews, findings from the direct observations, and secondary data gathered at the hotels and Pro Quest database. Finally, a summary of the guest questionnaire is presented.

Pre-Test

The interview questions and guests' survey questions were pre-tested prior to the collection of the data. Initially, a research method's professor reviewed the questions in reference to the propositions, and made suggestions that were adopted. Next, an interview, using the refined questionnaire, was conducted with a general manager of a large multinational hotel in Jamaica to test for comprehension of the terms. Based on his suggestions, changes were made to unfamiliar terms, which improved the comprehensibility of the instrument. Using the revised questions, a second pre-test was conducted with a general manager of an independent commercial hotel. Based on the result of the interviews, revisions were adopted to form the final questionnaire. A decision was made to explain the term "competitive methods" before each interview to ensure it was understood.

Research Questions

This chapter addressed the following research questions:

14. How are competitive methods chosen?
15. What competitive methods are used to gain competitive advantage?
16. What is the relationship between the strategic choice, firm structure, and firm performance?
17. What investments are being made to best utilize the competitive methods?
18. What resources, human or material, are allocated to the competitive methods?
19. How are the resources aligned so that there will be no compromise in achieving the mission of the hotel?
20. What core competencies are identified?
21. How do the contextual and process variables affect implementation and expectation of the competitive methods?
22. How does management evaluate investment decisions that support the competitive methods?
23. How is the success of the competitive methods measured?
24. What cash flow is generated from each competitive method?
25. What return on invested capital is realized by the firm?
26. How do guests, relative to the competitive methods employed, perceive the hotel?

The questions were developed in pursuit of the propositions, which state:

a) Firms that achieve greater alignment between competitive methods and firm structure, contingent on the objectives of the owners, will perform better than those that do not; and
b) Firms that have an agreement between what customers perceive as the competitive methods and what management does, will find higher levels of performance on available performance measures.

<u>Sample</u>

Each of the five hotels included in the case study met the criteria of being an independently owned and operated hotel, located in the resort areas of Jamaica. General managers/owners of the selected hotels all agreed to be included in the research. They participated in the interview process and allowed direct observations and the guests' survey to be conducted. Prior to the interview, along with an abstract of the study, general managers of the hotels were sent a copy of the IH&RA white paper on the competitive methods utilized by multinational hotels to familiarize them with the area of research. They were requested to read the report prior to the interview. All reported at the time of the interview that they had read the report.

Additional information was received, through interviews with other managers at each hotel, to supplement information received from the general managers. The responses from the interviews were handwritten, and tape-recorded. After the interviews, the responses were transcribed, analyzed and placed in matrices. The matrices represented a comparison of the answers to the research questions, matching of core competencies to competitive methods, and responses from guests' surveys.

Direct observations were also served as a means to confirm or clarify information received during the interviews.

Guest's Survey

The purpose of the guests' survey (see Appendix 2) was to answer question thirteen of the research questions—How do guests, relative to the competitive methods employed, perceive the hotel? The answer to the question allowed for conclusions to be drawn as to whether there is support for proposition number two that states:

> Firms that have an agreement between what customers perceive as the competitive methods and what management does will find higher levels of performance on available performance measures.

The questions were administered to a sample of the registered guests at the time of their visit. The questionnaires were presented to the guests at checkout and at certain areas around the properties where the guests were receptive to completing the questionnaires. Only guests who stayed at the hotels for three days or more were asked to complete the questionnaire at checkout. Guests who completed the questionnaires before the completion of their stay must have been at the hotel for at least three days.

Case Study Results

Hotel A

Hotel A, a family All-Inclusive resort, is one of two hotels in this study, which is owned and operated by a Jamaican hotelier. Interviews were conducted with the general manager, the front office manager, the restaurant manager, the housekeeper, and the entertainment manager. The corporate sales manager and the corporate financial controller provided additional information that could not be obtained from the other managers. The general manager's interview was conducted using the questionnaire. Interviews with other managers were conducted as a follow up to the general manager's interview to obtain additional and supporting information.

Unit of Analysis

As one of four properties in Jamaica that caters to families, Hotel A is a 76-suite All-Inclusive hotel. The facilities, which were designed specifically with families in mind, include:

a) two restaurants (one for adults only),
b) a beach grill,
c) a pool bar,
d) a piano bar,
e) a kiddies' disco,
f) two swimming pools (one for kids only),
g) a cyber café (computer room),
h) water sports such as scuba diving, snorkeling, parasailing and glass bottom boating,

i) an aerobics center and gym,

j) a “Kiddies Center” and

k) three playgrounds.

Activities range from a resident band that plays four nights a week to floor shows, trips to different areas off property, and daily activities that include cooking lessons, craft making and mixology.

The general manager oversees the hotel operations and has a team of managers who reports directly to him. The managerial positions reflect the key operating areas. The front office manager is responsible for the front desk, reservations and guests’ services. The restaurant manager is responsible for both restaurants and the beach grill. The bar manager is responsible for the pool bar, which serves both restaurants. The housekeeping manager’s responsibilities include the “vacation nannies”, upkeep of the rooms and the public areas. The executive chef is responsible for the food production for the restaurants and the setting up of the buffets (buffet-style service with stations for cook-to-order dishes, such as omelets, eggs, pastas, pizza, stir fry, etc.), which are offered at breakfast and lunch. The entertainment manager is responsible for the planned daily activities, including the nightly entertainment and off-property trips. The “Kiddies Center” manager operates the center and plans activities for the kids. A maintenance manager is responsible for the general upkeep of the property. The sales manager takes care of “familiarization trips” and travel agents and gives support to reservations. Other functions such as accounting and purchasing are centralized. Human resources’ functions fall under the general manager's office with support from the main office in the recruiting of line employees.

Interviews

Competitive Methods

During the interviews with the managers, competition was cited as being the most important environmental factor in determining the choice of competitive methods at Hotel A. The top three value-producing competitive methods mentioned are the "Vacation Nanny" concept; the layout of the physical product; and the delivery of quality service (see Table 4.1). The general manager indicated that these competitive methods are used to ward off the other All-Inclusives, which dominate the island's tourist resorts, and are seen as ways to "survive" in a very competitive environment.

The "Vacation Nanny" concept includes the assignment of a nanny to each family on check-in. The nanny's responsibilities include cleaning the suite, taking care of the children between 9:00 a.m. and 4:40 p.m. and stocking/re-stocking the kitchenette with items requested by the guests. The nanny is also available after 5:00 p.m. for a nominal charge. Other products and services used to facilitate this competitive method are: a kiddy center, three play areas, a separate pool for kids and beach toys that are used to build sand castles. The nannies are trained in dining room and bar service, childcare, and CPR. All nannies are certified food handlers.

The second competitive method is the physical product. Hotel A comprises a small cluster of Mediterranean-style pink stucco, three-story buildings, in a lush garden setting. It has 76 one-, two- and three-bedroom suites, each with a kitchenette.

All the managers interviewed at Hotel A, referred to the closeness of everything on the property as being a benefit of the layout. The general manager explained that the layout was designed specifically to create a family atmosphere, where the children are always within “shouting distance.”

The third competitive method is the delivery of quality service. According to the general manager, the portfolio of services comprising this competitive method are the friendly and efficient service, consistency in food, clean rooms and public areas, trained service-oriented employees, return guest recognition, and a relaxed family atmosphere.

The competitive methods at Hotel A are seen as ways of bringing more guests to the hotel and increasing the number of repeat visits, which is presently 70%. Management identified the “Vacation Nanny” concept as the competitive method that produces the most value for the hotel and the guests.

Table 4.1: Hotel A Competitive Methods

Competitive Methods	**Variables**
“Vacation Nanny” concept	A nanny is assigned to each family. Kiddy center. Three play areas. Children’s pool. Beach toys. The nannies are all certified food handlers are also trained in dining room service, bar service, childcare and CPR.
The physical product	Mediterranean-style pink stucco. One, two and three-bedroom suites with kitchenettes. Close proximity of all activities and buildings. Facilities: pool, beach, two restaurants (one for adults only), piano bar, kids’ discotheque, and a cyber café.
Quality service	Offering of friendly and efficient service. Consistency in food. Clean rooms and public areas. Trained service-oriented employees. Return guest recognition program. Relaxed family atmosphere.

Firm Structure

Hotel A was built as a family All-Inclusive resort, so there is a distinct relationship between the cited competitive methods and the firm structure. Although the general manager was unable to state what resources are allocated to each competitive method, he stated that all decisions are centered on the competitive methods. The evaluation of the performance of each competitive method is based on the guests' feedback, by way of the guests' comment cards. The financial performances of either individual or combined competitive methods are not tracked, but it is assumed by the general manager that guests visit the hotel because of one or more of the competitive methods being utilized. The "Vacation Nanny" concept was identified as the competitive method that produces the most value. However, allocation of resources is not based on the value added by competitive method, but rather on where management sees the need.

Hotel A invests in continuous training of the supervisory and line employees in all departments. Training is provided internally by managers and externally by agencies and professional trainers. The department heads all spoke about the training of their employees from the first day on the job and then on a daily basis. Training is mostly in the area of customer service, and focuses on areas cited by the guests on their comment cards.

The general manager lists the number of employees as between 250-280, fifteen of which are managers. He is, however, unaware of the amount of the hotel's capital budget. The financial controller supplied a list of three major projects in progress, all of which are being undertaken to upgrade the physical product. The labor cost for Hotel A runs approximately 13.7% of gross revenue. According to the general manager, the rewards and incentive are not geared toward minimizing the overall cost of the hotel, but on guests' satisfaction. He also mentioned that the only incentives managers were given were "a pat on the back and their paycheck." However, other managers confirmed that they were given monetary incentives at the end of each year, based on the performance of the hotel. Hotel A does not have a mission statement. When asked why not, the general manager was quick to respond that the mission was "to make money."

The core competencies identified by the general manager and his team are: the employees, the kiddies' programs, the location, the size of the property, the facilities and the quality of service offered. These competencies are decided on based on the product offering and the fact that they represent value to the guests. Managers see Hotel A as a home away from home for employees and guests, and do everything to create the family atmosphere. The employees are trained to make the guests feel like a member of the family and do go out of their way to make the guests feel comfortable. Because of Hotel A's emphasis on the family, quality activities for the children are given priority. This was evident in the number of activities and facilities available for children.

The location of Hotel A was indicated as a core competency because of its proximity to the airport, the beach and tours. It is one and one-quarter hours from the airport, approximately 45 miles, and is conveniently located halfway between Ocho Rios and Montego Bay—two of the most popular tourist areas in Jamaica. By Jamaican standards the location is considered ideal for getting to and from tours. The facilities that range from the lush surroundings to community-like atmosphere are also considered core competencies.

The delivery of quality service, which is also identified as a competitive method, is considered one of Hotel A's best strengths. The management believes that the ability to constantly give quality service is the major reason why the guests keep coming back (70% repeat visits). This is ensured through training and evaluated through feedback from the guests.

The emphases placed on the implementation of the competitive methods are considered standard operating procedures at Hotel A. When questioned about the relationship to the contextual and process variables (why and how of the implementation process), the general manager stressed the importance of "taking yourself away from the crowd," thus creating a niche market. Therefore, everything done at Hotel A is dependent on the competitive methods. The general manager identified the organizational culture as friendly and service oriented. Other managers also indicated that the friendly environment is the norm at Hotel A. They however made reference to the strong disciplinary code that is enforced. All employees are aware that should they do anything wrong, there is zero tolerance at the hotel. The importance of the employees "fitting" into the organization was emphasized by the general manager who stated, "employees who do not fit into the environment are weeded out" (i.e., terminated).

The general manager describes his leadership style as "hands-on." He walks the property daily and observes the operations and will immediately call on the employee if an error is made or there is something that needs correction. Formal communication to the employees is done through weekly meetings with heads of departments and monthly departmental meetings. The communication is enhanced by feedback (both positive and negative), from the guests' comment cards. Training is then organized based on the areas cited by the guests. However, in slow periods, other developmental training exercises are carried out.

According to the general manager, Hotel A has no plans to change its competitive methods, but further investigation identified the conversion of a game room to a conference room. Table 4.2 gives a summary of the responses received during the interviews in reference to alignment between the competitive methods and the firm's structure.

Table 4.2: Hotel A Summary of Firm Structure Response

Variables	Response
Resource allocation	N/A
Rewards & incentives	No rewards or incentive program presently in place for the employees. Managers are given rewards on an annual basis, based on hotel performance.
Life cycle stage	Growth
Organizational culture	Described as friendly, with strict adherence to policy.
Communication	Weekly and monthly meetings – the focus is on guests' comment cards
Capital investment	N/A
Number of employees	250 employees and 15 managers
Labor cost	13.7%
Mission statement	None
Training	Continuous training for all employees in the areas of customer service, and weak areas mentioned on the guests' comment cards.

Firm Performance

The general manager was unable to contribute much to the discussion on the hotel's performance and referred the researcher to the corporate office for the final section of the questionnaire (see Table 4.3). He stated that it was difficult to evaluate the contribution of individual competitive methods or their success. He depended on the feedback from the guests' comment cards to tell whether the competitive methods were successful or not.

There is no evidence of the cash flow being monitored in reference to the competitive methods, nor could any information be obtained on the investment made in each competitive method. Hotel A is privately owned, hence reluctance in sharing any financial information. The only information that the hotel was able to share was the occupancy percentage that averages 48% and the average room rate of $221 (All-Inclusive).

Table 4.3: Hotel A Summary of Firm Performance

Measures	**Responses**
Methods used to evaluate the investment made in the competitive methods.	Measurements are based on the response of the guests' comment cards.
Measurement of the success of competitive methods.	Based on profitability of the hotel.
Cash flow.	N/A
Cash flow per share of equity generated from each competitive method.	Not monitored.
Cash flow invested in each competitive method.	N/A
Cash flow generated by each competitive method.	Not monitored.
Occupancy percentage.	48% annually
Average rate per room.	$221 per occupied room
Return on invested capital.	N/A
Total invested capital.	N/A

Direct Observation Results

Hotel A is a small property, with everything in shouting distance, as described by their brochure and the general manager. Most of the guests' activities are conducted around the pool area, which is next to the main dinning room and the pool bar. The proximity made observations controllable. All observations were done by spending several hours per day in each area and by walking around the property several times during a three-day stay. Direct observations revealed the importance of the family environment and the effort put forward by the employee in making sure the guests feel at home, from the time of check-in. The nannies' involvements with the families are commendable. They were observed first getting the children to accept them and then relieving the parents of the responsibilities of the children from the first day. The nannies were also observed playing with the children and having in-depth conversations with the parents on a regular basis. The interaction of the nannies and the families explains why the families were so relaxed once the nannies took over.

All the employees were very friendly, although sometimes it could be overbearing if one needed some quiet time. With the exception of the uniform (which consisted of polo shirts and pants or shorts) it was difficult at times to tell the staff different from the guests, because of the casual way in which the staff interacted with the guests. The front desk did not display the same kind of enthusiasm as some of the other staff members. At times they seemed too preoccupied with other issues and did not respond to the guests immediately, or at all. It would take quite a few seconds for them to acknowledge the guests. The same behavior was observed at the pool bar. The bartenders, although very friendly, took a long time to acknowledge the guests. They were usually involved with their own conversations and ignored the presence of the guests.

The small size of the property was not reflected in the suites. The suites are similar to a well-furnished apartment and townhouse. The kitchenettes are equipped with stoves and ovens, microwaves and refrigerator. At check-in, the guests can request items they wish to keep in the suites and these items are restocked daily by the nannies. The children's play areas were well equipped for all ages. Each day there are planned activities for the children such as craft making and body painting.

There is evidence that changes were made and are presently in progress to the organizational and physical structure of the hotel to accommodate the cited competitive methods. There was also construction being done to convert the video room to a meeting room at the time of the visit. The general manager explained that the need to attract small groups with families was identified.

Secondary data was gathered after a search of Pro-Quest database. Travel writers in several magazines and newspapers wrote articles about their visits to Hotel A. All the articles were complimentary, and Hotel A was recommended to fellow travelers. Parents expressed their reluctance at first to leave their children in the care of a stranger, but all relented after a few hours. All the articles confirmed the important part the nannies played in the total vacation, the service they received and the family atmosphere that they all enjoyed.   In the hotel brochures, family atmosphere and the small size of the property is also emphasized along with the idea that the parents are never too far from their children.

Guests' Survey Results

Fifty-four percent of the registered guests at Hotel A completed the guests' survey.   The questionnaire was presented to the guests at checkout and at the pool bar. In response to question one, 25% of the guests said they choose to stay at Hotel A because of a special offer, 25% said the hotel was recommended, and 25% because of the internet. Of the remaining 25%, 17% chose to stay at Hotel A because of the rate and the remaining eight percent checked "other."

Question two asked what promises the hotel made. The promises made were entertainment for kids (30%), nanny service (30%), worry-free vacation (30%) and all-inclusive package (10%). All responded favorable to question three that asked if the promises were kept. For question four, 75% said the all-inclusive offer was important to them and the remaining 25% said the type of hotel was important to them. All respondents said that what was important to them was available at Hotel A.

Question six listed the three competitive methods mentioned by the hotel. One hundred percent (100%) of the respondents chose the "Vacation Nanny" concept as the competitive method that provided the most value to them, and 100% said the suite provided the least value. On the question of what activity provided the best value, 66.67% cited the "Vacation Nanny," the remaining 33.33% cited entertainment for kids, water sports, and food. Question nine asked if they would return to the hotel, all said yes. The most popular reasons listed were the nanny service, the quality of the service, the family atmosphere and because they had a good time. The final question, question 11, asked the respondents to rate Hotel A on a Likert scale of 0 – 10 (ten being the highest), the hotel was rated 8.6.

Summary

The concept of Hotel A reflects the competitive methods chosen. The hotel first opened with the concept of a "Girl Friday" and was changed two years later to a "Vacation Nanny" which is why most guests chose to stay at Hotel A. The physical product and the quality service complement the "Vacation Nanny" concept. There is alignment between the strategy choice, the firm structure and the firm performance. However, there are no records kept to verify the investments made in the different competitive methods or the allocation of resources. The core competencies identified by management also supports the competitive methods. The contextual and process variables affect the implementation of the competitive methods and are therefore in alignment with them.

The investments of the hotel are determined by ideas received from the guests' comment forms and trends in the industry. For instance, the conversion of the game room into a meeting room is as a result of the trend in the All-Inclusive resorts to add meeting facilities. The performance of the hotel could not be ascertained, so the cash flow generated by the competitive methods could not be calculated. However, financial information on revenues earned, average daily income per room, average rate per room and occupancy percentage were obtained (see Table 4.22 at the end of this chapter). Question 11 asked the guests to rate Hotel A based on their overall vacation experience. On a scale of 1 to 10, 10 being the highest, Hotel A was rated 8.6, which supports the idea that the hotel is viewed favorable by its guests. This was supported by direct observations and secondary data also confirmed the alignment between the variables.

Table 4.4 gives an overview of the responses to the interview questions by the managers:

Table 4.4: Hotel A: Matrix for Questions Responses

Research Questions	Hotel A
1. How are competitive methods chosen?	By looking at the competitors.
2. What competitive methods are used to gain competitive advantage?	Vacation nanny concept Physical product Quality of service
3. What is the relationship between strategy choice, firm, structure and firm performance?	The firm structure is designed around the CMs. The firm performance is dependent on the CMs.
4. What investments are being made to best utilize the competitive methods?	Training and upgrading of the physical product.
5. What resources, human or material, are allocated to the competitive methods?	Ratio of staff to rooms 3.5:1 Capital budget N/A.
6. How do you ensure that there will be no compromise in achieving the mission of the hotel?	Hotel does not have a formal mission statement.
7. What core competencies are identified?	Size of the property Layout of property Kiddies' program Proximity to airport Proximity to tours Service Employees Size of rooms Facilities Family environment
8. How do the contextual and process variables affect the implementation and expectation of the competitive methods?	Original hotel concept is based on the family and the "Vacation Nanny" concept. Therefore the contextual and process variables are aligned with the CMs.
9. How does management evaluate investment decisions that support the competitive methods?	All evaluation is based on guests' feedback and the travel agents (most bookings done through TA).
10. How is the success of the competitive methods measured?	Success of CMs based on guests' feedback.
11. How much cash flow is generated from each competitive method?	Not monitored. Occ. % = 48% ADR = $221 (All-Inclusive)
12. What return on investment capital is realized by the hotel?	Amount of invested capital was not given; therefore return on invested capital cannot be calculated.
13. How do the guests, relative to the competitive methods employed, perceive the hotel?	Guest survey showed 100% agreement.

Hotel B

Hotel B is owned by a group of foreign investors. One of the investors lives in Jamaica and is the managing director for the hotel. Interviews were conducted with the general manager, the food and beverage manager, his assistant, the front office manager, the training manager and the environmental manager. The interview with the general manager was conducted with the use of the questionnaire and subsequent interviews were done as a follow-up to the general manager's interview.

Unit of Analysis

Hotel B is a complete resort with 179 suites, 32 villas and 40 guests' rooms (419 bedrooms in total). It is situated on 400 acres of lush land, with approximately three miles of beachfront. The resort has a four-star four-diamond rating. This luxury resort has a wide array of facilities, which include six restaurants, a golf course, tennis and squash courts, a spa, a shopping center with a medical diagnostic and dialysis center, a wide range of water sports and a conference center. Hotel B operates as a European plan hotel (room only), but offers all-inclusive plans that include meals and other activities.

The organizational structure of Hotel B is different from that of the average hotel/resort, which has distinct lines of communication of all executive committee members to the general manager. At Hotel B, the managing director is a major investor in the resort and represents all the other investors. He does not become involved with the day-to-day operations but concentrates instead on the physical product, with the assistance of the property manager. All executive committee members report directly to the managing director. The general manager is responsible for the rooms division, the daily hotel operations, and public relations. The director of operations is responsible for the hotel's entire operations, including the financial aspects of the hotel. There is also an executive assistant who is responsible for the sales and marketing of the resort. Other executive committee members include human resources manager, food and beverage manager, environmental manager and property manager.

Interviews

Competitive Methods

The competitive and economic environment plays an important role in determining the competitive methods at Hotel B. The general manager indicated that by understanding the economic conditions of the hotel's target market, when there is a downturn in the economy, the hotel could counteract the downturn by turning to other markets. He also stressed the importance of satisfying the guests to increase repeat visits, which presently average 45%, and to encourage referrals.

The top three value-producing competitive methods, cited by the general manager, are the delivery of quality service, the physical product and green hotel status. At first, the general manager did not consider green hotel status as a competitive method. However, during the discussion on the core competencies, he explained how the greening status was used to gain competitive advantage. It was then that he decided that it was indeed a competitive method.

Delivery of quality service at Hotel B relies on a portfolio of features, namely:

a) the offering of first class service,
b) American Automobile Association four-diamond rating
c) Mobil Automobile Association four-star rating,
d) the high quality of the food,
e) service quality management,
f) trained staff, and
g) the repeat guest recognition program.

All the above make up the products and services of the competitive method.

The second competitive method utilized at Hotel B is the physical product. The resort is promoted as an exclusive complete resort, which means that it can provide all the facilities a resort guest needs. Spread over forty acres of lush landscape, each building has a variety of spacious suites or villas, which are hidden among the trees, thereby offering complete privacy. The facilities at Hotel B include an 18-hole championship golf course and an 18-hole putting course, thirteen tennis courts, four squash courts, fifty-four swimming pools (including one Olympic-size lap pool), six restaurants, a conference center, a spa and fitness center, water sports, horseback riding, a commissary, a shopping center with duty free shopping, and a medical diagnostic and dialysis center.

The third value-producing competitive method is the resort's green hotel status. Management at Hotel B indicated their full commitment to protecting the environment. According to the environmental manager, gaining status as an environmentally friendly hotel requires that management put into practice procedures that will protect and sustain the environment. The products and services included in this portfolio include the use of recyclable products throughout the hotel (the one exception being the use of plastic drinking straws), a policy of refraining from using chemicals, an environmentally aware staff, and the numerous awards the resort has received.

According to management, Hotel B uses these strategies to gain competitive advantage by offering the best service and the best product. Management constantly adds to and upgrades both the services and the physical product based on guests' feedback and is fully committed to protecting the environment. The general manager at Hotel B believes that firm structure is dictated by the competitive methods, and firm performance is the result of both the competitive methods and the firm structure.

Table 4.5 lists the competitive methods and the products and services that make up the portfolios.

Table 4.5: Hotel B Competitive Methods

Competitive Methods	**Variables**
Delivery of Quality Service	Offering of first class service Four-star/four-diamond resort Quality of food Service quality management Trained staff Repeat guest recognition program
Physical product	Exclusive complete resort 400 acres of lush landscape Suites and villas Privacy Full resort amenities—18-hole golf course, 18 hole-putting green, 13 tennis courts, 4 squash courts, 54 swimming pools, 6 restaurants, conference center, spa and fitness center, water sports, horseback riding, commissaries, shopping center with duty-free shopping, and a medical center.
Green hotel	Environmental friendly resort (Environmental Management Systems in place). Environmentally aware staff Environmental awards

Firm Structure

The relationship between the competitive methods, firm structure and firm performance is described by the general manager of Hotel B as being in total alignment as every decision made is with the competitive methods in mind. The performance therefore reflects the success of their implementation. According to the general manager, the hotel grows according to customer needs, which are identified from the feedback of the guests' comment cards. There is no system in place to identify the allocation of resources as everything is done on a needs basis. The management identified service as the competitive method that produces the most value and estimates that most resources go into training. Employees are rewarded through different incentive programs, most of which center on performance and are supported by guests' feedback.

The hotel is in its forty-fifth year of operation, and according to the general manager, it is still growing. It has a very strong organizational culture that is influenced by the philosophy of the managing director, which is reflected in everything the employees do. The general manager described the culture as friendly and communication at Hotel B is very open, except for the financials. A department heads' meeting is held each morning by the general manager to review the previous day's operation and to go over the upcoming events for the current day. Weekly departmental meetings are held and information is passed on to the employees. In addition, memos, e-mail and hand-held radios (100 persons are on radios) are used in communication.

There is no formal decision-making process at Hotel B regarding investment. One owner has complete control over what is done. According to the general manager, most of the profits are put back into the hotel for upgrading and additions, on a needs basis. The interviews with the managers revealed that when they need something for their departments they approach the managing director personally. If the request can be justified and is in keeping with the objectives of the hotel—to be the best hotel in the Caribbean—it is usually granted. The guests' feedback is usually what guides the investment decision.

Hotel B employs 750 employees, including fifty managers for 419 rooms. No budgeting is done, thus there is no capital budget. The general manager would not reveal the labor cost, but stated that in Jamaica the labor cost is very good. However, the labor cost was calculated based on other financial figures that were received and confirmed during the direct observation period. Rewards and incentives are used to motivate the employees and are based on guests' feedback. Managers, however, are rewarded based on performance in such areas as the number of positive comment cards received, performance of the department, employee grooming, attendance, etc.

The mission statement, given to all employees at Hotel B, emphasizes the delivery of quality service that will exceed the customers' expectations. This emphasis on the delivery of quality service is demonstrated in the training implemented by the training department and the department managers. This demonstrates a commitment to the quality service and the physical product competitive methods. The managers also spoke about what their department is doing to ensure consistent allocation of resources to the other competitive methods. During direct observations, the comment was observed in the departments where the training of employees are scheduled on a monthly and are carried out as planned.

The general manager identified the core competencies as the location, the three-mile oceanfront, the property layout, the offering of a complete resort, friendly and trained staff. Before deciding on core competencies, all department heads do an analysis of their department to determine what they need to do, to be recognized as the best resort in the Caribbean. This ensures that core competencies represent something of value to the guests. Other managers added to the general manager's list: training and development, the "Pillars of Excellence" program, "five basic hospitality behavior" training, employee motivation programs, guests' comment cards, information technology, amenities, the environment program, the green hotel awards, the environmental coordinator, and the capital investments. All the core competencies mentioned are believed to represent something of value to the guests, and are guided by the objectives of the hotel.

Hotel B's location is considered a core competency because it is located just fifteen minutes from the airport. The three-mile oceanfront provides the guests with privacy and space. The three-mile beachfront complements the layout of the property that is spread out over four hundred acres of land. Movement around the property is by shuttle buses, golf carts or bicycles. Hotel B is considered a complete resort because it has all the amenities that a resort should have—golf course, tennis, water sports and spa, to name a few. The guests can vacation at the property and have everything at their disposal.

According to the hotel general manager, Hotel B invests a lot of resources (amount not given) into training of the staff. Training classes are scheduled monthly by the training department and covers both technical and developmental training of all employees. There are three levels of training: new employees, line staff, supervisory and management. The objective is to manage the customer service process both internally and externally. The friendliness of the employees is also considered a core competency. While the employees are encouraged to be professional at all times, they are trained to be friendly to the guests, and try at all times to make sure all guests' needs are taken care of.

At orientation all new employees are given a brochure that explains the "Pillars of Excellence" program. Included in this program are the mission, vision, motto and values of the hotel. Employees are expected to learn and abide by these principles at all times. Along with these principles are the hotel's five basic hospitality behaviors that each employee is trained to adhere to. In an effort to keep the employees motivated, there are activities that all employees get involved with. One such activity is the "Quiz Mania" contest among departments, which tests employees' knowledge on tourist-related information about Jamaica and the hotel.

At Hotel B, guests' comment cards are considered a core competency because of how they are used by the hotel. Each week the guests' comment cards, with both positive and negative feedback, are circulated to each department and discussed in departmental meetings. The comments are used to reward employees or identify and schedule training. They are also used to rate departments.

The environmental program, which promotes the elements of reuse, recycle and reduce policy, is implemented throughout the property. All amenities in the rooms are recyclable. An environmental coordinator is assigned to the project to ensure compliance by each employee and to implement programs designed to sustain the environment. Hotel B has won 12 environmental awards since 1997 after the implementation of the green hotel program.

The owners of Hotel B are not interested in receiving any income from the hotel and therefore approve the reinvestment of profits. This availability of capital funding is of Hotel B. This allows the hotel to invest in training and development of the employees; continuously upgrade the property; make additions to the physical environment; and invest in environmental programs, which can be cost prohibitive.

When asked if the mission of the hotel is tied to the alignment between the core competencies and the competitive method, the general manager was quick to point out that everything they do comes back to satisfying the guests and to increase repeat business. Everything contributes to the overall objective of the resort, to be recognized as the number one resort in the Caribbean.

The alignment was further explained in reference to the contextual and process variables. All the elements of the contextual and process variables are said to affect the implementation and expectation of the competitive methods. The managers referred to the managing director and his indirect involvement in the everyday operations. His style affects how other managers operate and they all talk about their hands-on involvement with taking care of problems immediately and the importance of knowing the guests. The managing director’s perception of the uncertainty in the environment contributes to the strategy chosen and how the resort is organized structurally. This contributes to the implementation and expectation of the competitive methods. The relationship was further explained in how the variables were applied.

The general manager does not foresee a change in competitive methods presently being utilized. Instead, he sees improvement on these methods and feels it is on course with its objectives. Hotel B is very committed to training and development of its staff and this training starts from the first day on the job and continues throughout the life of the employment. The main objective of this commitment to training and development is to improve the efficiency of the staff and ensure satisfaction of both guests and staff. The general manager refers to the organizational culture that encourages the staff to be friendly to the guests, yet keeping a respectful distance and demonstrating a certain level of sophistication. Because of the organizational culture, the general manager stated that execution of the competitive methods has been easy and will continue to be so, as there is a distinct relationship between the organizational culture and the competitive methods chosen. All operational systems are designed to focus on the competitive methods.

The responses to the firm structure questions are listed in Table 4.6.

Table 4.6: Hotel B Firm Structure Response

Variables	**Response**
Resource allocation	Allocated on a needs basis.
Rewards & incentives	Centered on performance and are based on the guests' feedback.
Life cycle stage	Growth
Organizational culture	Influenced by managing director and is described as friendly. Professionalism must be displayed at all times.
Communication	Open at all levels.
Capital investment	Majority of the profits are re-invested in the resort each year. Actual figure was not given.
# of employees	750 employees, and 50 managers.
Labor cost	8%
Mission statement	Yes. Emphasis is on the delivery of quality service.
Training	Intensive training for all employees. Training is planned on a monthly basis in the areas of service, foreign language (Japanese, German, French, Spanish) and personal development. Exchange programs with European hotels.

Firm Performance

Hotel B does not use a planned budget. However there are control systems in place to ensure departments stay within certain guidelines related to profit. As mentioned above, everything is treated on a needs basis. All investments are evaluated through the guests' feedback, occupancy percentage and revenues. The guests' feedback, occupancy percentage and revenues also measure the success of the competitive methods. The general manager's opinion is that profit, which he estimates is 40%, is a measure of hard work.

The average annual occupancy at Hotel B is 41.5%, with an average rate of $332 per room per night (figures are based on 2001 average through August). The cash flow generation is not monitored and the general manager was reluctant to give the information that would allow for calculation. Neither the total invested capital nor the return on invested capital could be obtained. Summaries of Hotel B's performance responses are listed in Table 4.7.

Table 4.7: Hotel B: Firm Performance Response

Measures	**Response**
Methods used to evaluate the investment made in the competitive methods.	Based on guests' feedback, occupancy percentage and revenues.
Measurement of the success of competitive methods.	Based on guests' feedback, occupancy percentage and revenues.
Cash flow.	N/A
Cash flow per share of equity generated from each competitive method.	N/A
Cash flow invested in each competitive method.	N/A
Cash flow generated by each competitive method.	N/A
Occupancy percentage.	41.5% (Jan-Aug)
Average rate per room.	$332
Return on invested capital.	N/A
Total invested capital.	N/A (majority of profits invested in capital).

Direct Observation Results

Hotel B sits on 400 acres of land. All the rooms and the facilities are spread out over this area and staff and guests get around with the use of golf carts, bicycles or a shuttle bus. Although the resort was running forty percent at the time of the visit, at no time were more than twenty guests seen in one area, and this is usually at mealtime. The size of the property gave complete privacy to the guests. The resort is a little town by itself with facilities that offer the guests everything for their comfort and relaxation.

Direct observations were done in both the guest areas and employee areas. The professionalism mentioned by the general manager was observed during employee and guests' contacts. Particularly, approximately ninety percent of the staff was observed adhering to the "five basic hospitality behaviors." Only on rare occasions were the practices not observed. Readiness of the all employees to help was commendable. From observations, Hotel B exhibited not only professionalism, but also a friendly, well-trained staff that seemed to cater to the guests' every wish.

All managers attended the manager's cocktail party held the second night of the visit. This was a time when managers tried to learn from the guests not only about their stay, but to garner additional information about what else could be done to make the stay more valuable. The observer was able to talk to more of the managers and could detect a distinct organizational culture fashioned after the managing director's philosophies. When employees spoke about the managing director, they did expressing an unusual devotion and loyalty.

The observer also spent time in the employee areas and was able to sit in on the "quiz mania" competition. The team sprit was very high and although it was a competition between departments, there was more friendliness displayed than competitiveness. The only negative note was the employees' commitment to the "green hotel." While the reuse, recycle and reduce principles are in place, employee commitment to the program was not observed. The only observable commitment was that of the environmental manager, who believes that employees should not be given an incentive to adhere to the program, but should exhibit total commitment.

Secondary data collected from the property emphasized the competitive methods being utilized. Total commitment to quality service, the green hotel status and the physical property is echoed in every literature and in everything that is done. The training schedules emphasized the type and amount of training done each month. A copy of the "Pillars of Excellence Program" brochure that all employees are expected to memorize was also secured. Other secondary data obtained from the Pro Quest database and the local newspapers told of the wonderful experiences at Hotel B.

Guests' Survey Results

Twenty three percent of the registered guests at Hotel B completed the guests' survey. Questionnaires were presented to the guests at checkout by a staff member (the hotel has a strict policy about the privacy of their guests). Question one asked for the reason for choosing to stay at Hotel B. Thirty-four percent (34%) of the guests did so because it was recommended, while 26% chose Hotel B because of a special offer. Advertising and the image of the hotel was the third highest response of 21% and the location received 15.8%. Question two asked what promises the hotel made. The promises listed were: top class hotel 32.4%, a wonderful stay 29.4% and a great experience 26%. Eighty-four percent said the promises were kept.

Question four asked the respondents what was important to them. Majority of the respondents chose more than one factor. The number one factor—quality of service—was 86%. Other factors chosen were atmosphere (55.3%), facilities (50%), location (23.7%), type of hotel (21.1%) and all-inclusive offer (18.4%). Ninety-two percent (92%) of the respondents said what was important was available at Hotel B, while 5.3% said no, and the remaining 2.6 % did not respond.

Questions six and seven listed the three competitive methods Hotel B utilizes—green hotel status, level of service and physical facilities. Sixty-five percent (65%) said that the level of service provided the best value, while physical facilities and green hotel status received 21.1% and 10.5% respectively. On the question on which of the three provided the least value, 52.6% chose the green hotel status, 21.1% physical facilities, 2.1% level of service and 21.15% did not respond.

Question eight asked about the activities that provided best value. The activities mentioned most often were the water sports, the spa, the fitness center, golf, tennis, croquet and horseback riding. Question nine asked if they would return to the hotel and question ten asked for the reason they would return. The positive response was 92.1% and the most popular reasons listed in order of preference were: quality service, friendly courteous staff, complete resort and great atmosphere. Question 11 asked the respondents to rate Hotel B on a Likert scale of 0-10 (10 being the highest). The hotel was rated 8.3.

Summary

Hotel B utilizes their environmentally friendly status, quality service and the fact that they are a full resort as competitive methods. Quality service is considered the most important competitive method for the hotel and the guests also confirmed this as the competitive method that provided them with the most value. There is a strong relationship between the competitive methods, the firm structure and firm performance. This is demonstrated in the planning and operations of Hotel B where the majority of the profit earned is put back in the resort for upgrading and/or renovations. Hotel B also invests a large portion of their profits in training and development of the staff. The exact amount invested was not given.

There is a definite alignment between the competitive methods, the firm structure and firm performance (which is demonstrated in their mission), and the core competencies identified. It is also demonstrated that both the contextual and process variables are in alignment with the competitive methods.

Investments into each competitive method are not evaluated, but their overall performance is evaluated by the response of the guests, occupancy percentage and revenues. The cash flow generated by each competitive method is not monitored. However, the overall cash flow was not given for calculations to be carried out, nor was the information on invested capital. Financial information was obtained on the revenues, average daily rate and income per room (see Table 4.22 at end of chapter). The overall guest experience was rated as 8.3, on a 10 point scale, by the guests.

Table 4.8: Hotel B Matrix for Questions Responses

Research Questions	Hotel B
1. How are competitive methods chosen?	By looking at the competitors and what is going on in the economy of the markets they are going after.
2. What competitive methods are used to gain competitive advantage?	Environmental friendly Quality of service Full resort offerings/physical product
3. What is the relationship between strategy choice, firm, structure and firm performance?	The firm structure is organized based on the CMs and is reflected in the firm's performance.
4. What investments are being made to best utilize the competitive methods?	Majority of the profits is used as investments in additions, upgrading and training and development of employees.
5. What resources, human or material, are allocated to the competitive methods?	Ratio of staff to rooms 1.8:1 Capital budget N/A, but continuous upgrading and addition to facilities.
6. How do you ensure that there will be no compromise in achieving the mission of the hotel?	Hotel mission is aligned with the CMs and is incorporated in the philosophy of the company.
7. What core competencies are identified?	Employees, management, friendliness, training and development, "Pillars of Excellence" program, 'five basic hospitality behaviors," employee motivation programs, guest comment cards, information technology, location, three-mile beach front, property layout, complete resort, amenities, environmental program, environmental rewards, environmental coordinator, and capital investment.
8. How do the contextual and process variables affect the implementation and expectation of the competitive methods?	The implementation of the CMs is affected by the contextual and process variables in all the elements.
9. How does management evaluate investment decisions that support the competitive methods?	Investments evaluations are based on guests' feedback, revenues and occupancy percentage.
10. How is the success of the competitive methods measured?	The guests' feedback, revenues and occupancy percentage measure successes of the competitive methods.
11. How much cash flow is generated from each competitive method?	Not monitored. Occ. % = 41.5% ADR = $332
12. What return on investment capital is realized by the hotel?	Amount of invested capital was not given; therefore return on invested capital cannot be calculated.
13. How do the guests, relative to the competitive methods employed, perceive the hotel?	Only 21.6% agreement with management.

Hotel C

Hotel C, owned and operated by a Jamaican family, is a cabin-style hotel located on ten acres of wooded land adjacent to Jamaica's national wetlands nature reserves. The hotel's beach is not on the main property but is located across the main thoroughfare, on an additional five acres of land. There was no general manager at the time of the study, so the interview was conducted with the resident manager, who was the acting general manager. Interviews were also conducted with the property manager and the housekeeping manager. The financial controller supplied additional information.

Unit of Analysis

Hotel C comprises forty-three natural wood cabins (86 rooms) built on stilts, nestled within ten acres of lush and dense tropical forest—home to hundreds of rare plants and birds. The beach is on an additional five acres. Each cabin houses two private, fully furnished, air-conditioned rooms with balcony. The hotel has one restaurant, a pool bar, a beach snack bar and a gym/fitness center. There is also a recently converted conference room. The resident manager/acting general manager is responsible for the day-to-day operations and is assisted by a property manager who is responsible for the environmental program, the general maintenance of the hotel and its fifteen acres of land. The remainder of the management staff includes the financial controller, the housekeeping manager, the executive chef and the food and beverage manager. At the time of the interviews, the hotel was without a front office manager.

Interviews

Competitive Methods

The competitive environment and ecological factors are the major environmental criteria that influence the choice of competitive methods at Hotel C. According to the resident manager, the competitors drive the prices as well as the quality of the product, services and food. The concern for sustaining the natural environment is the other major factor management considers when deciding on ways to compete. The top three value producing competitive methods identified by the acting general manager at Hotel C are: being an eco-friendly resort, the service quality and the architectural design.

In 1998, Hotel C became the first hotel in the world to earn the Green Globe certification from Green Globe International. Since then it has received numerous "green" hotel awards from different agencies such as American Express, the Caribbean Hotel Association, and the Jamaica Hotel and Tourism Association. The commitment of management at Hotel C to sustaining the environment is evident in everything that it does. The products and services comprising this portfolio are the environmental management system, the reuse program, vegetation, bird watching, and nature walks.

Offering of quality service is the second competitive method utilized by Hotel C. The products and services included in this portfolio are the friendliness of the staff, personalized service and the quality and variety of the food.

The architectural design of Hotel C is the third competitive method chosen to gain competitive advantage. The natural stilted wood cabins with private decks, hidden in the lush tropical vegetation, the location of facilities in open pavilions, the boardwalk surrounding the pool area, and the landscape represent the products relating to the third competitive method. The hotel has been featured in *Architectural Digest* and has won Jamaica's prestigious Governor General's award for design. Table 4.9 lists the core competencies identified by the managers and their relationship with the known competitive methods, including relationships recognized during direct observations.

Table 4.9: Hotel C Competitive Methods

Competitive Methods	Variables
Eco-Friendly Resort	Green Globe award Environmental management system The re-use program Bird watching Nature walks Wetland reserve
Quality Service	Friendly staff Personalized service Quality and variety of food Training
Architectural design	Governor General award for design Landscape Cabins Open pavilion Pool boardwalk

Firm Structure

At Hotel C, the acting general manager explained the relationship between the elements of the co-alignment principle through the application of each competitive method. The eco-friendly resort's competitive method relationship to the firm structure is through the hotel's environmental management system that monitors the use of energy and water; the hotel recycling, reuse and reduce policy; the purchasing policy and employee training. The service competitive method relationship is explained through the hotel's commitment to training, as they try to deliver "five star" service at a "three star" hotel. To utilize the architectural design as a competitive method, the number of rooms was increased. The cabins were built around trees and the landscape improved in order to enhance the design of the cabins.

The performance of each competitive method is not monitored, but overall evaluation is dependent on the guests' four-page comment sheet—sent to guests the day before scheduled departure. The resident manager sees the financial performance of the hotel as directly related to the success of the competitive methods, and a continuous relationship with the competitive methods. Based on the guests' feedback as reflected in the comment cards, the eco-friendly environment produces the most value to the hotel.

Hotel C uses a budget to ensure allocation of resources to each competitive method, but does not monitor which method should get the largest amount of the resources. Employee of the month program and environmental incentive rewards are used to commend employees for the value they add to the hotel. Management rewards and incentives are issued at the end of each year and are based on the hotel's overall performance.

The general manager views the hotel as being in the growth stage because of all the changes taking place. Being in the growth stage has affected the choice of competitive methods and how they are implemented. Communication is done through the environmental notice board, monthly departmental meetings and weekly management meetings. Annual budgets are used for planning, and controlling is done through internal reports and the environmental management systems. The executive committee and the directors who evaluate requests from management make investment decisions.

Both human and material resources are allocated to the competitive methods. Hotel C employs eighty-six persons, including seven managers. The number of employees equals the number of rooms. The labor cost is 7.9% of revenue and management incentives and rewards systems are tied toward minimizing the overall cost of the hotel.

The hotel's mission is to be recognized as the industry leader in the excellence of service to the customer, and reflects a commitment to the service competitive method. The mission, however, does not reflect a commitment to the other competitive methods. Divergence of resources from the competitive methods is usually done because of budgetary constraints.

Hotel C lists its core competencies as the hospitality of the employees, the emphasis on the environment, the landscape, no-layoff policy, training, location and the layout of the property. The core competencies are decided through management's commitment to the competitive methods and guests' comments.

The effects of the contextual and process variables on the implementation of the competitive methods are reflected in how management views the competition in the perceived environment. Management's perception affects the strategy chosen and how the hotel is structured. Hotel C has a family oriented organizational culture—one in which every employee is treated as a member of Hotel C's family. This starts with the owners who are referred to as "care givers" by the managers. The owners communicate freely with the employees and encourage the employees' input. All matters concerning the competitive methods are communicated to the employees through group meetings, person to person, and memos. Planning and control systems are put in place to ensure that each person knows the competitive methods so that performance can be evaluated.

Hotel C invests in the training and development of the employees. There is an exchange program in place where employees are sent to other properties for training. Technical training is usually done in-house and external trainers are employed for customer service training. The property manager is a trained environmental officer and all employees are trained in environmental management systems. There is a "green team" made up of employees from each department for monitoring and evaluating the environmental management systems. To accommodate the guests, who are mostly Europeans, employees are trained in three different languages: Spanish, German and Italian. According to the resident manager, the organizational culture makes the implementation of the competitive methods easier and this contributed to the hotel receiving the first Green Globe certification in 1998. The caregivers' style of the owners extends to the employees who, through the hotel, have adopted a primary school and an infirmary.

Table 4.10 summarizes the responses by management to the firm structure questions during the interviews.

Table 4.10: Hotel C Summary of Firm Structure Response

Variables	**Response**
Resource allocation	All centered on the competitive methods.
Rewards & incentives	Managers receive annual incentive based on the hotel's performance. Employees incentive based on guests' comment cards and Environmental Management System.
Life cycle stage	Growth
Organizational culture	Family oriented, care giving environment. Determined by the owners who are considered "care givers."
Communication	Top-down and bottom-up two-way communication. Communication is done through word of mouth, notice boards, monthly and weekly meetings.
Capital investment	N/A
Number of employees	86 employees 7 managers
Labor cost	7.9%
Mission statement	Centered on service
Training	Continuous training for all employees in customer service and technical areas. Foreign languages: Spanish, German and Italian Green team Exchange programs with local hotels.

Firm Performance

Evaluation of investment decisions that support the competitive methods is done through cost reports and guests' comment sheets. Success of the competitive methods is measured also by the guests' comment sheets and by occupancy percentage, which averaged 66% in 2000. The average rate per room is $66.69. Table 4.11 lists Hotel C's firm performance response. The cash flow generated from each competitive method is not monitored by the hotel, nor is the rate of return on invested capital.

Table 4.11: Hotel C Firm Performance Response

Measures	Response
Methods used to evaluate the investment made in the competitive methods.	Guests' comment cards and cost control reports.
Measurement of the success of competitive methods.	Guests' comment cards and occupancy percentage.
Cash flow.	N/A
Cash flow per share of equity generated from each competitive method.	N/A
Cash flow invested in each competitive method.	N/A
Cash flow generated by each competitive method.	N/A
Occupancy percentage.	66%
Average rate per room.	$66.69
Return on invested capital.	N/A
Total invested capital.	N/A

Direct Observations Results

The architectural design of the cabins and the public areas of Hotel C, along with the beauty of the landscape, make it one of the most interesting and unusual resorts on the island. When one enters the property, it is obvious that it is an eco-friendly resort. This comes out in the design and the landscape. The fauna and the flora are ubiquitous and the sounds of birds can be heard everywhere. Iguanas are one of the attractions often seen. The cabins are built on stilts and are nestled between the trees, offering complete privacy to the guests. The only sounds to be heard are those of the birds and crickets.

At the time of the visit the hotel's occupancy was 38% and although there were more employees than guests, the service and the attention given to the guests were never overbearing. The employees were very friendly and displayed a very positive attitude. If another employee needed help they were very willing to assist or even offered help. The same was done for the guests. This was observed during meals and at the pool bar area. The managerial staff was always present. The type of service received reflected more of a natural willingness to serve than a learned behavior, which made it much more comfortable for the guest to relate to the staff.

The commitment to the environmental management system was also observed as employees went about their daily routine. Conversations with the employees also revealed this commitment. The environmental program was well promoted. All staff was involved in the program and displayed a sense of pride when asked about it. With the exception of plastic bags, the recycle, reuse and reduce program was operating successfully. The hotel's awards are proudly displayed in the reception area for everyone to see.

Guests' Survey Results

Sixty-three percent (63%) of the registered guests at Hotel C completed the guests' survey. The questionnaires were presented to the guests at checkout, at the beach and the poolside. Question one asked the reason for choosing to stay at Hotel C, to which 61.9% said they did so because it was recommended and 14.3% because of the rate. Special offer, location, image and other received below 10%. On the question of the promises made, 57.1% said they were promised a wonderful stay. Other promises made were quiet environment (21.4%), top class accommodation (21.4%) and friendly and courteous staff (14.3%). The beach and the eco-friendly environment received 7.1%. Question three asked if the promises were kept, to which 71.4% said yes. The remaining 28.6% did not respond. Question three asked the guests what was important to them at hotels, and 71.4% indicated that quality service was important to them. The atmosphere (57.1%), location (42.9%), and facilities (28.6%) also received high score.

The three competitive methods utilized by Hotel C were listed for question six, which asked the respondents what provided the best value to them. The eco-friendly environment and quality service were the top two chosen, each receiving 42.9%. The competitive method that provided the least value was the architectural design (47.6%) with 47.6% unresponsive. Question eight asked about the activity that provided the best value. Both the food and the beach were the most noted (33.3% each). The remaining 33.4% cited water sports, quality service, and entertainment. All the respondents said they would return to Hotel C and the reasons cited by over 90% of the respondents were: the service, great atmosphere, friendly and courteous staff. On a Likert scale of 1-10, with ten being the highest, Hotel C was rated 8.5, on the ten point scale, by the respondents.

Summary

Hotel C utilizes their eco-friendly environment, service quality and the architectural design of the property as competitive methods to gain competitive advantage. Management named the eco-friendly resort as the most value producing competitive method. However, the guests perceived the quality of service of equal importance to an eco-friendly resort. According to management, investments made in the chosen competitive methods, demonstrate the relationship between the elements of the co-alignment principle. Investments and resource allocations are reserved for training and development of the employees. The hotel's mission and the core competencies identified are all in alignment with the competitive methods, and the contextual and process variables are incorporated in their implementation.

Employees' recommendations and guests' feedback are used in investment decisions and the success of the competitive methods are measured by the guests' feedback. The generation of cash flow from each competitive method is not monitored, nor is the overall cash flow. See Table 4.12 for a summary of responses to the questions.

Table 4.12: Hotel C Matrix for Questions Responses

Research Questions	Hotel C
1. How are competitive methods chosen?	Take the competitive environment and the ecological factors into consideration.
2. What competitive methods are used to gain competitive advantage?	Eco-friendly environment Service quality Architectural design
3. What is the relationship between strategy choice, firm structure and firm performance?	Co-alignment between all elements of the co-alignment principle
4. What investments are being made to best utilize the competitive methods?	Training and development of employees and investment into environmental products.
5. What resources, human or material, are allocated to the competitive methods?	Ratio of staff to rooms 1:1 Capital budget $1.5M (US) use for continuous maintenance of property.
6. How do you ensure that there will be no compromise in achieving the mission of the hotel?	Hotel mission is aligned with the service quality CM only.
7. What core competencies are identified?	Hospitality, emphasis on the environment, employees, landscape, no-layoff policy, training, location, layout of the property, teamwork, environmental awards, architectural design, cost savings, and rewards and incentives.
8. How do the contextual and process variables affect the implementation and expectation of the competitive methods?	The contextual and process variables are incorporated in the implementation of the CMs.
9. How does management evaluate investments decisions that support the competitive methods?	Evaluations of investments decisions are based on employees' recommendation and guest's feedback.
10. How is the success of the competitive methods measured?	The guests' comments are used to measure the success of the CMs.
11. How much cash flow is generated from each competitive method?	Not monitored. Occ. % = 66% ADR = $66.69
12. What return on investment capital are realized by the hotel?	The amount of invested capital is $1.5M, part of which was used to purchase originally leased beach property.
13. How do the guests, relative to the competitive methods employed, perceive the hotel?	Guests surveys showed 42.9% agreement.

Hotel D

Hotel D, once considered one of Jamaica's elite hotels, is owned and operated by a Jamaican family. It is located on the beach, with all rooms having a direct view of the beach. Interviews were conducted with the managing director, the human resources manager, the sales manager and the financial controller. The resident manager was absent during the time of the visit to the hotel. It should be noted that at the time of the interview Hotel D was put on the market for sale.

Unit of Analysis

Hotel D has 118 rooms and suites. Traditionally a European plan hotel, it now offers several different meal plans. The hotel has one restaurant that extends from the main building to the patio and offers both indoor and outdoor dining, two bars (a beach bar and one located in the discothèque), a swimming pool, tennis courts, and a scuba center.

The managing director has been with the hotel for thirty years and spoke freely about the challenges the hotel faces. The hotel itself is forty years old and was one of Jamaica's starship hotels in the fifties and sixties. The interview with the managing director was sometimes difficult as he did not answer most of the questions, but instead would talk about why it is difficult for the hotel to compete. He also voiced his opinion that the questions were too academic and did not address what he thought was more important—the problems faced by small independent hotels.

Interviews

Competitive Methods

The managing director at Hotel D believes that competitive environment and tour operators are the primary forces driving change in the hotel environment. Accordingly, he thinks independent hotels do not have the resources to compete with chain hotels and therefore Hotel D depends on tour operators, from whom he receives eighty percent of his business. Consequently, Hotel D does business with a number of tour operators in Europe and America. At Hotel D, the tour operators' drive the price charged for rooms. The managing director spoke about the number of properties that Hotel D has to compete with as well as the growth in competition, not only in the Caribbean, but worldwide. The majority of Hotel D's clientele are Europeans who stay for an average of two weeks. The competitive methods chosen by Hotel D to gain competitive advantage are the location/facilities, superb service and the rates.

The managing director describes Hotel D as a personalized, low-rise, small hotel directly on the beach. It is located in one of Jamaica's major resort areas, on what is considered a prime location. The hotel has a scuba center that offers diving, scuba classes and other water sports; access to an eighteen-hole championship golf course; two lighted tennis courts; and a swimming pool. There is one large restaurant, which can accommodate both indoor and outdoor dining and also serves as the area for nightly entertainment. The beach bar is the center of daily and nightly activities at Hotel D and Silks Discotheque offers after-dinner dancing and floorshows.

The second competitive method chosen by Hotel D is the offering of superb service. The managing director sees the hotel competing with the all-inclusive hotels, even though he believes the hotel does not have the resources to compete. Therefore, one way to compete is by offering superb service. However, he could not say what services were included in this competitive method.

Hotel D's third competitive method is price. Price is another way the managing director believes the hotel can compete. According to the managing director, Hotel D is competing marginally and there is not much to do, as the market is price driven. He expressed his discomfort in operating at high occupancy and low rates and believes the only way to succeed with this competitive method is to upgrade the hotel and offer value for money. Different packages, such as wedding and all-inclusive, are offered in this competitive method to attract guests. The wedding package includes everything for the wedding and reception. The all-inclusive package includes accommodation, all meals, liquor, airport transfer and entertainment. The packages are priced below the competitors. The offering of low prices to the tour operators is also a part of this competitive method. Table 4.13 lists Hotel D's competitive methods.

Table 4.13: Hotel D Competitive Methods

Competitive Methods	Variables
Location/Facilities	Small hotel. Beachfront. Located in a resort area with close proximity to shopping, attractions and restaurants. Scuba diving center. Access to 18-hole golf course. Tennis and swimming pool. Beach bar and a discotheque.
Superb service	Trained staff.
Rates	Tour operators. Wedding packages that include everything for the wedding. All-inclusive package—accommodation, all meals, drinks, airport transfer and entertainment.

Firm Structure

In implementing the competitive methods, no specific adjustments were made to the firm structure, with the exception of computers that are used "to streamline things." The managing director referred to the need for lowering prices in order to compete, but not to what was done to the hotel's structure to accommodate the competitive methods. The performance of each competitive method is not monitored. It is believed however, that Hotel D's performance is dependent on the competitive methods, although there are no strategies in place to ensure that all resources are directed at competitive methods.

Rewards and incentives are limited. Management referred only to the hotel's strong involvement in the local hotels' sporting activities (cricket and football) as a way of motivating the staff. However, this is restricted to male employees (the activities mentioned are male sports). Management mentioned an employee of the month program previously in effect, but was abandoned a few years ago. From time to time, employees can receive assistance for continuing education and there is also a program that gives tuition assistance to employees' children.

There are no formal decision making processes in place at Hotel D as the managing director makes all decisions. Because of financial constraints, there are no direct investments in the competitive methods.

Hotel D employs 210 employees, fifteen managers, and supervisory staff members for 118 rooms. From the managing director's point of view, he and the resident manager are the only managers. There is no capital budget, neither is there money for improvement of the property. Money spent on capital improvements is based on the cash flow at the time of need. The labor cost at Hotel D is 18% of revenue, and according to the human resources manager, payroll averages approximately $11,111 (US) per pay period.

Hotel D is a unionized hotel. The union must approve all decisions that involve the employees. There are no incentive or reward programs in place for the employees. There is however, an employee of the year award that is based on recommendations from the heads of department who tabulated points based on performance and comments taken from the guests' comment sheets. Management receives two weeks pay as a bonus each year (the norm in the industry) as their incentive.

According to the managing director, the mission of the hotel is to "make money." There is however an official mission statement that reflects commitment to service—a competitive method. He lists the core competencies as: directly on the beach, personalized service and friendly environment. The human resources manager lists the core competencies as the employees, willingness to work, personalized service, location, beachfront rooms, and laid-back atmosphere. According to the managing director, the core competencies are decided on by the department heads and reflect something of value to the guests.

The implementation of the competitive methods at Hotel D affects both the process variables and the contextual variables. The managing director's perception of the perceived environment is reflected in why and how things are done at Hotel D. Management describes the organizational culture as a close-knit family, which is influenced by the managing director. The relationship between staff and management is very relaxed and open communication is the norm. This style is carried over to the guests' environment, therefore offering a relaxed, family environment to the guests. The managing director spoke of his creativeness in using resources, which is also seen in his employees.

Communication is done through weekly managers' meetings and monthly employees' meetings. At these meetings employees are brought up to date as to the status of the hotel and upcoming events. Guests' comments are also reviewed. The managing director spoke of the need for personalized relationship with staff in small hotels.

According to the managing director, Hotel D is in the decline stage of the life cycle. His decision is based on the continued decline in occupancy and average rate and the lack of capital injection in the property. He believes capital injection is necessary to attract people who are willing to pay a higher rate. He mentioned that Jamaica has lost more than fifty percent of the German market, which was one of

Hotel D's main markets. He contributes this to the aggressiveness of competitors in that market, the advent of charters and the other markets opening up. See Table 4.14 for Hotel D's firm structure.

Training and development is in place at Hotel D. The buddy system is used to train new employees and external trainers are brought in to conduct seminars in customer service. Training is not directly tied to the implementation of the competitive methods. According to the sales manager, the staff is driven by money and will only perform if they believe they will be compensated in the form of tips.

Table 4.14: Hotel D Firm Structure Response

Variables	**Response**
Resource allocation	N/A
Rewards & incentives	Education assistance for employees and their children. Each manager receives a two-week pay bonus each year. Employee of the year award.
Life cycle stage (according to mgmt.)	In decline
Organizational culture	Family oriented
Communication	Open communication from the top down. Weekly and monthly meetings.
Capital investment	None
Number of employees	210 employees. 15 managers.
Labor cost	18%
Mission statement	Emphasis on the hotel's commitment to service.
Training	Buddy system used for training, along with external trainers. Focus is on customer service.

Firm Performance

There is no method in place to evaluate investment decisions that support the competitive methods. The success of the competitive methods is measured by the occupancy percentage that averages 60% and a $55 average daily rate. The guests' feedback is also used as a measurement for success. No information is available on how to measure the cash flow generated by the competitive methods. The only investment made recently was in the scuba center, which is not considered a competitive method and promotion of the center will not begin until the next winter season.

Table 4.15: Hotel D Firm Performance Response

Variables	Response
Measures	Guests' comment cards.
Methods used to evaluate the investment made in the competitive methods.	None
Measurement of the success of competitive methods.	Occupancy percentage and guest feedback.
Cash flow.	N/A
Cash flow per share of equity generated from each competitive method.	N/A
Cash flow invested in each competitive method.	N/A
Cash flow generated by each competitive method.	N/A
Occupancy percentage.	60%
Average rate per room.	$55
Return on invested capital.	N/A
Total invested capital.	US$1.5 in 2001

Direct Observations Results

Hotel D is one of Jamaica's former exclusive hotels. But despite the worn look, the former old world charm is still present. However, the neglect is obvious when one first enters the lobby area and this extends to the rooms. The most attractive area is the 300 feet of beachfront, and the dining area that overlooks the sea. All rooms face the beach making it very attractive to prospective guests. The hotel has the longest beachfront in the area and is conveniently located near to restaurants, attractions and shopping areas. It is however surrounded by All-Inclusive hotels, which are its main competitors.

From direct observations, the superb service mentioned as a competitive method was only obvious from the dining room staff. All other employees seemed distant. However, because the guests spend most of their time around the dinning area, the interaction of the guests and dining staff reflected a very friendly atmosphere. The dining staff addresses each guest by name by the second meal and showed a sincere interest in the guests' activities, on or off the property. The guests themselves were extremely friendly. During direct observations, oftentimes guests would approach the observers and start a conversation.

The prices mentioned as a competitive method, are extremely low for tour operators compared to the quoted prices. Dining room prices are also very competitive thereby encouraging guests to eat on property versus going off property for meals. Guests are also offered an inexpensive all-Inclusive package, which most guests chose.

Hotel D offers many activities that are similar to the All-Inclusive hotels and, at first glance of the secondary materials gathered from the hotel, one could see the similarities. Hotel D offers a children's program that allows the parents the freedom to go off on their own. The managers never mentioned this feature during the interviews. At the time of the visit there were only a small number of children registered. The hotel is very popular with small social groups (e.g., group of friends traveling together) and weddings. The guests originated mostly from Europe, with the minority from the United States.

The employees of Hotel D are unionized and the strong union presence is obvious in the way things are done and the attitude of the employees. The managing director, who has been at the hotel for the past thirty years, has a strong influence on the employees also. There are no signs of co-alignment of the competitive methods. Everything done at hotel is based solely on everyday operations and survival.

The secondary material received from the property includes an employee handbook, which reflects the union guidelines. Other materials such as hotel brochures, packages offered and activities were also obtained. Guests' comment cards are given directly to departments and are not tallied or recorded. No financial reports could be obtained. Secondary materials from computer search were very limited.

Guests' Survey Results

At the time of the visit, Hotel D was 47.5% occupied and 30% of the guests completed the questionnaires. The questionnaires were presented to the guests at checkout, in the lobby, and by the beach bar. Majority of the guests (52%) chose Hotel D because it was recommended and 47.1% did so because of advertising. The other reasons cited were location (23.5%), rate (11.8%) and other (11.1%). On the question of promises made by the hotel, 85.7% said the promises made were fun-filled vacation, great experience, and wonderful stay. Friendly and courteous staff, top-class accommodation, and a great All-Inclusive package were the other promises made. The promises were kept for 94.1% of the guests. In answer to question four, location, All-Inclusive offer, atmosphere, quality of service and facilities were listed as what were most important at a hotel. All respondents said what was important to them was at Hotel D.

Question six listed the competitive methods utilized by Hotel D as location/ facilities, service, and rates. In response to which provided the best values, 52.9% said service, location/facilities (29.4%) and rates (17.6%). On the question of which provided the least value, 41.2% said location/facilities, rates (41.2%) and the remaining 17.6% did not respond. Question eight asked what activities provided the best value. Fifty percent (50%) cited water sports, entertainment (33.3%), food (8.35%) and All-Inclusive package (8.3%). One hundred percent of the guests said they would return to the hotel, and listed the reasons as quality of service, friendly and courteous staff, location, great atmosphere and value for money. On a Likert scale of 1-10 (10 being the highest), Hotel D rated 8 by the respondents.

Summary

Hotel D uses their facilities/location, superb service and price as competitive methods to gain competitive advantage. Price is considered the most important competitive method by management, but the guests' responses revealed that service provided the best value to the guests. In fact, 41.2% said that price provided the least value. There was no relationship mentioned or observed between the strategy choice, firm structure and firm performance.

Table 4.16: Hotel D Questions Responses

Research Questions	Hotel D
1. How are competitive methods chosen?	The competitive environment and the tour operators are the factors perceived to be driving change.
2. What competitive methods are used to gain competitive advantage?	Location/facilities Superb service Price
3. What is the relationship between strategy choice, firm, structure and firm performance?	No relationship cited.
4. What investments are being made to best utilize the competitive methods?	No investment being made.
5. What resources, human or material, are allocated to the competitive methods?	Ratio of staff to rooms 2:1 There is no money designated to capital.
6. How do you ensure that there will be no compromise in achieving the mission of the hotel?	Hotel mission is aligned with the superb service CM only.
7. What core competencies are identified?	Directly on the beach, personalized service, friendly environment, employees, willingness to work, beachfront rooms, laid-back atmosphere, total relaxation.
8. How do the contextual and process variables affect the implementation and expectation of the competitive methods?	All the dimensions of the contextual and process variables are incorporated in the implementation of the CMs.
9. How does management evaluate investment decisions that support the competitive methods?	Investment decision evaluations are based on guest feedback.
10. How is the success of the competitive methods measured?	Success of competitive methods is measured by the guest's feedback, and occupancy percentage.
11. How much cash flow is generated from each competitive method?	Cash flow not monitored. Occ. % = 60% ARR = $55
12. What return on investment capital is realized by the hotel?	Amount of invested capital was not given: therefore return on invested capital cannot be calculated.
13. How do the guests, relative to the competitive methods employed, perceive the hotel?	Only 17.6% agreement.

Because at Hotel D the capital needed to improve the property is limited, investments were only done, when needed, to keep the resort open. Management, however, said that investment decisions are based on guests' feedback. The success of the competitive methods is measured by the guests' feedback and occupancy percentage. The generation of cash flow is not monitored, nor is the overall cash flow.

Hotel E

The family took over the operations of Hotel E after the death of the previous owner—a wealthy foreign national. At the time of the interview, the hotel, like Hotel D, was on the market for sale, and has since been sold to a local hotelier. The resort is built on fifty-five acres of mountainside that extends to the sea and has 300 feet of beach. Interviews were conducted with the acting general manager, the sales and marketing manager (also the assistant general manager) and the financial controller. The acting general manager did not respond to all the questions, but instead referred the researcher to the other managers for answers to specific questions.

Unit of Analysis

Hotel E consists of 33 British Colonial style villas (90 rooms and suites). The villas, which are sold either as a complete unit or as two individual rooms and a one-bedroom suite, are built on the hillside. Each has a panoramic view of the sea. There is one central building on the property that houses a small reception area, offices, the fitness center, shops, the Pub and a large courtyard. There are two dining areas located on the beach, along with the pool and a beach bar. Walking down or up steep steps and along three hundred feet of man-made walkway, on the beach, is the only way to move around the property. The resort is set in heavily wooded grounds. Well-manicured lawns and gardens surround the property. The beauty of the property has attracted the attention of filmmakers, making it one of the most popular sites on the island.

Hotel E, which opened in 1959, has changed its name, ownership and management several times. The present executive management team all started within months of each other four years ago. Recently the company reassigned the duties of the executive team. The result is that the acting general manager's responsibilities, while still retaining direct responsibility for operations, were reduced to include only direct responsibility for human resources and housekeeping. While retaining responsibility for sales and marketing, the sales and marketing manager became the acting general manager with additional responsibilities that include the front office, reservations and the suite concierge. The financial controller's responsibilities now include engineering and grounds, and the food and beverage manager's responsibilities now include entertainment.

Interviews

Competitive Methods

Competition and economic conditions are the forces that drive the management at Hotel E to choose its competitive methods. The general manager states that because Hotel E is a small independent hotel and one that do not have adequate financial resources, management are forced to do what it takes to survive and compete with hotels, such as the local chains that have money and are in a better location. The three value producing competitive methods Hotel E uses to gain competitive advantage are: personalized service, quality control and rates.

For the past two years, Hotel E has been affiliated with Elegant Resorts International, a referral service. Because of the affiliation, personalized services were implemented as a competitive method to cater to the upscale clientele associated with Elegant Resorts and to increase the number of repeat guests. The products and services included in this portfolio are the suite concierges, fruit basket and smoked marlin placed in new arrivals' rooms, use of guest's name at all times, and management cocktail party.

The implementation of quality control standards is the second competitive method utilized at Hotel E. The acting general manager indicated that personalized service is not effective if standards are not in place, thus the importance placed on quality control standards. In 2000, the resort contracted with a German firm to implement a quality control program, which involved the setting of standards in each department. This decision was made in an effort to gain competitive advantage. The services and products included in this competitive method are the quality control certification, setting of quality standards in each department, trained staff, and a quality team that monitors the program daily.

The third competitive method utilized at Hotel E is the pricing strategy. At first the general manager and the marketing/sales manager referred to advertising as the competitive method. After further conversation, they concluded that price is the competitive method and advertising is the method used to get the information out. Price was chosen as a competitive method to compete with the competitors. Traditionally, the majority of the guests at Hotel E came from Germany. However, with the reduction in flights from Germany to Jamaica, the resort experienced a large reduction in the number of guests from that region, forcing them to seek other markets. Price is used to attract both the local and North American guests. In this pricing portfolio, discount is offered to local guests staying two nights or more, and for the overseas guests, the package includes airline and ground airport transfer. Meals are not a part of the packages.

Table 4. 17: Hotel E Competitive Methods

Competitive Methods	Variables
Personalized service	Elegant resort affiliation. Suite concierge. Welcome basket. Use of guest name at all times. Managers' cocktail party.
Quality control	Operational quality standards. Quality control certification. Trained staff. Quality team.
Rates	Local rates. Packages for overseas guests. Advertisements in local papers.

Firm Structure

Management at Hotel E describes the operation as in a "survival" mode, which limits the available resources for everyday operation. The hotel is for sale and the owners will only spend what is absolutely important for day-to-day operations. No significant changes are made to the firm structure to utilize the competitive methods chosen. In 1999, five of the villas (10 rooms and 5 suites) were upgraded to deluxe category when the hotel joined Elegant Resorts International. Only the guests who stay in these villas receive the personalized services. The cost of the advertisement is the only resources allocated to the price competitive method. The cost of implementing the quality control program was done through an exchange of accommodation and meals with the quality control company. According to the acting general manager, the hotel does not keep records to evaluate the performance of the competitive methods, nor could any relationship between the elements be noted.

There is no consensus on which is the most value producing competitive method. The acting general manager believes the most value producing competitive method is quality control, while the marketing manager and the financial controller thought pricing was the most valuable. Because of the financial position of the hotel, with the exception of advertising, no resources are allocated to the competitive methods. No rewards or incentives are in place for either the line staff or management. However, department heads are trying to find ways to motivate the staff that will not cost the company money.

Management views the resort as being in the decline stage of the life cycle, and sees the choice of competitive method as the only way the resort can survive until a buyer is found. The decision-making at Hotel E was usually limited to the Executive Management Team (GM, marketing and sales, financial controller and food and beverage). In the past month the owners appointed a CEO who is now involved with the decision-making. Hotel E retains 121 employees, including nine managers/department heads and average 22% in labor cost. There are 90 saleable rooms, but no capital budget.

There is no formal mission statement or vision statement for Hotel E. Management sees the complete operations as a wait and see situation. All planning is done on a need basis and, according to management; they address the issues as they arise. Although the workers are unionized, there is no orientation of new employees, nor is any performance appraisal done.

Although there are no formal ways in which core competencies are decided, the managers were in agreement on the competencies. The core competencies cited are the beach, competent staff, committed managers, location, set up of villas, layout of the property, charm, size, laid back atmosphere, un-spoilt environment and computerization of the resort. Management was unable to relate the core competencies to the competitive methods.

Management refers to the operations as being unstructured in every way and takes the contextual and process variables into consideration in the implementation of the competitive methods. According to the managers, because of the way they are forced to do things, everything that is put in place is not thought out as to the effect on operations. They more or less just fall in place later. At present, management does not see the resort moving from the competitive methods they are presently using.

Training and development is also limited at Hotel E. The only training conducted is to remind employees of how things are to be done. When the different competitive methods were implemented, employees received initial training. Now, financial considerations limit any form of training.

There is no distinct organizational culture at Hotel E. All the employees come from the neighborhood community and, according to management; the local community culture is what is prevalent at the resort. Management claims this culture can at times be detrimental to the hotel.

Table 4.18: Hotel E Firm Structure Responses

Variables	Response
Resource allocation	Advertising dollars.
Rewards & incentives	None
Life cycle stage	Decline
Organizational culture	None. The culture of the surrounding community is embedded in the hotel.
Communication	Limited
Capital investment	None
Number of employees	121 employees 9 managers
Labor cost	22%
Mission statement	None
Training	Limited to reinforcement of standards.

Firm Performance

There are no investments being made in competitive methods at present, so there are no methods to be evaluated. When asked about the guests' comment cards or returning guests' numbers, management admits that no tracing is done. The financial controller mentioned that the computer system was set to track the number of returning guests but it was not being used. Guests' comment cards are sent to department heads when received, but are not tracked in any way. According to the marketing manager, 25% of the guests of local guests are repeat visitors, and that over four years (her tenure at the resort), only approximately eight overseas guests had returned.

Hotel E does not have any way to tell if the competitive methods are successful. The marketing manager stated that she tracked where each reservation originated. This is done to test the value of special rates advertised or contract rates given to tour operators. However, when asked to view the reports, she revealed that with the exception of the daily reports, records are not saved. The occupancy percentage is 47% (year to date), with an average daily room rate of $102. Because there is no invested capital, the returned on invested capital questions were inapplicable.

Table 4.19: Hotel E Firm Performance Responses

Variables	Response
Measures	None
Methods used to evaluate the investment made in the competitive methods.	None
Measurement of the success of competitive methods.	None
Cash flow.	N/A
Cash flow per share of equity generated from each competitive method.	N/A
Cash flow invested in each competitive method.	N/A
Cash flow generated by each competitive method.	N/A
Occupancy percentage.	47%
Average rate per room.	$102
Return on invested capital.	None
Total invested capital.	None

Direct Observations' Results

Direct observations were conducted in all the public areas of Hotel E and in the operations area. The main objective was to observe how the quality control and personalized serve competitive methods were utilized. All the facilities of the resort are spread over fifty-five acres. The size and the layout of the property made moving around tedious. There are no activities on the property, with the exception of the limited nightly entertainment, so the overseas guests are encouraged to leave the property at all times. There were a few who do stay on the property, either on the beach or by the pool. The local guests usually stayed on property at all times, except for meals. The prices in the restaurant are very expensive for the type of hotel. A guest was overheard accusing management of charging five-star hotels' menu prices. Some guests have their meals prepared in the suites by a cook hired through the hotel, or local guests may bring their own cook.

With a few exceptions, the employees acknowledge the guests when they come in contact with them. However, no recognizable personalized service was experienced. Instead of going to the suite concierge office, the guest went to the front desk for information, complaints, etc. The suite concierge's office is not always manned because the marketing manager, who is also the assistant general manager, is the only person assigned to that office. On several occasions the front office personnel was observed arguing with guests in reference to the prices in the restaurant or the meal plans that are offered.

The hotel switchboard is located at the front desk, so the front desk clerk is also the switchboard operator. During direct observations, it was noted that many times the guests were kept waiting while a call was taken or a reservation made. It was difficult to see what quality standards were implemented. However, the manager mentioned that most were in the back of the house, especially in the kitchen area. The dining room staff was observed as being much more attentive to the guests.

There are major differences in the upgrade rooms and the ones that were not. The upgrade rooms were completely renovated. The other rooms are old and are in need of repairs and/or upgrade. The layout of the villas is a positive. The villas are built into the hillside, with a one-bedroom suite on top and the other two bedrooms with their own entrance at the bottom, with access to the living room area. All suites are complete with a fully equipped kitchen and all rooms have a balcony that overlooks the sea.

The secondary material collected at the property revealed that there are two published rates, one for local guests (which is lower) and the other for overseas guests. Efforts were made to collect information on the quality control program, but nothing could be located. The same was the case with the guests' comment sheets.

Other secondary information was gathered from the Pro-Quest database. This information revealed that the seclusion, the beauty and the laidback atmosphere intrigued most visitors. Financial information was given freely, but copies of reports could not be secured.

Guests' Survey Results

Approximately sixty percent of the guests at Hotel E, at the time of the visit, were members of a wedding party that checked in the same day on the first day of the direct observations. Only a small percentage (17%) of the registered guests were asked to complete the questionnaire. In reference to question one, 66.6% chose Hotel E because of a special offer, the Internet, or because it was recommended. The remaining 33.3% did so because of advertising, location or other. On the question of what promises were made, 40% said quiet environment, top class accommodation (20%), a great experience (20%) and nature's beauty (20%). Only 66.7% said the promises were kept. Atmosphere, quality of service, and facilities received the highest points on what is important at a hotel and 100% said what was important was available at the hotel.

Question six listed the competitive methods utilized by Hotel E (price, personalized service and quality control). Of the competitive methods listed, 77.8% said that price provided the best value and 66.7% said that personalized service provided the least value. The beach was the activity cited that provided the best value (42.9%). Other activities cited were scuba, entertainment, and All-Inclusive package. When asked if they would return to Hotel E, 88.9% said yes. The reasons given why they would return were: comfortable and relaxing, location, quality of service, great atmosphere, and affordable. On a Likert scale of 1-10 (10 being the highest), Hotel E was rated 7.1 on the scale.

<u>Summary</u>

Hotel E utilizes personalized service, quality control and price as competitive methods to gain competitive advantage. There is no stated or observed relationship between the strategy choice, firm structure and firm performance. Hotel E is also a financially strapped property and is on the market for sale, therefore no investment is being made in the property or in any of the stated competitive methods. There is no consensus from management on which is the most valuable producing competitive method being used. The guests, however, view price as the competitive method that provide the best value and personalized service as providing the least value.

The financial information was readily available, but no records are kept on cash flow and investments made. Therefore the financial information was irrelevant to the study. Table 4.20 lists Hotel E's research questions and findings.

Table 4.20: Hotel E Research Questions Responses

Research Questions	Hotel E
1. How are competitive methods chosen?	By looking at the competition and the economics of the area.
2. What competitive methods are used to gain competitive advantage?	Personalized service Quality control Price
3. What is the relationship between strategy choice, firm, structure and firm performance?	There is no relationship cited between the strategy choice, firm structure and firm performance.
4. What investments are being made to best utilize the competitive methods?	No investments are being presently made to utilize the competitive methods.
5. What resources, human or material, are allocated to the competitive methods?	Ratio of staff to rooms 1.3:1 No capital budget Labor cost 22%
6. How do you ensure that there will be no compromise in achieving the mission of the hotel?	Hotel does not have a mission statement.
7. What core competencies are identified?	The beach, competent staff, committed managers, location, set up of villas, layout of the property, charm, size, laid-back atmosphere, un-spoilt environment and computerization of the resort.
8. How do the contextual and process variables affect the implementation and expectation of the competitive methods?	The contextual and process variables were not taken into consideration during the implementation of the CMs.
9. How does management evaluate investment decisions that support the competitive methods?	No evaluation is being done.
10. How is the success of the competitive methods measured?	The successes of the CMs are not measured.
11. How much cash flow is generated from each competitive method?	Not monitored. Occ. % = 47% ARR = $102
12. What return on investment capital is realized by the hotel?	No capital investment made.
13. How do the guests, relative to the competitive methods employed, perceive the hotel?	Only 11.1% agreement.

Summary of Research Questions

The hotel's general managers all stated that they chose competitive methods by looking at the competitors. The competitive methods utilized by the five hotels differ in most cases, with the exception of service and physical plant. For the competitive methods to be successful there must be an alignment between them and the firm structure and firm performance. The general managers of Hotels A, B. and C stated that there is a relationship between the strategy choice, firm structure and firm performance. Everything they do is to enhance or aid in the implementation of the competitive methods, which is demonstrated in the investments made in training and development and upgrading of the physical product. Hotels D and E, however, did not state any relationship and there is no investment being made in the properties.

In Hotels A, B, and C, the resources—human or material—allocated to the competitive methods, confirm the alignment between the elements of the model. All hotels differed in the ratio of staff to rooms, which ranged from one employee to every room (Hotel C) to 3.5 employees to every room (Hotel A), and in labor cost that ranged from 8% of revenues to 22%. Hotel C stated that they have invested $1.5M in the past year for continuous maintenance of the property. It was later learned that they also purchased the previously leased beach site. Hotels A and B did not reveal the amount allocated, but emphasized the co-alignment of the firm structure and the strategy choice. With the exception of Hotels A and E, all hotels have a mission statement. However, the mission statements only support the service competitive method. The stated core competencies reflect how management views the different properties and what they believe they have over their competitors. There was also agreement on the contextual and process variables playing an active role in the implementation of the competitive methods.

Guests' feedback was used to make investment decisions and evaluate the success of the competitive methods. All hotels admitted to not evaluating the success of the competitive methods. The financial information from the properties was limited (see Table 4.22). None of the properties monitored their cash flow or their return on invested capital.

The guests' survey result, in most cases showed agreement with what the guests perceived as value, relative to what management utilized to compete (see Appendix 5- 11). Overall, the guests rated the hotels high in satisfaction.

In order to validly measure co-alignment between the elements, a matrix matching the hotels' core competencies to the stated competitive methods was used. Triangulation of the data from the interviews, the guests' surveys, direct observations and secondary data were used to corroborate the research questions. The guests' survey can be considered an un-biased source of information, while the other data can be construed as being biased.

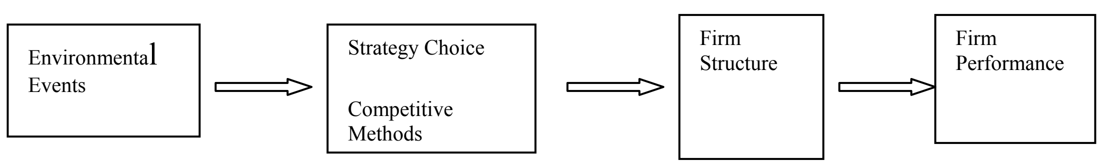
CHAPTER FIVE

DISCUSSION AND CONCLUSION

Introduction

Chapter four presented the results of the data collected from five hotels, in reference to the relationship of the elements of the co-alignment principle as illustrated in Figure 5.1. The relationships between the elements of the model were identified through responses to the research questions by each hotel. The reporting was done without any comment on the results. In this chapter the findings are discussed, and conclusions are presented based on analysis of the data reported in Chapter 4.

Figure 5.1 – The Co-Alignment Principle Model



The discussions and conclusions are based on the objectives of the study, which investigated the co-alignment principle theory presented in the literature. The theory implies that firms which are able to identify opportunities that exist in the environment, develop strategies to take advantage of these opportunities and allocate resources (human or capital) to those opportunities that generate the greatest value will achieve competitive advantage (Bourgeous, 1980; Chandler, 1962; Connolly, 1999, Fuchs, et al., 2000; Murthy, 1994; Olsen et al., 1998 and Venkatramen, 1990). The co-alignment principle was investigated through five hotels in Jamaica and two propositions were used to test the model. The results are presented showing how the propositions are manifested in each of the hotels.

The Co-Alignment Principle Model

The co-alignment principle model consists of four elements: environmental events, strategy choice, firm structure and firm performance. The first element, environment events, was kept constant in this study. Keeping the environment constant signified that the same forces in the remote and task environment affected all the hotels. The five hotels were analyzed based on co-alignment between the strategy choice, firm structure and firm performance. Although significant alignment was not found in any of the hotels, Hotels A, B, and C demonstrated greater alignment among the elements than Hotel D and E. The reasons for this conclusion are discussed below.

Strategy Choice/Competitive Methods

The study collected information from the general managers and other managers at the hotels, on the competitive methods employed by their hotels to gain competitive advantage. The resource-based view literature states that more than one firm can have competitive advantage (Kay, 1993). It further suggests that the basis of competitive advantage is the assets and skills of the firm (Aaker, 1989). The competitive methods cited by the mangers at Hotels A, B. and C are indeed the assets and skills of their hotels, which set them apart from their competitors and are employed to gain competitive advantage. However, Hotel A, B and C competitive methods are more in line with what Mintzberg et al. (1998) describe as intended strategy, and are not developed in terms of the constructs (competitive methods, firm structure and firm performance) mentioned in this study.

As brought out in the interviews, the competitive methods employed by Hotel A, B and C were chosen based on the perceived opportunities from within the forces driving change in the environment. This is evident at Hotel A where the concept was developed based on a need identified for families in the All- Inclusive market; Hotel B's owners created a complete resort for the luxury market; and Hotel C capitalized on its location to create an environmentally friendly resort. It can therefore be concluded that all three hotels identified opportunities that exist in the environment and made strategic choices that maybe interpreted as being in alignment with the environment. However, while the environment was held constant, one weakness prevails in the task environment. All the hotels admitted to focusing on the competition when making strategic choices.

The general managers, when questioned, were all in agreement that the most important force, they perceived as driving change, comes from the task environment, and referred to competition as the force that determined the competitive methods used to gain competitive advantage. However, not all five hotels identified the competitive methods readily. While they were sure of at least one competitive method, a lot of thought went into deciding on the other competitive methods being utilized. In fact, during the interviews, the managers at Hotels B and E made changes to their stated competitive methods. This lack of confidence about the competitive methods suggests their lack of understanding of the concept of co-alignment, particularly one construct, strategy choice. Hotels A and C managers displayed the most confidence when citing their competitive methods and this is reflected in the percentage of agreement between guests and management on the most value adding competitive method (Table 5.2). Hotel A's "Vacation Nanny" concept is one thing that stands out among the competitive methods being utilized and makes them different from the competition.

Table 5.1: Competitive Methods Utilized by the Hotels

Competitive Methods	**Hotel A**	**Hotel B**	**Hotel C**	**Hotel D**	**Hotel E**
"Vacation Nanny" Concept	*√				
Physical Facilities/Architectural design	√	*√	√	√	
Service	√	√	*√	√	√
Environmental Friendly		√	√		
Price				*√	√
Quality control					*√

*** The competitive method managers' view as adding the most value**

Table 5.2: Guests Choice of Competitive Methods that Add the Most Value

Competitive Methods	**Guests Response Percentage**				
	Hotel A	**Hotel B**	**Hotel C**	**Hotel D**	**Hotel E**
Vacation Nanny Concept	**100%**				
Green Hotel Status/Eco-Friendly		10,8%	**42.9%**		
Service		**67.6%**	**42.9%**	**52.9%**	11.1%
Physical Facilities/Architectural design		21.6%	14.2%	29.4%	
Rates				17.6%	**77.8%**
Quality Control					11.1%

The methods chosen by the managers at Hotels A, B and C were confirmed during direct observations and in review of the secondary data collected. Managers interviewed at Hotels D and E displayed a low level of agreement on the competitive methods employed and on the ones that produce the most value. The same lack of agreement of the competitive methods was confirmed during direct observations and in review of the secondary data.

Table 5.1 grouped the competitive methods chosen by each hotel based on similarities while Table 5.2 shows competitive methods guests listed as providing the best value to them. At Hotels A, B, and C both management and guests agreed on the most value producing competitive method as demonstrated in the Tables 5.1 and 5.2, where at Hotel A there was 100% agreement, Hotel B 67.6% and Hotel C 42.9% agreement. In fact at Hotel C, guests chose both the green hotel status and service as the most value adding competitive methods. However, the managers at Hotels D and E were not in agreement with the guests, as demonstrated in Tables 5.1 and 5.2. Only 17.6% of the guests at Hotel E were in agreement with management and at Hotel E, only 11.1% were in agreement. Hotel E's managers showed no consensus on value adding competitive methods either. Direct observations and secondary data (which was limited) for Hotel D did not reveal any obvious competitive methods being utilized, although it was obvious that there were other portfolios that could have been developed as competitive methods. None of the competitive methods stated by the managing director were emphasized in any of the hotel's literature or was any other secondary data found that supported management's choice.

The guests' survey, direct observations, and secondary data analyzed suggested that the methods stated by management at Hotel E, with the exception of their pricing strategy, were not methods used to compete. While they compete with their room rates, the prices in the restaurant are unusually high compared to other hotels. Hotel E's strength seems to be the local market and the movie industry. They are the only property, in the study, that targets the local market. Hotel E is also recognized as a great movie site; yet, management did not perceive this notoriety as strength, as no one mentioned it during the interviews. A majority of the secondary data colleted made mention of the popularity of Hotel E as a movie site and the major movies that were filmed there.

There were similarities in the competitive methods chosen by all five hotels. Four of the hotels (A, B, C, and D) utilized their physical structure/facilities competitive methods (see Table 5.1), while all five utilized service as a competitive method. The guests at four of the hotels cited service as the competitive method that provides the best value (see table 5.2), which differs from what management identified as the most value adding competitive methods. At Hotel A, the “Vacation Nanny” concept was interpreted as a service competitive method because of what it offers the guests. However, only at Hotel A and C were management and guests in agreement on the competitive method that added the most value. While 67.6% of the guests at Hotel B chose service as the most value adding competitive method, it is surprising that although great emphasis is placed on service, management did not choose it as the competitive method that added the most value. This demonstrates that management is not aware of what is of value to the guest, nor do they think in terms of the alignment model.

Olsen et al. (1998) states that competitive methods are made-up of portfolios of products and services designed to generate cash flow for the organization. In Chapter 4, Tables 4.1, 4.4, 4.8, 4.12 and 4.16 list the hotels’ competitive methods and their portfolios of products and services. Close examination revealed that not all the products and services listed are in alignment with the chosen competitive method. In fact, at Hotel D, management was unable to list the products and services that are included in the service competitive methods. Also at Hotel D and E, only a few of the products and services listed are mentioned in the hotels' literature. This demonstrates the lack of thought put in the selection of competitive methods utilized and the absence of true competitive methods and also the absence of alignment between the constructs.

Based on the argument established above, a conclusion can be drawn that managers are not always aware of the methods by which they are competing, nor are they always aware of the methods that produce the most value to the guests. From the responses received during the interviews, the conclusion can also be drawn that although three of the hotels do appear to be in alignment, not all of the competitive methods are well thought out. There is no evidence that decisions are made based on the competitive method that has the highest value-adding potential, nor was there any monitoring done that would enable the hotels to tell which competitive method added the most value. Additionally, there was no evidence that would suggest that strategies were thought out as proposed in the co-alignment model.

Firm Structure

The co-alignment, or the lack of co-alignment, between the strategy choice and the firm structure at all five hotels mirrors the seeming lack of co-alignment between the forces driving change in the environment and the strategy choices of the five hotels, as presented in the previous section. The literature suggests that firms may develop competitive advantage over their competitors through the patterns of resource deployment (Hofer & Schendel, 1978). The co-alignment model also suggests that resources, human and capital, must be allocated to the competitive methods chosen, for successful implementation (Olsen et al., 1998). At Hotel A, B and C, human and capital investments, although not measured, are made in the competitive methods, while at Hotel D and E, due to the lack of capital, investments are made on an as needed basis and not based on the competitive method that add the most value.

Investments made in human resources at Hotel A, B, and C is in training and development of employees at all levels, along with rewards and incentive programs. The management of the three hotels all stressed the importance of training and developing their employees to ensure the delivery of quality service and rewarding the employees when they exceed the expectation of the guests through compensation and recognition programs. This commitment was confirmed through direct observation and secondary data collected from the hotels. The investment is also visible in the ratio of employees to rooms at the hotels. Although, given the variation in the size and the type of hotels, the ratio of employees to rooms cannot be used as a true measure of the allocation of human resources. This is demonstrated at Hotel D and E where the ratio of employees to room is higher, compared to Hotel C and at Hotel B, which is considered an upscale resort the ratio is lower.

Capital investment application was evident at Hotel A, B, and C. Major redecoration, renovation and construction was observed at Hotel B, supporting the general manager's statement that most of the profit was redirected into the renovations, additions, and general upkeep of the resort. The renovations and additions are usually carried out based on requests/suggestions made by guests and staff. Hotel A was also undergoing minor construction, the conversion of a playroom to a meeting room to cater to the growing meeting market. Hotel C recently purchased ten acres of land, originally leased as their beach. Twenty additional rooms will also be constructed on this land. Besides a few maintenance workers obviously trying to fix problems, no major work was observed at Hotel D and E.

Only Hotel B, C, and D had mission statements. At all three hotels, the mission statement only addressed the delivery of quality service as competitive method. Hotel A did not see the necessity of a mission statement and Hotel E never had one nor did management think given the present situation one was necessary. All five hotels expressed their objectives as making a profit through providing quality service. The objective as stated for Hotel A is to make a profit and is pursued through the delivery of quality service. Hotel B's objective is to exceed the guest's expectations by providing quality service and Hotel C also stated their objectives as satisfying their guests through quality service. Hotel D described their objective as survival and the delivery of superb service as the way to meet their objective. Hotel E also described their objective as the need to survive and refer to the delivery of personalized service as their method of survival.

According to Tempoe (1994), companies should identify their core competencies based on the selection of products and services that contribute the most value to the firm's strategy and Snyder and Eberling (1992) suggested that to maximize competitive advantage, once the core competencies are identified, resources should be directed to the core competencies. Although the researcher do not agree that the core competencies identified are true core competencies, the analysis was done based on information received during the study.

At Hotel A, B and C, core competencies identified were in alignment with the competitive methods (see Tables 5.1, 5.4 and 5.5) being utilized. There was also evidence that the three hotels are maximizing on the chosen strategies, by developing the core competencies that support their competitive methods. At Hotel D, alignment between core competencies and competitive methods were limited to only one competitive method, superb service, while at Hotel E management could not match the core competencies with the competitive methods. The lack of alignment was also reflected in the performance of the hotels and is reflected in tables 5.10, 5.11, 5.12 and 5.13, where Hotels A, B and C have a greater amount of alignment and the success factors indicate more profitability.

Examples of the alignment between core competencies and competitive methods was seen at Hotel B where employees were identified as one of the hotel's core competency. Here, training and development of employees is done on a monthly basis and a monthly schedule is sent to each department to ensure employees' participation. The physical property was also cited as a competitive method and the facilities and the layout of the property were two of the core competencies identified as part of the competitive method. As mentioned above, direct observations revealed that much effort and capital goes in to the décor and general upkeep of the physical product. Similar evidence was found at both Hotel A and C.

<u>Core Competencies/Competitive Methods Matrices</u>

To test validity, Yin (1993) suggests the use of multiple measures of the same construct. In an attempt to validly measure the co-alignment between the competitive methods and the core competencies, the matrices displayed in Table 5.3 to 5.7 were used. Multiple measures were used to measure the co-alignment between the core competences and competitive methods utilized by the hotels. Information received from the interviews; direct observations; secondary data; and comments listed by the guests on the guests' surveys, were entered into matrices to show the relationships and to assess the alignment. Each entry was assigned a point and each cell had the potential of four points. Points received were divided by the total possibilities. The total was used to show the percentage of alignment at each property. A score of 100% would indicate perfect alignment.

According to Olsen et al. (1998), the greater the link and the integration among core competencies and competitive methods, the greater the likelihood of achieving competitive advantage. Although the alignment was more obvious at Hotel A, B and C where the integration among a majority of the core competencies and the competitive methods could be traced, in some instances no alignment was found.

Table 5.3 shows the co-alignment between the core competencies and competitive methods at Hotel A. The total possible score equaled 120 and actual score earned was 45. There are a total of six empty boxes, which means that they were not in alignment among some of the core competencies and the competitive methods in these areas. The percentage of alignment was 37.5%, signifying a small degree of alignment between the core competencies and the competitive methods.

Table 5.3: Hotel A – Competitive Methods and Core Competencies Matrix

Core Competencies	Competitive methods		
	Vacation Nanny	**Physical Product**	**Quality Service**
Employees	Nannies are trained in various areas such as CPR, dining room and bar service. At check-in, they take over the care of the children, freeing the parents from the responsibility. *** Every suite comes with its own "Vacation Nanny."* ****The nannies are extremely helpful.* *(3)*		All employees are trained extensively in customer service. **Employees act as facilitators to families.* ***Huge smiles, polite greetings, good wishes for your stay and no request unanswered.* ****Great service* (4)
Size of rooms	**Townhouses are large enough to accommodate the nannies during the day.* ***The nanny stocks the fridge daily with platters of fruits, cheese, milk, bread, cereals, juices and beers.* *(2)*	All rooms are suites (one, two and three bedrooms). *The suites, especially the townhouses, are very large compared to other hotel suites ***There are no rooms, only one, two and three bedroom suites.* *(3)*	***Provides private settings similar to that of an elegant Jamaican home.* (1)
Size of property	**Nannies and children are always close to the parents.* *(1)*	The size of the property allows for control of children. (1)	
Layout of property	**Makes moving around with the children easy for the nannies.* (1)	Everything is close-by, so kids are never far away. **The layout of the property is similar to a small housing development.* ***Children enjoy a sense of independence that never takes them far from a parental eye.* *(3)*	**Offers easy access to everything adding to thee service.* *(1)*
Facilities	Offers playgrounds, kiddies' pool, "Kiddies' Center" for	Offers two restaurants and a grill, piano and pool bar, gym, kiddies'	***Fully equipped for families.*

	the nannies and children. **The facilities allow the nannies to entertain the children.* ***The "Vacation Nanny" allow parents to enjoy their holiday by taking the worry out of the holiday.* *(3)*	areas, two pools (one for kids), cyber café, water sports, all-suite property. **Designed with the entire family's need in mind.* ***Oceanfront paradise.* (3)	*(1)*
Kiddies' program	There are arts and craft and activity programs; special playgrounds; pool, and supervised TV room. (1)	**Kiddies' Center and playgrounds.* ***The real youngsters have their own playground, arts and crafts center, and paddling pool with water slides.* *(2)*	**The talented workers in the Kiddies' Center.* ****Kid's entertainment* *(2)*
Location to airport		***Located only one hour from Montego Bay airport.* *(1)*	Property is an hour's ride from the airport. (1)
Location to tours			Centrally located between Ocho Rios and Montego Bay, close to the major attractions. (1)
Service	**Nannies are trained to provide full service to families. They take care of cleaning the suites and provide childcare as well as being a friend. Occasionally, they will cook for the family.* ***The nanny is responsible for baby-sitting and taking care of the family's needs to the best of her ability.* *(2)*		**Delivery of quality service by the staff.* ***"The first thing that strikes you at … is how welcome you and your family feel the minute you arrive."* (2)
Family environment	Nannies stay with the family from check-in to checkout, usually 4-8 days. **"It is people like your "Vacation Nanny"	Designed around the family. ****Family atmosphere*	The organizational culture emphasizes the family. Therefore all employees are expected to make the guests feel like a part of the family.

	throughout the hotel that makes your whole family feel at home." (2)	 (2)	***Family-friendly.* *(2)*

****Observation** ****Secondary data** *****Guests***
Measures 45/120= 37.5

At Hotel B, a total of 216 possibilities were identified and it received a score of 81 (see Table 5.4). Empty boxes showing no alignment, equaled nine. The percentage of alignment at Hotel B was 37.5%, again a small percentage of alignment. Hotel C demonstrated a similar pattern as Hotel A and B. Table 5.5 show 168 possibilities presented on the matrix and a score of 50. The empty slots equaled nine non-alignments. The percentage of co-alignment at Hotel C was 29.8%, slightly lower than Hotel A and B.

A review of the matrices for Hotel A, B and C presented in Table 5.3, 5.4 and 5.5, confirms the co-alignment between the core competencies and the competitive methods at these hotels. The lack of non-alignment in some instances may reflect the lack of knowledge of what the actual core competencies are, or what competitive methods are being utilized. For instance, at Hotel B guests' comment cards was named as a core competency. The hotel does use the guests' comment cards to correct deficiencies, but it cannot be called a core competency. The core competencies aligned with quality service demonstrated the best co-alignment in the matrices: Again emphasizing management's focus on service.

Table 5.4: Hotel B – Competitive Methods and Core Competencies Matrix

Core Competencies	Competitive methods		
	"Green Hotel"	**Physical Product**	**Quality Service**
Employees	Employees are trained in environmental awareness principles. *Employees are very supportive of the program. ***Employees go through monthly training in environmental conservation.* *(3)*	**Ground staff is well trained. *(1)*	All employees are trained in the delivery of quality service. **The employees displayed a high level of professionalism when delivering service and are extremely helpful to the guests.* ***Friendly well-trained staff that caters to the guests' every wish.* ****The highest quality of service – exceeded our expectation (4)*
Management	Fully committed to the environmental program. **An environmental coordinator is in charge of the program.* ***"We take care to be in complete harmony with our environment while ensuring your comfort and pleasure."* *(3)*	**Managers can recommend improvement they would like to see.** **Management is very involved with any additions or renovations done.* *(2)*	**Management is involved in the delivery of quality service and they are responsible for the training of their employees. There is an 8 a.m. managers' meeting everyday to go over the day's activities, manager's log and arrivals.** **Management is very visible in the guest areas and was observed talking to guests in different areas.* ***Management participates in monthly training and development programs.* *(3)*
Friendliness	**Friendly environment – not sterile.*	***Very home-like property.*	**Employees are trained to greet each guest when they are within five feet of them. Also, if employees are engaged in conversation with each other, they should stop when the guest is within ten feet.**

	(1)	*(1)*	33. *Guests are always greeted when they approach an employee.* ***"What we did not expect was such large helping of charm…. Everyone behaved as if we were the couple they were waiting for all along."* **** Never experienced so much friendliness and warmth.* *(4)*
Training and development	Training is continuous for all employees in recycling, reusing and reducing. ***There is a monthly EMS training in each department.* *(2)*	***Maintenance and grounds training are similar to the staff members who have direct contact with the guests.* *(1)*	**There are three levels of training: new employees, line staff, and supervisory and management staff. The objective is to manage the customer service process both internally and externally.** ***Monthly training for all employees in the delivery of customer service.* ****Highly motivated and competent staff.* *(3)*
"Pillars of Excellence" program	The values of the hotel are incorporated in the "green hotel" program. ***Secondary data obtained supported the green hotel program.* *(2)*		Program includes the mission, vision, motto and values of the hotel. ***The program is outlined in a brochure given to each staff.* *(2)*
"Five basic hospitality behaviors"			Employees are trained to adhere to five basic hospitality behaviors designed to promote quality service. ***All employees are given a copy of the expected behavior.* *(2)*
Employees' motivation programs	*** Employees are rewarded for suggestions made in*	**The ground staff are given incentives for their contribution to*	Competitions among departments are used to build teams and

	environmental conservations. *(1)*	*the EMS program.* *(1)*	motivate employees, e.g., “Quiz Mania” contest—tourism quiz. **Observation was made in one of the quiz mania sessions.* ***Twenty-one employees receive employee of the month awards each month.* *(3)*
Guest comment cards	***Used to improve or correct greening policy.* *(1)*	***Comments or recommendations are used to improve the physical structure and the landscape.* *(1)*	Ratings for each department are circulated each month. Positive and negative comments are discussed in department meetings and used as tools for training. *(1)*
Information technology	*Incorporated in the system. *(1)*	**Facilities are wired for easy access in all areas.* *(1)*	Used effectively for repeat guest history, preferences, and other features that help to recognize the repeat guest. *(1)*
Location		The property is located fifteen minutes from the airport. (1)	
3 miles of sea front	***Greening policy is extended to the beach area. Considered one of the cleanest water in the area.* *(1)*	The only property in the island with approximately three miles of beachfront. ***The site faces one of the most beautiful sea views in Jamaica.* *(2)*	**Offers service in different areas along the length of the beach.* *(1)*
Property layout	**Facilitates recycling and reuse. For example, there is an area designated to the collection of gray water*	The hotel consists of cottages, royal suites and royal villas, spread out on 400 acres of land and provides privacy for all guests. **The layout of the property offers complete seclusion for*	**Each villa is assigned a golf cart so that guest has easy access to everywhere on the property.* ***Guests are given the use of golf carts or bicycles to access different areas of the*

	(1)	*the guests.* ***A place where you can be as active or as laid back as you desire.* ****Allow for complete privacy.* *(4)*	*resort.* *(2)*
Complete resort	*The green hotel status added to the ambience of the resort. *(1)*	There are 54 pools, six restaurants, nine bars, a spa, fully equipped exercise room, two golf courses and a putting green, 13 tennis courts, 4 squash courts, duty free shopping, pharmacy, a shopping center, medical diagnostic center, conference center and two commissaries. **The hotel offers everything that one would need for a vacation.* *** The Caribbean's most exclusive complete resort.* ****A wide variety of activities to choose from.* *(4)*	**The services offered were personalized without being over-bearing.* ***Guests can play virtually every warm-weather sport.* *(2)*
Amenities	All amenities in the rooms are recyclable. **Recyclable amenities.* *(2)*		**Great offering of amenities in the rooms.* *(1)*
Environmental program	The elements of recycle, reuse and reduce are implemented. **In-room literature informs the guests about the environmental program.* ****The natural surroundings, landscape and greenery mean a lot to*	***A 12-acre wetlands reserve was created where birds—including egrets and herons—can live.* **Gray water is used to irrigate the grounds.* *(2)*	

	allow complete relaxation. (3)		
Number of rewards	Hotel B has won 12 environmental awards since 1997. **Awards are on display in the lobby.* ***Green team accomplishments include 15 international and national awards. (3)*	***Rated one of the twenty-five best beach resorts in the world.* *(1)*	***Won the Platinum Partner award in 2001. The criteria for the award include service, quality and degree of professionalism.* *(1)*
Environmental coordinator	There is an environmental coordinator whose responsibilities include ensuring compliance by each employee and the implementation of programs designed to sustain the environment. **Environmental coordinator totally committed to the program.* *(2)*		
Capital investment	Investments are made to ensure compliance to environmental programs (e.g., new sewage plant). (1)	Programs are in place for continuous upgrading and addition to the physical product. (1)	Investment in employee exchange programs with hotels in Europe, foreign language training, and development programs. (1)

Observation** ****Secondary data** *****Guests comments

Measures 81/216 = 37.5%

<u>Table 5.5: Hotel C – Competitive Methods and Core Competencies Matrix</u>

<u>Core Competencies</u>	Competitive methods		
	<u>Eco-friendly resort</u>	**Architectural design**	**Quality Service**
Hospitality	**The employees' enthusiasm about being eco-friendly made one felt good about being in that type of environment.* *(1)*	**The design offers a welcoming feel to all guests.* ***Families with children gave high marks to features specially designed for them.* *(2)*	The employees are trained to be hospitable to the guests—treat them as part of the family. **All the employees made the guests feel at home.* ***Genuine hospitality is one of the greatest assets the resort offers.* *(3)*
Emphasis on the environment	Environmental management systems (EMS) are in place. **Emphasis on the environment is seen everywhere.* ***The resort grows much of the fruits it serves; operates a green house; monitors and assesses energy and water use; performs wastewater and solid waste generation, and disposal and the use of chemicals.* ****Beautiful resort and great gardens.* *(4)*	**The design, including the landscape, promotes environmental friendliness.* *(1)*	**Incorporated in the delivery of quality service.* *(1)*
Employees	All employees sign an agreement to work with accordance to the EMS.		Employees are trained to deliver a high level of customer service. **The employees go out of the way to please the guests.* ***Caring management and professional staff.*

	(1)		****Friendly staff.* *(4)*
Landscape	The hotel has a compost on site where recycling of the kitchen and garden waste eliminate the use of chemical fertilizer. (1)	Unique design of the landscape. *The landscape is very attractive and gives the feel of being in a forest. ***Hundreds of rare plants including the island own indigenous Royal Palms.* *(3)*	
No-layoff policy			Employees are motivated to give quality service because they are guaranteed a job even in slow periods, unlike other hotels in the area. (1)
Training	The "green team" is sent to seminars and also receives "train the trainer" training. They conduct regular refresher courses. *(1)*		All employees receive team Jamaica training and some are sent on exchange programs to improve their skills. ***Training schedule confirmed the type of training carried out.* *(2)*
Location	**Location next to the wetlands promotes environmental friendliness.* *(1)*	The hotel is located next to a national wetland that is home to many birds, some of which are found only in this region. ***Adjoining one of Jamaica's largest wetland nature reserves.* *(2)*	**Located on the main strip in Negril, with easy access to everything.* *(1)*
Layout of the property	**Promotes the environmental friendly atmosphere.*	The property layout enhances the beauty of the hotel. *** Rooms are housed in cabins made of natural wood and the central facilities are located in pavilions that are open and inviting to nature.*	**Layout of the property makes it easy for the guests to move around.*

	(1)	****Cabins are nestled among the trees. (3)*	(1)
Cleanliness	Rooms are kept extremely clean through the use of vinegar and bicarbonate of soda (environmental friendly products). **The rooms are very clean.* (2)	**The physical structure is enhanced by the clean look.* (1)	**Incorporated in the delivery of quality service.* (1)
Team work	The hotel has an active "green team" that meets weekly and manages the EMS and drives the process of continually improving the hotel's environmental performance. (1)	*Team effort demonstrated in the upkeep of the physical structure and the grounds. (1)	Team effort used to ensure the delivery of quality service. **Teamwork was observed in all areas.* (2)
Environmental awards	Received eight awards and international recognition for their work in sustaining the environment. *Winner of eight awards (all displayed in the lobby.). ***The first hotel in the world to earn Green Globe certification.* (3)		
Awards		Received one of Jamaica's most prestigious awards for architectural design. ***Featured in Architectural Digest, "Who's Who In Interior Design – 100 Top Designers' Favorite Rooms."* (2)	***2000 Apple Golden Award for Outstanding Quality.* (1)
Cost savings	The hotel saved over $1.7 million since implementing EMS. (1)		
Rewards and incentives	Cash award of $5,000 (JA) is given for any suggestion or idea that is eventually adopted		Cash and in-kind awards given to every department that meets or exceeds its annual

	as a "best environmental management practice" (1)		targets. (1)

***Observation**   ****Secondary data**   *****Guests comments**
Measure 50168 = 29.8%

The pattern of co-alignment changed with Hotel D, where 144 possibilities were presented (see table 5.6) with a score of 29. The empty slots were also greater (19) and the percentage of co-alignment equaled 20%. The poor performance of co-alignment continued with Hotel E, where the percentage of co-alignment dropped even more. Table 5.7 shows 96 possibilities with 8% co-alignment. The lack of co-alignment was further demonstrated in the number of empty slots (17).

The lack of knowledge of the companies' strengths was again observed in the absence of co-alignment at both Hotel D and E, where the matching of the core competencies to the competitive methods was almost impossible. The non-alignment also signifies the absence of strategic thinking on the part of management because they do not see the significance of matching core competencies with their chosen strategy. Another measure was reflected in the comments made by guests that are not inline with the areas management considered important.

Table 5.6: Hotel D – Competitive Methods and Core Competencies Matrix

Core Competencies	Competitive methods		
	Location/Facilities	**Superb service**	**Price**
Directly on the beach	The hotel has a 1,500 ft. beachfront. **One of the best locations in the area.* ***"Nothing is more alluring than the azure-blue Caribbean Sea gently lapping our 1,500-foot white sand beach."* *(3)*	Extensive array of water sports activities offered. (1)	***Offers water sports activities directly from the beach at reasonable rates.* *(1)*
Personalized service		The mission of the hotel is to offer personalized service. ***Tableside service in the restaurant provides the attention you would expect.* ****Great service* *(3)*	
Friendly atmosphere		The hotel offers a friendly atmosphere where guests feel at home. *(1)*	
Employees		The friendly atmosphere is made possible through the employees who make the guests feel at home. ****The people were great. (2)*	
Willingness to work		The employees are known to go out of their way to make things work at the hotel. (1)	
Beachfront rooms	All rooms have balconies or terraces that look out onto the		

	beach. *Being directly on the beach made up for the poor quality of the room. **All categories of accommodation face directly on the beach with private balcony and terrace. (3)		
Laid-back atmosphere		The hotel offers a very relaxed atmosphere. There is no dress code or restrictions. (1)	
Proximity to shopping and attractions	*Located within walking distance of shopping areas and short ride to attractions. *** Easy reach to the town. (1)		
Packages	**"The most romantic setting for the perfect day." (1)		*Tour operators and travel agents offer a variety of packages. ** Attractive All-Inclusive rates are offered. **All-inclusive offer – value for money. (3)
Entertainment	*Nightclub, located on property and nightly dinner shows (1)		*There is no cost for entry to nightclub. (1)
Sales collateral			*Offers special price for different occasions. **Special wedding packages at reasonable rates. (2)
Children's program		*Children's daycare. **"The Minnow Club" is an entertainment program exclusively for children between the ages of 2-12 years. (2)	*No additional cost to leave children in the daycare. (1)

Observation** **Secondary data
Measures 29/144 = 20%

Table 5.7: Hotel E – Competitive Methods and Core Competencies Matrix

Core Competencies	Competitive methods		
	Personalized service	**Quality control**	**Rates**
The beach	.		**One of two hotels in the area with a beach. Makes the price very attractive compared to competitors. (1)*
Competent staff	Staffed trained to deliver personalized service to concierge suite guests. *(1)*		
Location	***Tropical paradise begins and ends at this hotel. (1)*		**Rates are attractive because of the location. (1)*
The layout of the villas	**Villas are complete with bedroom, living room and kitchen. (1)*		
Layout of the property			
Charm of the resort	***Romantic location. ***Very quiet place (2)*		***Emphasized in the brochures. (1)*
Un-spoilt environment			
Computerization			

****Observation **Secondary data ***Guests comments***
Measures 8/24 96= 8%

At hotel A there was no distinct culture, but as management stated, there is an implied culture where employees know what are the norms and abide by them. At Hotel B and C a strong service culture was evident and was felt and seen in everything the employees and managers do. Hotel B's managing director's commitment to excellence is reflected in the resources provided for employees to deliver the service. The culture of Hotel A, B, C and D can be attributed to the leadership style of the owners or the managing director/general manager, which was very evident in the operation of the hotels and the behavior of the employees.

Managers at Hotel A, B and C all positioned their hotels in the growth stage of the life cycle. Their perception is based on their commitment to the products and services that made up the competitive methods portfolios. None of the hotels were willing to share their total investments in each method, nor were they able to tell the cash flow generated from each. However, the focus of attention at the hotels is generally on their competitive methods and was reflected in what they do.

Firm Performance

According to Cho (1994), cash measures are good predictors of the success of hotels. With this in mind, this study intended to find the value added to the hotel's cash flow by each competitive method. However, information on the performance of the hotels was limited to the information listed in Table 4.22, which are generic ratios (average rate, occupancy percentage, labor cost and operating cost) used to measure a hotel's performance.

Table 5.8 lists the occupancy percentage for the past four years (1998 – 2001) for the five hotels and the visitors to Jamaica stopover numbers for the same period. As brought out in the Table 5.8, the occupancy percentages for all hotels showed a significant decline in 2002. The rates shown were for twelve months and therefore reflected the effects of September 11. Over 90% of Hotel B's occupancy was concentrated in the peak season (December 15 to April 15). The period between April 16 and December 14 had a much lower occupancy (below 40%). The use of price as a competitive method was reflected in Hotel D's occupancy percentage, for years 1998 to 2000 which was significantly higher than the other hotels. Hotel D utilizes price as a competitive method and sold their rooms through tour operators, for very low rates. Hotel E also uses pricing as a competitive method, but they advertise heavily in the local market and depend on this market for most of their business.

Table 5.8: Occupancy Percentages – 1998-2001

Year	Hotel A	Hotel B	Hotel C	Hotel D	Hotel E	*Stopovers (Ml)
1998	58%	N/A	75%	76%	68%	1.225
1999	45%	45%	68%	71%	55%	1.248
2000	53%	42.8%	65%	71%	53%	1.323
2001**	46%	41.5%	58%	52%	40%	1.277

***Jamaica Tourist Board Statistical Report – 2001 ** Percentage reflect post 9/11**.

The focus of the co-alignment principle model, stresses the importance of co-alignment between the first three elements of the model. The principle states that if there were alignment between the elements, greater cash flow would be realized. But to perform this analysis, financial information was needed. Unfortunately, no financial information was obtained from the hotels at the time of the interviews. The limited information received later could not be used to evaluate the free cash flow or return on invested capital required by this study.

Table 5.9 compared the performance information received from each hotel. From this table, basic conclusions can be drawn on the performance of the hotels. The operating costs of Hotel A, B and C are considerably lower than that of Hotel E and D. There was also a significant difference in the labor cost; again the performance of the three hotels surpassed Hotel D and E, with lower labor costs, despite the money spent on training. The occupancies of the hotels are not indicative of the performance. Hotel C and D had the highest occupancy, and are not necessarily the highest performers overall.

Table 5.9: Hotels Comparison Information

	Hotel A	**Hotel B**	**Hotel C**	**Hotel D**	**Hotel E**
Number of rooms	76	419	86	120	90
Number of employees	250	750	86	210	120
Revenues	$3.0M	$33.7	$1.8M	$4.1M	$2.3M
Average annual Income per room	$80374	$146000	$26087	$56944	$53488
Operating Cost	56%	40%	50.3%	80%	82%
Labor costs	13.7%	8%	7.9%	18%	22%
Average daily income per room	$225	$531	$86.90	$156	$149
Ratio of employees to rooms	3.3:1	1.8:1	1:1	1.6:1	1.3:1
Occ %	46%	41.5%	58%	52%	40%
Capital	NA	NA	$1.7	No capital investment	No capital investment
Stage of life cycle	Growth	Growth	Growth	Decline	Decline
Age	11 years	45 years	14 years	36 years	42 years

Each hotel uses guests' evaluations as a measure to determine the success of the hotel in providing service and to determine the success of the competitive methods. The feedback from the guests was also used as a benchmark for improvements. The guests' surveys found the overall satisfaction level was high (see Table 5.9) at each of the hotels and 95.9% indicted they would return to the hotels. The guests also rated each hotel high on the importance to their overall vacation (see Table 5.10). However, the percentage of agreement between management and the guests on the competitive method that adds the most value did not signified that management was aware of what was important to the guests.

Table 5.10: Whether or Not Guests Would Return to Hotel

Hotel	**% of Yes**
Hotel A	100
Hotel B	92.1
Hotel C	100
Hotel D	100
Hotel E	88.9
All	95.9

Table 5.11: Importance of Hotel to Overall Vacation Experience

Hotel	*Rating
Hotel A	8.6
Hotel B	8.3
Hotel C	8.5
Hotel D	8.0
Hotel E	7.1
All	8.2

*** Scale of 1 –10, 10 being the highest**

Table 5.12: Matrix of Co-Alignment

Measurement	Hotel A	Hotel B	Hotel C	Hotel D	Hotel E
# Of Possibilities	120	216	168	144	96
# Of Co-Align.	45	81	50	29	8
Percentage	37.5%	37.5%	29.8%	20%	8%

The performance indicators were compared with the percentage of alignment in Tables 5.12, 5.13, 5.14 and 5.15. As indicated in Table 5.12, Hotel A, and C had a higher percentage of agreement with the guests (100% and 42.9% respectively), and were among the top three hotels in terms of alignment of competitive methods with core competencies. Hotel B demonstrated an extraordinary low percentage of agreement with the guests, but showed a moderate level of alignment. Hotel D and E again are below the other hotels on these performance measures.

Table 5.13 measured the hotels performance on average daily income per room, against the percentage of alignment found in Tables 5.3 – 5. 7. This however, was not a good measure. For one, Hotel A is an All-Inclusive hotel and therefore all charges are included in one price. Hotel B is a "complete resort" and compared to Hotel C, D and E, have higher costs and more available to the guests. Hotel C is in a built up area that offers many alternatives to guests for meals, while Hotel D and E are both secluded and most at time guests are forced to eat on the property. Hotel D however, offers very attractive "inclusive packages" to the guests, thus the higher rate. The leading three hotels again surpassed the others in terms of their operating cost and labor cost percentage as indicated in Table 5.14 and 15. Operating cost and labor cost both focus on internal controls which shows management's ability to keep cost low and the result as shown by both tables reflect a definite support for proposition 1.

Table 5. 13: Comparison of Management/Guests Agreement onValue Adding Competitive Methods and Percentage of Alignment.

Hotels	% Of Guests/Management Agreement on Value Adding CM	% Of Alignment
Hotel A	100%	37.5%
Hotel B	21.6%	37.5%
Hotel C	42.9%	29.8%
Hotel D	17.6%	20%
Hotel E	11.1%	8%

Table 5.14: Comparison of Average Daily Income and Percentage of Alignment.

Hotels	Average Daily Income Per Room	% Of Alignment
Hotel A	$225	37.5%
Hotel B	$531	37.5%
Hotel C	$87	29.8%
Hotel D	$156	20%
Hotel E	$149	8%

Table 5.15: Comparison of Labor Cost Percentage and Percentage of Alignment.

Hotels	Labor Cost %	% Of Alignment
Hotel A	13.7%	37.5%
Hotel B	8.0%	37.5%
Hotel C	7.9%	29.8%
Hotel D	18.0%	20%
Hotel E	22.0%	8%

Table 5.16: Comparison of Operating Cost Percentage and Percentage of Alignment,

Hotels	Operating Cost %	% Of Alignment
Hotel A	56%	37.5%
Hotel B	40%	37.5%
Hotel C	50.3%	29.8%
Hotel D	80%	20%
Hotel E	82%	8%

As outlined above, the evidence would suggest that Hotel A, B and C have achieved a greater amount of co-alignment. Table 5.11 compares the co-alignment of each hotel based on measurements described in Tables 5.3-5.7 above. In accordance with other evidence found, Hotels A, B and C demonstrate greater alignment and therefore demonstrate greater possibility of success. There was no evidence of co-alignment at Hotel D and E, thus the poor performance by the two properties compared to Hotels A, B and C, except in occupancy. In Tables 5.12-5.15, the performance as indicated, would also suggest that Hotel A, B and C have a higher percentage of alignment and perform better than Hotel D and E who have a lower percentage of alignment. In the discussion above, the relative way of how to analyze co-alignment was uncovered. In the next section, the propositions will be looked at and subsequent propositions proposed.

Propositions

Proposition 1: Firms that achieve alignment between competitive methods and firm structure, contingent on the objectives of the owners, should perform better than those that did not.

Proposition 1 addressed the co-alignment between the competitive methods and the firm structure. From the discussion above, it can be concluded that there was support for proposition 1. The evidence suggested that hotels that utilize competitive methods that are aligned with the firm structure will perform better than hotels that do not. This decision was supported by the hotels' performance, using the available performance measures, which suggest the following:

1. Using the labor cost as a performance measure, a difference was found between hotels that had higher degree of alignment in the constructs. The hotels with a greater percentage of alignment (Hotel A, B, and C) had lower labor cost than those that did not (see Table 5.14).
2. With the operating cost as a performance measure, a difference was also found in hotels that had higher degree of alignment. The hotels that had greater degree of alignment had lower operating costs percentage, compared to those that did not.
3. Using Tables 5.3-5.7 as performance measures, the results suggest that hotels that have greater percentage of alignment with its core competencies and competitive methods perform better that those that have a lower percentage level.
4. Where management indicated they put large a portion of resources in training, the results suggested that hotels that invested in human resources that support the competitive methods have a greater percentage of co-alignment than those that do not invest or invested very little in their human resource.

It should be noted that the objectives of the hotels were not well defined. But, in essence, Hotel A, B and C indicated that their objectives were to make a profit. Hotel D and E both indicated the same objective, survival. Based on the evidence outlined, it appeared that all the hotels are meeting their objective, vague, as they may seem.

Other available performance measures: average occupancy percentage and average room rate were not applicable in this study because:

1. All the hotels did not offer the same service level; therefore room rates varied across the board.
2. Hotel B is considered a seasonal hotel, although open all year, and does 75% of its business during the peak season (December 15 thru April 15), when room rates are substantially higher and occupancy average 90%. Moreover, Hotel A is an All-Inclusive hotel and rates include all charges such as food and beverage and activities.

It should also be noted however, that there was no evidence of co-alignment between the environment and the strategic choice, signaling lack of strategic thinking by management. Based on the evidence of this proposition, additional research questions are raised:

- Do hotels that invest in their human resource assets achieve greater alignment between the firm structure and the competitive methods?
- Is greater alignment between firm structure and competitive methods, influenced greater productivity in a hotel work force?

Proposition 2: Firms that have an agreement between what customers perceive as the competitive methods and what management does will find higher levels of performance on available performance measures.

Proposition 2 addressed the co-alignment between all elements of the model Based on the available performance measures, the evidence suggested that hotels that have higher levels of performance, between management and guest, will agree on what is of value. This decision was supported by the hotels' performance using the following performance measures:

1. Using the guests survey as a measure as indicated in Tables 5.1 and 5.2, at Hotel A and C there is a high percentage of agreement between management and guests, suggesting that hotels where there was a high level of agreement between management and guests, will find higher levels of performance on those measures used in this study.
2. Using the data received from the interviews and direct observations as a measure, a difference was found between hotels that had a higher degree of alignment in allocation of resources to competitive methods that add the most value (delivering quality service). The hotels with a greater percentage of alignment (Hotel A, B and C), invested in their human assets (employees) by way of training and development, compared to those that did not (Hotel D and E).

The hotels 'use of the guests' comment cards supported the evidence presented above as a measure of success, and allocation of resources to what guests indicated was of value to them - quality service. Guest comment cards however, should not be used as a representative, reliable or valid evaluation against service standards (Lewis and Chambers, 2000). According to Lewis and Chambers (2000), less than 1 percent of the occupied rooms returns comment cards, and therefore should be used more to spot operational breakdowns and complaint trends.

The results suggest that management does not always articulate well what they are doing, invest in what the guests perceive as value, nor are they always aware of what is important to the guests. This observations leads to the suggestion of additional research propositions are proposed for further investigation:

- Do firms that achieve higher levels of performance use guest feedback as a measure of success and will therefore allocate most of their resources to that which the guests indicated is of value to them?

The above discussion shows how the results of this study supports propositions two and suggest an additional research proposition. It should be noted that the evidence presented supports the original propositions, although the measures originally proposed by the methodology of this study found:

1. Management does not evaluate investments made that support the competitive methods.
2. The success/failure of the competitive methods are not measured.
3. Cash flow, if any, generated by the competitive methods are not monitored.
4. Return on invested capital is not monitored.

Several conclusions can be drawn from this study:

- Conclusion 1: Hotels do not focus on forces driving change in the environment. Instead they focus on the competition only, and not necessarily on their direct competitors. The co-alignment principle suggests that for co-alignment to take place, firms must be aware of the forces driving change in their environment, and make strategic choices accordingly (Olsen, et al., 1998).
- Conclusion 2: While firms are aware of their strategic choice, it is not always articulated to a point where competitive methods are chosen to support it. The resource-based view of the firm suggests that the firm's resources and capabilities are what determine competitive advantage (Barney, 1991). Therefore there must be a fit among the firm's activities; the strategy choice must be aligned with the competitive methods if a firm hopes to gain competitive advantage (Olsen et al., 1998).
- Conclusions 3: Competitive methods utilized by hotels are more obvious to guests and observers than to management. This is supported by evidence where it is observed that managers are not always aware of the methods utilized to compete, nor do they have any understanding of what drives value.
- Conclusion 4: Competitive methods are not always aligned with the hotels core competencies; suggesting that core competencies are not considered when deciding on competitive methods. But,

according to Prahalad and Hamel (1990), core competencies should be the focus for strategic choice and Olsen et al. (1998) suggest that the alignment between the core competencies and the competitive methods are the most important internal match-up that can be achieved for a firm to gain competitive advantage.

- Conclusion 5: Firms do not monitor the performance of their competitive methods. Therefore they are not aware of which competitive methods produce the greatest value, suggesting that the lack of monitoring is probable reason for low alignment. Competitive methods are utilized to create value for a firm (Barney, 1991, Olsen et al. 1998). Therefore firms must be able to identify the profit-earning potential of the competitive methods (Grant 1991). Cho (1994) suggest using cash measures, as they are better predictors of success in hotels.
- Conclusion 6: The chosen methods of evaluation of performance at the hotels are guests comment cards, which is not considered a reliable measure (Lewis, 2000).

The conclusions listed above, summarized information found during the study that are considered important in understanding how decisions are made in hotels. These findings will help researchers in the future to investigate management awareness of their competitive methods and assist managers to identify competitive methods that produce the greatest value and the importance of the co-alignment principle. It will also help managers in the allocation of resources to competitive methods that will produce the greatest value.

Contribution of This Research

As mentioned in Chapter 1, this study contributes to the body of literature on the relationship between the elements of the co-alignment principle in hotels. While prior studies focused on only two elements of the co-alignment principle, this study was the first done, where all the elements of the co-alignment principle was tested. This approach was taken to determine if co-alignment existed between the elements and the effect of the co-alignment on performance in hotels. The result of the study provided data on whether co-alignment between the elements was present and the performance of hotels that showed co-alignment.

The results also provided data in relation to strategy choice and core competencies. The result confirmed previous findings on the co-alignment between the strategy choice and core competencies (deChabert, 1999).

While prior studies (Olsen, 1995 and Olsen and Zhao, 2000) focused on the competitive methods utilized by multinationals, in this study the sample used was independent hotels. Further contribution was made when the data of both studies were compared (see Table 5.9), and only a few similarities was found in the competitive methods utilized by both groups. This signified that the competitive methods utilized by multinational hotels are not necessarily the competitive methods utilized by independent hotels.

Table 5,17: Comparison of Multinationals and Independent Hotels Competitive Methods

*Multinationals Hotels Competitive Methods	Independent Hotels Competitive Methods
Technology development: Customer-oriented and management oriented technology	
Relationship management: Customer relationship management, employee relationship management, travel agency relationship management.	
Marketing initiatives and campaigns:	Pricing
Customer products and services: In-house products.	Service
Quality control/operations management: Quality and consistency, Employee as assets, Training, operation systems.	Quality control
Social awareness and environment protection: Recycling, conservation, responsible corporate citizen.	Greening programs Eco-friendly

*Source: Olsen 1995, & Olsen and Zhao, 2000.

The study also provided information on the co-alignment required between the three elements of the co-alignment principle model. The research also raises the issue of management awareness of their environment, their reaction to forces driving change and what is needed to implement the methods chosen.

Finally, results obtained in this study provided data on how management perception and guests' perception on what is of value do not always agree.

Further Research

This study utilized several methodologies, which demonstrates the complexity of the study. Further research is needed that utilize other research methodologies and a more developed questionnaires (both management and guests) that will generate more information.

The study was carried out during the slow period of the hotels; therefore the response of the guests may be tainted towards price and service. Further study is therefore needed in the hotels high season, when they are more likely to have guests from their targeted markets. Direct observations revealed much more than were shared by managers. Further study should therefore include a longer observation period.

The study looked at five different hotels in terms of type and size, in different location on the island. Although all the hotels are subject to the same environmental factors, further research should compare hotels in similar locations or that are in direct competition, including multinationals. This would give a more accurate picture of the methods used on how they compete against each other.

Further research is also needed to more accurately investigate the financial performance of hotels. This would enable a more accurate evaluation of performance in respect to the performance of each competitive method and will also enlighten managers on where to invest the most resources.

Limitations

This study required collecting information from independently owned and operated hotels in Jamaica. The study tested the Co-Alignment Principle Model presented by Olsen et al. (1998) using several methods of data collection. The research was carried out at five different hotels. The differences in the hotels were in size, type and location. Because of the differences, results and generalization cannot be made to other hotels in Jamaica or the hotel industry at large. The lack of financial information posed major limitations on the result, but to a great extent more information was received than normally expected from privately owned hotels.

Summary

This study investigated the co-alignment between the elements of the co-alignment principle (Figure 1.1). The results of the study indicate that where co-alignment is present, performance is greater. The results indicated that the competitive methods managers' cited, as providing the greatest value to the hotel, are not always inline with what guests see as important to them. Five conclusions were developed which brought to light the actions of managers in independent hotels. One final conclusion which maybe drawn from this study is:

- The more alignment there is between the competitive methods and the firm structure, the more effective will be the operations, resulting in lower operating cost.

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Ziethaml, Parasuraman, & Berry (1990). Delivering quality service: Balancing customers perceptions and expectations. New York, NY: Free Press.

Zollo, M. & Singh, H. (1998). The impact of knowledge codification, experience trajectories and integration strategies on the performance of corporate acquisitions. Academy of Management Best Paper Proceedings, San Diego, CA.

APPENDICIES

Appendix 1

Marcia Taylor-Cooke

5 Hollywood Mews
Kingston 6, Jamaica W.I.
876-978-3596 or 999-3795
candy@kasnet.com or mhtaylor2001@yahoo.com

June 5, 2001

Dear ___________________

As per my telephone call to you, I am a Ph. D. candidate at the Virginia Polytechnic Institute and State University (Virginia Tech), in Blacksburg Virginia, Department of Hospitality and Tourism Management. My area of study is strategic management.

I do appreciate your willingness to assist me in this research. _________________ will be one of six hotels included in this dissertation. The method of research is case study. It will investigate what competitive methods independently operated hotels utilized to gain competitive advantage and the relationship between the methods used and the hotel structure and the hotel performance. The focus will be on the operational (internal) competitiveness. Only my self and my professor, Dr. Michael Olsen at Virginia Tech, will know the identity of the hotels in this study. The names of the hotels will not be included in the final paper.

The case study includes interview with you, the Managing Director and at least two other key personnel in the hotel. It will take approximately one hour to complete the questionnaire. There is also a one-page guests questionnaire (11 questions) that is given to a sample of registered guests of at the hotel. The final section is an on site observation of the areas mentioned during the interview. I will be sending you a copy of a White Paper presented to the International Hotel and Restaurant Association, which is similar to the study I am doing and will familiarize you with what we mean by competitive methods. Please allow a few days for delivery.

Thanks again for you assistance and support. The date I have in mind for the interviews are June 19, 2001 or June 25, 2001 or any other date that is convenient to you. I will call to confirm a date on Wednesday. If you have any questions, I can be reached at the numbers listed above or by e-mail. I do look forward to meeting with you soon.

Sincerely,

Marcia Taylor

Appendix 2

COMPETIVE METHODS UTILIZED IN INDEPENDENTLY OWNED AND OPERATED HOTELS IN JAMAICA

This study is designed to understand the competitive methods utilized by your hotel and the co-alignment between the competitive methods, the firm (hotel's) structure and the firm (hotel's) performance. Competitive methods are the portfolios of products and services designed to gain competitive advantage, in response to the changes taking place in the environment. They are viewed as new and creative generation of value that brings revenue to the hotel --- the value-adding dimensions of the hotel overall strategy.

Section A – **Strategy choice/Competitive Methods** - This section will seek to understand the factors that affect the choice of competitive methods and the competitive methods used by the hotel.

How are competitive methods chosen?

Please explain what environmental factors (the forces driving change in the hotel environment) are important to you in determining the choice of competitive methods?

Explain the factors that are most important in determining the choice of competitive methods used to gain competitive advantage for this hotel?

Based on the answer in question 1, what competitive methods as are used to gain competitive advantage?

*What are the top three value-producing competitive method chosen?

1. 2. 3.

****What products and services make up the different competitive methods?***

What is the relationship between strategy choice, firm structure and firm performance?

In this study, ***firm structure*** refers to how the hotel is organized to effectively implement its intended strategy. It involves the allocation of resources to the competitive methods; matching the competitive methods to the strengths of the hotel (core competencies); and utilization of the contextual and process variables.

Firm performance refers to the financial output and the customers' perception of the hotel.

Explain the adjustments, if any, made to the firm structure to utilize the competitive methods chosen?

What resources are allocated? (Specify for each competitive method)

*How is the performance of each competitive method evaluated?

How does the financial performance of each competitive method affect the hotel performance?

Does the hotel performance show a direct and continuous relationship to the competitive methods?

Of the competitive methods utilized, which in your estimation produce the most value?

What strategies are in place to ensure that all resources are directed at the competitive methods that generate the largest amount of cash flow?

**What percentage of the hotel resources is allocated to the most value producing competitive method?

*What rewards and incentives programs are in place to reward employees for the value they add to the hotel?

What stage of the lifecycle is the hotel at now (growth, maturity, decline)?

Based on where you are now, does it affect the choice of competitive methods and how they are implemented?

*Through what format does the management information systems provide information on the progress of the competitive methods?

What systems are in place for continuous planning, controlling and evaluation?

Section B – Firm Structure - This section seeks to understand how strategy choice/competitive methods are implemented. Specifically it will seek information on how the hotel adjusts its structure to match the competitive methods and the resources allocated to help in the implementation of the competitive methods.

What investments are being made to best utilize the competitive methods ?

**Explain your formal decision-making process regarding investment in this hotel?

**What percentage of your total revenues is devoted to each competitive method?

1. 2. 3.

What resources human or material, are allocated to the competitive methods?

How many employees are employed in this hotel?

How many are managers?

**What is your capital budget?

How many saleable rooms?

**What are the labor costs?

Is the reward and incentives structure geared towards minimizing the overall cost of hotel?

**How is leadership awarded?

Based on how your allocation of resources, how do you ensure that there will be no compromise in achieving the mission of the hotel?

What is the mission of this hotel?

Does the mission reflect commitment to the competitive methods?

What processes exist to insure a consistent allocation of resources to each competitive method?

What reasons are most often given for a divergence, if any, of resources from primary competitive methods?

What core competencies are identified?
(Core competencies are what your hotel considers is its greatest strength(s) in creating a product/service superior to your competitors.)

*What are your core competencies?

*How are the core competencies decided on?

*Do the core competencies represent something of value to the guests?

Are the core competencies matched with the competitive methods? How?

Is the mission of the hotel tied to the alignment between the core competencies and the competitive methods?

How do the contextual and process variables affect the implementation and expectation of the competitive methods?

(***Contextual variables*** concern the "why" (perceived environment, strategy, structure, size and geographic dispersion, culture, lifecycle stage) in the implementation process).

(***Process variables*** concern the "how" in the implementation process – the elements of the implementation process which ensure that all the competitive methods are executed to perfection (resource allocation systems, management information systems, planning, control and evaluations systems, education, development and training programs, rewards and incentives, operating systems, strengths and weaknesses analysis, objective setting, and leadership).

How do the following contextual variables affect the implementation of the competitive methods?

Perceived environment uncertainty? (How management thinking is shaped on how to structure the hotel for implementation purposes)

Strategy content? (Based on how management view the environment, it will invest in CM that it believes will provide the it with the greatest value-adding potential – the inclusion of competitive methods in the content of the business strategy).

Structure? (The creation of the organizational structure: the interrelationship among tasks, individuals, formal organizational arrangements and informal organizational arrangements).

Culture? (The values guiding action within the organization and exists within the structure created by management).

Life-cycle? (Hotel must implement strategies based on where they are positioned in the various life-cycle stages)

How do the following process variables affect the implementation of the competitive methods?

Resource allocation systems? (Process designed to ensure that all necessary resources are directed at the competitive methods, which generate the largest portion of cash flow)

Management information systems? (should provide evidence of progress towards the goal of achieving the co-alignment principle – reflect the communication necessary for personnel at all levels of the firm structure to be knowledgeable about how well it is achieving its short-term and long-term objectives)

Planning, control and evaluation systems? (The planning process – controlling the hotel on its course to achieving its long-term and short-term objectives – review of the hotel's process)

Training, development, and education programs? (Investment into education, training and development programs)

Project initiation and leadership style? (How the manager/owner goes about introducing the strategic management process)

Rewards and incentives? (Aligning the reward system to successful implementation of each competitive method)

Is there a plan in place for the continuous use of the competitive methods?

Are the procedures used to implement the competitive methods working as planned?

Are training, development and education programs for employees in place to help the implementation of the competitive methods?

Does the implementation of the competitive methods improve the efficiency of the staff?

**Is there a distinct organizational culture? (Norms and values that guide the actions of all members of the hotel – guides the behavior of employees as they interact with each other and with guests of the hotel).

How does the organizational culture facilitate implementation and execution of the competitive methods?

Is there a relationship between the organizational culture and the competitive methods chosen?

Are the operational systems (cost control, production, quality control, purchasing, property management, yield management) designed to focus on the competitive methods?

Section 3 – Firm performance – This section will investigate how the competitive methods are evaluated and measured. Information to test the value added by the competitive methods will also be gathered.

How does management evaluate investment decisions that support the competitive methods?

What methods are used to evaluate the investments made in the competitive methods?

How is the success of the competitive methods measured?

How can you tell if a competitive method is successful or rated?

Occupancy?
Profit?
Guests' feedback?
Employee satisfaction?
Other?

This information from this section will be used to determine the value added components of the competitive methods.

How much cash flow is generated from each competitive method?

What is the cash flow per share of equity generated from each competitive method?

**What is the total of gross investment in each competitive method?

**What is the gross cash flow generated by each competitive method?

**What is the occupancy percentage?

**What is the average rate per room? Average rate per guests?

What return on investment capital is realized by the hotel?

**What is your net ROIC?

**What is the total invested capital?

Appendix 3

Dear Guests:

This survey is a part of a research being conducted by a postgraduate student to find out what is of value to guests at this hotel.

Please take a few minutes to answer the questions on the next page.

Thank you.

Appendix 4

Guests Questionnaire

1. **Why did you choose to stay at ___________________?**

   a. Advertising?____ **b. Special offer? _______** **c. Rate? _____**

   d. Recommended? ______ **e. Location? ________** **f. Image _____**

   g. Direct marketing?_____ **h. Internet?** **i. Other? _____**

2. What promises did ______________ made to you?
   ____
   ____
   ______

3. Were the promises kept?
   3a. Yes____ 3b. No_______

4. What is important to you in a hotel?

   a. Location? _____ b. All-Inclusive offer ________ c. Atmosphere_________
   d. Service quality _____ e. Facilities________ (list) __________________
   e. Type of hotel (family, singles, couples)__________ g. Other______

5. Is what is important to you available at this hotel?
   a. Yes ____
   b. No _____

6. Which of the following provide the best value to you and why?

   1. _________________ 2. __________________ 3. __________________

   ____
   ___

7. Which of the above is of least value to you and why?

   ____
   ___

8. What key activities provide the best value to you?

____

9. Would you return to this hotel?
a. Yes _____ b. No ______

10. If the answer to question 9 is yes, why?

____

11. On a scale, how important was this hotel to your overall vacation experience?

Low____High

0 1 2 3 4 5 6 7 8 9 10

CURRICULUM VITAE
FOR
MARCIA HILLARY TAYLOR

ACADEMIC EXPERIENCE

Visiting Lecturer, Cecil B. Day School of Hospitality Administration, Georgia State University, Atlanta, Georgia: August 2002 – present.

Senior Lecturer, School of Hospitality and Tourism Management, University of Technology, Jamaica, Kingston, Jamaica, W.I.: January 1997 – August 2002
Program Director, September, September 1997 - 2000

Head of School (Acting), September 1999 - August 2000

Lecturer, Hospitality Administration Program, Department of Nutrition, Hospitality and Fashion, Buffalo State College, Buffalo, NY; Fall 1994 - Fall 1996.

Instructor, Hospitality Administration Department, Morris Brown College, Atlanta, GA; Fall 1990-Spring 1994.

Graduate Research Assistant, Department of Hotel, Restaurant and Institutional Management, Virginia Polytechnic Institute and State University; Summer 1993.

Graduate Assistant, Office of Academic Enrichment Programs, Virginia Polytechnic Institute and State University; Spring 1993.

INDUSTRY EXPERIENCE

Sheraton Century Center, Atlanta, GA; 1989-1991, Financial Controller - 279 Rooms, Convention Hotel - On-site, full charge accounting. Responsible for all financial and accounting functions.

Courtyard by Marriott, Birmingham, AL; 1989, General Manager - 156 Rooms, Restaurant and Lounge.

Specialty Restaurant Corporation, Atlanta, GA, 1988-89
Regional Controller (Nashville, TN, Birmingham, AL, Jacksonville, FL, and Atlanta, GA). Responsible for the operation of the regional accounting office, financial reporting, and cost controls of six restaurants.

OMNI HOTELS CORPORATION
Omni at Charleston Place, Charleston, SC, 1987-88
Assistant General Manager - 443 Rooms four-star, four diamond hotel/convention and retail complex - Responsible for daily operation of Rooms Division, Engineering, Security, and Management Services.

Omni International Hotel - Union Station, St. Louis, MO, 1985-86
Director of Management Services - 546 Rooms.

Omni Netherland Plaza, Cincinnati, OH, 1983-84
Director of Management Services - 440 Rooms.

Dunfey Hotel, Atlanta, GA, 1981-83, Director of Management Services - 400 Rooms

Responsible for the implementation of corporate policies and procedures, on-site accounting functions, reporting financial and managerial information, internal controls, budgeting and profit analysis. Project Manager for IBM 36 computer. A member of the Executive Committee reporting to the Corporate Office and the General Manager. Opening manager for the Omni International Hotel - Union Station and Omni Netherland Plaza. Trainer for Management Development Training Program.

Cable Beach Inn, Nassau, Bahamas, 1984-85. General Manager, 123 Rooms beachside resort.

Executive Hotel, Stamford, CT, 1978-81 - 176 Rooms Commercial hotel. Positions; Assistant Manager/Rooms Division Manager, 1979-81, Front Office Manager 1978-79. Responsible for the general operations of the Rooms Division, and supervision of Sales, Food and Beverage and Accounting departments. Wrote policies and procedures manual. Initiated and wrote job description and training programs for all departments.

EDUCATION

Doctor of Philosophy (Ph.D.), Department of Hospitality and Tourism, Virginia Polytechnic Institute and State University, Blacksburg, VA. **Specialization:** Strategic Management **Dissertation Focus:** Strategic management in hotels, **Committee Chairperson:** Dr. Michael Olsen.

Master of Business Administration (M.B.A.), Lubin School of Business, Pace University, White Plains, NY, 1981, **Specialization:** Management - Organizational Development and Training.

Bachelor of Business Administration (B.B.A.), Pace University, New York, NY, 1978, **Specialization:** Marketing.

Associate of Arts and Sciences (A.A.S.), New York City Community College, Brooklyn, NY, 1976, **Specialization:** Marketing.

AWARDS

HRIM Minority Scholarship Award, Summer 1991, 1992; Spring & Summer 1993.

Pace University Scholarship Award, 1976, 1977, and 1978

CONSULTING ACTIVITIES

Adjunct Faculty, Nova Southeastern University, Weekend MBA Program, 2001- Course taught - 21st Century management

Caribbean Regional HRD Program for Economic Competitiveness (CPEC) - Regional HRD Consultation - 2000 - present

Lecturer, University of the West Indies, Mona, Masters Degree in Tourism and Hospitality Management, 2000 - Course taught -Hotel Operations and Managerial Accounting, 1999/2000 - present

Team for Business Research & Consultancy, University of Technology, 1999- 2000.

Lecturer, Institute of Business, Mona. Sandals Resorts Management Trainee Program, Summer 1997. - Hotel Operations

Training and coaching strategies seminars, Morris Brown College and Partner for International Education and Training. August 1994.

Hotel 21 East, Chicago, IL, 1988. Assisted with initial opening of the hotel.

Girls Scout of America Training Center (Hotel), Bedford, NY, 1982. Assisted with opening of the hotel and the training of personnel

PROFESSIONAL DEVELOPMENT

Sustainable Tourism Workshop, October 1997, 1998, 1999. Kingston, Jamaica

WTO: Seminar on Statistics and the Measurement of the Economic Importance of Tourism, July, 1997, Kingston, Jamaica

Leadership and Systems Thinking, February 1996, Buffalo State College

CHARMS Simulation exercise, June 1995 - The Statler Institute, Canisius College

CHASE Simulation exercise, June 1995 - The Statler Institute, Canisius College

Small Group Instructional Diagnosis (SGID) - February 1995, Buffalo State College

Fostering Critical Thinking Across the Curriculum - October 1995, The Fourteenth Annual Conference on Teaching Quality, University at Buffalo

PROFESSIONAL APPERANCES AND MEETINGS

Presented with L. Marshall, a roundtable presentation at Council on Hotel, Restaurant and Institutional Education, Annual Conference, Orlando, 2002, "The Management of Caribbean Festivals."

Attended the University of the West Indies & Pan- American Health

Organization Conference on Health Tourism, October 1999

Attended the Jamaica National Heritage Trust Annual Conference, June. 1998

Attended the Caribbean Tourism Organization Conferences:

Caribbean Tourism Conference, October 1997

Annual Conference on Sustainable Tourism, April 1998

Participated in the Master Plan for Sustainable Tourism Development Master Plan Town meeting sponsored by the Office of the Prime Minister, Tourism Division

Participated in the workshop on Employment on Cruise Ships, sponsored by the Office of the Prime Minister, Tourism Division, May 1998

Attended the Jamaica Hotel and Tourism Association Annual Conference, June 1998, 1999, 2000

Attended, the American Hotel and Motel Association Trade Show and Conference, 1992, 1993, 1994, 1995 and 1996, 1997, 1998, 1999

Attended, HEMAR regional meeting, 1994

Attended, Western New York Hotel & Motel Association, monthly meeting, Nov. 1994 - 1996.

Attended, Council on Hotel, Restaurant and Institutional Education annual conferences, 1991, 1992, 1993, 1994 and 1995, 1996, 1998, 1999, 2000, 2001.

Accepted with L Marshall, "All-Inclusive as a Marketing Strategy: A Caribbean Case Study." International Seminars on Tourism Development, Cairo, Egypt, 1993. (Conference canceled due to political unrest in area).

Presented with L. Marshall, Poster Session, "A Review of the Marketing Concept of All-Inclusive in The Caribbean." Council on Hotel, Restaurant and Institutional Education, Annual Conference, Chicago, 1993.

Presented with E. Tse, Roundtable Discussion, "A Research Proposal: The Role of Leadership and Strategy in The Hospitality Industry." Council on Hotel, Restaurant and Institutional Education, Annual Conference, Chicago, 1993.

Attended, Academy of Management annual convention, 1993

Attended, SECHRIE regional meetings, 1992, 1993, 1994

Attended, National Society of Minority Hoteliers Annual Conference, 1991, 1992, 1993, 1994, 1995 and 1996.

Presented with Marshall, Poster session: "Current trends of Caribbean Casinos" accepted for presentation at CHRIE Annual Conference, Nashville, Tennessee, August 1995

Attended and presented with Marshall, "The Expanding Caribbean Casino Industry: Current and Future Trends." Caribbean Studies Association Annual Conference, Manaus, Brazil, July 1995.

Attended, Conference on Teaching Quality, 1995

Presented with J. de Chabert, "A Spatial Characteristics of American Visitors to The United States Virgin Islands," at the Caribbean Studies Association Annual Conference, Manaus, Brazil, July 1995.

Paper accepted for presentation with de Chabert, J., "United States Tourists Propensity to Travel Abroad and to the USVI." The 4th Annual International Seminars on Tourism Development, October 1995 (Conference canceled).

Guest Speaker, Western New York Hotel/Motel Association, November 1995. Topic - **Strategic Management for Small Hotels.**

WORKING PAPERS

Taylor, Marcia. Making Jamaica's tourism industry competitive through the use of knowledge management.

FACULTY SERVICES AND RESPONSIBILITIES

University of Technology - Served on the following committees
Degree Program Director
Academic Board/Faculty Board
Marketing Committee
Steering Committee for the Joint Degree
Advisor to graduating seniors
Curriculum Committee - Department and Advisor Board
School=s Advisor Board Committee
Curriculum Development - Joint program with UWI
Final Year project Advisor - Diploma and Degree
Accreditation committee - Chair
Lillian=s Advisory Committee
Journal Committee
Academic Development Committee
Academic Policy Committee
Research Committee
Multimedia Committee

Buffalo State College
Selection Committee for the President's Award for Excellence in Teaching; in Research, Scholarship, and Creativity; in Librarianship and in Academic Advisement
NHF Scholarship Committee
International Student Advisory Council
Student Affairs Committee - NIA Mentor Program
Budget committee - NHF (Chair)
FASE Budget committee
Ad-hoc Bylaws committee- NHF
Faculty Advisor - National Society of Minority Hoteliers
Faculty Advisor - Caribbean Students Association
Faculty Enhancement Project - Summer freshman orientation advisor
Uncommitted student advisor
Hospitality Program students= advisor

Morris Brown College, Faculty Advisor:
National Society of Minority Hoteliers,
Internship and Co-op program
Undergraduate students advisor - 60 students

Committee Member: Research Committee
President Special Project Committee

OTHER CONTRIBUTIONS TO INSTRUCTIONAL PROGRAMS

Developed Curriculum for Joint UTech/UWI Bachelor of Science Degree in Hospitality and Tourism Management. Implemented 1998

Developed new Hospitality and Tourism Curriculum for Buffalo State College. Curriculum changed from Food System Management to Hospitality and Tourism Management. Approved for implementation August 1997.

Developed new Hospitality Administration Curriculum for Morris Brown College Hospitality Administration Department. Accepted and implemented, Fall 1995.

Supervised the planning and implementation of "Springfest" 1992-1994 - Hospitality conference and career fair held each year between March and April for four days.

PROFESSIONAL AFFILIATIONS

CHOCHS/CHA - 1997 - Present - Board member -2000 - 2002

Jamaica Hotel and Tourism Association - 1997 – 2002 (Kingston Chapter Marketing Committee)

Jamaica Chapter of CHOCHS - Founding member/Vice Chair - Sept. 2000 - 2002

Academy of Management - Member, 1993-1998

CHRIE (Council on Hotel, Restaurant and Institutional Education) - Member, 1990-Present: Member, Multicultural Diversity Committee and Casino Gaming SIS

Florida/Caribbean Chapter of CHRIE 1997 - present
Secretary 2000 /2001 and Vice Chair 2001/2002

TTRA (Travel and Tourism Research Association) 1992-1994 & 1999-present

SECHRIE, Southeastern Chapter of CHRIE - Member, 1990 - 1994

HEMAR, Hospitality Educators Mid-Atlantic Region - Member since 1994-1997

Association of Casino Education - Member, 1995 - present

Association of Caribbean Studies - Member, 1995

American Hotel and Motel Association - Member, 1995- 2001

COMMUNITY SERVICE

Jamaica Hotel and Tourism Association – Marketing Committee, Kingston Chapter

New Kingston Civic Association – Chair - Toy Drive Committee

Kingston 2002 – Local Organizing Committee for the 9th IAAF World Junior Championship, Jamaica July 2002. Deputy Chair – Hospitality Committee

International Proxy Parents - 2000 - 2002

JAPEX - 2000 Planning Committee **-** Kingston Street Festival**,** May 2000

Small Hotels Initiative Committee - 1999 - 2002

Partners of the Americas - Western New York and Jamaica, 1994-2002

Western New York, Hotel & Motel Association, 1995-1996

Volunteer, Atlanta Food Bank, Atlanta Helping Hand 1992-1994

Member, Advisory Board, Tri-City High School, Hospitality Marketing Advisory Board 1992-1994

ACTIVITES RELATED TO GRANTS AND CONTRACTS

Center of Development of Human Services, mini grant to develop training modules in "Team Building Training" designed for government agencies supervisors. $1500.

Program Administrator, submitted and received $15,000 grant from Partners for International Education Training, to train seven Egyptian hotel managers for two weeks, August 1994

Submitted and received $20,000 grant from Partners for International Education Training, to train nine Egyptian government tourism officials, for six weeks, October 1994.

Research Assistant in a worldwide "White Paper" survey funded by the International Hotel Association. Activities included collection of data on the number of hotels, restaurants and employees worldwide. 1994

Research Associate in development of a Marketing Plan for the Roanoke Valley Convention and Visitors Bureau. Activities include strategic planning, development of four survey instruments used in intercept interviews, mail surveys to potential visitors, and convention attendees and telephone interviews with tour operators; two focus groups - meeting planners and providers (Hotel managers, Attractions Directors, Airport and Car Rental Managers). 1993.

Tourist Survey, tourist surveys at the Manassas Visitors Center, funded by the Department of Tourism and Virginia Department of Economic Development, Virginia, July 1993.

Abstract Editor, Trends Data Base, Center for Hospitality Research and Service, Department of Hotel, Restaurant and Institutional Management, Virginia Tech, Spring 1993.