COMPETITIVE STRATEGY, ORGANIZATION STRUCTURE AND PERFORMANCE IN THE LODGING INDUSTRY: AN EMPIRICAL ASSESSMENT OF MILES AND SNOW'S (1978) PERSPECTIVES OF ORGANIZATIONS

by

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This was accomplished by first examining the nature of competitive strategies within the lodging industry. Subsequently the relationships among competitive strategies, three dimensions of organization structure, company size, and five measures of firm performance were examined. Furthermore to more rigorously control for environmental effects this analysis was undertaken for the industry as a whole as well as within four distinct subsegments of the industry.

Six hypotheses were developed, that dealt with the nature of competitive strategy types; and the relationship among strategy types and 1) the degree of organization structure, 2) organizational performance, and 3) organization performance where a strategy/structure match had been achieved.

The findings of this study tend to indicate that the nature of the industry or environment in which organizations compete may be an important factor in determining the content of competitive strategies employed in that environment. Furthermore, not only do industry characteristics tend to affect the content and appearance of competitive strategy profiles, but different segments within an industry also impact the appearances of different competitive profiles.

However, the perspective that organizational variables are in a direct relationship with contextual variables is not supported by this study. The critical link appears to lie in the decision makers evaluation to the organization's environment and the choices they consequently

make regarding the organizations competitive strategy and its internal structure.

The structure that is appropriate to a particular competitive strategy profile is not constant. Rather, the nature of the operating environment intervenes in the appropriate strategy/structure "match" relationship. Organizational performance is contingent upon a "match of the strategic choices of strategy and structure, but the "appropriate " choice appears to be modified by subenvironmental factors.

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CHAPTER I

INTRODUCTION AND OBJECTIVES

Introduction

Within the context of the open system/contingency perspectives of organizations (Katz and Kahn, 1966; Thompson, 1967; Burns and Stalker, 1961; Lawrence and Lorsch, 1967) different external conditions might require different organizational characteristics and behavior patterns, for organizations to be effective. These theoretical propositions have been supported by a number of classic research findings (Woodward, 1965; Burns and Stalker, 1961; Lawrence and Lorsch, 1967; Pugh et al., 1969; Hage and Aiken, 1969; Pennings, 1973; Hinings and Lee, 1973; Glisson, 1978). The underlying perspective that has emerged as a result of these research findings is that organizational variables are in a relationship with certain contextual conditions (i.e., environment, technology, size).

However, considerable controversy remains regarding the specific causes and significant correlates of formal structure (Bedian, 1980; March and Mannari, 1981; Hickson et al., 1969; Blau et al., 1976). Child (1972) argues persausively that research designed to establish statistically the presence of associations between contextual factors usually leaves the underlying processes that mediate the relationship to be inferred. "Adequate explanation results from an understanding of the process, the statistical relationship does not speak for itself." Some of the most influential models of organizations, according to Child, explicate little more than positively established associations between dimen-

sions of organizational structure and situational factors. Child argues further that, "This simple theory is inadequate because it fails to give due attention to the agency of choice by whoever have the power to direct the organization. Strategic choice extends to the context within which the organization is operating, to the standards of performance against which the organization is evaluated and to the design of the organization itself."

In a classic study of the evolution of organizations, Chandler (1962) concluded that strategic choices arise from environmental conditions and the decisions made relative to these choices coupled with decisions made about choices of internal structure have a direct bearing on the ultimate success of organizations.

The critical link lies in the decision maker's evaluation of the organization's position relative to environmental areas deemed to be important, and the action they may consequently take (Child, 1972, p.14). Focusing on the role of strategic choice, as opposed to a deterministic contingency perspective, permits researchers to account for organizational variation directly through reference to its source (Bourgeois, 1984). Contextual variables are conceptualized as being linked together as multiple points of reference for the process of strategic decision making. Top managers assess the environments associated with an organization's chosen product/market domain(s) and then must choose the proper

mix of competitive strategy[1], structure and process (Child, 1972; Miles and Snow, 1978; Porter, 1980; Hall, 1980). The choice of these variables determine whether the organization will achieve its goals and accomplish its task effectively.

Strategic Types

The notion of strategic groups (Schendel and Patton, 1976; Hatten and Schendel, 1977) recognizes that within an industry firms differ along more dimensions than size and market share. Miles and Snow (1978) theorize that there are three strategic types that represent stable forms of decision patterns; Defenders, Prospectors and Analyzers. Adoption of one of these strategic postures is likely to make an organization an effective competitor, provided the design of the organization "fits" its strategy. Similar conclusions have been advocated by other strategy researchers (Porter, 1980; Hall, 1980; Woo and Cooper, 1981; Hambrick, 1983 A & B; Anderson and Zeithemel, 1984; Dess and Davis, 1984).

Prior researchers (Hall, 1980; Hambrick, 1983A; Dess and Davis, 1984) have found some support for Porter's (1980) typology using samples

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[1]The choice of an organization's product/market is an important part of its overall strategy and sets the parameters of the environment in which it will operate. The choice of the competitive strategy encompasses the way(s) in which the organization competes within its chosen environment. Both the choice of product/market and the choice of competitive means are part of an organization's overall strategy (Porter, 1980).

of manufacturing organizations. However, an investigation of the literature has produced only one limited test of Miles and Snow's typology (Hambrick, 1983B; Tosi and Slocum, 1984) In addition, there is no evidence in the literature where industries composed of service organizations have been used to appraise either of these theorized strategic typologies. Furthermore, strategy theorists suggest that industry factors are critical in shaping how organizations compete; and the nature of the industry will affect the configuration each strategy can take (Hambrick, 1983A). In addition, researchers have pointed out strategic archetypes do not appear with equal frequency in all industries nor do the various strategies lead to equal success within an industry (Porter, 1980; Snow and Hambrick, 1980; Hambrick, 1983B; Hall, 1980; Woo and Cooper, 1981; Anderson and Zeithamel, 1984). Thus the issue of the configuration and viability of strategic archetypes in general and particularly with respect to service organizations would not appear to be adequately investigated to date.

Strategy and Structure

Organization structure or design, a multidimensional concept, consists of the means through which the organization is administered (Child, 1972; Galbraith and Nathanson, 1978; Mintzberg, 1979).

The relationship between strategy and structure is not viewed as a simple causal link (Miles and Snow, 1978; Galbraith and Nathanson,

1978). Miles and Snow propose that structure and process constrain strategy and, therefore, it is possible not only to classify organizations according to their strategic orientations, but also to "predict with some reliability the structure and process characteristics associated with a chosen strategy" (Miles and Snow, 1978, p.9).

Miles and Snow (1978) specify both the strategic characteristics and structural dimensions associated with each of their theorized archetypes. A defender strategy requires an organization structure having a high degree of specialization, a high degree of formalization and a centralized decision making and control system. Prospectors, on the other hand, require a structure that will facilitate rapid responses to environmental changes; decentralization of control and decision making, a low degree of formalization, and specialization. Analyzers are required to utilize a combined structural framework, employing defender type configurations within the stable portion of their domain and prospector type dimensions where new products and services are adopted. Reactors are organizations whose structure and strategy are not linked in an appropriate manner. Currently, there is no evidence in the literature confirming Miles and Snow's (1978) hypothesis that specified structural characteristics of organizations can be "predicted with some reliability," from a chosen strategy.

The criteria that are used to establish the dimensions of structure for this study are: First, that the measures are those which have been

specified by Miles and Snow; secondly, that the measures are thought to represent the basic dimensions of structure (Pugh et al., 1969); thirdly, the measures should permit comparison of structure and be suitable to the statistical techniques employed, and lastly, that the measures be at the organizational level of analysis.

Three of the structural dimensions directly specified by Miles and Snow include Formalization, Specialization, and Centralization. These three dimensions of organizational structure have emerged as the most consistantly used measures of organizational structure (Pugh et al., 1969; Child, 1972; Pennings, 1973; Hinings and Lee, 1973; Glisson, 1978; Hage and Aiken, 1969; Schoonhover, 1981; Blackburn, 1982). Furthermore, several researchers have suggested that formalization and centralization are two of the major dimensions of organizational structure (Child, 1974; Van de Ven, 1976; Conner, 1980).

The three dimensions of organizational structure (Formalization, Specialization, and Centralization) clearly meet all the specified criteria; they are three of the key dimensions of structure identified by Miles and Snow, they represent what is thought to be three of the basic dimensions of organizational structure, they have been used numerous times in prior research at the organizational level thus permitting comparability, and they will permit appropriate statistical testing.

Strategy, Structure and Performance

Researchers tend to agree that a viable strategy alone is insufficient to assure the likelihood of high levels of performance; the appropriate strategy must be "matched" by an appropriate organizational structure (Chandler, 1962; Child, 1972; Miles and Snow, 1978; Porter, 1980; Hall, 1980; Randolph and Dess, 1984). However, empirical evidence of this theorized link between strategy type, structure and performance is lacking in the literature to date.

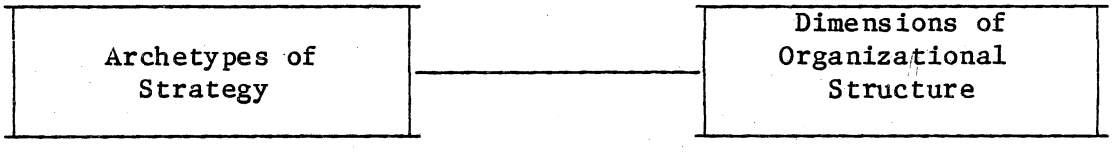
In this study, measures of performance will be examined within each strategy type and comparisons made across strategic groupings. Subsequently, strategy types will be linked with specified structural characteristics based on Miles and Snow's perspectives. The performance of organizations whose strategies are matched with prescribed structural dimensions will be compared to strategic groups of organizations whose structural dimensions do not conform to theorized characteristics. The results of this phase of the study is designed to directly assess the theorized relationship among strategy, structure and performance.

Objectives of the Study

The primary focus of this research study is to explore the perspectives of organizations theorized by Miles and Snow (1978). Within this framework the following objectives will be sought:

1. To test Miles and Snow's strategic typology and the hypothesized relationships between types of strategies and specified levels of several dimensions of organization structure.
2. To determine if within a single service industry there are any significant differences in the level of performance of organizations grouped according to strategic archetype.
3. To determine if there are any significant differences in the performance of those organizations that achieve a "match" between strategy type and hypothesized levels of several structural dimensions; and those that do not.

The following research model reflects the relationship at the organizational level of analysis between archetype of strategy and organizational structure that this research will seek to test within the context of a single service industry environment:



In addition, assuming that the analysis of strategic characteristics will yield distinguishable strategic groups, statistical tests will be conducted to determine if there are any significant differences in the performance levels of organizations among these strategic groups. Subsequently, assuming again that the characteristics of these strategic groups can be linked to Miles and Snow's strategic archetypes, those

organizations whose structural dimensions most closely conform to the theorized levels specified by Miles and Snow will be subcategorized. The performance levels of each subgroup will then be statistically analyzed to determine if significant differences exist between groups of organizations where strategy type and structure match, versus those where a match is not achieved. The expectation, of course, is that the performance levels will be higher for those groups where strategy and structure are "matched." The following matrix illustrates the objectives of this phase of the research:

		DEGREE OF STRUCTURE	
		LOW	HIGH
STRATEGY TYPE	DEFENDER	"NO MATCH"	"MATCH" (Higher performance levels expected)
	ANALYZER	?	?
	PROSPECTOR	"MATCH" (Higher performance levels expected)	NO MATCH

Statement of Hypotheses

Six hypotheses have been drawn based on the theoretical framework established by Miles and Snow (1978). The first four hypotheses address the first objective of this study. The first hypothesis is general in nature and reflects the basic premise that there are a limited number of

premise that there are a limited number of strategic archetypes that can be identified within any industrial environment (Miles and Snow, 1978; Porter, 1980; Hall, 1980; Hambrick, 1983B; Dess and Davis, 1984). Drawing from Miles and Snow's typology:

H_1: Strategic archetypes corresponding to Defenders, Prospectors, Analyzers and Reactors will be distinguishable from identifiable groupings of important strategy characteristics.

This hypothesis will be tested by comparing the strategic characteristics identified by Miles and Snow for each of their strategy archetypes to the results obtained from a factor analysis of the relative importance of an array of strategic characteristics employed by firms in the industry sample (Dess and Davis, 1984). It is expected that the groupings thus obtained will reveal high factor loadings on specified strategic characteristics. It has been suggested that factor loadings of .30 and above can be used as a cut off for significance (Kim and Muller, 1978).

Hypotheses 2 through 4 are stated in the null form and address the strategy/structure relationships theorized by Miles and Snow (1978):

H_2: There are no differences in the degree of specialization among Defenders, Prospectors, Analyzers and Reactors.

H_3: There are no differences in the degree of formalization among Defenders, Prospectors, Analyzers and Reactors.

H_4: There are no differences in the degree of centralization among Defenders, Prospectors, Analyzers and Reactors.

According to Miles and Snow's persepctives there should be significant differences in the degree of specialization, formalization and centralization among all four strategic archetypes. Furthermore, organizations classified as Defenders should have a high degree of specialization, formalization and centralization, whereas Prospector types should exhibit low degrees of these structure dimensions.

The final two hypotheses, also stated in the null form, address the issues of the relationship between strategy and performance; and the theorized strategy/structure "fit".

H_5: There are no differences in the performance of organizations that are classified according to their strategic group memberships.

H_6: Organizations that achieve a strategy/structure match will have higher levels of performance than all other organizations.

Strategy researchers have theorized that organizations must achieve a "match" or "fit" between strategy and structure to achieve high levels of performance (Miles and Snow, 1978; Chandler, 1967; Child, 1972; Porter, 1980). According to this perspective, significantly higher performance should be evident for those groups of organizations who have achieved a strategy structure "fit" vs those who have not.

Industry Selection

The lodging industry has been selected for use in this study for a number of reasons. First, it is a service industry and thus represents a domain that has received little if any attention in prior strategy research. Secondly, the lodging industry in 1981 generated revenues in excess of twenty-two billion dollars divided among more than 40,000 establishments in the U.S.A. (Pierce and Robinson, 1982). Thus, the industry as a whole contributes substantially to the U.S. economy and is made up of a large number of individual operating units (i.e. hotels and motels) located throughout the country. In addition, there are more than 350 firms listed in the 1984 Directory of Hotel and Motel Systems that operate from three to several hundred individual units in the U.S.A. These firms in the aggregate control approximately fourteen thousand operating units. The large number of competitors and relatively low market shares within the lodging industry are likely to provide a rich source of data for strategy research. In fact, the nature of the industry is such that it can be classified as a fragmented, low market share, hostile environment. In an environment of this nature competition is keen and the strategy employed by an organization is likely to be particularly important regarding the performance of the organization.

Definition of Terms

In this research study the following definitions are used:

Strategy

The content of an organization's strategy can be conceived of as the means through which it attempts to link with, respond to, integrate with, or exploit its environment (Chandler, 1966; Thompson and Strictland, 1981; Hofer and Schendel, 1978; Leontiades, 1982). It is a pattern or stream of major and minor decisions inferred from the behavior and characteristics of the organization (Ansoff, 1965; Mintzberg, 1978; Miles and Snow, 1978).

Strategic Archetypes

Strategic archetypes as used in this study represent a limited number of ways in which business organizations can stake out a "defensible" position within an industry (Porter, 1980). They are the means used by organizations for consistantly responding to the environments they have enacted (Miles and Snow, 1978). Essentially, strategic archetypes are classifications of the way firms compete in an industry or their business level of strategy (Schendel and Hofer, 1979). Strategic archetypes represent broad competitive formulas and include the degree of efficiency required, the scale of operations, the means and intensity of controls, the level of services offered, the quality levels sought, product/service design, the design of product/service delivery system, and channels of distribution (Porter, 1980).

Organization Structure

Organization structure is a multidimensional concept and represents the means by which management administers and controls the organization (Child, 1972; Galbraith and Nathanson, 1978; Mintzberg, 1979). The dimensions of structure include the means employed by management for limiting the exercise of discretion (Glisson, 1978); it is the social relationships of all positions in an organization (Hage and Aiken, 1969); and the authority framework of an organization (Mills and Posner, 1982).

Performance

The organizations that will provide the basis for this study can be classified as oriented toward economic production based on Parsons (1960) classification of organizations by type of goal or function. In accord with the economic focus of the subject organizations, the implicit goals of the financial community (e.g. profitability, growth) should be considered of primary importance in the assessment of organizational performance (Dess and Davis, 1984).

Summary and Review of Subsequent Chapters

This chapter delineates the origin and purpose of the study, establishes the research objectives, identifies the industry selected, defines and explains the terminology in the study and introduces the research hypothesis. In chapter two, the significant literature related directly to this study is reviewed. The hypothesis provide the frame-

work for the literature review. The review is used to develop, support and explain the hypotheses. Chapter three focuses on a detailed explanation of the research metholodogy. Jusitification of the research metholodogy, including the sample, data collection method, and statistical analysis techniques, is made and the weakness and its limitations are noted. Chapter four reports the results of the data collection, statistical testing and discusses the statistical analysis performed to determine possible relationships among key variables. Chapter five is a discussion of the findings of this research study and implications for future research.

CHAPTER II

LITERATURE REVIEW

A REVIEW OF THE RELEVANT LITERATURE

Introduction

An organization can be defined as a system of cooperation that provides a link between individuals and the environment whereby the collective efforts of individuals are applied to the accomplishment of a common purpose (Barnard, 1938). The survival of the organization is dependent upon its management's ability to maintain a dynamic equilibrium between the organization and the environment within which it operates (Barnard, 1938; Eisenstadt, 1959). Within the context of the open system/contigency perspectives of organizations (Katz and Kahn, 1966; Thompson, 1967; Burns and Stalker, 1961) different external conditions might require different organizational characteristics and behavior patterns, for organizations to be effective. Furthermore, different types of organizations are likely to be effective under different conditions (Lawrence and Lorsch, 1967). The organization exists in an interdependent relationship with the elements of its environment (e.g. customers, suppliers, governments, employees, etc.) and must deliberately adopt means that will lead to the accomplishment of desired ends. Strategic choices must be made by those who are in control of organizations and these strategic choices mediate between the organization's contextual circumstances and its performance (Child, 1972).

The Concept of Organizational Strategy

Organizational strategy has been defined by various sources. Chandler (1966) suggested that strategy can be conceived of as the means through which an organization carries out its objectives. Other definitions of strategy are: decision rules and guidelines that define the scope and growth direction of the firm (Ansoff, 1965); the application of structured rationality to problems of choice (Dror, 1971); formulation of the organization's basic mission, purposes and objectives...and the program to achieve them (Steiner, Miner and Gray, 1982); giving purposeful direction, formulating means to accomplish goals, marshalling and allocating resources, directing pursuit to produce desired results ...how the organizations purposes and objectives are to be accomplished (Thompson and Strictland, 1981); a match among organizational purposes, resources, skills, environmental opportunities, and risk...the way the organization's asperations are linked to its non-controllable environment, (Hofer and Schendel, 1978); a guide for carrying out action (Hodgetts and Wortman, 1980); systematic methods for dealing with uncertain environments...what course of action to follow, what steps to take (Leontiades, 1982); and management of the fundamental relationship across the boundary of a system and its environment (Bower, 1982). In essence, the content of an organization's strategy can be conceived of as the means through which it attempts to link with, respond to, integrate with, or exploit its environment.

The market is the most crucial factor with respect to the determination of an organization's strategy (Chandler, 1967). An organization's strategy may be described by how its resources are applied to the demands of the market and the essence of an organization's strategy is the decisions made by management regarding the products and markets of the firm (Ansoff, 1965).

The nature of an organization's "pattern of decisions" or its strategy reflects the position of the firm in the environment. It determines the coherence and internal consistancy of the company in its environment and gives the firm its identity, its power to mobilize its strengths, and its likelihood of success in the marketplace. Essentially an organization's strategy serves to crystallize its environment into a set of problems and opportunities that the organization can sieze upon and solve (Andrews, 1980, p.20).

Levels of Strategy

The content of strategy can be viewed from different perspectives depending upon the hierarchial level of consideration within an organization (Schendel and Hofer, 1979). The focus of this study is on an organization's business level or competitive strategy.

At the very highest level of the organization, or institutional level (Thompson, 1967; Parsons, 1960), strategy content comprehends how the firm integrates with its broader, non-controllable environment. It

is at this level that the overall role of the organization is defined (i.e., an economic, educational, or political organization) which in turn establishes the constraints within which the firm must operate (i.e., how resources are acquired, etc.).

The next lower level of strategy has been identified as the managerial level (Thompson, 1967; Parsons, 1960). In an economic organization this level of strategy relates to what has been termed corporate strategy (Schendel and Hofer, 1979). The content of corporate strategy involves the business activities in which the organization chooses to engage, how these activities are integrated within the organization itself, and how these activities are related to important broad elements of the organization's external environment (i.e., overall economic, sociopolitical and cultural considerations).

A firm's business level or its competitive strategy is the next lower level in the strategy hierarchy and represents the means through which the organization competes. It includes the methods by which the organization's resources are allocated as well as the means through which the various functional parts of the organization are integrated (Schendel and Hofer, 1979). With single product business, the organization's corporate and business strategies would tend to coincide.

The next lower level on the strategy hierarchy is the technological level of the organization (Thompson, 1967) is the point where functional strategies are determined. A functional strategy determines how sub-

functional activities are to be integrated (Schendel and Hofer, 1979). The content of these functional strategies dictates how the various parts of the organization (Accounting, Finance, Marketing, Production, Research and Development, etc.) will carry out their responsibilities in accordence with the firm's competitive strategy.

The balance of this literature review will be devoted to exploring the nature of the content of different types of business or competitive strategies, and the theorized linkage between strategy, organization structure and performance. The ultimate success of any firm in a given business rests squarely on how well it is able to compete within its chosen business environment or industry. Therefore, it is the firm's competitive strategy that lies at the heart of a business organization's ability to achieve its purpose and to achieve high levels of performance (Miles & Snow, 1978; Porter, 1980; Hall, 1980; Dess and Davis, 1982; Hambrick, 1983A).

Strategic Choice - A Theoretical Model

Open Systems/Contingency Perspectives:

Proponents of the open system's perspective of organizations (Katz and Kahn, 1966; Thompson, 1967) have argued that successful organization adaptability is a function of an organization's environment. Internal organization structure is directly related to the environment and congruence between structure and environment lead to high organizational

performance (Burns and Stalker, 1961; Lawrence and Lorsch, 1967; Randolph and Dess, 1984).

Other researchers have taken a different view and have argued that technology and internal structure are directly related and performance is contingent on a congruence between technology and structure (Woodward, 1965; Thompson, 1967; Perrow, 1967). While, still others have found that organization structure is more directly linked to organization size (Hickson et al., 1969; Blau, et al. 1976; Ford and Slocum, 1977).

In general, these views of organizations propose that organizational performance is the result of a bivariate relationship betwen contextual and internal structural factors. However, research findings have been inconsistant and contingency perspectives are plagued with controversy over the specific causes and significant correlates of formal structure (Bedian, 1980; March and Mannari, 1981; Hickson et al., 1969; Blau et al., 1976; Kimberly, 1976; Ford and Slocum, 1977; Child, 1972).

Some researchers have suggested that a simple bivariate relationship between contextual factors and internal structure may be conceptually limiting (Child, 1972; Thompson, 1967; Randolph and Dess, 1984). Such a conceptualization, argues Thomspon, may be too narrow because "survival rests on the coalignment of technology and task environment

within a viable domain, and of organizational design and structure appropriate to that domain" (Thompson, 1967; p.147).

Strategic Choice Perspectives:

Proponents of the strategic choice perspective of organization argue that decision makers do take positive steps to define and manipulate their own domain (Child, 1972, p.9). Cyert and March (1963) argue that "the posture towards an environment which those in control of organizations attempt to adopt will reflect their perceptions of environmental conditions in relation to their desire to attain with some certainty the goals they have set for the organization" (p.118-120). This is tantamount to saying that those in control of different organizations will perceive environmental conditions differently and will also adopt different means through which the organizations they control relate to their environments.

Advocates of the strategic choice perspective suggest that analysis of organizations must recognize that the exercise of choice by organizational decision makers determines the limit to the organization's environment as well as the organization's position in that environment (Child, 1972, p.10). Therefore, to account for organizational variation, in terms <u>of both organizational form and performance</u> attention must focus on the direct source of this variation. Strategic choice is the critical variable in a theory of organizations (Child, 1972, p.15).

Hofer (1975) presents a compelling argument in support of the concept of strategic choice when he states that "unless one is willing to admit the possibility that there exists some strategy or set of strategies which are optimal for all businesses no matter what their resources and no matter what environmental circumstances they face....any theory of business strategy must be a contingency theory" (p.786-787). That is, a theory of business strategy necessarily is a theory of strategic choice. Furthermore, Hofer points out that "...over the long run a firm could not achieve success at a corporate level until it knew how to achieve success at a business level." In addition, because there are unique factors in each situation that will have an important bearing on the success of a chosen strategy, the industry in which a business competes dictates situational factors and, consequently, the configuration of strategic types within that industry (Hofer, 1975; Porter, 1980).

A Strategic Choice Model:

The focus of a theoretical model of business organizations should be on performance outcomes associated with particular configuration of key organizational variables (Randolph and Dess, 1984; p.115). The underlying assumption of such a model is that organizational performance is largely the outcome of a process of strategic choices made by key organizational members. Specifically, top managers assess the environments associated with an organization's chosen product/market domains

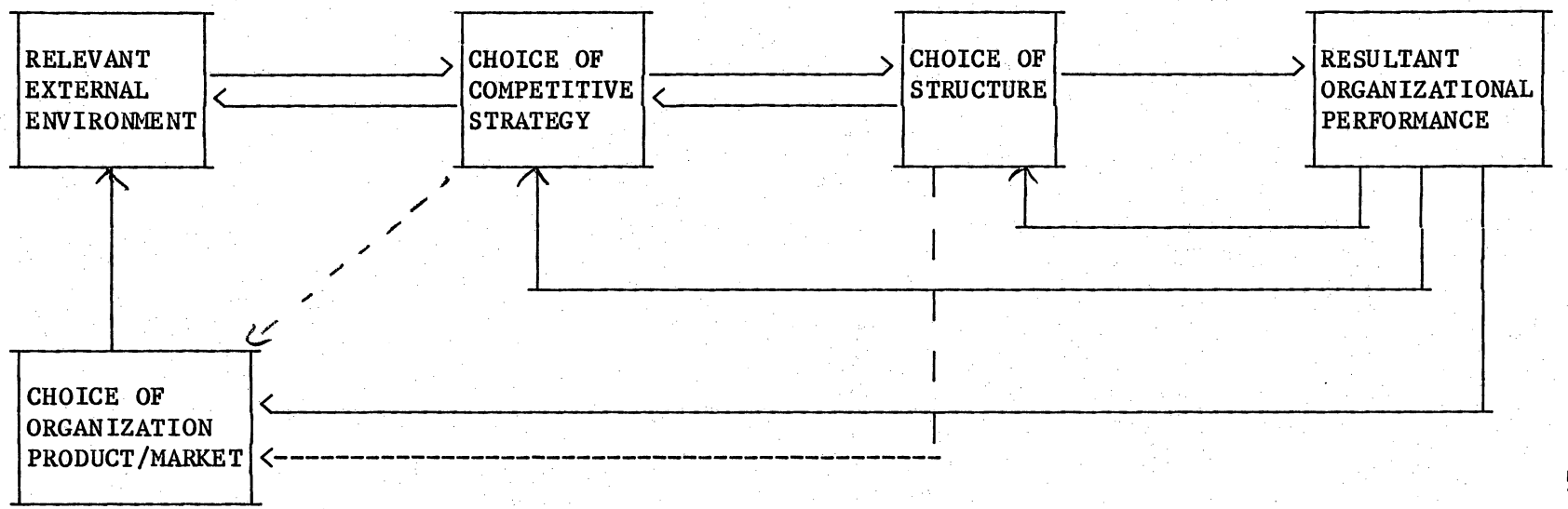
and then choose the proper mix of competitive strategy, structure and processes. The choice of these variables determine whether the organization will achieve its goals and accomplish its task effectively, i.e., its performance.

The following conceptual model is depicted as the outcome of interactive strategic choices. Environment is viewed as the choice of the product/market domain in which the organization competes, that is the industry(ies) in which it has chosen to compete. Decisions regarding the choice of an organization's competitive strategy are viewed as the link between the strategic choices of environment and organization structure that must be made by top management (Chandler, 1962; Child, 1972; Miles and Snow, 1978, Porter, 1980).

The model is consistent with what Miles et al. (1978) refer to as the adaptive cycle, which consists of solving three problems: the entrepreneural problem, the engineering problem and the administrative problem. As such, the model is multivariate and specifies performance as the key dependent variable.

The entrepreneurial problem consists of a choice of product or service to be provided by the organization and choice of market(s) to be served. These strategic choices determine the relevant external environment for the organization. The model suggests that as a result of the feedback loop the choice of product/market is not static. That is, subsequent to the selection of a competitive strategy and a structure,

A STRATEGIC CHOICE MODEL OF ORGANIZATION PERFORMANCE



SOLID LINES REPRESENT DIRECT, IMPORTANT LINKAGES, DASHED LINES REPRESENT LESS DIRECT LINKAGES (ADAPTED FROM RANDOLPH AND DESS, 1984, P.118).

the resultant organizational performance will affect future product/market choices. The product/market selections and resultant environmental definitions determine the overall level of task uncertainty (Galbraith, 1972) that an organization must manage through its choice of competitive strategy and structure, if it is to perform effectively.

Miles et al. (1978) define an organization's engineering problem as a system which puts into action the organization's solution to its entrepreneurial problem. That is, the means it chooses for producing and distributing its products and services including information, communication and control linkages. Porter (1980) defines an organization's competitive strategy as a broad formula for how a business is going to compete which includes, as its components, decisions relative to the degree of efficiency required, the scale of operating, the means and intensity of controls, the level of services offered, the quality levels sought, product/service design, the design of product/service delivery systems (i.e. processes), and channels of distribution and distribution networks. Essentially these components encompass and elaborate the input-transformation-output process suggested in the Miles et al. conceptualization. The input-transformation-output process has been conceptualized as an organization's technology (Perrow, 1967; Miles and Snow, 1978). However, the definition used by Miles and Snow (1978), and subsequently elaborated on by Randolph and Dess' (1984) where technology is defined as "how the organization's product/market tasks are accomplished," imply

imply a much broader construct. In effect, they are defining what Porter (1980) more accurately has termed "competitive strategy."

In order to achieve high levels of performance, organizations must not only adopt a viable competitive strategy but also must match their chosen strategy by an appropriate choice of organizational structure (Miles and Snow, 1978; Galbraith and Nathanson, 1978; Porter, 1980; Hall, 1980). In essence, the net amount of task uncertainty remaining after the choice of competitive strategy is made must be managed further by a choice of a matching structure. This is what Miles et al. (1978) refer to as solving the administrative problem.

As the model suggests, the organization's performance resulting from this set of choices provides feedback relevant to future adjustments in both the choice of competitive strategy and aspects of organizational design. Choice of competitive strategy intervenes in the environment-structure-performance link by establishing the means through which the organization attempts to exploit its environment.

Furthermore, as the model suggests the choice of product market domain may not always preceed the choice of competitive stragegy and a choice of structure (indeed the ultimate concern is congruence of these three choices). The bidirectional arrows reflect this interactive nature and suggest as well the developmental and dynamic perspective of organizations. If organizations are to perform effectively over time,

effectively over time, they must continuously engage in a matching of their product/ market environment, competitive strategies and structural choices; and these variables will tend to move in tandem (Miller and Friesen, 1980) because they must be consistent with the equilibrium aspects of open systems (Katz and Kahn, 1978; Thompson, 1967; Eisenstadt, 1959; Barnard, 1938).

Strategic Archetypes - A Theoretical Framework

Introduction:

In this section the theoretical constructs that provide a framework for classifying the content of competitive or business strategies are discussed.

Historically, researchers have sought to characterize strategy content in many ways. Andrews (1980) proposed two broad classifications: low growth strategies and forced growth strategies. Low growth strategies reflected a defensive focus by the organization's top management. The thrust of organizational efforts were aimed at minimizing change and maintaining the status quo. Forced growth strategies focused on acquisition, vertical integration, geographic expansion and diversification. Ansoff (1965) suggested that synergy should be a major factor in the choice of strategy. Levitt (1965) argued that the stage of the product life cycle must be carefully considered in strategic decision making. Ansoff and Stewart (1967) hypothesized that the rate and nature of tech-

nological change should reflect the types of business strategies which a firm employs. Tilles (1966), Katz (1970), and Glueck (1972) proposed propositions regarding business and corporate strategies that applied to a wide variety of environmental and organizational circumstances. These early studies often failed to differentiate between corporate and business "competitive" strategy. Furthermore, in many cases, the concepts were vague and could not be operationalized so that empirical testing could be done.

Since the late 1960's a number of studies have emphasized the generic content of organizational strategy. These studies (Chevalier, 1972; Fruhan, 1972A and B; Udell, 1972; Khandwalla, 1974; and Schoeffler et al., 1974) were often contradictary and did not specify the circumstances to which they applied (Hofer, 1975).

Hofer:

Hofer (1975) in support of Levitt's (1965) position argued that the stage of product life cycle is the most fundamental variable in determining appropriate business strategy. He suggested that a comprehensive theory would require the development of a set of propositions for all sets of environmental conditions during each stage of the life cycle. However, he did not go on to specify what those conditions and propositions should be.

Buzzell, Gale and Sultan:

Buzzell, Gale and Sultan (1975) in an exploratory study of numerous businesses contained in the PIMS (Profit Impact of Market Share) data base, found a positive correlation between market share and return on investment. They concluded that...."as market share increases, a business is likely to have a higher profit margin, a declining purchase to sales ratio, a decline in relative marketing costs, and higher product prices" (p.97). Thus, one of the main determinants of business profitability, they reasoned, is market share.

Enterprises that achieve a high share tend to be considerably more profitable than their smaller share rivals. Buzzell et al., in analyzing their data, found that as market share rises, profit margin on sales increases sharply. The biggest single difference relative to costs for high share firms was the purchase to sales ratio. That is, firms that achieved high market shares tended to have a lower proportion of purchases to sales.

The findings of this study also revealed that there was little or no connection between manufacturing expense as a percentage of sales and market share. Thus, higher market share did not necessarily mean more efficient operations. Advantages that are gained are in a decline in the relative cost of purchases which may reflect economies in buying and bargaining power or a higher level of vertical intergration.

The results of this study encouraged its proponents to advocate increasing market share as the primary strategic focus of business firms. Strategic choice, they advocate, is either to build share or withdraw. Although this arguement seems compelling based on the Buzzell et al. finding, a more comprehensive notion of strategic groups argues that size and market share are insufficient to adequately explain the differences in strategic dimensions of firms competing within an industry (Schendel and Patton, 1976; Hatten and Schendel, 1977).

Buzzell et al. (1975) hasten to point out, "The importance of market share varies considerably from one type of industry or market to another". Recently several researchers have developed profiles of competitive strategies that appear to be more precise than those that were previously conceptualized (Miles and Snow, 1978; Porter, 1980; Hall, 1980).

Hamermesh, Anderson and Harris:

Hamermesh et al. (1978), suggest that "maximizing return on invested capital must have a higher priority than maximizing market share." Maximizing returns can be accomplished by low share business by first limiting the number of industry segments in which they compete. A low share company, to be successful, must compete in the segments where its own strengths will be most highly valued and where it is unlikely that larger competitors will compete. Competitive emphasis for low share

firms needs to be focused on providing a unique but limited product line, superior service and process improvements aimed at lower process costs. Furthermore, most successful low share organizations are content to remain small, emphasizing profits rather than sales growth or market share. In addition, the top management of the most successful low share firms exhibit a continuous and conscientious commitment to the firm's strategy and have a deep involvement in the daily activities of the business. Essentially, there are four characteristics that successful low share companies possess: they carefully segment their markets, they use research and development funds to enhance their process efficiency, they are not overly concerned with market share and sales growth, and their top management's influence prevades the entire organization (Hamermesh et al., 1978).

Anderson and Zeithmal:

Anderson and Zeithmal (1984) based on their research of the product life cycle, business strategy and performance, found that different strategies are required for high performance depending on the stage of product life cycle. More particularly, they found that where the product life cycle was at the mature stage, that is where the rate of industry growth was very low or nill, high performing strategies centered on improving efficiency in process, reducing overall cost in marketing and distribution, further differentiation of products and further market

segmentation. Prescriptions for the maturity stage center around increased efficiency, quality and product market differentiation. Furthermore, research findings revealed that during the maturity stage the link between profitability (ROI) and efficiency becomes stronger and product differentiation becomes more critical in terms of market share and profits (Anderson and Ziethmal, 1984, p.22).

Woo and Cooper:

Further evidence of the relationship between certain strategic factors and performance in low share businesses has been found by Woo and Cooper (1981). These researchers found that effective low share businesses tended to locate in a stable rather than protected environment and that their competitive strategies were strongly characterized by selective focus on specific strengths.

Recommendations for low share strategies, they point out, have traditionally focused on avoidance of head on competition, concentration on specialized products, localized business operations, pursuit of high quality vs high volume, enhanced customer services, new products and narrow product lines (p. 302). The results of research involving a sample of one hundred and twenth six manufacturing businesses (service organizations were specifically excluded from the sample) revealed that effective low share businesses tended to concentrate in environments characterized by slow real market growth, infrequent product changes,

standardized components and supplies, high purchase frequency, high value added and a large number of competitors (Woo and Cooper, 1981).

Woo and Cooper's finding thus challenge recommendations that low share businesses should locate in growth markets and provide special customer services. Furthermore, Woo and Cooper (1981) conclude that differences between effective and ineffective low share businesses was in how they compete and not in the environments in which they compete. Intense marketing, high product value and careful cost control coupled with low price represented the orientations of effective low share businesses (p.314). In contrast, it was found that ineffective low share strategies tended to reflect broad product lines, aggressive product research and development, more intensive marketing and a higher degree of vertical integration. A conclusion drawn from these results was that low share firms could not support all these activities simultaneously, their resources were spread too thin! Thus, a restricted focus on certain key competitive activities was necessary for success (p.315).

Miles and Snow:

Viewing organizational strategy as a patterned process through which the organization relates to its task environment, Miles and Snow (1978) have proposed a theory of organization strategy, structure and processes. They have taken the perspective that major decisions made by management serve to define the organization's relationship with its

broader environment (Child, 1972) and that organizations do not respond to preordained environmental conditions but instead create their own environments through a series of choices regarding markets, products, technologies and the scale of operations (Weick, 1969, 1977). Within the context of open systems (Thompson, 1967), Miles and Snow's conceptualization of strategy focuses on the means used by organizations for consistantly responding to the environments they have enacted (p.7).

In concert with Mintzberg's (1978) conceptualization, strategy is defined by Miles and Snow (1972, p.7), as a pattern or stream of major and minor decisions inferred from the behavior of the organization. Miles and Snow suggest that through observation of the pattern of decision making it is possible to classify organizations according to their strategic orientations. Types of organization strategies represent alternative ways of moving through the adaptive cycle. Three strategic types; Defender, Analyzer, and Prospector; are identified by Miles and Snow as those that represent stable forms of decision patterns. They conclude that the adoption of one of these strategic postures is likely to make the organization an effective competitor in its particular industry over a considerable period of time <u>provided the design of the organization's structure fits its strategy.</u> This "fit" or "match" of organizational structure with strategic type is necessary for organizational effectiveness to be achieved (Miles and Snow, 1978).

If, however, management does not choose to pursue one of these "pure" strategies then the organization is likely to be slow to respond to opportunities which will result in ineffective performance. Miles and Snow classify these types of organizations as "Reactors" and suggest that their decision patterns are essentially unstable. When organizations competing within a single industry are observed, patterns of behavior begin to emerge which suggest that various strategic forms can be reduced to the four archetypes; Defender, Analyzer, Prospector and Reactor (Miles and Snow, 1978, p.29).

Miles and Snow (1978) conclude that organizations can be typed according to their response patterns and that the actions of a given type of organization tend to be internally consistent and self sustaining (p.94). Furthermore, they emphasize that categorizations are relative to an industry or other appropriate grouping (p.121). That is, the nature of a particular industry determines the characteristics of the different types of strategic focus within that industry. The notion of strategic groups (Schendel and Patton, 1976; Hatten and Schendel, 1977) recognizes that within an industry firms differ along more dimensions than size and market share.

As a means of visualizing Miles and Snow's (1978) perspective consider the three consistent strategic patterns; Prospector, Analyzer, and Defender; identified by Miles and Snow as representing a broad continuum. Due to the nature of a particular industry, behavior that may be

considered a Prospector in one industry could represent Defender characteristics in another. This can be visualized graphically in the following strategy continuum:

```
Prospector-----------------Analyzer-----------------Defender
    |<-----"Industry A"------>|
    |  (i.e. Micro Computer)  |
Prospector                Defender
                |<-----"Industry B"----->|
                |       (i.e. Auto)      |
            Prospector                Defender
                            |<-----"Industry C"----->|
                            |   (i.e. Coal Mining)   |
                        Prospector                Defender
```

Miles and Snow's conceptualization of strategic types appears to provide a concise and seemingly measurable taxonomy of strategy as well as clearly specified structural dimensions, especially for Defender and Prospector types.

Porter:

Porter (1979) has taken a similar perspective of strategy. He conceptualized that strategy be viewed as the means through which business organizations compete. In this perspective he suggests that the "essence of strategy formulation is coping with competition" (Porter, 1979, p.137). According to Porter's view, competitive forces act to shape a business's competitive strategy. Furthermore, the competitive conditions within industries differ and are rooted in the underlying economic and competitive forces peculiar to particular industries. The objective of the business strategist is to find a position within its industry

where the company can best defend itself against competitive forces or can influence them in its favor.

In essence a business's competitive strategy should provide it with the best defence against competitive forces within its industry environment (Porter, 1979; p. 144). The key to an organization's growth and survival is to stake out a position that is less vulnerable to attack from competitors, buyers, suppliers and substitute goods (p.145).

Porter (1980) (in concert with the conclusions reached earlier by Miles and Snow, 1978), subsequently hypothesizes that there are a limited number of ways in which business organizations can "stake out" a defensible position within any industry. He identified these competitive alternatives as generic strategies that provide approaches through which business can outperform competitors within an industry. Furthermore, he concludes, "to effectively implement any of these generic competitive strategies requires the total committment of the organization including appropriate supporting organizational structural arrangements" (p.35).

Porter's thesis also proposes that there are three potentially successful generic strategic approaches: overall cost leadership; differentiation; and focus. Conceptually, Porter's three generic strategies can be viewed as an interaction between the firm's chosen approach to attain strategic advantage and its chosen strategic market target. The following two by two matrix graphically depicts this relationship (Porter, 1980, p.39).

STRATEGIC ADVANTAGE

STRATEGIC TARGET	UNIQUENESS PRECEIVED BY CUSTOMERS	LOW COST LEADERSHIP
INDUSTRY WIDE	DIFFERENTIATION	OVERALL COST LEADERSHIP
PARTICULAR SEGMENT	F O C U S	

Successful implementation of each generic strategy requires sustained commitment to one strategic thrust and involves differences in the nature of resources that are required; the types of skills needed; and the organization's structural arrangements and control procedures (Porter, 1980, p.39).

A firm that does not, or is not able to, develop its strategy in accordance with one of the three generic types is in a very poor strategic position. This form of strategic positioning or, more aptly, lack thereof, is identified as being "stuck in the middle." Firms in this catagory are likely to suffer from strategic inconsistancies within their organizational hierarchy and particularly within their top management team. Furthermore, firms in this catagory are likely to be plagued

by conflicting organizational arrangements and control procedures, and are likely to achieve low levels of profitability (Porter, 1980, p.41). Using the strategic characteristics or competitive means proposed by Porter as a basis for their study, Dess and Davis (1984) have found support for Porter's generic strategies as determinants of strategic group membership.

Perhaps the most interesting and provocative conclusion reached by Porter is reflected in the statement, "....profit potential of firms in different strategic groups is often quite different" (p.132). This implies that not all of the generic strategies are likely to be effective within a given industry; or if effective are likely not to generate the same level of performance. Porter suggests that this is so because the competitive forces within an industry's environment will not have equal impact on the different generic strategies or strategic groups. Therefore, the ultimate challenge for any firm is not only to adopt a consistant generic strategy, but more specifically, which generic strategy profile to adopt?!

A common thread that appears to run through much of the theoretical work that has come forth recently is that the nature of the industry or environment in which organizations compete is a prime factor in determining the content of their strategies (Buzzell et al., 1975; Miles and Snow, 1978; Proter, 1980). Recent concepts that propose to classify the content of strategy into a few generic categories or archetypes, clearly

recognize that the structure of an industry will affect the dimensions of a particular strategic type within a particular industry (Porter, 1980).

Hall:

Further evidence of the importance of an organization's industry environment in influencing the nature of strategy content is provided by Hall (1980) in his study "Survival Strategies in a Hostile Environment." In this study, eight major domestic manufacturing industries are studied and the strategies of sixty four of the largest companies are examined.

A hostile environment is defined as one in which overall market growth is slow and erratic; there is intense upward pressure on operating costs, regulatory pressure on business conduct and investment decisions are intensified; and there is intense competition from both domestic and foreign sources. Organizations operating within such hostile environments cannot only survive but in fact can achieve "great success" according to the evidence presented by Hall. However, there are only certain strategies that are likely to lead to success under these conditions. Successful strategies result from organizations that are able to make purposeful moves toward a leadership position in their industries. Performance problems result from the failure of organizations to gain and defend a leadership position.

The successful organizations studied by Hall all exhibited a single-minded determination to achieve one or both of two competitive

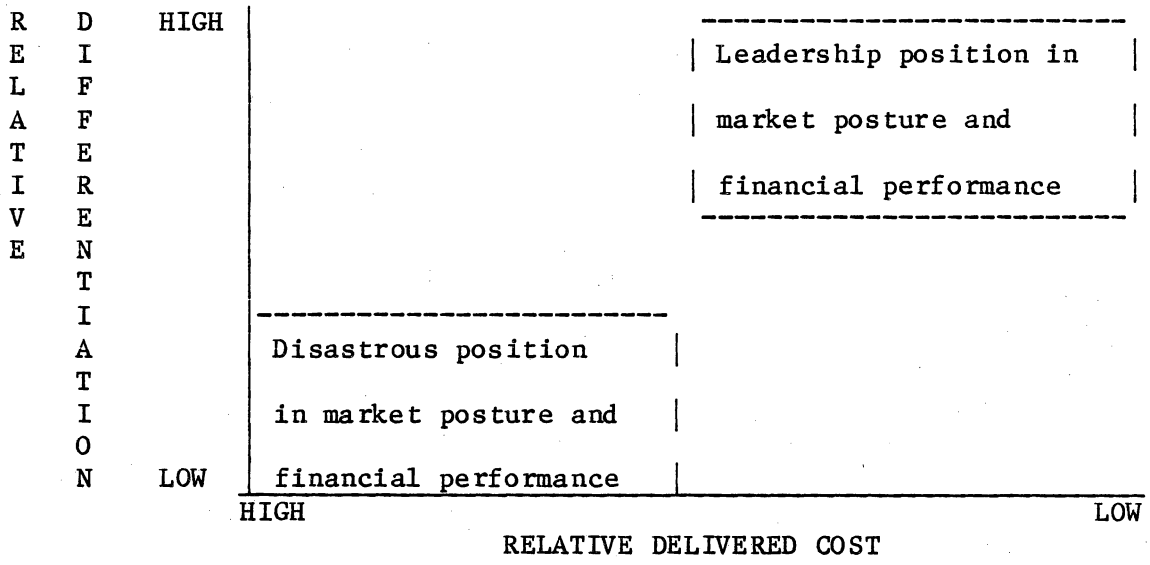
positions within their respective industries: lowest delivered cost position and/or highest product-service-quality differentiation. Hall suggests that achievement of a low delivered cost position relative to competition must be coupled with both an acceptable delivered quality and a pricing policy that permits the firm to gain profitable volume and allows for market share growth. The thrust of this strategic type is holding operating margins and price increases down. It requires reductions in fixed costs and efficient asset turnover. Essentially, higher asset intensity is necessary to gain cost reductions (p.80).

Achievement of the highest product-service-quality differentiation relative to competition must be coupled with both an acceptable delivered cost structure and a pricing policy that permits the firm to realize sufficient margins in order to fund reinvestment in product/service differentiation. Higher prices and operating margins are made possible as a result of the ability of the organization to effectively differentiate itself. High margins are in turn necessary to cover promotional research and other product service costs (p.80).

These successful strategies are the result of purposeful moves toward a leadership and defensible position within an industry. Either a lowest cost position or a superior price-justified differentiated position, or both, have been found to be the fundamental long-term objective of high performing companies. Furthermore, it has been found that consistency and clarity of purpose has contributed to mobilizing and coor-

dinating internal resources so as to gain and defend a leadership position (p. 81).

The strategic posturing suggested by Hall's findings can be visualized graphically by viewing the degree of differentiation achieved juxtaposed to the degree to which low cost has been achieved with an industry environment (p.80).



Therefore, a hostile, low growth environment does not necessarily mean that management should adopt a strategy as suggested by proponents of the growth share matrices (Schendel and Hofer, 1979), of trying to milk the business. Nor, as suggested by proponents of experience curves and the PIMS research (Buzzell et al., 1975), is vertical integration and high market share the key to success. Problems come from failure to gain or defend a leadership position within an industry, either in terms of cost position and/or differentiation (Hall, 1980).

Strategic Archetypes; A Summary:

The evidence thus far accumulated and summarized in Table 2.1, tends to support a congruence among the strategic typologies characterized by a number of researchers (Miles and Snow, 1978; Porter, 1980; Hall, 1980; Woo and Cooper, 1981; Anderson and Zeithmal, 1984; Hambrick, 1983B). Hambrick (1983A) reasoned that Porter's typology fits with that of Miles and Snow, where prospecter's focus on innovation represent a form of differentiation strategy; defenders' tenacious pursuit of stability in attempting to gain efficiency and low cost is essentially a cost leadership strategy, and efforts to analyze or focus on product service differences or unique cost advantages within narrow market segments represents one or a combination of a cost leadership or differentiation strategy. Essentially, some form of Defender (cost leadership), Analyzer (focused) or Prospector (differentiation) strategy represents the three viable alternatives described in the various research cited above (Porter, 1980; Hall, 1980; Hamermesh et al., 1978; Anderson and Zeithmal, 1984).

However, as Hambrick (1983A) aptly points out, there are many variations of each strategic archetype and the nature of the industry will affect the array of configurations each strategy can take (p.690). Furthermore, the strategic archetypes do not appear with equal frequency in all industries due to differences in product/market attributes and/or industry norms (Porter, 1980; Snow and Hambrick, 1980; Hambrick, 1983A).

Table 2.1
STRATEGIC TYPOLOGIES, STRATEGY CHARACTERISTICS[1] AND STRUCTURAL DIMENSIONS

([1]There is a great deal of similarity between the characteristics of a strategy type and the competitive means used as part of a particular strategy. Strategic characteristics provide a broader construct and include the organization's focus and perception of its environment.)

PORTER		HALL		DESS AND DAVIS		MILES AND SNOW	
Strategic Characteristics	Structural Dimensions	Strategic Characteristics	Structural Dimensions	Strategic Characteristics[2]	Structural Dimensions	Strategic Characteristics	Structural D' ensions
Cost Leadership 1. Efficient scale facilities 2. Vigorous pursuit of cost reduction 3. Avoidance of marginal account 4. Cost minimization in R&D 5. Cost minimization in service 6. Cost minimization in sales force 7. Cost minimization in advertising 8. Cost control major part of mgt. attn. 9. Primary focus low cost rel. comp. 10. Relatively high market share 11. Favorable access to raw material 12. Simple design of product/services 13. Wide market profile-volume 14. Heavy up front investment 15. Aggressive pricing 16. Start up losses to build share 18. Low cost distribution 19. Focus on efficiency	1. Intense supervision of labor 2. Highly structured organizational framework 3. Incentives based on quantitative targets	Lowest Delivered Cost 1. Low operating margins 2. Low price increase 3. Reduction in fixed cost 4. Efficient asset turnover	- None specified -	Overall Low Cost 1. Operating efficiency 2. Product quality control 3. Experienced trained personnel 4. Developing/refining existing prod. 5. Procurement of raw materials 6. Reputation within industry 7. Forecasting market growth 8. Innovation in mfg. processes 9. Competitive pricing [2]Most important characteristics as identified by experts and/or managers	- None specified -	Defenders 1. Narrow product/market domains 2. Do not search outside domain for new opportunities 3. Perceive a great deal of stability within their environments 4. Aggressive attempts to maintain prominance within target market 5. Intensive efforts to become more efficient 6. Major focus on reducing cost while improving quality 7. Focus on price/quality relationship 8. Tendency to ignore developments outside immediate domain 9. Few resources allocated to monitering others 10. Growth focus is deeper penetration into current markets 11. Strive to become totally familiar with customer needs 12. Major resources devoted to improving cost efficiency 13. Products/services are highly standardized 14. Purchasing function is extremely important 15. Tend toward vertical integration 16. Efficiency is major determinant of successful performance	1. High degree of specialization 2. Functional type of organizational form 3. Extensive division of labor 4. High degree of formalization (codification of job descriptions and operating procedures) 5. Centralized control and decision making 6. Vertical information flow 7. High degree of standardization 8. Performance based on comparison of present efficiency with previous periods

Table 2.1
STRATEGIC TYPOLOGIES, STRATEGY CHARACTERISTICS[1] AND STRUCTURAL DIMENSIONS

([1]There is a great deal of similarity between the characteristics of a strategy type and the competitive means used as part of a particular strategy. Strategic characteristics provide a broader construct and include the organization's focus and perception of its environment.)

PORTER		HALL		DESS AND DAVIS		MILES AND SNOW	
Strategic Characteristics	Structural Dimensions	Strategic Characteristics	Structural Dimensions	Strategic Characteristics[2]	Structural Dimensions	Strategic Characteristics	Structural Dimensions
Differentiation 1. Creating something that is perceived industry wide as being unique (i.e. product/service design, brand image, tech. innovation, an innovative distribution network) 2. Creating customer brand loyalty 3. Acknowledged superiority of the firm (products, services, etc.) 4. Relative high prices for products/services 5. Focus on effectiveness 6. Strong marketing 7. Strong product/service engineering 8. Creative flair 9. Strong basic research 10. Reputation for technological leadership 11. Strong distribution network	-48one specified -	Differentiation 1. Highest product, service, and/or quality differentiation relative to competition	- None specified -	Differentiation 1. Brand identification 2. Innovation in marketing techniques 3. New product development 4. Control of channels of distribution 5. Procurment of raw material 6. Advertising 7. Forecasting market growth [2]Most important characteristics as identified by experts and/or managers	- None specified -	Prospectors 1. Continually search for new market opportunities 2. Regularly experiment and attempt to respond to new market trends 3. Focus on product/market innovation 4. Have a broad product/market domain 5. A "first to market" company 6. Perceives product/market domain to be in a continuous state of development 7. Invests heavily in environmental scanning activities 8. Has decentralized scanning subunits 9. Purchases previously developed environmental expertise (consultants) 10. Are frequent creators of change within their industry 11. Change is a major tool for gaining a competitive edge 12. Perceive a high degree of change and uncertainty within their environments 13. Growth focus is through the location of new markets and/or new products/services 14. Minimize long term capital investments 15. Frequently engaged in the development of prototype products/services	1. Low degree of specialization - employ individuals who have a variety of skills (generalists) 2. Divisional type of structure (related products/services grouped into self contained org. subunits) 3. Decentralized control and decision making 4. Low degree of formalization 5. Low degree of standardization 6. Performance measured on basis of outcomes vs. input measures of efficiency

Table 2.1
STRATEGIC TYPOLOGIES, STRATEGY
CHARACTERISTICS[1] AND STRUCTURAL DIMENSIONS

([1]There is a great deal of similarity between the characteristics of a strategy type and the competitive means used as part of a particular strategy. Strategic characteristics provide a broader construct and include the organization's focus and perception of its environment.)

PORTER		HALL		DESS AND DAVIS		MILES AND SNOW	
Strategic Characteristics	Structural Dimensions	Strategic Characteristics	Structural Dimensions	Strategic Characteristics[2]	Structural Dimensions	Strategic Characteristics	Structural Dimensions
Focus 1. Firm targets on a particular buyer group, product line segment, or geographic market 2. Seeks to serve narrow target more effectively 3. Selection of target markets where firm is least vulnerable to substitutes 4. Selection of target markets wehre competitors are weakest 5. Combines the dimensions of both a cost leadership and/or a differentiation strategy towards a particular target market	- None specified -			Focus 1. New product development 2. Customer service 3. Brand identification 4. Serving special geographic markets 5. Capability to manufacture speciality products 6. Products in high price market segments		Analyzers 1. Operate in two product market domians - stable and changing 2. Watch competitors closely for new ideas 3. Rapidly adopt new ideas of competitors that appear promising (imitate successful changes) 4. Extensive use of marketing survallience mechanisms 5. Growth focus through both market penetration of existing markets and also through product/market development	1. Existance of both specialized and non-specialized units 2. Central control of specialized functional units 3. High degree of standardization specialization and formalization in functional units 4. New project/product groups have decentralized control system
Stuck in the Middle 1. Fails to develop strategy in accordance with one of three generic types 2. Does not have a large market share= 3. Does not have an adequate capital 4. Does not have a low cost posture 5. Does not have a differentiation posture 6. Has a blurred corporate culture	1. Has conflicting organizational arrangements			[2]Most important characteristics as identified by experts and/or managers		Reactors 1. Preceive a high degree of change in their operational environment (domain) 2. Management fails to articulate a viable strategy 3. Management adhers to a particular strategy even though it is no longer relevant to environemntal conditions	1. Structure not linked to strategy in an appropriate manner

In addition, the various strategies do not lead to equal success within an industry, some are more successful than others depending on the type of environment (Hambrick, 1983; Hall, 1980; Anderson and Zeithmal, 1984; Woo and Cooper, 1981).

Each type of industry also has its own variation of the "stuck in the middle" or "reactor" strategy types that result in low performance (Hambrick, 1983A). These strategic types tend to represent a fundamental mismatch between how the business attempts to compete and the demands of the environment.

This line of reasoning tends to support the merging of two important views of strategic management: (1) a limited number of strategic archetypes exist and can be found in most industries (Miles and Snow, 1978; Porter, 1980), however, (2) each industry has its own environmental requirements or key success factors (Hambrick, 1981; Lawrence and Lorsch, 1967). Furthermore, a viable strategy alone is not sufficient to achieve success; strategy must be "matched" by the appropriate internal structure (Chandler, 1962; Child, 1972; Galbraith and Nathanson, 1978; Miles and Snow, 1978; Porter, 1980; Hall, 1980).

Organization Structure and Strategy

Introduction:

Strategy researchers have argued that top management has a dual responsibility; first, to align the organization with its environment,

that is, to adopt a viable competitive strategy and then to develop the means for managing the internal interdependencies created by the strategy it has chosen to adopt (Chandler, 1962; Child, 1972; Miles and Snow, 1978; Porter, 1980). Organization survival rests on the quality of the "fit" among the requirements of an organization's product/market domain, the means it choses for exploiting that domain and the organization's structure and processes that are developed to coordinate and control the competitive means it has chosen (Galbraith and Nathanson, 1978).

Organization structure or design, a multidimensional concept, consists of the means through which the organization is administered (Child, 1972; Galbraith and Nathanson, 1978; Mintzberg, 1979). Structure represents the means by which management controls the organization by limiting the exercise of discretion (Glisson, 1978); it is the social relationships of all positions in an organization (Hage Aiken, 1969); and the authority framework of an organization (Mills and Posner, 1982).

In attempting to operationalize the concept of organizational structure researchers have identified several dimensions that reflect the means through which organizations are administered. Pugh and his colleagues (1969) suggested that there are four components of structure; structuring of activities; concentration of authority; line control of work flow; and size of support component. Child (1972) replicated three of these components and the work of other researchers has tended to sup-

port this multidimensionality of the concept of organizational structure (Blackburn, 1982).

Miles and Snow (1978) specify that the relationship between strategy and structure is not one of a simple causal link.

> "Structure and process constrain strategy. Once an organization has developed a strategy/structure arrangement, it may have difficulty pursuing activities outside its normal scope of operations.....the scope of scanning mechanisms available to top management becomes limited..... thus, organizations are seldom able to veer substantially from their current course without major structural alterations (p.8)." "It, therefore, appears possible to classify organizations according to their strategic orientation and to predict with some reliability the structural and process characteristics associated with a chosen strategy (p.9)."

Miles and Snow (1978) delineate the characteristics of their strategic archetypes and the nature of the dimensions of structure associated with each type (See Table 2.1). It is from this framework that hypotheses linking strategy types and structural dimensions have been drawn for this study. The following discussion is a review of the relationships between strategy types and organizational structure theorized by Miles and Snow (1978).

Miles and Snow's (1978) Strategy/Structure Perspectives:

According to Miles and Snow, organizations that pursue a "Defender" strategy have narrow product market domains. These organizations are highly expert in their own limited area of operation and they do not attempt to search outside of their domain for new opportunities. The majority of their attention and energies are devoted to improving the efficiency of their existing operations.

Defender's efforts center on standardization of raw material, production processes, distribution methods and, of course, the organization's product and/or service. Processes are routinized and, where possible, machines are substituted for human labor. Substantial emphasis is placed on low cost purchasing and vertical integration is sought. Efficiency is the major determinant of successful performance. As a result management attempts to centralize control of all operations.

Miles and Snow (1978) theorize that for defenders structural specialization is sought where functional grouping of specialists with similar skills occurs. Specialized subunits become extremely adept at dealing with a particular portion of the production/distribution process. Thus there is extensive division of labor coupled with a high degree of formalization in the form of codified job descriptions and operating procedures which specify appropriate behaviors. The defenders strong emphasis on stability and efficiency requires strict adherence to prescribed behaviors. Specialized, functionally grouped expertise leads

to a highly centralized control system where only top executives have the information and perspective required to control operations spanning several organizational subunits. The flow of information tends to be through vertical channels resulting in a "long looped" information system where information concerning lower level units is cycled all the way to top management.

Prospectors, according to Miles and Snow, are organizations whose strategy consists of a continually search for market opportunities. They regularly experiment and attempt to respond to emerging environmental trends. They are creators of change and thrive on uncertainty. These organizations focus on product/market innovation, efficiency is not a primary concern. The primary capability of Prospector type organizations is finding and exploiting new product market opportunities. They engage in a systematic addition of new products and/or markets and must, therefore, develop and maintain the capacity to monitor a wide range of environmental conditions.

The growth vector (Hofer and Schendel, 1979; Ansoff, 1965) for Prospectors results primarily from the location of new markets and/or the development of new products. Thus, growth tends to occur in spurts. Seldom is a Prospector able to or even willing to attain maximum efficiency. Their focus is on maintaining flexibility and the ability to shift into new products and markets rapidly. Therefore, the focus of the organization is on how to facilitate rather than how to control

operations. Management energies are devoted toward the deployment and coordination of resources among many decentralized units.

Prospectors constantly strive for flexibility in order to move in new directions quickly. As a result individuals tend to be generalists and are given broad authority to exercise judgement in selecting how to deal with a given situation. Operations are seldom routine and mechanical and thus are not constrained by organizational formality in the form of written job descriptions and procedures. The prospector's focus on maximizing flexibility results in a more people intensive focus and low degree of standardization. In order to facilitate rapid responses to environmental change this type of strategy requires decentralization of authority, control and decision making, and a low degree of formality in order to encourage innovative behavior. The resulting hierarchy of the prospector tends to be short and information is concentrated at the individual and unit level rather than at the apex of the hierarchy.

Miles and Snow specify that Analyzers are organizations whose strategy involves operating simultaneously in two types of product/market domains; one relatively stable, the other changing. In their stable domains Analyzers act much the same as Defenders. They attempt to routinize and standardize the operations and focus on efficiency. In their more turbulent areas the Analyzer's top managers attempt to watch competitors closely for new ideas. When new ideas are observed which appear to be most promising, Analyzers will attempt to adopt them into

their operations. Therefore, Analyzers represent a unique combination of Prospector and Defender types.

Control of the Analyzer's organization is likely to be accomplished through a dual system. Stable, functional units are controlled via a centralized orientation and encourage standardization and efficiency. On the other hand, the segments of the organization dealing with the adoption of new products/markets would tend to be more decentralized and results oriented.

Miles and Snow's Reactors represent a group of organizations whose strategic focus is dominated by the perception of a high degree of environmental change and uncertainty, but who are unable to respond effectively. These organizations tend to lack a consistent strategic pattern through which they can adjust or adapt to their task environment. As a result they often do not adapt to environmental conditions or tend to do so only when forced to.

This lack of a set of consistent response mechanisms exhibited by reactors results in an unstable type of organization. It generally is a manifestation of one or more of the following factors: management fails to articulate a viable organizational strategy; the strategy that is articulated is inconsistent with the design of the organization or the organization's strategy is not longer relevant to environmental conditions.

Dimensions of Structure:

The structural dimensions directly specified by Miles and Snow (1978) include Formalization, Specialization, and Centralization. These dimensions of organizational structure have emerged as the most consistantly used measures of organizational structure (Pugh et al., 1968; Child, 1972; Pennings, 1973; Hinings and Lee, 1971; Glisson, 1978; Hage and Aiken, 1969; Schoonhover, 1981; Blackburn, 1982). Furthermore, several researchers have suggested that Formalization and Centralization are two of the major dimensions of organizational structure (Child, 1974; Van de Ven, 1976; Conner, 1980).

Formalization is defined as the degree to which rules, policies, standards and work procedures are written and dissiminated to members of the organization (Glisson, 1978; Hage and Aiken, 1969; Schoonhover, 1981). Formalization also serves as a surrogate measure for standardization (Mintzberg, 1979), and has been used in at least 15 studies as an organizational level measure (Fry, 1982).

Centralization of authority is defined as the degree to which decision making is delegated within the hierarchy. Essentially, it is the extent of participation in decision making by organizational members (Glisson, 1978; Hage and Aiken, 1969; Schoonhoven, 1981).

Specialization is not as clear cut a concept as are formalization and centralization. In this instance specialization is taken to mean rationalization, where tasks are broken down into components or sub-

tasks. Each subtask is then performed by a separate person rather than having one person do several. Thus task specialization may be referred to as microdivision of labor (Thompson, 1961). Management job titles are assumed to define specialization in the same way as labor or clerical titles.

These three dimensions of organizational structure (Formalization, Specialization, and Centralization) have been clearly identified by Miles and Snow, they represent what is thought to be three of the basic dimensions of organizational structure, they have been used numerous times in prior research at the organizational level thus permitting comparability, and they will permit appropriate statistical testing (Miles and Snow, 1978; Blackburn, 1982; Pugh et al., 1968).

According to Miles and Snow's (1978) perspectives of organizations there should be significant differences in the degree of Formalization, Specialization, and Centralization among all four strategic archetypes. Furthermore, organizations classified as Defenders should reflect a significantly higher degree of these structural dimensions, whereas Prospector type organizations should exhibit significantly lower degrees of these dimensions.

Strategy, Structure and Performance

Organizational researchers tend to agree that structural form makes a difference; not all forms are equally effective (Woodward, 1965; Burns

and Stalker, 1961; Lawrence and Lorsch, 1967; Chandler, 1967; Rumelt, 1974; Galbraith and Nathanson, 1978). However, proponents of the strategic choice perspective suggest that major decisions made by management serve to define the organization's relationship with its broader environment (Weick, 1969, 1977). Organizations do not respond to preordained environmental conditions but instead create their own environments through a series of strategic choices (Child, 1972; Bourgeois, 1984).

Furthermore, the choice of a viable competitive strategy alone is insufficient to assure the likelihood of high levels of performance. In order to achieve high performance levels organizational structure must "fit" strategy; the appropriate strategy must be "matched" by an appropriate organizational structure (Chandler, 1962; Child, 1972; Miles and Snow, 1978; Porter, 1980; Randolph and Dess, 1984). Thus, performance of organizations where a strategy/structure "fit" has been achieved should be significantly better than for those organizations that have not matched their choice of strategy with an appropriate choise of structure.

Most of the limited empirical strategy research that has been done to date has focused only on the strategy-performance relationship ignoring the issue of structural fit. Furthermore, prior research has involved only manufacturing organizations to the exclusion of organizations competing in service industries. (Hambrick, 1983A, 1983B; Woo and

Willard, 1983; Woo and Cooper, 1981; Buzzell, et al., 1975; Anderson and Zeithaml, 1984).

Strategy and Service Organizations

Some researchers have suggested that service organizations have unique dimensions not found in most manufacturing organizations (Mills and Moberg, 1982; Sasser, 1976; Sasser et al., 1978; Collier, 1983-84). They point out that critical differences lie in the nature of outputs and in the underlying production process.

The output for most service organizations is generally intangible, inseparable into units, cannot be inventoried, and is generally consumed simultaneous with production. This leads to three important characteristics of services operations not likely to be found in manufacturing operations (Mills and Moberg, 1982). First, customers have few objective reference points relative to the value of services. The quality of a tangible product can be technologically and statistically specified, but the quality of a service usually includes intangible attributes such as convenience, privacy, speed, friendliness, security, cleanliness, atmosphere and attractiveness, whose value may be highly subjective. Therefore, the perceptions of individual customers regarding a service package may not be the same. It would follow that in order to gain critical customer acceptance and to be competitive in the marketplace, a service organization's "package" must be close to the expected value of

the service anticipated by the customer. Therefore, the competitive strategy of service operations must include the means to control and maintain the management-specified level of service.

This leads to a second unique characteristic of service organizations, because of their intangibility, services are difficult to control and must rely on process control techniques as opposed to output controls. Process control mechanisms such as standard service packages, standard facility and job design, audit teams, employee and manager incentive systems, extensive training of the service worker, customer surveys, and work measurement techniques are examples of some means that may be integrated into a service organization's competitive strategy. Furthermore, as the degree of direct human contact between the service worker and the customer increases, as in the case of hotel and motel employees, employee relations become critical in providing quality service. J. Willard Marriott of the Marriott Hotel chain was quoted as saying, "In the service business you can't make happy guests with unhappy employees" (Collier, 1983-84).

This leads to the third important characteristic of service organizations, the intangibility of service provides an incentive for relationships between service workers and customers to be satisfying to customers. In most service organizations the customer is "in your factory" and is usually actively engaged in the service delivery process. This active participation of the customer in the service delivery process is

order

likely to introduce a substantial amount of uncertainty relative to the service time, manpower needs, service quality levels and operating costs.

In essence, the competitive strategy of most service organizations will tend to consist of ideas, goals and rationale for the methods employed. This implies that service organizations must be particularly sensitive to the nature of their competitive strategies and the means through which their strategies are implemented and controlled (i.e., how product/market tasks are accomplished).

THE LODGING INDUSTRY

The Nature of the Industry

According to Pearce and Robinson (1982), as of 1981 the lodging industry, one of the nation's largest consumer service industry, included approximately 40,000 establishments in the USA. It provided over 2.5 million rooms per day and generating revenues in excess of twenty two billion dollars annually. Lodging chain operations have been in existance in the industry for more than fifty years. The top twenty five chains in the United States account for approximately 9500 properties or about 23% of the total number of lodging establishments (see Exhibit I), averaging less than one percent of the total supply of lodging facilities.

The largest chain, both domestically and world wide, Holiday Inn, Inc., accounted for less than four percent of the total number of lodging establishments in the USA (Pearce and Robinson, 1982). Of this total, slightly more than one half of one percent of the establishments under the Holiday Inn banner were owned and/or operated directly by the parent company. All of the remaining Holiday Inn properties in the chain are owned and operated by others under franchise agreements. Excluding franchised properties, with one half of one percent of the total number of lodging establishments in the industry, Holiday Inns, Inc. remains the largest single competitor.

EXHIBIT I

Top 25 U.S. lodging chains

Name of chain	U.S. properties		Status of properties				Average single rate	Average occupancy	Total properties U.S. and foreign	
	Number	Rooms	Company owned	Franchise or members	Management contract	Other			Number	Rooms
Holiday Inns, Inc.	1,527	244,316	233	1,273	13	—	$24.56	71.2%	1,724	284,306
Best Western, Inc.	1,600	127,733	—	1,600	—	—	24.71	71.0	2,155	148,823
Ramada Inns, Inc.	633	88,388	109	506	10	—	24.00	68.0	667	95,141
Friendship Inns	1,058	82,000	—	1,058	—	—	n.a.	n.a.	1,488	104,000
Budget Motels & Hotels	1,310	80,100	—	1,310	—	—	n.a.	n.a.	1,310	80,100
Sheraton Corp.	334	72,530	21	289	26	—	28.19	68.7	402	98,705
Hilton Hotels Corp.	177	64,113	18	129	30	—	37.90	70.0	177	64,113
Howard Johnson Co.	525	58,246	134	391	—	—	n.a.	80	532	59,160
TIMOA, Inc.	315	46,475	—	315	—	—	n.a.	n.a.	315	46,475
Days Inns of America	296	42,370	131	165	—	—	13.88	70.7	297	42,492
TraveLodge Int'l Trusthouse Forte, Inc.	482	34,760	35	204	—	277*	n.a.	n.a.	516	37,240
Quality Inns	277	30,000	31	246	—	—	21.50	66.5	285	31,000
Hyatt Hotels Corp.	53	27,000	—	—	53	—	n.a.	n.a.	53	27,000
Motel 6, Inc.	242	24,090	242	—	—	—	9.45	n.a.	242	24,090
Marriott Hotels	51	20,925	35†	16	—	—	n.a.	n.a.	56	23,000
Red Carpet/Master Hosts	138	17,588	3	134	8	—	21.00	73.1	145	18,850
Rodeway Inns of America	141	17,450	—	141	—	—	20.00	70.0	145	18,000
Western Int'l Hotels	23	15,000	23†	—	—	—	n.a.	70.0	50	26,000
Hotel Systems of America	70	9,000	—	60	10	—	18.75	70.0	70	9,000
La Quinta Motor Inns, Inc.	71	8,195	56	15	—	—	17.50	90.0	71	8,195
American Travel Inns	125	7,500	—	125	—	—	n.a.	n.a.	125	7,500
Americana Hotels	12	7,270	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	12	7,270
Dunfey Family Hotels & Motor Inns	24	7,175	16†	—	—	—	n.a.	n.a.	25	8,025
Radisson Hotel Corp.	19	6,990	7	—	12	—	28.42	60.0	20	7,105
Stouffer Hotels	20	6,954	9	7	4	—	35.00	72.0	20	6,954

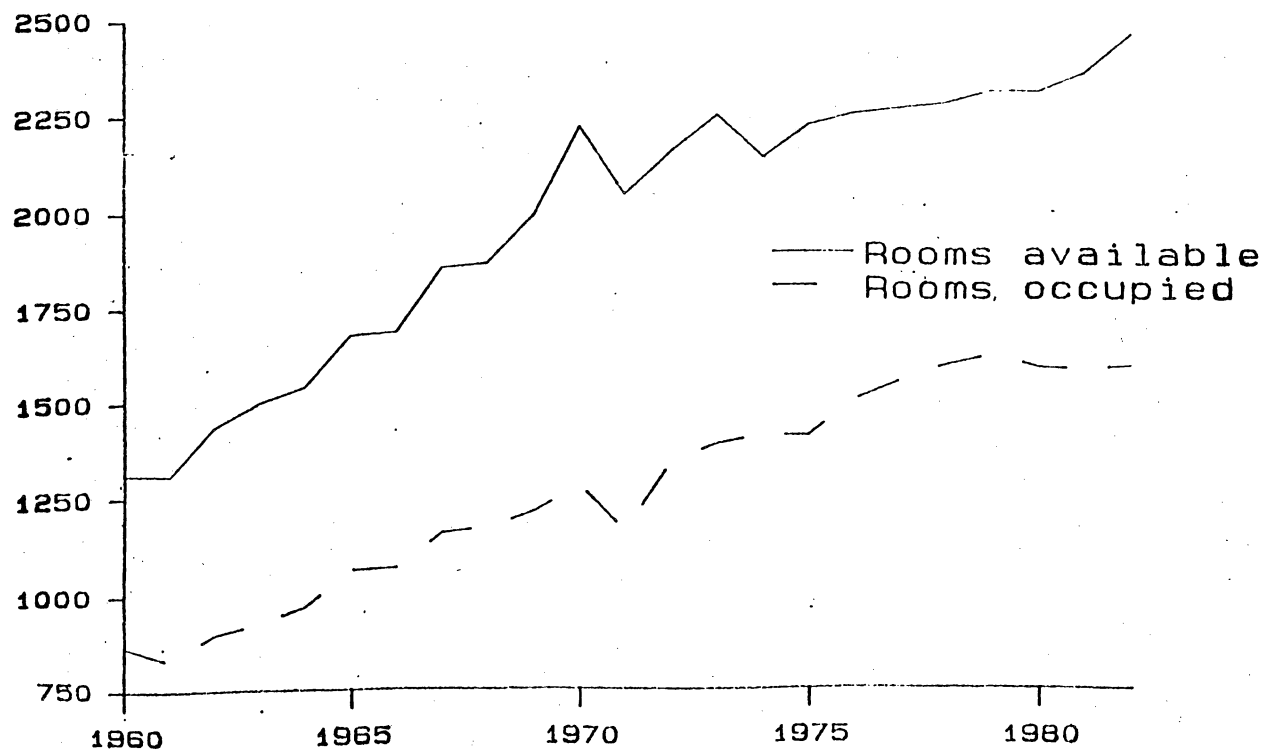
n.a. = not available.
* Includes joint-venture properties.
† Includes all corporate-managed properties, not necessarily owned by the chain.

SOURCE: PEARCE AND ROBINSON, 1982.

Lodging organizations have continued to rapidly expand the supply of lodging facilities. During a recent one year period Holiday Inns, Inc., Days Inns of America, and Marriott Hotels each added more than three thousand rooms; La Quinta added 1800 rooms to its chain and Quality Inns, Roadway, Ramada, Hilton and Hyatt each grew by one thousand rooms or more (Pearce and Robinson, 1982). These additions to the industry's overall capacity are being undertaken in the face of what appears to be a decreasing trend in the demand for lodging accomodations. Exhibit II developed by Laventhol and Horwath (1980), an international accounting and consulting firm that specializes in the lodging industry, shows an ever widening gap between the average number of rooms available and the average number of rooms occupied over the twenty year period of 1960 through 1980. In addition, more recent confirmation of continued increase in the supply of lodging accomodations in the face of decreasing world wide demand is evidenced by an overall 8% increase in industry capacity between 1960 and 1982, contrasted to an increase in demand of only 5.9% during that same period; these statistics become even more revealing when it is noted that between 1980 and 1982 industry capacity grew by 3.3%, but demand for lodging accomodations during that same period increased only 0.1% (see Exhibit III). Further evidence of slackening overall demand in the lodging industry is revealed by a consistent decline in occupancy rates in the face of continual growth in disposable income. Exhibit IV, adopted from World Wide Trends in Lodging (Lodging,

EXHIBIT II

Average number of rooms available
and average number of rooms occupied daily
1960 - 1982, including seasonal rooms



SOURCE: UNITED STATES LODGING INDUSTRY, 1980, LAVENTHOL AND HORWATH, PHILADELPHIA, PA.

EXHIBIT III

GROWTH IN CAPACITY VS DEMAND

	AVERAGE ANNUAL INCREASE	
	CAPACITY 1/	DEMAND 2/
1960 - 1969	4.3%	3.4
1970 - 1979	.4	2.4
1980 - 1982	3.3	.1

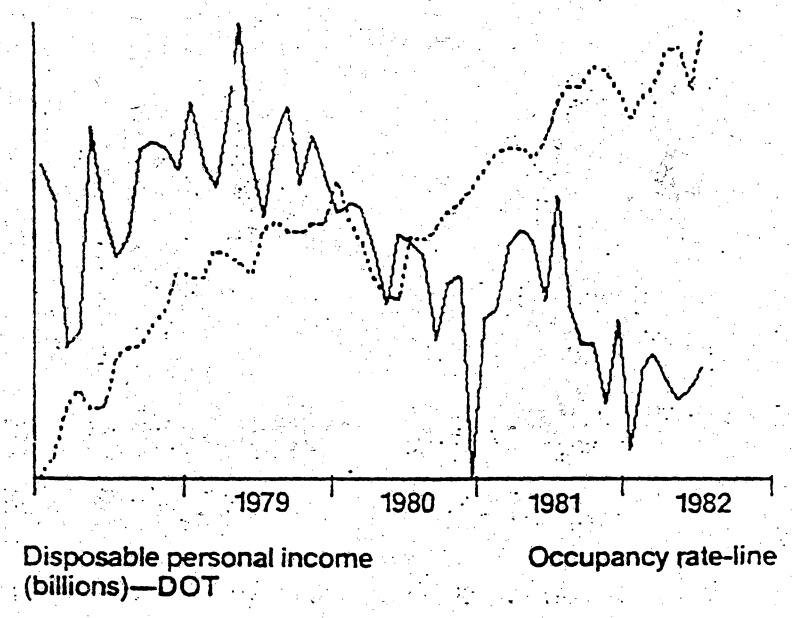
NOTE:

1. NUMBER OF ROOMS AVAILABLE DAILY.
2. NUMBER OF ROOMS OCCUPIED DAILY.

SOURCE: WORLD WIDE LODGING INDUSTRY, 1982. HORWATH AND HORWATH INTERNATIONAL, PHILADELPHIA, PA.

EXHIBIT IV

Saddest truth of the times for our industry is the decline of occupancy while disposable income grows.



SOURCE: "WORLD TRENDS IN LODGING," LODGING, MAY 1982, VOL. 7, NO. 7.

1982), vividly portrays this phenomenon. In addition, Pannel, Kerr and Forster, another lodging industry public accounting and consulting firm, reports a decline in average occupancy rates to 64% in 1982 from 72.7% in 1978 (Trends in the Hotel Industry, 1982).

The lodging industry in recent years seems to have faced difficult sledding. Recession has kept vacationers home and discouraged business travel while at the same time inflation has driven room rates to levels never before imagined. With few exceptions, occupancy rates for most major competitors have fallen. Yet, a huge stream of new rooms continues to come onto the market. A quote from the general manager of the New York Hilton aptly sums up the state of the lodging industry..."There is a limit to raising rates to offset the drop in occupancy, profit margins are going to be squeezed, unquestionably" (Business Week, 1981).

The nature of the lodging industry seems to possess characteristics that fit well into what Porter (1980) has defined as a fragmented industry. That is an industry in which no firm has a significant market share, can strongly influence the industry's outcome, and essentially involves undifferentiated products (Porter, 1980). Furthermore, the lodging industry appears to represent what Hall (1980) would classify as a "hostile" environment. That is, an environment where overall growth is slow and erratic, there is intense upward pressure on operating costs and there is intense competition.

Clearly, lodging industry possesses many of the characteristics that would classify it as a fragmented, low market share, hostile environment. In the face of such conditions strategic positioning is likely to be of particularly crucial significance (Porter, 1980; Hall, 1980; Woo and Cooper, 1981; Hamermesh et al., 1978).

Competitive Strategy and the Lodging Industry: Some Examples

How do organizations in the lodging industry compete? Can strategic archetypes that have been hypothesized (Miles and Snow, 1978; Porter, 1980; Hall, 1980) and, to some degree, empirically supported (Hall, 1980; Woo and Cooper, 1981; Dess and Davis, 1984; Hambrick, 1983A) be identified in the lodging industry? If so, what is the relationship between strategy type, dimensions of structure, and performance? These questions remain unanswered. However, an examination through anecdotal inference of the means through which firms in the lodging industry compete provides interesting and revealing insights relative to these questions. The following is a summary of how several lodging organizations are attempting to exploit their industry's environment.

Hyatt:

The Hyatt organization has enacted a strategy where it seeks to exploit market opportunities by providing unique physical facilities, unusual food and beverage themes and special service styles to affluent, sophisticated customers in prime and major secondary markets throughout

the United States (Garbedian, 1980). Several comments from one of Hyatt's top managers illustrates this point...."Each (Hyatt) hotel manager has percentage goals (that) we expect them to reach....to meet (these) goals we expect the property's management to be aggressive and implement different policies." "Hyatt has an investment in each community where one of its hotels is located and management is expected to identify and meet an area's (particular) needs" (Garbedian, 1980).

In a recent seminar (February 20, 1984) before the lodging management class at Virginia Polytechnic Institute and State University, Douglas Forseth, General Manager of the Hyatt Regency Crystal City, Virginia, made the following comments when asked about Hyatt's competitive strategy:

> "Hyatt hotels are different, we're unique. Each (Hyatt) general manager is totally responsible for his hotel, there are not a lot of standard operating procedures. We are expected to succeed through ingenuity and creativity. Our marketing plan involves positioning our product as unique in the marketplace. We attempt to become closely aligned with the local community and try to get to know influential people. In addition, we are always trying to do something to reinforce our uniqueness. An example is our chef's table, where community leaders are invited to have lunch with our chef right in the middle of our kitchen. A special table is set in the midst of

the hustle and bustle and the chef prepared a special menu for our guests. Many of our guests have never seen a large kitchen in operation and are impressed by what they see and the special treatment they get. We make lots of good friends this way."

Marriott:

The Marriott Corporation is a diversified firm operating in several "hospitality industries" (Marriott Corp. Annual Report, 1982). In 1982, the lodging segment of Marriott's overall business activities represented more than 50% of Marriott's overall operating profits. This group accounted for 53.6% of operating profits and 43.0% of sales during 1982 (Standard and Poors, 1982, p.3156, 3157).

Considerable insight into Marriott's competitive philosophy can be seen in its mission statement: "The primary mission of this corporation is one of providing an efficient, productive, profitable, friendly and controlled service within the various product lines" (Annual Report, 1982). The use of the terms efficient, productive, profitable and controlled in this statement reflects Marriott's basic business objective: to provide high-quality food and service to the customer at the lowest possible price.

Statements such as "We do it right!" and "We'd rather be perfect than pioneer" reflect a competitive strategy that focuses on three stra-

tegic principles: (1) controlled expansion within existing lines of business, (2) the application of operating expertise to deliver superior products and services efficiently, and (3) a commitment to opportunities that offer attractive returns (Annual Report, 1982).

According to Marriott's 1982 Annual Report a significant competitive advantage of its hotel group is its fully integrated capability; every aspect of hotel development ranging from feasibility and design to construction and operations can be handled internally. Furthermore, Marriott continually attempts to gain additional operating efficiencies. Recently an updated and improved computer based front office system was installed in thirty properties that provides fully automated systems in reservations, registration, guest accounting, housekeeping and rooms control (Carmichael, 1982).

Clearly the efficiency, control focus of Marriott's competitive strategy can be seen from a statement recently made by Mr. Gerald Carter, Vice President of Carter Associates, a Marriott franchise...."The reason that Marriott has only a few franchises is due to the company's control focus...franchises must meet Marriott's high standards relative to quality and cost control." "Marriott's approach is highly systematized and standardized, the objective is to get the system in place and then monitor it closely (Carter, 1984).

Further evidence of this competitive philosophy is visable in statements recently made by George Washko (1984), one of Marriott's regional Vice Presidents of Hotel Operations. He pointed out that:

> "The overall image of Marriott Hotels is one of status and prestige...the (Marriott) name has come to represent quality. Our primary purpose is to offer deluxe accomodations at a reasonable price,...although we may not be quite as willing to offer new innovations as is our prime competitor Hyatt, we can provide customers with a comparable and consistant product, generally at an advantageous price. We accomplish this by utilizing a highly systematic approach to our business both in terms of quality and cost control,...we focus on productivity and profitability."

American Motor Inns:

American Motor Inns (AMI) is one of the largest independent franchises of Holiday Inns. As of 1983 they operated more than forty six hotels that accounted for over 6800 rooms (Annual Report, 1983). Senior Vice President, John Poff (1984) explicitly pointed to a very high level of "expense consciousness" as a prime factor in achieving desired operating results. This cost control focus is echoed by Sam Krish (1984), Senior Corporate Vice President for Development. He stated that the primary underlying reasons for AMI's success depended on three factors:

A focus on secondary markets where larger, more powerful competitors would be unlikely opponents; aggressive cost control, where unit managers are inducted into the highly regarded 10/40 Club and compensated based on their ability to consistantly achieve operating profits above 10% in food and beverage and above 40% in rooms through cost control; and centralized corporate control of all aspects of unit operations.

Radisson:

By 1988, Radisson expects to be operating 109 hotels containing approximately 27,000 rooms (Radisson News, 1983). Their stated competitive approach is to provide unique properties, each having its own unique personality, architectual design and upscale services. "Radisson hotels are built to fit the personality of the area in which they are located."

Imperial 400:

The stated strategy of this company visualized locating motels in downtown areas (Annual Report, 1982). It was believed that this approach would provide the best opportunity for maximizing year round occupancy and would provide customers with adequate external eating facilities thus negating the need for in-house food and beverage facilities. A format of co-owner management, it was hoped, would permit the company to maintain uniform standards while simultaneously developing a nationwide advertising and referral system.

A typical property has between forty to fifty rooms. In attempting to implement its strategy, the company has encountered several problems (Ishmael, 1982). First, because of the absence of apparent career opportunities, the company has had difficulty in attracting top quality personnel. Secondly, effective maintenance of corporate standards through its co-ownership arrangements has been less than satisfactory. Co-ownership required closer corporate supervision than originally anticipated and this became costly and difficult in light of the number of small facilities dispersed through thirty states. The lack of cost standards and the absence of any formal type of training programs seems to have contributed to this firm's performance difficulties.

Econo Lodges:

The slogan of Econo Lodges, "Spend a night, not a fortune" epitomizes its strategic focus. The firm sees itself as a budget lodging company whose objective is to provide clean, comfortable accomodations at a reasonable price for people traveling on a budget (Eggert, 1984). In order to accomplish this, the primary focus of top management is on controlling cost of operations. Labor and energy costs have been identified as the two main areas of concern.

The design of Econo Lodge properties coupled with cost reduction policies provide the underpinning of this firm's competitive strategy. John Eggert (1984), Vice President of Operations, recently stated

that...."Top management spends a great deal of time studying and trying to come up with more efficient methods of control." He pointed out that very few Econo Lodge employees are full-time and this reduces the amount of payroll burden expense. Furthermore, part-time hourly personnel are scheduled based on each individual unit's occupancy levels according to predetermined standards. Econo Lodges are now being equipped with solar panels in place of traditional hot water systems. In addition, exhaust systems on laundry dryers have been redesigned to transfer heat to the hot water system. Studies have also been conducted to determine the best type of insulation, roofing style, paint, asphalt paving method, plumbing system and bedroom design.

La Quinta Motor Inns:

The pleasure traveler is of little concern to La Quinta. The company's focus is on the "sales and business" traveler. The chain, numbering about 85 properties, is primarily located in the sunbelt. According to La Quinta's management (Dun's Review, 1980) its secret is to build no lobbies, run no restaurants, cater no banquets, but instead court the businessman. La Quinta Motels provide business people with comfortable, inexpensive lodging and quick access to their business destination.

A typical La Quinta has between 100 to 120 rooms. Simplicity is the key to management operating strategy. The basic idea is to avoid

all the complexities other motel companies have gotten into by trying to serve all segments of the public (Gordon, 1976). In order to attract and accomodate a broad market most hotel and motel chains erect large buildings and include a variety of amenities such as restaurants, conference halls and banquet rooms. These extra featues, La Quinta's management points out, complicate the management of motel operations.

Almost all La Quinta Motels are situated on major highways, close to airports and within three miles of commercial centers. The inns are relatively small and feature clean, comfortable rooms, a swimming pool, 24 hour telephone service, and same day laundry service. The only other amenity has been a free standing, 24 hour restaurant that La Quinta builds on its property and leases to a quality independent operator, such as Denny's. Day to day management of each inn is usually placed in the hands of a retired couple who live on the premises. They are trained in how to run a rooms operation with a low cost, no frills approach (Pickering, 1984).

Day's Inns:

In 1969 Cecil B. Day sensed a void in the lodging industry; full service lodging facilities for the family with a limited travel budget did not exist (Pearce and Robinson, 1982). By 1970, the full service, economy concept of Day's Inn began. The concept included a four-in-one economy facility providing lodging, self-service gasoline, a restaurant

and a gift shop. This "budget luxury" concept offered streamlined, no frills services at reasonable prices.

In order to accomplish these service objectives, Day's Inns' strategy included careful emphasis on the construction and operating costs of each facility. Buildings were designed to minimize maintenance and provide adequate space. All rooms are exactly alike. Considerable cost efficiencies are also realized in the design of the restaurant/registration building. The registration desk, restaurant cashier's area and gift shop all share the same office, reducing the number of employees required. There are no lobbies, no meeting or convention rooms, no bellhops and no roomservice.

Unit management receives intensive training at Day's Inns' management training center. Candidates are instructed in the operation and application of control procedures in all aspects of unit operations. Richard Kessler, Day's Inns' CEO, pointed to the fact that the success of the firm depended on being detail oriented (Pearce and Robinson, 1982, p.928). "Major emphasis will be placed on energy conservation and labor efficiency programs designed to reduce costs and to provide better service to our guests." Roy Burnet, Senior Vice President, summarized the future of Day's Inns as follows (Pearce and Robinson, 1982):

> "Day's Inns' management intends to continue its carefully defined and well-planned strategy of offering value, conveni-

ence, and comfort to the middle American as he travels. It will continue to key its services to the automobile traveler....Day's Inns feels strongly about maintaining the market niche that has given the company its success."

Summary

Clearly, from a few examples, it can be seen that there appear to be different competitive strategies being pursued in the lodging industry. It would appear that some of the generic strategies that have been identified in the literature may be applicable to the lodging industry. For example, successful organizations such as Hyatt, Marriott, AMI and La Quinta seem to be pursuing one or both of either a Defender or Prospector strategy; on the other hand, lodging organizations such as Imperial 400 and perhaps Radisson may not have articulated and/or achieved a strategically defensible position. According to theorized strategy perspectives (Miles and Snow, 1978; Porter, 1980), these firms would not be expected to perform as well as those organizations that had "single mindedly" pursued one of the generic strategic positions.

The views of organizations set out in this literature review tend to cast doubt on the theorized position that there is a direct relationship between contextual factors, internal organizational structure and subsequent organizational performance. The results of more recent investigations suggests that within a particular industrial environment

there are a limited number of strategic archetypes or competitive strategies that are likely to lead an organization to success. Furthermore, the choice of a viable competitive strategy is insufficient; strategy intervenes between an organization's choice of domain and its choice of structure; and organizational performance is dependent on the achievement of a "match" between choice of strategy and choice of structure (Chandler, 1962; Child, 1972; Miles and Snow, 1978; Galbraith and Nathanson, 1978; Porter, 1980).

CHAPTER III

RESEARCH METHODOLOGY

Strategy Research Methods - An Overview

Harrigan (1983), in her article "Research Methodologies for Contingency Approaches to Business Strategy," points out several factors worthy of consideration regarding a methodological approach to strategy research. Primarily it is suggested that an approach to understanding business strategy is to investigate, within an industry, the effects of different strategic groups (Newman, 1978; Porter, 1980).

Harrigan proposes that hybrid methodologies are required to straddle the gulf between coarse-grained approaches using large sample sizes with potentially large error terms and fine grained case study approaches which lack generalizability and statistical rigor but capture nuances and insights that are important to contingency research (p.398). In this regard patterns of strategic behavior grouped into archetypes used to catagorize firms can provide greater control in isolating the effects of these key strategic variables. Furthermore, merging coarse and fine grained methodologies in this manner can isolate forces salient to an industry that might permit its competitors to attain different performance levels. "Among the frontiers of strategy research are studies that would investigate the variances in firm's strategies and performances as each competitor takes the actions that it believes best for coping with industry or internal change" (Harrigan, 1983, p.400).

Hambrick (1980), focusing on operationalizing the concept of business level strategy (i.e. "How do we compete in this business"), points

out that research questions inquiring into the strategy-structure-performance linkages are important and useful research directions. Furthermore, he suggests that, "...although typological operationalizations of strategy will generally be subject to statistical limitations placed on nominal variables, it appears feasible to apply such an approach when strategy is viewed as either a predictor, mediator, or criterion construct. The primary strength of typologies is that they endeavor to capture both the comprehensiveness and integrative nature of strategy."

Snow and Hambrick (1980) suggest that there are a number of options available for identifying and measuring strategy. In studies involving business level strategy they provide an analysis of the advantages and disadvantages of four measurement approaches: 1) investigator inference, 2) self typing, 3) external assessment, and 4) objective indicators.

In the investigator inference approach the research uses all available information in assessing the organization's strategy. An alternative method, self typing, uses the organization's top managers to characterize the organization's strategy. Using this method Miles and Snow (1978) and Snow and Hrebiniak (1980) had top managers classify the strategies of their firms based on written descriptions of four strategic types. Dess and Davis (1984) also employed this self typing approach. They had top managers indicate the relative importance of 21 competitive methods and used the results of this ranking to derive strategy types.

The third method, external assessment, employs the use of individuals external to the organization to classify its strategy and the fourth method involves the use of published product/market data to measure strategy.

Data Collection Methods

In this study it is proposed that strategy will be measured through the self-typing method. Specifically, a member of each sample organization's top management team, either the Chief Executive Officer, Chief Operating Officer or a designated executive will, through the use of a structured questionnaire, be asked to indicate the importance of approximately 26 strategic characteristics to their firm's overall strategy.

Strategic orientations within an industry are seen by researchers as represented by the views of top management teams about their industry, and the competitive and operational methods used in their industry (Miles and Snow, 1978; Porter, 1980; Hambrick, 1983A). In this study, it is assumed that each member of the top management team has knowledge of the strategy of their firm, and that the strategy can be inferred on the basis of the emphasis or importance given various strategic characteristics and methods available to the firm (Dess and Davis, 1984). That is, the degree of importance of specific strategic characteristics are indicative of the "pattern" of decisions made by the organizations management in the operation of the enterprise (Miles and Snow, 1978).

The self typing method of identifying and measuring strategy has certain advantages and disadvantages. However, in spite of some of these disadvantages, the self-typing method has been successfully employed in several recent research studies (Miles and Snow, 1978; Snow and Hrebiniak, 1980; Dess and Davis, 1984). In view of this and the distinct statistical advantages of using this method it is believed that any disadvantages are likely to be out weighed.

In addition to collecting data relative to an organization's strategic characteristics and/or competitive methods, data will also be collected pertaining to three dimensions of structure, two measures of performance, and the size (number of employees) and age of the respondent organizations. The source of all data will be an individual within each respondent organization who is likely to be one of the organization's predominant strategic executives. The organization's chief executive officer is viewed as the key member of the top management team (Hodgets and Wortman, 1980) and he or a designated member of the top management team will be asked to provide the data for this study.

A structured questionnaire (see Appendix A) will be used to collect the data. This questionnaire will be mailed to approximately 350 CEO's of organizations in the lodging industry (see industry selection) subsequent to its refinement based on a pre-test including approximately 10 lodging organizations (see Pre-Test). In addition, responses regarding

each firms strategy will be solicited from two other members of each firm's top management team (e.g., other than the firm's CEO). This data will be used to assess the reliability of the instrument as well as the consistancy of the CEO's perception of his firm's competitive strategy with the perceptions of other top executives. The methodology to be used for this assessment is discussed in detail in a subsequent section of this chapter entitled "Statistical Analysis."

Level of Analysis and Sample Size

The data to be used as the basis for the statistical testing that will be carried out in this research will be drawn from the organizational level and will be provided by a key member of the top management team of each of the firms included in the sample.

The sample of lodging organizations that will be used will be drawn from the population of all lodging organizations listed in the 1984 Directory of Hotel and Motel Systems, excluding all organizations that are headquartered outside the U.S.A. and/or whose lodging facilities are operated primarily outside the U.S.A. This population essentially includes all domestic lodging organizations whose controlling interest operate a minimum of three lodging units and are members of The American Hotel and Motel Association. It does not include members who operate less than three units, individually operated member units and non-members.

There are approximately 350 lodging firms listed in the 1984 directory that meet the conditions enumerated above. These firms include all of the prominent and recognized chains in the industry and control approximately 35% of the total number of domestic lodging units. A structured questionnaire will be sent to the Chief Executive Officer of each of these firms.

Respondents to the questionnaire will be asked to use their knowledge of competitors as a frame of reference, to consider the operating organization as a whole and to think of the organization's pattern of behavior over time rather than for any specific period (Miles and Snow, 1978; Snow and Hrebiniak, 1980). Furthermore, respondents will be asked to focus their responses on operations for which the organization has direct control and profit responsibility, excluding franchised operations.

It is anticipated that there will be a response rate of between 30 and 40%, yielding a sample size between approximately 100 and 140 organizations. This sample size should meet the general rule of thumb for a cross classification design where a minimum 20 to 50 units should be included in the minor breakdown (Churchill, 1983).

Operationalization of Variables

Classification of Strategic Archetypes:

One major purpose of this research is to determine the characteristics associated with the nature of the types of operational strategy employed by organizations operating within a particular type of service industry. Hall (1980) has argued that organizations in hostile environments must pursue either one or both of two generic strategies, cost leadership and/or differentiation, to achieve success. These strategic prescriptions are echoed by other strategy researchers (Miles and Snow, 1978; Porter, 1980; Woo and Cooper, 1981; Anderson and Ziethmal, 1984; Hambrick, 1983).

Miles and Snow (1978) have specified four strategic archetypes and have articulated the strategic characteristics of each. Strategic orientations within an industry can be interpreted as the views of top management about the competitive methods used to compete in their industry (Snow and Hambrick, 1980). Furthermore, researchers have recognized that the strategies companies use to compete within an industry can vary and that the configuration of strategic dimensions that make up a strategic type or cluster within an industry vary between industries (Porter, 1980; Hall, 1980).

Porter articulated a number of "strategic dimensions" which generally capture the possible differences among the strategic options of

Table 3.1 (cont.)

Comparison of Dess and Davis[1] Questionnaire to Strategy Characteristics Specified by Miles and Snow

Dess and Davis Questionnaire Item	Miles and Snow Strategy Type and Applicable Characteristics[2]	Expected Degree of Importance Per Miles and Snow
1. New Product/Service Development	Defenders: A. Do not search outside domain for new opportunities (D-1) B. Tendency to ignore developments outside domain (D-8) C. Few resources allocated to monitoring others (D-9).	LOW
	Prospectors: A. Continually searching for new market opportunities (P-1). B. Regularly experiment and attempt to respond to new market trends (P-2). C. Focus on product/market innovation (P-3). D. A "first to market company" (P-5). E. Perceiving product/market domain to be in a continuous state of development (P-6). F. Invests heavily in environmental scanning - scanning subunits (P-7,8). G. Are frequent creators of change within their industry (P-10). H. Change is a major tool for gaining a competitive edge (P-11). I. Growth focus is through the location of new markets and/or new products and services (P-13). J. Frequently engaged in the development of prototype products and/or services (P-15).	HIGH

(1) As derived from Porter (1980).
(2) Notation in parentheses refers to Table 2.1 where specified strategic characteristics are enumerated.

Table 3.1 (cont.)

Comparison of Dess and Davis[1] Questionnaire to Strategy Characteristics Specified by Miles and Snow

Dess and Davis Questionnaire Item	Miles and Snow Strategy Type and Applicable Characteristics[2]	Expected Degree of Importance Per Miles and Snow
	Analyzers: A. Rapidly adopt new ideas of competitors that appear promising (A-3). B. Extensive use of market surveillance mechanisms (A-4). C. Part of growth focus through product market development (A-5).	MODERATE
	Reactors:	UNSPECIFIED
2. Customer Service	Defenders: A. Major focus on reducing costs while improving quality (D-6). B. Major resources devoted to improving cost efficiency (D-12). C. Products/services are highly standardized (D-13).	LOW
	Prospectors: A. Regularly experiment and attempt to respond to new market trends (P-2). B. Growth focus is through new products/services (P-13). C. Frequently engaged in the development of prototype products and services (P-15).	HIGH
	Analyzers: A. Watch competitors closely for new ideas (A-2). B. Rapidly adopt new ideas of competitors that appear promising (A-3).	HIGH

Table 3.1 (cont.)

Comparison of Dess and Davis[1] Questionnaire to Strategy Characteristics Specified by Miles and Snow

Dess and Davis Questionnaire Item	Miles and Snow Strategy Type and Applicable Characteristics[2]	Expected Degree of Importance Per Miles and Snow
	Reactors:	UNSPECIFIED
3. Operating Efficiency	Defenders: A. Intensive efforts to become more efficient (D-5). B. Major focus on reducing costs while improving quality (D-6). C. Growth focus is deeper penetration into current markets (D-10). D. Major resources devoted to improving cost efficiency (D-12). E. Products/services are highly standardized (D-13). F. Purchasing function is extremely important (D-14). G. Tend toward vertical integration (D-15). H. Efficiency is major determinant of successful performance (D-16).	HIGH
	Prospectors: A. Focus on product/market innovation (P-3). B. A "first to market" company (P-5). C. Invests heavily in environmental scanning (P-7). D. Change is a major tool for gaining a competitive edge (P-11). E. Minimize long term capital investments (P-14). F. Frequently engaged in the development of prototype products/services (P-15).	LOW

Table 3.1 (cont.)

Comparison of Dess and Davis[1] Questionnaire to Strategy Characteristics Specified by Miles and Snow

Dess and Davis Questionnaire Item	Miles and Snow Strategy Type and Applicable Characteristics[2]	Expected Degree of Importance Per Miles and Snow
	Analyzers: A. Operate in both a stable and changing product/market domain (A-1). B. Growth focus through both market penetration of existing markets and also through product/market development (A-5).	MODERATE
	Reactors:	UNSPECIFIED
4. Product Quality Control	Defenders: A. Intensive efforts to become more efficient (D-5). B. Major focus on cost while improving quality (D-6). C. Focus on price/quality relationship (D-7). D. Strive to become totally familiar with customer needs (D-11). E. Products/services are highly standardized (D-13).	HIGH
	Prospectors: A. Focus on product/market innovation (P-3). B. A "first to market company" (P-5). C. Minimize long term capital investments (P-14). D. Frequently engaged in the development of prototype products (P-15).	LOW TO MODERATE
	Analyzers: A. Watch competitors closely for new ideas (A-2). B. Adopt new ideas that appear promising (A-3).	MODERATE
	Reactors:	UNSPECIFIED

Table 3.1 (cont.)

Comparison of Dess and Davis[1] Questionnaire to Strategy Characteristics Specified by Miles and Snow

Dess and Davis Questionnaire Item	Miles and Snow Strategy Type and Applicable Characteristics[2]	Expected Degree of Importance Per Miles and Snow
5. Experienced, Trained Personnel	Defenders: A. Intensive efforts to become more efficient (D-5). B. Strive to become totally familiar with customer needs (D-11). C. Major resources devoted to improving cost efficiency (D-12). D. Products/services are highly standardized (D-13).	HIGH
	Prospectors: A. Are frequent creators of change within their industry (P-10). B. Perceive a high degree of change within their environments (P-12). C. Frequently engaged in the development of prototype products/services (P-15).	LOW
	Analyzers: A. Watch competitors closely for new ideas (A-2). B. Rapidly adopt new ideas of competitors that appear promising (A-3).	MODERATE
	Reactors:	UNSPECIFIED

Table 3.1 (cont.)

Comparison of Dess and Davis[1] Questionnaire to Strategy Characteristics Specified by Miles and Snow

Dess and Davis Questionnaire Item	Miles and Snow Strategy Type and Applicable Characteristics[2]	Expected Degree of Importance Per Miles and Snow
6. Maintain High Inventory Levels	Defenders: A. Percieve a great deal of stability within their environments (D-3). B. Major resources devoted to improving cost efficiency (D-12). C. Products/services are highly standardized (D-13). D. Purchasing function is extremely important (D-14).	HIGH
	Prospectors: A. Are frequent creators of change within their industry (P-10). B. Preceive a high degree of change and uncertainty within their environments (P-12).	LOW
	Analyzers: A. Operate in two product market domains; stable and changing (A-1). B. Imitate successful changes (A-3).	MODERATE
	Reactors:	UNSPECIFIED
7. Competitive Pricing	Defenders: A. Major focus is on reducing costs while improving quality (D-6). B. Focus on price/quality relationships (D-7).	HIGH

Table 3.1 (cont.)

Comparison of Dess and Davis[1] Questionnaire to Strategy Characteristics Specified by Miles and Snow

Dess and Davis Questionnaire Item	Miles and Snow Strategy Type and Applicable Characteristics[2]	Expected Degree of Importance Per Miles and Snow
	Prospectors: A. Focus on product market innovation (P-3). B. Change is a major tool for gaining a competitive edge (P-11).	LOW
	Analyzers: A. Watch competitors closely for new ideas (A-2). B. Rapidly adopt new ideas that appear promising (A-3).	MODERATE
	Reactors:	UNSPECIFIED
8. Broad Range of Products	Defenders: A. Narrow product/market domain (D-1). B. Do not search outside domain for new opportunities (D-2). C. Tendency to ignore developments outside immediate domain (D-8). D. Products/services are highly standardized (D-13).	LOW
	Prospectors: A. Have a broad product/market domain (P-4). B. Perceives product/market domain to be in a continuous state of development (P-6). C. Growth focus is through the location of new markets and/or new products/ services (P-13). D. Frequently engaged in the development of prototype products/services (P-15).	HIGH

Table 3.1 (cont.)

Comparison of Dess and Davis[1] Questionnaire to Strategy Characteristics Specified by Miles and Snow

Dess and Davis Questionnaire Item	Miles and Snow Strategy Type and Applicable Characteristics[2]	Expected Degree of Importance Per Miles and Snow
	Analyzers: A. Rapidly adopt new ideas of competitors that appear promising (A-3). B. Growth focus through both market penetration and through product market development.	HIGH
	Reactors:	UNSPECIFIED
9. Developing/Refining Existing Products	Defenders: A. Intensive efforts to become more efficient (D-5). B. Products/services are highly standardized (D-13). C. Tend toward verticle integration (D-15).	HIGH
	Prospectors: A. Growth focus is through the location of new markets, products, or services (P-13). B. Frequently engaged in the development of prototypes, new products and services (P-15).	LOW
	Analyzers: A. Growth focus is through both penetration of existing markets and through product market development (A-5).	MODERATE
	Reactors:	UNSPECIFIED
10. Brand Identification[3]	Defenders: A. Aggressive attempts to maintain prominance within target market (D-4). B. Focus is on deeper penetration into current markets (D-10).	HIGH

[3] Interpretation of the importance of this characteristic based on Miles and Snow's prescriptions seems to differ from Dess and Davis' findings.

Table 3.1 (cont.)

Comparison of Dess and Davis[1] Questionnaire to Strategy Characteristics Specified by Miles and Snow

Dess and Davis Questionnaire Item	Miles and Snow Strategy Type and Applicable Characteristics[2]	Expected Degree of Importance Per Miles and Snow
	Prospectors: A. Regularly experiment and attempt to respond to new market trends (P-2). B. Frequently engaged in the development of prototype products/services (P-15).	HIGH
	Analyzers: A. Growth focus is through both penetration of existing markets and through product/market development (A-5).	MODERATE
	Reactors:	UNSPECIFIED
11. Innovation in Marketing Techniques and Methods	Defenders: A. Do not search outside domain for new opportunities (D-2). B. Major resources devoted to improving cost efficiency (D-12).	LOW
	Prospectors: A. Continually search for new market opportunities (P-1). B. Regularly experiment and attempt to respond to new market trends (P-2). C. Focus on product/market innovation (P-3). D. A "first to market" company (P-5). E. Preceived product/market domain to be in a continuous state of development (P-6). F. Are frequent creators of change within their industry (P-10). G. Change is a major tool for gaining a competitive edge (P-11).	HIGH

Table 3.1 (cont.)

Comparison of Dess and Davis[1] Questionnaire to Strategy Characteristics Specified by Miles and Snow

Dess and Davis Questionnaire Item	Miles and Snow Strategy Type and Applicable Characteristics[2]	Expected Degree of Importance Per Miles and Snow
	Analyzers: A. Imitate successful changes (A-3). B. Growth focus through both penetration of existing markets and through product/market development (A-5).	LOW TO MODERATE
	Reactors:	UNSPECIFIED
12. Control of Channels of Distribution[3]	Defenders: A. Aggressive attempts to maintain prominance within target market (D-4). B. Strive to become totally familiar with customer needs (D-11). C. Tend toward vertical integration (D-15).	HIGH
	Prospectors: A. Purchases previously developed environmental expertise (P-9). B. Minimize long term capital investments (P-14).	LOW
	Analyzers: A. Operate in two product/market domains; stable and changing (A-1). B. Extensive use of marketing surveillance mechanisms (A-4).	MODERATE TO HIGH
	Reactors:	UNSPECIFIED

[3] Interpretation of the importance of this characteristic based on Miles and Snow's prescriptions seems to differ from Dess and Davis' findings.

Table 3.1 (cont.)

Comparison of Dess and Davis[1] Questionnaire to Strategy Characteristics Specified by Miles and Snow

Dess and Davis Questionnaire Item	Miles and Snow Strategy Type and Applicable Characteristics[2]	Expected Degree of Importance Per Miles and Snow
13. Procurement or Raw Materials	Defenders: A. Products/services are highly standardized (D-13). B. Purchasing function is extremely important (D-14).	HIGH
	Prospectors: A. Focus on product/market innovation (D-14).	LOW
	Analyzers: A. Operate in two product/market domains; stable and changing (A-1).	MODERATE TO HIGH
	Reactors:	UNSPECIFIED
14. Minimizing Use of Outside Financing	Defenders:	UNSPECIFIED
	Prospectors: A. Minimize long term capital investments (P-14).	HIGH
	Analyzers:	UNSPECIFIED
	Reactors:	UNSPECIFIED
15. Serving Special Geographic Markets[3]	Defenders: A. Narrow product/market domains (D-1). B. Strive to become totally familiar with customer needs (D-11).	MODERATE

[3] Interpretation of the importance of this characteristic based on Miles and Snow's prescriptions seems to differ from Dess and Davis' findings.

Table 3.1 (cont.)

Comparison of Dess and Davis[1] Questionnaire to Strategy Characteristics Specified by Miles and Snow

Dess and Davis Questionnaire Item	Miles and Snow Strategy Type and Applicable Characteristics[2]	Expected Degree of Importance Per Miles and Snow
	Prospectors: A. Continually searching for new market opportunities (P-1). B. Have a broad product/market domain (P-4). C. Growth focus is through the location of new markets and/or new products and services (P-13).	LOW
	Analyzers: A. Rapidly adopt new ideas of competitors that appear promising (A-3). B. Growth focus through both penetration of existing markets and through product/market development.	MODERATE TO HIGH
	Reactors:	UNSPECIFIED
16. Capability to Produce (Manufacture) Speciality Products (Services)	Defenders: A. Products/services are highly standardized (D-13).	LOW
	Prospectors: A. Frequently engaged in the development of prototype products/services (P-15).	HIGH
	Analyzers: A. Growth focus through both penetration of existing markets and through product/market development (A-5).	MODERATE TO HIGH

Table 3.1 (cont.)

Comparison of Dess and Davis[1] Questionnaire to Strategy Characteristics Specified by Miles and Snow

Dess and Davis Questionnaire Item	Miles and Snow Strategy Type and Applicable Characteristics[2]	Expected Degree of Importance Per Miles and Snow
17. Products in High Price Market Segments	Defenders: A. Major focus is on reducing costs while improving quality (D-6). B. Focus on price/quality relationship (D-7).	LOW
	Prospectors: A. Focus on product market innovation (P-3). B. A "first to market" company (P-5).	HIGH
	Analyzers: A. Operate in two product market domains: stable and changing (A-1). B. Rapidly adopt new ideas of competitors that appear promising (A-3).	MODERATE
	Reactors:	UNSPECIFIED
18. Advertising	Defenders: A. Aggressive attempts to maintain prominance within target market (D-4). B. A major focus on reducing costs while improving quality (D-6). C. Major resources devoted to improving cost efficiency (D-12).	MODERATE

Table 3.1 (cont.)

Comparison of Dess and Davis[1] Questionnaire to Strategy Characteristics Specified by Miles and Snow

Dess and Davis Questionnaire Item	Miles and Snow Strategy Type and Applicable Characteristics[2]	Expected Degree of Importance Per Miles and Snow
	Prospectors: A. A "first to market" company (P-5). B. Frequent creators of change (P-10). C. Change is a major tool for gaining a competitive edge (P-11). D. Growth focus is through the location of new markets and/or products/services (P-13).	HIGH
	Analyzers: A. Rapidly adopt new ideas of competitors that appear promising (A-3).	HIGH
	Reactors:	UNSPECIFIED
19. Reputation Within Industry	Defenders: A. Aggressive attempts to maintain prominance within target market (D-4). B. Strive to become totally familiar with customer needs (D-11).	HIGH
	Prospectors: A. Are frequent creators of change within their industry (P-10). B. Growth focus is through location of new markets and/or new products/services (P-13).	MODERATE

Table 3.1 (cont.)

Comparison of Dess and Davis[1] Questionnaire to Strategy Characteristics Specified by Miles and Snow

Dess and Davis Questionnaire Item	Miles and Snow Strategy Type and Applicable Characteristics[2]	Expected Degree of Importance Per Miles and Snow
	Analyzers: A. Watch competitors closely for new ideas (A-2). B. Imitate successful changes (A-3).	MODERATE TO LOW
	Reactors:	UNSPECIFIED
20. Forecasting Market Growth	Defenders: A. Do not search outside domain for new opportunities (D-2). B. Perceive a great deal of stability within their environments (D-3). C. Tendency to ignore developments outside immediate domain (D-8). D. Few resources allocated to monitoring others (D-9).	LOW
	Prospectors: A. Continually search for new market opportunities (P-1). B. Regularly experiment and attempt to respond to new market trends (P-2). C. Preceives product/market domain to be in a continuous state of development (P-6). D. Invests heavily in environmental scanning activities (P-7). E. Has decentralized scanning units (P-8). F. Preceive a high degree of change and uncertainty within their environments (P-12). G. Growth focus is through the location of new markets and/or new products/ services (P-13).	HIGH

Table 3.1 (cont.)

Comparison of Dess and Davis[1] Questionnaire to Strategy Characteristics Specified by Miles and Snow

Dess and Davis Questionnaire Item	Miles and Snow Strategy Type and Applicable Characteristics[2]	Expected Degree of Importance Per Miles and Snow
	Analyzers: A. Extensive use of market surveillance mechanisms (A-4).	HIGH
	Reactors:	
21. Innovation in (Service) Manufacturing Processes	Defenders: A. Major focus on reducing costs while improving quality (D-6). B. Major resources devoted to improving cost efficiency (D-12). C. Efficiency is a major determinant of successful performance (D-16).	HIGH
	Prospectors: A. Focus on product/market innovation (P-3). B. Frequently engaged in the development of prototype products/services (P-15).	MODERATE TO LOW
	Analyzers: A. Watch competitors closely for new ideas (A-2) B. Imitate successful changes (A-3).	LOW
	Reactors:	UNSPECIFIED

companies in a given industry. These strategic dimensions (e.g., brand identification, cost position, service, etc.) were employed by Dess and Davis (1984) in their study of the paint industry and provided a framework for characterizing the strategies of competitors within that industry.

The instrument employed by Dess and Davis (1984) provides the basic framework for developing the preliminary instrument that has been derived for use in this study. Strategic characteristics articulated by Miles and Snow have been related to each of the strategic dimensions (competitive methods) employed by Dess and Davis and derived from the work of Porter (1980) (See Table 3.1).

In addition to specifying particular strategic characteristics related to each of Dess and Davis' strategic dimensions, Table 3.1 further specifies the expected degree of importance that is likely to be attached to each dimension by organizations persuing the Defender, Prospector, and Analyzer strategies specified by Miles and Snow.

The preliminary instrument (see Appendix A) that has been derived for use in this study, therefore, employs all of the dimensions comprehended by Dess and Davis (questionnaire items 1-21), plus five strategic characteristics (questionnaire items 22-26) that specifically address factors specified by Miles and Snow but were not included in Porter's work from which Dess and Davis' strategic dimensions were derived. Fur-

thermore, it is proposed that the final instrument that will provide the vehicle for operationalizing strategy data within the lodging industry, will be specifically adapted to this industry.

The adaptation of the final instrument to the lodging industry will be accomplished as part of the pre-test procedure. The pre-test questionnaire will provide blank spaces within the section asking respondents to indicate the importance of various strategy characteristics. Pre-test respondents will be asked to add any characteristics that they feel have been omitted and to delete any characteristics which they feel do not apply to the lodging industry.

Subsequent to receipt of these completed pre-test questionnaires, telephone interviews will be conducted with each of the pre-test respondents. The purpose of these interviews will be to elaborate on and clarify industry relevant strategic characteristics. Furthermore, it is anticipated that these interviews will yield valuable anacdotal information that will enrich the overall study and provide the basis for refining the instrument into its final industry relevant form. A similar interview approach was used by Dess and Davis (1984) in deriving their final instrument.

A five point interval scale will by utilized by respondents to indicate the degree of importance associated with each strategic characteristic included in the instrument. The responses obtained will be used

as the basis for characterizing the strategies of organizations competing within the lodging industry.

Dimensions of Organization Structure:

Three dimensions of organization structure will be examined as part of this research: Centralization, Formalization and Specialization. The criteria for selecting those structural dimensions have been discussed in Chapters I and II. Section C of the questionnaire contains the items that will be used to measure these structural dimensions. Four items, Appendix A, Section C, Items 1-4, address the centralization construct and have been derived from similar measures of the degree of centralization or concentration of decision making within organizations employed in prior organizational studies (Hage and Aiken, 1969; Glisson, 1978). The degree of formalization will also be measured through four items (Nos. 5-8). These focus on the degree to which formal written policies, procedures and communication are used within the organization. They all have been used in prior organizational studies and found to be associated with the degree of formalization within an organization (Pugh et al., 1969; Hage and Aiken, 1969; Child, 1972; Pennings, 1973; Glisson, 1978; Blackburn, 1982). The degree of specialization will be measured using two items (Nos. 9 and 10) that focus on the degree to which jobs are clearly distinct and performed by individuals who do "no other jobs." This is similar to the approach taken by Pugh et al. (1969) and

used by Yitzhak and Mannheim (1970) to formulate a structural measure called functionalization.

Thus, a total of ten items will be used as measures of the respondent organization's structural configuration. Each of these items will be measured through a five point interval scale where respondents will be asked to indicate the degree to which specific conditions are present within their respective organizations.

Measures of Performance:

Two performance measures will be used in this study: 1) the "percentage change in total revenue"; and 2) the "average percentage of income after property taxes and insurance." Both of these measures are relevant and comparable measures of the performance of economically oriented organizations (Parsons, 1960) in general and lodging organizations in particular (Pannel, Kerr and Foster, 1983). Furthermore, similar measures have been utilized in prior strategy research (Hambrick, 1983A; Dess and Davis, 1984).

Each of these measures will be taken over the four year period, 1979-1982 (the latest period for which comparable industry wide information is available) and are designed to comprehend the performance of the overall organization. They will be measured using a five point interval scale where respondents will be asked to classify their organizations relative to overall industry averages (see Appendix A, Section D).

Control Variables:

By selecting a single industry as the basis for this study, organizations within this industry can be thought of as operating in quite similar environments. Thus, variations in environmental dimensions as well as technology among the organizations in this study will essentially be controlled. As a further means of controlling for environmental effects, the lodging industry is segmented into four subcategories based on the nature of the facilities offered and the type of markets served: transient hotels, resort hotels, motels with restaurants, and motels without restaurants. These categories represent subsegments of the overall industry environment. The analysis of respondent data will be done for the industry as a whole as well as within each of the four segsegments. Comparison of the results obtained in this manner should reveal differences, if any, in the strategic focus, structure and performance of intra-industry (environmental) segments.

Considerable controversy continues to exist over the specific causes and significant contextural variables that can be correlated with formal structure. Organization size has been found to be strongly linked to structure in a number of studies (Hickson et al, 1969; Blau et al., 1976; Ford and Slocum, 1977). Therefore, organizational size, as determined by the total number of people in the organization (Hall, 1962; Pugh et al., 1969, Child and Mansfield, 1972) will be employed as an additional control variable in analyzing the relationships among

strategy and organizational structure. Total employees will be determined by summarizing the number of full time employees, the number of half time or more employees, and one fourth the number of less than half time employess. Log transformations will be taken of the sum of the number of employees and used as the final measure of size. Most of the researchers cited support a log-linear relationship between size and structure.

Statistical Analysis

Prior to undertaking the statistical analysis for this study, the consistency or reliability of the instrument used to measure competitive strategy needed to be assessed. In addition, the extent to which the responses of a firm's CEO/COE represented the firm's intended competitive strategy also had to be evaluated.

These issues will be addressed in two ways. First, for each firm where responses are received from all three respondents (i.e., the CEO/COE and two other members of the firm's top management team), a measure of consistency regarding the perception of the firm's competitive strategy will be calculated. The measure that will be used is Cronbach's alpha, which provides a conservative measure of the extent to which a measure is consistent or reliable (Carmines and Zeller, 1979).

In addition, the three responses for these firms will be used in a regression analysis. The object of this will be to see the extent to

which the CEO/COE's responses regarding the firm's competitive strategy can be predicted from the responses of the other members of the firm's top management team.

These two tests should, if the competitive strategy measure is reliabile and if the CEO's responses are indicative of the firm's competitive strategy, yield similar results. That is there should be relatively high coefficient alpha's for most if not all firms and the R^2 resulting from the regression analysis for each firm should be statistically significant.

Principle factor analysis is the statistical approach that will be used to address the first research hypothesis:

H_1: Strategic archetypes corresponding to Defenders, Prospectors, Analyzers and Reactors will be distinguishable from identifiable groupings of important strategy characteristics.

The degree of importance associated with the strategic characteristics contained in the research instrument will be factor analyzed to determine if meaningful patterns exist among these variables. Factor analysis has the ability to produce descriptive summaries of data matrices, which aid in detecting the presence of meaningful patterns among a set of variables (Dess and Davis, 1984).

The degree of importance associated with each of the strategic characteristics for each strategy type has been specified a priori in

accordance with Miles and Snows' descriptions of these strategic archetypes. Therefore, it is expected that particular characeristics will load highly within particular factors. Kim and Mueller (1978) suggest factor loadings of .30 as a cut off for significance.

Hypotheses H_2 through H_5 address the issues of the relationship between strategy and organizational structure. According to Miles and Snow (1978) it is not only possible to classify organizations according to their strategic orientations, but also to "predict, with some reliability, the structural and process characteristics associated with a chosen strategy."

H_2: There are no differences in the degree of specialization among Defenders, Prospectors, Analyzers and Reactors.

H_3: There are no differences in the degree of formalization among Defenders, Prospectors, Analyzers and Reactors.

H_4: There are no differences in the degree of centralization among Defenders, Prospectors, Analyzers and Reactors.

Essentially, these hypotheses relate to the three dimensions of structure that will be examined in this study: Centralization, Formalization and Specialization. Stated in the null form, they hypothesize no significant differences in the nature of structure across types of strategy. If, however, strategy researchers, in general, and Miles and Snow, in particular, are correct it would be expected that significant

differences will be detected and that differences in structural dimensions will correspond to those specified by Miles and Snow.

In order to test these hypotheses individual organizational responses will be used to categorize firms into clusters reflecting similar intended strategies. This will be accomplished by taking the individual factor scores for each respondent on each of the factors identified through the factor analysis. It is assumed that the results of the factor analysis will yield factors that are representative of the strategic archetypes identified by Miles and Snow: Defenders, Prospectors, Analyzers, and Reactors. The following formula will be used (Dess and Davis, 1984):

$$f_i = A_{1i}Z_1 + A_{2i}Z_2 + \ldots\ldots\ldots + A_{ji}Z_j,$$

Where; A_{ji} is the factor score coefficient for the strategic characteristic j (J = 1,.....,n) on factor i (i = 1,2,3,4), and Z_j is the respondents standardized value on strategic characteristic j.

Factor scores will be generated for each respondent in this manner. The score for each respondent will then be used as input to a K means clustering algorithm (Dixon, 1975). Respondents will be switched from cluster to cluster until the optimal configuration, which maximizes between and minimizes within cluster variances, is obtained. It is anticipated that the clusters developed in this manner will be similar to the factors that initially emerged. Miles and Snow's theoretical framework will be used to interpret the results of the cluster solutions.

For each of the groups that emerge from this cluster analysis, each of the three dimensions of structure (Centralization, Formalization and Specialization) will be examined independently using analysis of variance. First, a total score across all corresponding items on each structural dimension will be calculated for each respondent. Secondly, the log size for each respondent will be calculated. Subsequently, using one way analysis of variance, an F value will be calculated to decide if there are significant differences among the strategic groups (clusters) on the basis of the mean values of each structural measure.

Analysis of covariance is a statistical procedure that can be used to compare treatment means which incorporates information on a quantitative variable (OTT, 1977). It has the ability to handle problems involving combination of interval and nominal scales. The Anacona Procedure can be represented by the following general formula:

$$Y = u + BX_i + S_i + e$$

Where, Y is the dependent variable, in this case organization structure, B is the effects of the control variable, X (Log Size), and S is the treatment variable (competitive strategy type). Thus, using anacona and controlling for size an F value will again be calculated to decide if there are significant differences among strategic groups on the basis of the mean values of these structural measures.

The final two hypotheses that have been stated as part of this study are:

H_5: There are no differences in the performance of organizations that are classified according to their strategic group memberships.

H_6: Organizations that achieve a strategy/structure match will have higher levels of performance than all other organizations.

The approach to testing these hypotheses requires some refocusing. First, it is again assumed that strategy clusters can be identified as corresponding to Miles and Snow's Defenders, Prospectors, and Analyzers. Secondly, in accordance with Miles and Snow's theoretical framework Defenders and Prospectors represent two ends of a viable strategy continuum. Defenders focusing primarily on achieving a high degree of efficiency and a subsequent low cost position through which they can compete effectively on a price value basis, seeing themselves as operating in a relatively stable environment. Prospectors, on the other hand, focus on the identification of new product and market opportunities seeing their environment as constantly changing and attempting to compete by being innovative and developing new and different product, services and marketing techniques. Analyzers are viewed as being about midway between Defenders and Prospectors. They perceive themselves to operate in both a stable and a changing environment attempting to operate the stable component of their business by focusing on efficiency and low cost, similar to defenders. But, at the same time, Analyzers are constantly

ready to adopt new and different ways, like prospectors, to exploit the changing portion of their business. The following diagram serves to clarify this perspective:

Defenders <----------> Prospectors
Analyzers

Thirdly, only for Defenders and Prospectors do Miles and Snow clearly specify and define the "match" between type of strategy and the nature of certain structural dimensions. Defender strategies according to Miles and Snow require a high degree of structure. They prescribe that decision making will be centralized, there will be a high degree of formalization as well as a high degree of job specialization. Prospectors, on the other hand, call for a low degree of structure, where decision making is decentralized, there is a low degree of formalization and a low degree of job specialization.

The nature of structural dimensions are not clearly defined for either Analyzers or Reactors. Analyzers are said to have both Defender and Prospector characteristics; and Reactors lack specificity at all.

Therefore, in seeking an answer to the last research question the analysis will focus only on those clusters that can be identified as Defenders or Prospectors. Although it would be ideal to be able to include all strategic types in this analysis, due to a lack of specificity relative to the nature of the theorized match between strategy type and structure, it is not practical to proceed with a complete analysis.

However, if in fact Prospectors and Defenders do represent two ends of a viable strategy continuum these clusters should provide the extreme where differences, if they do exist, can be detected.

As a means of establishing a framework from which differences in performance among strategy/structure matches vs. no match groups can be evaluated, performance levels among all strategy groups will first be analyzed. Using a one way analysis of variance an F value will be calculated to decide if there are significant differences among strategic groups on the basis of the mean value of each of the two performance measures (test of H_5).

Subsequently, a total structural score will be calculated for each respondent organization. The distribution of all total structure scores for all respondent organizations will then be analyzed. Those organizations whose scores fall above the 75th percentile of the distribution will be classified as having a consistantly high degree of structure. Conversely, those organizations whose scores fall below the 25th percentile of the distribution will be classified as having a consistantly low degree of structure. These groups will then become the basis for establishing a strategy/structure match within the Defender and Prospector categories.

This can be visualized more clearly through the following matrix:

STRATEGY TYPE	STRUCTURE: LOW	STRUCTURE: MID-RANGE	STRUCTURE: HIGH
DEFENDER	"No Match"	?	"Match"
ANALYZER	?	?	?
PROSPECTOR	"Match"	?	"No Match"

This framework directly addresses the call for consistancy with respect to strategy and congruence with respect to the dimensions of an organizations' structure, for high levels of performance to be likely (Chandler, 1966; Child, 1972; Miles and Snow, 1978; Porter, 1980; Hall, 1980).

Therefore, Defender types with a high degree of structure and Prospector types with a low degree of structure should be organizations who have achieved a strategy/structure match. Through a series of T-tests the mean levels of performance on both measures, for each of these groups will be compared to all other strategy/structure groups. In accord with the strategy/structure literature it is expected that the mean levels of performance for the "match" groups will be significantly higher than for the no match and question mark groups.

Pre-Test

Prior to undertaking this research a pre-test will be conducted using approximately 10 respondent lodging organizations. In selecting pretest respondents, an attempt will be made to select organizations that are likely to have different strategies.

This will be done so that when refining the strategy instrument as broad a perspective as possible will be obtained. Furthermore, divergence in strategic focus is likely to provide a preliminary test as to whether factors and clusters can be distinguished.

The respondents for this pre-test will be selected form among those organizations listed in the 1984 AH&MA Directory.

Limitations of the Study

Identifiable limitations of this study should be noted. First, the measurement approach that has been selected to measure strategy, self typing, is one of four approaches discussed earlier in this chapter. The self typing method has certain distinct advantages: top managers perceptions and opinions largely determine the organizations intended strategy and relatively large data bases can be sought using this method.

There are, however, some potential shortcomings to this method. One potential threat is that managers may resist attempts to classify their organizations in the required manner, perceiving their's to be

unique. However, by utilizing an indirect classification scheme employing a series of strategic characteristics for which managers must indicate the degree of importance of each relative to their organizations strategy, this concern should be mitigated.

Another potential concern with the self typing approach is that executives will usually report their organizations intended strategies (Snow and Hambrick, 1980). The strategy actually achieved by an organization may be different from that intended by the decision makers (Hambrick, 1981; Mintzberg, 1978). It is possible that executives may have not in actuality done what they may have intended to do in the formulation of the firm's strategy. This may arise from the firm's inability to interpret its intended strategies into actions (Mintzberg, 1978). Factors such as unrealistic expectations, unpredictable environmental change, a lack of appropriate capabilities may result in an emergent strategy that is observed to be different from the organization's intended strategy.

Furthermore, different managers' perceptions of strategy within a single organization may vary, threatening the reliability of this method. However, this threat to measurement reliability is reduced because a single top management source of measurement of strategy is being used. The source for determining a firm's strategy will be the organization's chief executive officer or a designated member of the firm's top management team, it is believed that this represents the dominant

source of strategy formulation in organizations (Hodgetts and Wortman, 1980).

Secondly, the use of internal managers as the exclusive source of data and because many of the firms that are likely to be included in the final sample will be closely held, is likely to prohibit external or objective confirmation of the reported data. However, it is felt that the researcher's assurance of confidentiality and anonymity along with willingness to share the results of the study will enhance the reliability of the information provided.

Thirdly, there are some methodological weaknesses which might be potential threats to the results of the study. There exists the possibility of instability relative to the factor loadings that will be obtained in classifying strategy types exists. This would be particularly critical if only a small sample size were obtained. It is anticipated that a minimum of 30 to 40 percent of the more than 350 firms to be contacted will respond. This should provide a sample size of between 100 and 150 respondents. When using the factor analysis techniques a conservative ratio of subjects to measures is four or five to one (Hair, Anderson, Tatham and Grablunsky, 1979). Lawley and Maxwell (1971) suggest that the maximum likelihood solution method of confirmatory factor analysis the sample size should exceed the number of variables under consideration by at least fifty one more cases.

It is expected that the final instrument that will be used as the basis for the analysis of strategy types will contain between 25 and 30 variables (i.e. strategic characteristics). Thus, a sample size greater than approximately 80 respondents is likely to be within the recommended quidelines.

Furthermore, the use of cluster analysis, for categorizing individual firms into strategy groupings, does not provide a clearly acceptable or unacceptable solution. It merely provides a structure so that relationships may emerge (Dess and Davis, 1984). As a result, it will be important to clearly delineate the theoretical criteria that will be used to select an appropriate solution. This will involve specifying the number of clusters theory would lead one to expect, as well as how the composition of clusters relates to prescribed dimensions and anecdotal information obtained from CEO's during telephone interviews conducted in the pre-test phase of the study.

In addition, the cross sectional nature of the research design limits one's ability to do more than infer causal relationships. The ability to draw inferences from the results obtained in this study based on cross sectional measurement of organizational strategies rests on the notion of strategic momentum and the view of organizations as resistant to change their strategic focus (Miller and Friesen, 1980; Miles and Snow, 1978; Porter, 1980; Cyert and March, 1963; March and Simon, 1958).

Finally, the generalizability of the results of this study is limited because the firms to be used for it will be drawn from a single service industry. However, given the exploratory nature of this research and the resource constraints that come with field research, these limitations are not likely to represent a major barrier in interpreting the results. This study should provide an important empirical step in illuminating the strategy, structure and performance relationship.

Chapter IV

Analysis and Results

Introduction

The purpose of this chapter is to report the results of data collection and statistical testing as presented and supported in Chapters I, II and III. Statistical analysis performed to determine the possible relationship among key variables is also discussed.

Pre Test Results

A total of 21 lodging organizations were selected for conducting the test. These organizations represented a cross section of lodging firms ranging from relatively small organizations, those operating from 3 to 5 lodging units, to relatively large organizations, those operating more than 100 lodging units. Furthermore, they represented organizations that operated in each of four segments of the lodging industry; transient hotels, resort hotels, motels with restaurants and motels without restaurants.

Selection of the pre-test recipient organizations was predicated on an attempt to include organizations that were likely to have different competitive strategies. (Appendix 4.1 lists the 21 organizations that were recipients of the pre test mailing.)

In mid March 1985, a letter (Appendix 4.2) along with a pre test questionnaire packet consisting of one primary questionnaire directed toward the organizations' chief operating or chief executive officer, and two secondary questionnaires directed toward two other members of the

organizations' top management team was sent (see Appendix 4.3 primary questionnaire and Appendix 4.4 secondary questionnaire).

Responses were obtained from 12 (57.1%) firms. Six respondent firms returned all three questionnaires (i.e. the CEO's response plus responses from two other members of the firm's management team). The response of four firms included only the primary questionnaire (i.e., CEO's response), and one firm returned only the completed secondary questionnaire.

One of the primary objectives in conducting the pre test was to refine the instrument used to measure competitive strategy, that is to include competitive methods and characteristics that would be indicative of how lodging organizations compete. This information was sought by providing a blank page within each pre test questionnaire and asking respondents to write in any strategic characteristics or methods that were not included in part "A".

Three of the respondent firms offered one or more suggestions regarding competitive methods or characteristics. The strategic characteristics and or competitive methods suggested by pre test respondents were then analyzed in light of the items already contained in Section A of the questionnaire (see Table 4.1). The results of this analysis revealed no perceptible differences in the competitive method/strategic characteristic suggestions made by the pre test respondents.

Table 4.1

Comparison of pre test respondent suggestions of strategic characteristics and competitive methods with those already included in Section A of the survey instrument

Pre Test Respondents Suggestions	Corresponding Item(s) (number in parenthesis) in Section A
1) Special Market Sales	(15) Serving special Geographic markets (17) Products or services in high priced market segments (22) A narrow product/market focus
2) Becoming Low Cost Producer in all Market Segments	(3) Operating efficiency (9) Developing/Refining existing products/services
3) Brand Identification	(10) Brand name identification
4) Geographic Distribution	(15) Serving special Geographic markets
5) Financial Controls	(3) Operating efficiency (4) Product/service quality control
6) Training	(5) Experienced trained personnel
7) Integrity of Company	(19) Reputation within industry
8) Monitor Customer Satisfaction	(2) Customer service (4) Product/service quality control
9) Segmenting the Lodging Industry Market	(7) Price leadership (15) Serving special Geographic markets (17) Products/services in high priced market segments (22) Narrow product market focus
10) Maintenance of Quality Standards	(4) Product service quality control
11) Perception as an Industry Leader	(19) Reputation within industry

The other primary objective of the pre test was to determine if survey recipients understood and were likely to respond to the questionnaire(s). Based on several telephone conversations with pre test recipients and a response rate of 57% it was concluded that the questionnaire would be understood by recipients and that a reasonable response rate could be expected.

Data Collection

Introduction:

Subsequent to analysis of the pre test responses it was determined that the original 26 item instrument designed to measure competitive strategy in lodging firms was appropriate for use as it was originally designed. The final questionnaire set contained two types of questionnaires.

The first, or primary questionnaire, included four sections and was directed at the respondent firm's chief operating executive (COE) or chief executive officer (CEO) (see Appendix 4.3 excluding Section B). The second type of questionnaire contained in the packet or "set" sent to each potential respondent was titled questionnaire Appendix "A" (see Appendix 4.4, excluding Section B). Two of these Appendix "A" questionnaires were included in each set sent to each organization. The recipient CEO/COE was asked to distribute these along with separate postage paid return envelopes to two other members of the organization's

top management team. This secondary instrument was directed at two members of the organization's top management team, other than the CEO/COE. The primary purpose of the secondary questionnaire was to permit assessment of the consistency (reliability) of the instrument used to measure an organization's competitive strategy and to evaluate the degree to which the CEO's response represented the intended competetive strategy of the firm.

The Dillman Method

The Dillman (1978) Method specifies an approach to mail and telephone surveys which has proven to result in relatively high response rates if conscientiously followed. Since the subject research was directed at the very top level executives within lodging organizations and sought to gather data relative to what might likely be considered sensitive proprietary information (competitive strategy and organizational performance) a professional well organized approach considered was to be extremely important.

Subsequent to designing and printing the survey questionnaires, in accordance with Dillman's specifications, a series of four mailings (three letters and one post card) was undertaken (see Appendix 4.5). The first mailing was sent out on Tuesday, May 7, 1985 to 365 lodging firms. These were all of the lodging firms in North America (United States and Canada) that operate three or more individual lodging units (hotels

and/or motels) and that were not contacted in the pre test phase. In accordance with the procedure specified by Dillman, subsequent mailings to non-respondents were sent on May 14, 1985; May 28, 1985; and finally on June 26, 1985. The final mailing contained a copy of a letter endorsing this study from the Project Director and Secretary of the Hospitality Lodging and Travel Research Foundation, an affiliate of the American Hotel and Motel Association (see Appendix 4.6).

Response to the Survey:

Table 4.2 summarizes the responses to the survey. A total of 386 lodging organizations were mailed survey questionnaire materials. Of this total 140 organizations or 36.3% responded. Twenty three respondent organizations either would not (against company ruling) or could not (firm no longer in business) complete any of the questionnaires. The remaining 117 firms 30.3% returned one or more of the three questionnaires included in each packet.

A total of 101 CEO/COE's completed and returned the primary questionnaire for their respective organizations. This represents 26.2% of all organizations included in the survey. In addition there were 36 respondent organizations, 35.6% of the organizations where a CEO/COE response was received, that returned all three questionnaires (i.e., responses from the organization's CEO/COE and two other members of the organization's top management team (TMT)).

Table 4.2

Summary of Survey Respondents

	Number	%
Organizations included in the survey (Pre Test 21; Full Survey 365)	386	100.0
Non-responding Organizations (Pre Test 9; Full Survey 237)	246	63.7
Organizations Responding	140	36.3
Respondent organizations that could not or would not complete any of questionnaires (against company policy, company no longer in business)	23	6.0
Respondent organizations returning one or more of the questionnaires	117	30.3
Respondent organizations returning CEO/COE questionnaire	101	26.2
Respondent organizations returning all three questionnaires	36	9.3

Tests of Consistency (Reliability) of the Competitive Strategy Instrument

Introduction:

One of the first issues that needed to be resolved prior to proceeding with the statistical analysis purposed in this study was the extent to which the instrument being used to measure competitive strategy is a consistent measure. "Fundamentally, reliability concerns the extent to which an experiment, test, or any measuring procedure yields the same results on repeated trials" (Carmines and Zeller 1979). Reliability focuses on the extent to which an empirical indicator provides consistent results across repeated measurements; it assesses the degree of random error.

Tests of Consistency:

Due to the nature of this study it would be unlikely that a research design requiring readministration of the competitive strategy instrument to CEO's would be successful. In lieu of this each firm's CEO was asked to have two other members of their top management teams complete questionnaires with identical measures of competitive strategy.

It would be expected that in most firms the perception of the firm's competitive strategy by members of its top management team should be relatively consistent. Therefore, if the strategy instrument revealed consistent responses from multiple top level executives within each firm it would seem reasonable to conclude that the instrument is a reliable measure of a firm's intended strategy.

Furthermore an additional question that needed to be resolved was the extent to which the perceptions of a firm's CEO/COE regarding its competitive strategy were in fact representative of that firm's intended competitive strategy.

In this study the degree of consistence among the top management team respondents for each firm was assessed using Cronbach's Alpha (Carmines and Zeller, 1979). This technique requires only a single test administration and provides a unique estimate of reliability. According to Carmines and Zeller, "Alpha is a lower bound to reliability of an unweighted scale and provides a conservative estimate of a measure's reliability." It depends on the average inter-item correlations and the number of items in the scale; where the average inter-item correlation is simply equal to the correlation between any arbitrary pair of items. In essence using the average correlation amounts to exactly the same thing as calculating a simple correlation between parallel measurements (Carmines and Zeller, 1979).

To assess the consistency (reliability) of the strategy instrument the responses of each of the three TMT members within a firm were analyzed. Essentially, the question was asked: To what extent are the responses of the CEO/COE and two other members of the organization's top management team correlated? To answer this question Cronbach's Alpha was calculated for each firm for which all three responses were obtained. The basis for this calculation were the responses of each executive on

all twenty six dimensions of competitive strategy used in the instrument. Each firm's executives' responses (CEO, TMT1 and TMT2) represents one item in a scale of three. Each of the 26 competitive methods are then viewed as observations of each of the three items. The following diagram serves to illustrate how this calculation was made:

	Items		
	1	2	3
	CEO/COE	TMT1	TMT2
Observations			
(Competitive Methods and Characteristics)			
1			
2	--- Responses ---		
.			
.			
.			
26			

Carmines and Zeller (1979) suggest that "...it is difficult to specify a single (Alpha) level that should apply in all situations." As

a general rule they recommend that 0.80 be a cut off for widely used scales, but go on to emphasize that it is most important to report all of the reliabilities of the scales so that adequacy for a particular purpose can be assessed.

In addition to obtaining coefficient Alpha for each firm, a regression analysis was performed using the CEO/COE's response as the dependent variable and the two other top management team members as the independent variables. This test was performed as a means of confirming the reliability estimate. In addition, it addresses the issue of the extent to which the CEO/COE's perception of the firm's competitive strategy was representative of that firm's competitive strategy.

Table 4.3 summarizes the results of these analyses. There were thirty six firms for which responses were obtained from all three executives. Twenty five of these firms or 69.4% had Alpha levels above 0.7 (six were above 0.75 and eleven or 30.6% were above 0.8). In only two firms was the Alpha level below .5, of the remaining nine firms, six had Alpha levels above 0.6. These results indicate a reasonably high degree of consistency between most firm's CEO's response and the two other members of its management team. This tendency toward consistency is supported by the results of the regression analyses. The F statistic was significant at the .01 level for 25 of the firms; at the .05 level for six firms and at the .10 for three firms. The results were not significant for only two firms which also had very low coefficient Alphas.

Table 4.3

Summary of the consistency of competitive strategy within respondent firms and the degree to which the CEO response can be predicted from responses of two other members of the firm's top management team.

N	Firm ID	Cronhbach's Alpha	Multiple R	R^2	F
1	003	.725	.449	.201	2.901 *
2	006	.708	.615	.378	6.997 ***
3	011	.854	.826	.682	24.677 ***
4	012	.813	.633	.401	7.708 ***
5	013	.679	.661	.437	8.930 ***
6	020	.822	.619	.383	7.145 ***
7	029	.801	.659	.434	8.822 ***
8	037	.725	.551	.304	5.022 **
9	040	.471	.047	.002	0.025 NS
10	061	.659	.623	.389	7.230 ***
11	092	.692	.679	.461	9.848 ***
12	112	.761	.574	.330	5.653 **
13	125	.895	.919	.845	62.613 ***
14	128	.497	.495	.244	3.730 **
15	132	.544	.574	.329	5.639 **
16	140	.514	.436	.190	2.706 *
17	147	.706	.484	.234	3.517 **
18	170	.877	.742	.551	14.128 ***

Table 4.3 (continued)

N	Firm ID	Cronhbach's Alpha	Multiple R	R^2	F	
19	183	.616	.447	.200	2.866	*
20	193	.704	.588	.346	6.085	***
21	209	.789	.485	.235	3.542	**
22	215	.924	1.000	1.000	-	***
23	229	.868	.662	.438	8.958	***
24	242	.693	.630	.397	7.593	***
25	243	.733	.780	.609	17.957	***
26	272	.803	.760	.577	15.725	***
27	281	.569	.273	.074	.925	NS
28	313	.704	.668	.447	9.285	***
29	321	.798	.691	.477	10.508	***
30	338	.729	.653	.427	8.563	***
31	346	.824	.726	.527	12.841	***
32	353	.756	.696	.485	10.833	***
33	361	.776	.614	.377	6.944	***
34	380	.506	.547	.300	10.273	***
35	381	.852	.810	.657	21.986	***
36	386	.788	.672	.451	9.452	***

NS = Not Significant
* = $p < .10$
** = $p < .05$
*** = $p < .01$

The results of these analyses indicates that there is generally a high degree of agreement between members of the same firm regarding that firm's competitive strategy. This finding is also a strong indication that the instrument is a reliable measure of an organization's competitive strategy.

Furthermore, the strategic perceptions of the members of an organization's top management team area consistently good predictors of the perception of the CEO/COE regarding the firm's competitive strategy. This tends to corroborate the tendency of the instrument to be a consistent measure of the firm's strategy.

An even more relevant meaning for this study is that the perception of the firm's competitive strategy by the CEO/COE is likely to be a good indication of the intended competitive strategy of that firm. Given this indication, CEO/COE responses were used for all subsequent statistical analyses in this study.

Strategic Archetypes Hypothesis

Competitive Strategy Measure - Inter-Item Correlations:

The instrument used to measure competitive strategy consisted of 26 items each designed to measure a unique but interrelated aspect of a firm's competitive strategy. Ideally, each item in the instrument should represent a dimension of competitive strategy that has some degree of communality with some of the other 26 dimensions yet at the same time is

not redundant. That is the items used to measure competitive strategy should not be totally independent yet they also should not be highly correlated or redundant.

The results of a simple correlation matrix reveal this to be the case (see Table 4.4). With n=100, to be statistically significant at the .05 level (two tailed test), correlations coefficients would have to be greater than 0.195.

(e.g., H_o: $r = 0$
H_a: $r \neq 0$

Reject H_o if $t > |t_{\alpha/2}|$

$$t_{obs} = r\sqrt{\frac{n-2}{1-r^2}}$$

or

Reject H_o if $t_{obs} > 1.960$,

Therefore r must be > .195 in order to reject)

Less than half of the inter-item correlations are above .195 with only three inter-item correlations slightly above .5 (A13/A12-r=.52; A11/A21-r=.53 and A16/A17-r=.53). This indicates that there is some degree of communality among these items. However, it also indicates that the relationships are not so strong as to indicate a high degree of redundance among the 26 items.

Table 4.4

Inter-Item Correlation Matrix for the 26 Items
in the Competitive Strategy Instrument

CORRELATIONS

	A1	A2	A3	A4	A5	A6	A7	
A1	1.00000	0.15489	0.27717	0.27199	0.16040	0.14680	-0.01907	NEW PRODUCT/SURVICE DEVELOPMENT
A2	0.15489	1.00000	0.24834	0.49447	0.36936	0.17706	0.02573	CUSTOMER SERVICE
A3	0.27717	0.24834	1.00000	0.48334	0.45579	0.21860	0.14582	OPERATING EFFICENCY
A4	0.27199	0.49447	0.48334	1.00000	0.43603	0.18062	0.07700	PRODUCT/SURVICE QUALITY CONTROL
A5	0.16040	0.36936	0.45579	0.43603	1.00000	0.20875	0.18925	EXPERIENCED TRAINED PERSONNEL
A6	0.14680	0.17706	0.21860	0.18062	0.20875	1.00000	0.08083	MAINT EXT INV LEVELS
A7	-0.01907	0.02573	0.14582	0.07700	0.18925	0.08083	1.00000	PRICE LEADERSHIP
A8	0.11088	0.11040	0.07723	0.08100	0.22674	0.28682	0.14031	BROAD RANGE PROD/SERV
A9	0.26550	0.16324	0.28268	0.28497	0.18791	0.13919	0.07062	DEV/REF EXIST PROD/SERV
A10	0.19164	0.10055	0.05777	0.06209	0.11575	0.02219	0.31775	BRANDNAME IDENT
A11	0.28430	0.23226	0.26460	0.29040	0.43518	0.15785	0.09055	INNOV MKTG TECHNIQ/METHOD
A12	0.09941	0.22054	0.20360	0.18558	0.08208	0.41868	0.13362	CONTROL CHAN_L DIST_BUT
A13	0.21177	0.13234	0.17482	0.29898	0.15874	0.48711	0.19758	PROCUR RAW MAT_RL
A14	0.06914	0.10332	0.08235	0.09955	0.10957	0.13005	0.01065	MIN OUTSIDE FINANCING
A15	0.12903	0.08409	-0.00890	0.06770	0.10863	0.14185	0.21329	SERV SPEC_L GEOG MKT
A16	0.26432	0.11141	0.09135	0.24921	0.24029	0.09670	0.01746	CAPAB_TY PROD/DEL_VR SPEC PROD/SERV
A17	0.29396	0.19295	0.07257	0.25282	0.25610	0.17118	-0.00207	PROD/SERV IN HIGH PRICED MKT SEG
A18	0.22949	0.08271	0.08103	0.08886	0.16322	0.10072	0.04596	ADVERTISING
A19	0.31859	0.20895	0.19435	0.20906	0.38488	0.15301	0.18866	REPUTATION W/I IND
A20	0.09904	0.27306	0.20836	0.24245	0.28089	0.03702	0.02361	FORECASTING MKT GROWTH
A21	0.24699	0.24226	0.18223	0.35138	0.24552	0.18920	0.08264	INNOV IN SERV PROCESSES
A22	0.08826	-0.02147	0.05824	0.07368	-0.04960	-0.00151	-0.01939	NARROW PROD/MKT FOCUS
A23	0.11341	0.14124	0.30095	0.22351	0.31916	0.07742	0.11329	STABILITY IN OPER ENVIRON
A24	0.25136	0.15596	0.21822	0.29181	0.30470	-0.00860	0.18272	CONT SEARCH NEW MKT OPPORTUNITIES
A25	0.06311	0.09996	0.12657	0.16989	0.14247	0.07720	0.04011	ENVIRON SCAN ACTIVITIES
A26	0.16373	0.09063	0.15378	0.18175	0.08104	0.18481	0.26082	CONTUL CHG OPER ENVIRON

Table 4.4 - Continued

CORRELATIONS

	A8	A9	A10	A11	A12	A13	A14	
A1	0.11088	0.26550	0.19164	0.28430	0.09941	0.21177	0.06914	NEW PRODUCT/SURVICE DEVELOPMENT
A2	0.11040	0.16324	0.10055	0.23226	0.22054	0.13234	0.10332	CUSTOMER SERVICE
A3	0.07723	0.28268	0.05777	0.26460	0.20360	0.17482	0.08235	OPERATING EFFICENCY
A4	0.08100	0.28497	0.06209	0.29040	0.18558	0.29898	0.09955	PRODUCT/SURVICE QUALITY CONTROL
A5	0.22674	0.18791	0.11575	0.43518	0.08208	0.15874	0.10957	EXPERIENCED TRAINED PERSONNEL
A6	0.28682	0.13919	0.02219	0.15785	0.41868	0.48711	0.13005	MAINT EXT INV LEVELS
A7	0.14031	0.07062	0.31775	0.09055	0.13362	0.19758	0.01065	PRICE LEADERSHIP
A8	1.00000	0.29300	0.04879	0.26815	0.26480	0.16167	-0.03995	BROAD RANGE PROD/SERV
A9	0.29300	1.00000	0.21371	0.31413	0.25903	0.28840	-0.12175	DEV/REF EXIST PROD/SERV
A10	0.04879	0.21371	1.00000	0.21789	0.10369	0.10471	0.17593	BRANDNAME IDENT
A11	0.26815	0.31413	0.21789	1.00000	0.32475	0.28796	-0.02358	INNOV MKTG TECHNIQ/METHOD
A12	0.26480	0.25903	0.10369	0.32475	1.00000	0.51881	0.05194	CONTROL CHAN_L DIST_BUT
A13	0.16167	0.28840	0.10471	0.28796	0.51881	1.00000	0.05324	PROCUR RAW MAT_RL
A14	-0.03995	-0.12175	0.17593	-0.02358	0.05194	0.05324	1.00000	MIN OUTSIDE FINANCING
A15	0.21629	0.15687	0.21677	0.20942	0.19541	0.23015	0.20223	SERV SPEC_L GEOG MKT
A16	0.30366	0.17888	0.12933	0.27223	0.17463	0.18690	0.22322	CAPAB_TY PROD/DEL_VR SPEC PROD/SERV
A17	0.41815	0.15680	0.05519	0.34790	0.13465	0.29105	-0.00144	PROD/SERV IN HIGH PRICED MKT SEG
A18	-0.05599	0.08352	0.15287	0.38603	0.09264	0.22092	-0.10789	ADVERTISING
A19	0.31814	0.13309	0.03770	0.25794	-0.04639	0.15201	0.17783	REPUTATION W/I IND
A20	0.11168	0.13728	0.15570	0.40052	0.07267	0.19349	0.08028	FORECASTING MKT GROWTH
A21	0.29806	0.12663	0.11346	0.53505	0.18745	0.44211	-0.00964	INNOV IN SERV PROCESSES
A22	-0.01537	-0.04613	0.07758	0.05149	0.08892	-0.01418	-0.06253	NARROW PROD/MKT FOCUS
A23	0.11040	0.10926	0.05128	0.15903	0.16527	0.30042	0.18178	STABILITY IN OPER ENVIRON
A24	0.24195	0.20798	0.25393	0.33935	0.17238	0.22130	0.09990	CONT SEARCH NEW MKT OPPORTUNITIES
A25	0.19551	0.24787	0.05132	0.26152	0.16380	0.35971	0.03662	ENVIRON SCAN ACTIVITIES
A26	0.12987	0.22306	0.22508	0.13272	0.19139	0.24443	0.09250	CONTUL CHG OPER ENVIRON

Table 4.4 - Continued

CORRELATIONS

	A15	A16	A17	A18	A19	A20	A21	
A1	0.12903	0.26432	0.29396	0.22949	0.31859	0.09904	0.24699	NEW PRODUCT/SURVICE DEVELOPMENT
A2	0.08409	0.11141	0.19295	0.08271	0.20895	0.27306	0.24226	CUSTOMER SERVICE
A3	-0.00890	0.09135	0.07237	0.08103	0.19435	0.20836	0.18223	OPERATING EFFICENCY
A4	0.06770	0.24921	0.25282	0.08886	0.20906	0.24245	0.35138	PRODUCT/SURVICE QUALITY CONTROL
A5	0.10863	0.24029	0.25610	0.16322	0.38488	0.28089	0.24552	EXPERIENCED TRAINED PERSONNEL
A6	0.14185	0.09670	0.17118	0.10072	0.15301	0.03702	0.18920	MAINT EXT INV LEVELS
A7	0.21329	0.01746	-0.00207	0.04596	0.18866	0.02361	0.08264	PRICE LEADERSHIP
A8	0.21629	0.30366	0.41815	-0.05599	0.31814	0.11168	0.29806	BROAD RANGE PROD/SERV
A9	0.15687	0.17888	0.15680	0.08352	0.13309	0.13728	0.12663	DEV/REF EXIST PROD/SERV
A10	0.21677	0.12933	0.05519	0.15287	0.03770	0.15570	0.11346	BRANDNAME IDENT
A11	0.20942	0.27223	0.34790	0.38603	0.25794	0.40052	0.53505	INNOV MKTG TECHNIQ/METHOD
A12	0.19541	0.17463	0.13465	0.09264	-0.04639	0.07267	0.18745	CONTROL CHAN_L DIST_BUT
A13	0.23015	0.18690	0.29105	0.22092	0.15201	0.19349	0.44211	PROCUR RAW MAT_RL
A14	0.20223	0.22322	-0.00144	-0.10789	0.17783	0.08028	-0.00964	MIN OUTSIDE FINANCING
A15	1.00000	0.28943	0.12165	0.26630	0.17373	0.19107	0.16901	SERV SPEC_L GEOG MKT
A16	0.28943	1.00000	0.53390	0.10854	0.34450	0.14867	0.34322	CAPAB_TY PROD/DEL_VR SPEC PROD/SERV
A17	0.12165	0.53390	1.00000	0.31591	0.32723	0.27560	0.43154	PROD/SERV IN HIGH PRICED MKT SEG
A18	0.26630	0.10854	0.31591	1.00000	0.20344	0.29963	0.23690	ADVERTISING
A19	0.17373	0.34450	0.32723	0.20344	1.00000	0.31678	0.24012	REPUTATION W/I IND
A20	0.19107	0.14867	0.27560	0.29963	0.31678	1.00000	0.36137	FORECASTING MKT GROWTH
A21	0.16901	0.34322	0.43154	0.23690	0.24012	0.36137	1.00000	INNOV IN SERV PROCESSES
A22	0.17635	0.07216	-0.01125	0.09349	-0.12834	0.02955	0.03428	NARROW PROD/MKT FOCUS
A23	0.31886	0.23844	0.15989	0.18892	0.36743	0.37190	0.19049	STABILITY IN OPER ENVIRON
A24	0.27278	0.31277	0.24034	0.22190	0.36417	0.35947	0.32000	CONT SEARCH NEW MKT OPPORTUNITIES
A25	0.23245	0.26250	0.34468	0.20458	0.09806	0.31136	0.38302	ENVIRON SCAN ACTIVITIES
A26	0.17176	0.12280	0.16322	0.20866	0.19666	0.19371	0.24206	CONTUL CHG OPER ENVIRON

Table 4.4 - Continued

CORRELATIONS

	A22	A23	A24	A25	A26	
A1	0.08826	0.11341	0.25136	0.06311	0.16373	NEW PRODUCT/SURVICE DEVELOPMENT
A2	-0.02147	0.14124	0.15596	0.09996	0.09063	CUSTOMER SERVICE
A3	0.05824	0.30095	0.21822	0.12657	0.15378	OPERATING EFFICENCY
A4	0.07368	0.22351	0.29181	0.16989	0.18175	PRODUCT/SURVICE QUALITY CONTROL
A5	-0.04960	0.31916	0.30470	0.14247	0.08104	EXPERIENCED TRAINED PERSONNEL
A6	-0.00151	0.07742	-0.00860	0.07720	0.18481	MAINT EXT INV LEVELS
A7	-0.01939	0.11329	0.18272	0.04011	0.26082	PRICE LEADERSHIP
A8	-0.01537	0.11040	0.24195	0.19551	0.12987	BROAD RANGE PROD/SERV
A9	-0.04613	0.10926	0.20798	0.24787	0.22306	DEV/REF EXIST PROD/SERV
A10	0.07758	0.05128	0.25393	0.05132	0.22508	BRANDNAME IDENT
A11	0.05149	0.15903	0.33935	0.26152	0.13272	INNOV MKTG TECHNIQ/METHOD
A12	0.08892	0.16527	0.17238	0.16380	0.19139	CONTROL CHAN_L DIST_BUT
A13	-0.01418	0.30042	0.22130	0.35971	0.24443	PROCUR RAW MAT_RL
A14	-0.06253	0.18178	0.09990	0.03662	0.09250	MIN OUTSIDE FINANCING
A15	0.17635	0.31886	0.27278	0.23245	0.17176	SERV SPEC_L GEOG MKT
A16	0.07216	0.23844	0.31277	0.26250	0.12280	CAPAB_TY PROD/DEL_VR SPEC PROD/SERV
A17	-0.01125	0.15989	0.24034	0.34468	0.16322	PROD/SERV IN HIGH PRICED MKT SEG
A18	0.09349	0.18892	0.22190	0.20458	0.20866	ADVERTISING
A19	-0.12834	0.36743	0.36417	0.09806	0.19666	REPUTATION W/I IND
A20	0.02955	0.37190	0.35947	0.31136	0.19371	FORECASTING MKT GROWTH
A21	0.03428	0.19049	0.32000	0.38302	0.24206	INNOV IN SERV PROCESSES
A22	1.00000	0.22617	-0.19914	0.03976	-0.06296	NARROW PROD/MKT FOCUS
A23	0.22617	1.00000	0.28137	0.24600	0.19163	STABILITY IN OPER ENVIRON
A24	-0.19914	0.28137	1.00000	0.29982	0.15831	CONT SEARCH NEW MKT OPPORTUNITIES
A25	0.03976	0.24600	0.29982	1.00000	0.35212	ENVIRON SCAN ACTIVITIES
A26	-0.06296	0.19163	0.15831	0.35212	1.00000	CONTUL CHG OPER ENVIRON

Principle Component Factor Analysis:

Hypothesis one states that strategic archetypes corresponding to defenders, prospectors, analyzers and reactors will be distinguishable from identifiable groupings of important competitive methods and strategic characteristics. Principle component factor analysis (Hair, Anderson, Tatham and Grablowsky, 1979) was used to analyze the responses of the CEO/COE's of 101 firms.

These executives responded to the degree of importance of 26 competitive methods and/or strategic characteristics to their firm's overall competitive strategy. Without limiting the number of factors, this analysis, before rotation, produced 10 factors with Eigenvalues above 1.0. Subsequent to varimax rotation, analysis of these 10 factors revealed some similarities to the Miles and Snow (1978) typology, however the 26 dimensions were disbursed among the 10 factors and it was impossible to identify clear cut patterns.

Using the screen plot of Eigenvalues as a guide to where changes in the slope occurred, the analysis was rerun specifying 4,5 and 6 factors. All three of these yield factors that compared favorably to the Miles and Snow framework. Table 4.5 summarizes the a-priori analysis of Miles and Snow's (1978) strategic typology in terms of the degree of importance of each of the 26 items in the strategy measure to each of their strategic archetypes. This provided the basis for analyzing the results of the factor solutions in this study.

Table 4.5

Degree of importance of competitive strategy characteristics/methods(1) to Miles and Snow's strategic types

Methods/Characteristics	Defenders	Prospectors	Analyzers	Reactors
1) New Product/Service Development	low	high	moderate	?
2) Customer Service	low	high	high	?
3) Operating Efficiency	high	low	moderate	?
4) Product/Service Quality Control	high	low/ moderate	moderate	?
5) Experienced Trained Personnel	high	low	moderate	?
6) Maintain Extensive Inventory Levels	high	low	moderate	?
7) Price Leadership	high	low	moderate	?
8) Broad Range of Products/Services	low	high	high	?
9) Develop/Refine Existing Products/Services	high	low	moderate	?
10) Brand Name Identif.	high	high	moderate	?
11) Innovation in Marketing Technology and Methods	low	high	low/ moderate	?
12) Control of Channels of Distribution	high	low	moderate/ high	?
13) Procurement of Raw Materials	high	low	moderate/ high	?

Table 4.5 (continued)

Methods/Characteristics	Defenders	Prospectors	Analyzers	Reactors
14) Minimizing Use of Outside Financing	?	high	?	?
15) Serving Special Geographic Markets	moderate	low	moderate/ high	?
16) Cap. to Prod/Dev Spec. Prod/Serv	low	high	moderate/ high	?
17) Prod. in High Priced Market Segment	low	high	moderate	?
18) Advertising	moderate	high	high	?
19) Reputation within Industry	high	moderate	low/ moderate	?
20) Forecasting Market Growth	low	high	high	?
21) Innovation in Service Processes	high	low/ moderate	low	?
22) Narrow Product/Market Focus	high	low	low	?
23) Stability in Oper. Environment	high	low	moderate	?
24) Cont. Search New Market Opportunities	low	high	high	?
25) Environmental Scanning Act.	low	high	high	?
26) Continual Change in Oper. Environ.	low	high	moderate high	?

[1] Items 1-21 see Table 3.1, Items 22-26 see Table 2.1.

The five factor solution, accounting for 47.5% of the total variance, produced what appeared to be the most readily interpretable factors (see Table 4.6). All factors had Eigenvalues above 2.0 after Varimax rotation.

Identification of Competitive Strategy Configurations:

Factor 1 has been labeled as an Efficiency/Quality Controller competitive strategy. The three strategic characteristics and competitive methods that loaded highest on this factor are key "defender" characteristics; product/service quality control (.74), operating efficiency (.74) and experienced trained personnel (.69). Since lodging firms are service organizations and defenders strive to control quality it is not at all surprising that customer service (.63) would also load highly on this factor. The other dimension that loaded highest on this factor, new product/service development (.32) is just barely above the generally accepted level of significance of .3 (Kim and Muller, 1978) and therefore is not considered to be a highly important dimension of this factor.

Factor 2 has been labeled "prospector-like". In this factors five of six high loading dimensions were those specified as having a high degree of importance to a prospector type strategy: products/services in high priced market segments (.72); capability to produce/deliver special products/services (.67), broad range of products/services (.62);

Table 4.6

Principle Component Factor Analysis
Five Factor Solutions - Varimax Rotation

ROTATED FACTOR PATTERN

	FACTOR1	FACTOR2	FACTOR3	FACTOR4	FACTOR5		
A4	0.74444	0.09631	0.20274	0.11186	0.00285	PRODUCT/SURVICE QUALITY CONTROL	Factor 1 - "Efficiency/Quality Control"
A3	0.74044	-0.08454	0.18649	0.04023	0.10373	OPERATING EFFICENCY	
A5	0.69567	0.26490	0.01714	0.01034	0.15295	EXPERIENCED TRAINED PERSONNEL	
A2	0.63021	0.08499	0.13548	0.02283	-0.01164	CUSTOMER SERVICE	
A1	0.31931	0.27067	0.11358	0.18787	0.05861	NEW PRODUCT/SURVICE DEVELOPMENT	
A17	0.09948	0.72994	0.16980	0.26738	-0.12259	PROD/SERV IN HIGH PRICED MKT SEG	Factor 2 - "Prospector-Like"
A16	0.08227	0.67280	0.08298	0.09147	0.16569	CAPAB_TY PROD/DEL_VR SPEC PROD/SERV	
A8	-0.00178	0.62240	0.38551	-0.13895	0.03652	BROAD RANGE PROD/SERV	
A19	0.35217	0.59367	-0.13774	-0.05267	0.29942	REPUTATION W/I IND	
A21	0.22942	0.46610	0.27603	0.42708	-0.03662	INNOV IN SERV PROCESSES	
A24	0.27682	0.45593	-0.03073	0.18538	0.36559	CONT SEARCH NEW MKT OPPORTUNITIES	
A12	0.10047	-0.00548	0.76505	0.09316	0.12757	CONTROL CHAN_L DIST_BUT	Factor 3 - "Internalize Resource Controller"
A6	0.16923	0.09928	0.69428	-0.14932	0.06739	MAINT EXT INV LEVELS	
A13	0.12622	0.15833	0.69350	0.24667	0.16740	PROCUR RAW MAT_RL	
A9	0.25549	0.14768	0.42132	0.12866	0.05591	DEV/REF EXIST PROD/SERV	
A18	0.07180	0.12731	0.00599	0.68242	0.10605	ADVERTISING	Factor 4 - "Market Focused Analyzer"
A20	0.35298	0.25629	-0.11556	0.49815	0.18371	FORECASTING MKT GROWTH	
A11	0.35876	0.33933	0.23533	0.47380	0.01411	INNOV MKTG TECHNIQ/METHOD	
A25	-0.00134	0.33405	0.24435	0.46031	0.11737	ENVIRON SCAN ACTIVITIES	
A22	-0.01469	-0.29026	0.05568	0.44640	0.04193	NARROW PROD/MKT FOCUS	
A7	0.04761	-0.03539	0.19089	-0.07948	0.60233	PRICE LEADERSHIP	Factor 5 - "Geographic Focused Price Leadership"
A10	0.04107	-0.02422	0.07118	0.17461	0.57571	BRANDNAME IDENT	
A15	-0.10917	0.19992	0.15379	0.29199	0.57519	SERV SPEC_L GEOG MKT	
A14	0.13377	0.12303	-0.08678	-0.29034	0.51330	MIN OUTSIDE FINANCING	
A23	0.32053	0.12280	-0.01071	0.30338	0.43577	STABILITY IN OPER ENVIRON	
A26	0.04309	0.11815	0.29538	0.19588	0.40991	CONTUL CHG OPER ENVIRON	

VARIANCE EXPLAINED BY EACH FACTOR

FACTOR1	FACTOR2	FACTOR3	FACTOR4	FACTOR5
2.872448	2.853126	2.405292	2.163390	2.065383

reputation within the industry (.59), and continual search for new market opportunities (.46). The sixth high loading dimension "innovation in service processes" (.47) is not specified as a prospector characteristic by Miles and Snow. However, Miles and Snow's perspectives are drawn primarily from manufacturing firms, not service organizations. In a study of service firms it is not surprising that this characteristic would be considered important to a prospector like competitive strategy.

The third factor has been labeled an "Internalized Resource Controller." The dimension with high factor loadings were those having to do primarily with controlling resources; control channels of distribution (.77), maintain extensive inventory levels (.69), procurement of raw materials (.69), and develop/refine existing products/services (.42). According to Miles and Snow's framework these are all defender-like characteristics. However, several other key defender type dimensions (i.e., operating efficiency (.18), experienced trained personnel (.01), etc.) had quite low factor loadings. Therefore, classifying this strategy configuration as "defender-like" does not seem appropriate.

In fact, it is difficult to appreciate the relevance of a raw material oriented strategic profile in a service industry. Services are composed primarily of intangible attributes such as convenience, speed, friendliness, cleanliness, atmosphere, and attractiveness. These characteristics are more customer and employee (i.e., people) focused as opposed to object focused.

As a result, it is conceivable that an "Internalized Resource Controller" competitive profile may be indicative of a form of "reactor" strategy. That is, a strategy that is not relevant to environmental conditions.

Both factors 4 and 5 appear to resemble two different types of analyzer like strategic orientations. The dimensions that had high factor loadings on factor 4 were; advertising (.68), forecasting market growth (.50), innovation in marketing techniques and methods (.47), environmental scanning activities (.46), and a narrow product market focus (.45). These dimensions seem to fit Miles and Snow's "Analyzer" framework. Factor 4 was labeled as "Marketing Focused Analyzer", and seems to represent a marketing "differentiation" type of "analyzer" strategic orientation directed at a limited market segment.

Factor 5, on the other hand, was labeled as "Geographic Focused Price Leadership". The dimensions that had high factor loadings on Factor 5 were; price leadership (.60), brand name identity (.58), serving special geographic markets (.58), minimizing outside financing (.51), stability in the operating environment (.43), and continual change in the operating environment (.41). Here again the dimensions that loaded high on this factor matched closely those specified in Miles and Snow for their "analyzer" type strategy. Interestingly, Miles and Snow specify that analyzers tend to operate simultaneously in two types of environments, one stable the other more turbulent. This might explain why both

stability and continual change in the operating environment both had fairly high factor loadings on Factor 5.

Summary of Findings:

On the basis of the principle component analysis there appears to be considerable support for Miles and Snow's strategic typology. However, perhaps one of the most interesting aspects of these findings is the existence of what appears to be five distinct strategic configurations including two different analyzer type strategic orientations.

This does not necessarily contradict the Miles and Snow typology and may enhance the richness of a competitive strategy typology. In particular, this finding may be relevant to the nature of the way firms compete in a single industry setting or in a "service" industry as contrasted to manufacturing firms. As Hambrick (1983A) points out there are likely to be many variations of each strategic archetype and the nature of the industry will affect the array of configurations each strategy can take.

At this stage of the analysis it is not yet possible to determine which of the competitive strategy configurations that have been found are viable strategies. However, these results do reveal strong support for Miles and Snow's (1978) typology. Each of the five factors discovered in this analysis are distinctly different from each other, but very similar to Miles and Snow's Defender, Prospector and Analyzer types. Factor 1

has strong "defender" like characteristics and Factor 2's characteristics are clearly "propspector-like". Factors 4 and 5 appear to repesent two variations of an anaylzer type of competitive strategy; one a narrow product/market innovator and the other a geographic focused price leader.

Factor 3 seems to be the only configuration that is not characteristic of Miles and Snow's three viable strategic types. Perhaps, as pointed out, this strategic configuration represents a form of reactor whose strategy is not relevant to its environment.

Therefore, these findings tend to support Hypothesis 1, that is "strategic archtetypes corresponding to Defenders, Propsectors, Analyzers and Reactors will be distinguishable from identifiable groupings of important strategy characteristics".

In the next phase of the study respondent organizations will be classified into groups or clusters of firms with similar competitive strategy profiles. Subsequently each group will be analyzed regarding the structure and performance characteristics of the organizations within each group and comparisons made across groups. The results of this analysis should provide insight into the viability of alternative competitive strategy orientations.

Clustering of Firms with Similar Competitive Strategies

Introduction:

In order to test the remaining hypotheses it was necessary to categorize firms into groupings or clusters that reflected similar intended strategies. This was approached in two ways. First, by taking the individual factor scores for each respondent firm on each of the factors identified through the principle component factor analysis and using these scores as input to a clustering algorithm.

The second approach to clustering firms into groupings with similar intended strategies was done as a cross check to the results obtained using individual factor scores. In this second approach a cluster analysis was performed directly on the responses to the 26 competitive methods and strategic characteristics in the questionnaire. The expectation in performing this secondary analysis directly on the raw data was that groups of organizations clustered in this manner should have characteristics similar to those of groupings arrived at using factor scores.

Furthermore, this cross check approach also provides an option as to which method of grouping organizations could be used for the balance of the analysis. By using clusters derived from the 26 item raw data instrument one could argue that there is no loss of information through a secondary data manipulation. However, on the other hand, the point could be made that principle component factor analysis provides a means of reducing the amount of error variance in the data by generating factors

whose specific components tend to yield several meaningful constructs (Haire, et al, 1979, p. 224).

The Factor Score Approach:

Table 4.7 summarizes the results of the clustering iterations that were performed using factor scores as input. Even though the five factor solution described in the previous section appeared to provide the most distinct competitive strategy profiles, this procedure was performed using 4, 5 and 6 factor solutions as well as 4, 5 and 6 cluster solutions. This was done as a further cross check of the five factor solution and to determine which configuration of factors and clusters would produce the most clearly defined competitive strategy groupings.

Subsequent to a detailed analysis of the mean factors scores on each cluster (see Table 4.7A-G), for each iteration it became clear that five factors used in a 5 cluster solution yielded the most clearly defined strategic profiles. The results of the 5 factor/5 cluster solution produced five groups of firms each having distinctly different strategic profiles.

Table 4.8 summarizes the components of the highest and lowest average factor scores for each of the five clusters and provides the basis for naming the five strategic groups.

Table 4.7 (A-G)

Summary of Clustering Interactions
Using Factor Scores As Input*

		Number of Clusters 4	5	6
Number of Factors	4	Unclear strategic groupings	More meaningful than (4,4)	
	5	Provides broader range of strategic profiles than (4,4)	Clearly defined strategic profiles	
	6	Splits strategic perspectives, unclear inconsistent strategic profiles	More meaningful than (6,4)	Unclear strategic groupings

*Indications within each cell of the matrix refer to the degree to which strategic positioning could be clearly interpreted. Interpretation was made by analyzing maximum and minimum mean scores on each factor across all clusters.

Table 4.7 A

4 Factor 4 Cluster Solution

		Clusters			
		1	2	3	4
Factors	1	-.852(L)	.474	.550(H)	.547
	2	.071	.316	-1.300(L)	.928(H)
	3	.080	.707(H)	-.071	-.900(L)
	4	-.195	.922(H)	-.164	-.578(L)

(H) = highest mean score
(L) = lowest mean score

Table 4.7 B

4 Factor 5 Cluster Solution

		Clusters				
		1	2	3	4	5
Factors	1	-.852(L)	.474	1.207(H)	.548	-.175
	2	.071	.317	-.716	.928(H)	-1.942(L)
	3	.080	.707(H)	.247	-.849(L)	-.420
	4	-.195	.992(H)	-.724(L)	-.578	.453

(H) = highest mean score
(L) = lowest mean score

Table 4.7 C

5 Factor 4 Cluster Solution

		Clusters			
		1	2	3	4
Factors	1	.409	.281	-1.262(L)	.416(H)
	2	.753(H)	-.001	-.320	-1.306(L)
	3	-.405	.880(H)	-.436	-.498(L)
	4	.271(H)	-.055	-.180	-.223(L)
	5	-.429	.590(H)	.202	-.883(L)

(H) = highest mean score
(L) = lowest mean score

Table 4.7 D

5 Factor 5 Cluster Solution

		Clusters				
		1	2	3	4	5
Factors	1	.409*	.280	-1.384(L)	.416(H)	-.847
	2	.753(H)	-.001	-.437	-1.306(L)	.078
	3	-.406	.881(H)	-.300	-.498	-.902(L)
	4	.271	-.054	.336(H)	-.223	-1.934(L)
	5	-.429	.590	.001	-.883(L)	1.151(H)

(H) = highest mean score
(L) = lowest mean score

*The average score on factor 1 for cluster 1 is almost the same as the average score on factor 1 for cluster 4.

Table 4.7 E

6 Factor 4 Cluster Solution

		Clusters			
		1	2	3	4
Factors	1	.097	.140	.730(H)	-1.655(L)
	2	.450(H)	-.474(L)	.116	.225
	3	.396(H)	.306	-.947(L)	-.485
	4	.256(H)	.221	-.643(L)	-.361
	5	-.185	.228(H)	-.500(L)	.256
	6	-.853(L)	.690(H)	.027	-.142

(H) = highest mean score
(L) = lowest mean score

Table 4.7 F

6 Factor 5 Cluster Solution

		Clusters				
		1	2	3	4	5
Factors	1	.097	.144	.134	.731(H)	-1.654(L)
	2	.450(H)	.260	-1.425(L)	.116	.225
	3	.396(H)	.385	.204	-.973(L)	-.485
	4	.256	.148	.314(H)	-.643(L)	-.361
	5	-.185	.732(H)	-.286	-.500(L)	.256
	6	-.853(L)	.945(H)	.360	.028	-.142

(H) = highest mean score
(L) = lowest mean score

Table 4.7 G

6 Factor 6 Cluster Solution

		Clusters					
		1	2	3	4	5	6
Factors	1	.089	.144	.134	.730(H)	-1.654(L)	.112
	2	.763(H)	.260	-1.425(L)	.116	.225	-.176
	3	.637(H)	.385	.204	-.973(L)	-.485	-.085
	4	.410(H)	.148	.314	-.643(L)	.361	-.053
	5	-.312	.731(H)	-.286	-.500(L)	.255	.069
	6	-.378	.945(H)	.361	.028	-.142	-1.802(L)

(H) = highest mean score
(L) = lowest mean score

Table 4.8

Summary of the Strategic Components of
The Highest and Lowest Mean Factor Scores for
Each Cluster in the 5 Factor/5 Cluster Solution

Cluster Name	# of Firms	Strategic Components
Do It All Differentiation Types	32	Highest Mean Factor(s) Factor 2: "Prospector-like" * Products/Service in high priced market segment * Capability to produce/ develop special products/ services * Broad Range of products/ services * Reputation within the industry * Innovation in service processes * Continued search for new market opportunities Factor 1: "Efficiency/Quality Controller" * Product service quality control * Operating efficiency * Experienced trained personnel * Customer service * New product/service development Lowest Mean Factor(s) None

Table 4.8 (Continued)

Cluster Name	# of Firms	Strategic Components
Internalized Resource Types	33	Highest Mean Factor(s) Factor 3: "Internalized Resource Controller" * Control channels of distribution * Maintain extensive inventory levels * Procure raw material * Develop/refine existing products and services Lowest Mean Factor(s) None

Table 4.8 (Continued)

Cluster Name	# of Firms	Strategic Components
Narrow Focused Marketing Innovator Types	17	Highest Mean Factor(s) Factor 4: "Market Focused Analyzer" * Advertising * Forecasting market growth * Innovation in marketing techniques * Environmental scanning activities * Narrow product/market focus Lowest Mean Factor(s) Factor 1: "Efficiency/Quality Controller" * Product/service quality control * Operating efficiency * Experienced trained personnel * Customer service * New product/service development

Table 4.8 (Continued)

Cluster Name	# of Firms	Strategic Components
Efficiency/Quality Controller Types	13	Highest Mean Factor(s) Factor 1: "Efficiency/Quality Controller" * Product/service quality control * Operating efficiency * Experienced trained personnel * Customer service Lowest Mean Factor(s) Factor 2: "Prospector-like" * Products/service in high priced market segment * Capability to produce/ develop special products/ services * Broad range of products/ services * Reputation within the industry * Innovation in service processes * Continual search for new market opportunities Factor 5: "Geographic Focused Price Leadership" * Price leadership * Brand name identification * Serve special geographic markets * Minimize outside financing * Stability in operating environment * Continual change in operating environment

Table 4.8 (Continued)

Cluster Name	# of Firms	Strategic Components
Geographic Focused Price Leader Types	5	Highest Mean Factor(s) Factor 5: "Geographic Focused Price Leadership" * Price leadership * Brand name identification * Serve special geographic markets * Minimize outside financing * Stability in operating environment * Continual change in operating environment Lowest Mean Factor(s) Factor 3: "Internalized Resource Controller" * Control channels of distribution * Maintain extensive inventory levels * Procure raw material * Develop/refine existing products and services Factor 4: "Market Focused Analyzer" * Advertising * Forecasting market growth * Innovation in marketing techniques * Environmental scanning activities * Narrow product/market focus

Five Competitive Strategy Clusters:

These five groups of firms represent clusters of organizations with similar intended competitive strategies. Cluster 1 contains 32 firms. The mean factor scores of this group resulted in the highest mean score on Factor 2, a prospector like competitive focus and a virtual tie for high mean score on Factor 1, a defender like focus. There were no factors for this group for which the mean factor score was lowest. The competitive strategy of the firms in this group were identified as "Do it All - differentiator types". As Table 4.8 shows these firms emphasize uniqueness and innovation as well as efficiency and quality control.

Firms in this cluster attach a high degree of importance to competitive methods and strategic characteristics that emphasis both uniqueness as well as efficiency and control. Essentially they combine both "prospector" and "defender" characteristics. If these firms are able to successfully implement their competitive strategy they are likely to represent well run organizations and would be expected to achieve high levels of performance. According to Hall (1980) "Those organizations that were able to combine the two strategies had spectacular success."

Cluster 2 contains 33 firms. It had the highest mean score on Factor 3. Factor 3 indicates a high degree of importance on dimensions having to do with the control of resources and an internalized focus. Since there were no lowest mean factor scores for this cluster, the competitive focus of this group was identified as "Internalized Resource" types.

This appears to be an odd strategic profile for firms operating in a service industry. Emphasis on channels of distribution, raw material purchases and inventory levels may be critical in manufacturing but do not seem to be the type of strategic issues that would be of high importance to service organizations. This peculiar competitive strategy profile may be indicative of firms in this industry that lack an appropriate strategic focus. They may well represent the "reactor" types referred to by Miles and Snow.

The third cluster contained 17 firms. It had the highest mean factor score on factor 4 and the lowest mean factor score on Factor 1. This appears to represent an interesting combination of strategic components. The outcome suggests that firms in this group have a competitive strategy where there is a strong emphasis on innovative marketing techniques with a narrow product market focus. Furthermore, the results suggest that firms within this group are likely to deemphasize such things as product/ service quality control, operating efficiency, experienced trained personnel, customer service and new product service development.

The combination of these components suggest a competitive strategy where form may take precedence over substance. That is, where innovative marketing techniques and advertising are used to develop an image of uniqueness, but where the resulting product/ service may not live up to expectations due to a lack of emphasis on quality and cost control factors. The competitive strategy of the firms in cluster 3 has been identified as "Narrow-Focused Marketing Innovator" types.

Cluster 4 contained 13 firms. The mean score for Factor 1 was highest and the mean scores for both Factors 2 and 5 were lowest for this cluster. Factor 1 is a defender-like type of strategic orientation. Factor 2 represents a prospector/innovator type competitive strategy and Factor 5 a geographically oriented price leadership perspective. These results suggest that cluster 4 represents a strong broadly based defender/cost leadership type of competitive strategy with an aversion toward innovation. Cluster 4 has been labeled "Efficiency-Quality Controller" types.

There were only 5 firms that emerged as belonging to cluster 5. This group had the highest mean factor score on Factor 5 and the lowest scores on both Factors 3 and 4. The primary components in Factor 5 suggest an analyzer type of competitive strategy where the emphasis is on serving and becoming known in a limited geographic market. This competitive position appears to be supported by the low scores on Factors 3 and 4, deemphasizing both an internalized resource oriented perspective and attempts at unique marketing and advertising techniques. As a result, firms in cluster 5 have been identified as pursuing a "Geographic Focused/Price Leader" type of competitive strategy.

The Raw Data Approach:

As indicated earlier a clustering analysis was also performed using data directly from responses to the 26 items on the competitive strategy

instrument. The results of this analysis produced mean scores for each cluster on each of the 26 items in the instrument. This analysis was performed for each of 4, 5 and 6 cluster solutions.
in an approach similar to that used in analyzing the factor scores, high and low mean scores on each item were identified for each cluster. These high and low items were then compared to the a-priori analysis of the 26 competitive methods and strategic characteristics relative to their importance to Miles and Snow's (1978) typology (Table 4.5).

Appendix 4.7 contains the results of this analysis for each cluster solution. The 5 cluster solution again emerged as the most meaningful and resembled the five cluster solution obtained using factor scores. However, the strategic orientations of the groups obtained using all 26 items were not as clearly identifiable. If rotation could have been done on these clusters these results may have more closely matched the results from using rotated component scores.

As a result of these findings the analysis for the remainder of this study is based on the 5 strategic groups or clusters of firms that emerged using the factor scores obtained from the principle component analysis specifying a 5 factor solution.

Analysis of the Relationship between Competitive Strategy and Organizational Structure

Introduction:

Miles and Snow (1978) have hypothesized that it is not only possible to classify organizations according to their strategic orientations, but also to "predict with some reliability the structure and process characteristics associated with a chosen strategy." If Miles and Snow are correct it would be expected that significant difference in structure across strategy types would exist and that differences in structure dimensions would correspond to those specified by Miles and Snow.

In this study, hypotheses H_2, H_3 and H_4 address this issue. Each is stated in null form and essentially they respectively hypothesize no differences in the degree of specialization, formulization and centralization across strategic types.

Tests for Structural Differences Across Strategic Groups:

Table 4.9 summarizes the results of one way analysis of variance[1] tests on each of these three dimensions of structure. Scores for each of the three dimensions of structure were arrived at by adding the scores

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[1] It should be noted that a one way analysis of variance was also done using ranks obtained from the raw scores on each of the structural dimensions. The results were essentially the same as that obtained using the unranked data. A one way analysis of variance applied to ranks is approximately equivalent to the nonparametric Kruskal-Wallis K sample test (Conover, 1980; Conover and Iman, 1981).

Table 4.9

One Way Analysis of Variance Structure by
Type of Competitive Strategy

Dependent Variables: Centralization, Formalization, Specialization and Total Structure.

Independent Variables: Type of Competitive Strategy

Variable	dF	Mean Score	F Value	Pr>F	Contrast Tests: Mean	N	Cluster - (strategic group)[2]	Duncan[1]	Scheffe[1]
Centralization	4/94	15.22	0.57	0.6878	16.40	5	5	A	A
					15.39	13	4	A	A
					15.31	16	3	A	A
					15.28	32	1	A	A
					14.88	33	2	A	A
Formalization	4/95	14.04	4.21	0.0035*	15.21	33	2	A	A
					14.34	32	1	A B	A B
					13.41	17	3	A B	A B
					12.38	13	4	B C	A B
					10.80	5	5	C	B
Specialization	4/94	5.89	1.16	0.3336	6.23	13	4	A	A
					6.22	32	1	A	A
					5.79	33	2	A	A
					5.38	16	3	A	A
					5.20	5	5	A	A
Total Structure	4/93	35.30	1.45	0.2232	35.88	33	2	A	A
					35.84	32	1	A	A
					34.93	15	3	A B	A
					34.00	13	4	A B	A
					32.40	5	5	B	A

[1]Means with the same letter are not significantly different

[2]Strategic Groups
1 = Do It All Differentiation
2 = Internalized Resource
3 = Narrow Focused Marketing Innovators
4 = Efficiency/Quality Controllers
5 = Geographic Focused Price Leaders

of the individual questionnaire items used to measure them: centralization, items 1-4; formalization, items 5-8; and specialization, items 9-10. Table 4.9 also shows the results of a one way ANOVA when all three structural dimensions are combined (scores are added) to form a measure called Total Structure.

Both Duncan's Multiple range test, which controls the type I comparisonwise error rate and Scheffe's test, which controls the type I experimentwise error rate (Ott, 1977) were used to determine if the means of the structure measures for each strategic group were significantly different.

No significant differences in the degree of centralization and the degree of specialization were found across all five strategic types. Significant differences, however, were found with respect to the degree of formalization.

Duncan's multiple range test reveals that organizations classified as Internalized Resource types (cluster #2) had a significantly higher degree of formulation then organizations classified as Efficiency/Quality Controllers (cluster #4) and organizations classified as Geographic Focused Price Leaders (cluster #5). However, the degree of formalization for Internalized Resource types (cluster #2) was not significantly different both Do-It-All Differentiation types (cluster #1) and Narrow Focused Marketing Innovator types (cluster #3).

Scheffe's comparison test, a more conservative approach, supports a significant difference between Internalized Resource types (cluster #2) and Geographic Focused Price Leader types (cluster #5) only.

Using the combined measure, total structure, no significant differences in the degree of structure are evident across all five strategic types. Duncan's test, however, does suggest that Resource Controller types (cluster #2) and Do-It-All Differentiation types (cluster #1) are significantly different from Geographic Focused Price Leader types (cluster #5).

In Chapter 2, Table 2.1 the structural characteristics associated with Miles and Snow's prospector and defender types are delineated. According to Miles and Snow organizations that pursue a defender like competitive strategy would be expected to have a higher degree of structure than organizations that pursue a prospector like competitive strategy.

It had been noted earlier that Do-It-All Differentiation types (cluster #1) had "prospector" like characteristics and that Efficiency/ Quality Controller types (cluster #4) had strong "defender" like characteristics. As such, according to Miles and Snow's hypotheses one might expect to find significant structural differences between these two strategic profiles

These findings (see Table 4.10) reveal that there are no significant differences in the degree of centralization, specialization and total

Table 4.10

Mean Structure Dimension Scores
For Do it All Differentiation and
Efficiency/Quality Controller Groups

	Mean structure dimension scores	
	Do it all Diff.	Eff./Quality Control.
Centralization	15.28	15.39
Formalization*	14.34	12.38
Specialization	6.22	6.23
Total Structure	35.84	34.00

*Difference is significant.

structure between Do-It-All Differentiation types and Efficiency/Quality Controller types. Furthermore, the significant difference that was revealed in the degree of formalization between these two strategic types resulted in a higher degree of formalization for Do-It-All Differentiation types (cluster #1). The reverse of what might have been expected.

These findings do not tend to support the hypothesis that the structural dimensions of organizations can be determined from their strategic orientations. In the one dimension, formalization where significant differences were found the direction of these differences were opposite of that which would be expected based on Miles and Snow's perspectives. These results do not support the hypothesis that organization structure can be predicted from competitive strategy.

Tests for structural differences controlling for size:

Organization size has been found to be linked to organization structure in a number of studies (Hickson, et al, 1969; Blau et al, 1976; Ford and Slocum, 1977). Log transformations of organization size as determined by the total number of people in the organization was used as a control variable in reanalyzing the relationships among competitive strategy and organizational structure.

Table 4.11 summarizes the results of the tests required in the use of

Table 4.11

Analysis of Covariance
Total Structure by Competitive Strategy, Controlling for Organizational Size

Test for interaction:

Source	DF	Type I SS	F	PR>F
L Size	1	7.98	0.54	0.4645
Cluster	4	60.66	1.03	0.3987
L Size * Cluster	4	76.94	1.30	0.2762

L Size * Cluster not significant, therefore no interaction

Test if Covariate contributes to error reduction:

Source	DF	Type II SS	F	PR>F
L Size	1	1.49	0.10	0.7533
Cluster	4	60.66	1.01	0.4056

L Size is not significant and therefore is not helping to reduce variability

Test of comparison of adjusted means:

Cluster	Adjusted means
1	35.70
2	35.89
3	34.96
4	34.65
5	32.45

As in the one way analysis of variance test, because L Size did not help to reduce variability, there are no significant differences in adjusted cluster means.

analysis of covariance.[2] Results of the first test H_o: $B_1=B_2$, indicates no interaction between competitive strategy and the covariate log size. Secondly, given that there is no interaction, does the covariate reduce the amount of error variance? The test of H_o: $B_1=0$, if rejected, indicates that there is a relationship and the covariate does reduce error variance. However, these results indicate that H_o: $B_1=0$ cannot be rejected. Therefore log size does not help to reduce variability in structure across competitive strategy types.

These tests indicated that organizational size does not materially effect the relationship between competitive strategy and organizational structure. Essentially results obtained when controlling for size were not different from results obtained without the control variable.

Analysis of Relationships Between Competitive Strategy and Performance

The Fifth hypothesis to be tested is:

H_5: There are no differences in the performance of organizations that are classified according to their strategic group memberships.

Using one way analysis of variance[3] an F value was calculated for each of the five performance measures used in this study. Table 4.12 summarizes the results of this analysis.

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[2]These tests were also done using ranks. The results were essentially the same as those obtained using the unranked data.

[3]These tests were also done using ranks. The results were essentially the same as those obtained by using the unranked data.

Table 4.12

One Way Analysis of Variance: Performance by Type of Competitive Strategy

Variable	dF	Mean Score	F Value	Pr>F	Contrast Tests: Mean	N	Cluster - (strategic group)[2]	Duncan[1]	Scheffe[1]
% Change in Total Revenue vs. Lodging Industry	4/94	4.00	1.28	0.2823	4.33	12	4	A	A
					4.20	5	5	A	A
					4.13	31	1	A	A
					3.82	17	3	A	A
					3.80	30	2	A	A
% Change in Total Revenue vs. Segment of Lodging Industry	4/89	3.88	0.77	0.5462	4.20	5	5	A	A
					4.08	12	4	A	A
					4.00	31	1	A	A
					3.72	29	2	A	A
					3.71	17	3	A	A
% Operating Profit vs. Lodging Industry	4/86	3.57	1.01	0.4034	3.82	11	4	A	A
					3.74	31	1	A	A
					3.55	29	2	A	A
					3.50	4	5	A	A
					3.13	16	3	A	A
% Operating Profit vs. Segment of Lodging Industry	4/85	3.40	1.22	0.3093	3.68	31	1	A	A
					3.45	11	4	A	A
					3.39	28	2	A	A
					3.00	4	5	A	A
					2.94	16	3	A	A
Combined[3] Performance Score	4/84	14.76	1.44	0.2275	15.73	11	4	A	A
					15.55	31	1	A	A
					15.00	4	5	A	A
					14.19	27	2	A	A
					13.50	16	3	A	A

[1]Means with the same letter are not significantly different

[2]Strategic Groups
1 = Do It All Differentiation
2 = Internalized Resource
3 = Narrow Focused Marketing Innovators
4 = Efficiency/Quality Controllers
5 = Geographic Focused Price Leaders

[3]Combined performance score is the sum of the scores of the other four performance measures.

These findings reveal that there are no statistically significant differences in the mean performance of organizations grouped according to their competitive strategies. This finding was particularly interesting as it was anticipated that different competitive strategies might result in different levels of performance. More particularly it was anticipated that organizations having strategic profiles similar to defenders, prospectors and analyzers would have higher levels of performance. This was not supported by the results. The mean performance scores on all performance measures were not significantly different for any of the five competitive strategy groups.

Analysis of the Effect of a Strategy/Structure Match on Performance

Strategy researchers have tended to agree that a viable strategy alone is insufficient to assure the likelihood of high levels of performance. The appropriate strategy must be "matched" by an appropriate organizational structure. Miles and Snow (1978) specify both the strategic characteristics and structural dimensions associated with different competitive strategies. Essentially they hypothesize that prospector type competitive strategies require a low degree of structure and defender type competitive strategies require a high degree of structure.

Hypothesis six was derived to test this proposition:

H_6: Organizations that achieve a strategy structure match will have higher levels of performance than all other organizations.

In order to test this hypothesis the distribution of structure scores for all organizations in the study were first analyzed. Table 4.13 summarizes this analysis. Total structure scores ranged from a high of 45 to a low of 27. The box plot (Tukey, 1977) in the table sets out the 25th, 50th and 75th percentiles of this distribution (i.e., the lower hinge represents the 25th percentile, the middle hinge the 50th percentile or median and the upper hinge the 75th percentile).

Organizations below the 25th percentile were classified as having the relatively low structure within the lodging industry (i.e., scores equal to or less than 32). Organizations above the 75th percentile were classified as having a relatively high structure within the lodging industry (i.e., scores equal to or greater than 38).

Based on this distribution, organizations having a strategy/structure match were grouped and their performance was compared to the no match group and to all other organizations in the study. Organizations in the match group were Do-It-All Differentiation types (cluster #1) that had a low degree of structure and Efficiency/Quality Controllers (cluster #4) that had a high degree of structure. Organizations in the no match group were those that had the opposite structure to the match group.

The justification for this choice of the "match" group comes from Miles and Snow's perspectives. Do-It-All Differentiation types have

Table 4.13

DISTRIBUTION OF TSTRUCT

```
STEM LEAF                    #       BOXPLOT
  45 00                      2          |
  44 00                      2          |
  43 0                       1          |
  42                                    |
  41                                    |
  40 0000000                 7          |
  39 0000000                 7          |
  38 000000000000           12       +-----+
  37 0000000                 7       |     |
  36 00000000000            11       |     |
  35 0000000000             10       *--+--*
  34 000                     3       |     |
  33 00000000                8       |     |
  32 000000000000           12       +-----+
  31 000                     3          |
  30 000000                  6          |
  29 000000                  6          |
  28                                    |
  27 0                       1          |
  26
     ----+----+----+----+
```

NORMAL PROBABILITY PLOT

```
45.5+                                                                  *****
    |                                                                **   ++
    |                                                               *   ++
    |                                                                ++
    |                                                            +++
    |                                                         *****
    |                                                      ***+
    |                                                   ****+
    |                                                 **++
    |                                              ***++
    |                                            **++
    |                                           *++
    |                                        **
    |                                   *****
    |                                 *++
    |                            ****
    |                     *******+
    |                        ++
    |*                    +++
26.5++
      +----+----+----+----+----+----+----+----+----+----+
          -2        -1        +0        +1        +2
```

FREQUENCY TABLE

VALUE	COUNT	PERCENTS CELL	PERCENTS CUM	VALUE	COUNT	PERCENTS CELL	PERCENTS CUM	VALUE	COUNT	PERCENTS CELL	PERCENTS CUM
27	1	1.0	1.0	34	3	3.1	39.8	40	7	7.1	94.9
29	6	6.1	7.1	35	10	10.2	50.0	43	1	1.0	95.9
30	6	6.1	13.3	36	11	11.2	61.2	44	2	2.0	98.0
31	3	3.1	16.3	37	7	7.1	68.4	45	2	2.0	100.0
32	12	12.2	28.6	38	12	12.2	80.6				
33	8	8.2	36.7	39	7	7.1	87.8				

distinct prospector characteristics and therefore, according to Miles and Snow, would require a low degree of structure to achieve high performance. Efficiency/Quality Controllers are defender like and a high degree of structure is prescribed.

Subsequently T-tests were conducted to compare the performance scores of the group of organizations that had achieved a strategy structure match with the no match group and with all other organizations. Table 4.14 and 4.14A summarizes these results. The mean performance score for all five measures of performance was higher for the group of organizations where a strategy/structure match was achieved. Three of these measures were significant at less than the .10 level and one measure was just above the .10 level. One measure was significant at less than the .05 level.

These results indicate strong support for hypothesis six. The findings suggest that different competitive strategies require different degrees of structure to achieve high performance results. Where competitive strategy and organization structure are matched, organization performance is likely to be significantly higher.

Table 4.15 (A-E) are box plots of each of the performance measures for the match and no match groups. These graphic representations of the data (the + indicates the group mean, the lower hinge is the 25th percentile, the middle hinge is the 50th percentile or median and the upper hinge is the 75th percentile) illuminate further the results of the T-tests. The match group clearly tends toward high performance levels than the no match group, on all performance measures. The plot for the

Table 4.14

T-test of Performance Means for Strategy/Structure "Match" Organizations vs. "No Match" Organizations

Performance Measure	Group	N	Mean	dF	Prob > T (one tailed)
% change in revenue vs. lodging industry	no match	19	3.89		
	match	12	4.41	29	.0443**
% change in revenue vs. segment of lodging industry	no match	19	3.68		
	match	12	4.25	29	.0591*
% operating profit vs. lodging industry	no match	19	3.58		
	match	11	3.91	28	.1935
% operating profit vs. segment of lodging industry	no match	19	3.58		
	match	11	3.55	28	.4680
combined performance score (1)	no match	19	14.74		
	match	11	16.18	28	.1297

** significance at less than .05
* significance at less than .10

(1) Combined performance score is the sum of the scores of the other four performance scores.

Table 4.14A

T-test of Performance Means for Strategy/Structure "Match" Organizations vs. All Other Organizations "No Match"

Performance Measure	Group	N	Mean	dF	Prob > T (one tailed)
% change in revenue vs. lodging industry	no match	83	3.93		
	match	12	4.42	93	.0367**
% change in revenue vs. segment of lodging industry	no match	82	3.82		
	match	12	4.25	92	.0712*
% operating profit vs. lodging industry	no match	80	3.56		
	match	11	3.91	89	.1370
% operating profit vs. segment of lodging industry	no match	79	3.38		
	match	11	3.54	88	.3297
combined performance score (1)	no match	78	14.56		
	match	11	16.18	87	.0683*

** significance at less than .05
* significance at less than .10

(1) Combined performance score is the sum of the scores of the other four performance scores.

Table 4.15 (A-E)

Box Plots of Performance Scores
For Strategy/Structure Match vs.All Other Organizations

Key to Performance Variables:

C1 - % change in revenue vs. lodging industry
C3 - % change in revenue vs. segment of lodging industry
C4 - % operating profit vs. lodging industry
C5 - % operating profit vs. segment of lodging industry
C6 - Combined performance score

Table 4.15A

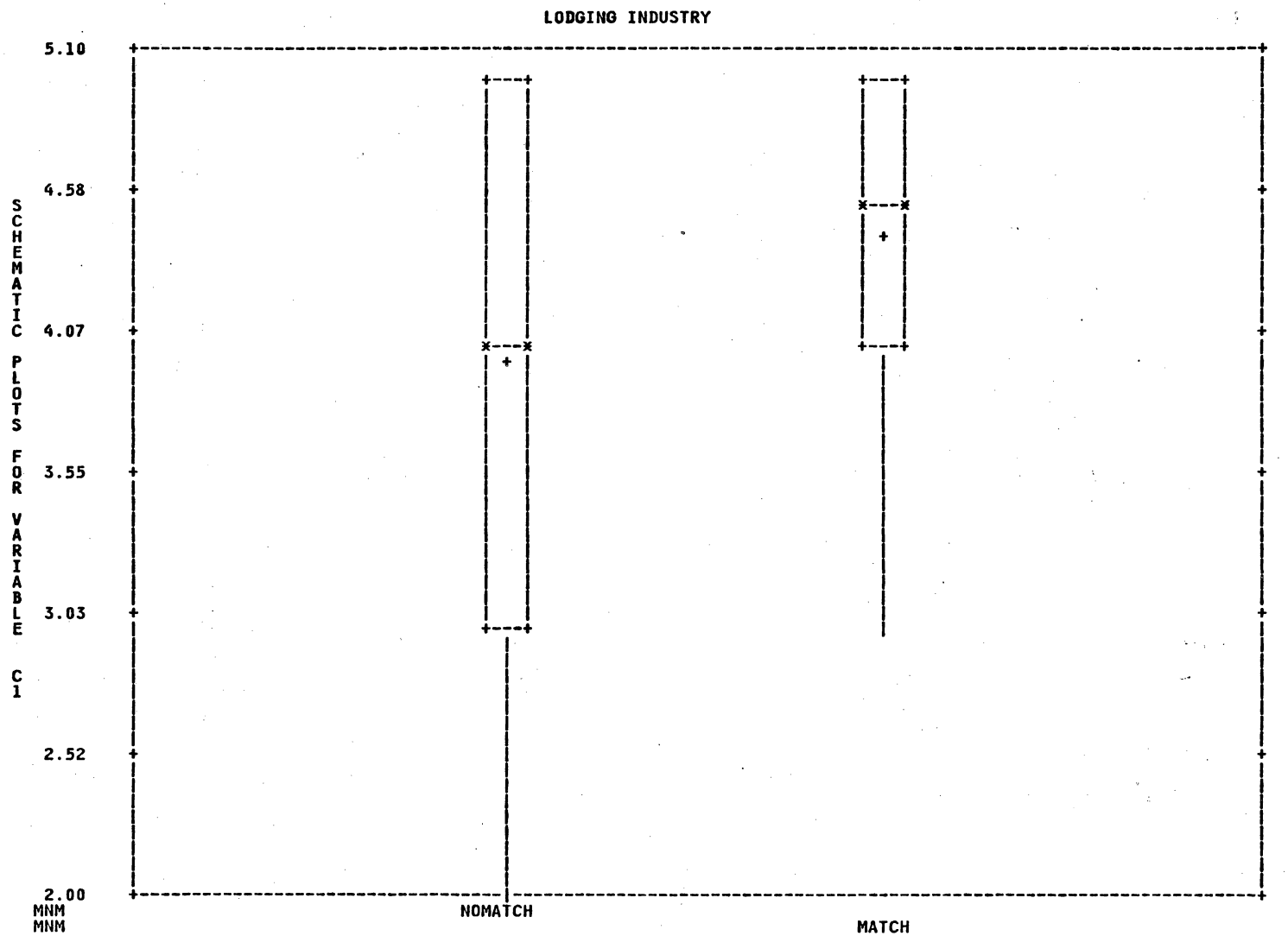

LODGING INDUSTRY
SCHEMATIC PLOTS FOR VARIABLE C1
5.10
4.58
4.07
3.55
3.03
2.52
2.00
MNM
MNM
NOMATCH
MATCH

Table 4.15B

LODGING INDUSTRY

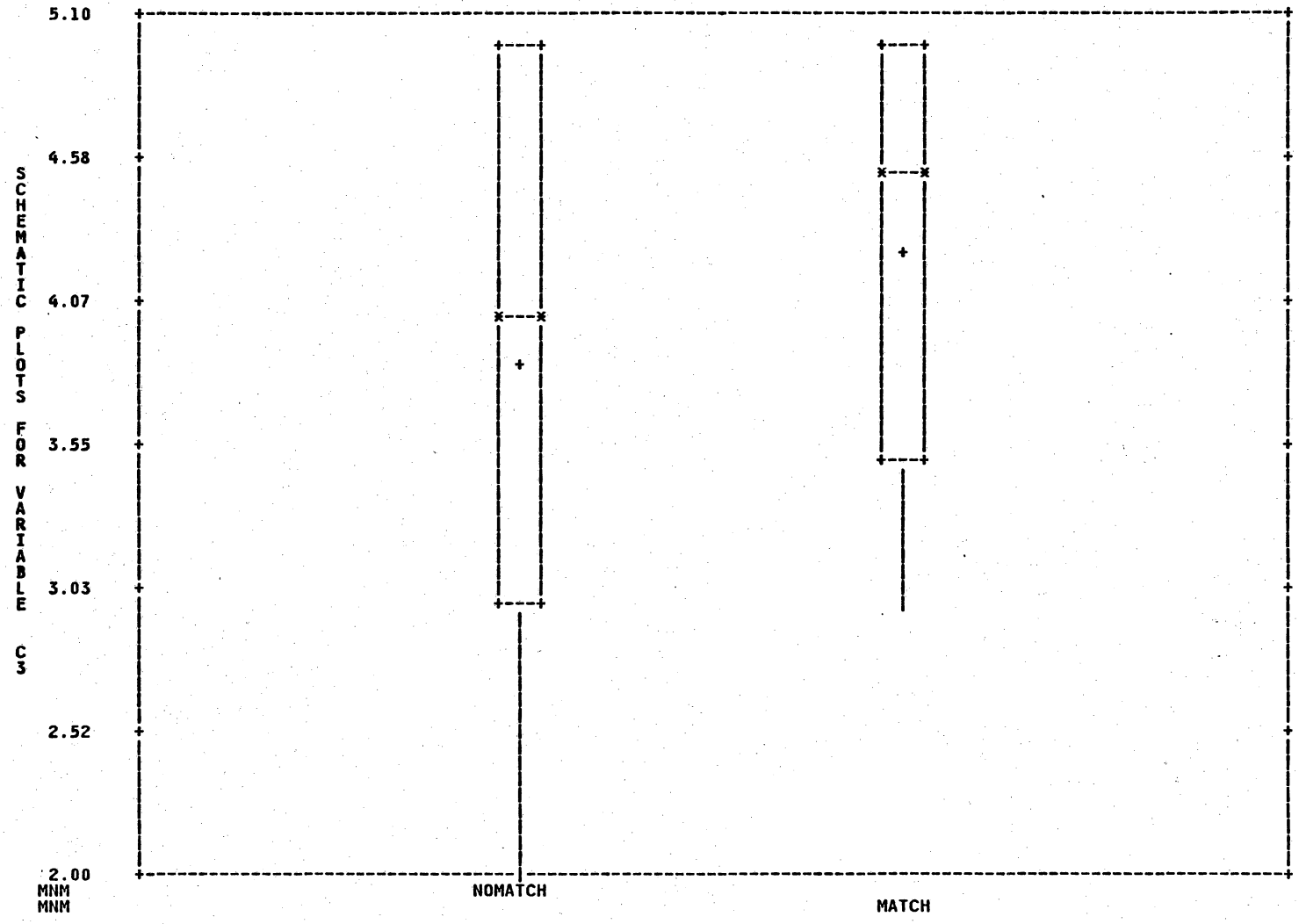


Table 4.15C

LODGING INDUSTRY

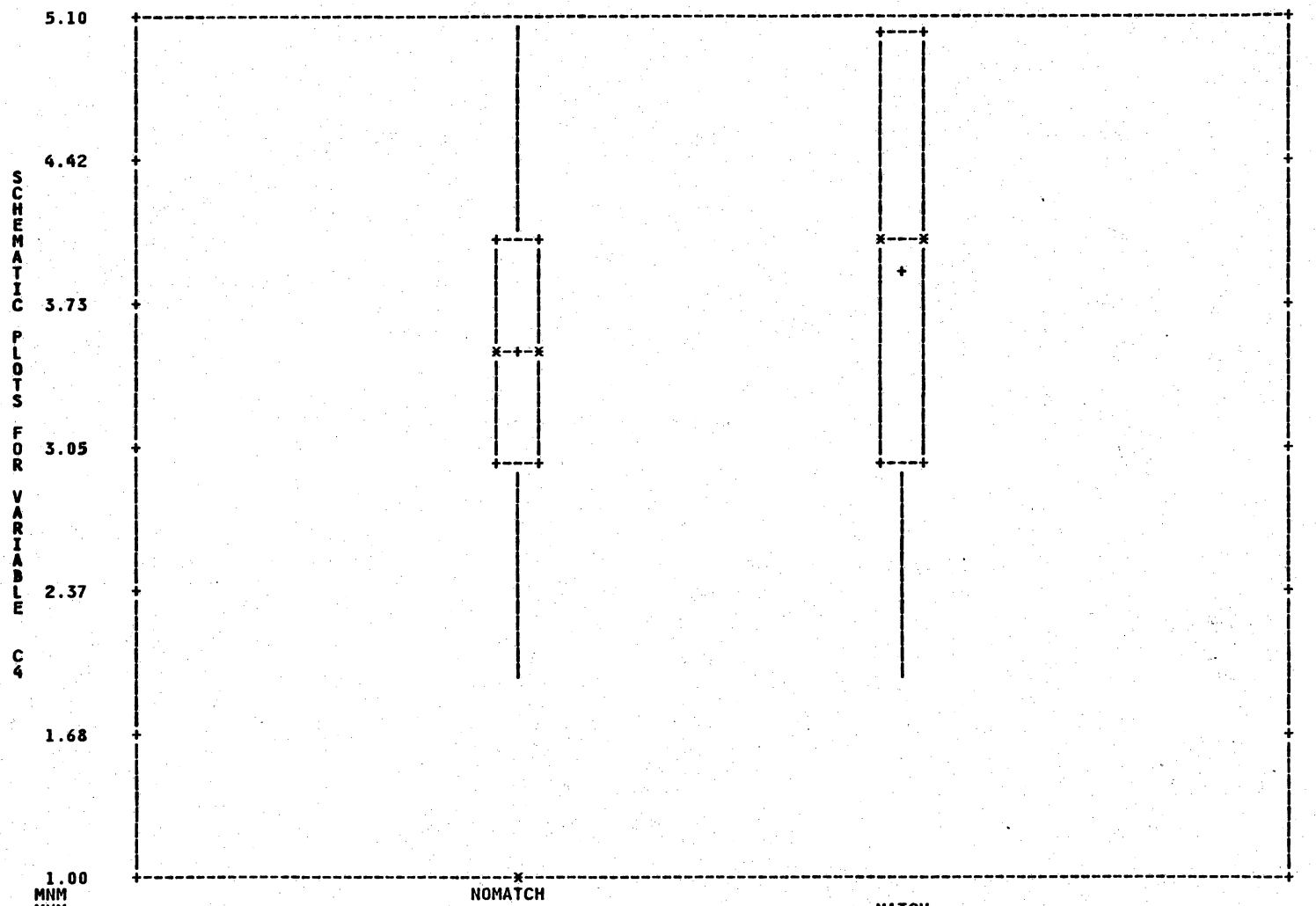


Table 4.15D

LODGING INDUSTRY

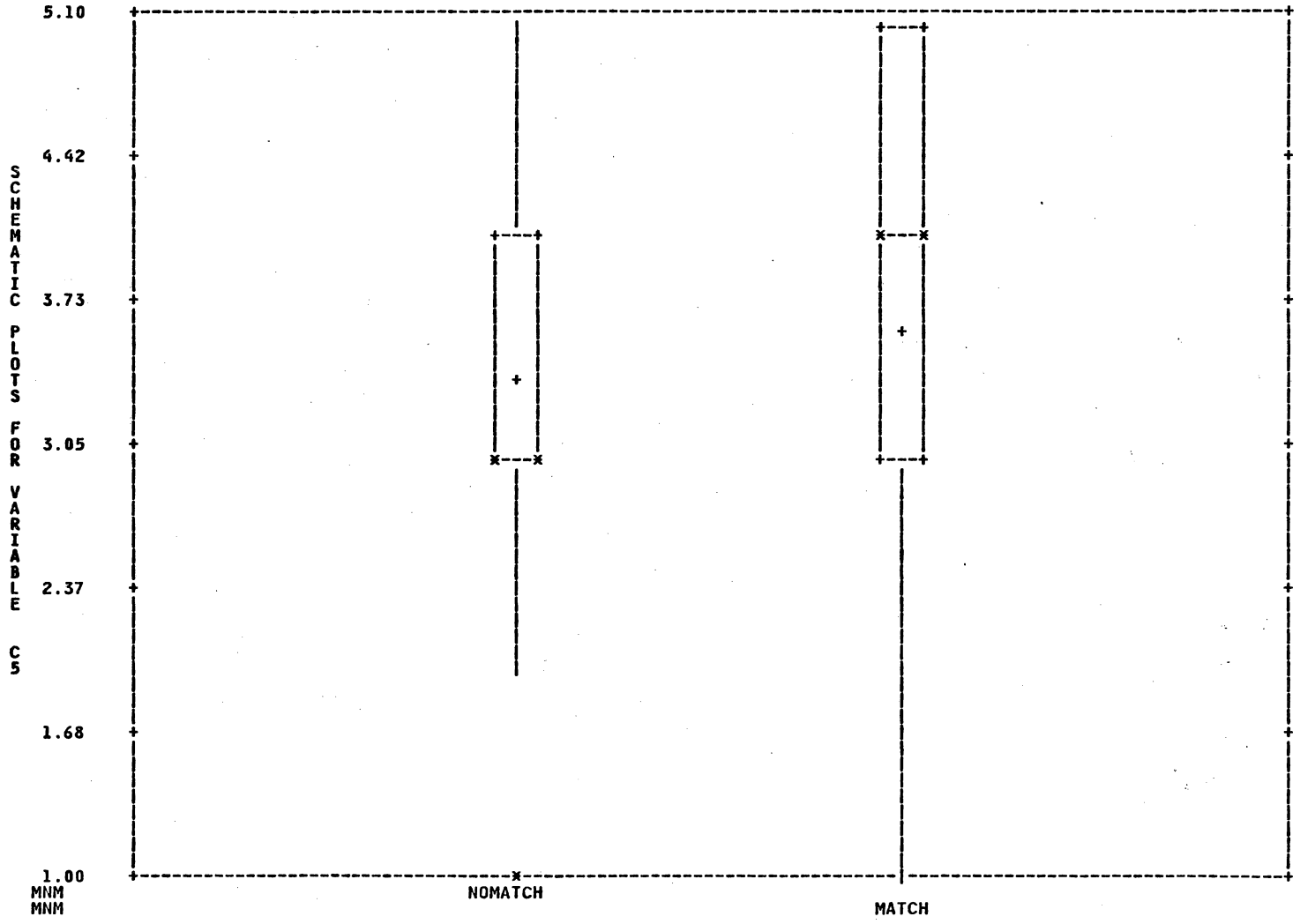
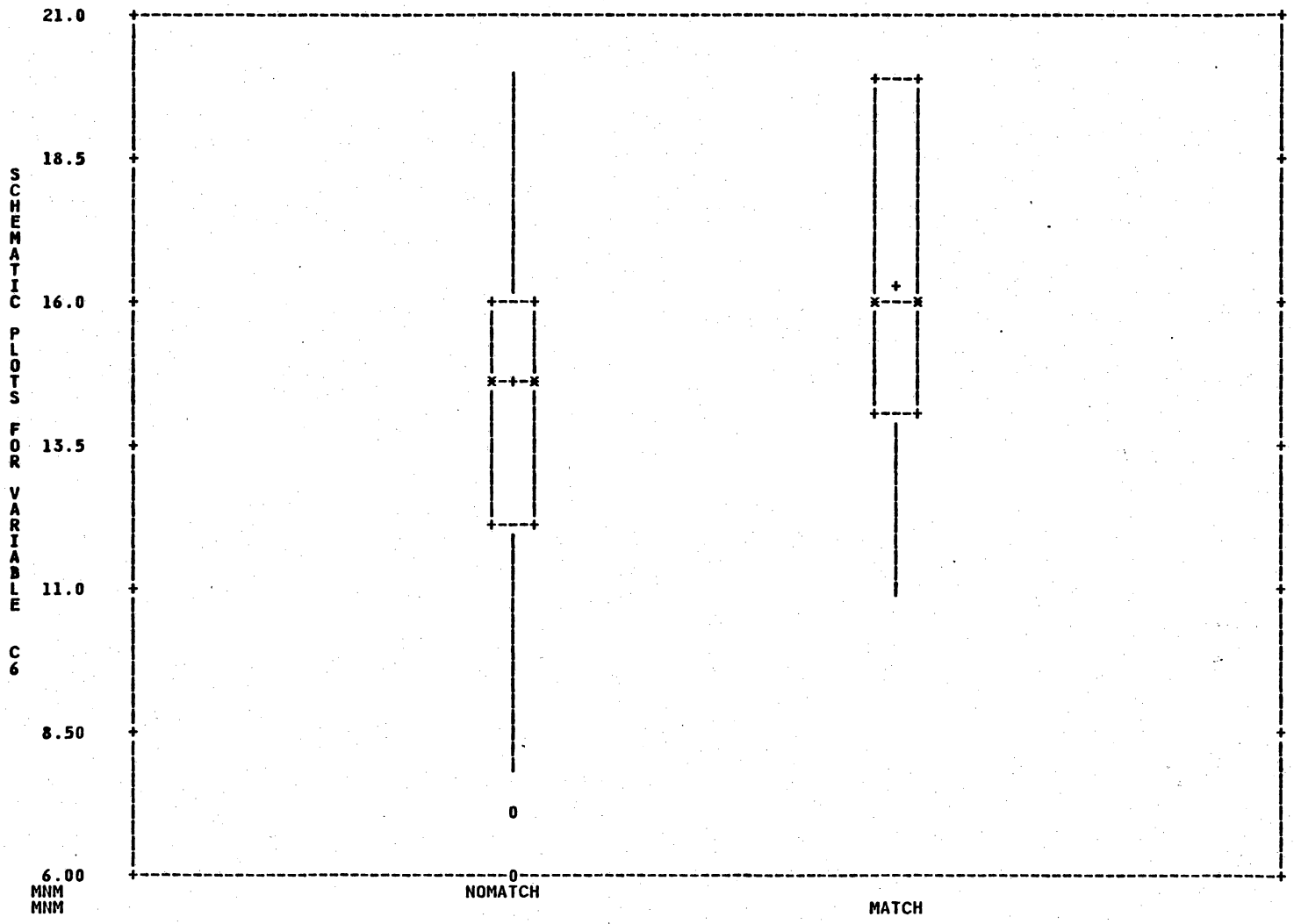


Table 4.15E

LODGING INDUSTRY



combined performance measure clearly reveals that 50% of the organizations in the match group have a score of above 16.00 whereas only about 25% of the no match group achieve this level or above.

One may question these conclusions pointing out that the "match" group contained only two of the five strategic profiles. All other organizations including all organizations classified as Internalized Resource types, Narrow Focused Marketing Innovator types, and Geographic Focused Price Leader types were classified in the "no match" group. Is it not possible that organizations in those other strategic profiles may also have achieved a strategy/structure match? The answer is yes! It is entirely possible, and indeed likely that this is the case.

Why then did the "match" group not include these organizations and how does this fact affect the findings? The reason other strategy profiles were not included in the "match" group is simply because the "appropriate" structural configuration could not be specified for these other strategic profiles. Miles and Snow only clearly specify the structural configuration for their "prospector" and "defender" types. Only the Efficiency/Quality Controller types and Do-It-All Differentiation types found in this study had similar characteristics to "defenders" and "prospectors".

The effect of this decision is viewed as enhancing the findings of the T-test and box plots. This is so simply because the "no match" group is likely, because of the selection decisions used, to contain organi-

zations that are likely to have achieved a strategy/structure match. Therefore, the mean performance scores of the "no match" group would tend to be somewhat inflated, making it even more difficult to detect significant differences. Thus, the effect of the strategy structure "match" would need to be particularly strong in order to produce the significant differences that were found.

The findings tend to confirm that a viable competitive strategy alone is insufficient to assure that high levels of performance will be likely. The choice of a viable competitive strategy also requires the choice of a correct (i.e., "matching") organizational structure in order to enhance the likeliness of high levels of organizational performance.

Industry Segment Analysis

Introduction:

As a further means of controlling for environmental effects, the lodging industry and consequently the respondents in this study, have been segmented into four industry groupings based on the nature of the facilities offered and the type of market served: transient hotels, resort hotels, motels with restaurants and motels without restaurants. These categories represent unique subsegments of the overall industry environment.

Statistical analysis of respondent data has been completed within each of these four industry segments in much the same manner as for the

overall industry. The following sections report the results of this phase of the analysis.

Competitive strategy types by industry segment:

In this initial step of the analysis of industry segments the issue of the distribution of competitive strategy types within industry segments was addressed. To accomplish this a chi-square goodness of fit test was used (Ott, 1977). The results of this test are shown in Table 4.16. This analysis indicates that the proportion of firms pursuing different types of competitive strategies is significantly different within industry segments than for the industry as a whole (chi-sq = 25.668, DF = 12, Prob = 0.0120).

The largest proportion of firms competing in segment 1 (transient hotels) tend to be classified as Do-It-All Differentiation types 46.88% (vs. 32.63% for the overall industry). Whereas only a small proportion of the firms in this segment tend to pursue either an Efficiency/Quality Control (6.25%) or a Geographic Focused Cost Leadership (3.13%) (vs. 12.63% and 5.26% respectively for the overall industry) type of competitive strategy profile.

Firms competing in segment 2 (resort hotels) are almost evenly split between Do-It-All Differentiation types (40.00%) and Internalized Resource (46.67%) (vs. 32.63% and 31.58% respectively for the overall industry).

Table 4.16

Chi-Square Goodness of Fit Test

CHI SQUARE/STRATEGY BY INDUSTRY SEG.

TABLE OF CLUSTER BY C2

CLUSTER C2 SEG OF IND IN WHICH ORG PRIM COMPETES

FREQUENCY PERCENT ROW PCT COL PCT	1	2	3	4	TOTAL
1	15 15.79 48.39 46.88	6 6.32 19.35 40.00	9 9.47 29.03 33.33	1 1.05 3.23 4.76	31 32.63
2	9 9.47 30.00 28.13	7 7.37 23.33 46.67	10 10.53 33.33 37.04	4 4.21 13.33 19.05	30 31.58
3	5 5.26 29.41 15.63	0 0.00 0.00 0.00	5 5.26 29.41 18.52	7 7.37 41.18 33.33	17 17.89
4	2 2.11 16.67 6.25	1 1.05 8.33 6.67	2 2.11 16.67 7.41	7 7.37 58.33 33.33	12 12.63
5	1 1.05 20.00 3.13	1 1.05 20.00 6.67	1 1.05 20.00 3.70	2 2.11 40.00 9.52	5 5.26
TOTAL	32 33.68	15 15.79	27 28.42	21 22.11	95 100.00

STATISTICS FOR 2-WAY TABLES

CHI-SQUARE	25.668	DF= 12	PROB=0.0120
PHI	0.520		
CONTINGENCY COEFFICIENT	0.461		
CRAMER'S V	0.300		
LIKELIHOOD RATIO CHISQUARE	28.522	DF= 12	PROB=0.0046

The strategic profiles of firms competing in segment 3 (motels with restaurants) closely resembles the overall industry distribution and are concentrated within three strategic profiles: Do-It-All Differentiation types make up 33.33% (vs. 32.63 for the overall industry); Internalized Resource types represent 37.04% of the firms in this segment (vs. 31.58% for the overall industry); Narrow Focused Marketing Innovator types account for 18.52% (vs. 17.89% for the overall industry).

Industry segment 4 (motels without restaurants) firms are concentrated in three strategic types; Narrow Focused Marketing Innovators and Efficiency/Quality Controllers both represent 33.33% of the firms in this segment (vs. 17.89% and 12.63% respectively for the overall industry) and Internalized Resource types account for 19.05% (vs. 31.58% for the overall industry).

These findings indicate that the popularity of the five competitive strategies identified in this study is not consistent across industry segments. Different proportions of these strategic profiles are found in different industry segments.

Organization Structure by Industry Segment:

Organization structure by industry segment was analyzed by means of a one way ANOVA. The three dimensions of structure used in this study, the degree of centralization, formalization and specialization plus total structure were each individually analyzed across each of the four industry segments. Table 4.17 summarizes the results of this analysis

Table 4.17

One Way Analysis of Variance: Structure by Industry Segment

Variable	dF	Mean Score	F Value	Pr>F	Contrast Tests				
					Mean	N	segment[2]	Duncan[1]	Scheffe[1]
Centralization	3/90	15.22	3.83	0.0125*	16.40	15	2	A	A
					15.74	27	3	A B	A B
					14.75	20	4	B	A B
					14.53	32	1	B	B
Formalization	3/91	14.09	0.62	0.6072	14.52	27	3	A	A
					14.28	32	1	A	A
					13.93	15	2	A	A
					13.38	21	4	A	A
Specialization	3/90	5.94	0.98	0.4093	6.19	31	1	A	A
					6.09	21	4	A	A
					5.81	27	3	A	A
					5.40	15	2	A	A
Total Structure	3/89	35.41	0.64	0.5933	36.07	27	3	A	A
					35.73	15	2	A	A
					35.23	31	1	A	A
					34.55	20	4	A	A

* Statistically significant

[1]Means with the same letter are not significantly different

[2]Industry Segment 1 = Transient Hotels
2 = Resort Hotels
3 = Motels with Restaurants
4 = Motels without Restaurants

No significant differences in the degree of formalization, specialization and total structure were found across all four industry segments. However, highly significant differences are indicated relative to the degree of centralization across the four industry segments.

Duncan's test indicates that organizations that operate resort hotels and organizations that operate motels with restaurants have a significantly higher degree of centralization than organizations that operate motels without restaurants and organizations that operate transient hotels. Scheffe' test, a more conservative analysis, confirms a significant difference between resort hotel operators and transient hotel operators.

These findings indicate that environment as determined by the segment of the industry in which a firm competes appears to be related to at least one dimension of organization structure. The degree of centralization (of decision making authority) is significantly higher in some industry segments than in others.

Competitive Strategy, Organization Structure and Performance within Industry Segments

Introduction:

This part of the study was conducted in two phases for each segment of the industry. First, as for the industry as a whole, the performance of organizations grouped according to their competitive strategies was

analyzed for each segment of the industry. This was accomplished through series of one way analysis of variance tests of performance scores by competitive strategy types for each industry segment. In addition, a series of box plots (Tukey, 1977) provide a graphic representation of the distribution of the performance scores by competitive strategy type for each industry segment.

Subsequently, within each industry segment organizations pursuing predominant competitive strategies were linked with either a high or low degree of structure and a strategy/structure "match" group was identified. The mean performance scores of this group was then compared to the mean performance scores of all other organizations within the particular segment. This second group was identified as the "no match" group.

T-tests on the performance means of the match vs. the "no match" groups were then performed. In addition, a series of box plots were generated revealing the distribution of performance scores for the match and no match groups.

Segment 1 - Transient Hotels:

Performance by type of competitive strategy

Table 4.18 summarizes the results of a one way analysis of variance of the mean performance scores for each type of competitive strategy profile within this segment of the industry. No significant differences were detected in the mean performance scores of the competitive strategy types in the transient hotels segment of the lodging industry.

Table 4.18

Transient Hotels, One Way Analysis of Variance: Performance by Competitive Strategy Type

Variable	dF	Mean Score	F Value	Pr>F	Contrast Tests Mean	N	Cluster - (strategic group)[2]	Duncan[1]
% Change in Total Revenue vs. Lodging Industry	4/27	3.88	0.75	0.5679	4.07	15	1	A
					4.00	5	3	A
					4.00	2	4	A
					3.56	9	2	A
					3.00	1	5	A
% Change in Total Revenue vs. Segment of Lodging Industry	4/26	3.65	0.62	0.6556	3.87	15	1	A
					3.80	5	3	A
					3.38	8	2	A
					3.00	2	4	A
					3.00	1	5	A
% Operating Profit vs. Lodging Industry	4/27	3.56	0.43	0.7880	3.78	9	2	A
					3.60	15	1	A
					3.50	2	4	A
					3.20	5	3	A
					3.00	1	5	A
% Operating Profit vs. Segment of Lodging Industry	4/27	3.50	0.28	0.8862	3.66	9	2	A
					3.53	15	1	A
					3.53	2	4	A
					3.20	5	3	A
					3.00	1	5	A
Combined[3] Performance Score	4/26	14.48	0.35	0.8449	15.07	15	1	A
					14.20	5	3	A
					14.00	8	2	A
					14.00	2	4	A
					12.00	1	5	A

[1]Means with the same letter are not significantly different

[2]Strategic Groups
1 = Do It All Differentiation
2 = Internalized Resource
3 = Narrow Focused Marketing Innovators
4 = Efficiency/Quality Controllers
5 = Geographic Focused Price Leaders

[3]Combined performance score is the sum of the scores of the other four performance measures.

The predominant competitive strategy type for this segment appears to be the Do-It-All Differentiation group (cluster #1). Forty seven percent of the organizations in this industry segment were included in this competitive strategy type. The mean performance scores for this group was highest for three of the five performance measures including the combined performance score. Scores for this group were second highest on the other two performance measures.

Tables 4.19 (A-E) are box plots of each of the performance measures for each type of competitive strategy. These graphic representations of the data indicate that a higher proportion of organizations that are categorized as Do-It-All Differentiation types tend to have higher levels of performance than do organizations that are included in the other competitive strategy categories (see Table 4.19 A, B, and E).

Performance of strategy/structure match vs. no match:

Table 4.20 summarizes the results of the T-tests on the mean performance scores for strategy/structure match group vs. all other organizations in the transient hotel segment. The strategy/structure match group consists of those organizations that are categorized as Do-It-All Differentiation types and have a low degree of structure, in accord with the framework as specified by Miles and Snow. Efficiency/ Quality Controller types were not used in the "match" group because there were only two organizations within this segment that were classified into

Table 4.19 (A-E)

Transient Hotels
Box Plots of Performance Measures by
Type of Competitive Strategy

Key to Competitive Strategy Types:

TRHOT1 - "Do It All Differentiation"
TRHOT2 - "Internalized Resource Controller"
TRHOT3 - "Narrow Focused Marketing Innovator"
TRHOT4 - "Efficiency/Quality Controller"
TRHOT5 - "Geographic Focused Price Leader"

Key to Performance Variables:

C1 - % change in revenue vs. lodging industry
C3 - % change in revenue vs. segment of lodging industry
C4 - % operating profit vs. lodging industry
C5 - % operating profit vs. segment of lodging industry
C6 - Combined performance score

Table 4.19A

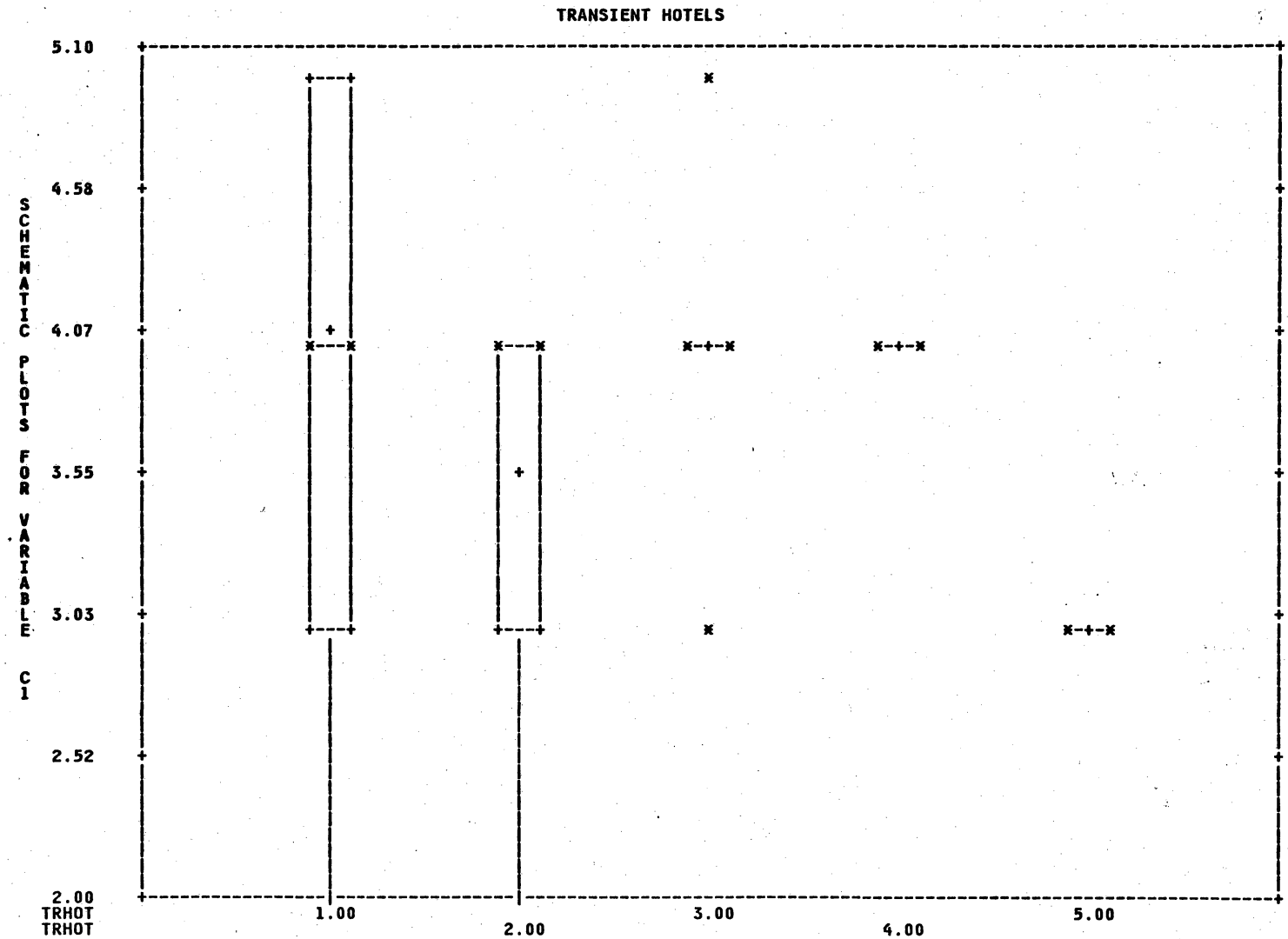

TRANSIENT HOTELS
SCHEMATIC PLOTS FOR VARIABLE C1
5.10
4.58
4.07
3.55
3.03
2.52
2.00
TRHOT
TRHOT
1.00
2.00
3.00
4.00
5.00

Table 4.19B

TRANSIENT HOTELS

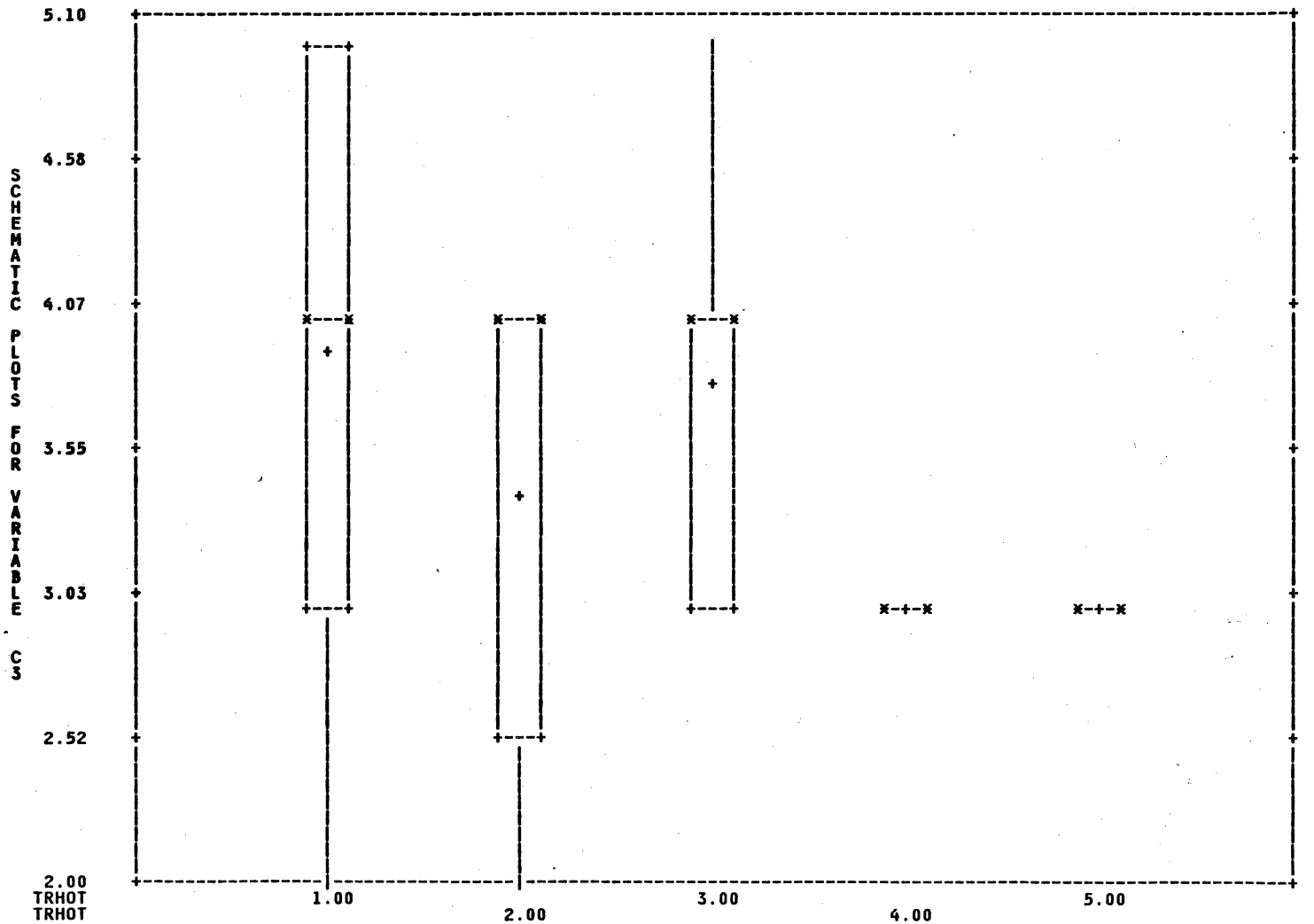


Table 4.19C

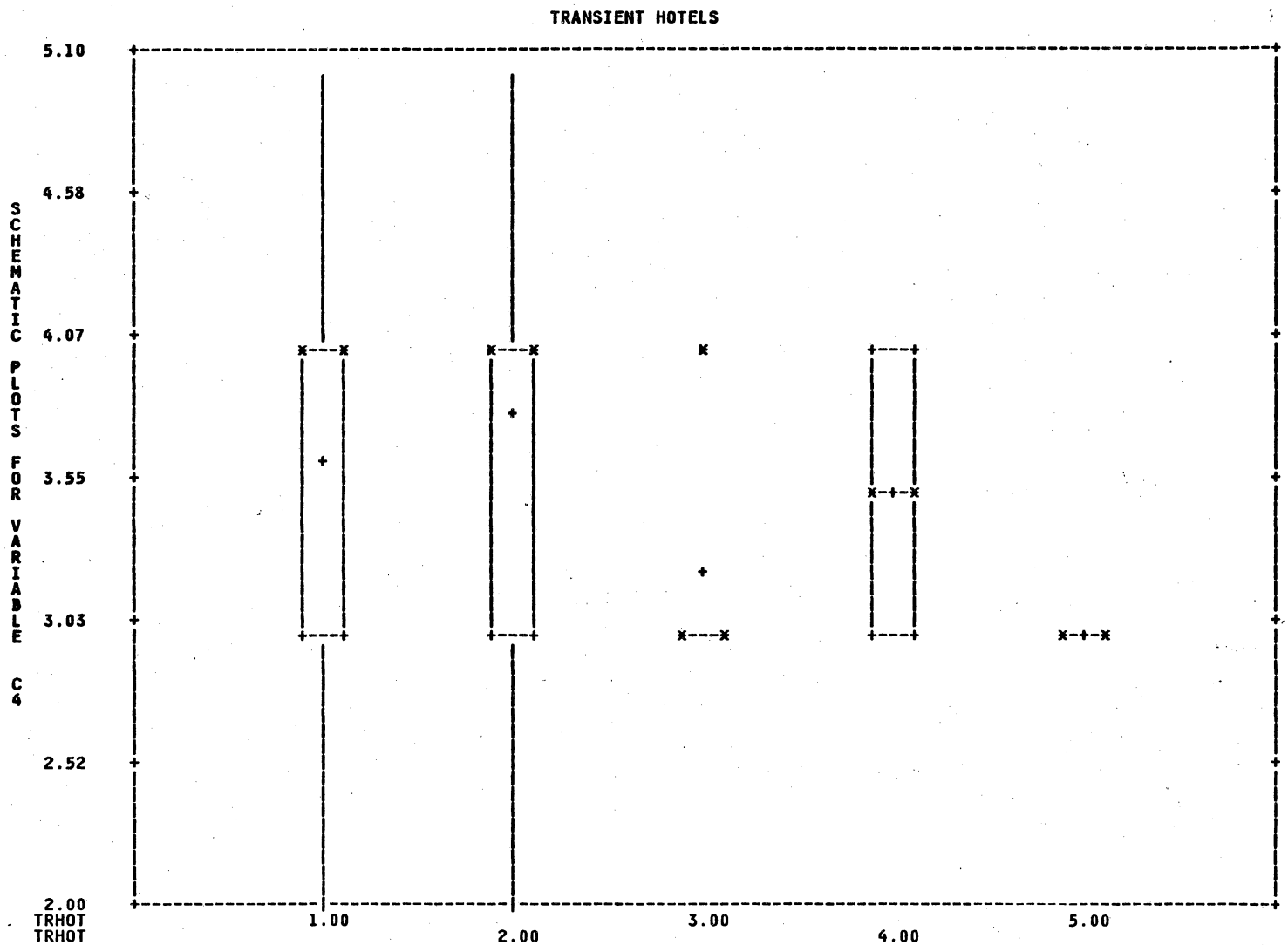

TRANSIENT HOTELS
SCHEMATIC PLOTS FOR VARIABLE C4
5.10
4.58
4.07
3.55
3.03
2.52
2.00
TRHOT
TRHOT
1.00
2.00
3.00
4.00
5.00

Table 4.19D

TRANSIENT HOTELS

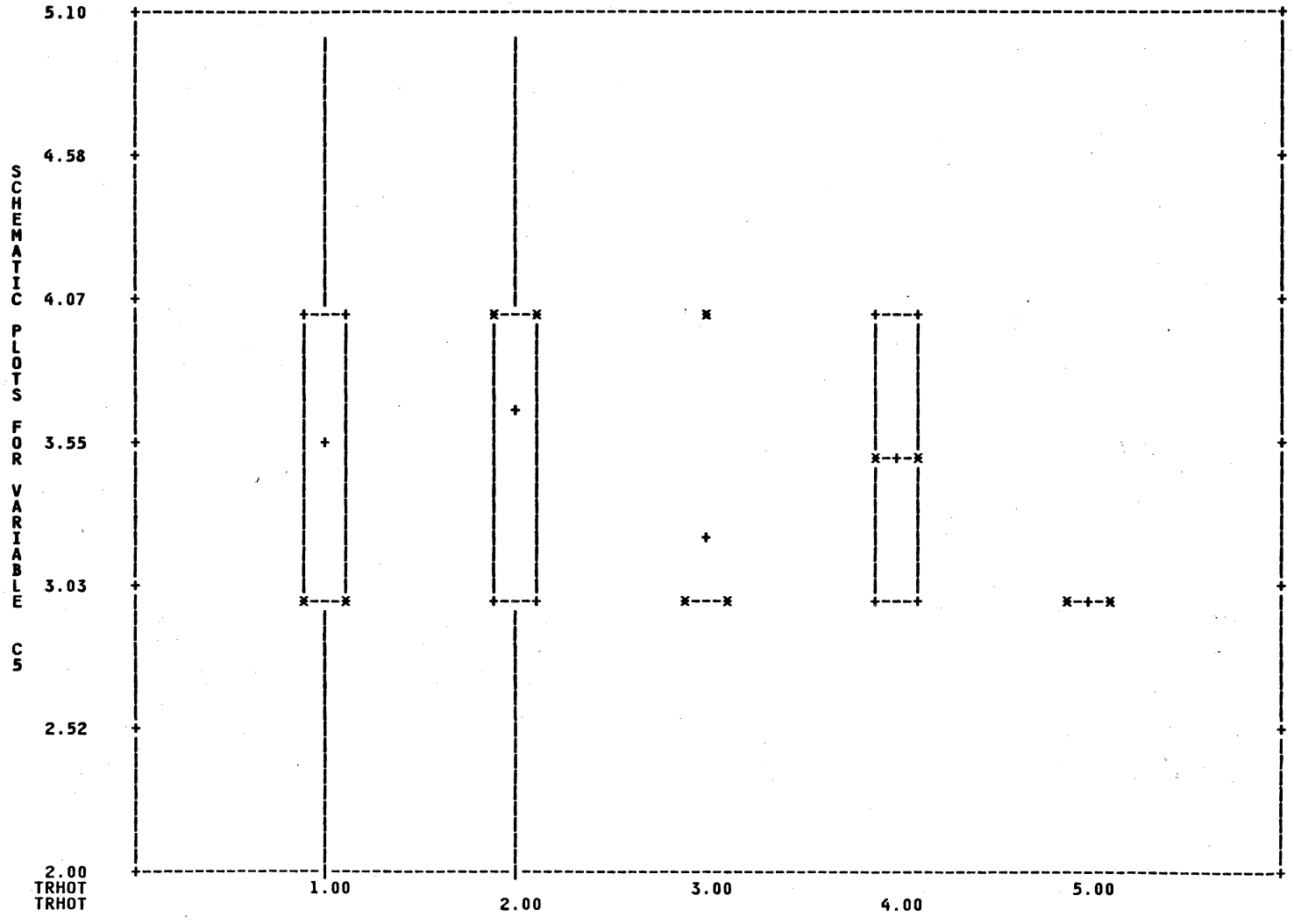


Table 4.19E

TRANSIENT HOTELS

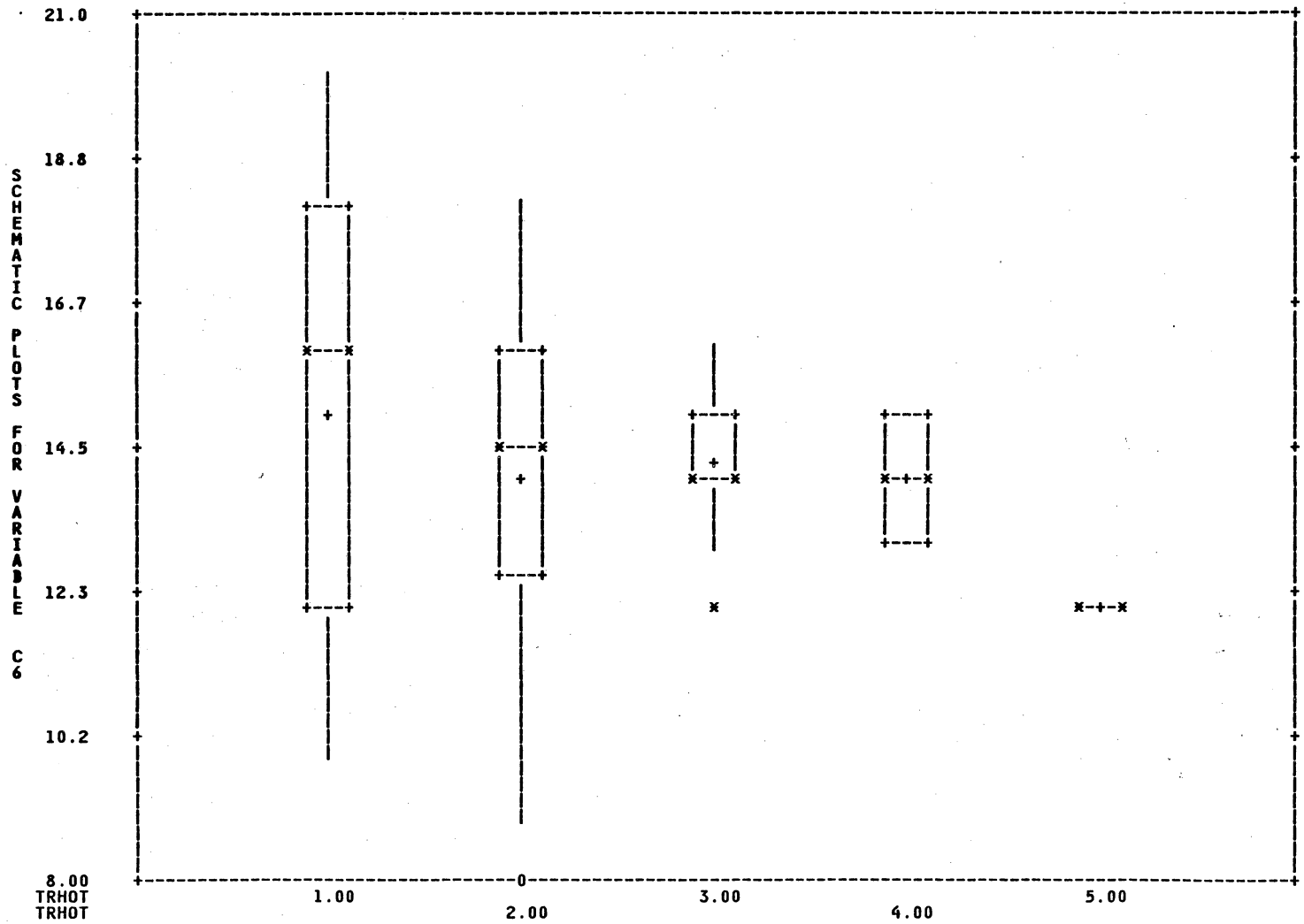


Table 4.20

Transient Hotels
T-test of Performance Means
"Do it all Differentiation/Low Structure "Match"
vs. All Other Firms -"No Match"

Performance Measure	Group	N	Mean	dF	Prob > T (one tailed)
% change in revenue vs. lodging industry	no match	29	3.79		
	match	3	4.67	30	.0493**
% change in revenue vs. segment of lodging industry	no match	28	3.57		
	match	3	4.33	29	.1119
% operating profit vs. lodging industry	no match	29	3.51		
	match	3	4.00	30	.1865
% operating profit vs. segment of lodging industry	no match	29	3.44		
	match	3	4.00	30	.1544
combined performance score (1)	no match	28	14.21		
	match	3	17.00	29	.0671*

** significance at less than .05
* significance at less than .10

(1) Combined performance scene is the sum of the scores of the other four performance scores.

this strategic profile, and the combined performance scores of these firms (see Table 4.19E) were below the median of the Do-It-All Differentiation group.

Mean performance scores on all measures were higher for the strategy/structure match group than for the group comprised of all other organizations in the industry segment. Differences on two of the performance measures were statistically significant, one at the .05 level the other at the .10 level. The three other measures were just above the .10 level of significance.

These results are particularly revealing for several reasons. First, because the "match" group is comprised of organizations from only one competitive strategy type and the "no match" group consists of all other organizations in the industry segment, it is likely that the "no match" group may contain some organizations that have also achieved a strategy/structure match. As a result the mean performance scores for the "no match" group may be inflated making the real difference between the "match" and "no match" groups even larger.

Furthermore, the sample size used in this test is relatively small (29 organizations in the "no match" group and 3 in the "match" group). As a result the power of this test is relatively low making it more difficult to detect statistically significant differences (Blalock, 1979). The fact that significant and very nearly significant results were found with this small sample size provides some reasonable indication that practice differences do exist.

This notion is further supported when the box plots of the distribution of performance scores for the match vs. the no match groups are studied (see Table 4.21A-E). In each of these graphic representations a substantially larger proportion of the "match" group have higher performance scores than the "no match" group. Table 4.21E, a box plot of cumulative performance scores, indicates that 75% of the "no match" group are below both the median and mean of the "match" group.

Segment 2 - Resort Hotels:

Performance by type of competitive strategy

Table 4.22 summarizes the results of a one way analysis of variance of the mean performance scores for each type of competitive strategy within this segment of the industry. No significant differences were found in the mean performance scores of the competitive strategy types in the resort hotels segment of the lodging industry.

The predominant competitive strategy types for this industry segment appear to be Do-It-All Differentiation (cluster #1) and Internalized Resource types (cluster #2). Do-It-All Differentiation types accounted for 40.00% of resort hotel firms, Internalized Resource types accounted for 46.67% of resort hotel firms. There were no Narrow Focused Marketing Innovator types in this industry segment. The other two competitive strategy groups, Efficiency/Quality Controller types and Geographic

Table 4.21 (A-E)

Transient Hotels
Box Plots of Performance Measures
No Match vs Match

Key to Performance Variables:

C1 - % change in revenue vs. lodging industry
C3 - % change in revenue vs. segment of lodging industry
C4 - % operating profit vs. lodging industry
C5 - % operating profit vs. segment of lodging industry
C6 - Combined performance score

Table 4.21A

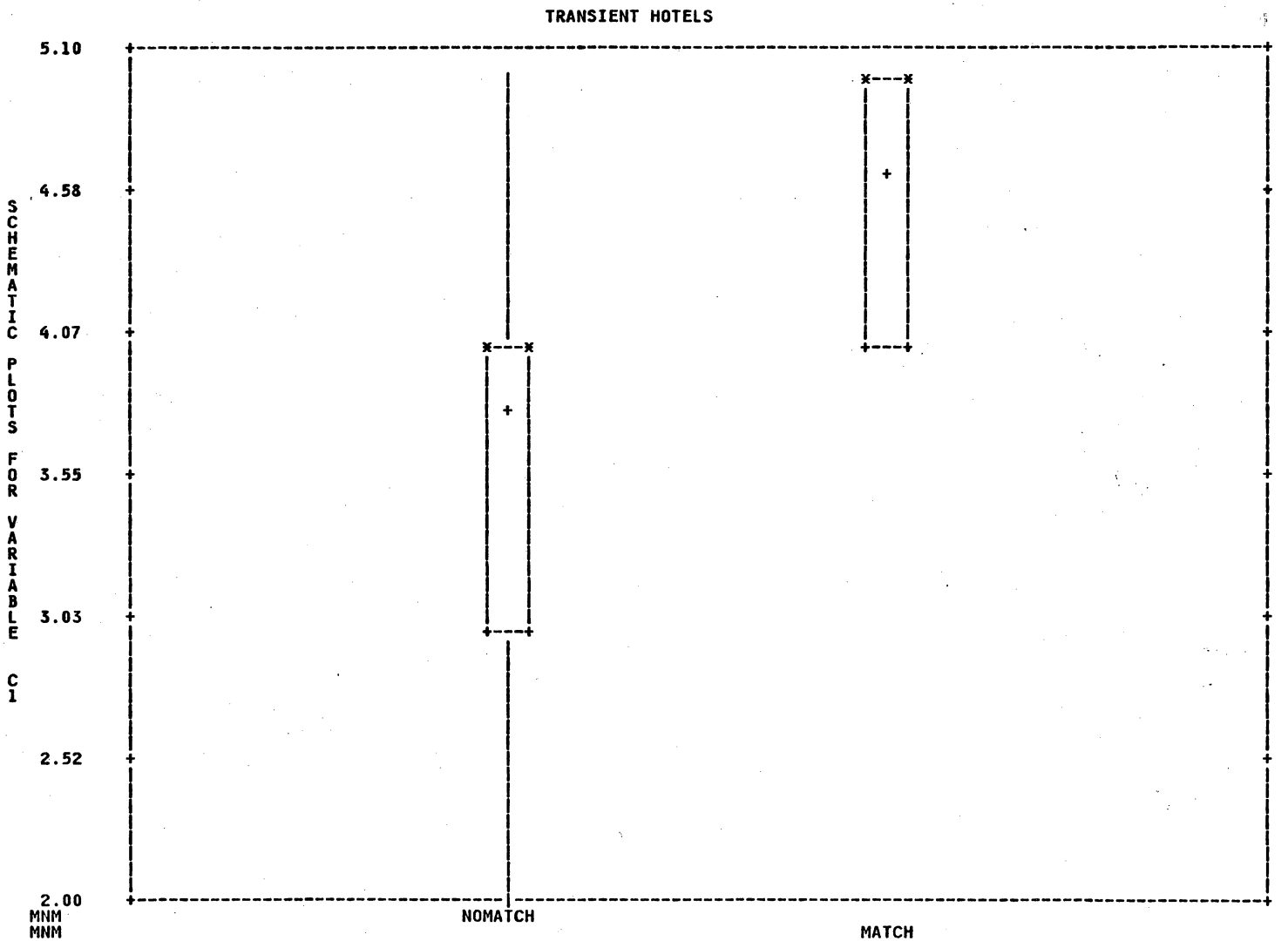

TRANSIENT HOTELS
SCHEMATIC PLOTS FOR VARIABLE CI
5.10
4.58
4.07
3.55
3.03
2.52
2.00
MNM
MNM
NOMATCH
MATCH

Table 4.21B

TRANSIENT HOTELS

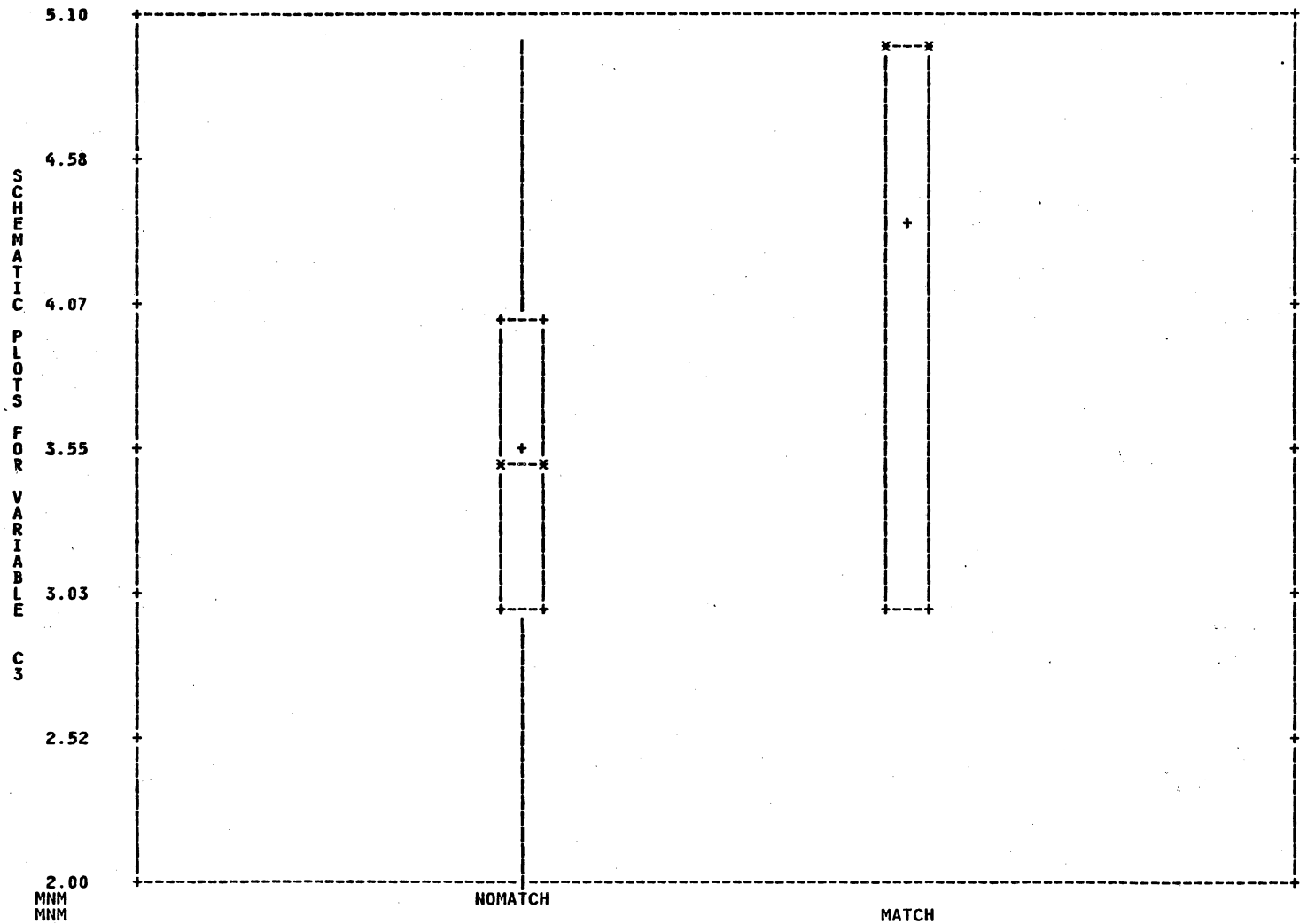


Table 4.21C

TRANSIENT HOTELS

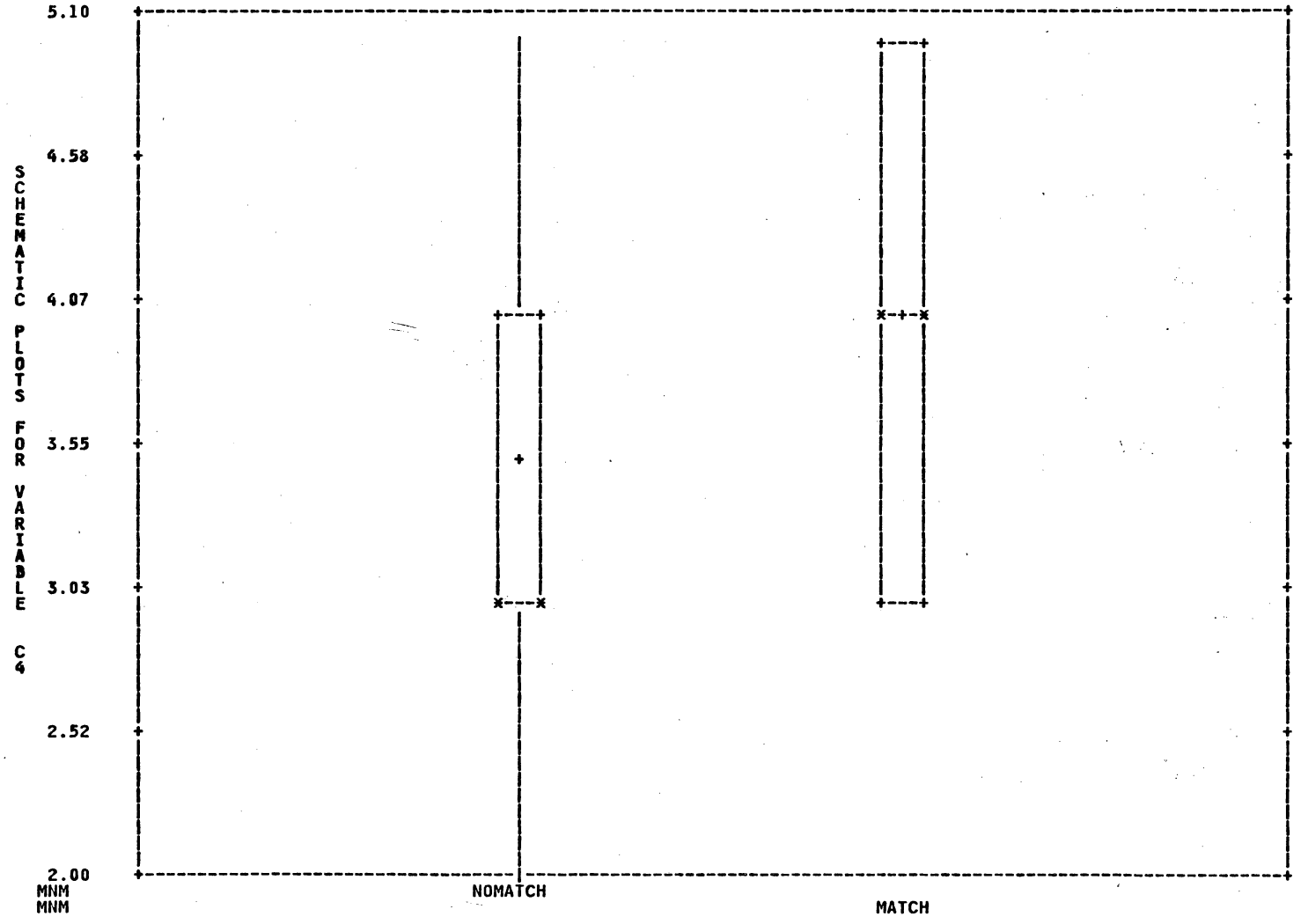


Table 4.21D

TRANSIENT HOTELS

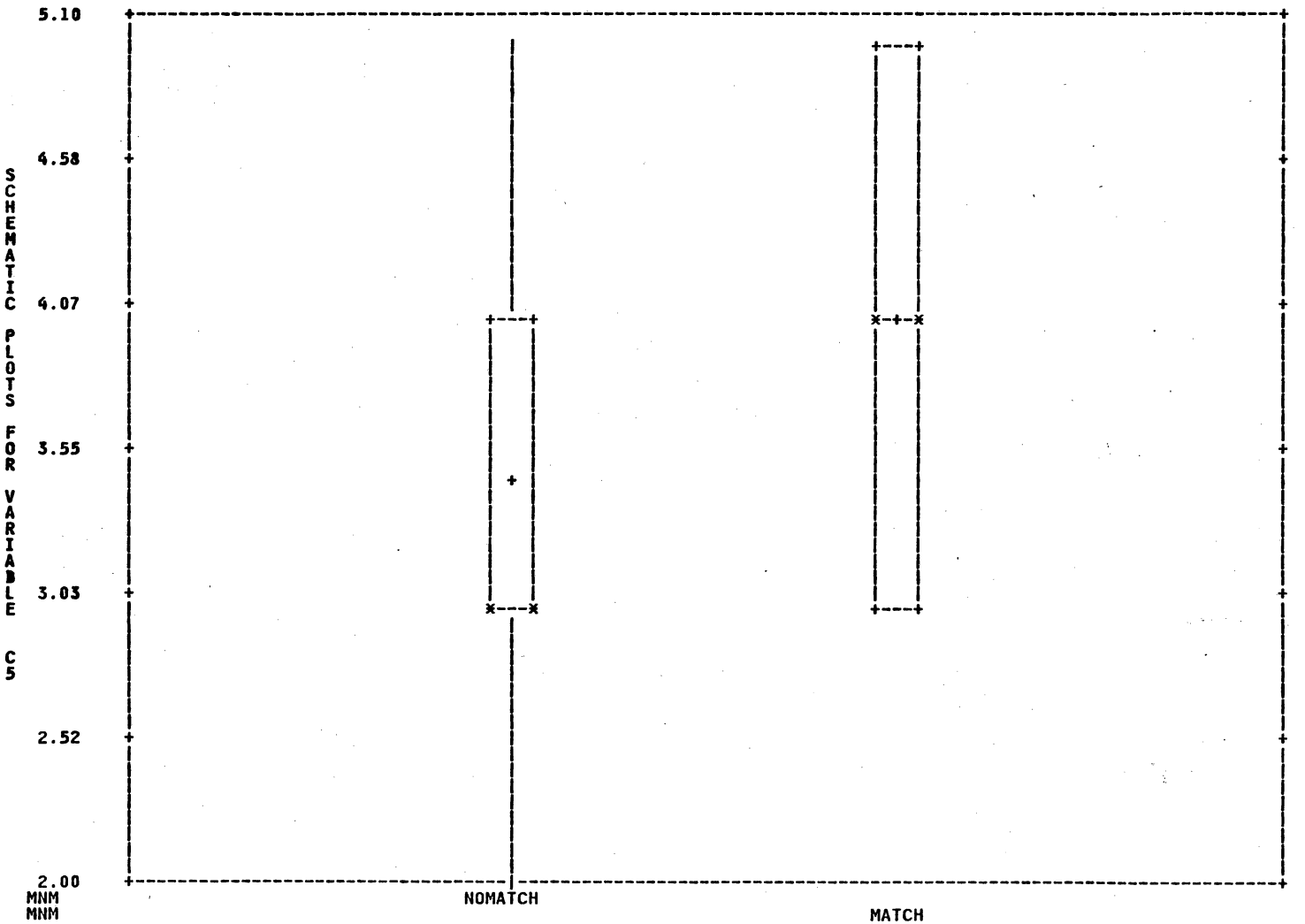


Table 4.21E

TRANSIENT HOTELS

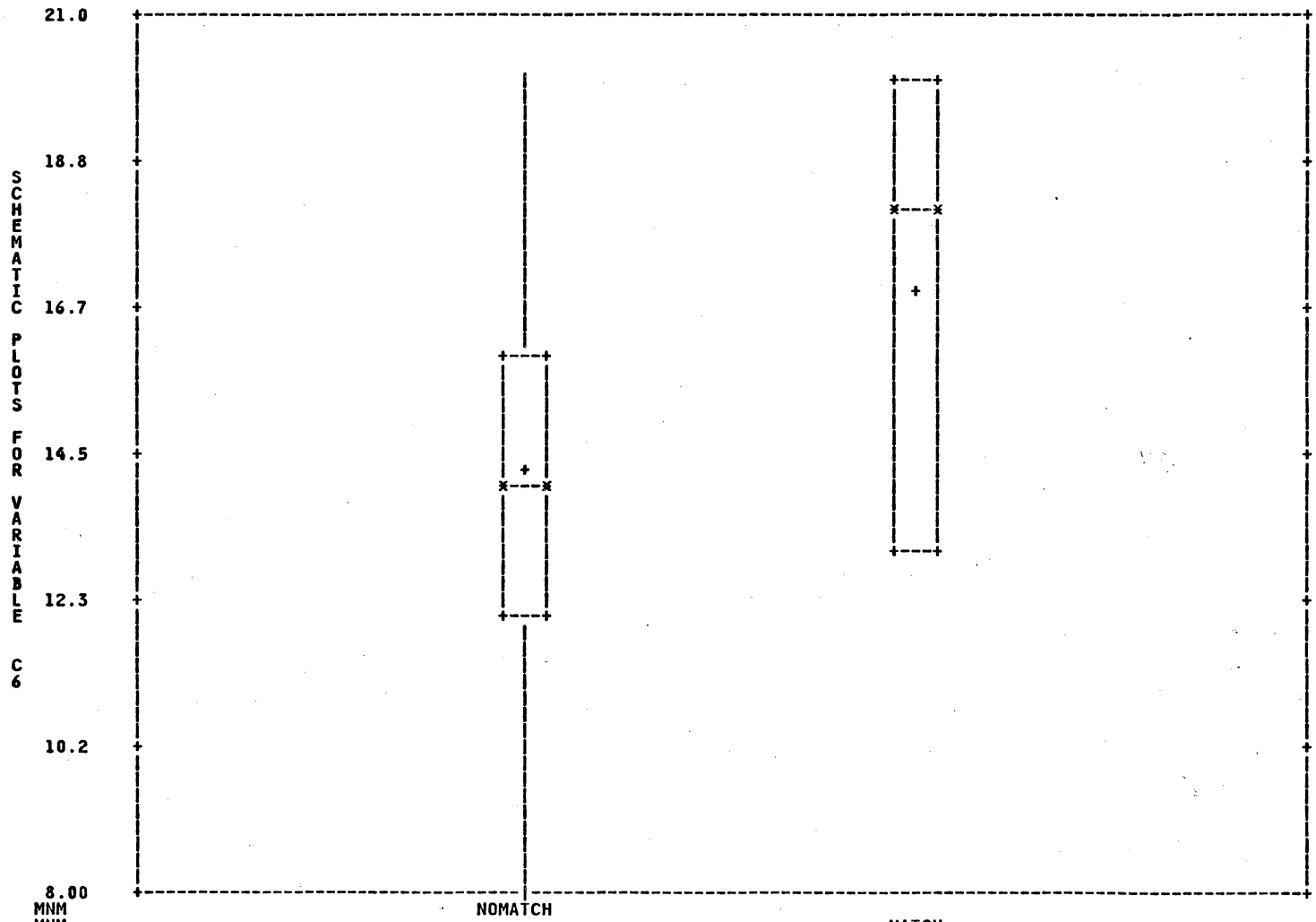


Table 4.22

Resort Motels, One Way Analysis of
Variance: Performance by Competitive Strategy Type

Variable	dF	Mean Score	F Value	Pr>F	Contrast Tests: Mean	N	Cluster - (strategic group)[2]	Duncan[1]
% Change in Total Revenue vs. Lodging Industry	3/11	4.13	1.16	0.3670	5.00	1	5	A
					4.17	6	1	A
					4.00	7	2	A
					4.00	1	4	A
% Change in Total Revenue vs. Segment of Lodging Industry	3/11	3.87	2.46	0.1170	5.00	1	5	A
					4.00	6	1	A B
					3.71	7	2	A B
					3.00	1	4	B
% Operating Profit vs. Lodging Industry	3/11	3.47	0.46	0.7131	4.00	1	5	A
					4.00	1	4	A
					3.67	6	1	A
					3.14	7	2	A
% Operating Profit vs. Segment of Lodging Industry	3/11	3.47	0.24	0.8657	4.00	1	4	A
					3.67	6	1	A
					3.29	7	2	A
					3.00	1	5	A
Combined[3] Performance Score	3/11	14.93	0.52	0.6762	17.00	1	5	A
					15.50	6	1	A
					15.00	1	4	A
					14.14	7	2	A

[1]Means with the same letter are not significantly different

[2]Strategic Groups
1 = Do It All Differentiation
2 = Internalized Resource
3 = Narrow Focused Marketing Innovators
4 = Efficiency/Quality Controllers
5 = Geographic Focused Price Leaders

[3]Combined performance score is the sum of the scores of the other four performance measures.

Focused Price Leader types each had only one firm accounting for a combined percentage of 13.34%.

Tables 4.23 (A-E) are box plots of the performance score for strategy types in this industry segment. Essentially they indicate that the distribution of performance scores is somewhat higher for Do-It-All Differentiation types than for Internalized Resource types.

Performance of Strategy/Structure Match vs. No Match:

There were two approximately equivalent predominant competitive strategy types, both in terms of proportion of firms and relative performance in this segment of the industry. Both competitive strategy types were studied individually with respect to performance differences for strategy/structure match vs. no match groups. This was done to determine if performance results were the same for both strategies subsequent to achieving a structure match.

The characteristics of the Internalized Resource competitive strategy type tend to be defender like (see Table 2.1). Therefore the match group was initially characterized as those organizations having a high degree of structure. Table 4.24 summarizes the results of T-tests on the mean performance scores for "match" vs. "no match" groups (in this test the "no match" group consisted only of Internalized Resource types with lower degrees of structure).

Table 4.23 (A-E)

Resort Hotels
Box Plots of Performance Measures by
Type of Competitive Strategy

Key to Competitive Strategy Types:

RSHOT1 - "Do-It-All Differentiation"
RSHOT2 - "Internalized Resource Controller"
RSHOT3 - "Narrow Focused Marketing Innovator"
RSHOT4 - "Efficiency/Quality Controller"
RSHOT5 - "Geographic Focused Price Leader"

Key to Performance Variables:

C1 - % change in revenue vs. lodging industry
C3 - % change in revenue vs. segment of lodging industry
C4 - % operating profit vs. lodging industry
C5 - % operating profit vs. segment of lodging industry
C6 - Combined performance score

Table 4.23A

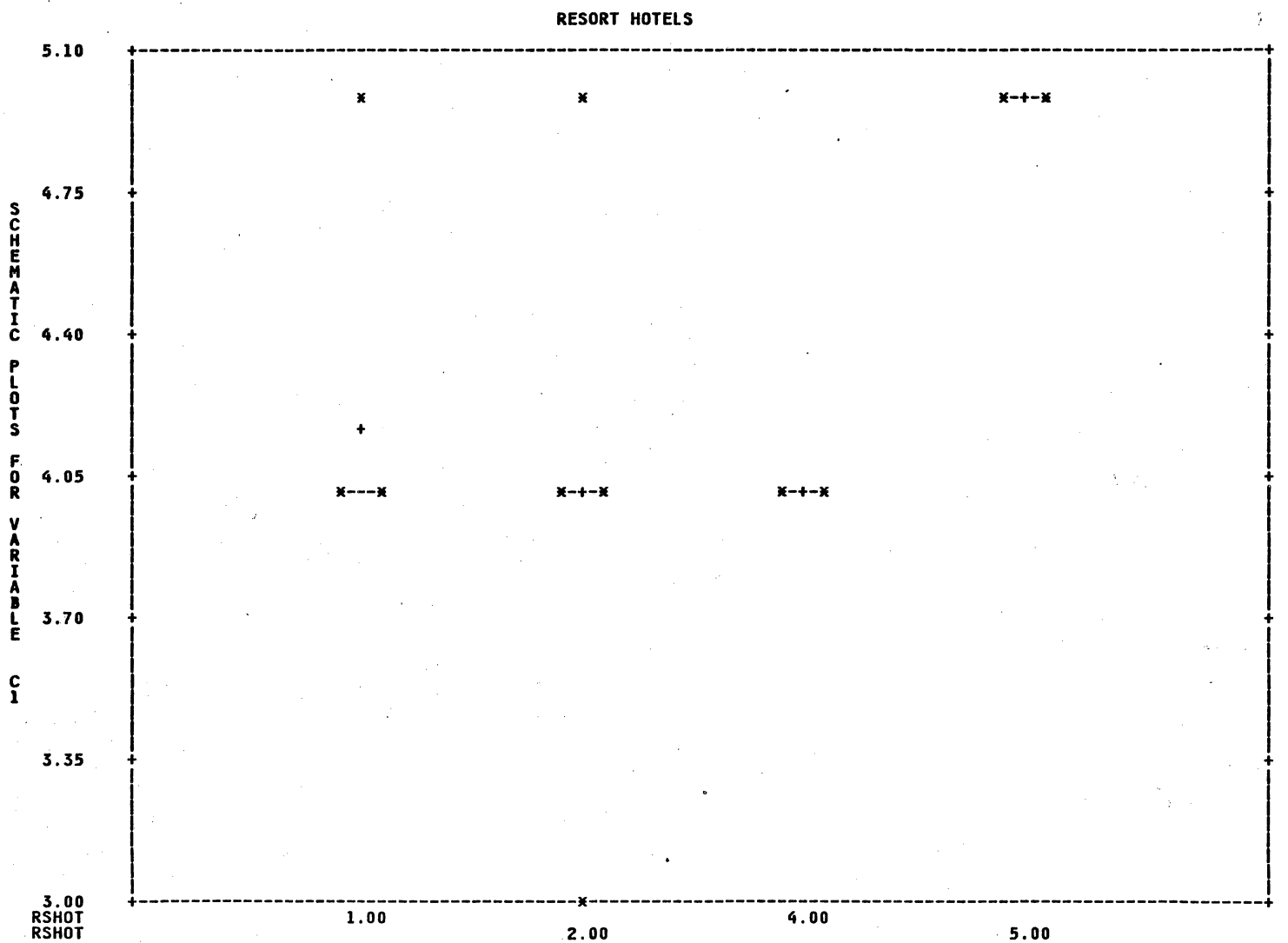

RESORT HOTELS
SCHEMATIC PLOTS FOR VARIABLE C1
5.10
4.75
4.40
4.05
3.70
3.35
3.00
RSHOT
RSHOT
1.00
2.00
4.00
5.00

Table 4.23B

RESORT HOTELS

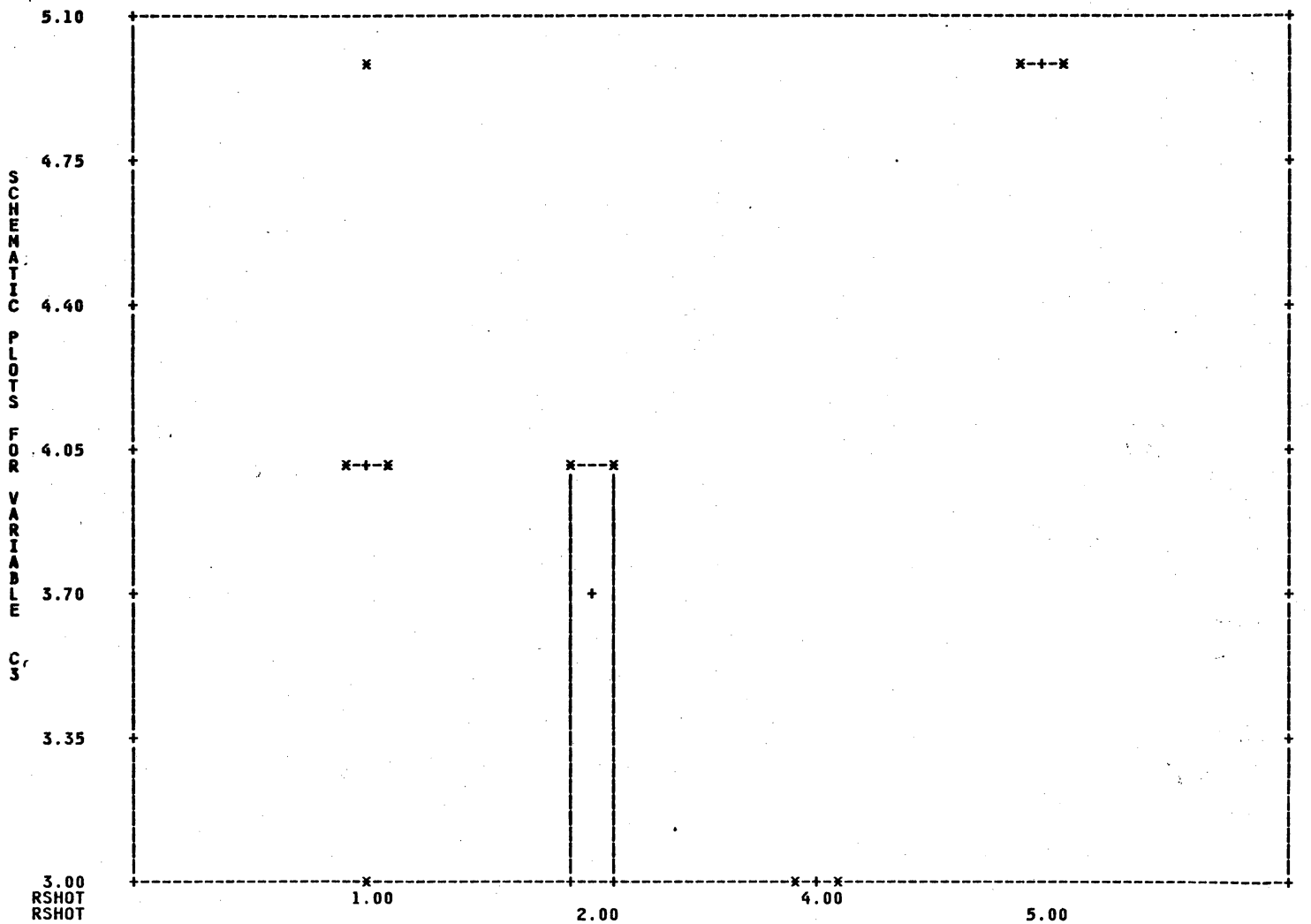


Table 4.23C

RESORT HOTELS

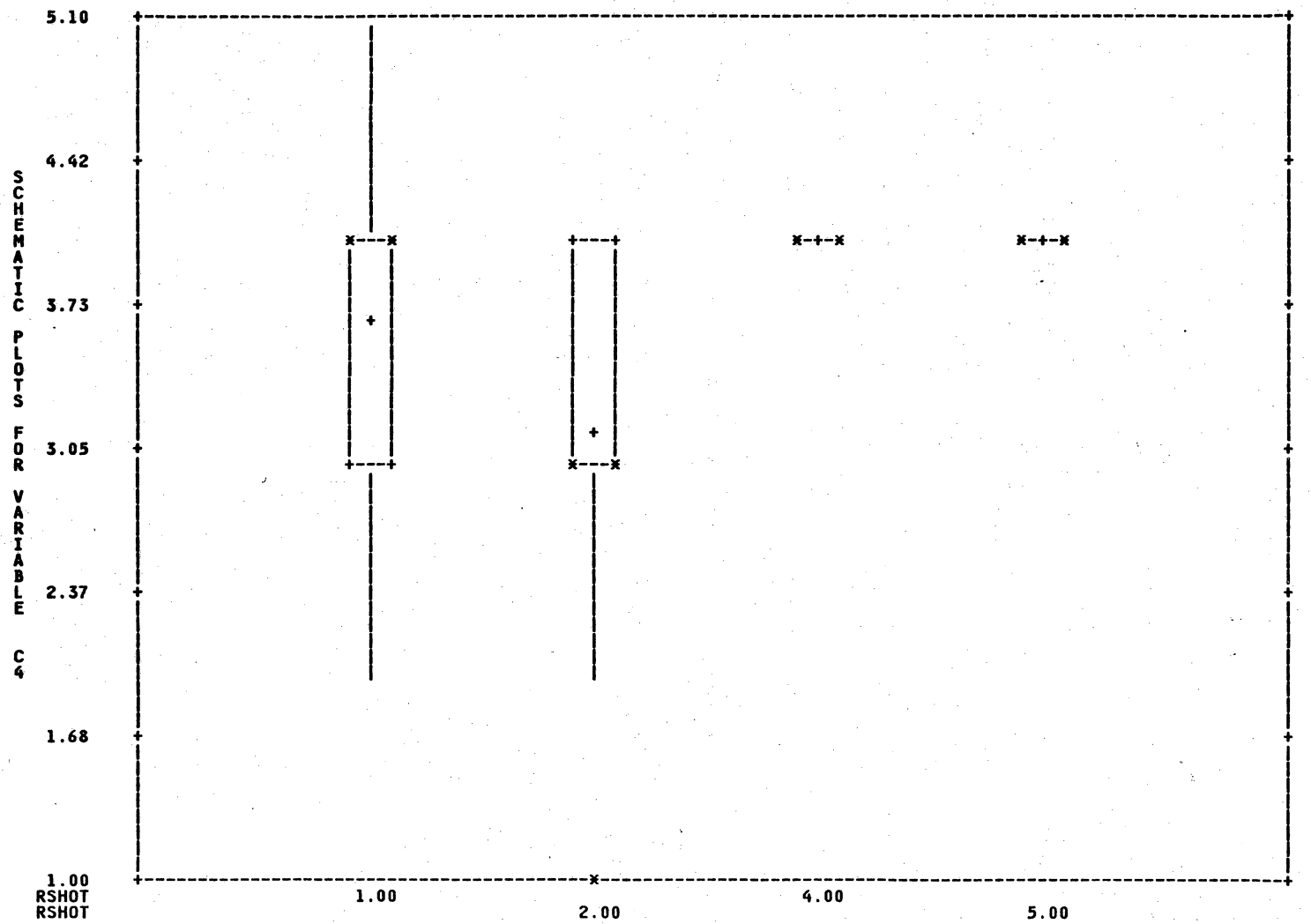


Table 4.23D

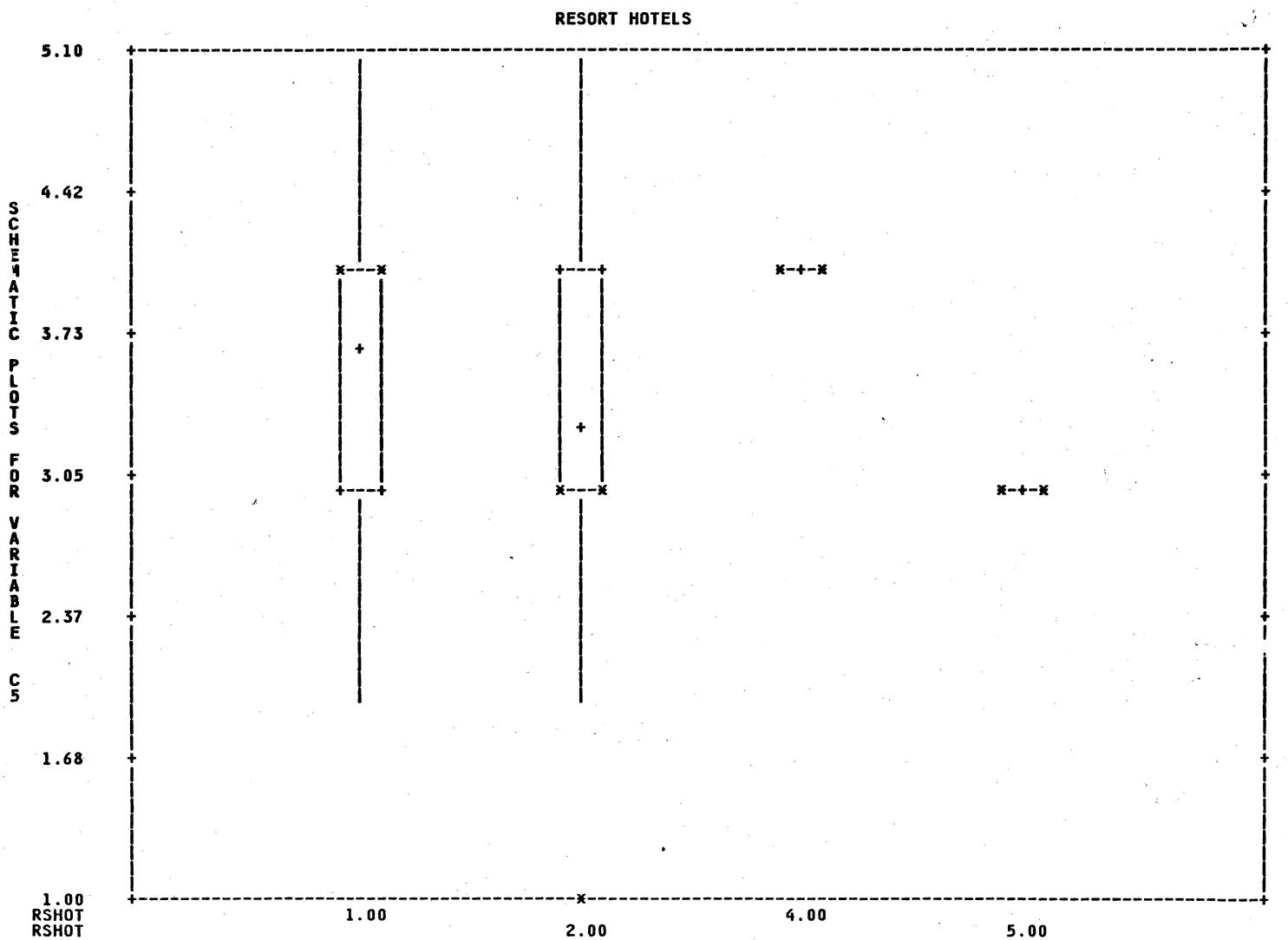

RESORT HOTELS
SCHEMATIC PLOTS FOR VARIABLE C5
5.10
4.42
3.73
3.05
2.37
1.68
1.00
RSHOT
RSHOT
1.00
2.00
4.00
5.00

Table 4.23E

RESORT HOTELS

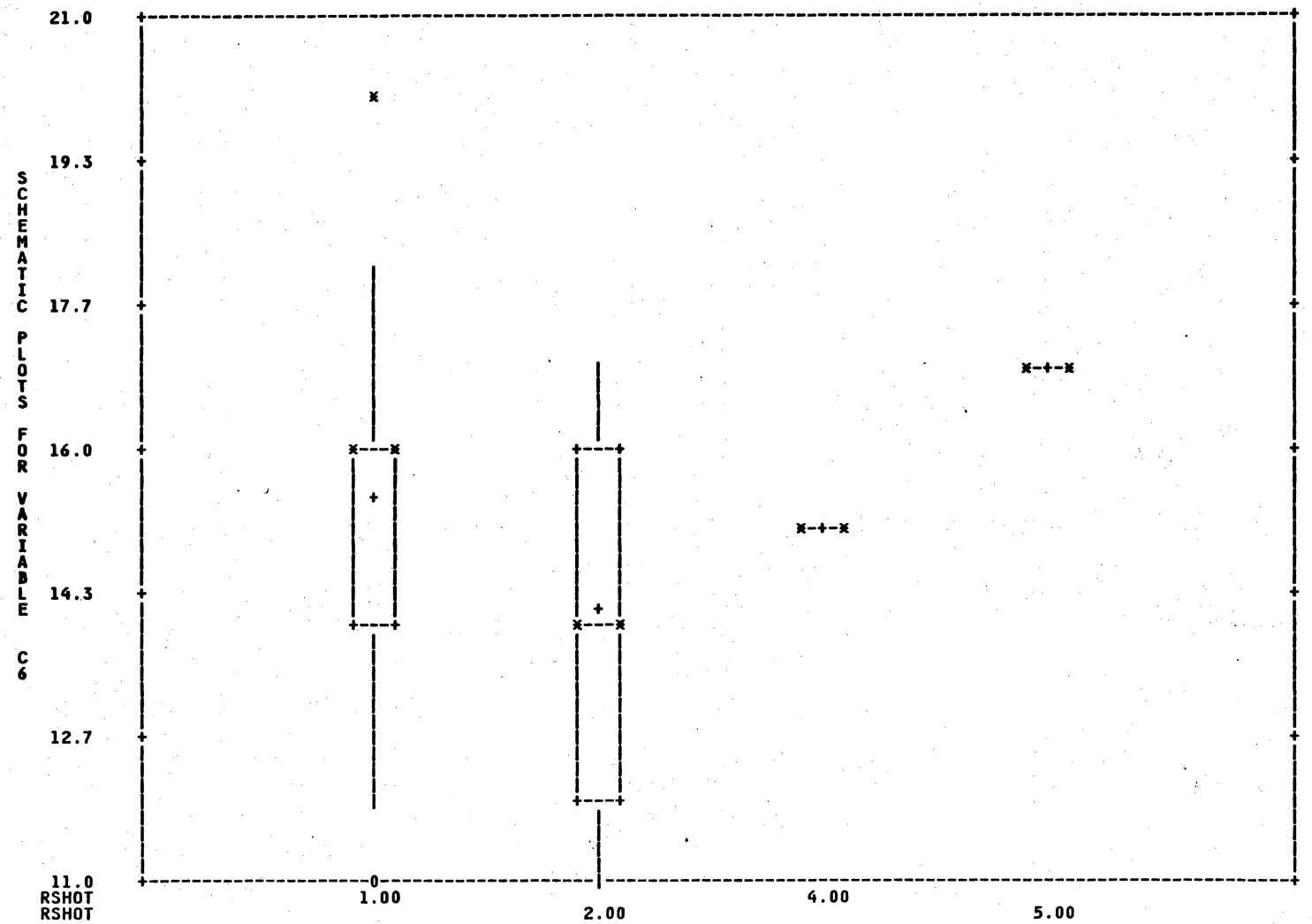


Table 4.24

Resort Hotels
T-test of Performance Means for
"Internalized Resource"/High Degree of Structure"
"Match" vs. "Internalized Resource" types/Low
Degree of Structure - "No Match"

Performance Measure	Group	N	Mean	dF	Prob > T (one tailed)
% change in revenue vs. lodging industry	no match	4	3.75		
	match	3	4.33	5	.1054
% change in revenue vs. segment of lodging industry	no match	4	3.50		
	match	3	4.00	5	.1015
% operating profit vs. lodging industry	no match	4	3.50		
	match	3	2.67	5	.1762
% operating profit vs. segment of lodging industry	no match	4	3.50		
	match	3	3.00	5	.3231
combined performance score (1)	no match	4	14.25		
	match	3	14.00	5	.4500

(1) Combined performance scene is the sum of the scores of the other four performance scores.

This analysis produced mixed, inconclusive results. There were no significant differences on any of the performance measures. However, for the two measures of "% change in revenue" the mean score of the "match" group was higher than the mean score of the "no match" group and in both cases the differences were almost significant at the .10 level. However, for the other three performance measures, including the combined performance scores, the mean performance of the "no match" group was higher than the "match" group. None of these differences were statistically significant.

A second series of T-tests were performed on this competitive strategy type. This time firms in the "match" group were characterized as having a low degree of structure. Only one organization had this combination of criteria making it impossible to obtain a meaningful comparison.

As a result of these findings no meaningful patterns seemed to emerge regarding a strategy/structure match for Internalized Resource types that tended to be associated with higher performance levels.

The next step was to perform the same type of analysis for the other predominant competitive strategy group in this industry segment; Do-It-All differentiation types. As pointed out earlier, this competitive strategy type possessed many "prospector" like characteristics. Therefore, as in the transient hotel segment, a low degree of structure was the criteria used to establish the "match" group. Table 4.25 summarizes the results of the T-tests based on this criteria.

Table 4.25

Resort Hotels
T-test of Performance Means for
"Do it all Differentiation"/Low Degree of Structure"
"Match" vs. "Do it all Differentiation/High
Degree of Structure - "No Match"

Performance Measure	Group	N	Mean	dF	Prob > T (one tailed)
% change in revenue vs. lodging industry	no match	4	4.25		
	match	2	4.00	4	.2707
% change in revenue vs. segment of lodging industry	no match	4	4.25		
	match	2	3.50	4	.0982*
% operating profit vs. lodging industry	no match	4	4.25		
	match	2	2.50	4	.0113**
% operating profit vs. segment of lodging industry	no match	4	4.25		
	match	2	2.50	4	.0113**
combined performance score (1)	no match	4	17.00		
	match	2	12.50	4	.0314**

** significant at less than .05
* significant at less than .10

(1) Combined performance scene is the sum of the scores of the other four performance scores.

The results of these tests were quite surprising! The "no match" group had higher performance means for all five performance measures. Furthermore, four of these measures had highly significant differences! This was completely the opposite of what was expected!

As a result another set of T-tests were performed. This time the criteria for the "match" group called for a very high degree of structure, the reverse of what Miles and Snow prescribe for a "prospector" like competitive strategy. Table 4.26 summarizes the results of these tests.

Now the "match" group (Do-It-All Differentiation types with a high degree of structure) means were all higher than the "no match" group. Three of the measures reflect significant differences at almost the .05 level and a fourth is barely above the .10 level. Considering the very small sample size (three firms in each group) these significant results are noteworthy.

T-tests were performed for a third time for this industry segment in order to compare the match group with all of the other firms competing in the resort hotel segment. Table 4.27 summarizes the results of this analysis.

Performance means for the "match" group were higher than the "no match" group for all five performance measures. Four of the five differences were significant; two at less than .05 and two at less than .10. Tables 4.28 (A-E) are box plots of the performance score distributions

Table 4.26

Resort Hotels
T-test of Performance Means for
"Do it all Differentiation"/High Degree of Structure"
"Match" vs. "Do it all Differentiation/Low
Degree of Structure - "No Match"

Performance Measure	Group	N	Mean	dt	Prob > T (one tailed)
% change in revenue vs. lodging industry	no match	3	4.00		
	match	3	4.33	4	.1869
% change in revenue vs. segment of lodging industry	no match	3	3.67		
	match	3	4.33	4	.1151
% operating profit vs. lodging industry	no match	3	3.00		
	match	3	4.33	4	.0581*
% operating profit vs. segment of lodging industry	no match	3	3.00		
	match	3	4.33	4	.0581*
combined performance score (1)	no match	3	13.67		
	match	3	17.33	4	.0683*

* significant at less than .10

(1) Combined performance scene is the sum of the scores of the other four performance scores.

Table 4.27

Resort Hotels
T-test of Performance Means for
"Do it all Differentiation"/High Degree of Structure -"Match"
vs. All Other Firms in the Resort Hotel Segment
of the Lodging Industry "No Match"

Performance Measure	Group	N	Mean	dF	Prob > T (one tailed)
% change in revenue vs. lodging industry	no match	12	4.08		
	match	3	4.33	13	.2369
% change in revenue vs. segment of lodging industry	no match	12	3.75		
	match	3	4.33	13	.0828*
% operating profit vs. lodging industry	no match	12	3.25		
	match	3	4.33	13	.0450**
% operating profit vs. segment of lodging industry	no match	12	3.25		
	match	3	4.33	13	.0581*
combined performance score (1)	no match	12	14.33		
	match	11	16.18	13	.0276**

** significant at less than .05
* significant at less than .10

(1) Combined performance scene is the sum of the scores of the other four performance measures.

Table 4.28 (A-E)

Resort Hotels
Box Plots of Performance Measures
"No Match" vs "Match" Groups

Key to Performance Variables:

C1 - % change in revenue vs. lodging industry
C3 - % change in revenue vs. segment of lodging industry
C4 - % operating profit vs. lodging industry
C5 - % operating profit vs. segment of lodging industry
C6 - Combined performance score

Table 4.28A

RESORT HOTELS

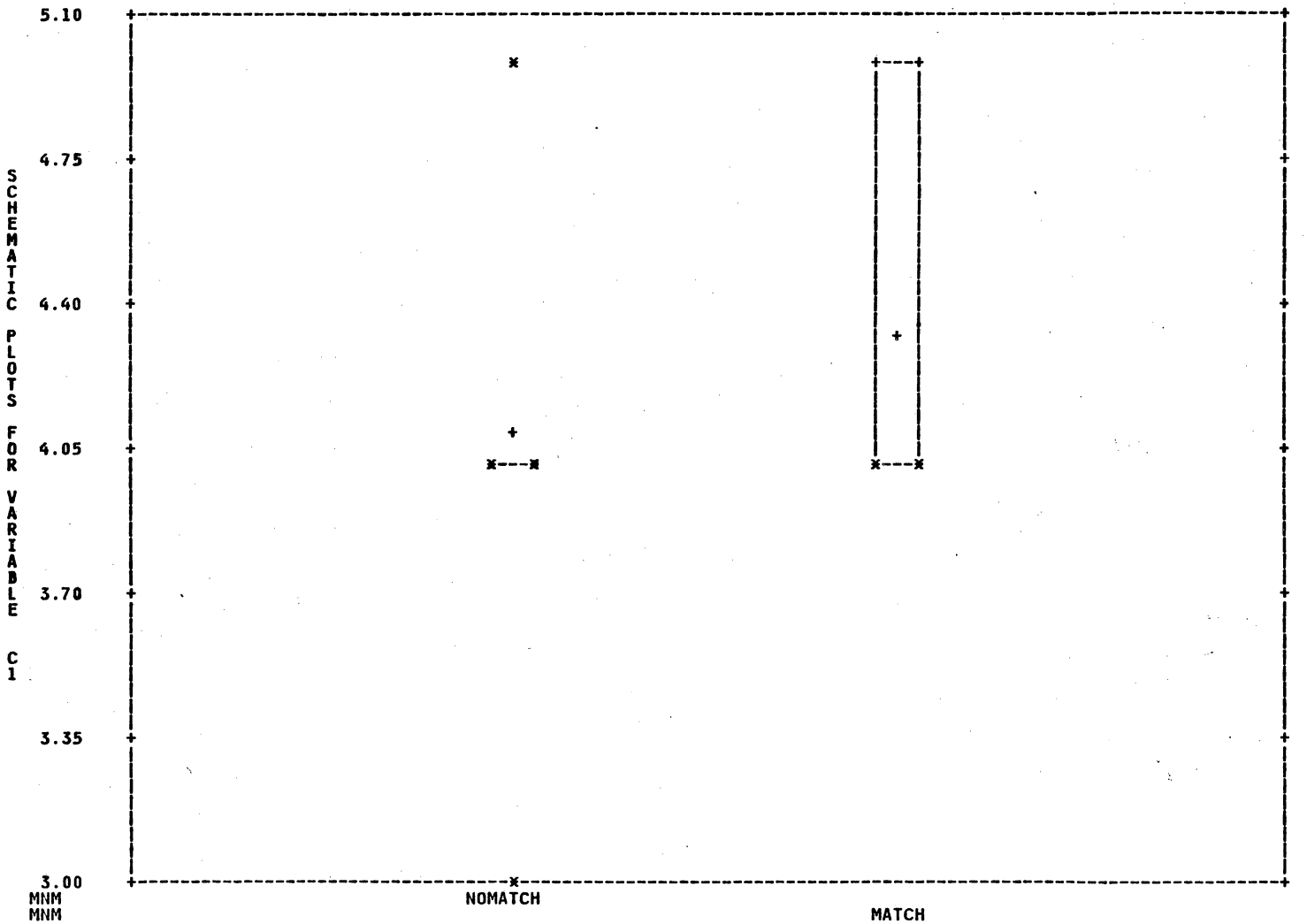


Table 4.28B

RESORT HOTELS

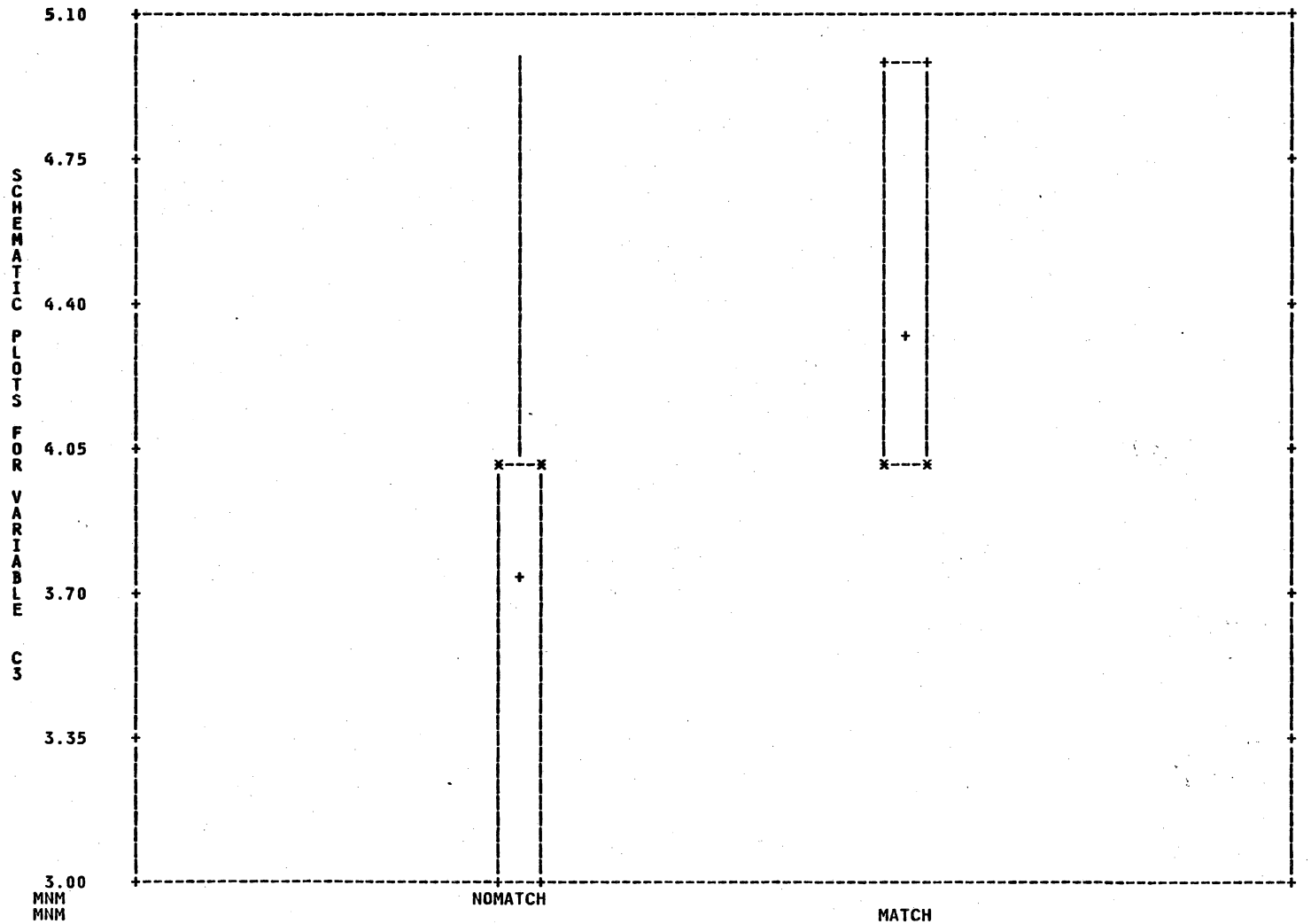


Table 4.28C

RESORT HOTELS

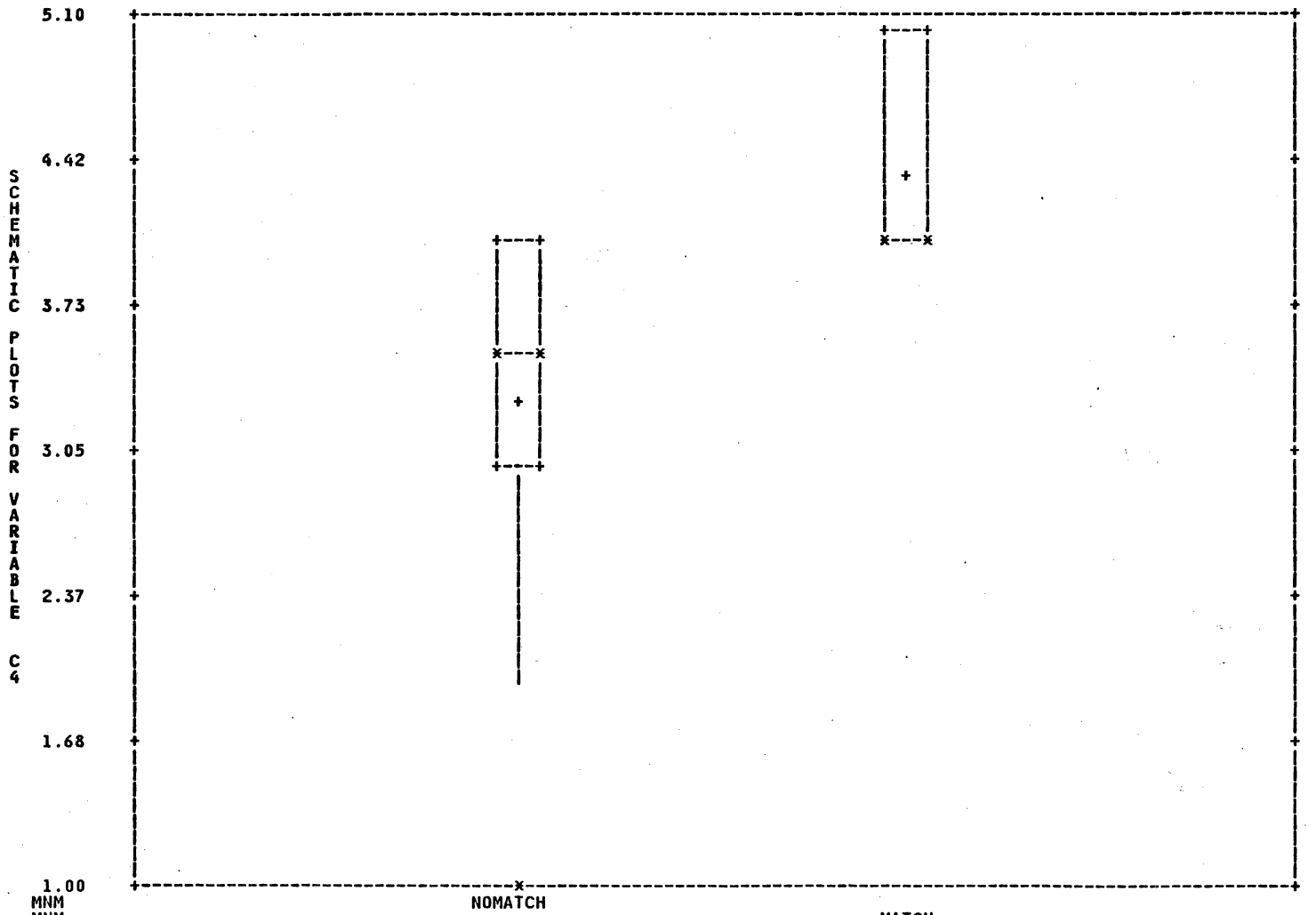


Table 4.28D

RESORT HOTELS

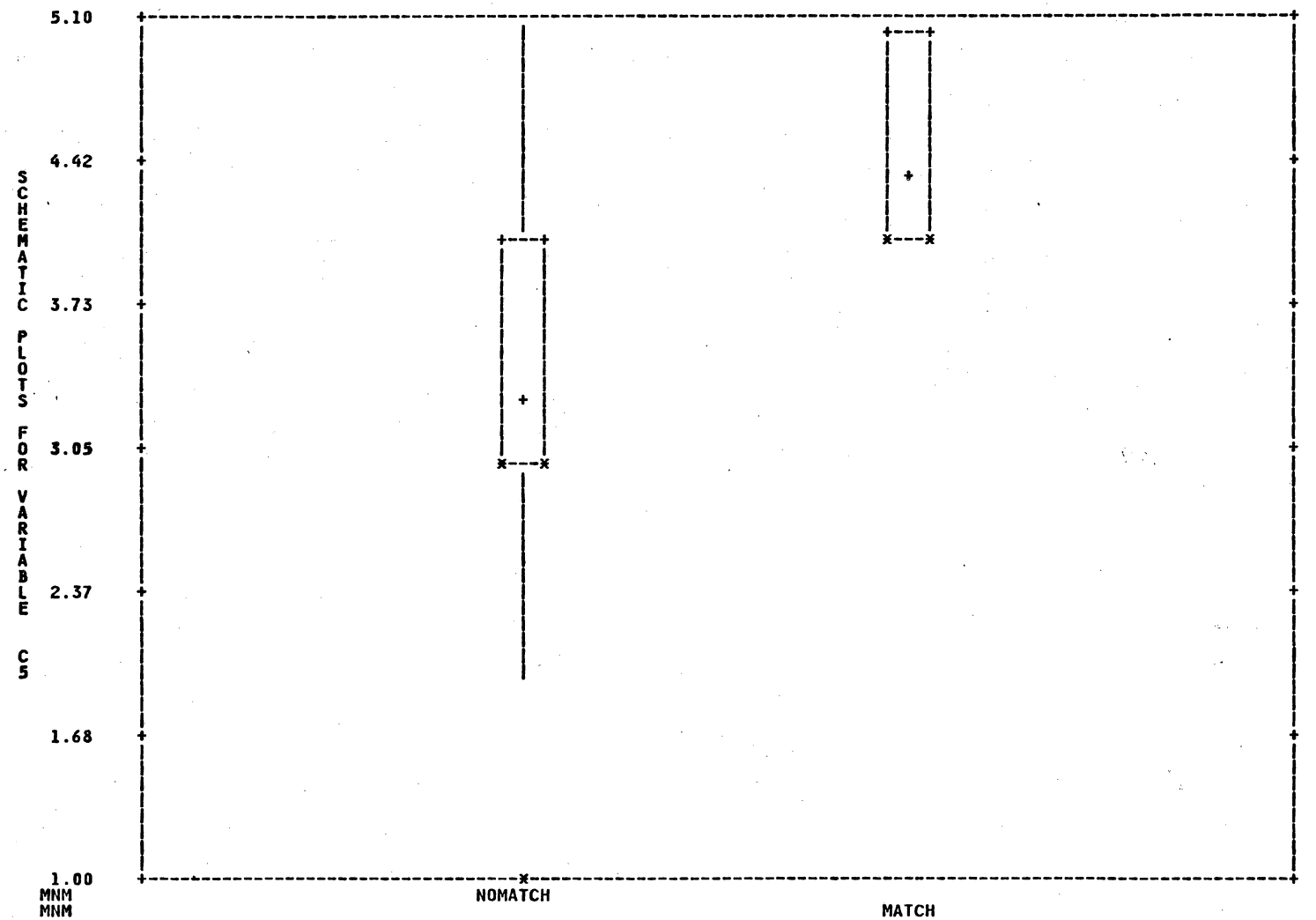
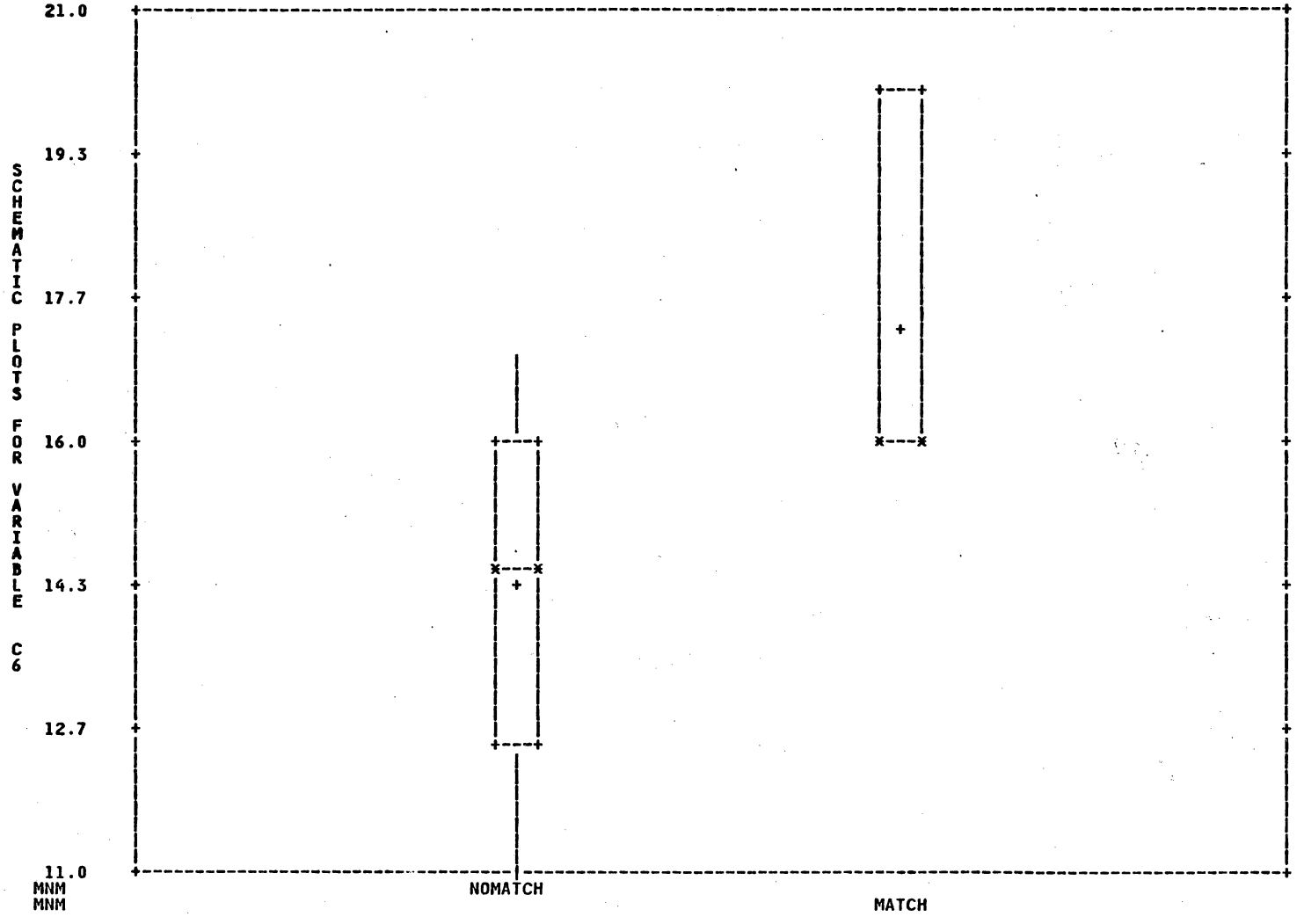


Table 4.28E

RESORT HOTELS



for the "match" and "no match" groups. All five measures of performance indicate that the distribution of performance scores for firms in the match group are above 75% of the performance score for firms in the no match group (i.e., all other firms competing in the resort hotels segment of the lodging industry).

These results provide an interesting and unexpected contrast to the strategy-structure-performance relationship. They suggest that competitive strategy as well as environment impact the appropriate degree of structure. In the transient hotels segment Do-It-All Differentiation types with a low degree of structure tended to have higher levels of performance than all other organizations in that industry segment. Whereas in the resort hotels segment Do-It-All Differentiation types tend to have higher levels of performance when the degree of structure is high. These findings suggest that an industry's sub-environment may intervene in the competitive strategy/organization structure relationship.

In this study no formal attempt has been made to measure environmental differences between industry segments. However, theory suggests that an organization's environment is perceived as an important determinant of its internal processes (Burns and Stalker, 1961; Lawrence and Lorsch, 1967; Emery and Trist, 1980). These findings tend to reveal that environment may indeed be an important intervening variable in the strategy structure performance relationship. In Chapter V specific

environmental differences between industry segments and their implications will be discussed.

Segment 3 - Motels with Restaurants:

Performance by type of competitive strategy

Table 4.30 summarizes the results of a one way analysis of variance of the mean performance scores for each type of competitive strategy within this segment of the lodging industry. Mean performance scores for cluster #1 - Do-It-All Differentiation types were highest for the three of the five performance measures including the combined performance score. The mean performance score for this competitive strategy type was second highest for the other two performance measures. In both cases there was only one firm classified as an Efficiency/Quality Controller type and it had a higher score on these two performance measures.

Do-It-All Differentiation types accounted for 33.33% of the firms competing in this segment of the industry. Significant differences at less than the .05 level occurred in three of the performance measures. Duncan's test indicates that Do-It-All Differentiation types had significantly higher mean performance scores than Narrow Focused Marketing Innovator types in all three instances.

Tables 4.31 A-E are the box plots of the performance scores by strategy type for motels with restaurants. Examination of these results illuminates further the findings of the one way analysis of variance.

Table 4.30

Motels with Restaurants, One Way Analysis of Variance: Performance by Type of Competitive Strategy

Variable	dF	Mean Score	F Value	Pr>F	Contrast Tests: Mean	N	Cluster - (strategic group)[2]	Duncan[1]	
% Change in Total Revenue vs. Lodging Industry	4/22	3.78	0.97	0.4417	4.22	9	1	A	
					4.00	1	5	A	
					3.70	10	2	A	
					3.50	2	4	A	
					3.20	5	3	A	
% Change in Total Revenue vs. Segment of Lodging Industry	4/22	3.78	1.56	0.2198	4.22	9	1	A	
					4.00	1	5	A	
					3.80	10	2	A	
					3.50	2	4	A	
					3.00	5	3	A	
% Operating Profit vs. Lodging Industry	3/19	3.43	3.49	0.0536**	4.00	1	4	A	
					3.89	9	1	A	
					3.55	9	2	A	B
					2.00	4	3		B
% Operating Profit vs. Segment of Lodging Industry	3/19	3.22	3.84	0.0263**	4.00	1	4	A	
					3.78	9	1	A	
					3.22	9	2	A	B
					1.75	4	3		B
Combined[3] Performance Score	3/19	14.09	4.67	0.0132**	16.11	9	1	A	
					14.22	9	2	A	B
					14.00	1	4	A	B
					9.25	4	3		B

** Significant at less than .05

[1]Means with the same letter are not significantly different

[2]Strategic Groups 1 = Do It All Differentiation
2 = Internalized Resource
3 = Narrow Focused Marketing Innovators
4 = Efficiency/Quality Controllers
5 = Geographic Focused Price Leaders

[3]Combined performance score is the sum of the scores of the other four performance measures.

Table 4.31 (A-E)

Motels With Restaurants
Box Plots of Performance Measures by
Type of Competitive Strategy

Key to Competitive Strategy Types:

MOREST1 - "Do It All Differentiation"
MOREST2 - "Internalized Resource Controller"
MOREST3 - "Narrow Focused Marketing Innovator"
MOREST4 - "Efficiency/Quality Controller"
MOREST5 - "Geographic Focused Price Leader"

Key to Performance Variables:

C1 - % change in revenue vs. lodging industry
C3 - % change in revenue vs. segment of lodging industry
C4 - % operating profit vs. lodging industry
C5 - % operating profit vs. segment of lodging industry
C6 - Combined performance score

Table 4.31A

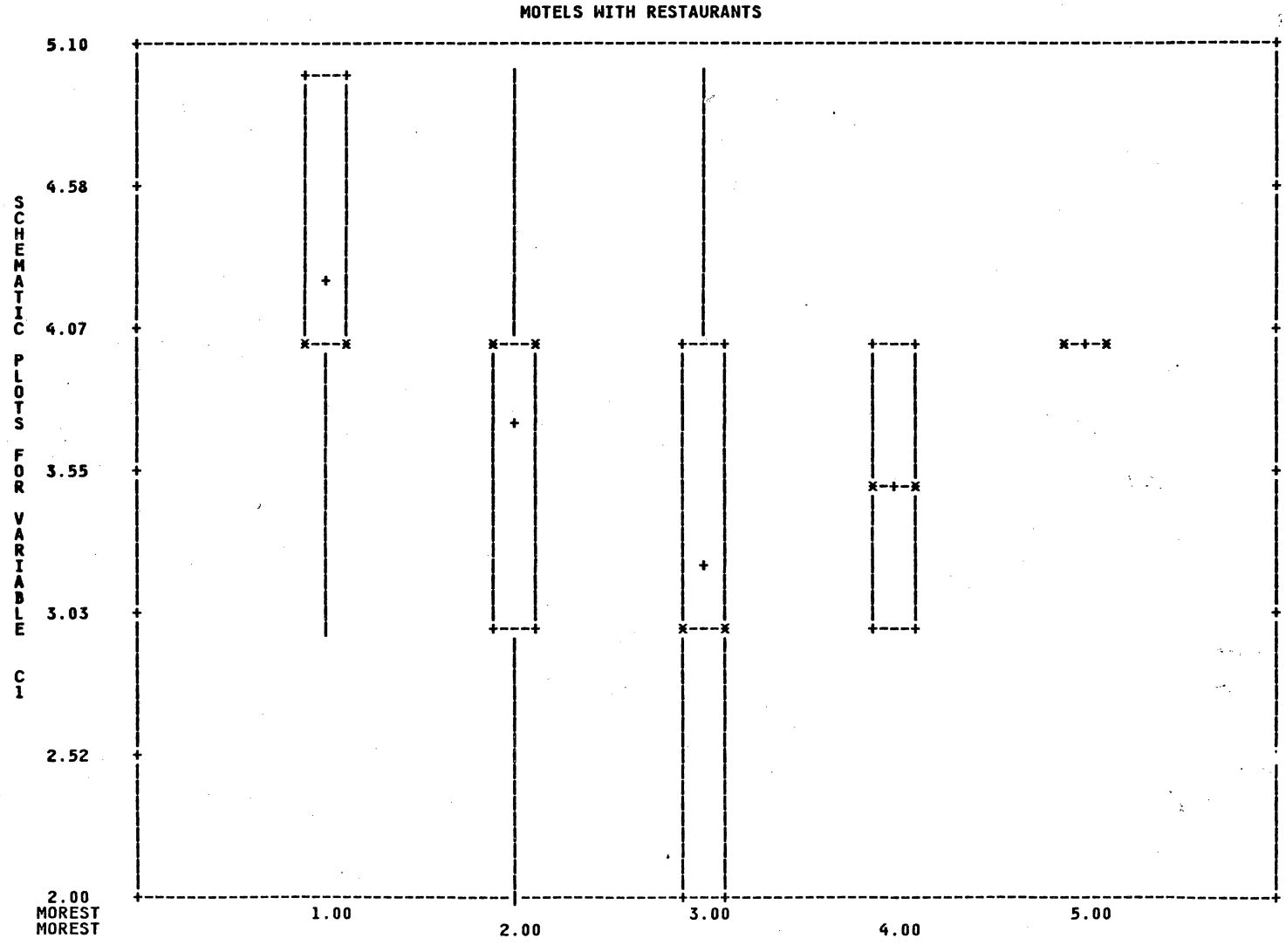

MOTELS WITH RESTAURANTS
SCHEMATIC PLOTS FOR VARIABLE C1
5.10
4.58
4.07
3.55
3.03
2.52
2.00
MOREST
MOREST
1.00
2.00
3.00
4.00
5.00

Table 4.31B

MOTELS WITH RESTAURANTS

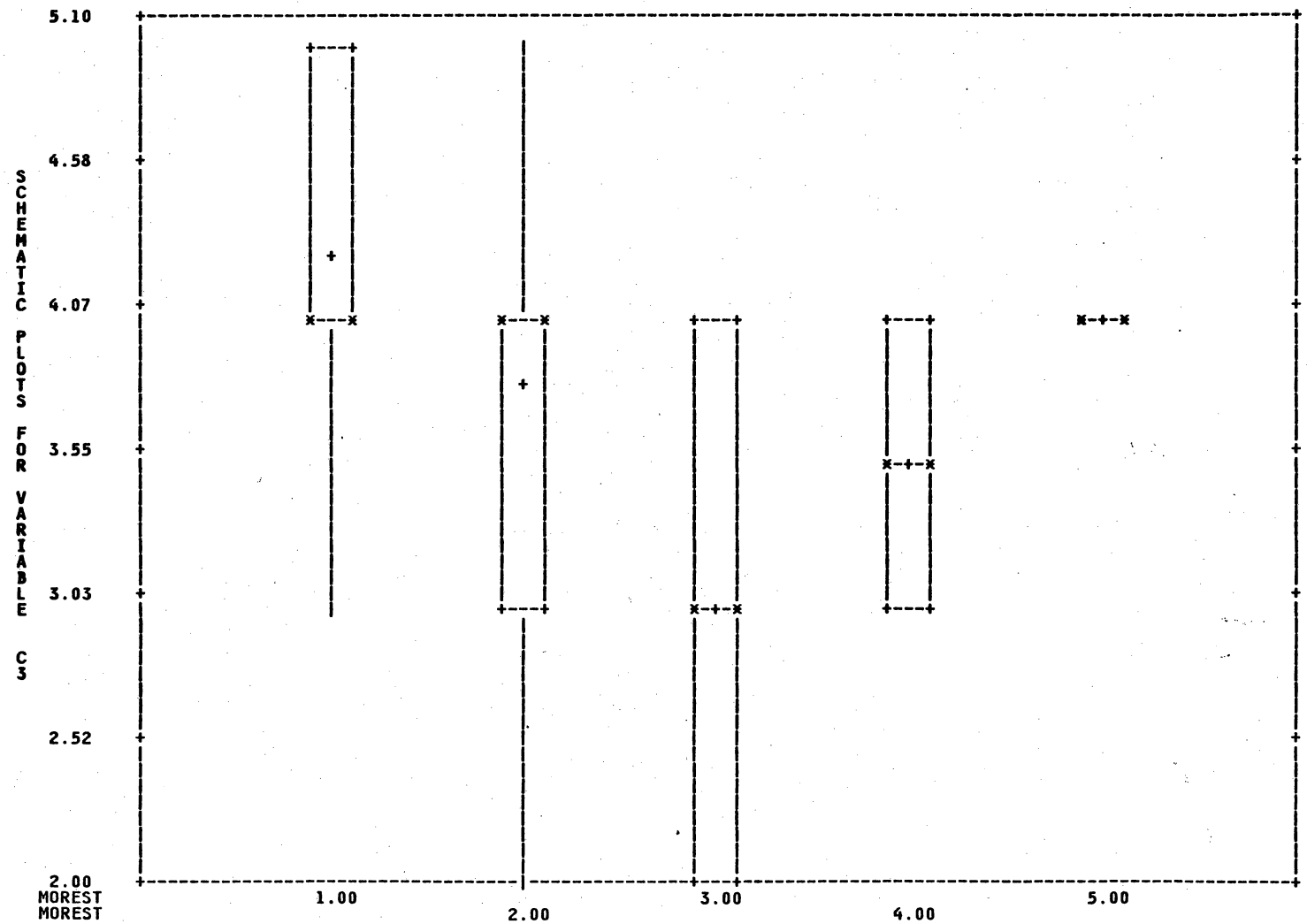


Table 4.31C

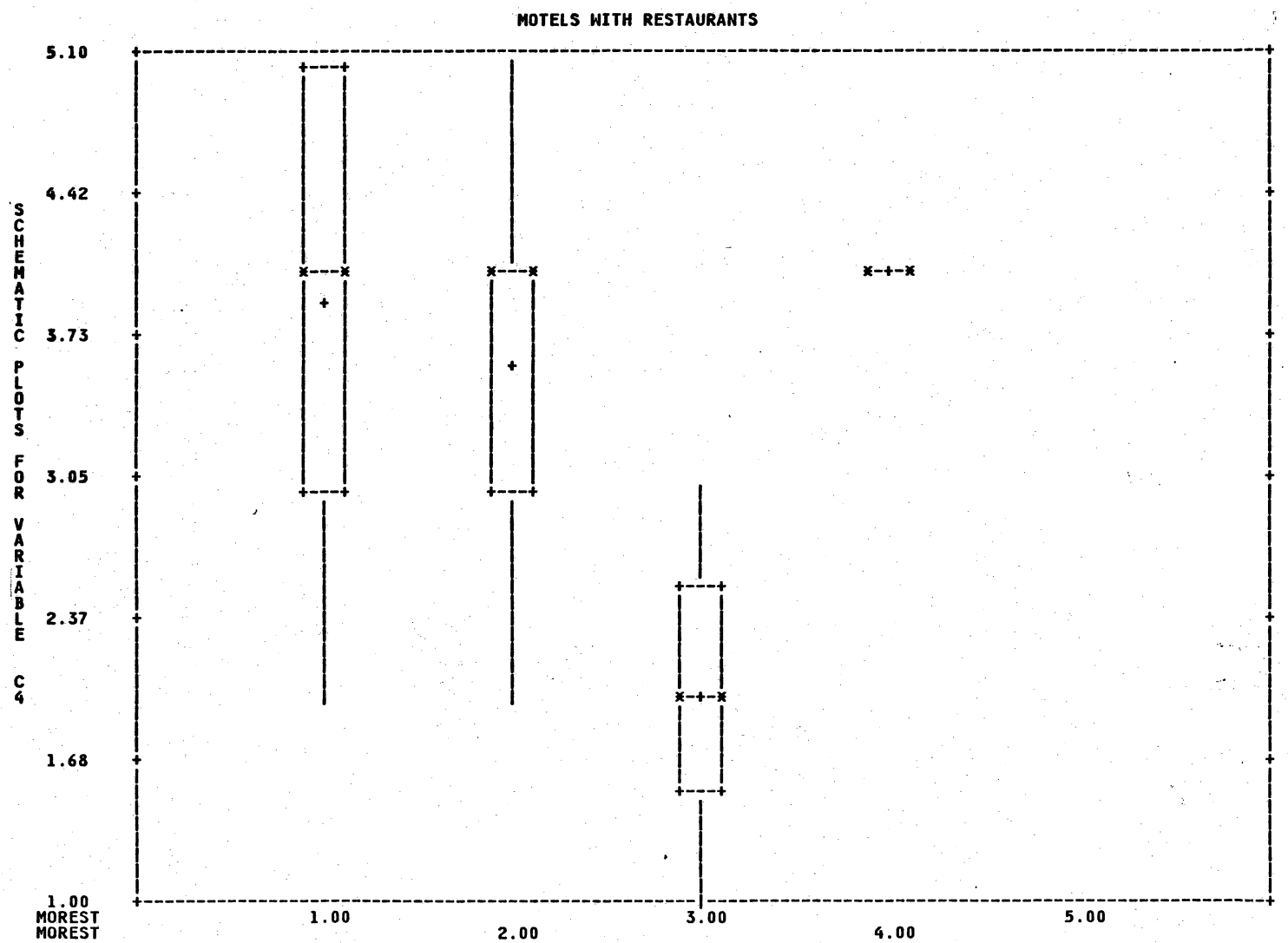

MOTELS WITH RESTAURANTS
SCHEMATIC PLOTS FOR VARIABLE C4
5.10
4.42
3.73
3.05
2.37
1.68
1.00
MOREST
MOREST
1.00
2.00
3.00
4.00
5.00

Table 4.31D

MOTELS WITH RESTAURANTS

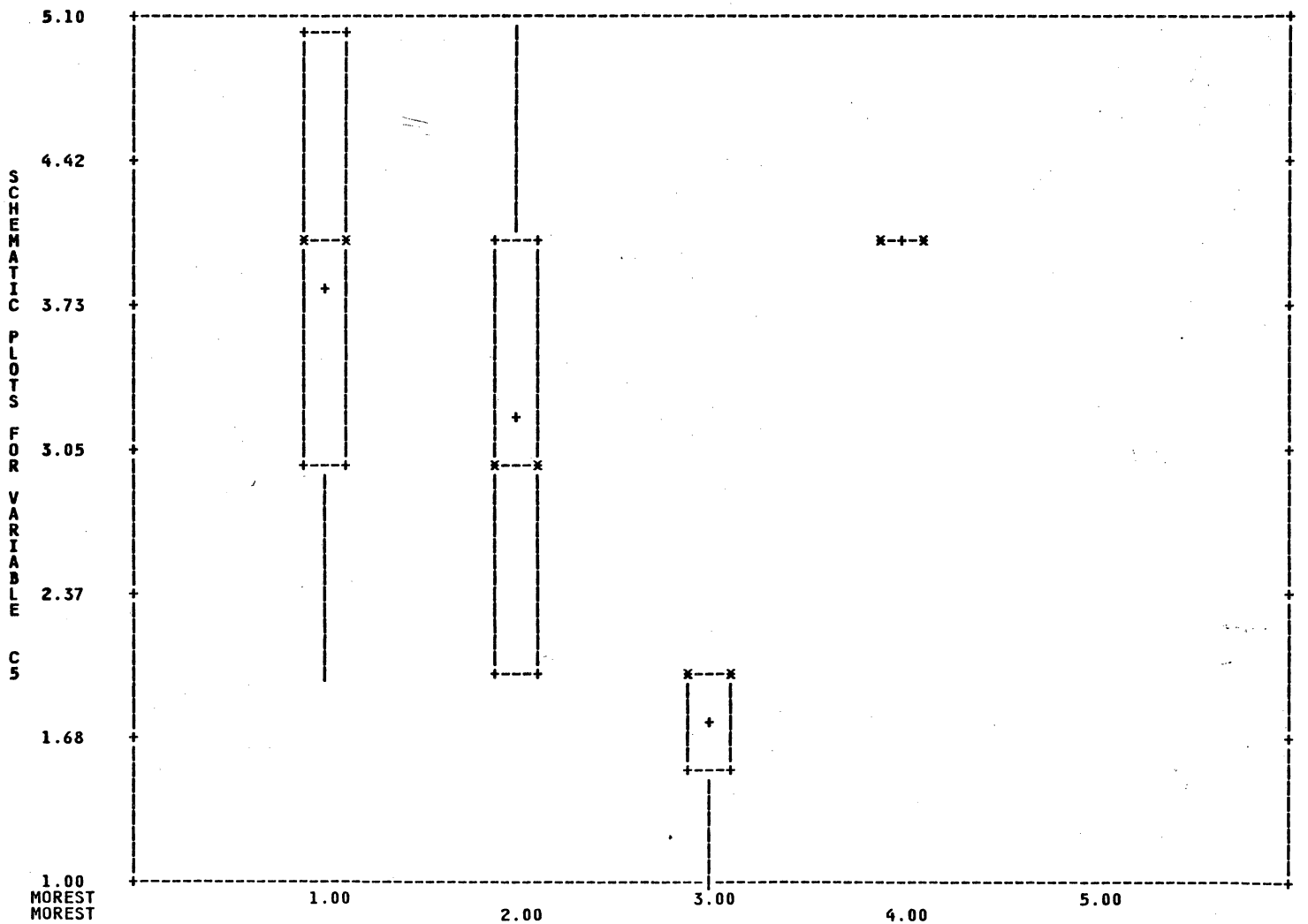
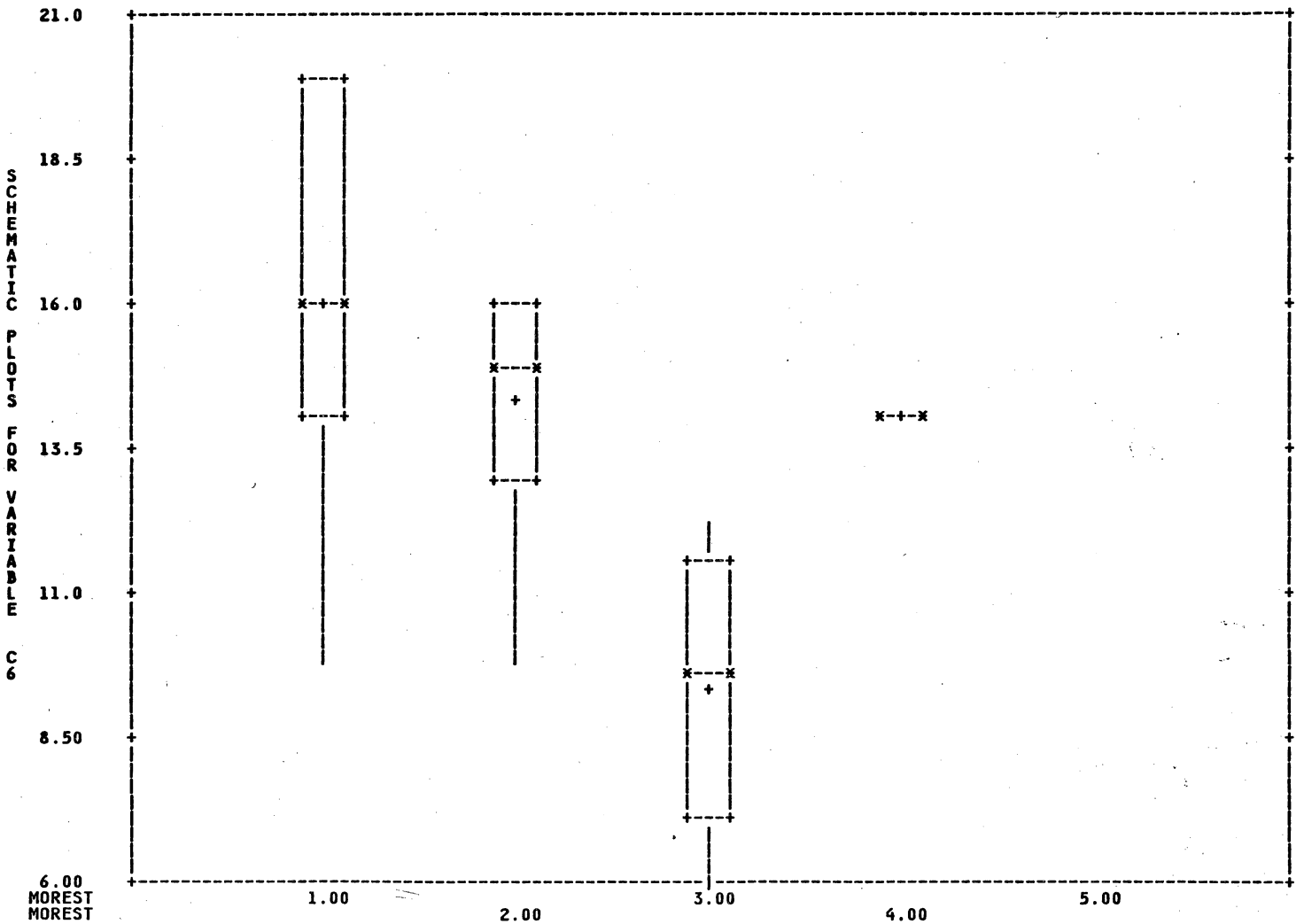


Table 4.31E

MOTELS WITH RESTAURANTS



Clearly, a higher proportion of Do-It-All Differentiation types have high performance scores on all five performance measures.

Internalized Resource types (cluster #2) also represent a large proportion of firms in this industry segment, 37.04%. However, the findings from both the ANOVA and box plot analysis indicate that performance levels for this competitive strategy type are consistently lower than for Do-It-All Differentiation types.

Another interesting observation is the consistently lower performance scores for firms in the Narrow Focused Marketing Innovator competitive strategy group. This competitive strategy type represents 18.52% of the firms in the motels with restaurants segment.

Performance of strategy structure "match" vs. "no match":

On the basis of the foregoing evidence Do-It-All Differentiation types appear to be the predominant competitive strategy, both in terms of the proportion of firms as well as performance levels. Therefore, T-tests of the competitive strategy/structure match were conducted using this strategy group. Do-It-All Differentiation types with a low degree of structure (Miles and Snow prescriptions call for a low degree of structure for a "prospector" like competitive strategy) were classified as the "match" group. The "no match" group consisted of all of the other firms competing in this industry segment.

Table 4.32 summarizes the results of the T-tests on the performance means for the "match" vs. "no match" groups. The "match" group had higher performance means on all five measures. Differences were significant at less than .10 for three measures (two measures including the combined performance score were almost significant at the .05 level). The other two measures had differences that were almost significant at the .10 level.

These results are further illuminated through the box plot analysis, Table 4.33 (A-E). Clearly the "match" group's performance scores tend to be higher than the no match group. Comments made earlier regarding the composition of the "no match" group and the small sample size apply here, as well as to all the industry segment analyses. Therefore, significant differences in the face of these unfavorable test conditions tends to support the perception that practical differences do appear to exist.

In this segment, as in the transient hotels segment, firms that adopted a Do-It-All Differentiation competitive strategy matched with a low degree of organization structure tended to have higher performance scores than all other firms within the motels with restaurants segment.

Segment 4 - Motels without Restaurants:

Performance by type of competitive strategy

Table 4.34 summarizes the results of a one way analyses of variance of the mean performance scores for each type of competitive strategy

Table 4.32

Motels with Restaurants

T-test of Performance Means for
"Do it all Differentiation"/Low Degree of Structure -"Match"
vs. All Other Firms - "No Match"

Performance Measure	Group	N	Mean	dF	Prob > T (one tailed)
% change in revenue vs. lodging industry	no match	25	3.72		
	match	2	4.50	25	.1422
% change in revenue vs. segment of lodging industry	no match	25	3.72		
	match	3	4.50	25	.1318
% operating profit vs. lodging industry	no match	21	3.33		
	match	2	4.50	21	.0920*
% operating profit vs. segment of lodging industry	no match	21	3.09		
	match	2	4.50	21	.0585*
combined performance score (1)	no match	21	13.71		
	match	2	18.00	21	.0620*

* significant at less than .10

(1) Combined performance scene is the sum of the scores of the other four performance scores.

Table 4.33 (A-E)

Motels With Restaurants
Box Plots of Performance Measures
"No Match" vs "Match" Groups

Key to Performance Variables:

C1 - % change in revenue vs. lodging industry
C3 - % change in revenue vs. segment of lodging industry
C4 - % operating profit vs. lodging industry
C5 - % operating profit vs. segment of lodging industry
C6 - Combined performance score

Table 4.33A

MOTELS WITH RESTAURANTS

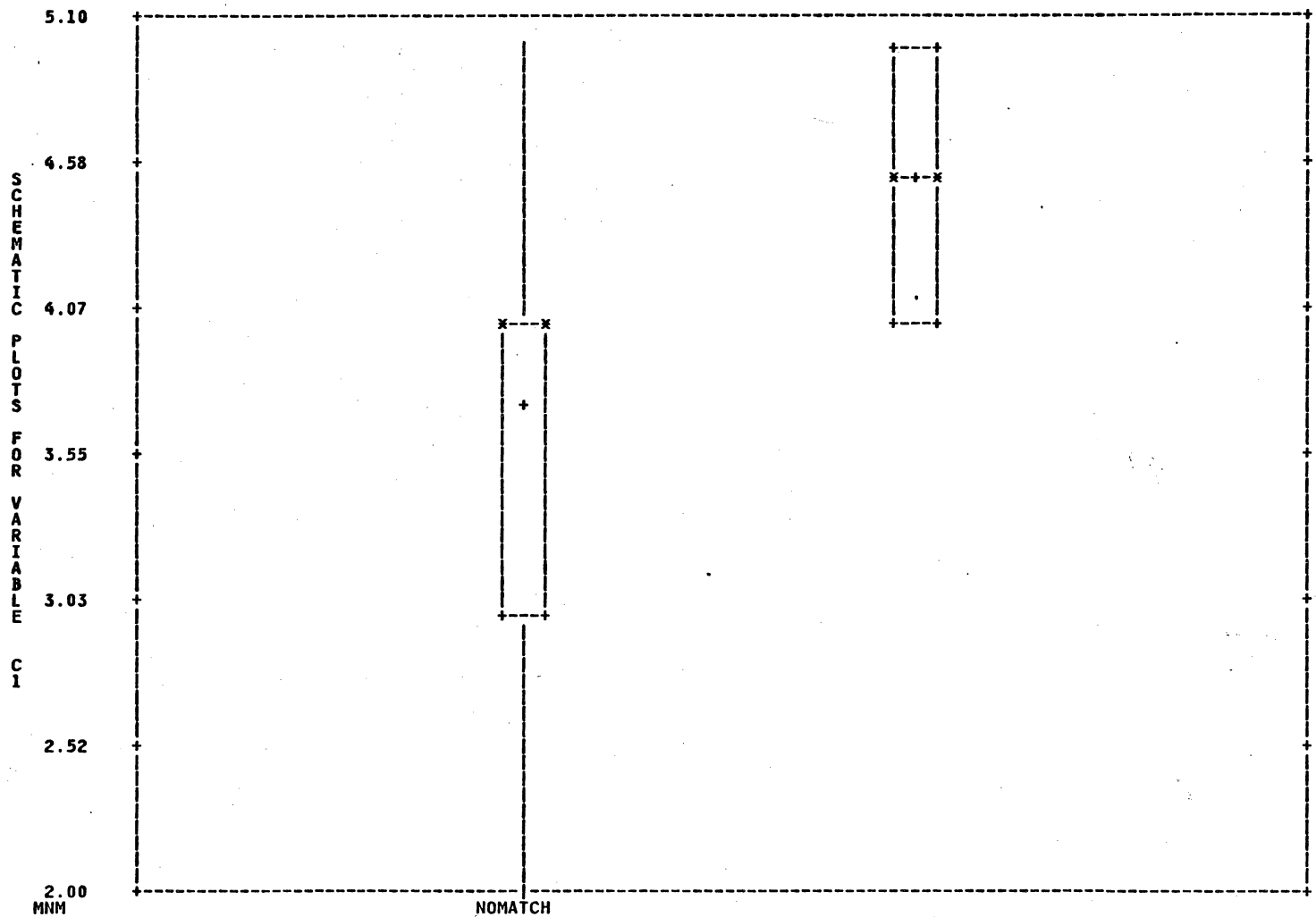


Table 4.33B

MOTELS WITH RESTAURANTS

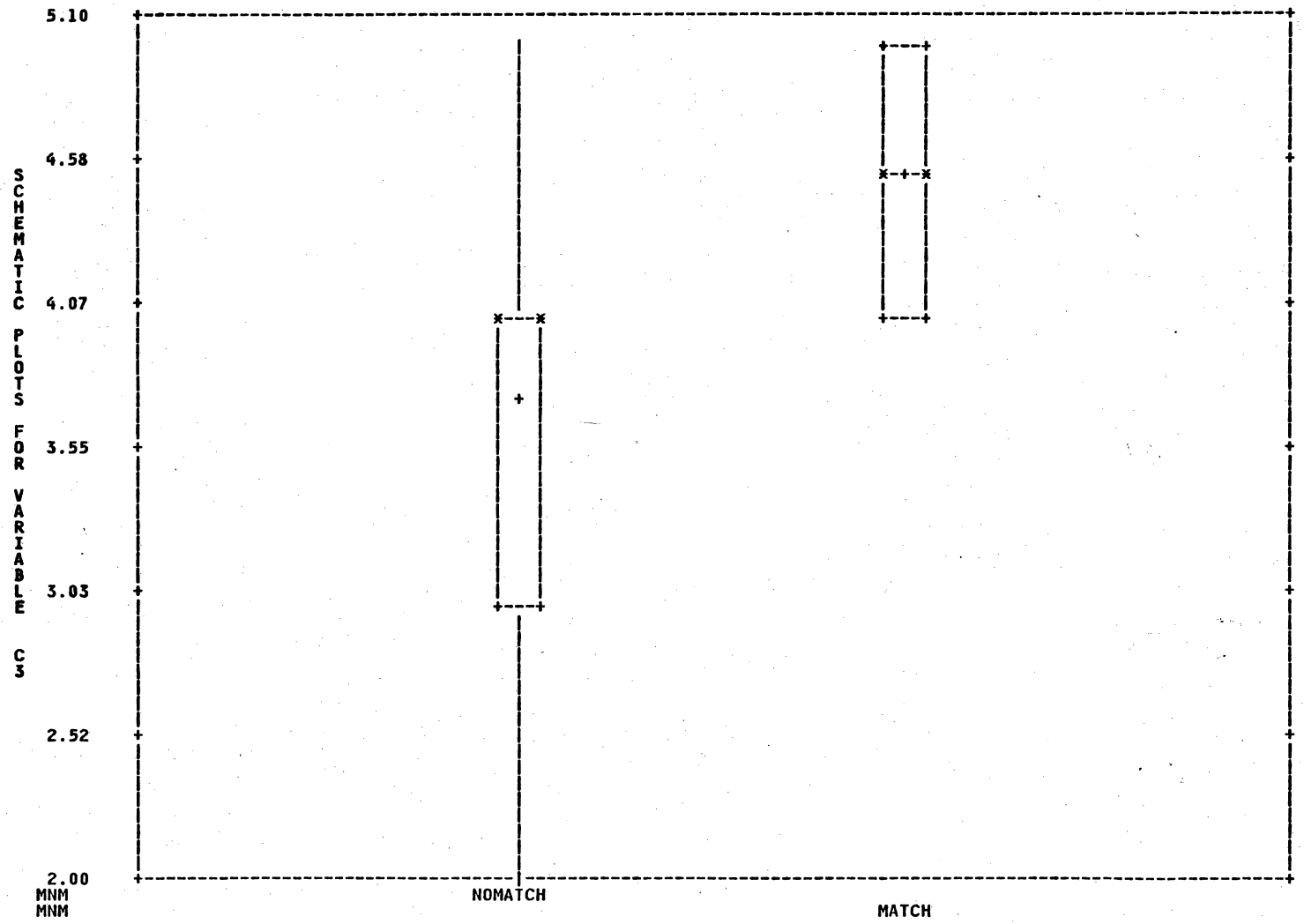


Table 4.33C

MOTELS WITH RESTAURANTS

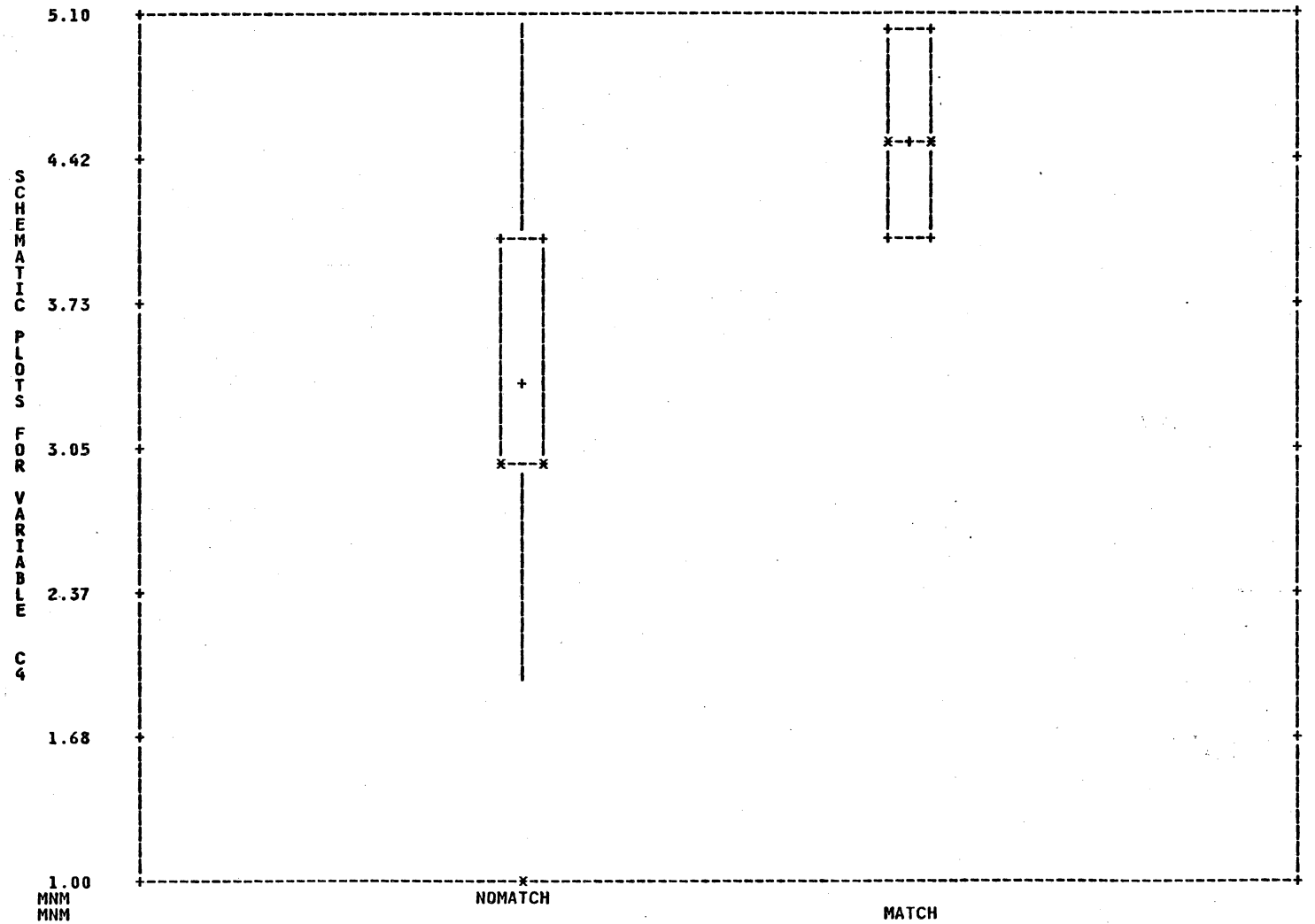


Table 4.33D

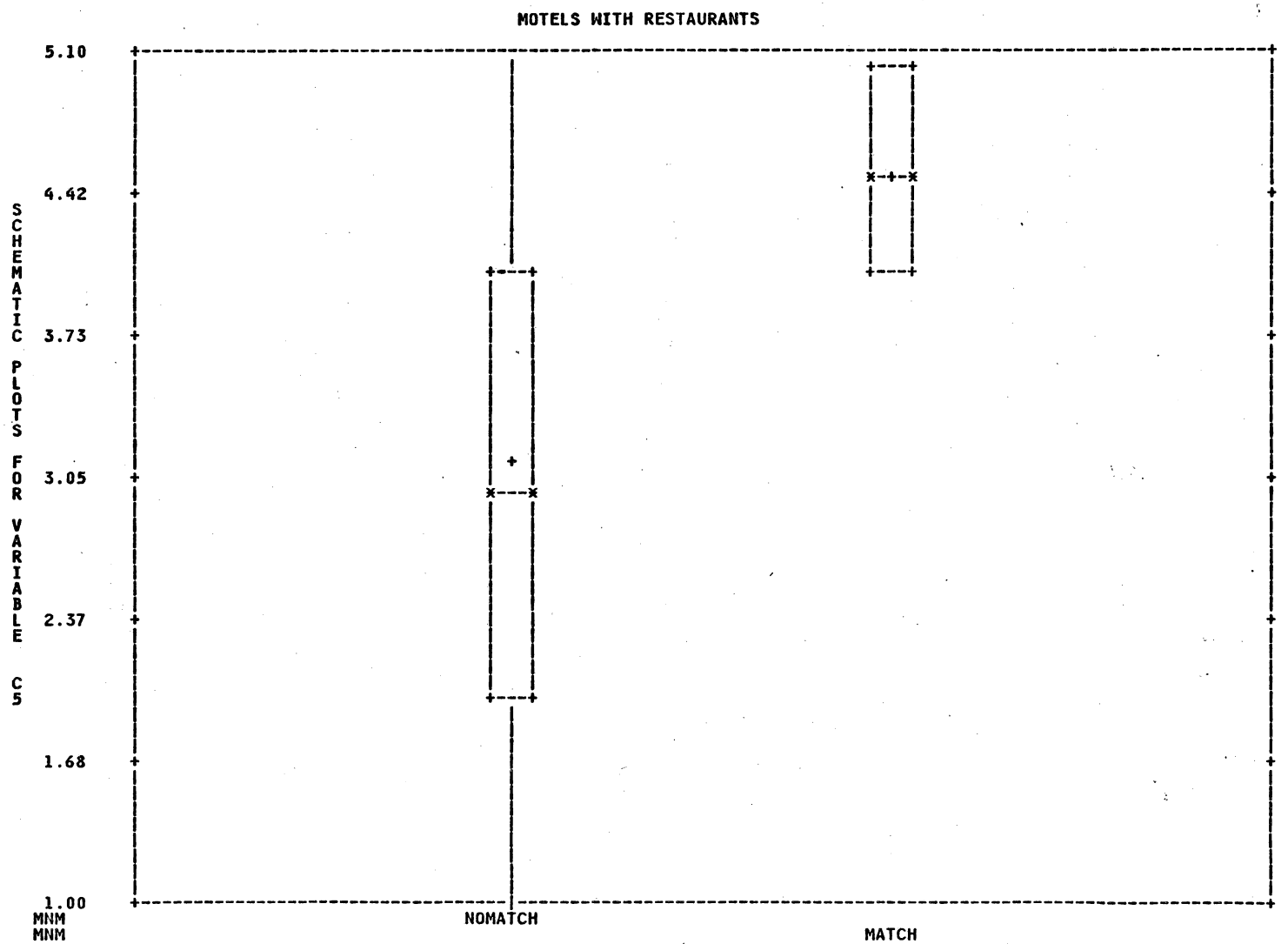

MOTELS WITH RESTAURANTS
SCHEMATIC PLOTS FOR VARIABLE C5
5.10
4.42
3.73
3.05
2.37
1.68
1.00
MNM
MNM
NOMATCH
MATCH

Table 4.33E

MOTELS WITH RESTAURANTS

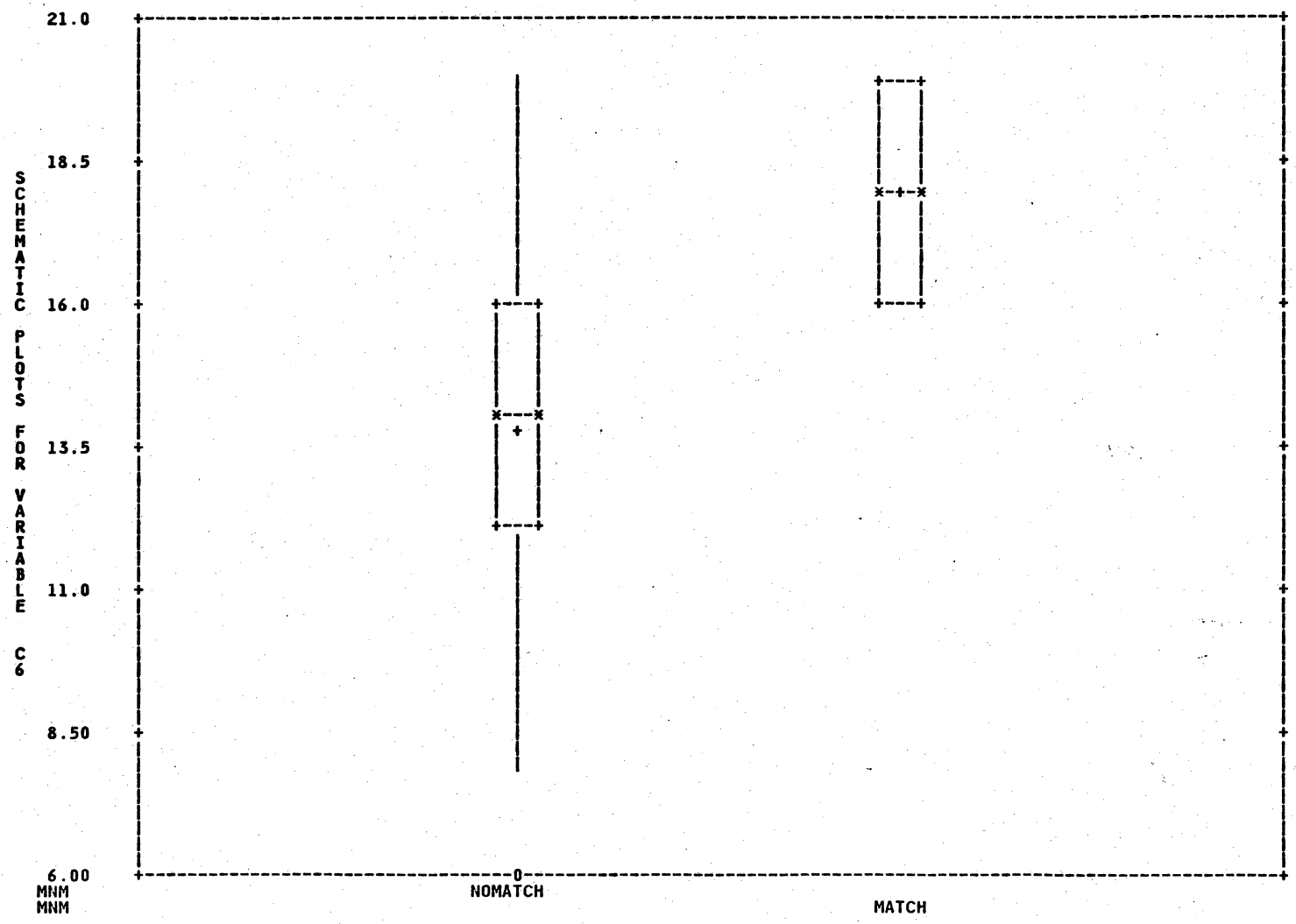


Table 4.34

Motels Without Restaurants, One Way Analysis of Variance: Performance by Competitive Strategy Type

Variable	dF	Mean Score	F Value	Pr>F	Contrast Tests: Mean	N	Cluster - (strategic group)[2]	Duncan[1]
% Change in Total Revenue vs. Lodging Industry	4/16	4.38	0.49	0.7423	4.71	7	4	A
					4.50	2	5	A
					4.25	4	2	A
					4.14	7	3	A
					4.00	1	1	A
% Change in Total Revenue vs. Segment of Lodging Industry	4/16	4.38	0.49	0.7423	4.71	7	4	A
					4.50	2	5	A
					4.25	4	2	A
					4.14	7	3	A
					4.00	1	1	A
% Operating Profit vs. Lodging Industry	4/16	3.81	0.19	0.9393	5.00	1	1	A
					3.86	7	4	A
					3.75	4	2	A
					3.71	7	3	A
					3.50	2	5	A
% Operating Profit vs. Segment of Lodging Industry	4/15	3.40	0.26	0.9015	5.00	1	1	A
					3.42	7	3	A
					3.33	3	2	A
					3.28	7	4	A
					3.00	2	5	A
Combined[3] Performance Score	4/15	15.85	0.19	0.9403	18.00	1	1	A
					16.57	7	4	A
					15.50	2	5	A
					15.43	7	3	A
					14.67	3	2	A

[1]Means with the same letter are not significantly different

[2]Strategic Groups
1 = Do It All Differentiation
2 = Internalized Resource
3 = Narrow Focused Marketing Innovators
4 = Efficiency/Quality Controllers
5 = Geographic Focused Price Leaders

[3]Combined performance score is the sum of the scores of the other four performance measures.

within this industry segment. No significant differences were found in the mean performance scores of the competitive strategy types in the motels without restaurants segment of the lodging industry.

Efficiency/Quality Controller types (cluster #4) represent 33.33% of the firms in this industry segment. The mean performance scores for this competitive strategy group were highest on two performance measures and second highest on two other performance measures, including the combined performance score (the highest mean score for the combined performance measure was for the Do-It-All Differentiation group which had only one firm in it).

Narrow Focused Marketing Innovator types (cluster #3) also represent 33.33% of the firms in this industry segment. However, performance scores for this group were second from last on all but one performance measure. Internalized Resource types (cluster #2) and Geographic Focused Price Leader types (cluster #5) represent 19.05% and 9.52% respectively of the firms in this industry segment. Performance scores for both of those competitive strategy groups were inconsistent, but tended towards lower level scores.

Performance of strategy/structure "match" vs. "no match":

On the bases of these results it is somewhat unclear as to which competitive strategy type might be considered dominant. Although Efficiency/Quality Controller types seemed to be the most likely choice.

Furthermore, this competitive strategy group has "defender" like characteristics and therefore, according to Miles and Snow, would require a high degree of structure to achieve a match. Whereas, the appropriate structural configurations for the other competitive strategy types have not as yet been identified.

Therefore T-tests on the mean performance scores for the "match" vs. "no match" groups were performed using Efficiency/Quality Controller types with a high degree of structure as the "match" group and all other organizations in this segment as the "no match" group. Table 4.35 summarizes the results of this analysis.

Mean performance scores for the "match" group were higher for four of the five measures and differences were significant at less than .10 for two of those measures. However, for one measure, % operating profit vs. segment of the lodging industry, the "no match" mean was higher although differences were not significant.

The box plot analysis of the distribution of performance score for the "match" vs. the "no match" groups, Table 4.36 (A-E), also reveals somewhat ambiguous results. Therefore, although there seems to be some support for a tendency towards higher performance levels for Efficiency/Quality Controllers with a high degree of structure, the evidence is somewhat inconsistent. Here again, it is conceivable that the "no match" group includes some firms where a strategy/structure match has been achieved but is yet unrecognizable. Furthermore, due to the small sample size (no match n=18, match n=3) the tests may lack the power to detect additional significant differences.

Table 4.35

Motels without Restaurants

T-test of Performance Means for
Efficiency/Quality Controller/High Degree of Structure -"Match"
vs. All Other Firms - "No Match"

Performance Measure	Group	N	Mean	dF	Prob > T (one tailed)
% change in revenue vs. lodging industry	no match	18	4.28		
	match	3	5.00	19	.0775*
% change in revenue vs. segment of lodging industry	no match	18	4.28		
	match	3	5.00	19	.0775*
% operating profit vs. lodging industry	no match	18	3.72		
	match	3	4.33	19	.2434
% operating profit vs. segment of lodging industry	no match	17	3.47		
	match	3	3.00	18	.3224
combined performance score (1)	no match	17	15.59		
	match	3	17.33	18	.2455

* significance at less than .10

(1) Combined performance score is the sum of the scores of the other four performance scores.

Table 4.36 (A-E)

Motels Without Restaurants
Box Plots of Performance Measures
"No Match" vs "Match" Groups

Key to Performance Variables:

C1 - % change in revenue vs. lodging industry
C3 - % change in revenue vs. segment of lodging industry
C4 - % operating profit vs. lodging industry
C5 - % operating profit vs. segment of lodging industry
C6 - Combined performance score

Table 4.36A

MOTELS WITHOUT RESTAURANTS

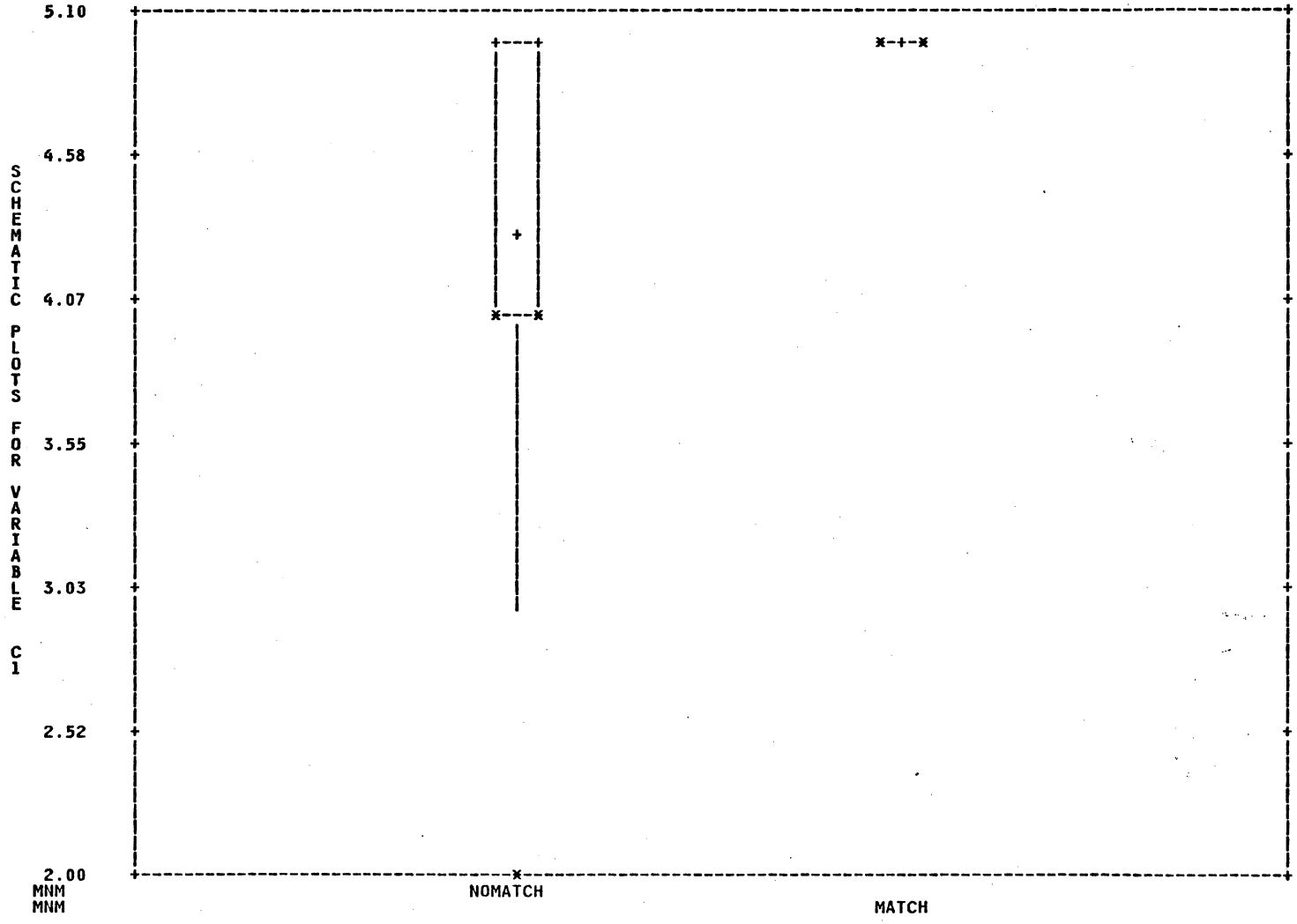


Table 4.36B

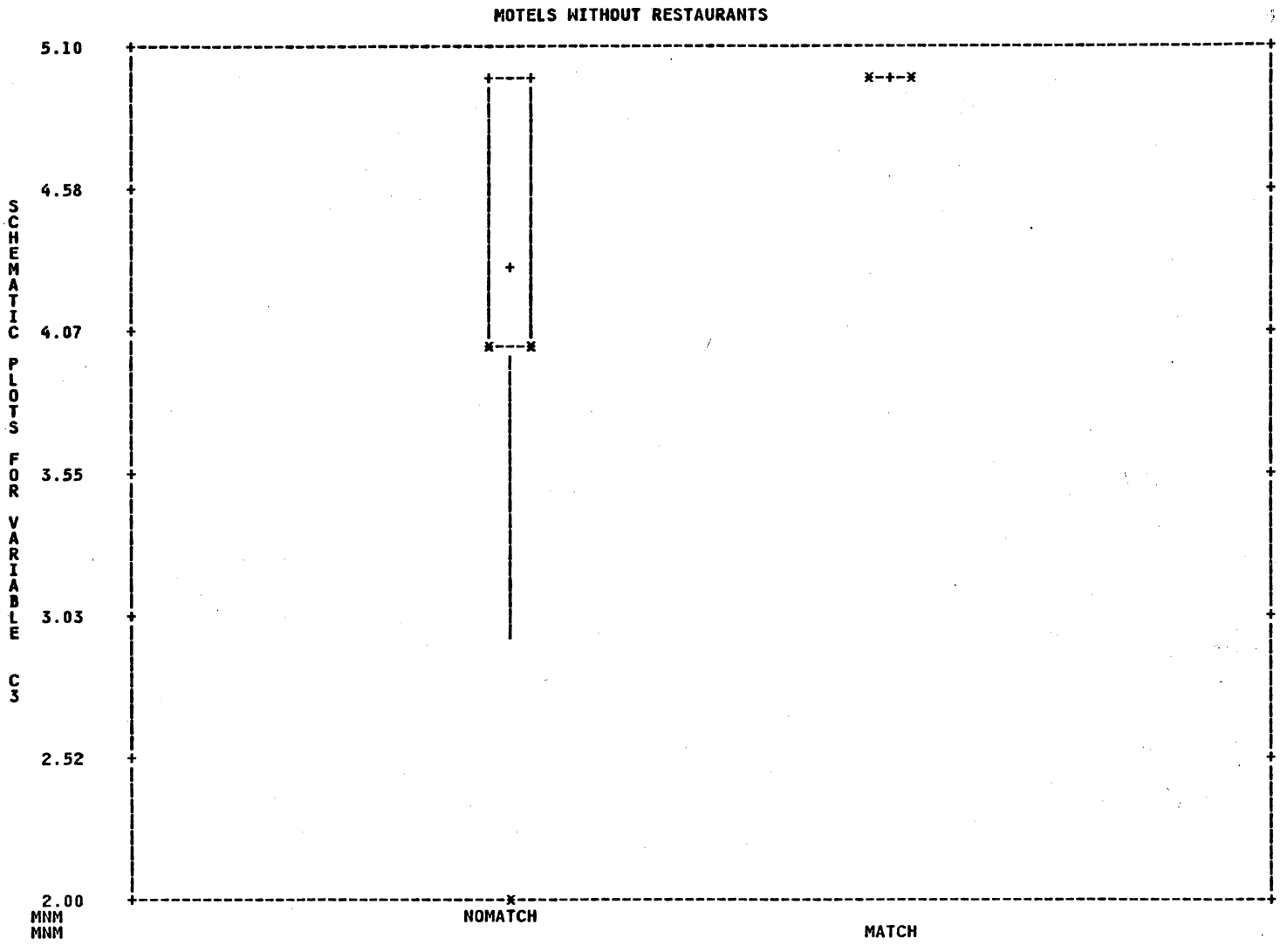

MOTELS WITHOUT RESTAURANTS
SCHEMATIC PLOTS FOR VARIABLE C3
5.10
4.58
4.07
3.55
3.03
2.52
2.00
MNM
MNM
NOMATCH
MATCH

Table 4.36C

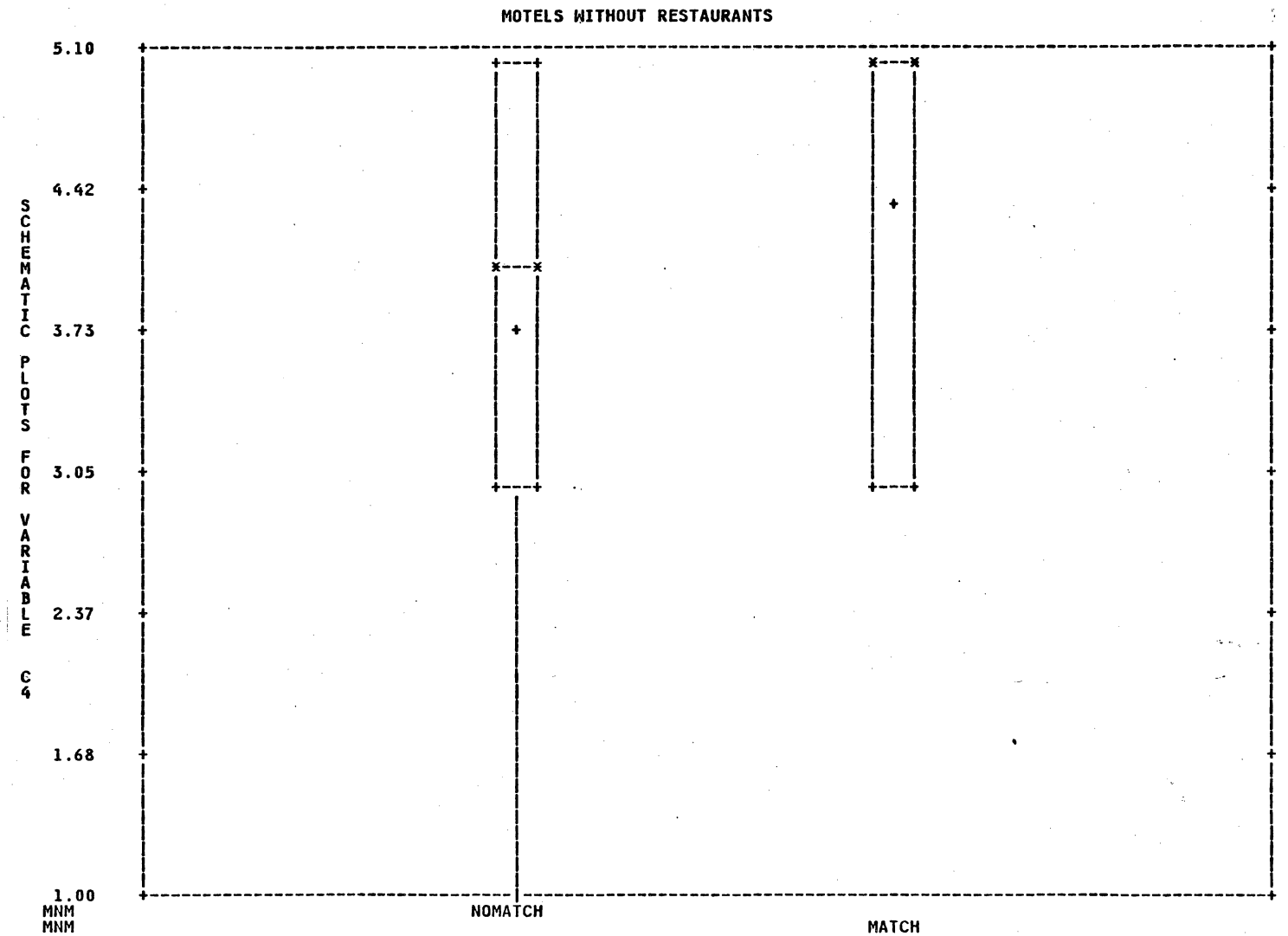

MOTELS WITHOUT RESTAURANTS
SCHEMATIC PLOTS FOR VARIABLE C4
5.10
4.42
3.73
3.05
2.37
1.68
1.00
MNM
MNM
NOMATCH
MATCH

Table 4.36D

MOTELS WITHOUT RESTAURANTS

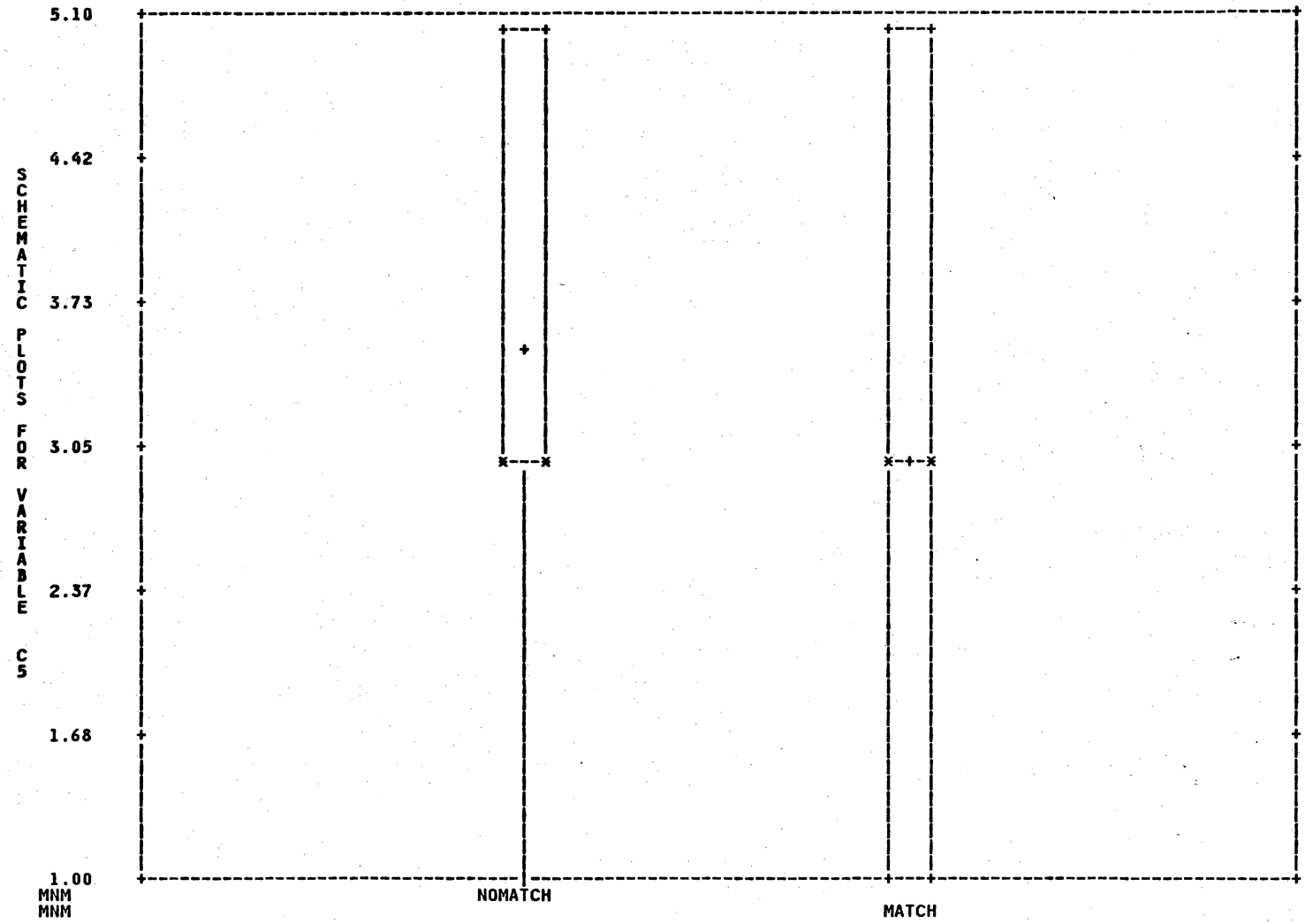
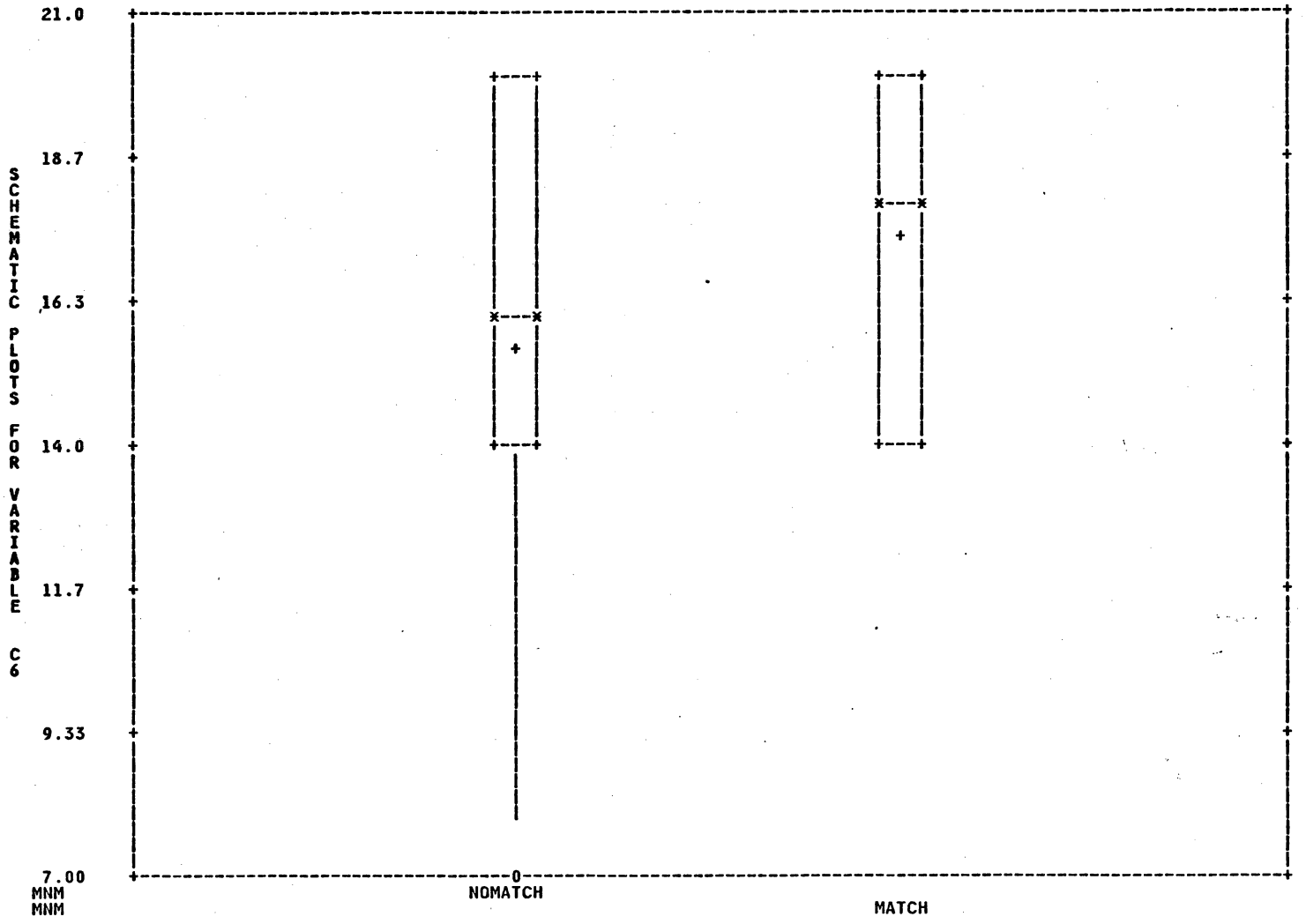


Table 4.36E

MOTELS WITHOUT RESTAURANTS



Chapter V

Discussion

Introduction

This study has attempted to empirically test several of the theorized perspectives of organizations developed by Miles and Snow (1978). Specifically, this study has attempted to analyze and determine the characteristics of competitive strategies in a single industry of service organizations, the lodging industry. Subsequently, the competitive methods and strategic characteristics of the competitive strategy profiles that emerged in the lodging industry were compared to the strategic profiles of Miles and Snow's "generic" typology. Similarities and differences unqiue to the subject industry were noted and discussed.

In addition, this study has attempeted to test:

1. Hypothesized relationships between competitive strategy type and three dimensions of organization structure (centralization, formalization, and specialization)
2. Differences in performance of firms grouped according to their competitive strategy profiles
3. Hypothesized differences in performance of firms that achieve a "match" between competitive strategy and organization structure and those that do not.

This was accomplished by first examining the nature of competitive strategies within the lodging industry. Subsequently the relationships among competitive strategies, three dimensions of organization structure, company size, and five measures of firm performance were examined.

Furthermore to more rigorously control for environmental effects this analysis was undertaken for the industry as a whole as well as within four distinct subsegments of the industry.

Six hypotheses were developed, that dealt with the nature of competitive strategy types; and the relationship among strategy types and 1) the degree of organization structure, 2) organizational performance, and 3) organization performance were a strategy/ structure match had been achieved.

The purpose of this chapter is to discuss the findings of this study and their research implications. Each of the hypotheses is in turn discussed. Then the interaction affects of the variables are discussed. Finally, directions for future research, including research propositions are presented.

Competitive Strategy Types

The first hypothesis attempted to distinguish within a single service industry strategic patterns corresponding to Miles and Snow's typology. The research findings indicate that similarities are evident, however there are distinct differences as well.

Miles and Snow (1978) along with other strategy researchers (Porter, 1980; Hall, 1980) have argued that there are only a limited number of strategic postures that are likely to make an organization an effective competitor. Miles and Snow (1978) specify three generic types; defenders, prospectors and analyzers, that represent effective stable

strategic patterns. They also identify one generic strategy type, reactors, that represents organizations with unstable and ineffective strategies.

The findings of this study suggest that within the lodging industry there are five distinct configurations of competitive strategies. These strategic profiles have been named: 1) Efficiency/ Quality Controller, 2) "Prospector" like, 3) Internalized Resource Controller, 4) Marketing Focused "Analyzer", and 5) Geographic Focused Price Leadership. These configurations are based on an interpretation of a factor analysis of the competitive methods and strategic characteristics deemed to be important to the strategies of firms competing in the lodging industry. Lodging industry strategy configurations tend to support, in general, the Miles and Snow typology. However, the analysis also reveals that the lodging industry configurations are not exact duplicates of Miles and Snow's strategy "types" and may indicate specific industry related variations (Hambrick, 1983A).

When these strategic profiles were used as the basis for clustering firms into groups of organizations with similar competitive strategies, five distinct strategic groups emerged each with its own unique strategic profile. In addition, when these strategic groups were subsequently analyzed by industry segment even more unique findings were revealed.

Do-it-All Differentiation Types

On an industry wide basis the strategic profiles that emerged suggested that the competitive strategy of one group, Do-it-All Differentiation types appeared to represent a balanced and comprehensive type of competitive strategy. About a third (32.6%) of all firms in the study were classified into this competitive strategy profile.

Essentially, this strategic profile represents a combination of the attributes Miles and Snow's (1978) "prospector" type and "defender" type. Hall (1980) found, in a multi industry study, that where firms were able to successfully implement a competitive strategy that combined an efficiency/cost leadership and a differentiation approach, they achieved spectacular levels of performance. Therefore, it might be expected that firms in the lodging industry that are able to successfully implement this type of competitive strategy are likely to be very well run organizations and are likely to achieve high levels of performance.

To a large extent this conclusion was born out when the joint effects on performance of competitive strategy and organization structure were analyzed. A detailed discussion of this finding is reserved for a subsequent section of this chapter.

Another interesting finding was that the distribution of strategic profiles was not the same for all industry segments. In the case of Do-It-All Differentiation types, 46.9% of firms in the transient hotels segment were classified in this category. The resort segment had 40% of the firms classified in this group, the motels with restaurants segment

had 33.3% in this category, but in the motels without restaurants segment only 4.8% of the firms had adopted this type of competitive strategy.

Porter (1980, p. 132) suggests that the profit potential of firms in different strategic groups is often quite different because the competitive forces in an industry will not have equal impact on different strategic groups. The findings of this study suggest that within an industry there may be sub environments (segments) where competitive forces may differ. What may be a favorable competitive position in one industry segment may not be as suitable for another segment.

Internalized Resource Controller Types

A second strategic profile Internalized Resource Controller's also accounted for approximately one third (31.6%) of the firms in the industry. This competitive profile stands out as being an odd form of competitive positioning, especially for firms that are competing in a service industry. Service organizations, it has been suggested, have characteristics that are likely not to be found in manufacturing operations (Mills and Moberg, 1982): first, customers have few objective references relative to the value of the services; second, because of the intangibility of services, they are difficult to control and must focus more on processes as opposed to inputs; and thirdly, to be satisfying to customers, service firms need to be sensitive to the relationships between customers and service workers.

This strategic profile appears to be specifically directed at physical input to output resources with no perceptible recognition of human or process considerations. Neither customer nor employee factors are viewed as important strategic elements. Thus, as competitors in a highly service oriented industry, Internalized Resources Controllers may be out of synchronization with their environment. Findings discussed in subsequent sections of this chapter tend to support this perception.

Interestingly, this type of competitive positioning appears to be a fairly popular one in all segments of the lodging industry. Internalized Resource Controllers represent 28.1% of the transient hotels segment, almost half (46.7%) of the resort hotels segment, 37.0% of the motels with restaurants segment and 19.0% of the motels without restaurants segment.

Narrow Focused Marketing Innovator Types

The third strategic group of firms found in this study has been identified as Narrow Focused Marketing Innovator types. The combination of the components that make up this strategic profile suggest an innovative marketing orientation but with a deemphasized focus on product and services factors.

This group represents 17.9% of all firms in the lodging industry. However, where 15.6% of the transient hotel segment and 18.5% of the motels with restaurants segment are firms with this strategic profile, there are 0% of this strategic group in the resort hotels segment and in

the motels without restaurants segment a third (33.3%) of the firms have adopted the Narrow Focused Marketing Innovator competitive profile.

Efficiency/Quality Controller Types

Efficiency/Quality Controller types represent the fourth competitive strategy group. This strategic group, in the aggregate, accounts for only 12.6% of the firms in the lodging industry. In three industry segments only small percentages of firms, 6.3% for transient hotels, 6.7% for resort hotels and 7.4% for motels with restaurants, seem to have adopted this form of competitive strategy. However, one third (33.3%) of the firms in the motels without restaurants segment have adopted this type of competitive strategy profile.

Efficiency/Quality Controller types seem to be most closely associated with Miles and Snow's (1978) "defender" category. Yet within the lodging industry this presumably viable strategic focus appears to be prevalent only in one segment of the industry.

One reason for this may be because of the fragmented nature of the lodging industry. Porter (1980) suggests that a fragmented industry is one in which no firm has a significant market share and can influence the industry outcome. That is an industry whose product is essentially undifferentiated (p. 191).

The challenge, Porter suggests, is to cope with fragmentation by becoming one of the most successfully managed firms. This is achieved through a local market orientation, high personal service, efficient low

cost facilities coupled with an effort to provide increased value through added services and enhanced product differentiation where possible. This might explain the apparent popularity of the Do-It-All Differentiation competitive strategy profile in the lodging industry.

Geographic Focused Price Leader Types

The fifth cluster of firms, Geographic Focused Price Leader types, represents only a very small proportion (5.26%) of firms in the lodging industry. In addition, the few firms in this group are almost equally distributed into the four segments of the lodging industry. These findings suggest that a limited geographic focus is not considered as an important strategic characteristic by the vast majority of firms that compete in the lodging industry.

This is contrary to what might at first have been expected from two perspectives. First, competitive strategy researchers (Miles and Snow, 1978; Porter, 1980) have suggested that one viable form of "analyzer" or "focused" strategy would be where a firm chooses to concentrate its energies on a limited geographic domain. By so doing they would become expert regarding customer requirements and also become intimately known to their clients within the region. This in turn would permit firms pursuing this type of strategy to concentrate their limited resources. By so doing they could realize a greater degree of efficiency within their limited geographic sphere and/or be better able to service the unique needs of clients within their region. Secondly, the nature of the

lodging industry itself might suggest that a firm with a regionalized competitive approach from a physical proximity standpoint, would be better able to control its operations.

However, there are at least two arguments which can be made that might support the relative absence of a limited geographic strategy in the lodging industry. First, in most manufacturing industries the firm goes to its customers. That is sales people call on customers and deliveries are made to customers. Even in the retail industries outlets represent merchandise depositories that are located in close proximity to consumers.

Furthermore, manufacturing firms can benefit from economics of scale; they can build one central plant and distribute their product. Service organizations, however, have to attract customers to them and must locate themselves geographically in multiple locations to service customers.

The lodging industry is a service industry where customers must come to specially designed facilities to receive the service. This suggests that rather than locating units in relatively concentrated geographic areas, lodging units must be geographically dispersed and located at destination centers and along travel routes so as to be positioned to be able to service customer travel needs.

This leads to the second unique feature of the lodging industry. Lodging firms must also attempt to have representation at many destinations and along many travel routes so as to provide consistently available service to customers. This is evidenced by the great

importance attached to centralized reservation systems that have become an integral part of the lodging industry.

Summary of Competitive Strategy Types Discussion

The evidence developed through this study reveals what appears to be a limited number of strategic profiles in the lodging industry. These strategic groupings however, do not precisely correspond to either Miles and Snow's (1978) strategic typology or the characteristics of their strategy types.

One category, the Efficiency/Quality Controller group, closely resembles Miles and Snow's "defender" category. A pure "prospector" type does not appear in the lodging industry. The closest is the Do-It-All Differentiation group. However, this profile represents more of a combination "prospector" and "defender" competitive strategy. At first glance, both the Narrow Focused Marketing Innovator and Geographic Focused/Price Leader groups appear to have characteristics of an "analyzer" type of strategy. Whereas, the Internalized Resource group does not seem to fit any of the "viable" strategic profiles.

Furthermore, when these strategic profiles are further analyzed in terms of their existence within specific segments of the lodging industry the array of competitive strategies becomes even more limited. For all intent and purposes Geographic/Price Leader types are non existent in the industry. This finding is further supported later in this chapter when performance measures are linked to strategy types.

In addition, Efficiency/Quality Controller types, a "defender" like profile, are also almost non existent, except in one segment of the industry, motels without restaurants, and Narrow Focused Marketing Innovator types are not found at all in the resort hotels segment.

The "viability" of the strategic profiles discovered in this study have yet to be discussed. However, because these findings differ substantially from the findings of multi-industry studies (Miles and Snow, etc.) they tend to support the proposition that industry characteristics may impact both the frequency with which strategic archetypes appear (Porter, 1980; Snow and Hambrick, 1980; Hambrick, 1983A) and the array of configurations each strategy can take (Hambrick, 1983A). Furthermore, this study suggests that variations in frequency of strategic archetypes may also be a function of segmentation within an industry. Not all strategic types are found with an equal degree of frequency within industry segments. Therefore, not only does an industry seem to affect the appearance of different strategic profiles, but different segments within an industry may also affect the competitive strategy types that are prevalent.

These findings suggest that competitive strategy research not only needs to be industry specific but also may require inquiry into differences between industry segments. This indication is illuminated further when the discussion focuses on the relationships among strategy, structure and performance later in this chapter. Although coarse grained competitive strategy research, done across industry boundaries (Miles and

Snow, 1978; Porter, 1980; Hall, 1980; Hambrick, 1983A) has been valuable in identifying and helping to establish broad strategic profiles, industries are unique and fine grained analyses of competitive strategy reveals unique competitive types and strategic profiles. Furthermore, these differences may be even more pronounced when, as in the lodging industry, an analysis of industry segments is undertaken.

The following sections of this chapter will elaborate on these points. The findings of this study tend to reveal that choices of competitive strategies and the way that strategies are implemented as measured by organization structure (i.e. choice of structure) result in significant differences in organizational performance. Furthermore, the pattern of these choices in terms of their affect on organizational performance was different for different segments of the lodging industry.

Competitive Strategy and Organization Structure

According to Miles and Snow (1978) thesis the structure and possesses characteristics of firms can be "predicted with some reliability" from their chosen strategy. The findings of this study do not support this thesis. Tests of centralization, specialization and total structure revealed no significant differences across all five strategic groups.

Significant differences did emerge across strategic groups with respect to the degree of formalization. However, the differences in the degree of formalization were the reverse of what would be expected according to Miles and Snow's thesis.

There are several possible explanations for these findings. First, as discussed earlier, the configurations of the competitive strategy profiles that were discovered in the lodging industry were not the same as the typologies identified by Miles and Snow. In particular, Miles and Snow suggest that their "prospector" and "defender" types can be viewed as opposite extremes of a competitive strategy continuum (see Chapter 2, Miles and Snow's Strategic Archetypes). Furthermore, they specify that "defenders" tend to have a high degree of centralization, formalization and specialization, whereas, "prospectors" tend to have a low degree of these structural dimensions.

In this study, Do-It-All Differentiation types had many "prospector" like characteristics, but they also tended to consider many "defender" like characteristics as important to their competitive strategy. Therefore, a "pure" prospector type of strategy does not seem to exist in the lodging industry.

The Efficiency/Quality Controller types did closely resemble a "defender" like strategy. However, on the one structural dimension, formalization, where statistically significant differences emerged, Do-It-All Differentiation types had a higher degree of formalization than did Efficiency/Quality Controller types.

Since, unlike Miles and Snow's typology, the two strategic groups do not appear to be at opposite ends of a continuum, it is not surprising that structural dimensions do not conform to Miles and Snow's predictions. In fact, although the strategic profiles found in this study have

some resemblance to Miles and Snow's types, they are more different than similar.

Secondly, it may in fact not be possible to predict the structural characteristics of firms from their strategy. Decisions regarding the choice of an organizations competitive strategy are viewed as the link between the strategic choices, of environment and of organization structure, that must be made by top management (Chandler, 1962; Child, 1972; Miles and Snow, 1978; Porter, 1980). Therefore, the characteristics of an organization's structure are a part of the strategic choices that must be made by its management. In essence, structural configurations do not necessarily flow from an organizations choice of competitive strategy but are decisions that must be consciously made by management.

In addition no differences were found in the structure of lodging organizations across industry segments. This suggests that the industry's sub environments are not a direct influence on organization structure.

Thus, it is not likely that all firms that choose the same competitive strategy will make the same choice of their respective organization's structural characteristics. Therefore, each strategic group is likely to contain organizations whose structure configurations are more randomized, based on each individual firm's management choice. The notion of strategic choice does not logically support homogeneity of structure within strategic groups. It is not surprising then that

differences in structure across competitive strategy groups were not found.

The essence of organizational effectiveness would be for management to make the right strategic choices. The choice of a viable competitive strategy alone is insufficient to assure the likelihood of high levels of performance. In order to achieve high performance levels organizational structure most "fit" strategy. The appropriate strategy must be "matched" by an appropriate organizational structure (Chandler, 1962; Child, 1972; Miles and Snow, 1978; Porter, 1980; Randolph and Ross, 1984). Subsequent discussion of this study will reveal strong support for these concepts.

Competitive Strategy and Performance

The notion of strategic choice (Child, 1972; Bourgeois, 1984) suggest that the critical link lies in the decision maker's evaluation of the organization's position in its environment (Porter, 1980). Top managers assess the environments associated with an organization's chosen product/market domain and then must chose the proper mix of competitive strategy and structure. The choice of these variables determine whether the organization will achieve its goals and accomplish its tasks effectively (Child, 1972; Miles and Snow, 1978; Porter, 1980; Hall, 1980).

This notion of strategic choice is supported by the findings of this study. First, tests for differences in performance between the five competitive strategy groups supported the null hypothesis of "no

difference". Thus the choice of competitive strategy alone produced no differences in performance.

However, when organizations were classified into two groups, one where there was a "match" between competitive strategy and structure, and a second group of all other organizations in the study, the performance scores of the "match" group were clearly superior. These findings provide strong support for the notion of strategic choice as well as the proposition that the choice of structure must be appropriate to the choice of strategy.

Essentially, the likelihood of achieving high levels of performance requires that the top managers of organizations make the right choices. They must first chose an appropriate competitive strategy and then they must chose appropriate ways to implement that strategy. The choice of strategy must be "matched" by the correct structural choice(s). When this occurs performance tends to be significantly higher.

Furthermore, the results of the industry wide competitive strategy/structure match analysis suggests that the strategic profiles, Do-It-All Differentiation and Efficiency Quality Controller are likely to be viable competitive profiles. However, it is not yet possible to reach a similar conclusions regarding the other three competitive strategy types that have been identified. This issue is illuminated in the following sections when discussion focuses on the findings of the analysis of performance results within industry segments.

Competitive Strategy and Performance Within Industry Segments

Differences in the distribution of competition strategy types within industry segments has been discussed earlier in this chapter. Now the discussion focuses primarily on organizational performance within industry segments, comprehending the combined effects of the choices of competitive strategy and organization structure.

Transient Hotels

Within this industry segment one strategic profile appears to stand out as having consistently higher levels of performance than the other four competitive strategy groups. Do-It-All Differentiation types have the highest mean performance scores on three of the five measures and second highest on the other two. Furthermore, when the box plots for the cumulative performance measure are examined (Table 4.19E), the 75the percentile level for the other four competitive strategy profiles is below the median of the Do-It-All Differentiation group.

These results are not statistically significant. However, they are indicative of a clear tendency. This type of competitive strategy, within the transient segment of the lodging industry, tends to achieve higher levels of performance. In addition, 47% of firms in this segment have this type of strategic profile.

Perhaps the most interesting finding is the results of the strategy/structure match test. Here the predominant strategy Do-it-All Differentiation, both in terms of the number of firms that adopt this

profile (47%) and the overall performance tendencies of those firms, resulted in statistically significant differences and higher levels of performance, when matched with a low degree of organization structure, as compared to all other organizations in this industry segment.

This finding further supports the notion of strategic choice and suggests that within the transient hotels segment of the lodging there is a particular set of strategic choices that are likely to result in superior performance (i.e. a Do-It-All Differentiation competitive strategy matched with a relatively low degree of organization structure).

Resort Hotels

The analysis of this industry segment produced some particularly interesting results. Here two strategic profiles emerged as predominant, Do-It-All Differentiation types and Internalized Resource Controller types. The other three strategy profiles were for all intents and purposes non existent in this industry segment.

The performance scores for both of these competitive strategy types were not significantly different. However, the mean performance score for Do-It-All Differentiation types were consistently higher on all five performance measures. However, when the strategy/structure "match" analysis was performed particularly unique findings were revealed. First, an analysis of the Internalized Resource group revealed no difference in performance levels irregardless of the structural configuration associated with this strategy. On the other hand, significant

differences were discovered in performance scores for organizations categorized as Do-It-All Differentiation types for high and low degree of structure groups.

Perhaps the most unique aspect of this finding was that the results were the reverse of that which was anticipated. Essentially, Do-It-All Differentiation types were viewed as "prospector" like and as such it was expected that a low degree of structure would result in a strategy/structure match. This notion tends to follow from the results obtained both in the overall industry and the transient hotels strategy/structure "match" analysis.

However, within the resort hotels segment of the lodging industry when a high degree of structure was associated with the Do-It-All Differentiation competitive profile, those firms that achieved this match significantly outperformed all other firms in the industry segment. As a result of this finding there is some indication that an appropriate structural configuration for a particular type of competitive strategy is not the same for all segments in a particular industry.

This indication does not contradict the notion of strategic choice, but may add another dimensions to this perspective The findings may be interpreted to suggest that an industry segment or sub environment may intervene in the strategy, structure, performance relationship. This conclusion follows from Childs' (1972) argument that "strategic choice extends to the context within which the organization is operating, to the

standards of performance against which the organization is evaluated and to the design of the organization itself."

Resort hotels operate in an environment that differs considerably from other lodging operations. Resorts are usually located in a suburban or isolated rural location as opposed to a metropolitan area or along travel routes. Furthermore, resorts provide, in addition to sleeping accommodations and food and beverage facilities, special recreational facilities and other attractions designed to attract pleasure seeking guests.

These unique features support the apparent "viability" of a differentiation oriented competitive strategy. However, they also inject an added dimension to the operation of resort facilities. That is, in addition to having appealing lodging, food and beverage operations, resorts must also operate various forms of recreation activities (skiing, boating, fishing, skating, beaches, etc.) and entertainment activities (dancing, crafts, exercise, etc.) for their guests. As a result of these additional requirements, resorts may need to be more programed and controlled.

It has been argued that the degree of homogeneity or conversely heterogeneity of the environment determines the need for differentiation among organizational subunits (Lawrence and Lorsch, 1967). The implications of this phenomenon suggests that where there is a high degree of environmental heterogeniety there would also be a high degree of internal differentiation. A high degree of internal differentiation

would tend to make coordination and integration within an organization more difficult. This would tend to require organizations faced with greater internal differentiation to invest more in internal devises for integration and coordination. Rules, regulations, formalized policies and more centralized decision making processes are some of the means that can be used to achieve internal coordination.

Thus, it appears necessary in the resort segment to have a higher degree of internal structure with regard to more centralized decision making, more formalized policies and procedures and more specialized jobs. These are likely to be required to implement differentiated competitive strategies that require the consistent coordination of a large number of unrelated functions, a unique feature of the resort segment of the lodging industry.

Motels With Restaurants

As in both the transient hotels and resort hotels segments, the "Do-It-All Differentiation" competitive strategy profile emerged as being predominant in the motels with restaurants segment. Performance scores as well as the high proportion of firms classified in this strategic category clearly support this position.

Results of the strategy/structure "match" test provide strong support that performance is likely to be significantly higher in this industry segment when a "Do-It-All Differentiation" strategy is match with a

relatively low degree of structure. This is precisely the same pattern as found in the transient hotels segment.

It is not at all surprising that the same strategic choice pattern would emerge for the transient hotels and motels with restaurants segments but not the resort hotels segment. Motels with restaurants, for all intents and purposes, provide the same types of services to basically the same types of clientele as do transient hotels. That is they both provide sleeping accommodations, food and beverage services to transient guests. There are two primary differences between these segments. The first is their location, transient motels are more likely to be located in the midst of a metropolitan area, whereas, motels with restaurants are more likely to be located on the fringes of metropolitan areas and on primary travel routes. Secondly, transient hotels may be somewhat larger (numbers of rooms) and more elaborate (fancier, with more meeting and banquet facilities). However, these differences do not impact the types of services provided within these two industry environments. If differences do exist they are likely to be related only to the degree or intensity of these services (Sasser, et al, 1978).

Therefore, having what appear to be very similar operating environments, it is not surprising to find that similar strategic patterns would emerge for the transient hotels and motels with restaurants segments. On the other hand, both of these segments differ from the resort hotels segment in terms of the types of services provided.

Thus, the finding of consistency in the strategic choice pattern of the transient hotels and motels with restaurants segments tends to support the proposition suggested earlier: organizations must achieve a three way "match" among environment, strategy and structure for high levels of performance to be likely. In both the transient hotel and motels with restaurant segments significantly higher performance levels requested when a "Do-It-All Differentiation" strategy was "matched" with a low degree of organization structure. However, in the resort hotels segment, an environment where different types of services are provided, a high degree of structure "matched" with the "Do-It-All Differentiation" strategic profile resulted in significantly higher performance levels.

Motels Without Restaurants

The analysis of this industry segment did not result in as clear findings as those recorded in the other three industry segments. "Efficiency/Quality Controller" types seemed to emerge to the predominant strategy. When this strategic profile was "matched" with a high degree of structure, organizations in the matched group tended to have performance levels on some measures that were significantly higher than all other firms in the segment. However, these results were not consistent across all five performance measures.

The nature of the type of services provided in the motels without restaurants segment of the lodging industry can be described as undimensional. That is, firms in this segment operate units that provide only

sleeping accommodations. No food, beverage, recreational or other services are generally offered. Therefore, this segment represents the least complex environment of the lodging industry.

The absence of a differentiation oriented competitive strategy profile (there was only one of 21 firms in this segment that was classified as a "Do-It-All Differentiation" type.) may attest to an inability to substantially differentiate the services of organizations competing in this segment. This finding may also explain the inconsistent results relative to the dominance of an "Efficiency/Quality Control" competitive profile. In a service industry where meaningful differentiation is unachievable, strategic choice may be considerably more difficult. Furthermore, the relatively high fixed cost and low variable cost associated with lodging facilities in the absence of other services, may make real differences in officiations more difficult to achieve.

As a result of these indications, it would appear that, particularly with respect to the motels without restaurant segment, considerably more research would be called for. Deeper inquiry into the nature of competitive strategies and the impact of Strategy/Structure interactions within industry segments should yield considerable greater insight.

Discussion Summary

Competitive Strategy Types

These findings indicate that industry factors may in fact be crucial in shaping the nature of the competitive strategies that are employed

within a particular industry. As Porter (1980) aptly suggests, this is so because competitive forces within an industry's environment will not have equal impact on the different generic strategies or strategic groups. Others have also echoed this concept, suggesting that the nature of an industry or environment in which organizations compete is a prime factor in determining the content of their strategies and the structure of an industry will affect the dimension of a particular strategic type within a particular industry (Buzzel et.al., 1975; Miles & Snow, 1978; Porter, 1980).

However, the results of this study suggest that competitive strategy research should also consider the effects of within industry differences. In addition to differences between industries, there also appear to be meaningful differences in the way firms compete within different segments of a particular industry. This would seem particularly relevant to industries, such as the lodging industry, where there is a substantial degree of market segmentation.

Competitive Strategy, Organization Structure and Performance

The findings of this study revealed no evidence to support the thesis that organization structure can be predicted from an organizations chosen strategy. Furthermore, when performance measures were analyzed across competitive strategy profiles there was no evidence to support an organization's type of competitive strategy alone as being associated with high performance levels. However, when competitive strategy types

were "matched" with the "appropriate" degree of structure significant differences in performance were discovered between the "matched" group and all other organizations.

This phenomenon, when analyzed within industry segments, resulted in particularly interesting findings. Essentially, what was revealed was that the relationship in terms of performance between competitive strategy and degree of structure was not the same for all industry segments. Where the environment of a segment of the industry was unique with respect to the type of services (hetrogneity) provided, competitive strategy/structure combinations that resulted in significantly higher performance levels in other industry segments did not hold. In the unique segment the same competitive strategy profile required the opposite type of structure configurations to yield significantly higher performance levels.

These findings provide strong support for the notion of strategic choice. Within the context of the open systems/contingency perspectives of organizations (Katz & Kahn, 1966; Thompson, 1967; Burns & Stalker, 1961; Lawrence & Lorsch, 1967), different external conditions might require different organizational characteristics and behavior patterns for organizations to be effective. However, the perspective that organizational variables are in a direct relationship with certain contexture variables (Woodward, 1965; Burns & Stalker, 1961; Lawrence & Lorsch, 1967; Pugh, et al., 1969; Hage & Aken, 1969; Pennings, 1973; Henings & Lee, 1973; Glisson, 1978) is not evident in this study.

Rather, there appears to be an indirect relationship between environment strategy, structure and performance. Environment seems to be an intervening variable in the strategy, structure, performance relationship.

These findings indicate that it is not likely that all firms that choose the same competitive strategy will make the same choice relative to their structural characteristics. Furthermore, the current choices of competitive strategy and structural characteristics that result in higher performance are likely to be different depending on the environmental conditions associated with the organizations chosen competitive market.

The results suggest that continued mid-grained research that probes into the content of strategic choice is called for. In this study analysis of relationships among the variable that were isolated; environment, competitive strategy, organization structure, and performance, provided evidence suggesting that appropriate strategic choices differ, even within the same industry. Questions concerning how meaningful competitive environments can be isolated; the nature and content of competitive strategies within particular environments; the relationships among choice of competitive strategy and choices relative to how strategies are implemented (i.e. structure, leadership, planning, resources allocation, etc.) are among the many inquiries that have yet to be undertaken. In addition, what are the differences and similarities among industries? How do the strategic choices faced by manufacturing firms differ from those faced by service organizations? Are there differences in the patterns of the strategic choice across service industries and what are these differences?

Viable Strategic Choice in the Lodging Industry

Evidence accumulated through this study, although far from conclusive, tends to indicate that there may be certain strategic choices (choices of competitive strategy and choice of structure) that are likely to lead to superior levels of performance in the lodging industry. Further, the types of competitive strategies that are likely, given the appropriate choice of structure, to lead to superior results are quite few.

In three of the four segments of the lodging industry one strategic profile "Do-It-All Differentiation" stands out as likely to be more viable than the other four profiles that were identified. This finding is not particularly surprising in that the "Do-It-All Differentiation" competitive profile appears to represent a balance competitive strategy. One, that combines as highly important the elements of efficiency and control as well as innovation and uniqueness. In essence, this competitive strategy seems to be representative of potentially very well run organizations.

However, the manner in which organizations chose to implement this strategy makes a difference. In the transient hotels and motels with restaurants segments, a "Do-It-All Differentiation" strategy combined with a low degree of structure resulted in superior performance. On the other hand in the resort segment of the industry superior performance resulted when this competitive profile was combined with a high degree of structure.

In the fourth industry segment, motels without restaurants, the results tended to indicate that an "Efficency/Quality Control" competitive strategy, if properly implemented, would be more likely to lead to superior results. This strategy produced generally higher performance results when "matched" with a high degree of organization structure. The "Do-It-All Differentiation" profile was essentially absent from this industry segment. Perhaps, due to the limited services that are provided in this industry segment it is not practical to differentiate effectively. Although, the relative absence of "Do-It-All Differentiation" from this segment may represent a market niche opportunity.

The three other strategic profiles identified (Internalized Resource, Narrow Focused Marketing Innovations, and Geographic Focused Price Leaders) may be viable alternatives however, there is no evidence to support that conclusion as a result of this study. On the other hand, there is some evidence that would suggest these three profiles may not be as likely to be viable competitive strategies in the lodging industry.

A geographic focused strategic profile does not seem to fit two basic requirements of the lodging industry; 1) to be geographically dispersed and located at destination center and along travel routes, and 2) to have representation at many locations so as to provide consistently available service. This may explain why the "Geographic Focused Price Leader" profile is pursued by only a very small proportion of firms in the lodging industry.

"Internalized Resource Controller" types appear to be focused on input and output resources of a physical nature, with no preceptilbe recognition of human or process considerations. In a highly service oriented industry this type of competitive perspective would appear to be out of synchronization.

"Narrow Focused Marketing Innovator" types consider advertising and innovative marketing techniques to be important to their competitive profile. However, they also tend to deemphasize product and service quality factors as well as internal efficiency and control. Therefore, this strategic profile appears to be one in which form takes precedence over substance and create in a transparent vail, insufficient to mask an inadequate operating foremat.

Thus it would appear that within the lodging industry there may be only two competitive profiles that are likely to represent viable competitive strategies. One, "Do-It-All differentiation" is dominant in three of four industry segments and represents a comprehensive and balanced competitive approach. The other, "Efficency/Quality Control", viable in the motels without restaurants segment only.

The findings of this study provide some interesting clues and indicate that decisions regarding the content and implementation of competitive strategies may be a function of the subenvironments in which organizations compete. This finding represents strong support for Harrigan's (1983) contention that hybrid methodologies are required to straddle the gulf between course grained research using large sample

sizing with potentially large error terms and fine grained case study approaches which lack generalizability and statistic rigor but capture nuances and insights that are important to contingency research. She suggests that merging coarse and fine grained methodologies can isolate forces salient to an industry that might permit its competitors to attain different performance levels..."Among the frontiers of strategy research are studies that would investigate the variances in firm's strategies and performances as each competitor takes actions that it believes best for coping with industry or internal change." Replication of this type study with more extensive intra-segment data, and similar intra-industry studies of competitive strategy, are called for.

Research Propositions

Propositions for future research include the following:

5.1 The content of competitive strategies are a function or the particular industry environment in which organizations compete.

Coarse grained analysis of competitive strategy content has been fruitful in providing a generalized framework (typology) for classifying competitive strategies. However, these classifications are too broad to have particular relevance to firms competing in a specific industry environment. The nature of the industry or environment in which organizations compete is the prime factor in determining the content of competitive strategies employed in that environment.

5.2 The competitive strategy profile that may be discovered within an industry do not appear with equal frequency in all segments of the industry due to differences in product/service/ market attributes and/or industry segment norms.

Competitive strategy research is likely to be more meaningful if in addition to being industry specific, inquiry made into differences between industry segments. Not only do industry characteristics affect the content and appearance of different competitive strategy profiles, but different segments within an industry also impact the appearances of different competitive profiles.

5.3 Strategic choice by organization decision makers is the critical link in determining whether the organization will achieve its goals and accomplish its task effectively. Top managers must make strategic choices relative to the environment (and subenvironment) in which they chose to compete, the competitive strategy they choose to enact, and the means through which they choose to implement their chosen strategy.

The perspective that organizational variables are in a direct relationship with contextual variables is not supported in this study. The critical link appears to lie in the decision makers evaluation of the organization's position relative to the organization's environment and the choices they may consequently make.

5.4 Competitive strategy must be appropriate to the environment in which the organization competes and, in addition, organization structure must be matched to the particular environment/ strategy situation. A three way match among environment, competitive strategy and structure must be achieved to achieve high level of performance.

The structure that is appropriate to a particular competitive strategy profile is not constant. Rather, the nature of the operating environment, in terms of the type of services that are required, modifies the appropriate strategy/structure match. Organizational success is contingent upon a "match" of strategic choices among environment, competitive strategy and organization structure.

This study has been industry specific. As such specific competitive strategy types and the relationships that emerged only apply to the particular industry in which the study was undertaken. However, conclusions and indications relative to the impact of specific environmental characteristics of an industry on the nature and content of competitive strategies, choice of competitive strategy and choice of structure are likely to apply beyond the scope of the immediate population.

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APPENDIX 4.1

ORGAINIZATIONS INCLUDED IN THE PRE-TEST

Horizon Hotels, Ltd.
Kahler Corp.
La Quinta Motor Inns
Quality Inns
Econo Motor Lodges
MHM, Inc.
Howard Johnson Co.
Ramada Inns
Radisson Corp.
La Posada Hotels
Affordable Inns
Mississippi Management, Inc.
Hershey Entertainment and Resort Co.
Winegardener and Hammons
American Motor Inns, Inc.
Dunfey Hotels
Four Seasons Hotels
Trusthouse Forte
Doubletree
Holiday Inns, Inc. - Hotel Group
Sausman Hotel Group

APPENDIX 4.2

PRE-TEST LETTER

Dear :

In a recent Wall Street Journal article, "U.S. Lodging Industry is Staggered by Room Glut and Building Boom" (November 26, 1984), the fragmented, low market share, competitive nature of the industry was made clearly evident. In an environment of this nature the type of strategies employed by firms as well as the means by which their strategies are implemented can considerably affect organizational performance.

Your organization has been selected to be part of the pre-test for an important research study. The study will focus on identifying the nature and types of strategies used by firms competing in the lodging industry, the means through which lodging firms implement their strategies and the joint affect of these factors on organizational performance.

Your responses will help us to refine the questionnaire prior to sending it to top executives of lodging firms across North America. Please complete the enclosed questionnaire and return it in the postage paid envelope. In addition to completing each of the questions, please make notes in the margins concerning any questions which were not clear or were difficult to answer.

You may be assured of complete confidentiality. The questionnaire has an identification number for mailing purposes only. This is so that we may check your name off the mailing list when your completed questionnaire is returned. Your name or the name of your firm will never be placed on the questionnaire.

Scientifically valid research requires that certain statistical procedures be carefully followed. In this study a minimum of three respondents are required for certain categories of data. Please ask two other members of your top management team to complete Questionnaire Appendix "A". These should be returned directly to us using the postage paid envelope attached to each.

If for some reason it is not possible for two other members of your top management team to complete and return Questionnaire Appendix "A", we would still ask that you please complete and return the primary questionnaire.

When the results of this study are published in academic and trade journals and through professional associations, it will be impossible to identify specific individuals and/or firms. You may receive a summary of the results by writing "copy of results requested" on the back of the return envelope and printing your name and address below it. Please <u>do not</u> put this information on the questionnaire itself.

Page 2

I would be happy to answer any questions that you may have. Please call or write. The telephone number is .

Thank you for your assistance.

Sincerely,

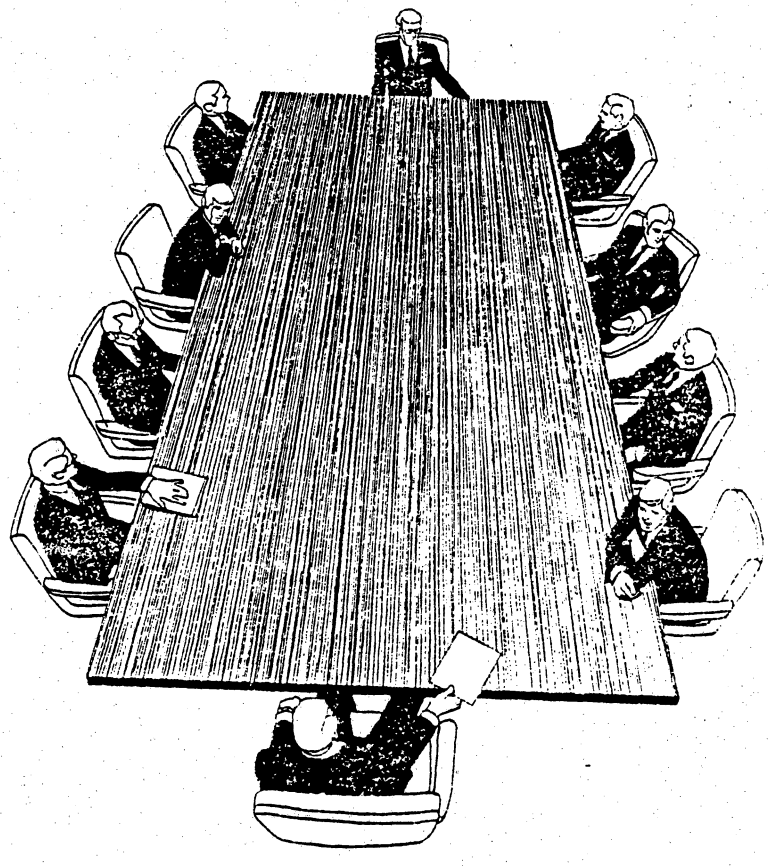
Jeffrey D. Schaffer
Project Director

Enclosure

APPENDIX 4.3

PRIMARY QUESTIONNAIRE

A NATIONWIDE STUDY OF TYPES OF STRATEGIES AND THEIR IMPLEMENTATION IN THE LODGING INDUSTRY



This study is a joint research effort by Virginia Polytechnic Institute and State University's Division of Hotel, Restaurant and Institutional Management and the Department of Management in the College of Business. It is being conducted through the Center for Hospitality Research and Service to better understand the manner in which organizations are managed.

Please answer all of the questions. If you wish to comment on any questions or qualify your answers, please feel free to use the space in the margin. Your comments will be read and taken into account.

Thank you for your help.

Center for Hospitality Research and Service
Division of Hotel, Restaurant and Institutional Management
Virginia Polytechnic Institute and State University
Blacksburg, Virginia 24061

A. The nature of an organization's "pattern of decisions" or its strategy reflects the position of the firm in its environment. Considering your total organization and using your knowledge of your competitors as a frame of reference, think of the organization's pattern of behavior over time rather than for any one specific period. Please indicate how important your firm feels each of the following strategic characteristics or competitive methods is to its overall strategy. (Circle one choice for each item.)

Characteristic/ Method	Importance to Overall Strategy (circle your answer)				
1. New Product/Service Development.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
2. Customer Service.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
3. Operating Efficiency...	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
4. Product/Service Quality Control.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
5. Experienced Trained Personnel.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
6. Maintain Extensive Inventory Levels.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
7. Competitive Pricing (Price Leadership)...	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
8. Broad Range of Products/Services.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
9. Developing/Refining Existing Products/ Services.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
10. Brand Name Identification.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
11. Innovation in Marketing Techniques and Methods.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
12. Control of Channels of Distribution.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
13. Procurement of Raw Materials.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
14. Minimizing the Use of Outside Financing.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
15. Serving Special Geographic Markets.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY

Characteristic/ Method	Importance to Overall Strategy (circle your answer)				
16. Capability to Produce and Deliver Speciality Products and Services...	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
17. Products or Services in High Price Market Segments.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
18. Advertising.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
19. Reputation Within Industry.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
20. Forecasing Market Growth.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
21. Innovation in Service Processes.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
22. A Narrow Product/ Market Focus.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
23. Stability in the Operating Environment.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
24. Continually Searching for New Market Opportunities.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
25. Environmental Scanning Activities.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
26. Continual Change in the Operating Environment.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY

B. Now, would you please indicate any strategic characteristics or competitive methods that you feel have not been included in Part "A" and indicate their importance to your organization's overall strategy. (Write each characteristic/method in the blank spaces on the left and then indicate its importance.)

Characteristic/ Method	Importance to Overall Strategy (circle your answer)				
1.					
	.....NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
2.					
	.....NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
3.					
	.....NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
4.					
	.....NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
5.					
	.....NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
6.					
	.....NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
7.					
	.....NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
8.					
	.....NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
9.					
	.....NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
10.					
	.....NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY

C. Another important purpose of this study is to learn about the means used by lodging organizations to implement their strategy. This can be done by analyzing the ways in which organizations structure their activities. Use your total organization as a reference and indicate for each statement that answer which best describes your organization. (Circle one choice for each item.)

	Best Describes Your Organization (circle your answer)				
1. How frequently do you usually participate in the decision to hire new staff?.....	NEVER	SELDOM	SOMETIMES	OFTEN	ALWAYS
2. How frequently do you usually participate in decision on the promotion of any of the operations key staff members?..	NEVER	SELDOM	SOMETIMES	OFTEN	ALWAYS
3. Major strategic decisions are made by the CEO, and not a group of executives.....	NEVER	SELDOM	SOMETIMES	OFTEN	ALWAYS
4. How frequently do you participate in the decision on the adoption of new programs?.....	NEVER	SELDOM	SOMETIMES	OFTEN	ALWAYS
5. Indicate the degree to which written policy manuals, rules and regulations exist within your organization.....	NONE	FEW	SOME	MANY	ALL
6. Indicate the degree to which written job descriptions exist.....	NONE	FEW	SOME	MANY	ALL
7. Indicate the extent to which written procedures are used to determine how things are done.....	NEVER	SELDOM	SOMETIMES	OFTEN	ALWAYS
8. Indicate the extent to which communication among managers is done in writing.....	NEVER	SELDOM	SOMETIMES	OFTEN	ALWAYS
9. Indicate how many jobs within your organization (exclusive of direct labor), are performed by at least one person who does no other job?.....	NONE	FEW	SOME	MANY	ALL
10. Indicate the degree to which (exclusive of direct labor) jobs are clearly distinct or specified and do not cross departmental lines.....	NONE	FEW	SOME	MANY	ALL

D. Next, we would like to ask about the relative performance of your organization compared to certain industry averages as reported by Pannell, Kerr, and Foster (PKF), certified public accountants specializing in the lodging industry. In responding to these items please consider your organizations performance as the sum of the results of all operating lodging units for which your organization has direct profit/loss responsibility regardless of the units ownership arrangements.

1. In comparison to the 1979-1982 four year average for the LODGING INDUSTRY AS A WHOLE the percentage change in total revenue for our firm was (circle one):

Note: PKF reports that during the four year periods 1979-1982 the average change in total revenues for all lodging operations was an increase of 19.65%.

(Circle One)

CONSIDERABLY BELOW AVERAGE (More than 10 percentage points)	BELOW AVERAGE (3 to 10 percentage points)	AVERAGE (Within ±3 percentage points)	ABOVE AVERAGE (3 to 10 percentage points)	CONSIDERABLY ABOVE AVERAGE (More than 10 percentage points)
1	2	3	4	5

2. In comparison to the 1979-1982 four year average for the SEGMENT OF THE LODGING INDUSTRY in which our operations are primarily conducted, the percentage change in total revenue for our firm was (circle one):

Note: PFK reports that during the four year period 1979-1982 the average change in total revenue by industry segment was as follows:

Check appropriate box (segment of industry in which your organization primarily competes).

|___| Transient Hotels...Increase of 24.91%...- Hotel catering primarily to business and convention guests usually located in a metropolitan area.

|___| Resort Hotels...Increase of 24.60%...- A hotel, usually in a suburban or isolated rural location, with special recreational facilities to attract pleasure seeking guests.

|___| Motels With Restaurants...Increase of 16.93%...- Motels are defined as a building or complex of buildings located adjacent to adequate parking area.

|___| Motels Without Restaurants...Increase of 17.58%.

(Circle One)

CONSIDERABLY BELOW AVERAGE (More than 10 Percentage points)	BELOW AVERAGE (3 to 10 percentage points)	AVERAGE (Within ±3 percentage points)	ABOVE AVERAGE (3 to 10 percentage points)	CONSIDERABLY ABOVE AVERAGE (More than 10 percentage points)
1	2	3	4	5

3. In comparison to the 1979-1982 four year average for the LODGING INDUSTRY AS A WHOLE the Average Percentage of Income After Property Taxes and Insurance (Total revenue minus all operating expenses including property taxes and insurance but excluding deductions for depreciation, rent, interest, amortization, and income taxes; divided by total revenue) for our firm was (circle one):

Note: PKF reports that during the four year period 1979-1982 the average percentage of income after property taxes and insurance for all lodging operations was 25.03%.

(Circle One)

CONSIDERABLY BELOW AVERAGE (More than 5.0 percentage points)	BELOW AVERAGE (2.0 to 5.0 percentage points)	AVERAGE (Within ±2.0 percentage points)	ABOVE AVERAGE (2.0 to 5.0 percentage points)	CONSIDERABLY ABOVE AVERAGE (More than 5.0 percentage points)
1	2	3	4	5

4. In comparison to the 1979-1982 four year average for the SEGMENT OF THE LODGING INDUSTRY in which our operations are primary conducted, the Average Percentage of Income After Property Taxes and Insurance, for our firm was (circle one):

Note: PKF reports that during the latest four year period 1979-1982 the average percentage of income after property taxes and insurance by industry segment was:

	ALL	TOP 25%
Transient Hotels	24.15%	29.95%
Resort Hotels	22.4%	28.15%
Motels with Restaurants	28.05%	34.73%
Motels Without Restaurants	44.05%	47.00%

(Circle One)

CONSIDERABLY BELOW AVERAGE (More than 5.0 percentage points)	BELOW AVERAGE (2.0 to 5.0 percentage points)	AVERAGE (Within ±2.0 percentage points)	ABOVE AVERAGE (More than 2.0 percentage points	CONSIDERABLY ABOVE AVERAGE (Greater than average for the top 25%)
1	2	3	4	5

E. Finally, we would like to ask a few questions about your organization for statistical purposes. The following items address the size and age of your organization.

1. How many full time employees are there within your organization? Include all employees in your headquarters, regional or other offices, and all operating units for which your organization has profit/loss responsibility. (Note: Full time employees work 35 or more hours per week and or 40 weeks or more per year.)

   NUMBER OF FULL TIME EMPLOYEES _____.

2. How many employees within your organization, defined as above are less than full time employees?

   A. NUMBER OF HALF TIME TO LESS THAN FULL TIME EMPLOYEES _____.

   B. NUMBER OF LESS THAN HALF TIME EMPLOYEES _____.

3. In what year did your organization begin operations?

   YEAR OPERATIONS BEGAN _____.

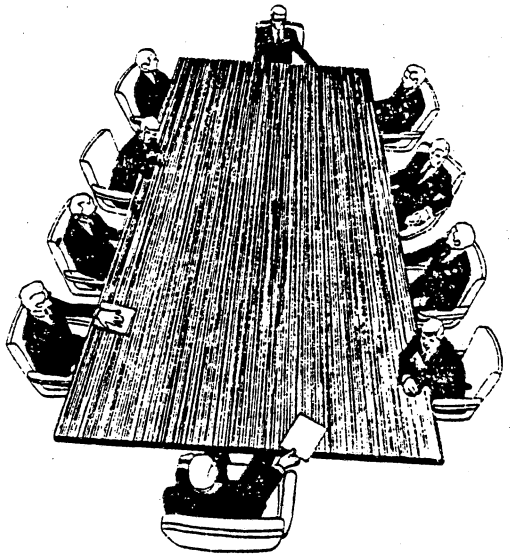
Is there anything else you would like to tell us? Any comments you wish to make that you think may help us will be appreciated, either here or in a separate letter.

Your contribution to this effort is very greatly appreciated. If you would like a summary of results, please print your name and address on the back of the return envelope (NOT ON THIS QUESTIONNAIRE). We will see that you get it.

APPENDIX 4.4

SECONDARY PRE-TEST QUESTIONNAIRE

A NATIONWIDE STUDY OF TYPES OF STRATEGIES AND THEIR
IMPLEMENTATION IN THE LODGING INDUSTRY
QUESTIONNAIRE APPENDIX "A"



This questionnaire is part of a nationwide research study of organizations in he lodging industry. The study focuses on identifying types of strategies and he means through which lodging firms implement their strategies.

Please answer all of the questions. If you wish to comment on any question r qualify your answers, please feel free to use the space in the margin. Your omments will be read and taken into account. Please fold and return this uestionnaire using the prepaid permit printed on the back. You may be assured to omplete confidentiality.

Thank you for your help.

Center for Hospitality Research and Service
Division of Hotel, Restaurant and Institutional Management
Virginia Polytechnic Institute and State University
Blacksburg, VA 24061

A. The nature of an organization's "pattern of decisions" or its strategy reflects the position of the firm in its environment. Considering your total organization and using your knowledge of your competitors as a frame of reference, think of the organization's pattern of behavior over time rather than for any one specific period. Please indicate how important your firm feels each of the following strategic characteristics or competitive methods is to its overall strategy. (Circle one choice for each item.)

Characteristic/ Method	Importance to Overall Strategy (circle your answer)				
1. New Product/Service Development.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
2. Customer Service.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
3. Operating Efficiency...	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
4. Product/Service Quality Control.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
5. Experienced Trained Personnel.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
6. Maintain Extensive Inventory Levels.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
7. Competitive Pricing (Price Leadership)...	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
8. Broad Range of Products/Services.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
9. Developing/Refining Existing Products/ Services.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
0. Brand Name Identification.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
1. Innovation in Marketing Techniques and Methods.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
2. Control of Channels of Distribution.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
3. Procurement of Raw Materials.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
4. Minimizing the Use of Outside Financing.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
5. Serving Special Geographic Markets.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY

Characteristic/ Method	Importance to Overall Strategy (circle your answer)				
16. Capability to Produce and Deliver Speciality Products and Services...	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
17. Products or Services in High Price Market Segments.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
18. Advertising.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
19. Reputation Within Industry.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
20. Forecasing Market Growth.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
21. Innovation in Service Processes.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
22. A Narrow Product/ Market Focus.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
23. Stability in the Operating Environment.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
24. Continually Searching for New Market Opportunities.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
25. Environmental Scanning Activities.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
26. Continual Change in the Operating Environment.....	NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY

B. Now, would you please indicate any strategic characteristics or competitive methods that you feel have not been included in Part "A" and indicate their importance to your organization's overall strategy. (Write each characteristic/method in the blank spaces on the left and then indicate its importance.)

Characteristic/ Method	Importance to Overall Strategy (circle your answer)				
1.	.....NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
2.	.....NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
3.	.....NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
4.	.....NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
5.	.....NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
6.	.....NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
7.	.....NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
8.	.....NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
9.	.....NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY
10.	.....NOT AT ALL	NOT VERY	SOMEWHAT	VERY	EXTREMELY

C. Another important purpose of this study is to learn about the means used by lodging organizations to implement their strategy. This can be done by analyzing the ways in which organizations structure their activities. Use your total organization as a reference and indicate for each statement that answer which best describes your organization. (Circle one choice for each item.)

	Best Describes Your Organization (circle your answer)				
1. How frequently do you usually participate in the decision to hire new staff?.....	NEVER	SELDOM	SOMETIMES	OFTEN	ALWAYS
2. How frequently do you usually participate in decision on the promotion of any of the operations key staff members?..	NEVER	SELDOM	SOMETIMES	OFTEN	ALWAYS
3. Major strategic decisions are made by the CEO, and not a group of executives.....	NEVER	SELDOM	SOMETIMES	OFTEN	ALWAYS
4. How frequently do you participate in the decision on the adoption of new programs?.....	NEVER	SELDOM	SOMETIMES	OFTEN	ALWAYS
5. Indicate the degree to which written policy manuals, rules and regulations exist within your organization.....	NONE	FEW	SOME	MANY	ALL
6. Indicate the degree to which written job descriptions exist.....	NONE	FEW	SOME	MANY	ALL
7. Indicate the extent to which written procedures are used to determine how things are done.....	NEVER	SELDOM	SOMETIMES	OFTEN	ALWAYS
8. Indicate the extent to which communication among managers is done in writing.....	NEVER	SELDOM	SOMETIMES	OFTEN	ALWAYS
9. Indicate how many jobs within your organization (exclusive of direct labor), are performed by at least one person who does no other job?.....	NONE	FEW	SOME	MANY	ALL
10. Indicate the degree to which (exclusive of direct labor) jobs are clearly distinct or specified and do not cross departmental lines.....	NONE	FEW	SOME	MANY	ALL

APPENDIX 4.5

SURVEY MAILINGS

FIRST LETTER

Dear :

In a recent Wall Street Journal article, "U.S. Lodging Industry is Staggered by Room Glut and Building Boom" (November 26, 1984), the fragmented, low market share, competitive nature of the industry was made clearly evident. In an environment of this nature the type of strategies employed by firms as well as the means by which their strategies are implemented can considerably affect organizational performance.

We are conducting a nationwide study of organizations in the lodging industry. This study will focus on identifying the nature and types of strategies used by firms competing in the lodging industry. It will also seek to identify the means through which lodging firms implement their strategies and the joint effect of these factors on organizational performance.

Your organization is one of a small number in which top level executives are being asked to participate. Your organization was selected in a random sample of lodging organizations in all of North America. In order that the results will truly represent the thinking of executives across the lodging industry, it is important that each questionnaire be completed and returned.

You may be assured of complete confidentiality. The questionnaire has an identification number for mailing purposes only. This is so that we may check your name off the mailing list when your completed questionnaire is returned. Your name or the name of your firm will never be placed on the questionnaire.

Scientifically valid research requires that certain statistical procedures be carefully followed. In this study a minimum of three respondents are required for certain categories of data. Please ask two other members of your top management team to complete Questionnaire Appendix "A". These should be returned directly to us using the postage paid envelope attached to each.

If for some reason it is not possible for two other members of your top management team to complete and return Questionnaire Appendix "A", we would still ask that you please complete and return the primary questionnaire.

Page 2

When the results of this study are published in academic and trade journals and through professional associations, it will be impossible to identify specific individuals and/or firms. You may receive a summary of the results by writing "copy of results requested" on the back of the return envelope and printing your name and address below it. Please do not put this information on the questionnaire itself.

I would be happy to answer any questions that you may have. Please call or write. The telephone number is .

Thank you for your assistance.

Sincerely,

Jeffrey D. Schaffer
Project Director

Enclosure

POST CARD

Last week as part of a study of organizations in the lodging industry, a questionnaire seeking information about the nature of your firm's strategies and the means through which they are implemented was mailed to you. Your firm was drawn in a random sample of lodging organizations in all of North America.

If you have already completed and returned it to us please accept our sincere thanks. If not, please do so today. Because it has been sent to only a small, but representative, sample of lodging organizations it is extremely important that yours be included in the study if the results are to accurately represent the thinking of executives across the lodging industry.

If by some chance you did not receive the questionnaire, or it got misplaced, please call me right now, collect , and I will get another in the mail to you today.

Sincerely,

Jeffrey D. Schaffer
Project Director

SECOND LETTER

Dear :

About three weeks ago I wrote you seeking information about the nature of your firm's strategies and the means through which they are implemented. As of today we have not yet received your completed questionnaire.

Our research unit has undertaken this study in order to better understand the manner in which organizations in general and lodging organizations in particular are managed.

I am writing to you again because of the significance each questionnaire has to the usefulness of the study. Your organization was selected through a scientific sampling process in which every lodging organization in North America had an equal chance of being selected. In order for the results of this study to be truly representative of the thinking of top executives across the lodging industry it is essential that each organization in the sample return their questionnaire.

In the event that your questionnaire packet has been misplaced, a replacement is enclosed. Please complete the primary questionnaire and return in the attached postage paid envelope. The two copies of Questionnaire Appendix "A" should be completed by two other members of your top management team and returned in the postage paid envelope attached to each. Your cooperation is greatly appreciated.

Cordially,

Jeffrey D. Schaffer
Project Director

Enclosure

THIRD LETTER

Dear :

I am writing to you about our study that focuses on identifying the nature and types of strategies and how they are implemented by firms competing in the lodging industry. We have not yet received your completed questionnaire.

The large number of questionnaires returned is very encouraging. But, whether we will be able to describe accurately the thinking of executives across the lodging industry depends upon you and the others who have not yet responded. This is because our past experience suggests that those of you who have not yet sent in your questionnaire may have quite different perceptions of the content of organizational strategies as well as the means through which they are implemented.

This is the first industry wide study of this type that has ever been undertaken. The results are of particular importance to management educators, students and practitioners so as to better understand the manner by which organizations are managed. The usefulness of our results depends on how accurately we are able to describe the thinking of top executives across the lodging industry.

It is for these reasons that I am sending this additional follow up letter. A replacement questionnaire packet is enclosed. Please complete the primary questionnaire and return in the attached postage paid envelope. The two copies of Questionnaire Appendix "A" should be completed by two other members of your top management team and returned in the postage paid envelope attached to each. May I urge you to complete and return this information as quickly as possible.

I'll be happy to send you a summary of the results if you want one. Simply put your name, address and "copy of results requested" on the back of the return envelope.

Your contribution to the success of this study will be appreciated greatly.

Most sincerely,

Jeffrey D. Schaffer
Project Director

Enclosure

APPENDIX 4.6

LETTER OF ENDORSEMENT FROM THE HOSPITALITY, LODGING AND TRAVEL RESEARCH FOUNDATION

THE HOSPITALITY, LODGING & TRAVEL RESEARCH FOUNDATION · INC.
AN AFFILIATE OF THE AMERICAN HOTEL & MOTEL ASSOCIATION
888 SEVENTH AVENUE · NEW YORK, N.Y. 10019 · TELEPHONE

June 10, 1985

Mr. Jeffrey D. Schaffer,
Instructor
Virginia Polytechnic Institute
and State University
Blacksburg, Va. 24061

Dear Jeff:

Confirming our numerous conversations and the consensus of the Board of Directors of The Research Foundation, we strongly support the thrust or your doctoral dissertation. We regret our inability to provide funding for the analysis of corporate strategies.

Both the development and implementation of such strategies provide a management technique that has never been clearly recognized nor defined. The long-term results could be incorporated as part of management skills training within the HRI schools. I'm sure many other beneficial results for the lodging industry will result from this survey effort.

Best wishes and every success in the completion of research in this vital area.

Sincerely,

Raymond C. Ellis, Jr.
Project Director
and Secretary

RCE/gk

APPENDIX 4.7

CLUSTERS FROM RAW DATA: SUMMARY OF MEAN SCORES ON 26 COMPETITIVE METHODS AND STRATEGIC CHARACTERISTICS

APPENDIX 4.7A
26 COMPETITIVE ITEMS
4 CLUSTER SOLUTION

	CLUSTERS			
	1	2	3	4
NUMBER OF FIRMS	30	36	20	14
ITEMS				
1. New Product/Service Development	4.067(H)	3.722	3.250(L)	3.786
2. Customer Service	4.967(H)	4.805	4.700(L)	4.857
3. Operating Efficiency	4.667	4.222	4.200(L)	4.714(H)
4. Product/Service Quality Control	4.833	4.305	4.250(L)	4.857(H)
5. Experienced Trained Personnel	4.467	3.944	3.600(L)	4.857(H)
6. Maint. Ext. Inv. Levels	2.833	2.639	1.650	1.786
7. Price Leadership	3.833(H)	3.583	3.700	3.571(L)
8. Broad Range Product Service	3.433(H)	3.056	2.200(L)	2.928
9. Dev./Ref. Exist Product/Service	4.167(H)	3.750	3.450(L)	3.643
10. Brand Name Indentification	3.800(H)	3.611	3.650	3.785
11. Innovative Marketing Technique/Method	4.467(H)	3.639	3.100(L)	4.285
12. Control Channel Distribution	3.533(H)	3.083	2.050	1.714(L)
13. Procurement of Raw Material	3.633(H)	2.556	1.650	1.643(L)
14. Minimum Outside Financing	2.667	3.167	2.200(L)	3.571(H)
15. Service Spec. Geo. Marketing	2.800(H)	3.638	2.750(L)	3.143
16. Capability Product/Development Spec. Product/Service	2.767	3.250	2.050(L)	3.786
17. Product/Service in High Priced Sarketing Segment	3.433(H)	2.444	1.650(L)	2.929
18. Advertising	4.000(H)	3.417	3.350(L)	3.571
19. Reputation Within Industry	4.400	4.000	3.500(L)	4.643(H)
20. Forecasting Market Growth	4.200(H)	3.167(L)	3.350	4.142
21. Innovations in Service Processed	3.900(H)	2.972	2.450(L)	3.643
22. Narrow Product/Marketing Focus	2.600	3.139(H)	2.650	2.714
23. Stability in Operating Environment	4.133(H)	3.639	3.300(L)	4.071
24. Continual Search New Marketing Opport.	4.433(H)	3.667	3.400(L)	4.357
25. Environmental Scanning Activities	3.233(H)	2.389	1.900(L)	2.786
26. Contul. Chg. Oper. Environment	3.333(H)	2.833	2.600(L)	2.929

(H) = Highest Mean Score
(L) = Lowest Mean Score

APPENDIX 4.7B
26 COMPETITIVE ITEMS
5 CLUSTER SOLUTION

	CLUSTERS				
	1	2	3	4	5
NUMBER OF FIRMS	30	21	15	20	14
ITEMS					
1. New Product/Service Development	4.067(H)	3.905	3.467	3.250(L)	3.786
2. Customer Service	4.967(H)	4.905	4.667	4.700(L)	4.857
3. Operating Efficiency	4.667	4.333	4.067	4.200(L)	4.714(H)
4. Product/Service Quality Control	4.833	4.524	4.000(L)	4.250	4.857(H)
5. Experienced Trained Personnel	4.467	4.047	3.800	3.600(L)	4.857(H)
6. Maint. Ext. Inv. Levels	2.833	3.000(H)	2.133	1.650(L)	1.786
7. Price Leadership	3.833(H)	3.809	3.266(L)	3.700	3.571
8. Broad Range Product Service	3.433(H)	2.904	3.266	2.200(L)	2.928
9. Dev./Ref. Exist Product/Service	4.167(H)	3.857	3.600	3.450(L)	3.642
10. Brand Name Indentification	3.800	4.000(H)	3.066(L)	3.650	3.785
11. Innovative Marketing Technique/Method	4.467(H)	3.476	3.867	3.100(L)	4.286
12. Control Channel Distribution	3.533(H)	3.190	2.933	2.050	1.714(L)
13. Procurement of Raw Material	3.633(H)	2.952	2.000	1.650	1.642(L)
14. Minimum Outside Financing	2.667	3.714	2.400	2.200(L)	3.571(H)
15. Service Spec. Geo. Marketing	3.800	3.857(H)	3.333	2.750(L)	3.142
16. Capability Product/Development Spec. Product/Service	3.767	3.095	3.467	2.050(L)	3.786(H)
17. Product/Service in High Priced Marketing Segment	3.433(H)	2.143	2.867	1.650(L)	2.928
18. Advertising	4.000(H)	3.286(L)	3.600	3.350	3.571
19. Reputation Within Industry	4.400	4.190	3.733	3.500(L)	4.643(H)
20. Forecasting Market Growth	4.200(H)	3.190	3.133(L)	3.350	4.143
21. Innovations in Service Processed	3.900(H)	2.905	3.067	2.450(L)	3.643
22. Narrow Product/Marketing Focus	2.600(L)	3.095	3.200(H)	2.650	2.714
23. Stability in Operating Environment	4.133(H)	3.857	3.333	3.300(L)	4.071
24. Continual Search New Marketing Opport.	4.433(H)	3.905	3.333	3.400(L)	4.357
25. Environmental Scanning Activities	3.233(H)	2.285	2.533	1.900(L)	2.786
26. Contul. Chg. Oper. Environment	3.333(H)	2.905	2.905	2.600(L)	2.929

(H) = Highest Mean Score
(L) = Lowest Mean Score

APPENDIX 4.7C
26 COMPETITIVE ITEMS
6 CLUSTER SOLUTION

	CLUSTERS					
	1	2	3	4	5	6
NUMBER OF FIRMS	30	21	10	15	14	5
ITEMS						
1. New Product/Service Development	4.067	3.905	3.467	3.467	3.786	2.600(L)
2. Customer Service	4.967(H)	4.905	4.667	4.800	4.857	4.400(L)
3. Operating Efficiency	4.667	4.333	4.067	4.267	4.714(H)	4.000(L)
4. Product/Service Quality Control	4.833	4.523	4.000(L)	4.333	4.857(H)	4.000(L)
5. Experienced Trained Personnel	4.467	4.047	3.800	3.733	4.857(H)	3.200(L)
6. Maint. Ext. Inv. Levels	2.833	3.000(H)	2.133	1.600(L)	1.785	1.800
7. Price Leadership	3.833(H)	3.810	3.267(L)	3.733	3.571	3.600
8. Broad Range Product Service	3.433(H)	2.905	3.267	2.200(L)	2.929	2.200(L)
9. Dev./Ref. Exist Product/Service	4.167(H)	3.857	3.600	3.733	3.643	2.600(L)
10. Brand Name Indentification	3.800	4.000(H)	3.067	4.133	3.786	2.200(L)
11. Innovative Marketing Technique/Method	4.467(H)	3.476	3.867	3.200	4.285	2.800(L)
12. Control Channel Distribution	3.533	3.190	3.933(H)	2.200	1.714	1.600(L)
13. Procurement of Raw Material	3.633(H)	2.952	2.000	1.800	1.643	1.200(L)
14. Minimum Outside Financing	2.667	3.714(H)	2.400	2.333	3.572	1.800(L)
15. Service Spec. Geo. Marketing	3.800	3.857(H)	3.333	2.867	3.142	2.400(L)
16. Capability Product/Development Spec. Product/Service	3.767	3.095	3.467	2.133	3.786(H)	1.800(L)
17. Product/Service in High Priced Sarketing Segment	3.433(H)	2.142	2.867	1.867	2.929	1.000(L)
18. Advertising	4.000(H)	3.286	3.600	3.533	3.571	2.800(L)
19. Reputation Within Industry	4.400	4.190	3.733	3.467(L)	4.642(H)	3.600
20. Forecasting Market Growth	4.200(H)	3.190	3.133	3.533	4.142	2.800(L)
21. Innovations in Service Processed	3.900(H)	2.905	3.067	2.600	3.642	2.000(L)
22. Narrow Product/Marketing Focus	2.600	3.095	3.200(H)	2.666	2.714	2.600(L)
23. Stability in Operating Environment	4.133(H)	3.857	3.333	3.400	4.071	3.000(L)
24. Continual Search New Marketing Opport.	4.433(H)	3.905	3.333(L)	3.400	4.357	3.400
25. Environmental Scanning Activities	3.233(H)	2.285	2.533	2.067	2.785	1.400(L)
26. Contul. Chg. Oper. Environment	3.333(H)	2.905	2.733	3.000	2.928	1.400(L)

(H) = Highest Mean Score
(L) = Lowest Mean Score

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