

Case study

Making sense of implemented strategies in new venture hospitality management. An American–Austrian–Hungarian Case Research Study

Arch G. Woodside*

Arch G. Woodside, Boston College, Carroll School of Management, Department of Marketing, 140 Commonwealth Avenue, Chestnut Hill, MA 02467, USA

Abstract

How do multiple organizations make important decisions jointly and link such decisions together to form hospitality-related strategies? The article demonstrates an historical application of mapping strategic thinking in renewing an existing enterprise where the renewal process includes the participation of several principal organizations headquartered in two European, and one North American, countries. This article includes a case research study that offers detailed cause maps of the strategies employed in the 1992/1993 selling/buying and refurbishing the Duna Inter-Continental Hotel in Budapest. One of the participants described the new venture as “a classic example of American companies using Austrian and German money to get a toehold in Hungary’s expanding markets.”

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1. Introduction

Yang and Wan (2004) call for hospitality research focusing on advancing organizational effectiveness and knowledge management implementation. They emphasize the need for analysis of operating systems and provide empirical evidence that such studies are rare in hospitality research.

The empirical work by Chareanpunsirikul and Wood (2002) is one of the rare examples of studies that examine real-life strategies in hospitality management. Chareanpunsirikul and Wood (2002) focus on reporting perceived versus observed time allocations by general hotel managers to Mintzberg (1973) ten managerial work roles. Their results confirm that the work of a hotel general manager involves brevity, variety, and

fragmentation. Their findings include the observation that among the eight general managers observed in the study, the actual time allocated to entrepreneurial decision making was far greater than these managers’ perception of time allocated to this work role. The entrepreneur work role includes searching the organization and its environment for opportunities to bring about change. Such a finding suggests the need to examine the contents and process of entrepreneur implemented strategies.

The present paper builds on Yang and Wan’s call the research on knowledge management implementation and the empirical report of Chareanpunsirikul and Wood (2002). Mapping strategic thinking (Huff, 1990) as a research tool may be helpful for understanding entrepreneurial strategies implemented in the hospitality industry. The basic idea in mapping strategic thinking is that we can learn a great deal about the hows and whys behind decision makers’ thoughts and actions by examining the executives’ explanation of the dynamic

*Corresponding author. Tel.: +1-617-552-3069; fax: +1-617-552-6677.

E-mail address: woodsiaar@bc.edu (A.G. Woodside).

stream of interactions of decisions and actions. This study illustrates such a mapping of strategic thought within the hospitality industry.

2. Core premises in hospitality new venture strategies

New hotel venture agreements among multiple enterprises headquartered in different countries require the design and implementation of negotiated strategies. The strategies planned by the individual participants (i.e., persons and separate organizations) require continual revisions in response to the plans and actions taken by the other participants; the resulting in response to the plans and actions taken by the other participants; the resulting realized strategy implemented by the cooperating companies is likely to differ dramatically from the initial planned strategies of the individuals participants. Also, no one mode of Mintzberg (1973) three modes of strategy formulation (i.e., planned, adaptive, and entrepreneurial) is likely adequate for explaining the complex, realized strategy of cooperation and negotiation in creating the new venture.

The following summary of three principal models of strategic decision processes is adapted from Mintzberg (1973); (cf. Chareanpunsirikul & Wood, 2002). In the **entrepreneurial mode**, strategy-making is dominated by the active search for new opportunities; power is centralized in the hands of the chief executive; strategy making is characterized by dramatic leaps forward in the face of uncertainty; growth is the dominant goal of the entrepreneurial organization.

In the **adaptive mode** (i.e., the muddling-through mode), clear goals do not exist; strategy-making reflects a division of power among members of a complex coalition; the strategy-making process is characterized by the “reactive” solutions to the existing problems rather than the “proactive” search for new opportunities; decisions are made incremental steps and in a disjointed fashion.

In the **planning mode**, the analyst plays a major role in the strategy-making; the focus is on systematic analysis, particularly in the assessment of the costs and benefits of competing proposals; a comprehensive thinking process occurs before action.

To illustrate how organizations go about making decisions, negotiate, revise their decisions, and act jointly together through time, this article applies an interorganizational cause-mapping research method (see Huff, 1990; Barr, Stimpert, & Huff, 1992) to describe a new venture creation and implementation in Budapest: Marriott's decision to buy the Duna Inter-Continental Hotel from the Hungarian Government's State Property Agency (SPA), and the associated financing decisions by the Vienna-based GyroCredit in leading a consortium of seven Austrian and German banks. (Permission to quote

and to describe the details of this new venturing process was asked and granted by all the parties mentioned by name in this article.)

After this introduction Sections 3–6 provide a brief description of cause mapping in case study research. Section 7 describes the central proposition for the study: elements of multiple modes of strategy-making occur (are realized) in the streams of decisions, interactions among the participants, and actions in new ventures creation/implementation; reality is not limited to one paradigm on strategy-making. In Sections 8 and 9, the proposition is examined for the 1992 sale/purchase of the Duna Inter-Continental. Finally, Section 10 offers conclusions and implications for theory and research on the study of new venture strategies.

3. Strategic management research using cause mapping

Cause mapping is form of content analysis that isolates the key assertions within a document that deal with causality, existence, or categorization (Barr et al., 1992). Central to cause mapping are the beliefs that causal associations are the major way in which understanding about a process is organized; causality is the primary form of post hoc explanation of events; and, choice among alternative actions involves causal evaluations (Huff, 1990).

Acquiring a deeper understanding of the rationales and actual antecedents for action is the principal strength of cause mapping. Most actions (e.g., implementations of plans) are caused by the coming together of several events prior to the activities. Thus, the issue is usually invalid of whether environmental conditions versus planned strategies cause action and result in success/failure; the real issue is how both environmental events and organizational decisions fuse at critical moments (unique temporal opportunities). Cause maps are designed to visually describe such interactions of environmental factors and decision. Creating knowledge and deeper understanding of temporal ordering effects and the influence of indirect effects (i.e., chain reaction effects, such as, the influence of variable A on C through variable B) is an important secondary strength of cause mapping. Most cross-sectional studies on strategic management do not consider the effects of time and the sequences of actions through time on the qualities and outcomes of decisions. Given that decisions are processes occurring through time, such explicit consideration of temporal effects is a major strength of cause mapping (cf. Woodside & Wilson, 2003).

Valid predictions of paths taken in other realized strategies similar to the described strategies in a cause map represent an additional strength of cause mapping. The work of Morgenroth (1964) is an early example of using cause mapping as a predictive tool for modeling

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