

Pearson New International Edition

**Strategic Management
in the Hospitality Industry**
Olsen West Tse
Third Edition

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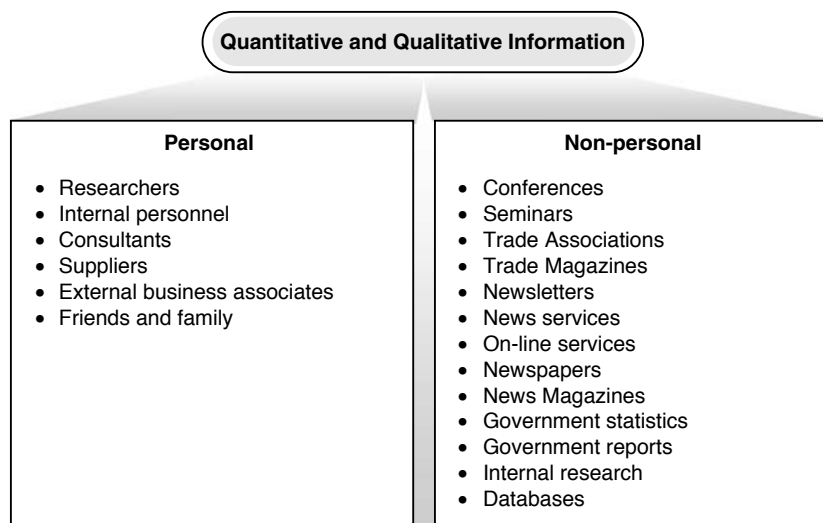
these sources as well as others in the organization. The challenge for these individuals is also to stay on top of new knowledge in various disciplines and fields and then effectively translate it into useful industry information. This is an enormous undertaking, and it is growing each day as the body of knowledge explodes in quantity as a result of the development of an information society and knowledge workers.

In this information-based world, there is also a growing array of information sources available. In fact, it is not too uncommon to hear people say there is too much information to comprehend it all. In this environment, one of the most challenging problems future hospitality managers will have is what sources to select and what mediums to use. To make this selection easier, Exhibit 8 presents a look at the typical portfolio of information sources available to managers.

The primary concerns of the manager in selecting the sources of information are validity and reliability. *Validity* refers to fact that the information accurately represents and describes the relationships that are necessary to make important strategic decisions. Oftentimes this means checking with several sources to be sure that what information is provided is consistent across sources and situations. *Reliability* refers to the need for accuracy and consistency over time. If information sources cannot measure up in these two important criteria, they should not be used.

The task of assessing validity and reliability is even more difficult in today's electronic age. This is likely to be a growing problem because the scientific peer review process customarily used by respected journalists and scientists before information is published is not always used by those freely offering information in today's information exchange environment. This process usually requires a review of written work by one's peers, who take the responsibility for validity and reliability seriously. Now, however, anyone can establish a *home page* on the Internet and publish information regardless of its reliability and validity. This phenomenon is

EXHIBIT 8 Common Information Sources Available to the Hospitality Manager



Environmental Scanning

referred to as *blogging*, and those who exchange information in this medium are known as *bloggers*. The *bloggosphere* has become very popular in spreading news quickly. The result of this growing free flow of information is the challenge to the manager to get to know the established body of knowledge in the field. By knowing the body of knowledge, managers are able to concentrate their scanning on the most respected, valid, and reliable sources. They will also begin to know who are the leading thinkers and writers. This will help them to filter, analyze, and synthesize the growing amounts of information available on this industry, thus improving their decision-making capabilities. It also enables them to do more efficient scanning of the environment because if they are familiar with the body of knowledge, they need only direct their time to scanning for new ideas and not waste it on assessing old ones.

The greatest advantage of the electronic sourcing of information is the ability of various information services and providers to use hypertext and hypermedia methods to gather greater amounts of information from a wider variety of diverse disciplines. Hypertext refers to the process by which information is accumulated via a series of search algorithms that use keywords or concepts to bring information together. Well known search engines like Google have achieved considerable excellence and influence in the knowledge-sharing world as a result of their capabilities in bringing information on a specific topic together based on just a few keywords typed into the search window.

Additionally, such electronic databases as ABI/INFORM, Factiva, Lexus Nexus, and Wharton Data Research Services offer access to literally thousands of articles covering items of strategic interest to scanners.

The beauty of this form of knowledge search is that it is able to combine knowledge from a diverse group of disciplines. Although at first this combination may not appear to be logically related, the astute manager with strong perceptual, conceptual and cognitive skills may be able to see the relationships that exist and bring new thinking to important decisions.

Once sources have been identified, they cannot be left on automatic pilot. Managers must conduct periodic review of all sources to be sure that they provide the appropriate information, are up-to-date, and meet the validity and reliability criteria. Lastly, they must be of value to the strategic thinking of the firm. If not, they should be discarded. Exhibit 9 is an example of a form to be used to conduct

EXHIBIT 9 Evaluating the Quality of Information Sources

Event or Trend	Top Three Sources	Timing	Estimate of Validity & Reliability	Influence on Strategic Thinking
Asset and capital	Wall Street Journal Business Week Economist	Daily Weekly Weekly	Excellent in short term Excellent in short term Excellent in both short and long term	Very strong Strong Very strong

this periodic audit of the information sources used as part of the established scanning system in the firm.

The form encourages managers to review key events that have affected their business and evaluate the three most important sources of information according to the criteria just established. This periodic assessment will ensure that managers at all levels will look carefully at their information sources and constantly evaluate them as to their relevance to the strategic thinking of the firm.

Choosing Scanning Activities

Scanning is an activity that does not lend itself to neatly defined processes or timetables. Like many tasks in management, scanning is a function of priority, timing, ability, reward, and feedback. Scanning is also a reflection of the appreciation for the value of the coalignment model. It cannot be done effectively without strong cognitive, experiential, and perceptual skills.

Scanning activities can fall into several general types of modes: null, reactive, non-routine, routine, and proactive. In the null mode, the scanner is metaphorically a dry sponge waiting to receive information. Obviously this form of scanning is dangerous because receiving the correct information depends on luck and good timing. It depends on information arriving that is usually not solicited. Although in many cases this type of scanning can have value if some important information is presented unexpectedly, it is ineffective, however, in today's dynamic environment.

Most managers would probably fit into the reactive mode. This mode was used by the *boiling frog* when it was thrown into a pot of boiling water. Managers are always responding and reacting to information that comes their way. In this mode, they may actually have to undertake some form of scanning activity, but it is usually unorganized and reflects a narrow body of knowledge. Seldom do you see a manager in this mode spending time assessing events developing in the remote environment.

Managers also frequently use nonroutine scanning. They apply this mode when they are faced with a problem or opportunity analysis. In this case resources of time, personnel, and money are used to research the latest information pertaining to the need at the time. In this mode the common problem is that there is always too little time and too much information. This is especially true if the scanners are not familiar with the body of knowledge.

Routine scanning provides structure to the scanning process. In this mode, personnel are usually assigned to the scanning process as either a part of some other responsibilities or may even have this as a full-time position. In the routine scanning setting, the body of knowledge has been defined as well as the sources of information and mediums to be used. Generally, the degree of formality, frequency, and scope has been defined. The structure of the firm provides for the most effective communication of information and the sharing of it with key personnel.

The proactive mode is one that builds on the routine mode but provides the futuristic look that is necessary in today's environment. In this mode the routine process comes alive in a way that allows managers to make important decisions about investments in future competitive methods. The timing of the events identified in this mode is usually considered to be an important part of activities. Managers are expected to have a substantive understanding of the body of knowledge shaping the event, the history of its development, the speed with which it is developing, and what are the likely scenarios that must be considered.

Environmental Scanning

	Category	Three Most Significant Events
	Political Socio-cultural Technology Economic Ecological	Free market systems, increasing pressure from capital markets, emphasis on value adding capabilities

	Category	Three Most Significant Events
	Customers Suppliers Competitors Regulators	Investors requiring more value out of assets, lenders demanding more accountability, incorporating risk analysis into capital budgeting processes

	Category	Three Most Significant Events
	Human Resources Finance Operations Marketing Administration Research and Development	Value adding analysis, risk assessments for all new market investments, impact of investment decisions on share price

EXHIBIT 10 Scanning the Remote, Task, and Functional Environment Categories

The proactive mode is facilitated by developing a routine and structure to the scanning process. The forms illustrated in Exhibit 10 demonstrate how members of a firm can think through and record the events they see emerging from the scanning process. In this example, there are three forms, one each for the remote, task, and functional environmental categories. Managers are asked to identify the three most important forces driving change in each category of the environment. These forces are expected to yield for management opportunities to invest in.

In many cases, the individuals doing the scanning can customize their own forms to accomplish this process. What is important is that some process be established that is followed routinely. As stated earlier, the difference between the routine and proactive modes is simply the thinking framework utilized by the scanning team. Information

Environmental Scanning

Monthly Updates	Major Events Updates
January	Key investor is seeking seat on the Board Lender raises concern over competitive position given new competitors in the market place
February	
:	Interest rate rise Institutional investors show concern over industry performance
:	
:	
:	
:	
December	

EXHIBIT 11 Scanning

can be gathered routinely, but it takes a future-oriented manager to make this information come alive in the planning process.

For fast-moving events that require closer monitoring, the form in Exhibit 11 provides structure to the scanning process by calling for updates every month. This frequent scanning activity can occur in highly volatile environments where competition is strong. Many firms schedule even weekly updates on the movements of competitors. The airlines do hourly updates, especially with regard to pricing activity. What is necessary is for management to make decisions on how it seeks to monitor each environmental category and in what mode, and then allocate resources to accomplish the scanning process.

Scanning modes can also include such well-known activities as scenario building where groups of individuals gather together to consider various alternatives to forces that drive change. Probable outcomes are identified and debated, and then some process of reaching agreement is chosen to decide which of these scenarios is agreed to by most of the participants. The process of agreement is often the result of what is referred to as a nominal group technique. In this case individuals are given the opportunity to vote (usually without influence from others involved) on which scenario or key point is in their view the most important. The success of this effort is that individuals should not feel pressured into voting for anything but their own choices. Once the votes are counted, the group achieves consensus on which scenario will be most important to the future strategy of the group or organization. The nominal group technique is in its own right a scanning mode and was used extensively in identifying the forces driving change.

The Delphi technique is another version of this process where experts are asked to contribute their views on some future item. This process is often done where participants are anonymous and in remote locations. This process has an advantage of no one individual dominating a group discussion on some issue. However, in some instances this is a disadvantage in that the exchange of ideas does not occur, resulting in narrowly defined responses to some key issue driving change. Organizations are encouraged to try a number of these modes to explore what is the best fit for all participants and strategic needs.

The Analysis and Synthesis Process

Up to this point we have been focusing our attention on the processes used to scan the environment to obtain strategic information. That is actually the easy part. The

challenge is to analyze, interpret, and synthesize all this information originating from a wide variety of sources once it has been gathered. The proper interpretation of incoming information requires strong comprehension, analysis, synthesis, evaluative, and application skills. Two useful tools to apply those skills are content analysis and concept mapping.

One of the most difficult challenges facing the manager is reducing the tremendous amount of available information into some form for further analysis. One of the most effective ways of accomplishing this data reduction is a process called *content analysis*. It involves looking at information using a searching scheme that uses one of several units of analysis. The units of analysis can be words, combinations of words, concepts, or major themes. The reader seeks to identify the frequency with which the unit of analysis occurs in all the sources. The more often a unit is mentioned, the greater the reliability in the assumption that this unit is growing in importance and thus could become an important event-driving change. For strategic planning purposes, the concept or theme is a useful unit of analysis.

For example, in the early 1990s, it had been suggested that both the hotel and restaurant industry was in relative maturity. Sales were flat and in some cases in decline. In content analyzing the literature in the hospitality industry during that period, a reoccurring theme that would no doubt be identified were the difficulties hospitality firms were having in obtaining investment capital. No matter what source of information was relied on, the astute strategic manager would be able to see this theme mentioned often.

The content analysis can be very rigorous, with the scanner actually counting the number of times this theme is referenced from all sources. In addition to the times mentioned, the amount of editorial space, and discussion sessions included in conference programs and meeting agendas also represent the degree of importance of a theme or pattern. In this example, as the scanner reviewed all available information, this theme would have emerged as a pattern across all sources and be identified as a possible major force driving change.

To assist the scanner in accomplishing this difficult task, the environmental classification scheme becomes an important timesaver. By using this scheme, the scanner can organize the content analysis according to the body of knowledge underpinning each category and variable. Although many may argue that using such a scheme overly structures and can inhibit the free flow of thought and stifles creativity, this notion must be balanced with the efficiency and effectiveness needed to identify important forces driving change in the complex business environment. For those organizations with limited time, capability, and financial resources, a more directed viewing process such as this is reasonably effective in identifying the major trends shaping the future.

Because of the advances being made in technology, software is now available to assist in the content analysis process. Exhibit 12 is an example of output from a content analysis software program called Catpac. It is a graphical representation of the key ideas that have been mentioned in the annual reports of Marriott International for the period 2000 to 2002.

As you can see in this graphic, there are two major high point clusters in terms of most frequently mentioned themes: One is joint venture (on the left) and the