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Hotel marketing strategies in turbulent times: Path analysis of strategic decisions

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ABSTRACT

The hotel industry has been hit hard by the economic recession. Given the economic challenges facing businesses have not been seen since the Great Depression, hotel executives are making unstructured or first-time decisions, responding to the current business climate. Using McCracken's (1988) long interview method, four Pacific Asia hotel executives provide insights of how two major hotel chains develop new strategies in these turbulent times. To provide structure to these insights, Mintzberg, Raisinghani, and Théorêt's (1976) unstructured strategic decision making model provides a template to map problems or opportunities and alternative development and selection.

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1. Introduction

The World Tourism Organization projected a decline in international tourism for 2009 due to the global economic recession (WTO, 2009). Although projections for Asia were better, the region experienced negative growth (–3%) for the last six months of 2008. A combination of events related to the global financial crises—fluctuating oil prices, increasing inflation, and extreme market volatility—created an unhealthy economic environment affecting tourism and hotel industries (see Lomann, 2008). Despite economic conditions not seen since the Great Depression, the hotel industry's outlook remains positive suggesting adaptation to the turbulent business environment. What are the keys to their relative success?

This paper examines the strategic marketing decision making process of hotel executives in Asia over the last year. Employing McCracken's (1988) long interview method, personal, face-to-face interviews of executives provide insights on the strategic marketing process as international hotel chains adapted to the dynamic changes occurring in Asia, particularly Japan, China, and Singapore. To provide structure to these insights, path analysis maps the unstructured decisions. Mintzberg, Raisinghani, and Théorêt's (1976) unstructured strategic decision making model provides a template for showing problems or opportunities, alternatives development, and alternative selection. During the last two turbulent years, the hotel industry

adapted promotional methods, adjusted product offerings, and created new alliances. These changes resulted in more customers and provide compelling evidence that the hotel industry is prepared for a year of positive growth in 2011.

This study's findings support qualitative methodology's importance to understanding business decision making. This study offers unique insights for building theory and collecting interpretative data to study strategy formation for multinational hotel chains.

2. Keys steps to mapping strategic thoughts

Cause mapping permits visualizing systemic propositions of relationships and helps build system dynamic models permitting what-if simulations of eventual outcomes when one variable changes with a system (Woodside, 2010, p. 344). Cause mapping visually describes these interactions and isolates the key assertions of decision makers—a form of content analysis. Mapping is a valuable tool to understand causality, existence, or categorization (see Barr, Stimpert, & Huff, 1992; Huff, 1990). Central to causal mapping are associations explaining the organization of processes. Causal mapping's key point is ecological methodology examining both environmental events and organizational decisions to create unique temporal opportunities. This process creates structure to process seemingly unstructured decisions.

Strategic decisions rarely are a steady and undisturbed process. Many dynamic factors affect the decision process. Mintzberg et al. (1976) develop a general model for unstructured strategic decision making. Their model tracks an action from identifying problems or opportunities, developing alternatives, and selecting the best course action in a dynamic environment. An assumption is organizations make decisions not previously encountered—lacking a predetermined

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or an explicit course of action. Foreign market activities also increase the variation and additional variables need to be considered (see Larimo, 1995). Fig. 1 shows the basic model for mapping decisions.

Identification, development, and selection are the three primary sections of the strategic decision process model. Seven central and two subroutines (decision control, communication, and political) are within these sections. Dynamic factors influence the decision making process: (1) environmental forces, (2) scheduling delays, (3) feedback delays, (4) timing delays or speed-ups to take advantage of special circumstances, (5) comprehension cycles, within or between routines, and (6) rejection of the proposed solution (Mintzberg et al., 1976, pp. 263–266).

2.1. Identification phase

Decision making's identification phase involves two routines, problem opportunity/opportunity recognition, and decision diagnosis. Problem or opportunity recognition either recognizes an opportunity to increase revenues, or reacts to an adverse event potentially affecting revenues. The global economic condition creates both opportunities and threats to the hotel industry. The diagnosis routine is informal and decision makers expend minimal effort analyzing the opportunity or threat.

2.2. Development phase

During the development phase, alternative courses of action are created. The development phase involves two main routines, search and design. The former routine seeks a set of solutions based on past experiences. The design routine requires thinking out of the box to come up with something completely new.

2.3. Selection phase

The selection process is complex and typically includes a number of subroutines. Each subroutine results in a decision combined with other subroutine decisions. When many alternative solutions are developed, a screening routine reduces the options for more intensive evaluation. A screening subroutine eliminates alternatives not complimentary to the organization's overall strategic plan.

The evaluation-choice routine can use three modes: judgment, bargaining, and analysis. Judgment mode is based on past experience and gut feeling of the decision maker. Decision makers choose the best course of action based on past experience, often without much

analysis (see Gladwell, 2005). The analytic mode postulates alternatives require an objective analysis. A global economic recession presents challenges to decision makers suggesting this mode likely is employed often. Evidence suggests bargaining mode employment rather than judgment and analytic modes for complex decisions (see Larimo, 1995, p. 54).

Information flows up through the organizational structure, each level serves as a gatekeeper assessing the decision's importance and urgency. Unstructured decisions follow this hierarchical route reaching senior management or a board of directors. Authorization either occurs during steps in the decision making process, or for the recommended final course of action. Often authorization decisions are made by people with limited understanding of the proposals presented to them (Mintzberg et al., 1976, p. 260). Rejected alternatives may be dropped for rational reasons (e.g., low financial return), or irrational reasons (e.g., dislike for the person proposing the solution). Alternatives are dropped completely, or returned to the development phase for redesign.

Throughout the decision process, interrupts affect the decision process. Interrupts may slow the decision processes (e.g., political impasses). In other cases, externalities (e.g., competitors' actions) compress the decision process. Interrupts occur in developing a creative solution. Creative solutions take time to develop when an organization deals with new opportunities or challenges. Finally, the whole process depends on correctly identifying the opportunity or problem. Actions that follow cannot start until the situation is understood.

3. Methodology

People tend to process and store information as narratives (see Adaval & Wyer, 1998; Shank, 1999). Allowing people to tell stories about their experiences may be the best way to get to the useful information. Qualitative, long interviews additionally provide opportunities for both emic and etic interpretations of the decision-making process. Emic (self) reporting captures important insights on behavior (e.g., Arnould & Price, 1993; Belk & Costa, 1998). Combining etic (researcher) interpretations with emic reporting captures decision making's complexities and nuances. McCracken's (1988) long interview technique enables informants to report these narratives on how organizational and external forces affecting their thoughts and actions.

McCracken (1988) recommends loosely structured questions and probing follow-up questions. The interviewer has more than 20 years of hospitality industry experience. He was trained to ask probing or

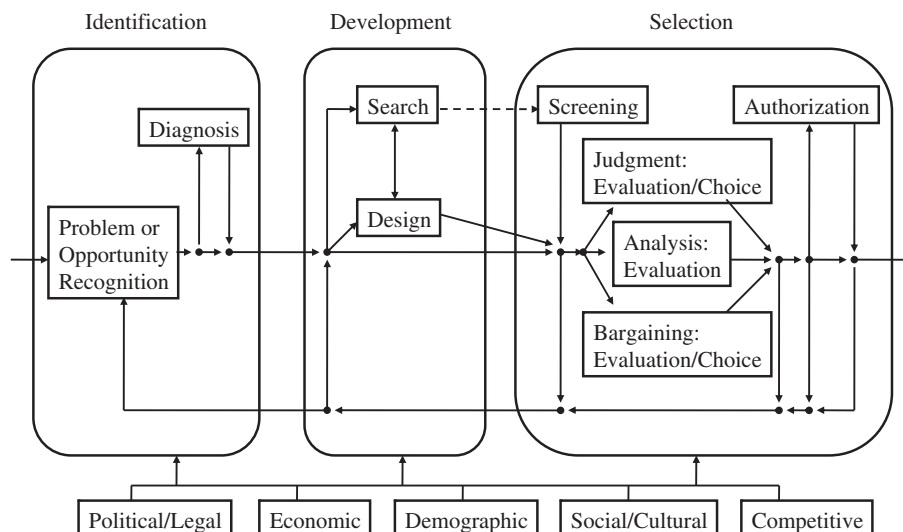


Fig. 1. Foreign market entry model of strategic decision making*.

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