

# Strategy implementation processes of small businesses in the hospitality industry

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## ABSTRACT

There is a widespread acceptance that strategy plays a vital role in the existence of any organisation. Previous research shows many definitions and frameworks for strategy formulation. There is however little scientific knowledge about the actual realisation of a strategy once envisioned, and most research takes a general approach. This research attempts to map the various approaches organisations use and the problems they face when implementing their already formulated strategy. It centres its attention on small businesses within the hospitality industry. This study gives room to believe that it is especially the nature of these firms that causes difficulties. The current strategy implementation processes tend to be highly individual and top-down, and many problems arise along the way. The study shows that the major difficulty in these firms is an overall lack of resources. Moreover, a shortfall in internal and cross-functional communication, an absence of long-term strategic thinking and a lack of clear tasks descriptions are responsible for implementation failures. It appears that small hospitality firms do not comply with existing implementation frameworks. Yet, when describing obstacles to strategy implementation the existing theories and study results show many similarities, especially in relation to the failure in internal communication.

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## Keywords

Strategy implementation, hospitality industry, strategic management, small hospitality firms

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# 1. INTRODUCTION

## 1.1 Introduction

There is a widespread acceptance that strategy plays a vital role in the existence of any organisation. The word itself originates from the military, and is derived from the Greek words στρατηγία *stratēgia*: “period of command, campaign; troops commanded by one general, command; generalship<sup>1</sup>”. In military terms, strategy refers to leading and manoeuvring the troops into position before the enemy is faced. In other terms, a strategy can be defined as a plan, a ‘how’, a means of getting from here to there (Mintzberg, 1994).

There have been many attempts in creating frameworks and methods concerned with the planning and formulation of a strategy. Pickton and Wright (1998) have for example designed the well-known SWOT (Strengths, Weaknesses, Opportunities, Threats) framework. Through the identification of significant internal and external environmental factors an organisation is able to formulate an appropriate strategy. Another often used tool for creating a fitting strategy is the balanced scorecard; a set of measures that gives top managers a fast but comprehensive view of the business (Kaplan and Norton, 1992). Yet, without effective implementation, no business strategy can succeed. Making strategy work is more difficult than strategy making (Hrebiniak, 2006). The habitual mode of poor strategy execution shapes the next round of strategy formulation, thus weakening the strategy formulated subsequently (Bonoma and Crittenden, 2008). Over the years, several researchers tried to address various methods and problems that occur during strategy implementation. Next to other authors, Beer and Eisenstat (2000) for example describe the ‘six silent killers of strategy implementation’, and Mankins and Steele (2005) introduce seven rules for successful strategy execution. There however still appears to exist a lack of scientific knowledge, and many organisations fail at executing strategy.

## 1.2 Problem statement

Much research has been attributed to the field of strategy and strategic management. Previous research shows many definitions, frameworks for strategy formulation and the main problems organisations face when implementing a strategy (Beer and Eisenstat, 2000; Mankins and Steele, 2005; Hrebiniak, 2006). Nonetheless, there is little scientific knowledge about the actual realisation of a strategy once envisioned. Moreover, when looking at strategy, most existing research takes a general approach. In theory the formulated definitions and frameworks can be applied to all industries, it appears that there are numerous difficulties in using them for industries that differ from the mainstream. One of those industries is the hospitality (or tourist) industry:

“The tourist industry is defined, not in terms of the production of particular types of goods and services, but in terms of the circumstances in which goods and services are consumed. Thus the sale of a particular good or service to a tourist is counted as a “tourist expenditure” while the sale of the same good or service to a local resident is not. As a result of this difference in concept, the tourist industry overlaps the usual classification of industries defined according to the goods or services they produce.”

Australian Treasury (1977, p. 1212)

The nature of this industry – and thus the businesses in it – differs from other industries, making it a challenge to

<sup>1</sup> στρατηγία, Henry George Liddell, Robert Scott, *A Greek-English Lexicon*, Perseus

implement frameworks that do not consider these differences. As explained by Okumus (2002), there seems to be a gap between mainstream strategy literature and the strategic hospitality management literature. Additionally, existing research in the strategic hospitality management mostly aims at large firms. It is of over-riding significance that the most commonly found hospitality enterprise is small (Morrison and Thomas, 1999), but little is known about the strategic management of small businesses within the hospitality industry.

## 1.3 Research question

Based on what is written above, this research attempts to map the various approaches, steps and methods organisations use and the problems they face when implementing their already formulated strategy. It will centre its attention on small businesses within the hospitality industry. This leads to the introduction of the following research question:

*In what way do small businesses within the hospitality industry approach the process of strategy implementation?*

In order to answer the research question this paper will first present a thorough literature review on strategy implementation. Additionally, a series of interviews with small hospitality businesses is conducted to find out what implementation problems arise and which solutions have been found in practice.

## 2. THEORETICAL FRAMEWORK

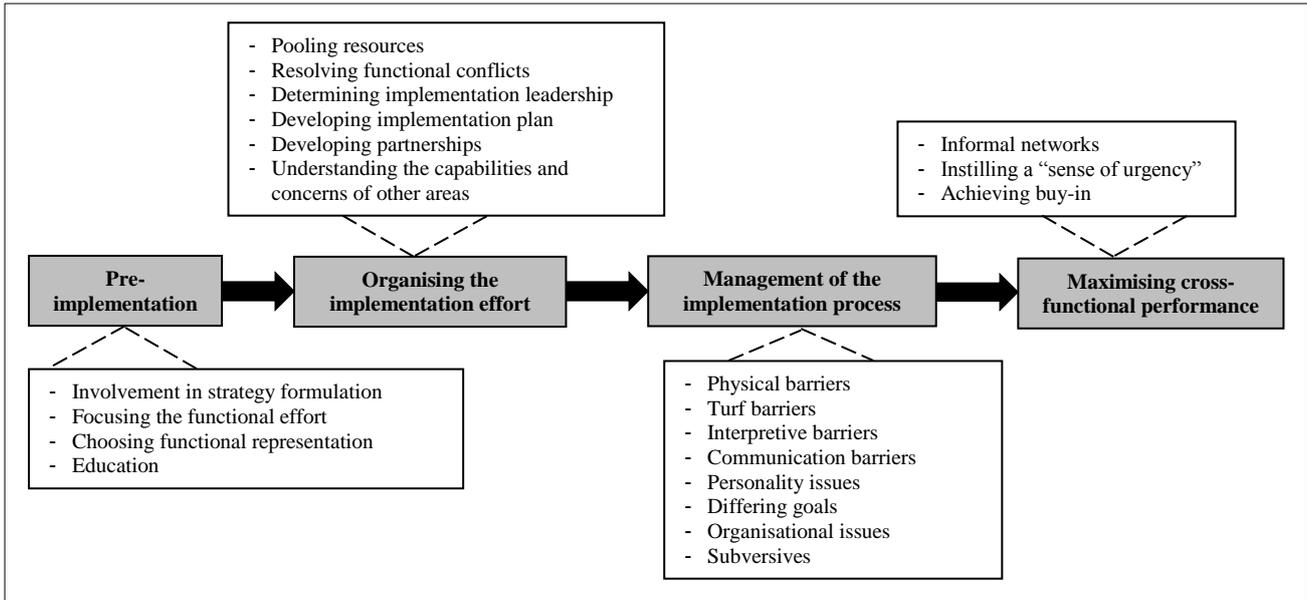
In this section, underlying theory and existing scientific knowledge is explained and evaluated. It will provide necessary information that contributes to answering the research question. The section is divided into different topics. First, a critical review is given of the existing literature on strategy implementation. Thereafter, information about the hospitality industry is given, as well as specific information about the small business segment of this industry. The last part will combine both previous parts, to find out how existing strategy implementation knowledge can be applied to the hospitality industry and the challenges that are faced.

### 2.1 Strategy implementation

The problem with poor organisational performance typically is not the strategy formulation and planning, but the execution (Hrebiniak, 2006). Without effective implementation, no business strategy can succeed. Strategy implementation is a critical corner stone in any organisation and it’s worthwhile to invest in this process. Existing empirical literature shows multiple frameworks and models. Different understandings have been introduced and adapted, leading to a diverse array of approaches in the field of strategy implementation. The section below will introduce several of them.

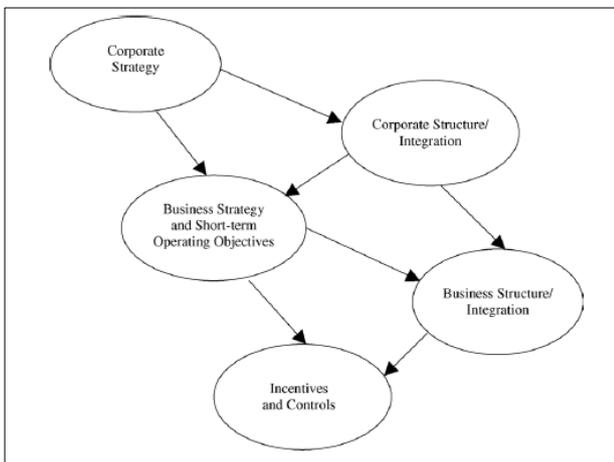
#### 2.1.1 Approaches to strategy implementation

Noble (1999) proposes a general model in which four major stages emerge during the implementation of a strategy. He argues that by understanding the difficulties and challenges that appear throughout the process, managers will be able to effectively implement a strategy. Figure 1 presents Noble’s model, together with important activities and cross-functional issues that may arise during each stage. Noble particularly stresses the importance of cross-functional relations. Through developing and managing these relations in an appropriate way, the organisation can work together as a powerful force and inspire all the functions involved in implementation. Taking a mildly similar approach to Noble by providing a step-for-step



**Figure 1. Implementation stages and cross-functional issues (Noble, 1999).**

method, Figure 2 shows a strategy implementation model created by Hrebiniak (2006). The arrows in the model display a logical flow of actions to guide the implementation of a strategy. The model starts with the 'corporate strategy', and then continues with the 'corporate structure'. Both affect each other: corporate strategy drives the choice of corporate structure and the choice of structure is vital for the implementation of corporate strategy. 'Integration', part of the 'corporate structure', addresses the methods for reaching coordination and integration of expertise across different business units. This is crucial for achieving a high efficiency level in decentralized units, as well as in the whole organisation.



**Figure 2. Implementing strategy: key decisions and actions (Hrebiniak, 2006).**

The 'business strategy and short-term operating objective' emphasises the transformation of the overall corporate strategy into the strategy that needs to be applied at the business- and operating level. At this stage, the strategy must be translated into short-term operating goals and is concentrated on products, services, and how to compete in a certain industry. As in the case of corporate strategy, the same integration goals exist for the business strategy. This is expressed in the 'business structure/integration' step. The model closes with an 'incentives and controls' step. One cannot simply assume that individuals

adapt to organisational goals without any problems. The introduction of incentives can guide and motivate positive performance, whereas controls can serve as a feedback mechanism for employees to ultimately achieve desired organisational outcomes.

A different approach is stated by Mankins and Steele (2005). In order to address the difficulties in implementing a strategy, they propose seven rules for successful strategy implementation: (1) keep it simple, (2) challenge assumptions, (3) speak the same language, (4) discuss resource deployments early, (5) identify priorities, (6) continuously monitor performance, and (7) develop execution ability. Yet another approach is introduced by Crittenden and Crittenden (2008). They propose eight levers, composed of structural and managerial skills necessary for the development of a capable organisation (Table 1). This is in line with Bonoma and Crittenden (1988), who suggest that implementation consists of these two main variables. The structural levers encompass the internal 'framework' in which an organisation operates. Any strategy that needs to be implemented runs through this framework. The managerial skills are the activities performed by managers that focus on behaviour, they are the crucial factors that determine if an implementation effort is successful or not.

**Table 1. Eight levers of strategy implementation (Crittenden and Crittenden, 2008).**

<b>Structural levers of implementation</b>	<b>Managerial skill-related levers of implementation</b>
<i>Actions</i> – who, what, and when of cross-functional integration and company collaboration	<i>Interacting</i> – the exercising of strategic leadership
<i>Programs</i> – instilling organisational learning and continuous improvement practices	<i>Allocating</i> – understanding when and where to allocate resources
<i>Systems</i> – installing strategic support systems	<i>Monitoring</i> – tying rewards to achievement
<i>Policies</i> – establishing strategy supportive policies	<i>Organising</i> – the strategic shaping of corporate culture

Next to Crittenden and Crittenden (2008); Neilson, Martin and Powers (2008) have established several organisational levers as well. They relax the importance of structural implementation levers, and instead stress the necessity of two other levers: *clarifying decision rights* and *ensuring information flows where it's needed*. The former contains the insurance that every individual in an organisation knows which decisions and actions they are responsible for, and encourages higher-level managers to delegate operational decisions. The latter is focused on the quick information flow through the company, to corporate headquarters and across organisational boundaries. Additionally, it is concerned with showing field- and line employees how their daily choices affect an organisation at the base.

As can be seen, many different approaches to the process of strategy implementation exist. Some propose a top-down execution and describe every step, while others introduce concepts and methods that should be evaluated throughout the whole process. Unfortunately, whichever method is used, organisations tend to encounter many implementation obstacles, problems and failures.

### 2.1.2 Obstacles of strategy implementation

“The only way to be more competitive is to engage every mind in the organisation. You can’t have anyone on the sidelines.”

Jack Welch, Former Chairman, General Electric

Kaplan and Norton (2005) show in their study that on average, 95% of an organisation’s employees – the people who are closest to customers and operate the processes that create value – do not understand, or are unaware of the corporate strategy. This all comes down to implementation failure. Multiple researchers have addressed other problems that arise during strategy implementation. Beer and Eisenstat (2000), for example, describe the “six silent killers of strategy implementation”: top-down or laissez-faire senior management style, unclear strategy and conflicting priorities, an ineffective senior management team, poor vertical communication, poor coordination across functions, businesses or borders, and inadequate down-the-line leadership skills and development. Furthermore, Hrebiniak (2006) has distinguished a list of frequently occurring obstacles to strategy execution:

- (1) Inability to manage change effectively and overcome resistance to change;
- (2) Poor or vague strategy;
- (3) Not having guidelines or a model to guide strategy implementation efforts;
- (4) Poor or inadequate information sharing among individuals/units responsible for strategy execution;
- (5) Trying to execute a strategy that conflicts with the existing power structure;
- (6) Unclear responsibility or accountability for implementation decisions or actions.

Some of the problems mentioned above arise due to ineffective management at the top. Yet, another issue that repeatedly seems to occur is the failure in internal communication and information sharing. This might be seen as a cause of other problems as well. Having an unclear strategy and conflicting priorities for example, one of the ‘killers’ of strategy implementation as outlined by Beer and Eisenstat (2000), could be attributed to little or bad overall communication between management and employees. If management ought to formulate and implement a nonconflicting strategy, they first need to communicate with the rest of the organisation to find out what the actual conflicts are. A key element in defining

organisational success is the quality of internal communication (Hargie and Tourish, 1993). For all that, it seems as if a lack in communication or a low quality of it becomes more evident during an implementation effort, or at least the attempt to it. Multiple problems arise that were not foreseen at the beginning. The model of Noble (1999) – outlined in the first section – already emphasized the importance of cross-functional relations and the communication between them during implementation. Peng and Litteljohn (2001) also state that communication is pervasive in every aspect of strategy implementation.

Several aspects of strategy implementation and its obstacles have been outlined. The article will continue with an evaluation of the hospitality industry, its characteristics and structure.

## 2.2 Hospitality and its industry

Hospitality and its industry is diverse and complex, and is present in every country around the world. Historically, two types of hospitality exist: private hospitality and commercial hospitality. Whereas private hospitality involves the act by individuals towards individuals in a private setting (such as the home) and takes a closer look to the relationship between guest and host, commercial hospitality is concerned with lodging, beverages, meals and entertainment provided for profit (King, 1995; Lashley, 2000). The latter can be referred to as what many would call the actual hospitality industry. In this industry hospitality is considered as an economic activity, consisting of a set of consumers, suppliers and market niches, which can be provided for both the private and the public sector. As previously mentioned it contains businesses that provide lodging (transitional or short-term) and entertainment, with or without food. Other definitions that are given to the hospitality industry:

“The provision of food and/or drink and/or accommodation away from home”.

The Joint Hospitality Industry Congress (1996, p. 13)

“The provision of food and/or drink and/or accommodation in a service context”.

Higher Education Funding Council (1998)

“The business of housing or entertaining visitors”.

The Oxford English Dictionary (2014)

There are many businesses in the world that provide either one or more of the things in the above mentioned definitions. These businesses offer highly contrasting facilities in terms of luxury. Hospitality firms are rated according to their services and facilities. A common rating for hotels in Europe, for example, is the HOTREC hotelstars system (2009). It is created by the Hotelstars Union, which is a part of HOTREC (Hotels, Restaurants & Cafés in Europe), an umbrella organisation for 39 associations from 24 countries.

To give more clearance about which actual businesses belong to the hospitality industry, the next section will go deeper into the actual structure of this industry.

### 2.2.1 Structure of the hospitality industry

The hospitality industry is complex and broad, differing greatly in the facilities and luxury that is being offered. Many different sectors can be placed within this industry: hotels, restaurants, travel services, tourist services, leisure activities, visitor attractions, self-catering, holiday parks, hostels, gambling, pubs, bars, nightclubs, contract foodservice, etcetera. On an international level the most important sectors are hotels, restaurants, and contract foodservice. The other sectors are

identifiable on a national level but they tend to be fragmented, small and operate under local/national ownership (Brotherton, 2003). The high number of different sectors involved makes it difficult to analyse the hospitality industry and trace which organisations belong to it. As Slattery (2002) argues, the industry consists of a range of free-standing hospitality businesses but is also a component of a wide range of venues whose primary function is not hospitality. Slattery has classified the hospitality industry into four categories, as outlined in Table 2. Besides the complexity and diversity, the size of the organisations within this industry differs heavily as well. It consists of both single-person organisations, worldwide corporations and everything in between. Yet, the most commonly found hospitality enterprise is small (Morrison and Thomas, 1999).

**Table 2. The structure of the hospitality industry (Slattery, 2002).**

Free-standing hospitality businesses	Hospitality in leisure venues	Hospitality in travel venues	Subsidised hospitality
Hotels	Casinos	Airports	Workplaces
Holiday centres	Bingo clubs	Rail stations	Health care
Quasi hotels	Night clubs	Bus stations	Education
Cruise ships	Cinemas	Ferry terminals	Military
Time-share	Theatres	Aeroplanes	Custodial
Bars	Sports stadia	Trains	Retailers
Restaurants	Theme parks	Ferries	
	Attractions		
	Health clubs		

### 2.2.1.1 Small hospitality businesses

There is relatively low management expertise and capital investment necessary for starting new small hospitality businesses (Quinn, Larmour and McQuillan, 1992). The most found reasons for small start-ups in the hospitality industry are fulfilling human needs, such as seeking autonomy or pursuing a desirable lifestyle (Chen and Elston, 2013). These start-ups are mostly funded by personal/family savings (Ahmad, 2014). This makes it relatively easy to enter the industry, which has led to such a high (and rising) number of small hospitality firms. Despite this fact, it appears that within the existing literature no clear definition exists and the ways of describing small hospitality businesses differ greatly. A commonly applied notation is introduced by the European Commission (1996). It uses the number of employees to classify a hospitality firm as micro (0 – 9 employees), small (10 – 49 employees), medium (50 – 249 employees), and large (250+ employees). On the other hand, small hotels are often characterised by the number of rooms they supply (Halcro, Buick and Lynch, 1998; Sugaard, Rosenberg and Johns, 1998). These are all quantitative measures. Thomas (2000), however, stresses the importance of other essential features – independence, particular kind of service focus, managed by the owner in a holistic manner.

Currently, a variety of definitions of what constitutes a small hospitality firm is used. It may not be possible to present a precise definition that will be accepted universally. However, as outlined by Thomas (2000): “This is not unduly problematic in most cases. So long as contributors and policy makers recognise the distinctiveness of small firms in the tourism industry and the characteristics that warrant their treatment as a category, the

precise definition adopted is unlikely to obfuscate understanding of such enterprises”.

## 2.3 Strategy implementation in small hospitality firms

Given the different nature and characteristics of the hospitality industry, there are some difficulties in applying the existing principles of strategy implementation. First, it is important to realise that hospitality management requires a significant amount of skills that go beyond ‘general’ management knowledge. A broad range of concepts is covered within hospitality management, including accommodation, lodging and facilities management, housekeeping management, food and beverages, security, design, gastronomy, revenues management, front office management, etcetera (Wood, 2013). Yet, as outlined before, only a low level of management expertise is needed when starting up a small hospitality firm. The quality of management that is required for running of a small hospitality firm might fall short, leading to problems with strategy implementation as well. Out of the eight strategy implementation levers of Crittenden and Crittenden (2008) four are related to managerial skills, and as outlined by Govindarajan (1989), effectiveness of strategy implementation is partially determined by the quality of the people involved in the process. Also, ineffective management is commonly mentioned as an obstacle to strategy implementation (Hrebeniak, 2006; Beer and Eisenstat, 2000).

Another important shortcoming is the difference between small and large companies. Much of the existing theory on this matter is founded upon analyses of large organisations with a long-term focus, predicting the environment and gaining information to determine if organisational goals have been achieved. For all that, small companies are different. They do not take the same long term view in their business practices, and additionally, they might not pursue the same goals. The goals of large enterprises are usually commercially oriented and related to for example business growth and profit maximisation. Owners or managers of a small firm might have other objectives, motivated by lifestyle and personal control considerations (Beaver and Lashley, 1998). This results in a lack of a clear strategy, mission or vision in the first place. A firm needs a “compelling mission and strategy specific to the organisation, not just a generic set of statements that can describe any organisation such as ‘make our customers happy’ or ‘make more profits’ ” (Doran, Haddad and Chow, 2002). Small hospitality firms tend to use the latter form of expressing their strategy. Instead of following a clear path, the management process of small hospitality firms is defined by personal attitudes, preferences and characteristics of the owner/manager (Chen and Elston, 2013; Ahmad, 2014). Moreover, when implementing a new strategy, policy or idea, management usually adjusts only a limited amount of resources (for example a new menu in the restaurant, or a new event). They adapt quickly to changing demands in the external environment, and are looking to gain short-term advantages (Beaver and Lashley, 1998). In their article, Beaver and Lashley (1998) also draw the attention to another issue during implementation: the organisational structure, or the non-existence of it. Management is working closely with other staff, and much of the relations within a small hospitality firm are informal. This does give the manager particular opportunities to directly communicate to and influence the staff, but it appears that there are no precise definitions about the responsibilities, obligations and duties amongst the employees.

In summary, it seems as if a *lack of knowledge, absence of a clear strategy* and a *deficiency in organisational structure* stand in the way of successfully implementing a strategy in small hospitality firms (using existing strategy implementation frameworks). However, this still leaves us with the question how such businesses do approach the process of strategy implementation, and what solutions they have found for the above mentioned difficulties. To find out, a series of interviews with small hospitality firms is conducted.

### 3. METHODOLOGY

To investigate the matter from a practical side and view if the suggestions based on existing literature hold in practice, a series of qualitative semi-structured interviews is conducted with managers of small hospitality businesses. As Jacob and Furgerson (2012) state; at the heart of qualitative research is the desire to expose the human part of a story. Strategic management in small hospitality firms is diverse, complex, and often takes a different path than the one in common strategic management literature. The firms are not homogeneous in terms of organisational structure, culture, and systems. Managers of small hospitality firms might use uncommon methods and practices. To unravel these, and find out how and why certain implementation techniques are used, the interviewee must be able to share his or her side of the story. Moreover, the semi-structured questions leave a generous amount of flexibility during the interview. The interviewee is given more freedom in what to talk about, how to express it, and how much to say on each topic. He or she is offered the change to explore issues that they feel are important, without following or being influenced by a pre-determined structure. A general interview structure is set up in advance which outlines the topics and main questions to be covered. The general interview structure can be found in Appendix A. Possible follow-up topics are written down, but it depends on the interview if they are needed.

#### Operationalisation of the concepts

The first part of the interview will discuss some basic data about the interviewee and firm. These include the function of the interviewee, educational background of the interviewee, the

age of the firm, the number of employees, the capacity of the firm, activities of the firm, and the organisational structure of the firm. The first four are rather straightforward and commonly used variables so no further explanation is necessary. The capacity of the firm is measured in terms of the capacity they have to house guests. This can be either be related to the number of beds and/or the number of restaurant seats. The activities of the firm are described in relation to the services that they offer for their guests. Regarding the organisational structure the study tries to find out how authority and decision-making power are distributed throughout the organisation. The main part of the interview is concerned with strategy related matters. Strategy is a broad concept and instead of focusing on one measure, the questions approach the concept in a broad way. New ideas, policies, production methods, services, concepts, and series of manoeuvres for obtaining a specific goal all fall under the term strategy in this research. When discussing the implementation of strategy, the interview considers any effort that has been made to execute or implement one of the above mentioned terms that fall under strategy.

#### 3.1 Sample

This research focuses on those business whose primarily function is hospitality and the exercising of hospitality activities (Table 2: ‘free standing hospitality businesses’). Due to lack of a proper definition for small hospitality firms, we follow the notation of the European Commission in which the number of employees in a small hospitality firm does not exceed 49. Hence, the sample consists of five hospitality businesses with a maximum of 49 employees. They are located in the same geographical location and operate in the same mid-priced segment. They thus all deal with relatively the same external forces, which gives a better ground for comparison. For confidentiality reasons the firms are given a fictitious names: (1) Aspen Suites, (2) Bamboo Garden, (3) Cedar Inn, (4) Easton Corner and (5) The Rose. In Table 4, multiple data of each firm is outlined. Note: next to the standard firm activities, each firm organises multiple related events and arrangements throughout the year (for example a Christmas dinner, or spa arrangement).

**Table 4. Detailed sample information.**

	<i>Function interviewee</i>	<i>Firm age</i>	<i>Number of employees</i>	<i>Capacity</i>	<i>Firm activities</i>
<b>Aspen Suites</b>	Owner/manager	8 years	20 employees (2 full-time, 18 part-time)	10 beds 75 restaurant seats (+ 100 terrace seats)	Lodging, à la carte dining, takeaway, parties (+ other related events, activities and arrangements).
<b>Bamboo Garden</b>	Manager	37 years	45 employees (12 full-time, 28 part-time)	94 beds 150 restaurant seats	Lodging, à la carte dining, parties, business meetings (+ other related events, activities and arrangements).
<b>Cedar Inn</b>	Owner/manager	16 years	17 employees (3 full-time, 14 part-time)	40 beds 150 restaurant seats	Lodging, à la carte dining, catering, parties, business meetings (+ other related events, activities and arrangements).
<b>Easton Corner</b>	Owner/manager	20 years	30 employees (6 full-time, 24 part-time)	200 restaurant seats (+ 80 terrace seats)	À la carte dining, catering, parties, business meetings (+ other related events, activities and arrangements).
<b>The Rose</b>	Owner/manager	11 years	13 employees (2 full-time, 11 part-time)	32 beds 70 restaurant seats	Lodging, à la carte dining, catering, parties (+ other related events, activities and arrangements).

## 4. RESULTS

As very different approaches are taken in each company, the main information given in each interview is separately outlined. Thereafter, a cross case analysis is performed to specifically assess the strategy implementation processes in the sample firms.

### 4.1 Results per interview

#### Aspen Suites

Aspen Suites is run by one manager, who is also the owner. The manager is working closely and on an informal basis with other staff. Some have more tasks than others, but there is no organisational structure with an explicit division of responsibilities. All new ideas come from the manager. Yet, when deciding to execute them or not, she is supported and advised by the kitchen chef and two service staff members. Through a broad product portfolio the manager tries to target a large public. The overall goal is to acquire as many customers as possible on a constant basis, but apart from offering a broad product portfolio no clear plan is present to explain how to do this. Through the informal relations within the firm, a new strategy is quickly spread via oral communication. The strategy is only communicated to the persons that are directly involved with the new plans. A new strategy concerning the restaurant menu for example, is only circulated amongst the kitchen staff and waiters. An ongoing difficulty in the implementation of current ideas is the lack of presence of the staff. Almost all employees work part-time, which makes it difficult to transmit new policies to everyone and a lot of repetition is necessary. In trying to solve this, a written sheet is present at all times that covers the details of the new strategy. As the firm is only run by one manager, a significant issue is a lack of time. Next to the daily business, only a small fraction of time is left to formulate and implement a new strategy. This has resulted in a low level of attention for the strategic management of the firm.

#### Bamboo Garden

Bamboo Garden is a family company, but due to the high age of the owners a management team has been hired to run the daily business. The management team consists of two people; one takes care of the external matters and the other is responsible for internal matters. The management is supported by an administration department. A simple, but clear hierarchical structure is present, in which everyone knows their duties and responsibilities. The organisation is divided into five departments and each department is directed by one executive (kitchen, housekeeping, reception, servants, and the technical department). Each department has its own employees, and the executive is responsible for hiring and looking after these employees. The overall management team is responsible for the establishment of new strategies. They have weekly management meetings and once a month, they gather with the owners to review and discuss problems (communicated to the manager via the executives of each department), and possible new strategies. The owners are in charge of all the decisions that need to be taken. If a new strategy is approved by the owners, the next step is to look at the (financial) resources and see if it is feasible to execute the strategy. If so, the new strategy is directly communicated with the executive of the department that is involved. The executive is then responsible for the implementation within the department. In the past, this has worked very efficiently. On the other hand, a drawback of this method is the fact that all departments work for themselves. Cross-functional communication is very low, and the organisation does not operate as an entity. Unfortunately, almost all strategy plans never make it this far. There is no budget for innovation and thus a significant lack of resources to

execute new strategies. Furthermore, the owners are very resistant to change. Most new ideas are turned down, and there is no “vision for tomorrow”. As long as the resources are not sufficient and the owners are not willing to change, strategies cannot be implemented and innovation cannot take place. The company is struggling to find a fitting solution for this matter.

#### Cedar Inn

Cedar Inn is managed by three full-time employees, of which two are family. They are also the owners of the firm. The firm employs a focused strategy, in which they target a particular niche of customers: group travelling of mostly elderly people. They offer complete programs for these groups in which everything is arranged for a fixed price. All current strategic activities are focused on this niche, but the desire of the management is to expand their business through market development: they would like to reach more types of groups next to elderly people. Surprisingly, no clear strategy is present that contains the steps to achieve this goal.

There is no clear division in terms of responsibility, and the third manager also operates as the chef cook. As the vast majority of the employees are youngsters that work only part-time, management also has to perform their tasks. This leads to a shortage of time for their own duties. The cross-functional relations within the company are considered flexible and informal. Common problems during the implementation of new strategies is the insufficient presence of the part-time staff (no possibility for communication), and the overall shortage of resources. To have a better grip on the first matter, frequent team meetings are organised in which management presents their new ideas. Part-time employees can give their opinion and have a small amount of input via this way. By means of these meetings, everyone is up-to-date about the current position of the firm, and it makes implementation of new strategies quick and easy. Through the lack of resources implementation of radical new strategies is not possible, but the firm tries to innovate as much as possible by organising feasible solutions. A growing difficulty however is the fact that no clear responsibilities are assigned, not even within the management team (“anybody could have done it, but nobody did it”). This leaves new initiatives often ‘on the shelf’, instead of the execution of them.

#### Easton Corner

The owner of Easton Corner also functions as the management. There is no clear long-term strategy, but instead a ‘year-to-year’ focus in which the manager tries to get by financially. Next to à la carte dining, many related events are organised. The purpose of these events is not only to generate profits; they are also part of a marketing strategy. By organising and appearing at events, (possible) customers become aware of and familiar with the firm. Furthermore, Easton Corner differentiates itself through a Scottish theme that appears in every aspect of the firm. All events are created through ideas from the manager. Directly below the manager operates an all-round employee and the chef cook. The all-round employee supports the manager in formulating new ideas, and is in charge of the execution and implementation of the events. Below them, there is a group of personnel that mostly operates part-time. The manager aims to compose this group of personnel of all-round employees, making them able to work in different parts of the firm (service, kitchen, cleaning). They are intentionally left out of strategic issues as it would lead to too many opinions from different points of view which is considered as not useful by the management. A major difficulty is the lack of financial resources. Previously, there was also a lack of time, but this has

been solved through the employment of the all-round employee that is in charge of the execution of new strategies, events and other ideas. Another issue is informing the employees. Most employees are often not present at the firm, making it difficult to communicate with them. For this matter, the use of social media (e.g. WhatsApp<sup>2</sup> or Facebook<sup>3</sup>) offers a solution. Through these platforms the manager is able to easily get in contact with all employees.

### The Rose

The Rose is owned and directed by two full-time employees. One of the managers also operates as the chef cook. The other manager is in charge of the reception, housekeeping, restaurant service, and all other matters that occur during daily business. During evenings and in the weekend they are supported by youngsters that work at the firm as a side job. All strategic issues are discussed between the two full-time employees, and the youngsters have no influence of any sort. The manager does not feel responsible for sharing strategic plans with the part-time employees, since they have no use for it in the work that they do and are only part-time present at the company. Most important in the long-term is “trying to maintain and improve profits by attracting more customers”. How to achieve this, besides carrying out business as usual, is not known. They are currently only thinking about new possible events and actions that could be organised within a relatively short amount of time. Collaboration between the two full-time employees is good, and the process of designing and implementing a new strategy runs smoothly. If the new plans involve the participation of the part-time employees, they are orally informed during the first upcoming time they work again. If they have to be informed earlier, the management makes use of social media platforms. The management did not encounter any problems in this approach so far, and they could not think of possible problems that might occur in the future. A continuing problem in their business is however the lack of large resources, but that influences all operations and not only the strategy implementation process.

## 4.2 Cross case analysis

In all firms, except for Bamboo Garden, the owner(s) also fulfil(s) the management role. These managers do almost everything themselves, including the formulation and implementation of new strategies. They deal with a significant shortcoming in the amount of resources, both in time and financial matters, leading to a lack of attention for the process of strategy execution. There is often no budget reserved for the formulation and execution of strategies and so there is little room to innovate nor implement radical new strategies. Apart from the lack of resources, numerous difficulties arise along the way. Table 5 sums up the obstacles of strategy implementation within the sample (a ✓ means that the finding is present in the firm, whereas a ✗ indicates that the finding is not present in the firm). The first part of the table reviews the occurrence of the literature findings as discussed in section 2.3. Based on existing literature it was argued that a lack of management knowledge, absence of a clear strategy, and a deficiency in organisational structure stand in the way of effective strategy implementation. A remarkable result is that each manager did have a proper

educational background. Instead of a lack of management expertise, there is an *absence of long-term strategic thinking and strategic practices* amongst the management, leading to the absence of a clear long-term strategy. They all do have ideas and desires they would like to achieve in the long-term. Aspen Suites is for example aiming at acquiring as many customers as possible on a constant basis, The Rose wants to improve their profits by attracting more customers, and Cedar Inn desires to expand their business through market development. However, these goals stay rather vague since no clear tactics are created to achieve these long-term goals. Due to the small nature of the firms and the industry they are operating in, stability is low. In order to increase the possibility of survival, the firms prefer to gain short-term advantages. Management thus focuses on short-term operational planning and only a limited amount of functions within the firm is frequently changed (for example organising a new event, or a new menu card in the restaurant). In relation to the lack of resources as well, the firms employ an extensive product portfolio. Through an array of services they target a broad public in order to attain as many customers as possible (see last column Table 4). As outlined by the manager of Easton Corner, “à la carte dining, initially the main focus of our firm, is not enough anymore, we must find more ways to acquire profits”. The third shortcoming based on literature is the deficiency in organisational structure. Bamboo Garden is the only firm that has implemented a clear organisational structure. It might however be argued that this prevented cross-functional communication and the working as an entity. One of the features of a small hospitality firm is that it is managed by the owner in a holistic manner. The different parts of the organisation are intimately interconnected and operate as a whole, and it may thus not be feasible to implement a fixed hierarchical structure. Nonetheless, it is valid to say that a clear division of responsibilities is necessary. Especially in Cedar Inn it became apparent that no precise definitions about the responsibilities, obligations and duties of each employee are present. As a result of this, most ideas stay ideas and no execution takes place. Given such information a ‘deficiency in organisational structure’ might be wrongly placed, and it is better to describe it as a *lack of clear tasks and responsibilities*.

Next to the findings in literature, additional obstacles have been described as well (Part B of Table 5). As outlined before, an important difficulty is the *lack of resources*, especially financial resources. Another problem is the *lack of communication between management and employees*. A common found problem during the interviews was the lack of internal and cross-functional communication, resulting in the fact that in general the employees have minimal awareness of the current and future strategic position of the company. Overall there seem to be three dimensions to the lack of communication. Firstly, although the relation amongst employees is mostly informal, communication is one-sided and top-down. All new ideas and policies come solely from the management and are heavily influenced by personal preferences and characteristics. Other employees have little or no input. Secondly, hardly any cross-functional communication takes place. Except for Cedar Inn who organised frequent meetings with all team members, all managers pass new strategies solely on to the staff that is directly involved. Other employees are mostly unaware of the new ideas. Thirdly, a reoccurring answer was the lack of presence of part-time employees. Most of these employees are youngsters that work as a side job, and are only present once a week or less. This leads to little possibility for communication. Also, the nature of the work that these youngsters perform (cleaning, dishes, service) forms a gap for informing them. As the managers of The Rose and Easton Corner outlined, they do

<sup>2</sup> WhatsApp is a cross-platform instant messaging service for smartphones that uses the internet for communication.

<sup>3</sup> Facebook is a social networking website that allows registered users to create profiles and send messages to keep in touch with friends and family.

**Table 5. Obstacles of strategy implementation within the sample.**

	Part A. Literature findings.			Part B. Additional findings.	
	<i>Low management expertise</i>	<i>Absence of a long-term strategy</i>	<i>Deficiency in organisational structure</i>	<i>Lack of resources</i>	<i>Lack of internal communication</i>
<b>Aspen Suites</b>	✗	✓	✓	✓	✓
<b>Bamboo Garden</b>	✗	✓	✗	✓	✓
<b>Cedar Inn</b>	✗	✓	✓	✓	✓
<b>Easton Corner</b>	✗	✓	✓	✓	✓
<b>The Rose</b>	✗	✓	✓	✓	✓

not feel obligated to share strategy plans with them, since they have no use for it in the work that they do.

Looking at Table 5 again, the conditions that stand in the way of strategy implementation based on existing literature need to be altered. Instead of a low management expertise and an absence of a long-term strategy there is an absence of long-term strategic thinking amongst the management, and instead of a deficiency in organisational structure we speak of a lack of clear tasks and responsibilities. In summary, this leads to the following shortcomings in the strategy implementation process of small hospitality firms:

- *An absence of long-term strategic thinking.*
- *A lack of resources, especially financial resources.*
- *A lack of clear tasks and responsibilities.*
- *A lack of internal communication.*

The first shortcoming indirectly affects the implementation process as it influences the formulation of a strategy in the first place. The latter two shortcomings directly affect the implementation process and can be influenced in order to improve the implementation efforts. Attempts to deal with the lack of internal communication have been made (e.g. use of social media, frequent team meetings), but there is still a lot left to improve. The lack of (financial) resources is the major shortcoming and affects both strategy formulation and implementation. This problem will most likely continue to exist in firms this small. It should however not be a reason to renounce (long-term) strategic thinking and practices.

## 5. CONCLUSION

The intention of this paper was to answer the following research question: *In what way do small businesses within the hospitality industry approach the process of strategy implementation?* It intended to outline the strategy implementation approaches, challenges that arise, and the solutions found in practice within the small hospitality segment. Small hospitality firms face multiple challenges when implementing their strategy, and deal with problems that businesses in other industries mostly do not encounter. This study gives room to believe that it is especially the nature of the small firms that causes difficulties. Large hospitality enterprises, famous names are for example Hilton Hotels or Marriott, have successfully applied implementation- and feedback systems (Doran, Haddad and Chow, 2002). They took existing mechanisms and tailored it to their own use. This shows that, although with some alteration, it is possible to implement existing implementation frameworks in the hospitality industry. It also readdresses the fact that most research in the hospitality industry is aimed at large firms. There is a better general understanding of strategic management in these firms, which in turn leads to better possibilities to

implement existing theories. Yet, it is also the nature of the small hospitality firms that allows them to quickly adapt to a problem. They are able to find flexible methods to instantly apply in their business. They target the problem and give a short-term solution, but unfortunately the problems still exist on a long-term basis.

The study has revealed useful insights in the small business segment within the hospitality industry, a segment of which only little is known. It has contributed to the body of knowledge of these kind of firms by outlining the approaches they take in an important field: strategy implementation. In relation to the approaches that are taken, small hospitality firms do not comply with existing frameworks. Considering the models of Noble (1999) and Hrebaniak (2006), respectively Figure 1 and Figure 2, a strategy implementation effort often strands along the first steps in the model. Looking at the structural levers of implementation, constructed by Crittenden and Crittenden (2008) and showed in Table 1, small hospitality firms mostly do not comply with these either. Yet, when talking about obstacles to strategy implementation the existing theories and the study results show many similarities, especially when talking about the failure in internal communication. Also, two of the four shortcomings (lack of clear tasks and responsibilities and lack of internal communication) are closely related to the levers outlined by Neilson, Martin and Powers (2008); clarifying decision rights and ensuring information flows where it's needed. One of the papers that explicitly focuses on the problems that arise when managing small hospitality firms is by Beaver and Lashley (1998). This research complements their paper by incorporating the specific, yet closely related field of strategy implementation. Not only are the management problems considered, but also the problems that occur on other levels within the firm. Another important contribution is the consideration that not all strategy implementation frameworks can be applied to all kinds of industries. It might be necessary to update and outline the limitations of these frameworks. Lastly, this research adds to practical knowledge in the sense that it outlines common problems in such firms. Small hospitality firms might identify themselves in the problems that are outlined, giving them the possibility to focus on these when implementing a new strategy or when running the firm in general.

A considerable limitation is the fact that so little is known about this segment; a decent definition about exactly which businesses to include is even lacking. To find out more about strategic management in these firms, a better understanding of the industry segment in general is necessary. Additionally, only five businesses were interviewed in this study. Even though they operate under the same circumstances, a bigger sample is necessary to find out if the conclusions can be universally applied. This study can be viewed as an introduction into the

field of strategy implementation in small hospitality firms, in which important practical insights are gathered. Further research could focus on the realisation of an actual implementation framework, model or theory for this segment of the hospitality industry. As outlined above, large hospitality firms have already successfully implemented such models. If more research is done and a better understanding is gathered, small hospitality firms might be heading for the same way and solve long-term difficulties for strategy implementation.

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## 8. APPENDIX

### Appendix A. General interview structure.

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#### Background information

Starting year of the firm:

Number of employees:

Educational background manager:

Can you tell something about the organisational structure within your firm?

Can you tell something about the current strategy of your firm?

How is a new strategy, policy or idea being created?

(follow up topics: who is involved / responsibility / timeframe / other internal or external factors)

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#### Strategy implementation topics

(1) Once a new strategy or policy is created, how do you normally implement/execute it?

(follow up topics: pattern / who is involved / responsibility / timeframe / other internal or external factors)

(2) What difficulties/problems do you encounter when implementing a strategy?

(follow up topics: examples / responsibility)

(3) How do you cope with these difficulties/problems, and what are the solutions that have been found?

(follow up topics: examples / use of solutions in the future)

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