

Strategy, organization structure and success in the lodging industry

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Has Hyatt's success been the result of the way it has structured its organization? Research evidence has accumulated indicating that the way an organization is structured can have profound effects on its performance.

Should every lodging organization adopt the same type of structure? Probably not! However, determining the appropriate organizational structure for a lodging organization requires considerable thought and analysis.

The results of some of the more compelling research findings relative to the factors that affect the structuring of an organization and the relationship between organizational strategy, structure and effectiveness are examined. Some of these concepts are then applied in an analysis of the structure of three different lodging organizations.

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Introduction

The essence of any economically based organization's long run success is its ability to survive and prosper. The strategy of an organization can be thought of as the basis upon which it seeks to achieve success. An organization's strategy can be defined as, 'The means by which the firm develops and fully utilizes its competencies and resources to take advantage of environmental opportunities or to reduce the impact of externally imposed threats' (Cook, 1975, p. 52).

Through the strategic planning process an organization seeks to forecast the most likely forces that will impinge on its affairs and then to build a resource base and corporate posture so that the organization can survive (Olsen and Denoble, 1981; Reid and Olsen, 1981). Strategic planning is an attempt on the part of an organization to exercise control over its destiny and to achieve stability of purpose. It is the process through which the management of an organization defines or redefines its purpose and goals, and the means through which these purposes and goals will be achieved. It includes analysis of the opportunities and threats confronting an organization in light of the organization's strengths and weaknesses. Comprehended in such an analysis are: (1) a thorough review of all factors impinging on an organization, their identity, validity, and the organization's expectations relative to these factors; (2) a complete analysis of the risks associated with these factors especially related to the commitment of resources, (3) an in-depth analysis of market con-

ditions and competition, and (4) the establishment of alternative courses of action and contingency plans. In other words, the strategic planning process includes assessment of the environment, assessment of the market, analysis of the organization's strengths and weaknesses, and assessment of the economic impact of the organization's perceptions of the above (Reid and Olsen, 1981).

Organization structure can be thought of as comprehending the parameters which define the way an organization is assembled. It is through an organization's structure that a framework for integrating the organization's strategic plans for the allocation of its resources is achieved. Thus, an organization's structural framework can be viewed as an important element relative to its overall strategy. It represents the means through which organizational resources are employed to meet organizational objectives and the accomplishment of the organization's purpose (Chandler, 1962).

The effectiveness of an organization in achieving its purpose can be conceptualized in terms of the strategy/structure/effectiveness model, shown in Fig. 1. This model depicts the ongoing strategic process of an organization.

The strategy formulation phase represents the initial process of strategy development. During this phase the opportunities and threats arising in the environment are evaluated in light of the organization's strengths and weaknesses. The overall purpose of the organization should come into focus as a result of management's perceptions