SMALL FIRM STRATEGIC ALLIANCES:

THE UK HOTEL INDUSTRY

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ABSTRACT

The central objective of this thesis was to advance knowledge of the processes leading to the creation of small firm strategic alliance relationships, and the issues involved in their development and management. This has been recognised by the author as an underdeveloped area of research. Moreover, research analyses and evaluates the contribution of strategic alliances to the small firm operating within the sector in general and within the hotel industry specifically. Literature research identified that strategic management through co-operative networks represented an appropriate business practice. Thus, empirical research activity focused on a specific form of partial network, that of a strategic alliance.

A strategic alliance, Scotland's Commended Hotels and its member small hotel firms was selected as the subjects for empirical research. This strategic alliance is an example of small firms voluntarily co-operating, seeking to add to their competencies by combining marketing resources with those of their partners, in order to safeguard and improve their market and competitive position. This organisation was researched over a period of nine months using a multimethod approach combining qualitative and quantitative techniques in a planned systematic manner.

The significant contribution of the research has been to advance knowledge in respect to developing a comprehensive understanding of the dynamics involved in the creation, development and management of relationships, within the context of

small firms, linked into resource constrained strategic alliances. Specifically, findings emphasised the interrelationship of: management practices and procedures; member characteristics and behaviour; strategy and structure; and organisational learning. It is only when all these components interlock, in appropriate measures, that the strategic alliance will be durable and productive over time. Moreover, the foundation stone of this proposition is the relationship between management and members.

It was concluded that the concept of small firm strategic alliances has the potential to provide support for the small firm, enhance performance, and enable the retention of independence of ownership. Moreover, it has the possibility to perform a nurturing, incubator role. However, it was emphasised that a strategic alliance should not be simplisticly regarded as a panacea for the resolution of the strategic imperatives facing small firms. It is unlikely that blind subscription to the concept, without due understanding of the operating logic, and evaluation of the degree of strategic fit, will achieve positive outcomes for the member, or the core organisation. Moreover, owner/managers must understand that it is only with time, commitment, energy, compromise and strategic awareness that mutual enhanced business performance outcomes will be achieved through strategic alliance relationships.

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CONTENTS

9. CHAPTER NINE: CONCLUSIONS, RESEARCH LIMITATIONS, ACTION OUTCOMES AND RECOMMENDATIONS FOR FUTURE RESEARCH 430

LIST OF TABLES

LIST OF FIGURES

1. Chapter One: Introduction To Thesis

1.1 Introduction

The objective of this chapter is to provide an introduction to the thesis as a whole. The literature relative to the background of the small firm sector and the hotel industry in the UK is presented in order to provide the context and justification for the research. The research strategy followed is detailed and discussed. Finally, an overview of the thesis structure is presented.

1.2 Background

From the late 1930s to the mid-1970s there was a long-term decline in the numbers of small firms in the UK, with statistics showing that the trough in small firm employment share was reached between 1968 - 1973 (Stanworth & Gray 1991). However, there has been a resurgence of interest in the role of the small firm sector in UK society, politics and economy over the last thirty years. As a result, the role of the small firm in society has been extensively studied (McLelland 1961; Schumacher 1973; Gilder 1973; Goss 1991; Curran & Blackburn 1991; Storey 1994). Burns (1991) states that it appears that the whole of the western world is having a love affair with the entrepreneur, while in the USA, Naisbitt (1982) commented upon the entrepreneurial explosion of the late 1970s, which was evidenced by a shifting from a managerial, to an entrepreneurial society. In the society of the Nineties, the

small firm in the UK currently enjoys an enhanced esteem and prestige. This revivalism of the small firm has elevated it from a mere element of free market theory to a celebrated symbol for a far reaching programme of economic, social and political change initiated by the Thatcher government (Goss 1991; Bagguley 1991). This contributed to the emergence of what was termed an enterprise culture, which can be defined as a culture in which a social attitude towards enterprise is prevalent, enabling and supporting enterprise activity (Storey & Strange 1991; Stanworth & Gray 1991; Burrows 1991; Keat 1991; Heelas & Morris 1992). From this culture evolved the term entrepreneurial economy, characterised by the willingness of individuals to participate in and exploit business opportunities as they emerge, thus contributing to the wealth of the nation (Heelas & Morris 1992). Cannon (1991) identifies a number of specific issues which have provoked this shift in the thinking by academics and policy makers. First, was the growing anxieties about the failure of conventional economic theory to account for the distinctive contribution of the individual. Second, there was increasing concern about national economic performance, combined by the emerging view that failure to support individual enterprise could lead to negative economic consequences. Finally, the economic downturn of the late 1970s, with the accompanying rapid increase in unemployment, greatly spurred interest in an entrepreneurial economy.

However, it is argued that the government policy has not been an independent force invoking changes. Rather it has represented a contingent set of political and ideological practices which have mediated and given expression to socio-economic

restructuring, which in all probability would have occurred anyway (Burns 1991; Heelas & Morris 1992; Cannon 1991; Goss 1991; Stanworth & Gray 1991; Scase & Goffee 1989). Curran & Blackburn (1991) summarise a range of factors which have been identified as influencing the growth of the revival of the small firm sector in the UK industry structure. These factors are a combination of:

- Economic restructuring;

- Expansion of services and knowledge based activities;

- Lower barriers to entry and levels of concentration in new sectors of the economy;

- Severe economic recession which generated high levels of insecurity and unemployment, causing large firms to retract from some markets, thus providing new opportunities for small firms;

- Positive Government support for small firm;

- Changes in management strategies and technology which enhanced opportunities for small firm economic activity e.g. subcontracting.

However, when these factors were applied within the context of the small firm in the UK hotel industry, a number of sectoral characteristics were evidenced, such as: shrinking population trends; decline in market share; higher than average percentage of self-employment; and lower than average numbers of employees per firm.

In comparison to the sector as a whole, the small hotel firm has remained dominant in the economy, although the share of supply is slowly diminishing, as corporate groups increased their stock of hotels from 10% to 33.6% in the period 1936 to 1994 (IHA 1988; Kleinwort Benson 1994). As competition from the corporate groups has intensified the barriers to entry, which have been traditionally minimal, have gradually risen. This is particularly evident in respect to professional qualifications requirement, and ability to compete in the market place. Additional factors raising entry barriers include more stringent bank lending practices, increased EU legislation constraints, and corporate group activity raising customer expectations relative to product quality and range of services.

When the severe economic recession (1990 - 1993) was combined with the hotel industry characteristics of lack of flexibility in supply, product perishability, fixity of location, and capital and fixed asset intensity, large firms reacted by entering markets traditionally dominated by the small firm, taking market share and weakening future prospects. This was evidenced specifically in the shortbreak leisure market in secondary and tertiary locations. Four main reasons for this were that: the market operates principally through the wholesale distribution channels to which the small firm has limited access; large companies have a volume of marketing resources which small firms do not; large firms have generally greater quality consistency, value for money, range of locations and facilities than small firms; and business failures among independents had disrupted their position in the

4

leisure market place which traditionally was their principal source of demand (Kleinwort Benson 1995).

Public policy for the small hotel firm tends to be encompassed in that embracing the tourism industry as a whole. From 1987 (Goodall) there is evidence of heightened political interest in tourism generally because of its ability to create jobs and an above average income multiplier effect. However, small hotel sector benefits from government policy appear to be confined to those directed at the small firm in general, and specifically from: financial support for tourism projects; and funding of the British Tourist Authority and regional tourist boards for overseas promotion of the UK as a destination.

A further significant trend impacting on the small hotel firm is that of technological development, which is forcing many firms into sub-contracting some marketing services in order to effectively participate in the market place, and to benefit from the inherent opportunities. This is due to the emergence of new practices in distribution systems which have exploited the potential of communications technology for marketing purposes. This has significant implications for vendors of the hotel product, as it is leading to increasing reliance on information technology, and integration of business activities, between different sectors in the tourism industry. These developments have an effect on the way in which the small hotel firm will operate their business in the future, accessing the necessary technology through intermediary organisations, in order to reach the market place.

It appears that within the hotel industry the economic restructuring is continuing at its own pace, untouched by government policy and ideology. Furthermore, the business environment is becoming increasingly hostile given raised barriers to entry, competitive practices by the corporate groups, minimal specific public policy support, constrained small firm management and financial resources, limited negotiatory power in the market place, and general lack of the ability to achieve economies of scale and scope. All of these factors conspire to weaken the viability of the small firm. However, despite this challenging environment, it is predicted that the small hotel firm will continue to exist (Hughes 1992), as the need for wide geographic coverage, coupled with customers who increasingly search out more differentiated, personalised, products, will ensure their continuity.

It has been argued (Naisbitt 1982; Carsrud & Johnson 1988; Curran et al 1991; Cannon 1991; Gray 1991; Ward 1991) that the strategic use of networks and co-operative affiliations has the potential to address these challenges. Certainly, within the hotel industry it has been recognised that the most effective route to improving the competitive position of the small firm is through strategic co-operative affiliations (Go & Welch 1991; Witt & Mouthinho 1989; Crawford-Welch & Tse 1990; Slattery 1992). Thus, a specific form of partial network, the strategic alliance, was selected as a management option in order to analyse and evaluate relationships and dynamics of participating small firms, and the organisation as a whole. The central aim of the thesis was to advance knowledge, relative to the concept of small firm strategic alliance creation, development and management. The justification of

this aim is to identify strategic management practices which have the potential to positively impact on small firm business performance.

Therefore, the key objectives of the thesis are:

- To advance knowledge of the processes leading to the creation of strategic alliance relationships, and the issues involved in developing and managing these relationships;

- To analyse and evaluate the contribution of strategic alliances to the small firm operating within the sector in general.

- To identify appropriate strategic management practices for the small hotel firm, which promote positive business performance.

1.3 Research Strategy Followed

The research strategy followed was a combination of literature review and empirical research. Both strands of the research strategy are now discussed.

i)   **Literature Analysis**

Literature was been reviewed in the traditional sequencing of descriptive and verification studies, prior to entering into empirical research. Thus, a comprehensive literature review was carried out, with sources drawing on marketing; organisational behaviour; small firm; sociology; economics;

relative public domain data; strategic management, networks and strategic alliances, and marketing strategic alliances. From this material a set of thirteen research propositions were developed (Section 5.3).

ii)   **Empirical Research**

The methodology adopted was that of multimethods, linking the strengths of qualitative and quantitative research. This interweaving of methods enhanced the validation of the research, and married micro-level social realities to macro-level generalisations. Thus, it is considered that the approach provided a valuable methodological balance, and was most effective within the context of the problems and theories which it was being used to illuminate, and the stages in the research project.

The context for the empirical research was Scotland's Commended Hotels, a resource constrained strategic alliance of sixty-six small firms. The research strategy was primarily exploratory and qualitative as the reality of the small firm in general, and within the hotel industry specifically, is an area about which little is known (Lowe 1988; Hankinson 1991;1992; 1995a; 1995b Boer 1992). Thus, a grounded theory research approach was applied, a term which was first introduced by Glaser and Strauss (1967). However, the researcher did not slavishly apply Glaser and Strauss's principles, but adapted them to the specific needs of the research project. Thus, a general methodology of analysis linked with data collection was used. This systematically applied a

8

set of qualitative and quantitative methods to generate an inductive theory about the phenomena.

The research data collection methods during the first phase of the research were those of: organisational literature review; in-depth tape recorded interviews; longitudinal study; and a diary of participant observation. The key empirical research phases followed the framework supported by Miles & Huberman (1984), Easterby-Smith et al (1991), Glaser (1992), Gilbert (1993), which are those of: familiarisation; reflection; conceptualisation; cataloguing concepts; recoding; linking; and re-evaluation.

Thus, research commenced with familiarisation of the core strategic alliance organisation through a review of related organisational literature and informal discussion with those associated with the organisation. Following a period of reflection and preliminary analysis, the researcher continued the data collection process more sensitised to key issues. Methods used at this phase were in-depth tape recorded interviews with five of the key Members of the management team, a diary over a nine month period of participant observations during attendance at monthly management meetings, and analysis of the minutes of these management meetings data. Coding and cataloguing of this data commenced as major concepts emerged. These were explored further through in-depth interviews of a sample of 15% of the total population.

As analysis continued, the major concepts started to deepen with key sub-concepts emerging. In addition, it was obvious that overlaps and linkages were evolving among the sub-concepts, creating families of codes. Data was then recoded and analysed relative to these groupings. Throughout the analysis a matrix form of display was used to ensure that the sense and context of the material of the material was not lost through consolidation. A second set of research propositions was generated from the qualitative research findings (Chapter Six, Appendix Eleven).

From these findings the research moved to the second phase, when a self-administered questionnaire was developed, and mailed out to the total membership, achieving an 89% response rate. The purpose of the questionnaire was to verify the findings within the total population of the strategic alliance. It was analysed by means of the computer software package SPSS and a set of research propositions was developed (Chapter Seven, Appendix One).

On completion of each phase of the research process findings were reported on, and discussed, with the subjects. This provided a means of verification and illumination of new lines of enquiry. Finally, the research propositions which had been developed from the above range of empirical data analyses were linked back to those identified during the literature review. Gaps, relationships, and discrepancies which required further verification were

identified. The research then entered a period of re-evaluation and discussion (Chapter Eight), towards rigorously ascertaining their quality.

1.4 Overview of the Thesis Structure

The following provides an overview of the thesis structure. Chapter Two provides the context for the thesis which is located within the UK small firm sector. Chapter Three defines strategic management, discusses the dominant small firm strategy supported by literature, and justifies the selection of a network approach for further investigation. Finally, it identifies the nature, characteristics, relationships and dynamics inherent in network structures. Chapter Four selects a partial form of network, that of a strategic alliance, for further research. Chapter Five communicates research methodology, justification, research design, applied methods and data collection procedures, and research process evaluation and appraisal. Chapters Six and Seven present the findings from the qualitative and quantitative research phases, respectively, of the total project. Chapter Eight synthesises the findings from the literature, qualitative and quantitative research, linking all the variables into a holistic set of theories. Finally, Chapter Nine draws conclusions relative to the key objectives of the thesis, identifies research limitations, and outlines recommendations for future research.

2. Chapter Two: The Small Firm In The UK Hotel Sector

2.1 Introduction

The key objective of this chapter is to provide the context of the thesis within the UK small firm sector. Statistics relative to both the general small firm population, and hotel sector specifically, are brought together, compared and contrasted. The discussion then focuses on the nature, characteristics and strategic imperatives of the small firm in the hotel sector itself, thus, deepening understanding of the phenomenon. This will enable an assessment of the need for the development, and adoption of, strategic management practices, directed at addressing the identified imperatives. Thus, the structure of the chapter moves through the stages of: small firm definitional discussion; statistical overview, limitations and constraints; hotel sector nature and characteristics; strategic imperatives, and conclusions relative to strategic management practices. In order to assist readers in the understanding of the hotel industry terms a glossary of terms appears in Appendix One.

2.2 Definitional Discussion

The issue of a universally accepted definition of what constitutes a "small firm" is continuously being debated by academics and policy makers located in the UK, EU and internationally (Bolton 1971; Ganguly 1985; Siropolis 1990; Stanworth & Gray 1991; Storey 1994). The number of employees generally remains the preferred

definitional variable. For example, the EC (1993) uses the broad size classes of: micro-enterprises 0-9 employees; small enterprises 10-99 employees; and medium enterprises 100-499 employees. This is mainly due to the fact that employment figures are statistics which are readily available from public sources. Furthermore, factors such as sales turnover and value of assets, are more influenced by monetary inflation over time. Thus, any limit set in 1995 would inevitably be outdated and an inaccurate indicator five years hence. However, there are practical problems of inadequate data drawn from the employment base, and dependence on a one-dimensional criteria has obvious limitations in terms of interpretative capacity, and, hence the effectiveness of public policy. Two approaches to small firm definition are now are presented as a representative overview of the approaches which have been adopted over the decades 1971 to 1991.

First, the Bolton Committee was commissioned by the government in 1969 to investigate the small firm. The resulting report in 1971 confirmed that the small firm sector was both numerically large and diversified. It emphasised the characteristics which differentiated the performance of, and problems faced by small firms from large firms. In particular, the report noted the extreme variation within the sector, in respect of: the nature of the market served; level of resources employed; methods of operation; and efficiency and decision-making processes. In view of this complexity the report adopted a descriptive, predominantly qualitative, definition which remains widely referred to in the UK. However, for practical studies a statistical definition was required. Therefore, further quantitative criteria

were developed based mainly on: sales turnover, number of employees, and value of assets employed. The descriptive part of the definition focused on three dominant characteristics:

- In economic terms, a small firm is one that has a relatively small share of its market;

- It is managed by its owner or part owner in a personalised way and not through the medium of a formalised management structure;

- It is independent in the sense that it does not form part of a larger enterprise and that the owner/manager is free from outside control in taking their principal decisions.

Second, Longenecker & Moore (1991) working from a US perspective, focused on the qualities that small firms possess which make them more than miniature versions of large firms. This is similar to the Bolton approach. However, in addition, they identified a need for a less global approach. They agree that although a universal working definition can be formulated, industrial size thresholds and performance indicators must be developed specific to the sector under analysis. Thus, they focus upon the following criteria which are highly adaptable to specific sector norms and characteristics:

- The smallest units in which business activity is conducted;

- It has separate accounting procedures;

- Financing of the business is supplied by one individual or a small group;

- Except for the market function, the firm's operations are geographically localised;

- Number of employees is usually fewer than 100;

- Compared to the biggest firm in the industry sector, the business is considered to be small.

Moving to a sub-sector level small firm definition retains its' elusive features which is further compounded as agreement cannot even be reached as to what constitutes a hotel, never mind one of the "small" variety (Development of Tourism Act 1969; Standard Industry Classification 1980; Burkart & Medlik 1981; Medlik 1994). Hotel general definitions have been, of necessity, broad due to the diversity of physical facilitates, geographic location, and markets served. In addition to this heterogeneity of hotel provision, further diversity is reflected in types of business organisation. For example, Harrison & Johnson (1992) identify three major business types of independently owned hotels as: single unaffiliated; single unaffiliated hotels which are part of a business whose primary activities are outside the hotel industry; and affiliations with an external agency on a continual basis for at least one management function.

However, most authors seem to agree that hotel establishments with less than 50 beds are small (Go & Welch 1991; Harrison & Johnson 1993; Keynote 1994). It is

15

suggested that, as definition moves from the macro small firm sector to a specific micro sub-sector level, the issue becomes potentially more tangible as it is recognised (Ganguly 1985; Stanworth & Gray 1991) that no single definition of what constitutes a small firm can be useful for all purposes. Therefore different definitions require to be used for different sectors. Thus, working at a sectoral level may have the potential to overcome the problems of the heterogeneity of the small firm sector, multiple ownership structures, and perceptions of small firm size which tend to vary by sector and purpose of analysis.

Consequently, it is proposed that in defining what constitutes a small hotel firm, both quantifiable and qualitative criteria should be employed. Thus, indicators such as number of employees, size of physical facilities, and level of capital investment will be combined with information on organisational structure, decision-making process, and owner/manager involvement. In this way the small firm is placed within the parameters of the specific sub-sector within which it operates. The following definition recognises the futility of seeking to fashion one definition which would be applicable to all small firms. Alternatively a grounded definition has been developed by the author, as supported by Storey (1994), which is considered appropriate to investigate comprehensively owner/managerial and behavioural aspects of small firms.

"A small hotel is financed by one individual or small group, directly managed by its owner(s) in a personalised manner and not through the medium of a formalised management structure. It may or may not be affiliated to an external agency on a continual basis for at least one management function. In comparison to the largest unit of operation within the UK hotel industry it is perceived as small, in terms of physical facilities, production/service capacity, and number of employees."

2.3 Statistical Overview: A Comparison

A statistical overview is now presented. The data and information is, in the main, sourced from 1994 publications commissioned by the Employment Department, Small Business Research Trust, Department for Enterprise, Hotel and Catering Training Company, Kleinwort Benson Securities, and Keynote Publications. In this section, statistics which can be directly compared are discussed, contrasted, and findings are summarised in Appendix Two.

i) Number of Firms

The 1980s witnessed a remarkable growth in the number of firms in the UK, from 1.9 million in 1979 to 3.1 million in 1989. Although the recession saw a fall to around 2.8 million in 1992, this still leaves a very substantial

increase, and the signs are that the short-term decline has come to an end, with the number of firms for 1993 estimated at 2.8 million (Employment Department 1994).

The hotel industry also saw the stock of firms growing steadily throughout the twentieth century particularly in response to travel and holiday taking patterns. The number of hotels reached a peak of 62,900 in 1987, 10% more than 1984. However subsequent years saw a drop of 12% by 1989 and down a further 6% by 1991 (HCTC 1994). According to CSO (1993) statistics (Table 2.1) this figure was 1,000 (7.5%) less than in 1990 as the recession forced many firms out of the market. This downward trend is supported by Kleinwort Benson (1995) who state that for the first time since their records began in 1986 supply of UK Hotels Plc (Appendix One) fell by 1.1%, most of which accounted for obsolete, out-of-date hotel products. Thus, it would appear that the volume of UK hotel firm supply is on a steady decline.

The sources and figures on Table 2.1 illustrate the variations in estimates of the stock of UK hotels, and gives an indication of the ambiguity surrounding the actual number of hotels in the UK. For the purpose of this research the estimation from the HCTC (1994) has been accepted as the most authoritative.

Estimates Of The Number Of Hotels In The UK	
Source	Numbers
CSO (1993)	13,310
Euromonitor (1990)	28,000
HCTC (1994)	52,200
HMSO (1992)	29,000
Keynote (1991)	27,000
MSI (1989)	30,000
National Tourist Boards (1994)	36,774

Table 2-1:Estimates of the Number of Hotels in the UK

ii) Industry Structure

Throughout the first half of the twentieth century the small firm sector declined in relative importance. In the 1900s the small firm accounted for around 80% of the workforce, by the 1960s this figure had reduced to 20%. However, by 1979 it had risen to 27% and in 1991 stood at approximately 35% (Stanworth & Gray 1991). Storey (1994) qualifies these figures, stating that whilst small firms in the UK economy are clearly numerous, the ability to specify their precise number remains weak. Even so, it is likely that there was an increase in the total number of firms in the UK economy in the 1980s,

with the bulk of these being micro-enterprises with less than ten workers. In 1995 such enterprises dominate the UK stock of business in general.

Likewise the small firm dominates the hotel industry which is highly fragmented with the majority of establishments independently owned and operated. Using a hotel as a unit of measurement, estimates of stock of independently owned firms, operating a single hotel establishment range from 66.5% (Kleinwort Benson 1995), 70% (ICC 1991; Keynote 1994) to 75% (Boer 1992). In 1936 (IHA 1991) less than 10% of hotels were owned by corporate groups. However, over the period 1986 to 1994 UK Hotels Plc had increased its share of the total UK rooms market from 18.7% to 33.5%. Virtually the only growth in new hotel stock in recent years has been seen in the form of budget accommodation. From virtually no purpose-built budget accommodation in the mid-1980s, the UK now has nearly 300 such units, and a further 160 are expected to be in operation by 1997, increasing the supply of rooms from the present 12,000 to more than 20,000. They are typically less than 50 rooms, by definition operate at the lower level of the market, are located in secondary and tertiary sites, and have low average room rates of approximately £30 - £35. Regular occupancy levels in 1994 stood at more than 80%. As a consequence of the changing industry structure, smaller groups and independent hotels are increasingly losing market share to the large corporations, specifically to budget accommodation in locations

previously dominated by the small firm. This issue is discussed further in Section 2.6.

iii)Self-Employment

The large increase in the number of small firms was largely attributable to the increase in the proportion of the labour force which was self-employed, many with no employees (Stanworth & Gray 1991). Self-employment rose steadily between 1979 and early 1990, and even during the 1980/81 recession. This was interrupted by a fall of nearly half a million (12%) between 1990 and 1992. However, an upwards trend has now reappeared and in 1994 stood at 13% (3.0 million). Within the catering and hospitality industry, hotels have the highest proportion of self-employment. It is estimated that 36,400 properties are owner/managed, which represents 70% of the total (HCTC 1994). Thus, the hotel industry has a self-employment rate 57% higher than the small firm sector norm.

iv)Employment Patterns

During the 1980s, employment growth was totally dominated by the expansion of the service sector, increasing by over 2.3 million during the period 1981 and 1991. This outstripped the economy-wide increase in employment of only 1.4 million because of the decline in primary and manufacturing employment. For statistical analysis purposes the hotel sector is encompassed within Distribution, Transport and Communications, and is

linked to Catering. As such the grouping represents 5.5% of all employees in the UK (1993). During the period 1984 to 1991 the number of employees in the hotel industry increased by 23%. However, there was a 2% fall in employment 1991 - 1992, similar to that of the overall UK workforce (2.2%) over the same period (Table 2.2). In 1993 average employment in the hotels and other accommodation sector was 287,000, 0.8% down on the 1992 average of 289,200. However, by 1994 a growth of 18.9% had been recorded accounting for 54,300 more jobs. Thus, employment patterns in the hotel industry have mirrored those of the service sector in general.

Hotel Employment Annual Change 1989 - 94		
Year	Employment (000s)	Annual change %
1989	287.8	+8.5
1990	303.1	+5.3
1991	296.0	-2.3
1992	289.2	-2.3
1993	287.0	-0.8
1994	341.3	+18.9

Table 2-2: Hotel Employment Annual Change 1989 - 94

Source: Census of Employment, Employment Gazette

v) Number of Employees/Firm

Most firms in the UK are small in terms of the numbers employed. Over 96% of the 2.9 million firms employ fewer than 20 people. Such firms account for 35% of non-government employment. In comparison the 3,000 or so largest firms (over 500 employees) also account for about a third of employment. The average number of employees per firm is nine. In the hotel sector 94% of the 52,200 firms employ fewer than 20 people. Such firms account for approximately 35% of total employment in the sector. In comparison the 1,566 largest firms (over 25 employees) account for 62% of employment, yet only around 3% of firms in the industry. The average number of employees per hotel firm is 4.3, as illustrated in Table 2.3. Thus, while the percentage of firms which employ less than 20 persons is comparable, the number of employees per firm is more than 50% less than the sector norm.

Percentage of Employees per Hotel (1991)				
1 - 10	11 - 24	+25	Total	Average
21.2	17.0	61.8	100	4.3

Table 2-3: Percentage of Employees per Hotel (1991)

Source: Census of Employment (1991)

vi)VAT Registration and Deregistrations

Over the period 1979 to 1993 the net change in registrations and deregistrations within the small firm sector was -1.7%. The number of registrations reached a peak in 1991, 33% up on the 1979 figure. Since then the registration rate has declined. Deregistrations have risen throughout the period up to 1990, largely in line with the increase in stocks. However, during 1991 and 1992 deregistrations increased at a faster rate than the stock of businesses (SBRT 1994). For the purpose of VAT statistics the hotel industry is encompassed under "Catering" and over the period 1979 to 1993 the net change in registrations and deregistrations was -1.8%. The number of registrations reached a peak in 1990 10.7% up on 1979 figures. Thus, hotel industry statistics are comparable to the small firm sector norm.

vii)Liquidations, Receiverships & Bankruptcies

The number of company liquidations and bankruptcies, now 21% below the peak of 1992, was very slightly up in the third quarter of 1994 (SBRT 1994). The number of hotel companies falling into receivership fell in 1994, 48% down on the 1993 figure, and voluntary liquidations were down by 28%. 1994 was the second consecutive year that the number of company failures had fallen (Caterer & Hotelkeeper, 12 January, 1995) a reversal of a the situation in 1992 which saw the number of receiverships at the highest level since 1973/74. In 1992 the Receiver was the second largest owner of UK

hotels after Forte (UK) Ltd. (Keynote 1994). Table 2.4 charts these trends. In this case statistics are not directly comparable. However, it appears that hotel industry receiverships and liquidations were falling at a faster rate than the sector norm. It was cautioned (Caterer & Hotelkeeper, 12 January, 1995) that this improvement must be tempered by the continuing growth in the number of liquidations afflicting smaller owner/managed establishments.

Company Failures In The Hotel Industry			
Year	Receiverships	Liquidations	Total
1992	154	97	251
1993	111	90	201
1994	58	74	132

Table 2-4: Company Failures In The Hotel Industry

Source - Caterer & Hotelkeeper, 12 January 1995, p. 9

Statistics common, or similar to both groupings, were identified as those of: firms employing fewer than 20 persons accounting for 35% of total employment; employment patterns; net changes in VAT registration/deregistration varied only by 0.1%; and liquidations, receiverships and bankruptcies peaked in 1992. The areas where the hotel industry went against the small sector norm are summarised in Table 2.5.

Hotel Small Firm Sector Peculiarities
Shrinkage in hotel firm population
Decline in market share of small firms
Self-employment 57% higher
Average number of employees is 50% less
1990 VAT registration peak was 22.3% less than on 1979
94% of firms have fewer than 20 employees

Table 2-5: Hotel Small Firm Sector Peculiarities

This picture presented of the hotel sector is one which is heavily dependent on the self-employed and small employer, within a population that is shrinking in general, and mainly at the cost of the small firm. These findings illustrate the importance of small firm research being sensitive to sectoral peculiarities. In this way outcomes have greater probability of being academically sound, and accurate and operational with the realities of the sector.

2.4 Statistical Overview: Hotel Sector

Statistics which are hotel sector specific are now presented, discussed are summarised in Appendix Three.

i) Market Level of Operation

Approximately 75% of all UK hotels operate at the low/budget market level, compared to around 18% of corporate owned hotels. At the high/medium market level the reverse is true with 82% of corporate stock operating at this level (Kleinwort Benson 1995). Thus, the majority of the independently owned stock operates in the low/budget market level (Harrison & Johnson 1992).

ii) Geographic Location

Geographic distribution reflects historic and current holiday taking and travel patterns of both domestic and overseas consumers. Approximately 50% of UK Hotels Plc rooms are located at major or primary locations. This compares to only 7% of independently owned room stock, with the majority (75%) located within tertiary locations (HCRC 1994; Kleinwort Benson 1995). Table 2.6 illustrates the regional distribution of hotel stock for the period 1992 to 1993, with only England showing a loss in room stock of - 1.1%.

Number Of Hotels By Region (% Stock)			
Region	1992	1993	% Change
England	83.1	82.0	-1.1
Scotland	10.8	11.0	+0.2
Wales	5.6	6.5	+0.9
Northern Ireland	0.5	0.5	0.0

Table 2-6: Number Of Hotels By Region

Source: HCIMA 1995

iii)Average Size

Using one hotel establishment as a unit of measurement, estimates of the percentage of hotel stock which falls into the "small" category (50 rooms or less) is computed by Harrison & Johnson (1992) as 90% and Keynote (1994) as 94%, with only 2.3% having more than 100 bedrooms. For example, in Wales 60% of hotels have less than ten rooms. In the UK, the average bedroom size of an independently owned hotel is 15, compared with 90 in corporate group owned properties (Kleinwort Benson 1995). This norm of small units of operation is consistent with the service sector.

iv)Seasonality and Occupancy

Despite marketing efforts by industry and national tourist boards, to spread the seasonality feature of the tourism industry, occupancy continues to peak in August when both domestic and overseas tourism levels are at their strongest. Around 60% of visits by overseas tourists are made in the second and third quarters of the year.

The hotel industry saw occupancies decline during 1992, reflecting not only the recession and high interest rates, but political conflict caused by the Gulf War. Occupancy showed a slight recovery in 1993 rising 0.5% to 52.5%, which compares adversely to the world-wide average rate of 62.3%. This recovery is being led by London which had an average occupancy in 1994 of 81.02%, compared with 33% in Wales (Caterer & Hotelkeeper 16 March, 1995). Furthermore, the size of the hotel appears to have an influence on occupancy rates. This was evidenced in Scotland during the period 1990-94 when occupancy averaged 66% for large hotels, compared to 44% for the small firms. Table 2.7 illustrates the general volatility and regional variations in occupancy rates during the six year period 1988 to 1993. From this it can be observed that assets are being under utilised by approximately 50%.

Year	London	England	Scotland	Wales	Average
1988	73	59	53	52	59
1989	69	56	56	53	58
1990	69	57	57	53	59
1991	60	51	56	48	54
1992	57	48	54	49	52
1993	56	48	57	49	52.5

Hotel Occupancy Rates 1988-93

Table 2-7: Hotel Occupancy Rates 1988-93

Source - National Tourist Boards/Keynote 1994

v) Financial Issues

The financial vulnerability of the small firm was further exacerbated during the recession 1990-1993 as profit margins were reduced. Of 129 hotel companies with 1992/93 accounts included in the ICC (1994) Business Ratio report on the hotel industry, only 41% registered a positive profit margin. The average for the sector was -6.8%, compared to -1.4% in 1991/92. Furthermore, 10 bedrooms in a budget lodge accommodation type produces the same profit as 18 bedrooms in the small, independent, traditional full-service hotels, that is to say 44.5% more per room. This reflects the different

product designs, and general lack of the economies of scale, from which the corporate groups benefit (Kleinwort Benson 1995). In addition, considerable discounting of standard room rate resulted in reduced profit margins. Thus, average UK hotel room rates failed to keep pace with inflation during the period 1992 - 1993 (BDO 1994), falling by 47%. Furthermore, the industry has the highest number of low turnover companies of any industry in the economy, 71.1% have a financial turnover of less than £250,000 (ICC 1994) as shown in Table 2.8.

Hotels In Turnover Bands Per Annum 1993 (%)

Turnover (£s)	Percentage
<50,000	20.2
<100,000	43.8
<250,000	71.1
<500,000	85.6
<1,000,000	93.5
<5,000,000	99.1

Table 2-8: Hotels In Turnover Bands Per Annum 1993

Source- Business Monitor (1993) PAI003: Size Analysis of UK Businesses

Table 2.9 gives an indication of the general downward trend in turnover within the sector as a whole. However, despite this negative picture, Kleinwort Benson (1995) estimate that in the short to medium term, the dynamics of hotel demand, aided by cyclical economic recovery will produce real growth. This is supported by consumer spending on meals and accommodation in 1994 which was 7% higher compared with 1993 (CSO 1995).

Hotels & Other Residential Establishments 1989-93(£m)		
Year	Total Turnover	% Change
1989	5,682	6.3
1990	6,212	6.0
1991	6,406	3.1
1992	6,240	-2.6
1993	6,030	-3.4

Table 2-9: Hotels & Other Residential Establishments 1989-93 (£m)

Source- CSO/Keynote 1994

vi)Customer Profile

Four main hotel customer profile categories can be identified as: business traveller; conference/ seminar; holidaymaker; and other such as visiting

relatives, and educational (Table 2.10). These categories can be applied to both the domestic and overseas markets. The business traveller segment has shown the greatest decline over the period 1987 to 1994 (49%) and the 15-24 age group is predicted to decline by 14% 1990 to 1996 (BZW 1992). However the conference/seminar market has had a 5% growth (Keynote 1994). Table 2.10 indicates the market share per customer profile in 1994.

Customer Profile 1994	
Customer Type	**% Market Share**
Business Traveller	42
Conference/Seminar	18
Holidaymaker	19
Other	21
Total	100

Table 2-10: Customer Profile 1994

Source- Keynote 1994

vii)Overseas Tourist Numbers and Expenditure

With the exception of 1991 and 1986, the total number of overseas visitors to the UK rose steadily throughout 1980 to 1990. The overall decline in visitors in 1986 was largely attributable to a 25% fall in the numbers from North America, due to the Libyan bombing, fear of Arab reprisals, and the nuclear

disaster at Chernobyl raising fears of a nuclear fallout in Europe. A similar decline occurred in 1991 when the Gulf War and the recession in US caused the number of American visitors to the UK to fall by 22%. The strengthening of sterling in 1989 and 1991 was also a contributory factor, deterring tourists as it made visits to the UK by foreigners more expensive. Currently, the UK is losing its share of the world tourism market, falling 36% over the period 1980 - 1993 from 6.7% to 4.3% (Keynote 1994). This is an indication of the increasing competitiveness of existing, and the entry of new, tourist destinations in the marketplace. During 1994 to 1996 the number of overseas visitors to the UK is predicted to rise by around 5% each year and total spend is projected to increase to nearly £12b at current prices (BTA 1991). Table 2.11 illustrates the trends in overseas visitors and expenditure 1989 to 1993.

Overseas Visitors To The UK (Millions)				
Year	Number	% Change	Expenditure (£m)	%Change
1989	17.338	9.7	6,945	12.3
1990	18.013	3.9	7,748	11.6
1991	17.125	-4.9	7,386	-4.7
1992	18.535	8.2	7,891	6.8
1993	19.000	3.0	9,200	17.0

Table 2-11: Overseas Visitors To The UK (Millions)

Source- International Passenger Survey

viii)Domestic Trips and Expenditure

1990 spending by UK residents on holiday of £10.4m represents an increase of approximately 20% in real terms over the decade. Industry forecasts indicate that by 1996 UK residents will spend £16.6b on overnight domestic trips, 40% up on the 1992 level. However, increasing indirect taxation 1992 - 1994 may well further deter consumer and business spending (Horwath 1994). Table 2.12 illustrates the trends in domestic trips and expenditure for the period 1989 - 1993.

Trips By UK Residents Of One Night Or More 1989-92 (millions)				
Year	Trips	% Change	Expenditure (£m)	% Change
1989	109.5	-	10,865	-
1990	95.3	-13.0	10,460	-3.7%
1991	94.4	-0.9	10,470	0.1
1992	95.6	1.3	10,665	1.9

Table 2-12: Trips By UK Residents Of One Night Or More 1989-92 (Millions)

Source- British National Survey/British Tourism Survey, BTA

UK residents took around 115 million trips of one night or more away from home domestically in 1990 and 1991, compared to 131 million in 1989. In comparison the number of trips to other European Community countries

increased as a proportion of the total, from just under 12% in 1989 to approximately 13% in 1991. In 1991 66% of these trips were for holiday. This was an increase on previous years, of 65% in 1990 and 62% in 1989, while the share of business trips declined from 13% in 1989 to 11% in 1991.

Table 2.13 presents the number of holidays of 4+ nights taken by the British population 1965-1992 and clearly indicates a downward trend in holiday taking in the UK by residents.

No. Holidays 4+ Nights: UK Population (millions)			
Year	Britain	Abroad	Total	Britain as a Percentage Of Total
1965	30.0	5.00	35.00	85.7
1975	40.0	8.00	48.99	81.6
1985	33.0	15.75	48.75	67.6
1990	32.5	20.50	53.00	61.3
1991	34.0	20.00	54.00	62.9
1992	32.0	21.75	53.75	59.5

Table 2-13: No. Holidays 4+ Nights: UK Population (Millions)

Source- BTA British National Survey/British Tourism Survey

2.5 Statistical Constraints and Limitations

Writers (Ganguly 1985; Storey 1994) agree that there is a limited range and quality of small firm statistics in general, and certainly at a sector specific level. Storey

(1994) notes that even though there are forty-four sources of information on firms which are categorised by size, none provide comprehensive coverage of all firms in the economy, never mind the activity of small firms. This is confirmed at the hotel sector level where there are limited and often inconsistent sources of statistical information relating to the hotel firm, as was clearly illustrated in Table 2.1. This was the case in 1972 when the NEDO stated that official statistics were inadequate for the purpose of presenting a comprehensive statement of hotels in the UK economy. In 1990 Wanhill confirmed that little had advanced, with the stock and characteristics of hotels still not known with any certainty. The situation appears unchanged due, in part to the factors identified by the author and listed in Table 2.14.

Limited And Inconsistent Sources Of Small Firm Statistical Information
Absence of universally accepted organisational definitions
Many operate below the VAT registration threshold level
Not registered with officialdom as below legal size limit
No government policy for compulsory registration
Seasonal and intermittent patterns of operation
Active avoidance by operators of bureaucracy, legal and fiscal scrutiny
General inconsistencies in the manner in which they are counted

Table 2-14: Limited & Inconsistent Sources of Small Firm Statistical

Information

Consequently, accurate information is difficult to obtain, and of what does exist, it is

the smaller firms which are often missing. For example in a prominent catering and

hospitality research report (HCTC 1994) firms which are owned or managed by self-

employed persons were deliberately excluded. Furthermore, hotel industry specific

statistics are not easily accessible or comparable as they are drawn from a variety of

governmental and industrial bodies which classify the hotel sector in different ways

such as: Distribution, Transport and Communications; Catering; Catering and

Hospitality; Hotel and other accommodation; and the Tourism industry in general.

For example, the most accurate assessments of the number of hotels has evolved

from the Census of Population and Census of Employment, but these have grouped together all organisations under SIC 66, Hotels & Other Residential Establishments, which includes hotels, motels, holiday camps, guest houses, boarding houses, hostels and similar establishments providing furnished accommodation with food and service for reward.

These sub-sector statistical constraints are reflected within the service sector in general. In comparison to manufacturing, services tend to have smaller units of operation, output is often less quantifiable, and employment may be subject to seasonality factors. Thus, in contrast, small firm activity and data relating to the manufacturing industries are much more tangible and accessible. As a result, it appears that the manufacturing sector is statistically well endowed in comparison to the service sector. This perspective is elaborated on by Curran et al (1991) who argue that the neglect of the small firm in services is simply a reflection of a marked cultural bias in Britain, with "real" economic activities viewed as manufacturing, while other economic activities such as those connected with intangibles are perceived to be of lesser importance. The combination of these perspectives results in research activity and statistics which generally tends to be focused on manufacturing, thus presenting an inaccurate picture of the UK small firm activity as a whole. When these statistical limitations, constraints and biases are compounded with the problems associated with small firm definition, it leads to concern about the foundation on which public policy has been formulated (Storey 1994). He recommends that if politicians are seriously interested in the contribution of the

small firm sector to economic development, data and information collected about the sector, and sub-sectors therein, needs to be improved. The need for such action has been confirmed at a sub-sector level.

2.6 UK Hotel Industry: Small Firm Strategic Imperatives

The foregoing statistical analysis has given an indication of the nature, characteristics and strategic imperatives which are currently impacting on the way in which the small firm performs within the UK hotel industry, and the UK economy in general. Hotel industry structure, product, current trends and industry practices are now investigated in order to further advance understanding and focus the strategic imperatives challenging the small firm. The central aim is to identify strategic management practices which are appropriate within the realities of the small firm environment.

i) Hotel Industry Structure

Despite the fact that the small firm is increasingly losing market to the corporate groups, it has been seen that it continues to dominate the hotel industry structure (Section 2.3). This has been traditionally explained by four main factors: relative ease of entry; highly diverse market demand; consumer satisfaction; and economic viability (Hughes 1992; Boer 1992; Slattery 1992; HCTC 1994).

First, in terms of the relative ease of entry, the capital investment required is lower than in many other industry sectors. Specialist knowledge and qualifications are desirable, but not a prerequisite, and there is no compulsion to join trade, professional associations or similar organisations which have codes of practice, consumer protection schemes, etc. (HCTC 1994). Second, market demand is highly segmented, much of which does not lend itself to satisfaction by standardised corporate properties (Boer 1992). As a result, this diversity of demand is often best satisfied by a wide range of small establishments offering a variety of locations, quality ranges, physical facilities, and special interests and activities to niche markets. Third, the nature of accommodation provision is such that the small firm may be better suited than the large firm to respond quickly to customer needs and expectations, in a highly personalised, flexible environment. As such, they are well positioned to provide specialist services which have the potential to add quality, variety and authenticity to the products offered to the tourist. Finally, the small, often family, business can be economically viable in a limited, specialised or local marketplace, where there is often not enough profit for large businesses with their high overhead costs. This is mainly due to the combination of the economic advantage of using family labour (Lowe 1988), and the willingness of the owner/manager to accept a profit compromise in return for experiencing a quality way of life. As a result of these features, Kleinwort Benson (1994) describes this sector as the

equivalent of the "corner shop". It occupies a niche, is convenient for the local market, is usually run by local people, offering a limited product range, but nevertheless enjoys strong customer loyalty. This embeddedness in the local market and culture is identified as a small service firm advantage over large firms (Stanworth & Gray 1991).

However, Hughes (1992) warns that while the presence of a large number of small firms in any industry sector may suggest the existence of something close to perfect competition, the quantity of small firms in the hotel sector does not necessarily equate to market power. This has diminished during the period 1952 to 1992, primarily through the capital investment and market activities of the corporate groups (Slattery 1992). As a result, hotel corporate groups, led by Forte (UK) Ltd., are the forefront of the industry, leaving the independent hotels lagging in performance, quality and even in terms of their chance for survival.

In 1995 the corporate groups were concerned with rationalising their portfolios, disposing of what they consider to be obsolete stock. These are dated, generally small (50 - 100 rooms), full feature and limited feature hotels, operating at mid and low levels of the market in secondary and tertiary locations. It is estimated that over the period 1995 to 2000 they will seek to dispose of 18,000 rooms (3.1%) in hotels with this profile. As this is the very profile which is typical of the small, independently owned hotel, it can be taken as a commentary on the quality and performance of the small

firm sector. As a result the chasm between the corporate groups and the small firm is widening. This is causing a large number of independent hotels to degenerate into "slums" (Kleinwort Benson 1995), either because they genuinely do represent obsolete products, or they are lacking in the necessary capital investment

Thus, strategic imperatives for the small hotel firm which emerge from the current UK hotel industry structure are:

- Recognise that the product is obsolete and withdraw it from the market;

- Access the necessary capital investment required to upgrade the facilities;

- Identify a strategy designed to develop enhance market power;

- Capitalise on niche and local market opportunities.

ii) Product

The hotel product exhibits distinctive service characteristics of: perishability; intangibility; heterogeneity; contact dependency; and lack of ownership (Jones & Lockwood 1990; Lovelock 1991). Currently, the traditional, small, full service hotel product is experiencing strong competition in the form of investment in budget lodge style of accommodation (Section 2.3), and aggressive product branding, by the corporate groups. First, budget lodge style of limited feature room only hotels, which exhibit many of the structural

features of the small hotel, are establishing a strong presence at secondary and tertiary locations, previously dominated by the independent. The crucial difference to the traditional hotel product is that budget lodges have been conceived and designed for the market of the nineties, and are operated to be profitable at low room rates. Moreover, the budget lodges experience corporate economies of scale benefits. Thus, they are among the best performing hotels in the market, in marked contrast to the traditional style of the small hotel which is the worst performing (Kleinwort Benson 1995). This relegates to near hopeless case of the dated hotel product unless substantial capital investment is made.

Second, in current hotel product marketing there is seldom reference to a "common" hotel product, but more to a specific brand of hotel. Hotel groups have embarked on a clearly defined product segmentation philosophy, outlining their specific products and educating the market place as to the benefits of each product. Thus, product branding and sub-branding amongst top hotel groups has become a major feature of the sector as companies look to differentiate their product from competitors. For example, the range of Forte (UK) Limited brands are: Forte Travelodge; Forte Heritage; Forte Posthouse; Forte Crest Hotels; Forte Grand; and Forte Exclusive. Each of these brands is designed to target clearly defined market segments. Furthermore, there is evidence that hotels with such high profile product

branding are much more likely to out-perform similar, lower profile hotels in the same location (Keynote 1994).

Thus, strategic imperatives for the small hotel firm which emerge from the hotel product are:

- Redefine and specialise the product offering transforming it from an "all-purpose" operation;

- Access necessary capital investment required to upgrade facilities;

- Capitalise on the "high-touch" personalised service and environment;

- Seek out product branding opportunities;

- Develop a market niche insulated from the corporate groups.

iii)Economic

The financial vulnerability of the small hotel firm has been highlighted in Section 2.3, with lack of economies of scale, poor locations, low market share, discounted rates, seasonal and demand fluctuations all conspiring against business performance. This was particularly the case during the 1990-1993 recession when the influence of macro-economic factors such as interest rates and volume of bank loans, had a significant effect (Boer 1992; Horwath 1994). Current corporate group structure, competitor activity in the industry sector, and product investment discussed in point (ii) above is further

exacerbating the plight of the small firm. This is resulting in lower than average turnover, operating profit and a higher break-even point in comparison to the corporate groups. Furthermore, McDermid (1995) cautions that despite the declining number of properties going into receivership, any real improvement in the fortunes of marginal operators will remain largely illusory. In 1995 the mass of the hotel group has re-emerged as a critical to its success, with larger companies performing materially better than the small groups or individual hotels (ICC 1994; Kleinwort Benson 1995). This is mainly due to advantages of financial, marketing and purchasing economies of scale, which in turn provide inducement for further concentration (Burkart & Medlik 1981; Horwath 1993).

In order that hoteliers maintain and develop revenue levels, it is essential that room rates and profit margins be raised from the current level. However, given the current spread of discounted promotions referred to in Section 2.4, operators may face difficulties in getting the public to return to realistic pricing (Keynote 1994; McDermid 1995). Thus, although occupancy rates started to recover 1993 - 1994, income was not growing at the same rate as a result of significant discounting by many hotels, thus growth had limited value. Horwath (1994) recommends that hotels need to be able to hold their tariffs in order to gain a higher yield as the key to profitability in the medium and long term. However, that can only happen when volumes have been

rebuilt to about 62% average annual occupancy, which may be too long in cash flow terms to save some hotels (McDermid 1995).

Thus, strategic imperatives for the small hotel firm which emerge from the economic environment are:

- Seek ways to reduce exposure to macro-economic forces;

- Develop means to achieve economies of scale enjoyed by the corporate groups;

- Reduce the level of discounting in order to gradually raise profit margins;

- Create marketing opportunities designed to increase volumes.

iv) Technology

The hotel industry is particularly information intensive, as such developments in communication technology have transformed the way in which the small hotel firm distributes its product, by facilitating the flow of information and transactions on a global basis. As a result, it is becoming imperative that hoteliers understand and adapt to the information society and the implications of on-line commerce, if these advances in technology are to have a positive effect on their business performance (Main 1995).

The impact of technological developments during the last two decades primarily took the form of computerised global distribution systems (GDS)

with which the hotel sector was obliged to link if they wanted to do business, in particular, with the international travel trade. For example, a typical domestic group in the early 1970s received 3% - 5% of business from travel agents. In 1995 that figure represents 50% - 60% of reservations to the hotels through their central reservation office. Thus, travel agents became globally influential through their access to computerised GDS. However, when travel agent commission, GDS fee, frequent guest loyalty points, credit card commissions, and various other ad hoc charges to do with reservations are taken into account it consumes around 25% of the room rate (McGuffie 1990; Williams 1995), thus cutting profit margins substantially.

As technology has continued to mature and advance, many travel agents, and the compounded charges may find themselves bypassed. For instance, 1994 saw the advent of the Internet as a major business tool in the UK, providing an international communications network. It can be accessed from any personal computer whose owner pays a minimal subscription fee. As a result, it is predicted that consumers will commence to make their own reservations as hotel room databases become available on Internet, thus replacing traditional methods (Williams 1995; Hospitality 1995). It can be seen that Internet has opened up a new opportunity for hotels to market their businesses to consumers globally. This has been assisted further by THISCO, a hotel industry switch system, which has developed an industry site for the Internet called Travel Webb. Once the system is completely operational a

hotel bedroom reservation will be able to be made anywhere in the world within 27 seconds (Hospitality 1995).

These developments are obviously having significant implications for the way in which small hotels operate their businesses currently and into the future. Archdale (1992) believes that what is needed is the provision of easy, cost-effective links to major national and international distribution systems. One such provision could lie in the Internet, and in public sector led regional on-line information networks, support for which is emerging internationally (Buhalis 1994). These may be linked into the Information Superhighway which would support the individual leisure traveller comprehensively, and provide economies of scale, and direct marketing opportunities to the independent hotels (Main 1995).

Thus, strategic imperatives for the small hotel firm which have emerged from the technological environment are identified as:

• Embrace the information society and the opportunities of on-line commerce;

• Affiliate with organisations which have access to the necessary technology;

• Ensure the benefits of affiliation outweigh the costs;

• Support public sector regional initiatives.

v) Political

Historically, the UK Government has accorded tourism minimal support, however, in 1994 the British Tourist Authority (BTA) was encouraged by active interest and support from the Government. The Development of Tourism Act (1969) saw the creation of the BTA which is primarily a destination promotion body. Since 1992 Governmental responsibility for tourism has lain within the Department of National Heritage. Grant-in-aid for 1993 - 1994 from the Department of National Heritage was £32 million, and support for the financial year 1994 - 1995 increased to £33.2 million (c. +4%). Nevertheless, the support continues to be much lower than in other countries, such as Ireland, France and Portugal, where the national tourist boards have moved towards a leadership role. In doing so they co-ordinate the activities of the large number of small firms, through promotion, destination database formulation, and development and administration of GDS resources (Archdale 1992; Bord Failte 1992; Akehurst et al 1993; Buhalis 1994).

The BTA serves as a lobbying body on behalf of the tourism firm population as a whole. Specific policy issues of concern which have been identified by the BTA are those concerned with: VAT; EU Package Travel Directive (1992); and the proposed EU Distance Selling Directive. First, there are fears that the UK VAT rate will be raised. In most European countries VAT levels on hotel accommodation charges are less than the standard rate of VAT

levied in these countries. For instance, VAT on hotel accommodation is levied at a rate of 9% or less in eight of the EU member states (Appendix Four). Exceptions to this include the UK and Denmark. Any increases in VAT would set back a fragile recovery in a price sensitive market and make the UK an uncompetitive destination in comparison to, for instance, France and Italy (Gordon 1993). Second, the EU Package Travel Directive (1992) is aimed at providing financial protection and repatriation costs for EU citizens travelling and staying away from home. If a hotelier offers accommodation and one other significant ancillary service, such as, a flight or sporting activity, then any deposit or prepayment made by the customer must be financially protected. The former practice of a hotel banking deposits or pre-payments to help with cashflow is no longer allowed. This up-front financial payment has to be held in a bonding scheme, secured by insurance or held in a separate trust account. Bonding locks up collateral, insurance costs money and a trust account affects cash flow, at a cost to the hoteliers of 5 - 10% (Price 1994). Finally, the draft EU Distance Selling Directive proposes that hotels and other tourist related businesses will not be able to insist on pre-payment for goods and services except when the transaction is face-to-face. Similar to the Package Tour Directive, this also could have direct financial consequences for small firms, many of which depend on deposits to provide cash flow in the off-season to fund maintenance and refurbishment. Although the BTA is not against the principle of the directive, it believes that

due to the nature of accommodation provision it should be excluded from the directive. Therefore, it can be seen that the BTA supports the causes of the small firm relative to EU and UK policy issues.

Thus, strategic imperatives for the small hotel firm which emerge from the political environment are:

- Work in partnership with public sector representative bodies in order to lobby Governmental support on key issues;

- Ensure a high level of awareness of the range and business implications of current and proposed UK and EU legislation.

vi)Social/Demand

The trends in hotel demand have been investigated in Section 2.3 illustrating the degree of volatility, seasonality, growth in overseas tourist numbers, and decline in the business traveller and general domestic market. Variations in demand have been seen to be related to the economy in the form of: exchange rate fluctuations; the state of the national and international economies; and the level of real disposable income. Socially, demographics will affect the mix of leisure services demanded in the 1990s, particularly with the very substantial projected decline in the 15-24 age group. Conversely, there will be a growing demand for leisure activities suitable for young families and the

elderly, budget accommodation, conference, training and short breaks markets (Keynote 1994).

As the domestic market continues to mature and decline, the small firm is forced to look internationally for business which is mainly accessed through GDS. However, through the Nineties an ever increasing range of available, competing tourist destinations are emerging, such as Ethiopia, Uganda, and Lebanon. Firms need to react by refining the product offerings, and using micro segmentation approaches to fine-tune the identification of travel market potentials, in order to be competitive with the other destinations. Furthermore, the more sophisticated and knowledgeable international consumer is demanding a hassle free method of purchase and, in line with other purchasing habits, the "one-stop-shop" approach (Vandermerwe & Chadwick 1991; Dicken 1992). Features such as time and place accessibility, convenient payment procedures, and comprehensive information provision are becoming crucial influencing elements in managing the demand for the hotel product. This again emphasises the importance of participation in the existing and evolving communications technology.

Thus, strategic imperatives for the small hotel firm which emerge from economic and social demand trends are:

- Redefine the range of existing products to enhance appeal within the identified growth market segments;

- Harness the capabilities of communications and processing technology to micro-segment the market place;

- Participate in communications technology in response to consumer purchase behaviour.

2.7 Strategic Imperative Consolidation

The profile of the small firm and its environment in the UK hotel industry has evolved throughout this chapter, towards the identification of a range of small firm strategic imperatives which are challenging business performance. These are now consolidated and categorised by product, marketing, economic, technological and political factors.

i) Product

Capital investment is required in order to upgrade facilities, redefine, and specialise the product in order to enhance appeal to the identified growth market segments. Such approaches should capitalise on the "high-touch", personalised qualities of the small firm product, service and environment.

ii) Market

With a differentiated, specialised product owner/managers could seek to develop a market niche, insulated from the corporate groups. Furthermore,

efforts to strengthen market power, through co-operative practices and product branding opportunities are essential.

iii)Economic

Economic performance requires to be addressed, in particular by aiming at achieving economies of scale through affiliation with other firms, and reducing the level of discounted business. However, it is vital that the benefits of affiliation outweigh the associated costs.

iv)Technology

Hoteliers need to embrace the capabilities and opportunities inherent in communication and processing technology developments, which are facilitating on-line commerce, micro-segmentation, and one-stop-shop customer purchasing behaviour. In order to optimise this resource it may be necessary to affiliate with organisations which have direct access to the required technology.

v) Political

Small firms should strategically align themselves with public sector representative bodies and support regional on-line database initiatives. This will assist Governmental lobbying power on key issues, enable cost-effective access to technological developments, and assist in ensuring a high level of

management awareness of the range, and business implications, of current and proposed UK and EU legislation.

2.8 Management Issues

From these findings it would appear that the small hotel firm has available the following three strategic management options: become affiliated with other related organisations; and/or specialise and upgrade facilities; or do nothing and die. This conclusion has been reached by the researcher through analysis and logical decision-making processes. However, in order to understand more fully the degree of strategic awareness, intent and action with which the strategic imperatives are likely to be met, it is considered appropriate to investigate closer the specific nature of small hotel management.

There is a timeless quality to small hotel management practices. Traditional hospitality values and personal objectives mix with commercial imperatives. Consequently, business organisation frequently reflects the historic way of doing business, rather than any revolutionary, modern management system (Medlik 1994). Furthermore, poor business performance tends to be blamed on factors beyond the control of the owner/manager, such as recession, banks, interest rates, and government policy (Hankinson 1995a). As such, the owner/managers believe that they are in the hands of fate, and powerless to change the situation. Their logic is generally bounded by tradition. Furthermore, few perceive that they have the

potential to break free in the way that the corporate groups have reacted to the identified range of strategic imperatives.

In addition to these factors, understanding of the phenomena can be deepened through the discussion of two associated issues: the degree of income dependency; and "amateur" status. With respect to the degree of income dependency on the business, three main levels can be identified, each of which will result in differing attitudes and motivations towards management. First, the owner/manager may run the business as their primary source of income, and are generally likely to be heavily reliant on overdraft facilities and loan capital. Second, the business may be a secondary source of income, whilst the owner carries on their "real" profession. Finally, the owner may be in the "comfort zone". In this case, the property has been purchased outright, and the owner seeks only to achieve a "comfort level" in terms of level of income generation to sustain a desired life-style.

The second issue is that of the "amateur" status of small hotel owner/managers, which has historically been a characteristic of this sector. Operations are often started by an individual with enthusiasm for the social aspect of the business, but with only very basic knowledge of business practice and operations. Many have been "in business" before as opposed to "running their own business" and have no idea of the reality. Indeed, Boer (1992) commented that the supply of unskilled entrepreneurs to the hotel industry continues seemingly unabated.

As a result of these two issues owner/managers bring different levels of commitment, ability and strategic awareness to business management. Frequently, motivations are highly life-style driven, rather than commercial, which often results in businesses operating below optimum. ◦ In addition, outdated management mentalities and general management weaknesses are common. For instance, Hankinson (1995) found that owners of small hotels believed consultants to be over rated, expensive and unsuitable for their needs. Furthermore, if the hotelier did let consultants into their firm, they considered that the consultants would probably invent problems. Such business flaws were masked during the more buoyant Eighties, but the Nineties are being less tolerant of the inexperienced amateur (McGuffie 1990; Curran et al 1991; Berkley Scott & Marketpower 1991). Consequently, the following statement is considered as relevant as it was post-war, when Moncrieff (1947 p. 9) advised that:

"For too many people, the idea of running a small hotel has a curious

fascination. Hotel-keeping is a serious business in which there is little

room for optimistic, inexperienced amateurs. Only by being shrewd

and careful can a modest income be earned. "

A healthy future for the small hotel firm was predicted in 1989 (Witt & Mouthinho), however, given the challenges which currently facing it, this appears to be less certain. Indeed, Slattery (1992) goes as far as predicting that all indicators point to the small firm being on a downward spiral of shrinking significance within the UK hotel industry. Nevertheless, Hughes (1992) is confident that the small firm will continue to exist as the need for wide geographic coverage, the relative ease of entry

into the sector, coupled with customers who increasingly search out more differentiated products, will ensure their continuity. However, Horwath (1994) warns that survival will depend upon well balanced management expertise, market power, traditional values of hospitality, and importantly the revival of the "entrepreneurial spirit".

2.9 Summary

The key objective of this chapter was to define and provide the context for the thesis, and to justify the theme as a substantive research area. In terms of small firm definition, it is clear that there is no single one which could be successfully applied universally. It was therefore concluded that each small firm researcher requires to ground their own definition relative to the specific project under investigation. This should be holistic, incorporating quantifiable, qualitative and sectoral parameters in order to be sensitive to economic factors, owner/manager behavioural aspects and sectoral peculiarities. In this way research outcomes are more likely to be accurate and operational within the realities of the sector under study. The dearth of quality, comparable small firm statistics has been confirmed at a sector and sub-sector level, which results in an inaccurate picture and understanding of small firm activity as a whole.

The justification of the research theme has been clearly argued in two respects. First, the small firm in the UK hotel industry represents the dominant form of business. Currently, this industry sector is heavily dependent on self-employed and smaller

employers, however, this population is shrinking mainly at their cost. Second, a range of strategic imperatives which challenge the small hotel firm in the Nineties has been identified. Moreover, these are impacting on business management in the terms of product, market, economic performance, technology and political factors. In order to survive it was proposed that owner/managers will require to respond professionally, maximising their entrepreneurial qualities, and forming appropriate affiliations with related organisations. However, in reality owner/managers are addressing these strategic imperatives with varying levels of commitment, ability and strategic awareness. Motivations are often highly life-style driven and mentalities outdated. Finally, it is concluded from this chapter that in the hotel industry of the Nineties, there is no place for an ambivalent amateur.

Appendix One: Glossary Of Terms

Glossary	
Term	**Description**
Affiliated	There are several types of affiliation, depending upon the degree of control of the external agency over the hotel firm. Affiliations can take the form of leasehold, management contract, franchise and consortia.
Consortia	A hotel consortia can be described as a grouping of hotels, most of which are single, independently owned hotels. They share corporate costs, such as marketing, while retaining independence of ownership and operation. These organisations can be either location or market specific. Within a hotel consortia a hotel is less tied than in other types of affiliation.
Hotel	A hotel is identified as a business which in the main endeavours to offer for rent a minimum of four bedrooms. Frequently the activity is supported by the provision of food, drink and other related services.
Owner/Operator	The most tightly tied relationship between a business and the hotel occurs in those firms which both own and operate their hotels. This is the predominant type of operation in the UK hotel industry.

Glossary	
Term	**Description**
UK Hotels Plc.	UK Hotels Plc is the company created by Kleinwort Benson Securities in 1986 for analytical purposes. It contains all of the UK hotels under the auspices of quoted companies.
Unaffiliated	An unaffiliated hotel is a business which has absolutely no linkages and therefore operates totally independent of any external agencies.

Appendix Two: Small Firm/Hotel Sector Comparison

Statistic Description	Small Firm	Hotel
Small Firm/Hotel Sector Comparison		
Total Number of Firms	2,800,000	52,200
Date of Peak Number of Firms	1989	1987
1993 Percentage Down on Peak	10%	10%
Percentage Self-Employment	13%	70%
Firms employing < 20	96%	94%
<20 Percentage Total Employment	35%	38%
Average No. Employees/Firm	9	4.5
Net VAT Changes 1979-93	-1.7%	-1.8%
VAT Registration Peak Date	1991	1990
VAT Peak Increase on 1979	33%	10.7%
Receivership, Liquidation, Bankruptcy Peak	1992	1992
Percentage Fall in 1994	21%	48%

Sources: Employment Department 1994; HCTC 1994

Appendix Three: Summary Profile

Summary Profile: The Small Hotel Firm In The UK & Other Relevant Statistics	
Description	**Indicator**
Annual Utilisation of Assets	52.5% in 1993
Average Size	15 bedrooms
Firms less than £250,000 Annual Turnover	71.1%
Geographic Location	75% at tertiary locations
Market Level of Operation	75% low/budget level
Occupancy Peak	August
Occupancy Trough	January
Profit Earning/Room Compared to Budget Lodge	-44.5%
UK Business Traveller Market Share	- 49% 1987 - 1994
UK Consumer Spending of Meals and Accommodation	+7% in 1993

Summary Profile: The Small Hotel Firm In The UK & Other Relevant Statistics	
Description	**Indicator**
UK Domestic Holiday Market Share	- 26.2% 1965 - 1992
UK Overseas Tourist Numbers	+ 17% in 1993
UK Seminar and Conference Market Share	+ 5% 1987 - 1994
UK World Tourism Market Share	- 2.4% 1980 - 1993

Sources: Harrison & Johnson 1992; BTA 1992; BTA 1993; Business Monitor 1993; HCIMA 1994; Keynote 1994; BDO 1994; BTA 1994; Kleinwort Benson 1995; CSO 1995; BTA 1995.

Appendix Four: EU VAT Levels on Hotel Accommodations

EU VAT Levels On Hotel Accommodation		
State	**Standard Rate**	**Hotel Accommodation**
Belgium	20.5	6.0
Denmark	25.0	25.0
France	18.6	5.5
Germany	15.0	15.0
Greece	18.0	8.0
Ireland	21.0	12.5
Italy	19.0	9.0
Luxembourg	15.0	3.0
Netherlands	17.5	6.0
Portugal	16.0	5.0
Spain	15.0	6.0
UK	17.5	17.5

Source: Keynote 1994

3. Chapter Three: Small Firm Strategic Management Through Networks

3.1 Introduction

Within the context of small firms, the objectives of this chapter are to: define strategic management; discuss a dominant management strategy supported by literature; justify the selection of a network approach for further investigation; and to comprehend the nature, characteristics, relationships and dynamics inherent in network structures. Therefore the supporting framework for the chapter is that of: identification of the nature of small firm strategy; co-operation as a dominant strategy; the network concept; formation factors; network organisational structure; membership costs and benefits; member behaviour; and associated management issues.

3.2 Small Firm Strategy

Chapter 2 established that small firm survival in the maturing hotel industry, will depend upon its ability to align itself strategically within a turbulent environment, and the selection of appropriate strategies to create a defensible competitive position (Olsen 1991). However, as discussed in Section 2.8 selected strategies often appear to be a result of historical or traditional decision-making (Hankinson 1992). Furthermore, when management does recognise the need for strategic change, it reacts within its existing culture, using responses that have worked in the past. In

this way yesterday's strategy may become today's crisis (Teare & Boer 1991). Given this reality, the strategic concern is with the introduction of management procedures, and organisational structures, which have the potential to positively impact upon small firm business management in the 1990s.

Academics (Greenley 1989; Kotler 1991; Moore 1992) consider such procedures and structures as working towards developing and maintaining a strategic 'fit' amongst the combination of the firm's: objectives; internal resources; resource application; management capabilities; external threats and changing market opportunities; strategic analysis, and decision-making and implementation. They consider that only with the achievement of this will satisfactory profits and growth be produced. A considerable amount of small firm strategy research has focused on the achievement of such a 'fit', with the aim of enhancing growth, measured in terms of number of employees, of which relevant key research reports are summarised by Storey (1994) and listed in Appendix One. From this, a simplistic implication could be assumed that effective small firm strategy is synonymous with growth (Gray 1991).

While this may hold true for large firms it is not necessarily the case for all small firms. As identified in Section 2.3, 96% of small firms employ fewer than twenty persons and national surveys (SBRT 1994; Employment Department 1994) confirm the relative absence of growth-orientation among small firms. Thus, it appears that many independent firms find it hard to grow, and in many cases do not have the ambition to do so (Curran 1986; Bennett & Hall 1991; Gray 1991; Curran &

Blackburn 1994). In addition, there are often sound and valid reasons why even efficient firms do not want to expand. For instance, positively the business may represent an economically sound entity, with strong competitive advantages within a particular industry sector, and/or market. Negatively, growth implications may mean: significant disruption to the organisation and premises, marginal resultant benefits, and loss of personal control.

According to research (Bennett & Hall 1991; Gray 1991), small firm performance objectives tend to centre around: ensuring a satisfactory flow of income from business activities to maintain desired lifestyle; maintenance of ownership and control of the business; and achievement of job satisfaction. Moreover, it could be possible that simple survival represents the fundamental objective in the Nineties, since many small firms regard this as a barometer of success (Hankinson 1992). Clearly, different small firms may have different objectives, and there is so single applicable model which can be applied.

A further perspective worthy of consideration is that of Moore's (1992) observation, relative to large firms, that strategy formulation is not the singular product of one man's mind, but a continuing organisational activity. The validity of this perspective requires further exploration within the domain of the small firm. In this context the "one man" very often equates to the total organisation. Therefore, the evolving strategy will in fact be a product of one man's mind, albeit shaped by history, current management ideologies, environmental factors, available resources, competitive domain of operation, and distinctive competencies of the business (Chell & Haworth

1991). Thus, it is necessary to understand the behavioural issues which underlie small firm strategy decision-making. This requires an examination of the organisational and cultural contexts of the task environment, as well as the individual personal characteristics of the owner/manager (Olsen 1991). Furthermore, such an understanding needs to recognise the interplay of personal and business objectives, characteristic of small firm owner/management, which often defy rational economic decision-making philosophy.

While the author recognises the limitations of equating small firm growth to strategy, Storey (1994) offers a useful starting point from which researchers can move to address the specifics of the social situation under investigation. He considers growth as consisting of three components: the starting resources of the entrepreneur; the firm; and strategy. The three components may be considered as overlapping or intersecting circles as illustrated in Figure 3.1. The justification is that it would be misleading to view each individual component as a wholly independent influence. All need to be combined appropriately to ensure survival and achievement of the small firm's objectives. Less successful firms may have some appropriate characteristics in the entrepreneur, firm or strategy areas, but it is only where all three combine in the necessary quantities and qualities that success can be found.
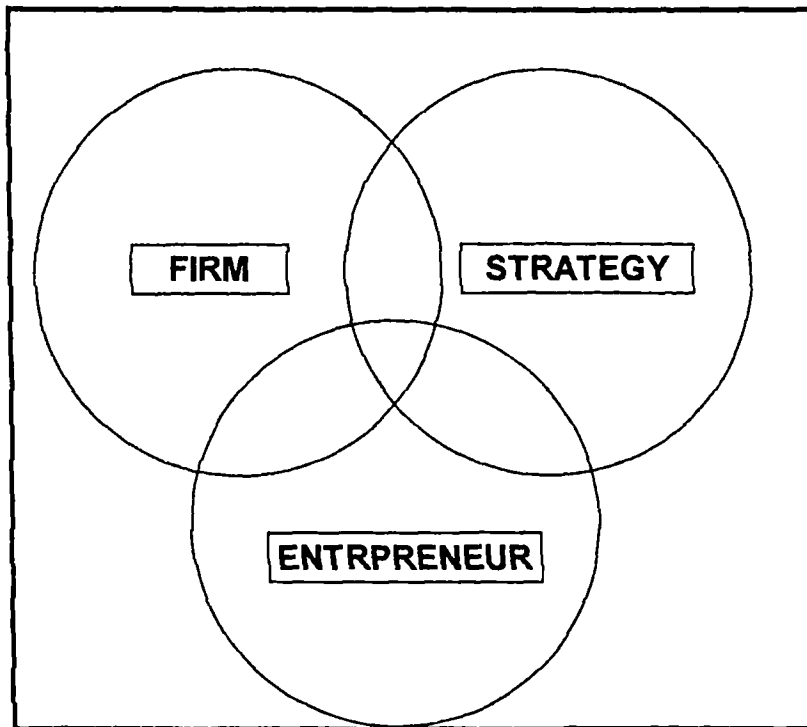
Figure 3-1: Components of Small Firm Strategy

Appendix Two identifies the range of entrepreneurial, firm, and strategic influencing elements which Storey (1994) has associated with these three components. The elements contained within the entrepreneur component refer to the characteristics of the individual who provides the prime managerial resources of the small firm. The characteristics of the firm itself when it begins are in the second component. These reflect decisions made by the entrepreneur upon starting the business, such as the choice of legal form, the location, or the sector in which the business is to operate. The elements within the third component, strategy, are of prime interest to strategy

development, of which Storey (1994) concludes that four stand out as particularly important.

The first is element 3, which indicates that growing firms are much more likely to have owners who share equity with external individuals or organisations. The second is that rapidly growing firms have often made a conscious decision on marketing positioning (element 5). They have chosen to occupy particular niches or segments where they can exploit any quality advantage they have. Third, the introduction of new products (element 8) is recognised as important. Finally, is the degree of willingness of the small firm to devolve decisions to non-owning managers (element 9). The selection, motivation and retention of these individuals in the creation of a strong managerial team is likely to be important. All four of these elements imply the existence of a strategic awareness on the part of the entrepreneur, in that their demeanour is externally focused towards assistance and market, to the ultimate benefit of the firm.

Borrowing from Storey (1994 p 124-125) the researcher presents a simple question which to some extent represents the essence of small firm strategy:

"...given the characteristics of the entrepreneur(s) and the firm, what managerial actions, once the firm has started, are likely to be associated with survival and improved business performance?"

Thus, it is concluded that any investigation of small firm strategy requires to incorporate the interaction between elements relative to the entrepreneur, the firm

and strategy. Consequently, the author has refocused general definitions of strategic management (Greenley 1989; Kotler 1991), to incorporate the reality of the small firm. Specifically, it recognises that decision-making motivation cannot always be assumed to be driven purely by perceived economic outcomes, and rational business growth objectives. In addition, it takes account of the dynamic nature of both the firm and the entrepreneur. This small firm strategy definition is integral to the thesis and instrumental in the accurate formulation of appropriate research outcomes. It read as follows:

'A dynamic managerial process which operates within the reality of the small firm environment. It aims to achieve an appropriate strategic fit between the components of the entrepreneur, firm, and strategy, and is geared towards the reconciliation of both personal and business objectives. '

3.3 Dominant Strategic Approach

Drucker (1986) states that all entrepreneurial strategies must achieve leadership within a given environment, otherwise they will simply create an opportunity for competition. Furthermore (Drucker 1980), turbulent times require enterprises which have to be kept "lean and muscular", capable of taking strain, but capable also of moving fast and availing themselves of opportunities. Potential such strategies for small firms vary greatly to those available to large firms, given their limited resources, characteristics and power base in the market place. However, literature

73

drawn from both the hotel industry, and the small firm sector in general, strongly indicates that co-operation represents a potential 'leadership' strategy for the non-dominant small firm.

This is justified on the basis of: economies of scale (BTA 1987; Economist 1991; Batchelor 1990; Slattery 1992); strengthening of marketing activity aiming to enhance competitive positioning (Hughes 1992; BTA 1987; IHA 1988; Poon 1988; Witt & Mouthinho 1989; Go & Welch 1991; Buhalis 1991; Pietsh 1991; SBRT 1992); and generally improved performance through access to quality management, financial resources, and international networks which small firms have traditionally lacked (Crawford-Welch & Tse 1990; Batchelor 1990; Economist 1991; Buhalis 1991; Pietsch 1991). Three further contributions include: the potential to enable innovative strategies (Gray 1991); instrumental in the development of a system of value and wealth creation (Ward 1991); and access to necessary technology and negotiatory power over intermediaries and suppliers (Buhalis 1991). Appendix Three summarises this literature and the justifications.

This current ascendancy of the concept of co-operation has been, in part, as a result of attempts to address the massive changes and adversity in the business environment, particularly in terms of an increasingly global market place, rapid technological development, and general competitive pressures (Ward 1991). Thus, Berry & Parsuramum (1991) predict that the concept of the firm as one entity, fortress-like and independent, will decline and the concept of partnering will rise. This is necessary as, in order to compete in the Nineties, the 'small' firm must

simultaneously be 'big' (Moss Kanter 1992) which has contributed to the need for organisational and industrial restructuring. This leads Peters (1987) to observe that as competition increases so does co-operation as small firms try to combat these pressures. They are driven to considering connecting with others who have similar goals into a network model of organisation (Naisbitt 1982), recognising that alternative forms of inter-competitor relationships can, and do, exist (Easton 1990; Mattsson 1989; Lewis 1990).

Such organisational forms closely resemble clusters or sets of firms, framed in a network of interdependencies (Powell 1992). Ansoff (1970) equates this strategic shift as moving towards the "entrepreneurial mode", which seeks effectiveness through new linkages, rather than the "competitive mode" aimed at exploiting existing linkages. This movement, has the potential to transform the firm's major characteristics, value systems, processes, and structures, through a network environment within which Naisbitt (1982) observes, rewards come by empowering and nurturing others, and not by climbing over them. Jarillo (1993) concludes that co-ordination through networks is crucial for small firms, most of which do not have the necessary resources to compete across the full spectrum of activities in their business system. Furthermore, networks enable them to obtain the economies of scale necessary to remain competitive.

3.4 Network Definition, Nature & Characteristics

Thus, for small firms the emerging dominant strategy is that of the strategic network. The network metaphor is a convenient instrument, used to bridge the small firm organisational context and the general environment in which it exists (Johannisson 1987a). It can be described as an arrangement by which small firms set up a web of close relationships, between the extremes of the internal hierarchy of the firm and the pure market (Powell 1990; Jarillo 1993). Despite the growing interest in the area of networks, Shaw & Dawson (1995) propose that the issue of definition has not been adequately addressed.

Paasche et al (1993) identify two dimensions to definitions relative to the specific traditions of the particular researchers. He categorises these into: psychology and sociology; and transaction oriented strategic management. The former puts forward the significance of the social organisation and social actors as the main factors for explaining networks. Thus, studies focus on the interactions between persons at both strategic and operational level (Bott 1957; Mitchell 1969; Johannisson 1987a; Chell et al 1991; Ward 1991; Curran et al 1991). Within this tradition, Blackburn et al (1990) consider that the idea of the small business network as some definable spatial entity made up of a finite, identifiable set of individuals or organisations is questionable. They argue the case for conceptualising networks as:

"Theorised constructs abstracting particular kinds of interaction which may occur within the external environment of the small firm. The network is an analytical construct not a finite entity, directly observable in the day to day interactions between owner/managers and the outside world." (p. 23)

The transaction oriented strategic management approach emphasises economic exchanges, resources and activities, and how these factors explain network development. This is supported by Porter's (1980) value chain concept, and evidenced in intensive co-operation between small firms grouped within "industrial districts" (Gooodman et al 1989; Harrison 1992). Alternatively it may take the form of a less location specific transaction exchange oriented configuration (Blois 1989; Axelsson & Easton 1992).

Shaw & Dawson (1995) bridge these two traditions by presenting a definition focused on the characteristics and structures of networks, in making a basic distinction between economic exchange, and joint activity networks. The economic exchange perspective may be seen as a vertically organised, value addition process in a value chain product transformation process. Within this form of network, authority, control and actor responsibilities are directed hierarchically by a dominant actor.

In contrast joint activity networks enable horizontal, voluntary, co-ordination between partners providing similar inputs and complimentary strengths. There are no formal exchange activities. However, there may be informal exchanges of, for example, information. They act together jointly in order to achieve a common objective. The location of authority, control and responsibilities is an important influence on the types of joint activities possible and their effectiveness, particularly due to the voluntary nature of the relationship. While economic exchange and joint activity networks exist individually, there may be instances where hybrid relationships form within inter-organisational activities. Vertical and horizontal structures are discussed further in Section 3.6.

Regardless of academic tradition, utilisation of a network concept allows the analysis of complex structures. This provides a means of researching into how firms integrate into the economy and society, through social relationship, economic exchange, and linkage development and maintenance. Thus, the focus of investigation moves from the single small firm to the interaction between those within a network, and to populations of firms with interest in phenomena of technical, economic, social and cultural character (Birley 1985; Aldrich & Zimmer 1985; Johannisson 1987b; Blackburn et al 1990; Curran et al 1992; Paasche et al 1993).

3.5 Formation Factors

The rationale for small firms forming into networks corresponds to the justification factors identified in Appendix Three, in that they are presumably seeking a means to achieve improved performance through the attainment of a sustainable competitive advantage. In this respect, Shaw and Dawson (1995) associate the achievement of a critical mass for their activities as instrumental in enabling the exploitation of economies of scale, scope and replication. A further motivation could be that of a defensive reaction to competitive adversity. On the contrary, it could represent an offensive, 'entrepreneurial mode' (Ansoff 1970) response to identified opportunities.

What is implicit, prior to the act of network formation, is that a triggering mechanism impacts on the small firm, which activates the recognition that a need, or opportunity, exists. This has the potential to lead to the consideration of networking as a realistic option. Thus, the concept of a triggering mechanism should be regarded as an integral part of the small firm network formation process, representing the first step in establishing strategic intent. Sources could come from external influences, or internally as the owner/manager identifies and addresses the need for change, and may be both negative and positive in nature.

Powell (1992) observes that most commentators attribute a central role to technology, both as trigger towards, and a driver of network structure. However, it is his opinion that this over-emphasis on technology has blinded researchers to the many other factors, which have influenced formation. In the context of this research,

a range of triggering strategic imperatives were identified in Section 2.6, of which technology was only one of five sources. These strategic imperatives represent potential triggers which may call for major adjustments in the entire pattern of the small firm's structure and internal capabilities, in order to ensure business sustainability.

However, it was identified in Section 2.7 that owner/managers bring different levels of commitment, ability, strategic awareness, and motivations to business management. This serves to complicate the triggering issue, as the factors interplay and influence the degree of change perceived to be necessary. Thus, the extent of the owner/manager's understanding of the strategic imperatives and feasible alternatives, combine with the firm's internal capabilities and resources to influence strategic action.

The impact of these behavioural issues should not be underestimated, particularly since strategy and structure are produced and reproduced through human interactions. Thus, their properties can never be divorced from the experiences of the owner/manager (Fombrun 1986). The relationship of these factors are illustrated in Figure 3.2 (Greenley 1989, p. 212).

MOMENTUM FOR CHANGE

TRIGERRING MECHANISM

URGENCY ASSESSMENT   FEASIBILITY ASSESSMENT

PERCEIVED NEED FOR CHANGE   PERCEIVED CHANGE FEASIBILITY

MOMENTUM FOR CHANGE

RADICAL CHANGE ◄----------- continuum ----------► INCREMENTAL CHANGE
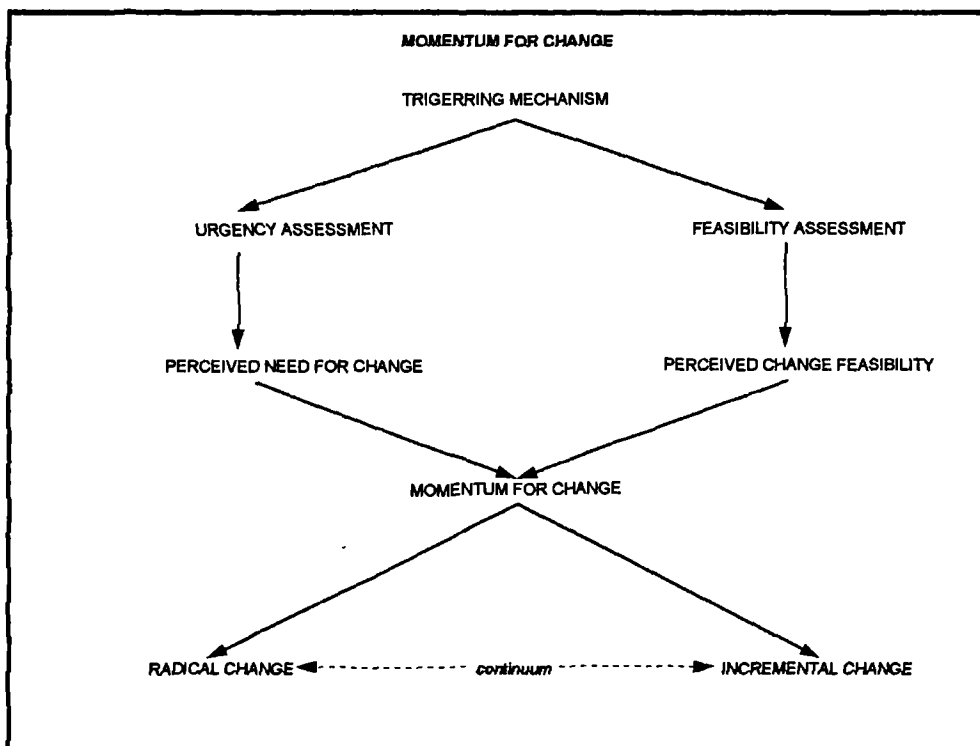
Figure 3-2: Momentum for Change

Thus, the small firm owner/manager continues to have a central role in the shaping

of strategy, reacting to negative and positive triggering mechanisms, which heighten

strategic awareness and stimulate strategic intent. The owner/manager then assesses

the degree of change necessary and resultant benefits which may motivate the firm to

link into a network of firms. This decision is generally based on the expectation that

some form of improved business performance outcomes will result.

3.6 Network Organisational Structure

Five classifications of organisational structure are generally accepted (Greenley

1989) as functional, divisional, strategic business unit, matrix, and hybrid. Of these,

it is that of the hybrid organisational structure which most closely corresponds to networks, organised as a set of sub-units networked together (Powell 1992). In this respect, network participants may choose to use any combination of the more traditional structures, or to adopt a unique, new format. This form of organisational arrangement links firms together outside their normal transactional relationships (Dawson & Shaw 1992). The degree of structuredness of the network refers to how interdependent the participants are and the degree of implicit and explicit systems in place (Mattsson 1989).

While it appears that no standard structural model exists, a distinction was made in Section 3.4 between those which are horizontal and voluntary in nature. It is the latter form which is of central interest to this research project. Such organisations represent a consensus form of collaboration between autonomous firms (Pietsch 1991), within which no single firm exercises control over the entire system. Characteristics vary relative to: the degree and scale of co-operation; level of commitment; and number of services offered (Masurel 1993). In comparison to the vertically structured network, the degree of co-ordination and control is generally less. Participants work together out of mutual interest (Mill & Morrison 1992) developing relationships which are often strong in social exchange ties (Masurel 1993).

There are two recognised ways of viewing network structure which reflect the discussion associated with the definitional issues discussed in Section 3.4. The first focuses on the structure created through transactional patterns, while the second is

concerned with relationship development and actor interaction. It is considered by the author that both perspectives have relevance within the context of horizontal networks. These are now discussed.

First, the transactional environment of networks can be described as stable or dynamic (Mattsson 1989; Axelsson & Easton 1992). The stable network has its origins in the structure and logic of the functional organisation. This configuration of network is designed to serve a mostly predictable market, by linking together autonomous firms and their specialised assets. Each of the members has volunteered to collaborate with some form of co-ordinating organisation, but maintains its competitive fitness by serving firms outside the network.

Hakansson & Johanson (1992 p. 29) present a model of such a stable network structure in Figure 3.3. It defines the basic classes of network variables as actors, activities, and resources, which are inter-related in an overall industrial system. Each of these three variables are interwoven in a total network, bound together by the forces of: functional dependence; power structure; knowledge structure; and intertemporal dependence.

MODEL OF A STABLE NETWORK

NETWORK OF ACTORS

ACTORS

ACTIVITIES   RESOURCES

NETWORK ACTIVITIES   NETWORK RESOURCES
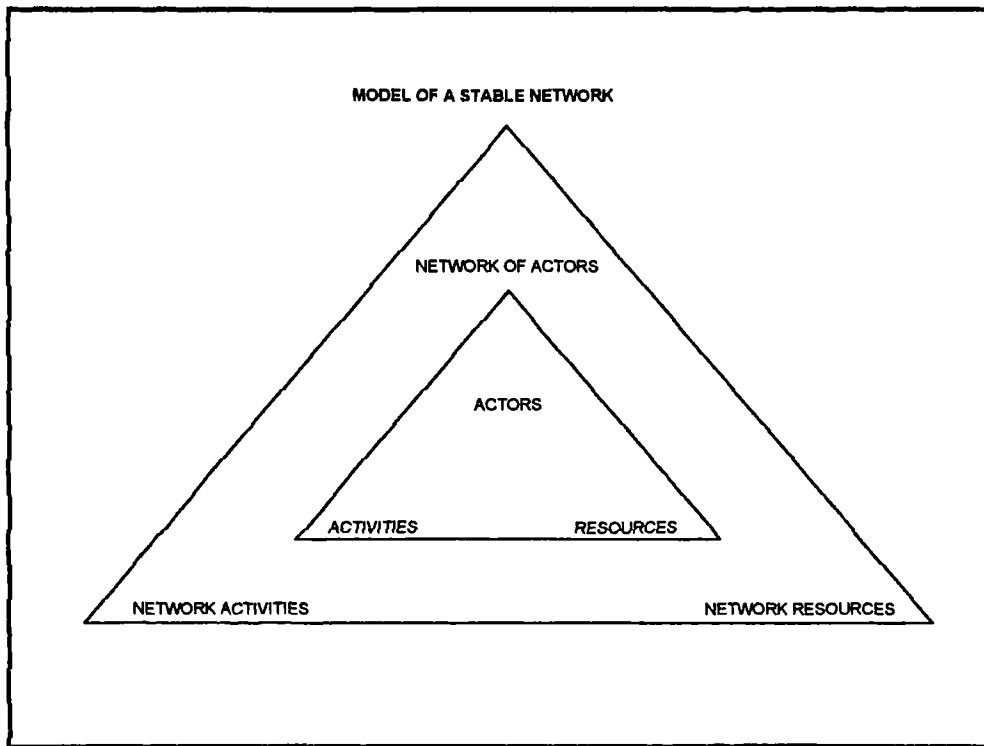
Figure 3-3: Model of a Stable Network

The dynamic network has it's operating logic linked to that of the divisional form of organisation. It achieves adaptability by focusing the autonomous firm on distinct but related markets. This provides a combination of central evaluation and local operating autonomy, with independent firms coupling together for short-term production of a particular good or service. For this form of network to achieve its full potential, there must be numerous firms, ready to pull together, or disassemble, for temporary alignment (Axelsson & Easton 1992). This dynamism is evidenced in the hotel industry where hotel operators, transport and activity providers frequently link together to strengthen the appeal of short-term sales promotions.

Second, Mattsson (1989) presents a network position model which implies that the firm's activities are a dynamic and cumulative process, by which relationships are

established, maintained, developed, or disrupted. The structure of a network will then be a result of the extent of the interdependency of the positions of different firms, and the degree of implicit and/or explicit systems which are in place. Mattsson believes that all aspects of the network are dynamic, including the structure, for at each point in time the firm may have positions in one or several networks. In this respect the network is seen as evolutionary over time as relationships strengthen and positions within the network are earned and established through social embeddedness. Moreover, consequences of earlier activities in the network will form the base for present and future activities and expectations.

It is clear that the issue of network structure is complex. However, it can be understood that if firms in a network are interdependent rather than independent, then it is inevitable that some form of structure will develop, and that structure may have a blend of economic, social, stable and dynamic dimensions.

3.7 Benefits and Costs

Network participation in the expectation of a accessing a range benefits has been referred to in the justification of the adoption of a co-operative strategy (Appendix Three), and relative to formation factors (Section 3.5). The small firm presumes that in return for linking into a network structure some form of improved performance outcomes, in the form of social and/or economic benefits will result. This may be achieved as a result of overlapping economic objectives such as: risk reduction; technology exchange; co-opting or blocking competition; overcoming government

mandated trade or investment barriers; and facilitating initial international expansion of inexperienced firms (Axelsson & Easton 1992). From a sociological perspective it has been suggested that benefits arise from belonging to a collective culture which can provide security and, if the culture contains pro-entrepreneurial values, serve an incubator role in the business development process (Johannisson 1987a). Dent (1990) summarises sources of benefits as:

- Opportunity for innovation and the existence of a known, predictable, negotiated environment;

- Potential to overcome complexities in the operation and exploitation of assets;

- Drawing on the talent and creativity of their members;

- Focus on the complimentarity of functions;

- Economies of scale including sales and distribution channels, strategic planning, funding and evaluation, procurement, and marketing activities.

However, it is considered essential that the small firm carefully evaluates access to these benefits against the expense of alternative strategies. (Ansoff 1970; Mattsson 1986; Lorange 1989). Thus, the transaction cost approach has come to play a prominent role in studying the evolution of networks, integral to which is that trust and a perception of equity be maintained. Transaction costs are incurred in any

economic or social activity which is engaged to satisfy each part of the exchange process (Jarillo 1990) and can be defined as:

"...any activity which is engaged in to satisfy each party to an exchange that the value given and received is in accord with expectations." (Ouchi 1980 p. 130)

Traditionally, transaction costs have been researched from an economic perspective (Blois 1989; Jarillo 1990; Piestch 1991; Ali 1992). In this respect, relative to networks, exchanges exist when: it is more efficient to perform economic activities than in separate business entities; normally high transaction costs are lowered; and firms have expectations of increased profits, resulting from the synergistic linkages, compared with totally free markets or complete business integration. In this context, the network represents a third form of organisation, between the market and the firm. The complex task of analysing transaction costs associated with networks draws on dimensions such as: horizontal or vertical direction; high or low formality of systems; long or short time horizons; high or low dependence; and pooled or individual benefits.

It therefore appears that, in order to justify the existence of the network, net benefits must be achieved among benefit expectations, actual benefit outcomes, and resultant transaction costs. Moreover, this requires to take place within a trust culture, where all parties are satisfied as regards the equity of the relationships. Furthermore, it is recognised that adverse, or positive, achievements of expectations will influence

future participation in network activities. Table 3.1 summarises the costs and benefits of network membership.

Benefits And Costs Of Network Membership		
Category	**Benefit**	**Cost**
Financial	Enhanced financial performance	Transaction costs
Operational	Improved performance. Innovative strategies. Negotiatory power. Business development incubator. Overcome complexities. Talent & creativity resource of members	
Strategic	Attain sustainable competitive advantage. Economies of scale. Combined assets. Complimentary functions	

Table 3-1: Benefits & Costs of Network Membership

3.8 Member Behaviour

In the network approach participants are regarded as being embedded in a social and industrial structure of relationships, the behaviour of members within which is

complex. Each firm brings its unique sets of values, attitudes, perceptions, motivations, expectations and capabilities, the given combination of which relate to their own set of business objectives. While this is true of all firms, in addition, the small firm brings their own set of inseparable personal objectives (Johannisson 1987a). Both sets will vary in terms of the direction of the business, performance, internal and external expectations, furthermore, they generally change over time. Thus, the behavioural properties of the network cannot be divorced from the participants. As such, consensus and collective action are unlikely to be attained, when it is, it is at best a fleeting moment in a dynamic process (Roper 1992). Thus, member behaviour involves a resolution of the twin polarities of convergence and contradiction (Fombrun 1986).

This condition is compounded by two further polarised processes which exist in networks recognised (Easton 1990; Axelsson & Easton 1992) as competition and co-operation within, and between, different relationships and systems. Thus, members have to decide to accept the trade-off between co-operation, necessary to access the resources needed to create benefit, and competitive advantages. In this respect, it is argued that competition in the traditional sense is replaced by rivalry behaviour for the control of resources which may result in conflict. Thus, it is essential that relationships among networked firms be external and highly visible to all parties. In this way attempts at personal gain may be made, but behaviour such as power plays will be much more transparent.

Implicit in maximising returns from a network relationship is proactive behaviour by the firm (Pietsch 1991; Axelsson & Easton 1992). However, a key factor which has been identified as mitigating against participation in network activities is the psychological outlook of the small firm owner, which frequently stresses the importance of autonomy and independence (Curran & Blackburn 1994; Go & Welch 1991). As such they are often adverse to taking part in joint activities. Two further mitigating factors identified by Curran & Blackburn (1994) are: the opportunity costs of attending meetings and seeking advice is often regarded by small firm owners as too high; and the long hours business owners work and their personal/family circumstances. However, Gray (1991) suggests that the pattern in the Nineties is one of less concern over independence, replaced by increasing interest in financial incentive and survival, which may result in an increased number of small firm adopting co-operative strategies.

It is evident, that if the network is to be effective as a system understanding of the operating logic by all participants is essential. In particular, it is dependent upon the comprehension that strategic action is not limited to any one focal firm, rather it involves part or all of the network to which the firm is linked. Thus, there must be a compromise, a reconciliation of the micro objectives of the small firm with the macro objectives of the network. Only in this way will positive net benefits be generated from the relationship. Thus, it can be seen that member behaviour can both influence structure and strategy and be influenced by it.

3.9 Network Management

Like any organisational form, the network has its managerial requirements which include: development and management of the network itself; co-ordination of financial resources and communications technology; definition and management of the core competence and strategy; developing relationships with customers; and managing the information resources that bind the network (Webster 1992). In addition, effective management requires an understanding of both the statics and dynamics of the organisation, including factors that explain both pressures towards unity and order, and pressures towards disruption and pluralism (Anderson 1992). Furthermore, Johannisson (1987a) states that, in contrast to formal organisations, network management requires to favour adhocracy rather than bureaucracy, and process and flexibility rather than structure and stability. Moreover, additional unique properties characteristic of networks which require to be preserved by management are those of voluntarism and openness.

The governing structure is generally that of a hub or co-ordinating organisation guiding the network, and fostering trust (Lester 1991). This is achieved through adaptation, learning, and diffusion of that learning, which can only be achieved when partners create and maintain an atmosphere that encourages good and timely communication (Blemans 1990). Furthermore, it is recognised as essential that networks develop and retain a competence for self-renewal, as the organisational form may lose its vitality, ability to innovate, and entrepreneurial spirit over time. This involves not only making adjustments to environmental shifts, but to do so

within the constraints of the operating logic of the existing organisational form, or by adopting a new form and logic to fit a new strategy (Lorange 1989).

Thus, it is clear that management of networks requires to be aware and guard against seven major threats to the structure. These are identified (Johannisson 1987; Lorange 1989; Blemans 1990; Lester 1991; Axelsson & Easton 1992) and are summarised in Table 3.2.

Major Threats To Network Structures
Different perspectives regarding long term objectives
Dysfunctional network behaviours and damaged operating logic
Expectations of immediate benefits
Extensive changes in the environment of the focal sub-system
Lack of competence for self-renewal
No effectiveness to be gained from participation
Reduced innovation, flexibility and entrepreneurial spirit

Table 3-2: Major Threats to Network Structures

3.10 Conclusions

Throughout this chapter, the central role of the owner/manager in the development of strategy has been conspicuous. Of the three components of the entrepreneur, firm and strategic elements which combine to form small firm strategy, it is the

entrepreneur who is the driver and shaper. To a certain extent the remaining two components are consequential. Therefore, it is concluded that enlightened strategy development is dependent upon the degree of strategic awareness and general behaviours which the entrepreneur brings. Thus, while literature has identified co-operation through a network structure as a potential leadership strategy for the non-dominant small firm, acceptance of this advice is dependent upon the particular demeanour of each entrepreneur within their own unique contexts. However, this does not lessen the value of the main conclusion of this chapter which is that co-operation through networks has the potential to facilitate improved small firm performance. This is provided that all participants: select which network to join through careful evaluation of expected benefits and resultant transaction costs; understand the underpinning operating logic; and refrain from dysfunctional organisational behaviours. In other words, the small firm requires to achieve a strategic "fit" with the network.

It appears that participation in a network as well as coping with the day-to-day operation of their small firm may be perceived as adding a layer of complexity to the business. The two-dimensional structure requires a proactive role, constantly working at the reconciliation of the micro-objectives of the firm, with those of the macro-objectives of the network system. There is constant energy needed in order to resolve the many tensions, conflicts, compromises and polarities which permeate small firm/network relationships as indicated in Figure 3.4 which has been developed by the author. The energy requirement will depend on the degree of

commitment implicit in each network relationship. Nevertheless, it is suggested that

the small firm owner/manager may need considerable persuading as regards the

synergistic potential prior to network participation.

SMALL FIRM/NETWORK SYSTEM RECONCILIATION

NETWORK

Convergence/Contradiction
Competition/Co-operation
Independence/Dependence
Identity/System Brand
Voluntarism/Compulsion
Collective Action/Individualism
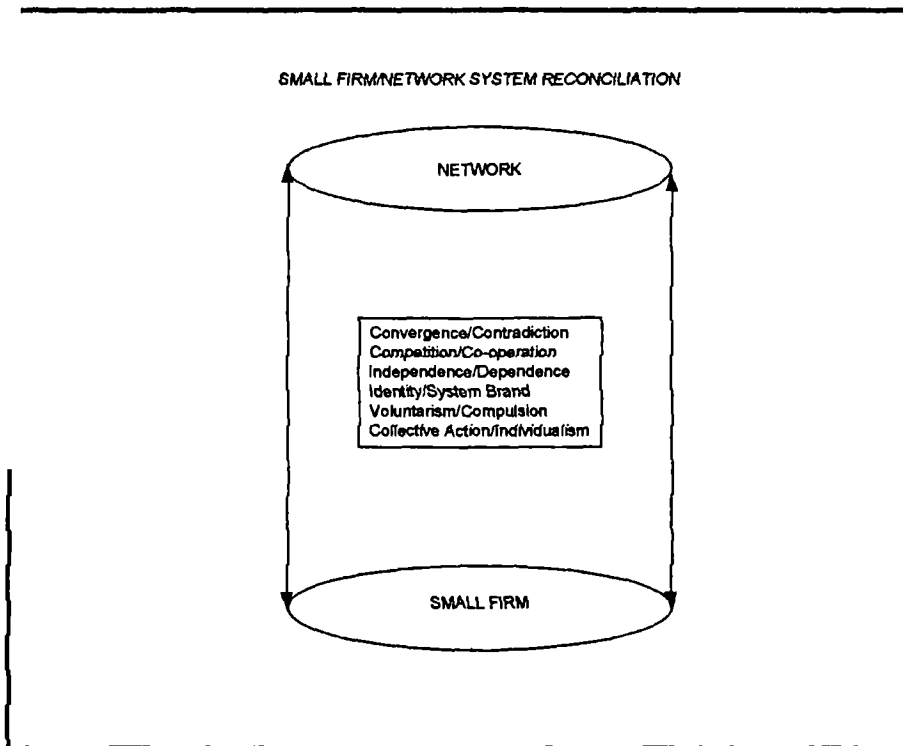
SMALL FIRM

Figure 3-4: Small Firm Network System Reconciliation

Finally, the researcher concludes by agreeing with Blackburn et al (1990) that

networks are theorised constructs, abstracting particular kinds of interaction which

may occur within the external environment of the small firm. As such, they perform

a useful function. However, it is considered that in order to promote further

understanding of the phenomenon, research now requires to focus on a specific form

of network to be studied in more depth. Therefore, research is progressed in Chapter

Four by selecting a form of partial network, that of a strategic alliance for further investigation. The aim is to move closer to substantiating the concept.

Appendix One:

Summary Of Key Research Reports: Small Firm Growth

Baker, W. (1990) Market Networks & Corporate Behaviour, **American Journal of Sociology**, Vol. 96, No 3   p 589-625.

Benson, J. (1975)   The Interorganisational Network as a Political Economy, **Administrative Science Quarterly**, Vol. 20, p 229-249

Birley, S. and Westhead, P. (1990) Growth and Performance Contrasts Between 'Types' of Small Firms, **Strategic Management Journal,** Vol. 11, p. 535-557.

Cambridge Small Business Research Centre   *(1992)* **The State of British Enterprise**, Department of Applied Economics, University of Cambridge.

Cook, K. Emerson, R. (1984)   Exchange Networks and the Analysis of Complex Organisations, **Research in the Sociology of Organisations**, Vol. 3, p 1-30.

Dunkelberg, W., Cooper, A., Woo, C. and Dennis, W. (1989) New Firm Growth and Performance, in N. Churchill, J. Hornaday, B. Kirchhoff, C. Krasner and K. Vesper eds, **Frontiers of Entrepreneurship Research**, Babson College, Boston, Mass.

Jarillo, J. (1988)   Carols: On Strategic Networks, **Strategic Management Journal,** Vol. 9, No 1, p 31-41.

Kalleberg, A. and Leicht, K. (1991) Gender and Organisational Performance: Determinants of Small Business Survival and Success, **Academy of Management Journal**, Vol. 34, No 1, p. 136 - 161.

Kinsella, R., Clarke, W., Coyne, D., Mulvenna, D. and Storey, D. (1993) **Fast Growth Firms and Selectivity**, Irish Management Institute, Dublin.

Macrae, D. (1991) Characteristics of High and Low Growth Small and Medium Sized Businesses, **21st European Small Business Seminar**, Barcelona, Spain.

Siegel, R., Siegel, E. and MacMillan, I. (1993)   Characteristics Distinguishing High Growth Ventures, **Journal of Business Venturing**. Vol. 8, p 169- 180.

Solem, O. and Steiner, M. (1989) Factors for Success in Small Manufacturing Firms - and with Special Emphasis on Growing Firms, **Conference on Small and Medium Sized Enterprises and the Challenges of 1992**, Mikkeli, Finland.

Thorelli, H. (1988) Networks: Between Markets and Hierarchies, **Strategic Management Journal**, Vol. 7, p 37-51.

Westhead, P. and Birley, S. (1993) **Employment Growth in New Independent Owner-managed Firms in Great Britain**, University of Warwick.

Woo, C., Cooper, A., Dunkelberg, W., Daellenbach, U. and Dennis, W. (1989) Determinants of Growth for Small and Large Entrepreneurial Start Ups, **Babson Enterpreneurship Conference**.

Appendix Two: Elements Influencing Growth In Small Firms

Elements Influencing Growth In Small Firms		
Entrepreneur/Resources	**The Firm**	**Strategy**
1. Motivation	1. Age	1. Workforce training
2. Unemployment	2. Sector	2. Management training
3. Education	3. Legal Form	3. External equity
4. Management experience	4. Location	4. Technological sophistication
5. Number of founders	5. Size	5. Market positioning
6. Prior self-employment	6. Ownership	6. Market adjustments
7. Family history		7. Planning
8. Social marginality		8. New products
9. Functional skills		9. Management recruitment
10. Training		10. State support
11. Age		11. Customer concentration
12. Prior business failure		12. Competition
13. Prior sector experience		13. Information and advice

Elements Influencing Growth in Small Firms		
Entrepreneur/Resources	**The Firm**	**Strategy**
14. Prior firm size experience		14. Exporting
15. Gender		

Source: Storey (1994 p. 123)

Appendix Three:

Literature Justification for Co-operative Small Firm Strategy

Literature Justification For Co-operative Small Firm Strategy	
Justification	**Reference**
Strengthen marketing activity/ enhance competitive position.	Hughes 1986; BTA 1987; IHA 1988; Poon 1988; Witt & Mouthinho 1989; Go & Welch 1991; Buhalis 1991; Pietsh 1991; SBRT 1992
Manufacture economies of scale, scope and replication	BTA 1987; Economist 1991; Batchelor 1990; Slattery 1992; Shaw & Dawson 1995
Improve performance through access to resources traditionally lacked i.e. managerial, technological, financial, international networks	Crawford-Welch & Tse 1990; Batchelor 1990; Economist 1991; Buhalis 1991; Pietsch 1991
Enable innovative strategies	Gray 1991
Develop a system of value and wealth creation	Ward 1991
Strengthen negotiatory power over intermediaries and suppliers	Buhalis 1991

4. Chapter Four: Strategic Alliances

4.1 Introduction

In reviewing associated theory, it is considered that strategic alliances have been born out of the network concept, representing the articulation of semi-formal relationships (Ali 1992). Thus, the objective of this chapter is to define and investigate their nature and characteristic, which is considered justified given the conclusions of the foregoing chapter. Specifically, these were that while there appears to be strong arguments for the formulation of co-operative networks, the issues involved in small firm/network interaction and management are complex. Therefore, the central aim of this chapter is to develop a more comprehensive understanding of this sub-network form, with a view to reconciling the identified tensions and polarities, as identified in Figure 3.4.

A constraint in strategic alliance literature review is that a large volume applies to studies of the activities of large, multi-national firms (Porter 1985; O'Brien & Tullis 1989; Hamill 1991; Campbell & Sommers Luchs 1992). An added dimension of much of this work is that authors have taken a normative stance in prescribing what a strategic alliances should be, rather than what it is (Lewis 1990; Lorange 1989, Ohmae 1989). These formulas tend to be constructed out of the economic elements of relationships, to the neglect of the important, but less tangible, social dynamics. Thus, the researcher supports, and aims to address, the view (Fletcher 1993;

Donckels & Lambrecht 1995) that for valid research purposes it is essential to adopt more holistic definitions of what constitutes a strategic alliance within the economic and social context of the small firm sector.

Furthermore, it is recognised that a myriad of strategic alliance types exist, each with its own unique nature and characteristics. As a result, the author is aware that broad generalisations as will not apply universally. Nevertheless, she aims to communicate a comprehensive understanding of the nature and characteristics of the phenomenon, that is a strategic alliance.

4.2 Definition and Background

The complexity in distinguishing strategic alliances from more conventional collaborations arises from two reasons. First, strategic alliances are given various definitions which may at the same time subsume a wide variety of inter-firm relationships, such as joint ventures, licensing, and mergers. Second, the use of the term is not uniform in all research studies (Fletcher 1993). For instance, some authors use strategic member, hybrid organisations, competitive alliances, inter-firm co-operation, and coalition, while all addressing just one business relationship, that of the strategic alliance. Understandably, this may lead to confusion.

In order to avoid confusion the author presents a concise definition of a strategic alliance which will clarify the focus of the investigation. It is:

"Co-operation between one or more (retail) companies, whereby each partner seeks to add to its competencies by combining some resources with those of its partners." (Shaw & Dawson 1993 p. 1)

The use of alliances is not new, and in most Western economies they have a long history (Daems 1991; Shaw & Dawson 1993). However, academics (O'Brien & Tullis 1989, Hamill 1991, Drucker 1992; Donckels & Lambrecht 1995) recognise one of the most significant trends during the decade from 1985 to 1995 as the rapid increase in the number of international strategic alliances. Dominant factors contributing to their increasing prominence are similar to those of networks (Section 3.3) including: integrating global markets; technological interdependence and risk sharing; governmental national policies promoting co-operation; converging consumer tastes; and general competitive pressures (Ohmae 1989; Lewis 1990). The combined effect of these factors is raising requirements for an independent small firm's ability to succeed. In this respect, Lewis (1990) proposes that strategic alliances may represent the solution, as they can create benefits from a mix of resources, and the meshing of firms' culture and functions. This is supported by Bartlett (1992) who predicts that the future will see an increasing number of amoeba-like linkages of companies and permeability of corporate boundaries, as strategic alliances are created.

4.3 Nature and Characteristics

A strategic alliance is an explicit expression of a linkage within a network structure, representing the function of a partial overlap of the organisational domains of the small firm partners and the core organisation. However, the degree to which an alliance can be regarded as strategic is currently being questioned (Block Smith & Barclay 1993; Fletcher 1993; Shaw & Dawson 1995). They agree that the process involved in the initiation and structuring of an alliance may be regarded as strategic. However, once established it may have a whole range of objectives: strategic; tactical; and operational. Shaw & Dawson (1995) propose that the lack of a distinction between these objectives obscures the fact that the same organisational form may be used for a number of different purposes.

The varied views presented relative to the function of a strategic alliance, are common to that of networks in generally. These include: the creation of a value chain (Porter 1985); facilitation of the internationalisation of the firm (Welch 1991); a generic strategy to defend or restructure (Lorange 1989); and that it represents a vital, rational, economic and technical weapon (Lewis 1990). These academics have produced categories and descriptions of different formats of strategic alliances, each of which is distinct in terms of the: amount of commitment; degree of control; extent of co-operation; and extent of organisational formality. These formats have been summarised and represented in the form of a continuum running through from voluntary co-operatives, contractual alliances, equity alliances, to strategic networks (Porter 1985 ; Lewis 1990) as illustrated in Figure 4.1.

```
┌─────────────────────────────────────────────────────────────────────┐
│              STRATEGIC ALLIANCE FORMAT CONTINUUM                      │
│                                                                       │
│  VOLUNTARY CO-OPERATIVES──▶ CONTRACTUAL ALLIANCES──▶ EQUITY ALLIANCE ──▶ STRATEGIC NETWORK │
└─────────────────────────────────────────────────────────────────────┘
```
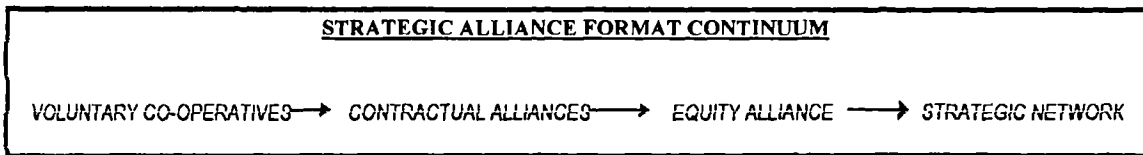
Figure 4-1: Strategic Alliance Format Continuum

First, a voluntary co-operative is often formed through a shared vision and understanding between members, who recognise the complementarity of strengths and assets. They are useful when risks are small, must be built on mutual trust (Lorange 1989), and are frequently the starting point for more formal arrangements. Second, contractual alliances represent a legally recognised, mutual business plan, which aims to fortify the commitment, but can restrict partner flexibility. Third, an equity alliance requires a capital investment in order to confirm the relationship. This can create deeper mutual commitment than would be possible without the financial investment. Finally, strategic networks are woven from all alliance types, meshing together multi-network relationships to match the differing requirements of markets and business management.

Research has focused on a range of variable dimensions which are associated with each of these alliance formats including: alliance structure and configuration; range and nature of functions; partner/alliance relationship; and partner behaviour (Lewis 1990; Campbell & Sommers Luchs 1992). Dawson & Shaw (1992) introduce the dimensions of the creation of a third party, and involvement of vertical and horizontal combinations. Porter (1985) develops five typologies to categorise

strategic alliances relative to their functional focus. These are: technological development which involves the pooling of research and development activity; operational and logistical gaining production efficiency; marketing, sales and service, generally motivated by the need for market access; multiple activity, involving a combination of the above; and single or multi-country relative to geographic scope. Masurel (1993) identifies dimensions of the partner/alliance relationship as the: degree of co-operation; scale of co-operation; and level of commitment. Finally, Lorange (1989), Dawson & Shaw (1992), and Van Gils (1993) add to these dimensions, relative to partner behaviour, in focusing on: the approach to risk management; size of benefits expected; degree of permanence; and the maintenance of an equitable relationship. These general variable dimensions are driven by the strategic imperatives of the small firm at any one particular point in time. These may demand a defensive or offensive stance, motivating businesses towards inter-firm co-operation either on a permanent, or a discrete, basis. Furthermore, it is suggested that explanations of the wide range of variable dimensions also relates to the internal socio-political structure of the alliance itself (Shaw & Dawson 1993).

Hamill (1991) assists further understanding of the concept in identifying five major features which distinguish strategic alliances from the more conventional forms of organisation. These are as follows:

- **Partners:** Collaboration is required between two or more partners of comparable strengths and resources, although this is not a necessary condition;

- **Competition:** Partners will often be competing in the same product, service, and/or geographic markets, as well as co-operating in a variety of ways. This feature is missing in the more conventional collaborations as there is little or no direct competition between partners;

- **Contributions:** Production, marketing and technological contributions of partners may be asymmetrical, but are more in balance than in relationships where a lead participant dominates;

- **Motivations:** Motivations are based on boosting the competitive advantage of both the alliance and the partner. These include market access, economies of scale, pooling of resources, technological complementarity, as well as those of a more strategic and competitive scope. It is basically asset-specificity, with the threat of dysfunctional behaviour in an uncertain environment which motivates firms to integrate.

- **Failure Consequences:** Negative effects and experiences within an alliance will have an adverse influence, not only on short-term financial performance, but may also threaten future partner participation.

Appendix One consolidates the identified purpose, format, variable dimensions and features associated with strategic alliances.

The primary focus of this research project is on alliances whereby small firms make a voluntary decision to join, and accept a certain level of contractual commitment to the co-ordinating organisation thereafter. This represents alliances of legally and financially independent units. In this respect the retention of sovereignty is emphasised, whilst at the same time agreeing to combine selected activities (Fletcher 1993). Thus, small firms join in economic interdependence to gain benefits for their individual businesses. Dominant dimensions describing the nature of such alliances are: horizontally configured; partners commit to either a long-term semi-permanent relationship, or on a temporary, dynamic basis; based on consensus; the power balance is equitable with no single organisation exercising control over the entire system; participants work together out of mutual interest; and some contractual elements may be inevitable, in order to manage and to support the strategic alliance.

4.4 Formation Factors

In comparison to networks (Section 3.5) strategic alliance formation factors are much more clearly articulated and focused. This is as regards what the alliance can do to assist the small firm at a micro level, rather than as a reactive impulse to market opportunities or competitive pressures, as is the case with network literature.

In broad terms, firms are motivated to co-operate out of a mutual need and share the risks to reach a common objective, which stems from the owner/manager's desire or vision to move the firm forward, change or develop it in some way. This action provides access to far more resources than any single firm owns or could buy (Lewis 1990; Campbell & Sommers Luchs 1992; Poon 1993). They are used to improve competitive standing, and motivations are underpinned by essentially economic needs to achieve: access new market opportunities; shared costs and resources; organisational scale economies; technological strength; competitive advantage; experience and learning opportunities; an approach to risk management; defence against corporate predators; and improved innovativeness (Butler & Carney 1986; Lorange 1989; Dawson & Shaw 1992; Fletcher 1993; Masurel 1993; Van Gils 1993). Thus, strategic alliances are seen as utilising the full potential of the value creation process, linking complementary resources (Lorange 1989). This enables a selective blending of skills and resources, with the potential to facilitate participation at an international level, while retaining strengths such as flexibility and local integration (Masurel 1993). It is this synergistic characteristic which provides a rationale for strategic alliance participation. As such, it has been established that it represents an important strategic option for non-dominant firms (Van Gils 1993; Moss Kanter 1992; Powell 1992).

However, the range of motivations causing a small firm to form into an alliance with a strategic partner are even more varied and complex This complexity reflects the widespread nature of this hybrid organisational form (Lorange 1989; Dawson &

109

Shaw 1992; Van Gils 1993), and the idiosyncratic characteristics of the small firm (Fletcher 1993). For instance, the act of alliance formation may be seen amongst those small firms who value independence highly, as an activity of final resort, only considered when all else has failed (Johannisson 1987a). Conversely, more co-operative minded firms might join an alliance as a positive strategy for growth, increasing the likelihood of success and alliance cohesion (Shaw & Dawson 1993).

Furthermore, formation motivations are influenced by the range of dimensions and factors summarised in Appendix One, however, these neglect other motives which influence, mobilise and shape alliance formation such as: the embeddedness of the small firm in socio-economic networks which provides mobilising opportunities; cultural and contextual issues which cultivate an alliance culture and provide social legitimisation; psychological factors focusing on entrepreneurial vision and ambition; and industry sector contextual issues (Stern & El-Ansary 1988; Fletcher 1993). From this discussion, formation factors can be categorised and summarised as economic, socio-economic, and strategic in nature (Sutton 1990). These factors are presented in Table 4.1.

Strategic Alliance Formation Factors		
Strategic	**Economic**	**Socio-Economic**
Move firm forward, change develop	Access new market opportunities	Exchange of ideas, skills, knowledge and cultures
Access combined resource base	Organisational economies of scale	Improved innovativeness
Enhance competitive position	Sectoral context	Pro-alliance culture
Approach to risk management		Entrepreneurial vision and ambition
		Mobilising opportunities

Table 4-1: Strategic Alliance Formation Factors

4.5 Organisational Structure

The organisational format of strategic alliances which is the focus of this study has been stated in Section 4.3 as that of a horizontal voluntary nature. These are co-operative arrangements of firms affiliating in the expectation of achieving mutual benefits. Such strategic alliances generally revolve around a "hub" management composed of peers, which direct and initiate the alliancing procedure. In theory, the voluntary nature of management allows for symmetrical linkages and dependencies. This adds a co-operative ingredient which ensures for greater continuity and mutual dependency, thus reducing uncertainties for the firms involved (Rokkan &

Haughland 1993). Unity and commitment of membership and management are central to the operating logic of such organisations.

Problems associated with voluntary alliances are recognised as those of: extensive use of at least some of members' time in the management function; an imbalance in the division of authority, efforts and responsibility; inefficient control systems; limits to the degree of collective action possible; and the value of the alliance can be damaged by dysfunctional, deviant member behaviour (Rokkan & Haughland 1993; Roper 1992). This leads academics (Campbell & Sommers Luchs 1992; Rokkan & Haughland 1993) to propose that governance of voluntary strategic alliances can be improved through the establishment of obligations by co-ordinative decision authority mechanisms, and the application of procedures to ensure the fulfilment of these obligations such as formal systems, sanction mechanisms, and informal incentive approaches which are discussed further in Section 4.8.

Two key features of the organisational structure have been identified as those of decision authority, and terms and conditions of memberships. These are now discussed.

i) Decision Authority

A degree of decision authority requires to be centralised in a voluntary strategic alliance in order to achieve the overall objectives at micro and macro levels. Thus, member behaviour is co-ordinated through centralisation and formalisation of decisions. This ability to control and change behaviour

of members could be regarded as power, albeit legitimate power as a result of a democratic process. Thus, Shaw & Dawson (1993) emphasise that to ensure consensus and alliance stability, control of the decision making process and how that control should be exercised has to be explicit in terms of the structure of voting powers, and the relationship between the management committee and the partners. In this way, co-ordinated decision mechanisms have the potential to overcome problems of collective action by establishing commitments, and being legitimate thereby establishing a power base and increasing partner dependence in the strategic alliance (Rokkan & Haughland 1993). Thus, centralisation and formalisation imply a co-ordinated decision process, which promotes a framework, towards stable and predictable conditions. Negatively, it needs to be noted that an actor with decision making rights has the opportunity to change the content of the framework and create less stable and predictable conditions.

ii) Terms and Conditions of Membership

Within strategic alliances sanction mechanisms, or negative incentives, generally exist in the terms and conditions of membership and pre-defined rules of exclusion of non-conforming members. These are of varying degrees of formality relative to governing the members with explicit rules and fixed policies. Specifically, expected net benefits of a member acting dysfunctionally can be controlled by information systems. These can be used as an incentive to participate and as a control mechanism (Shaw & Dawson

1993). Consequently, to a certain degree, collective action achieved is based on the nature of the obligations and the extent of the fulfilment mechanisms operated by management.

Thus, theoretically, the organisational structure of voluntary, horizontal, co-operative strategic alliances should allow for symmetrical linkages and dependencies, and unity and commitment. However, a factor mitigating against this has been identified as that of member behaviour which may deviate from the expected norm. As a result, the organisational structure requires to incorporate management procedures designed to govern member behaviour. These take the form of explicit, centralised and formalised decision-making authority, and obligation fulfilment mechanisms.

4.6 Member Benefits and Costs

As is the case with networks in general, strategic alliance benefits are strongly linked to the formation motivations identified in Section 4.4, and the to which the reality of the benefit outcomes match the expectations. However, the level of detail in literature, as regards strategic alliance benefits and costs, is much more intense than with network literature. Section 4.2 discussed the accuracy of the term "strategic" in its association with that of alliance, as the alliance can provide a mix of strategic, operational and tactical objectives. It has been found that these are reflected in the associated benefits and costs where there is a blending of all levels of the outcomes of these objectives.

114

An additional feature identified by Porter (1985) refers to the tangible and intangible dimensions of the benefits which result from strategic alliance relationships. The majority of research has focused on the more tangible economic benefits arising from economies of scale, scope and replication. These have the potential to achieve a sustainable competitive advantage, provided the benefits of co-operation outweigh the cost, and/or enhance differentiation. The intangible socio-economic benefits refer to the diffusion of management know-how and generic skills to members in the alliance. In addition, Campbell & Sommers Luchs (1992) and Shaw & Dawson (1993) identify the innovation benefits derived from the pooling of skills, information and expertise of members with similar characteristics. These join the tangible benefits and may be financial, operational, market and strategic in nature.

Financially, literature (Ansoff 1970; Lewis 1990; Hamill 1991; Prahalad & Doz 1992) identifies benefits in the form of: increased income; reduced administrative and operating costs; joint development of projects at lower costs; reduced investment exposure and risks; marketing cost economies in the form of branding, product/service testing, advertising, and promotion; and effective use of resources in technology development.

Operationally, benefits take the form of the: creation of new or improved performances; strengthening of operations through innovative and enhanced processes; adding to the technical skill base; managerial control over a horizontally integrated value added chain; innovation benefits derived from the pooling of skills, information and expertise; generation or use of core and secondary technology; and

115

bargaining leverage over suppliers and intermediaries (Lorange 1989; Lewis 1990; Prahalad & Doz 1992).

In marketing terms benefits are identified (Lorange 1989; Lewis 1990; Hamill 1991; Campbell & Sommers Luchs 1992; Shaw & Dawson 1993; Prahalad & Doz 1992) as the: geographic strengthening and widening of market access; shaping competition; providing new and joint market opportunities; enhanced growth through overcoming market entry barriers; maintenance of the ability to meet the specific demands of the local markets; market research and development; shared and enhanced brand image; and strengthened product line and appeal through compatibility with members' products.

The combination of these financial, operational and marketing benefits can result in strategic benefits (Lewis 1990; Shaw & Dawson 1993; Prahalad & Doz 1992). These are derived from consolidation, whereby the power of the alliance has the potential to raise the performance of the individual member. Such consolidation provides the opportunities for: economies of scale in the form of buying volumes, marketing, and operations; economies of replication in their form of recurrent costs, and fixed capital costs; and economies of scope in terms of specialism and global coverage (Shaw & Dawson 1993). Thus, it would appear that a strategic alliance has the potential to provide the independent small firm with strategic benefits which would be extremely difficult to achieve as an autonomous business unit.

The necessary interdependence of firms co-operating within a strategic alliance relationship is not without costs which may be of a financial, operational, and/or marketing in nature (Prahalad & Doz 1992; Hamill 1991). Financially, are the costs associated with supporting the co-ordination, administration, systems and marketing activity of the strategic alliance which requires to be met by the members. Operationally, there may be costs perceived as being negative to the business of individual member firms including: reduced innovation and entrepreneurship; vulnerability through mutual dependency and uncertain outcomes; conflict arising from the division of authority and decision-making power; imbalance of benefits and commitments; imposition of standardised product and trading formats; and disruption caused by inter-member conflict. In marketing terms, at member level, efficiency may suffer in terms of: loss of flexibility and quick response to market needs; erosion of competitive position through the creation of a weakened bargaining position; and submerged visibility of identity in order to enhance the brand image of the alliance. Porter (1985) identifies these costs as the categories of: co-ordination; compromise; and inflexibility. Appendix Two summarises the benefits and costs which have been identified and discussed as associated with a strategic alliance.

It is observed that strategic alliance strategies are often based more on vision and ambition than on careful evaluation of what the benefits actually are and what they can realistically achieve (Campbell & Sommers Luchs 1992). Furthermore, Hamill (1991 p. 80) warns:

'The danger is that competitive compromise will cause a dependency spiral, of distrust and conflict'

It is therefore considered essential that firms learn how to evaluate effectively the cost/benefit relationship inherent in specific strategic alliances. In this way, owner/managers have the potential to enhance their business performance, ensure against strategic encroachment and alliance dependency, and guard against resources being dissipated by alliance costs (Ansoff 1970; Hamill 1991). This process of evaluation will be influenced by the environment in which the alliance operates, especially by competition from alternative means of providing such services (Shaw & Dawson 1993). Underlying evaluation is a peculiar mix of economic, social and political variables. Economic compensation for each member's role is given on the basis of the degree of participation in the alliance. Social systems, bonds and commitments form among members, and are frequently stronger than economic ties. Political aspects are the politics of power which flow through the entire system. Thus, the monetary rewards, affinity bonds and power dynamics are at the heart of strategic alliance evaluation. Consequently, small firms which decide to use strategic alliances must redefine the rules of the business game, evaluating proposed membership corresponding to the mix of variables (Stern et al 1993).

Academics (Lorange 1989; Lewis 1990; Porter 1990; Hamill 1991) recommend a contingency-based evaluatory framework. The outcome of the evaluation will be dependent upon whether it is being made from the perspective of the member firm, or that of the core alliance organisation. It is important to emphasise that these are

not one in the same. Thus, it is suggested that the benefits and costs of strategic alliances can be evaluated from the two perspectives in terms of: an assessment of how it contributes to the individual firms' strengths; and/or how the entire alliance system would benefit from the combined strengths of all the firms involved in the relationship. As a result, each party would judge the arrangements relative to the correlation between: the strategic importance; the strategic resources accessed; and the expected strategic value to be gained from the alliance, in accordance with their long-term strategy.

For the small firm, the fundamental key to success is in the achievement of a strategic "fit". This is in terms of the extent to which an alliance might reinforce the core thrusts of the small firm, or represent moves that complement its basic strategies in a more peripheral manner (Devlin & Bleakley 1988; Lorange 1989; Hamill 1991; Van Gils 1993).

Thus, it is proposed that such a contingency-based conceptual framework can be organised relative to the range of variables as illustrated in Table 4.2. This framework can be used from the perspectives of either the core organisation management, or a prospective member. This process will assist in the careful evaluation of the range of variables involved.

Small Firm/Strategic Alliance Evaluatory Framework			
Economic	**Control**	**Member**	**System**
Strategic value/benefits	Extent of control over assets	Pre-emptive values vis-à-vis rivals	Strategic synergy
Transaction costs	Decision authority structure	Commitment at operative and strategic level	Competitive positioning
Market opportunities		Past performance in other alliances	Complementary resources
		Ability to teamwork	Cultural match on key values
			Compatibility of key personnel

Table 4-2: Small Firm/Strategic Alliance Evaluatory Framework

4.7 Member Behaviour

Mutual dedication within a strategic alliance agreement implies that the small firm is prepared to share one of their most valued assets, that of independence (Donckels 1993; Shaw & Dawson 1993; Donckels & Lambrecht 1995), in return for expected benefits. However, it is argued (Lewis 1990) that rather than reducing a firm's independence, strategic alliances will enhance it. For the retention of a degree of independence requires competitive strength. The mutual dependence created by

strategic alliances has the potential to increase that strength and create new growth opportunities.

The degree to which such strength and growth opportunities are achieved is, to a large extent, dependent upon co-ordinated, consolidated, co-operative, and proactive member behaviour. However, it is perhaps unrealistic to expect that the behaviour of all members will ever completely be in harmony, as alliances are dealing with a coalition of interests which are not necessarily similar to other members. Moreover, the objectives of the individual member seldom coincides with the objectives of the alliance itself (Shaw & Dawson 1993; Roper 1992). Nevertheless, the more that member behaviour positively reinforces the organisational goals and activities, the more likely that a satisfactory level of collective action can be achieved. Aspects of member behaviour which have been identified as significant are: social embeddednes; organisational learning; participation levels; and sources of potential conflict. These are now discussed.

Initially, the small firm enters into a strategic alliance voluntarily and with a generally low level of understanding relative to its operating logic, later the relationship becomes embedded in a set of traditions, mutual obligations, culture and philosophy of the alliance. The embeddedness results in the formation of relationships, which lead to structural and process characteristics allowing reciprocity to operate effectively (Roper 1992). It is considered that this assists in governing the behaviour of members, providing a greater harmony of interests that erase the possibility of dysfunctional behaviour (Ouchi 1980; Shaw & Dawson

1993). Block Smith & Barclay (1993) define dysfunctional behaviour as member action which serves to undermine the strategic initiatives taken to realise the alliance benefits.

Thus, it is considered essential (Hamill 1991) that firms learn how to plan and manage alliances effectively in order to achieve the objectives of its formation and minimise dysfunctional aspects. Furthermore, members require to learn to adapt their level of strategic thinking, as strategic alliance agreements affect the scale of operational scope. Thus, instead of thinking in terms of the individual firm, the small firm must consider the effects and implications of firm combinations, sets or systems, as a means of influencing competitive positioning. This may mean sacrificing a degree of local autonomy, in return for increased effectiveness of the strategic alliance as a whole, thus enlarging the macro benefits. Moreover, many alliances also involve working with competitors, which in itself represents a considerable shift in thinking (Lewis 1990). Without this self-conception of the logic of the organisation, a member may àdopt policies unfavourable to fellow members in the same system (McCarthy 1978). That is to say, they behave dysfunctionally.

Within voluntary groups high levels of participation are recognised as important in order to maximise benefits, functions, degree of status and success, and financial viability. Furthermore, the achievement of higher participation levels results in a greater cohesion which comes closest to mirroring the organisational structure of the corporate chain (Shaw & Dawson 1993). Such member participation in a strategic

alliance involves changes in the business, which are mostly centred around the human factor (Donckels 1993). For instance, members may seek to preserve their own individual trading identities, and in many cases their own methods and systems (Gianotten & Pleijster 1989). This may be taken to reflect the competitive importance of flexibility and individuality to members. On the other hand it might also reflect the failure of members to appreciate the potential benefits of closer collaboration, and the inability of management to enforce participative behaviour (Shaw & Dawson 1993).

Factors to be considered as sources of potential conflict have been identified in Appendix Two, encompassing the "cost" elements of the relationship, many of which occur when members function dysfunctionally, or it may be ego driven (Rokkan & Haughland 1993). Whichever, they do not conform to the philosophy of the organisation and the terms and conditions membership. This has a negative effect on the development and maintenance of relational contractual norms in a strategic alliance exchange relationship.

Specific sources of conflict are identified relative to: the process of exchange; differences in business philosophy; goal incompatibility; variations in perceptions; unclear roles and rights; and over dependence (Kotler 1991). Some amount of conflict can be constructive, stimulating a more dynamic adaptation to a changing environment. However, excessive dysfunctional behaviour influences contractual norms. Specifically, it decreases the amount of resources mobilised for effective

handling of external business relationships, and differences in the expected effect of strategic alliance fulfilment.

Thus, to a certain degree alliance success is dependent on member behaviours and relationships. This is based on mutual trust and understanding, which develop only with effort over time. It is proposed that the degree of embeddedness of the member in the alliance, and understanding of the operating logic will influence the extent of consensus, collective action, participation and dysfunctional behaviour. This in turn will influence the capabilities of the strategic alliance to operate as an efficient system.

4.8 Strategic Alliance Management

Drucker (1992) cautions that strategic alliances are anything but easy to manage, and often become more problematic the more successful they become. The challenge is to create a synergistic organisation which effectively reconciles the micro-objectives of the small firm with the macro-objectives of the strategic alliance system. Thus, alliances face different managerial problems from those of the corporate groups, because of the need to ensure the convergence of interests between individual members and the organisation as a whole (Masurel 1993; Shaw & Dawson 1993; Roper 1992).

In order to maximise alliance benefits, the alliance must work as one unit (Mallen 1977). This is dependent upon the unity and commitment of members, as it is only

through group solidarity that the alliance will be in a position to maximise the benefits for its members. Thus, in order to achieve this, within an autocratic or democratic alliance, there must be a leader, controller, or manager with centralised decision-making powers. It has become apparent that the focus of such management is not necessarily one of how to develop alliances, but how to manage them in order to gain specific benefits once they are established (Campbell & Sommers Luchs 1992; Rokkan & Haughland 1993).

The central role of member behaviour to the success of networks in general, and alliances specifically, has been strongly emphasised (Sections 3.8 & 4.7). Thus, within strategic alliances the management control and nurturing of member behaviour represents a prime function. Furthermore, as Block Smith & Barclay (1993) observe formal contracts do not make successful relationships, people do. Thus, alliance managers must understand the statics and dynamics that cause member unity and disruption, establish clear enforceable policies, and take quick action to control conflict, not necessarily eliminating it but of managing it positively (Lewis 1990).

Moreover, although members have been brought together by a desire to co-operate, they have generally not previously been embedded or associated with each other, nor are they initially enmeshed in each others' networks. Thus, a further major management responsibility is to build a rapport and consensus, reflect similar values, attitudes and personality (Fletcher 1993). In this way, the norm of trust which surrounds the strategic alliance relationship will be achieved, which has the potential

to promote interdependence between partners, minimising the effects of organisational differences (Block Smith & Barclay 1993). This assists in the fostering of information exchange, mutual learning, innovation, integrative negotiation, reinforcement of loyalty; and general achievement of benefits (Rokkan & Haughland 1993; Block Smith & Barclay 1993; Shaw & Dawson 1993).

Mechanisms which can be introduced to assist management of conflict, commitment, consensus, and dysfunctional behaviour have been identified as follows. First, conflict can be managed through the: adoption of superordinate goals; co-optation of members onto management; and diplomacy, mediation or arbitration (Kotler 1991). Second, the issue of commitment can be addressed by the promotion of a mutual need philosophy, winning internal support, moving beyond operational issues, conflicting interests, and contrasting cultures (Kotler 1991). Third, consensus can be achieved by a greater degree of homogeneity in interests, one aspect of which is the extent to which members face similar market and competitive environments. A further means is the degree to which members are of a similar size, in the context of symmetry of the relationship between members and the resultant power relationship which may reduce levels of trust, thus diminishing the likelihood of common action (Shaw & Dawson 1993). Finally, the amount of dysfunctional behaviour can be related to the organisational structure in terms of the nature of the decision making authority, degree of formalisation of systems, and the existence and fulfilment of sanction mechanisms (Rokkan & Haughland 1993). Furthermore, Shaw & Dawson (1995) introduce the concept of rules which incorporate voluntary features to allow

for voluntary participation in activities. This encourages members to participate in those activities which they find individually beneficial, perhaps where member interests differ. Such flexibility allows the group to survive, where more precise regulation would create conflict. The range of identified member behaviour control mechanisms are summarised in Appendix Three.

Eleven key success influencers have been identified (Appendix Four), the achievement of which has the potential to contribute positively to the management of strategic alliances (Lorange 1989; Dent 1990; Hamill 1991; Axelsson & Easton 1992; Devlin & Bleackley 1988; Harper 1992; Campbell & Sommers Luchs 1992; Rokkan & Haughland 1993; Shaw & Dawson 1993). These address the majority of threats to network structures identified in Table 3.2. However, they neglect to consider the threat relative to the implication of untested management structures which govern many strategic alliances (Block Smith & Barclay 1993). This brings to the management equation the need to achieve collective action, with uncertain management capabilities.

Thus, while strategic alliances can be structurally configured and a governance structure established, management has to work towards the achievement of the organisation's objectives, addressing the range issues identified in Appendix Four. Underlying the success influencers are the complex management issues associated with co-ordinating the actions, and achieving the satisfactions of a heterogeneous, idiosyncratic grouping of firms and owners. Thus, the ultimate success of the

alliance is dependent upon: the decision to form; choice of member; and the affinity which bonds members (Lewis 1990; Fletcher 1993; Block Smith & Barclay 1993).

Instrumental to success is a management style and processes which promote a cohesive, co-ordinated culture. These require to recognise the economic and social dimensions of the relationship. Factors which could potentially hinder successful strategic alliance management are summarised by Dawson & Shaw (1992) as: the absence of a common culture; generation of instant size with the creation of consequential managerial strains; untested management structures; expectations of immediate benefits; different perceptions of long term objectives; varying levels of commitment by members; danger of a dominant member; and communication problems between members.

4.9 Conclusions

It is considered that this investigation of a sub-network form has considerably contributed to extending understanding and depth of knowledge of the concept. To a certain extent it is believed that a strategic alliance represents the operationalisation of a network form, clearly articulating, formalising and managing the phenomena. With respect to the small firm, strategic alliance relationship is now defined by the author as:

"Co-operation with firms in order to add to their competencies,

improve market and competitive position, and retain independence

of ownership. The relationships vary in terms of the degree of

commitment, control, co-operation and organisational formality.

Dimensions may include collaboration, competition, contributions,

and mutual consequences."

The strategic imperatives of the small firm, at a certain point in time, will govern the motivations and process of selection of a strategic alliance. The dimensions of a specific strategic alliances, formation factors, and process of evaluation are combined towards the selection of a relationship from a range of alternatives. Factors influencing formation have been identified as strategic, economic and socio-economic in nature. These correspond to the benefits expected as a result from participating in a strategic alliance, and are matched against the benefit outcomes in reality as a measure of the success or failure of the relationship.

Benefits and costs of participation have been categorised as financial, operational, marketing, strategic and are economic and socio-economic in nature. It has been recommended that the potential relationship be evaluated using a contingency based framework in order to ensure that it will enhance small firm performance. This is to guard against strategic encroachment and dependency, and that resources will not be dissipated by alliance costs.

The small firm enters an alliance tentatively, building trust, relationships and establishing its position in the organisation. In certain circumstances it represents a cumulative process as organisational learning increases, benefits are received, and relationships strengthened. Providing the experience is positive, this serves to increase confidence and interdependence, thus the small firm becomes socially and economically embedded in the strategic alliance. During the life of the relationship, formation factors, expected benefits, actual benefits, organisational structure, management style, and processes govern member behaviour. Once the original strategic imperatives have been satisfied the small firm may either seek to use the alliance to satisfy a new set, or become less dependent on the relationship, dissatisfied, act dysfunctionally, or exit the relationship. This corresponds to the incubator role which networks fulfil as identified in Section 3.7.

Finally, it is concluded that a strategic alliance is a mechanism which mediates between pure market and the small firm on behalf of its members. It is clear that the range and variety of strategic alliances is immense. As a result it is not realistic to presume universally applicable conclusions. However, a general danger is that managers of strategic alliances struggle to be effective because of lack of any strategic control over the members which prohibits the implementation of tight organisational control necessary to focus strategy. Thus, management effort seems to be often caught in the middle between the small firm and the strategic alliance, attempting to reconcile the tensions and polarities as were identified in Figure 3.4 relative to networks.

Thus, recognising the extensive range of strategic alliance types, it is concluded that strategic alliance management and members operate within organisational structures which have varying degrees of control and regulation over member assets and behaviour dependent upon the what is appropriate within the given pretexts.

Appendix One: Strategic Alliance Purpose, Format, Variable

Dimensions and Features

Strategic Alliance Purpose, Format, Variable Dimensions And Features	
Purpose	Internationalise, rational economic/technical weapon, defensive, offensive, restructuring strategy, creation of a value chain.
Format	Contractual, strategic network, equity alliance, voluntary co-operative.
Features	Contributions, competition, failure consequences, motivations, partners.
Variable Dimensions	Combined resource base, common spatial/different product market, creation of a third party organisation, degree of organisational formality, geographic scope of operation, intended degree of permanence, number of partners, partners approach to risk management, power balance relationship, range of functions performed, size of benefits received, vertical or horizontal configuration.

Appendix Two:

Benefits and Costs Of Strategic Alliance Membership

Benefits And Costs Of Strategic Alliance Membership		
Category	**Benefits**	**Costs**
Financial	• Increased income • Reduced administrative and operating costs. • Reduced investment exposure and risks. • Marketing cost economies. • Effective use of resources in technology development. • Operational cost economies. • Economies of replication in the form of recurrent costs and fixed capital costs	• Co-ordination, administration, systems and marketing. • Transaction.

Category	Benefits	Costs
Benefits And Costs Of Strategic Alliance Membership		
Operational	• Creation of new or improved performances. • Strengthening of operations through innovative and enhanced processes. • Adding to technical skill base. • Managerial control over a horizontally integrated value added chain. • Innovation benefits derived from the pooling of skills, information and expertise. • Generation/use of core and secondary technology. • Bargaining leverage over suppliers and intermediaries. • Economies of scale, procurement and operations. • Economies of scope in terms of specialism.	• Reduced innovation and entrepreneurship. • Vulnerability through mutual dependency and uncertain outcomes. • Conflict arising from division of authority and decision-making power. • Imbalance of benefits and commitments. • Imposition of standardised product and trading formats. • Disruption caused by inter-member conflict.
Marketing	• Geographic strengthening and widening of market access. • New and joint market opportunities. • Maintenance of ability to meet specific demands of local markets. • Market research and development. • Shared and enhanced brand image. • Reinforced product line and appeal. • Economies of scale. • Economies of scope in terms of	• Loss of flexibility and quick response to market needs. • Erosion of competitive position through the creation of a weakened bargaining position. • Submerged visibility of identity in order to enhance brand image.

134

Benefits And Costs Of Strategic Alliance Membership		
Category	**Benefits**	**Costs**
	global coverage.	
Strategic	• Economies of scale in the form of buying volumes, marketing and operations. • Economies of replication in their form of recurrent costs and fixed capital costs. • Economies of scope in terms of specialism and global coverage.	• Sacrificing strategic strengths of the member to the benefit of the alliance system as a whole.

Appendix Three: Member Behaviour Control Mechanism

Member Behaviour Control Mechanisms	
Formal	**Informal**
Sanction mechanisms	Benefits of membership outweigh the costs
Co-ordinative decision-making mechanisms	Co-opt members onto management
Explicit communications programmes	Consensus relative to organisational goals and activities
Centralisation and formalisation of decision-making structures	Diplomacy, mediation, arbitration
Member selection ensuring common member characteristics, values and attitudes	Encourage the small firm to adopt super-ordinate system goals
Incentive and reward mechanisms	Homogeneous member interests
Formalisation of systems	Maintenance of a perception of reciprocity
	Symmetrical power balance between members and management

Appendix Four:

Strategic Alliance Management Success Influencers

Strategic Alliance Management Success Influencers	
Success Influencers	**Recommendations**
Autonomy v. Interdependence (Lorange 1989; Dent 1990; Shaw & Dawson 1993)	Each member in the alliance should be allowed to retain enough autonomy to perform effectively their specialist function, retaining the management structure and culture that best suits its market, functions and expertise.
Complementarity & Mutual Dependence (Lorange 1989; Hamill 1991; Axelsson & Easton 1992; Campbell & Sommers Luchs 1992; Rokkan & Haughland 1993; Shaw & Dawson 1993)	Member must bring complementary assets, and accept a degree of strategic control over them. In addition, the size and market power of member individually is modest compared with industry leaders, thus mutual equitable dependency requires to be accepted.
Compulsion v. Voluntarism (Harper 1992; Campbell & Sommer Luchs 1992; Rokkan & Haughland 1993; Shaw & Dawson 1993)	Given the general independent nature of the small firm, the achievement of an acceptable balance between compulsion and voluntary activity is a key aspect.

Success Influencers	Recommendations
Evaluation System (Dent 1990; Rokkan & Haughland 1993)	Evaluatory measures should reward each member, or jointly if the arrangement involves profit-sharing, accommodating different functions and stages in the firm's business life-cycle. The reward structure must be acceptable to all members. In addition, the alliance progress and evaluation should be communicated back to member.
Flexibility & Innovation (Dent 1990; Prahalad & Doz 1992; Campbell & Sommer Luchs 1992; Axelsson & Easton 1992; Shaw & Dawson 1993)	It is important to achieve flexibility within an organisation, in order that efficiency and innovation do not suppress each other or that internal competition does not become stifled by internal politics. This flexibility in effect creates the culture of the organisation.
Free Market . (Dent 1990; Hamill 1991; Moss Kanter 1992; Axelsson & Easton 1992)	Dependent on the nature of the specific alliance it is suggested that not only must member retain a strong degree of autonomy, they must also have the freedom to choose what services it wishes to use from other networks, in order to avoid alliance dependency.
Operating Logic (Devlin & Bleakley 1988; Lorange 1989; Dent 1990; Hamill 1991; Harper 1992; Axelsson & Easton 1992; Rokkan & Haughland 1993; Shaw & Dawson 1993)	A basic understanding of the organisation's nature and characteristics by all members is recognised as essential. The logic of the alliance is that collective action yields greater benefits so this may require that individual member interests are subordinated to the interests of the greater collective good.

138

Strategic Alliance Management Success Influencers

Success Influencers	Recommendations
Organisational Learning (Lorange 1989; Dent 1990; Hamill 1991; Axelsson & Easton 1992; Campbell & Sommer Luchs 1992; Rokkan & Haughland 1993; Shaw & Dawson 1993)	Alliance structure and culture must enhance the capability of members to learn from each other, while controlling access to proprietary skills. Thus, the alliance will continually be renewed and refreshed.
Political Allegiance (Harper 1992; Axelsson & Easton 1992)	Avoid being linked to any particular political group. This is largely due to a history of political manipulation of co-operative organisations in the UK and elsewhere.
Specialist Activity & Limitations (Harper 1992; Campbell & Sommers Luchs 1992; Prahalad & Doz 1992)	On conception focus on one specialist activity to ensure the manageability and effectiveness of the organisation. From this base additional activities may be incorporated, however, it is important to recognise the limitations of the alliance

5. Chapter Five: Research Methodology

5.1 Introduction

Three key objectives guide this chapter. First, to communicate how the research strategy and methodology which were applied to this project were arrived at, and to justify the selected approach. The second objective is to describe precisely the structure of the research design, applied methods, and data collection procedure. Finally, the total research process is evaluated and appraised. Throughout the chapter, two considerations are central to the research strategy and methodology. These are that research strategy adopted accurately reflects the key research issues of the study, and that the methodology adopted precisely mirrors the main objectives of the research project (Section 1.2).

Investigation of strategic alliances in Chapter Four arrived at the conclusion that, while the intent of strategic alliances was sound, there appeared to be problematic issues associated with management, which could lead to under optimised structure and processes. Thus the key aim of this empirical research is to advance knowledge of the processes which lead to the creation, development and management of strategic alliance relationships. A further central aim is to analyse and evaluate the contribution of the strategic alliances to the small firm sector in general, and to those operating within the UK hotel industry specifically.

5.2 Philosophy

i) The Nature of Social Science

The substantive domain of management is essentially dependent upon the social sciences, in that its concern is primarily with the macro and micro behaviour and activities of human beings (Gill & Johnson 1993). Social scientists are oriented to the empirical world (Ferman & Levin 1975; Bulmer 1984; May 1993), as such they aim to explain the nature of social action, relationships, and structure in theoretically adequate terms which challenge traditional assumptions about social life.

Two fundamental differences distinguish social from natural sciences (May 1993; Gill & Johnson 1993). First, the social world cannot be understood in terms of causal relationships that do not take account of the situation that human actions are based upon, actors' interpretation of events, their social meanings, intentions, and motives. This is based on the view that human action has internal logic of its own and that subjective dimensions must be understood in order to make action intelligible. As a result, the researcher's understanding of the social world becomes a precondition of the research, achievement of which is assisted by directly experiencing that reality. Consequently, deductive forms of analysis, in which an external frame of reference is imposed upon the behaviour of the phenomena, are considered inappropriate where the phenomena in question have subjective capabilities.

141

It is this internal dimension that is the key to explanation in the social sciences (Gill & Johnson 1993). Second, results and practices of social research feed back into social life. Actors engage in the interpretation of the findings and are co-participants in the process. Thus, it is vital that social theory is developed within this context. This was clearly represented by Weber (1949) for whom the subjective meanings used by people in social interaction are identified as the starting point for the objective analysis of society. Thus, central to this research design is the need to address the internal dimensions of the phenomena, and to facilitate the involvement of the actors as co-participants in the research process.

ii) Research Methodological Philosophies

The subject of research methodology choice is traditionally discussed in terms of an antithesis between two schools of philosophy: the positivist and the phenomenological (Gummesson 1991). These will now be discussed and joined by a further approach, that of multimethods, which is considered by the researcher as worthy of consideration. Easterby-Smith et al (1991) clearly outline the key elements of the positivistic and phenomenological philosophies which represent stereotypes of the main traditions associated with research methodologies. These are illustrated in Table 5.1.

	Positivistic	Phenomenological
Basic Belief:	The world is external and objective	The world is socially constructed and subjective
	Observer is independent	Observer is part of what is observed
	Science is value-free	Science is driven by human interest
Researcher Should:	Focus on facts	Focus on meanings
	Look for causality and fundamental laws	Try to understand what is happening
	Reduce phenomena to simplest elements	Look at the totality of each situation
	Formulate hypotheses and then test them	Develop ideas through induction from data
Preferred Methods:	Operationalising concepts so that they can be measured	Using multimethods to establish different views of phenomena
	Taking large samples	Small sample investigated over length of time

Key Elements Of Positivistic & Phenomenological Philosophies

Table 5-1: Key Elements Of Positivistic & Phenomenological Philosophies

(Source: Easterby-Smith et al (1991, p. 41))

The positivistic philosophy is primarily concerned with ways in which data has been created and its validity. It maintains that the social world exists externally, and that its properties should be measured through objective methods. Causality and fundamental laws are used to explain regularities in human social behaviour using large samples from a parent population, and implementing a hypothetic-deductive approach. Resultant knowledge is generally seen to be objective, credible, and to facilitate generalisation of findings from a controlled sample to the wider parent population. Furthermore, when statistics are aggregated from such large samples, findings may be of significant relevance to policy decisions at a macro-level. However, this approach can result in a number of weaknesses, based on the view that the process is not effective in understanding processes, or the significance that people attach to actions (Easterby-Smith et al 1991).

In contrast, the key elements and features of the phenomenological philosophy endear themselves to the aims, nature and characteristics of social science research as discussed in Section 5.2. The main difference to that of positivistic is that the starting point for all is the idea that reality is socially constructed rather than objectively determined. Thus, phenomenological approaches reject the positivist assumption that descriptive concepts are simply a first step towards the testing of explanatory hypotheses (Silverman 1985; Bryman 1992). Phenomenological based research is concerned with the viewpoint of the individuals being studied, detailed elucidation of

context, and the sensitivity of process at a micro-analytical level. The main strengths are recognised as being the ability to look at change processes over time, assisting the understanding of actor's meanings, with the important reflexive facility to adjust to new issues and ideas as they emerge. As such, the philosophy has the potential to contribute substantially to the evolution of new knowledge and theories. Two specific related forms of the phenomenological philosophy, social constructionism and grounded theory, have been selected by the writer as relevant to this research project and thus deemed worthy of further discussion.

First, the aim of social constructionist research is to understand how members of a social group, through their participation in social process, enact their particular realities and endow them with meaning. Thus, the task of the researcher is to describe and analyse the world from the perspective of those involved with its performance (Lofland & Lofland 1984). It is based on the assumption that the researcher must get close to those generating and enacting the data. Through ongoing iterations of data with the researchers' understanding of the actions and ideas of those being observed, the theoretical model of the researcher is more likely to fit the facts of the situation (Rosen 1991).

Second, the approach of grounded theory is considered fundamental to the adoption of a social constructionist approach. Grounded theory is the stimulation and development of theoretical ideas by the systematic

investigation of the social world, usually by means of qualitative methods. It is a general methodology of analysis linked with data collection, that uses a systematically applied set of methods to generate an inductive theory about a substantive area. The term was first introduced by Glaser and Strauss (1967) and is supported as theory which is grounded in the concepts and theorising of the people it is about. Thus, it is likely to fit and work as the basis for explanation and prediction and, as such, be plausible and socially valid (Rose 1987; Brewer & Hunter 1989; Morrison 1989; Hammersley 1989; Easterby-Smith 1991; Bell 1991; Gilbert 1993). In this way, a theoretical rendition of the realities of an action area can become a reality, provided it is grounded systematically in the data and it is neither forced nor reified (Glaser 1992). Two kinds of grounded theory are distinguished, differing in levels of abstractness: substantive; and formal usually generated from the substantive. In using grounded theory, the researcher is continually confronted by the social worlds of the research subjects. This assists in the confirmation of understanding of viewpoints of the researched, and in the exploration with them of the implications of any policy recommendations made by the researcher. Consequently, the achievement of social validity is enhanced, and the researched are given their place in the development and verification of the research process and findings. (Walker 1985)

Two techniques which Glaser & Strauss (1967) present are: constant comparative method; and theoretical sampling. Firstly, the constant

comparative method is a procedure for generating categories and their properties. As analysis develops the categories become the guiding criteria in the analysis of cases and the categories, and their properties become integrated into a theoretical core. In this process, the number of categories may decline as underlying uniformities are discovered. Analysis continues until theoretical saturation is reached. This approach enables a codification and systemisation of the more informal inspection of data which is common in qualitative research, through which theoretical ideas are generated and developed. Second, is the technique of theoretical sampling which in contrast to representative sampling involves choosing cases in such a way as to most effectively develop the emerging theory. Sampling continues until theoretical saturation is reached. Grounded theorising is not intended to provide universal laws, though the findings are clearly intended to be generic, and not just particularistic. (Hammersley 1989). These two techniques have been incorporated into research design.

However, despite these many strengths, the phenomenological approach has been criticised due to five main features (Brannen 1992; Boaden & Swatz 1991). First, is the notion of scientism. This holds that the only knowledge of any significance is that which is derived from the use of objective, observable, and directly measurable data. The second arises from the use of the researcher as the research instrument, coming into the field value-free, thus, not bringing any values and preconceptions to the research process.

This manufacturing of distance, while remaining flexible and reflexive may prove to be difficult. The third feature also focuses on the researcher as the research instrument, which will only be as effective as the skill, experience and understanding of the researcher. Fourth, the full meaning of the data may not be grasped and temporary conditions could easily be taken to represent normal ones. The final feature, is the openness of the approach which often results in researchers being reluctant to inject theory into their interpretations of data, being overly dependent on respondents constructs and interpretative devices.

The strengths and weaknesses of both positivistic and phenomenological philosophies are clear. However, the author is of the opinion that the subject of research methodology choice need not necessarily be a case of an antithesis, purely in terms of a dichotomy. Such a stance ignores the adoption of what may be termed a methodological pluralist approach (Gill & Johnson 1991). Thus, there appears to be increasing support (Trow 1957; Campbell & Fiske 1959; Denzin 1970; Circourel 1981; Bulmer 1984; Silverman 1985; Fielding & Fielding 1986; Easterby-Smith et al 1991; Brannen 1992; Veal 1992) for a multimethod approach, which has the potential to gain from the strengths and minimise the weaknesses of both positivist and phenomenological approaches combined. This is described by Brewer & Hunter (1989, p. 17) as:

"Multimethods' fundamental strategy is to attack a research problem with an arsenal of methods that have non-overlapping weaknesses in addition to their complimentary strengths."

Thus, the term multimethods refers to research situations where a research problem can survive, and benefit from, the confrontation of a series of complementary methods of testing. This suggests a new orientation for phenomenological researchers. Conventionally this shift is termed as moving from the ideographic to the nomethetic. This means an emphasis on theory construction, and a stance towards methodology, as a way of searching out and interrelating non-unique categories to support claims to generalisation (Fielding & Fielding 1986). Clearly positivistic and phenomenological research are different, and it is their distinctive characteristics which make the possibility of combining them attractive. Furthermore, justification for the multimethods approach lies in the need to aggregate phenomenological derived data to address macro-level and policy issues, and to increase confidence in findings, lessening recourse to the assertion of privileged insight (Silverman 1985; Fielding & Fielding 1986).

Thus, multimethods joins those of positivistic and phenomenological as a potential research paradigm. The range of terminologies and features which authors (Blumer 1969; Ferman & Leven 1975; Leiter 1980; Bulmer 1984; Lofland & Lofland 1984; Silverman 1985; Fielding & Fielding 1986; Brewer & Hunter 1989; Hammersley 1989; Gill & Johnson 1991; Gummesson 1991;

Brannen 1992; Bryman 1992; Easterby-Smith et al 1992; Gilbert 1993; May
1993; Miles & Huberman 1994) have associated with these three
philosophies are summarised on Table 5.2.

Paradigm Approaches		
Paradigm	**Terminology**	**Feature**
Positivistic	Quantitative	Inflexible
	Rationalistic	Representativeness
	Hypotheses Testing	Generalisability
	Functionalist	Causality
	Deductive	
	Idealism	
Phenomenological	Qualitative	Reflexive
	Humanistic	Sensitisation
	Symbolic Interactionism	Exploratory
	Ethnomethodology	Inductive
	Grounded Theory	Realism
	Social Constructionism	Inferred Subjectivity
	Naturalistic	

Paradigm Approaches		
Paradigm	**Terminology**	**Feature**
Multimethods	Linked Methods	Integration
	Triangulation	Validation
	Multiple Operationalism	Reflexive
	Mixed Methods	Synthesis
	Methodological Pluralism	Micro-Macro Dimension
	Between Methods	Generalisability

Table 5-2: Paradigm Approaches

Three major strengths of the multimethods' approach have been identified relative to data collection, validity of research, and micro-macro dimensions. First, is the interweaving of positivistic and phenomenological methods, feeding off each other in the sense of stimulating new issues for data collection. This represents an iterative process moving back and forth among methods and most frequently encountered is in the term triangulation (Campbell & Fiske 1959; Denzin 1970; Boaden & Swartz 1990), which tends to be used interchangeably with that of multimethods. However, Brewer & Hunter (1989) differentiate them by regarding the former as an aspect of the multi-method approach. Second, Bulmer (1984) recognises that the value of such methodological marriages is apparent, not least because the weakness of one style may be balanced against the strengths of another. As a result,

multimethods represent a reflexive approach, guarding against loosing sight of reality, and the problems caused by over reliance on one type of method, which has the potential to enhance the validity of the research. The final strength is in the dissolution of the micro-macro dimensions through the linkage of the features of realism and generalisability (Circourel 1981; Fielding & Fielding 1986; Easterby-Smith et al 1991; Gill & Johnson 1991; Brannen 1992). In this approach, the working of power in the micro-setting and the complexity of small group relationships is studied at a micro level, with quantitative macro-analysis providing the framework for the wider socio-economic context.

Acceptance of such a multimethod approach moves the researcher away from the poles of methodological individualism, or methodological collectivism, to the adoption of a methodological situationism whose relevant unit is interaction in social situations (Trow 1957; Silverman 1985; Gummesson 1991; Easterby-Smith et al 1991; Bryman 1992; Hammersley 1992). Thus, Easterby-Smith et al (1991) focus upon the reality of the debate which is to utilise the research methods which will be most effective, within the context of the problems and theories which they are being used to illuminate, and the stages in the research project development. Finally, a conclusion of this methodological review is that the following quote is particularly apt:

Methods are rather like a kaleidoscope; depending on how they are approached, held and acted toward, different observations will be revealed. (Bulmer 1984, p. 27-28)

iii)Justification of Approach

Given the nature and characteristics of the identified key research issue, objectives, and actors, the research strategy is primarily exploratory and qualitative. This is considered justifiable as the reality of the small firm in general, and within the hotel industry specifically, is an area about which little is known (Lowe 1988; Hankinson 1991; Boer 1992). Furthermore, a study of small firm strategic alliances needs to adopt a qualitative stance to capture the idiosyncrasies and complexities of the relationships (Curran & Blackburn 1994). It is strongly believed that only by investigating the real setting of functioning small firms can researchers begin to understand their complexity. Thus, the adoption of such an inductive approach is based on the recognition of the importance of being reflexive and getting close to the social reality of the small firm and the strategic alliance relationship. This approach is supported by leading academics (Curran 1986; Curran & Burrows 1987; Blackburn et al 1990; Goss 1991; Curran et al 1991; Webster 1992). Moreover, the focus of the research is strongly sectoral, guarding against the assumption of small firm sector commonality which discourages examination in wider economic and social contexts (Goss 1991). It is proposed that such an approach, developed from systematic empirical

153

research, is more likely to fit the data, and will therefore be more plausible and accessible than the more speculative nature of deductive theory.

However, given the weaknesses identified with phenomenological methodology it is considered necessary to strengthen the validity of the overall research process through the inclusion of positivistic research in the form of a self-administered, mailed questionnaire. This assists in validating links between concepts and indicators by recourse to other indicators (Hammersly & Atkinson 1983). This use of multimethods in a systematic, planned manner, facilitates the development of an understanding of how the small firm links with the wider economy and community. That is to say, how they react within the universe of economic and social relations in which the firm is situated (Blackburn et al 1990). As such, a multimethods research approach is considered justified in the adoption of a methodological situationism which aims at a dissolution of the micro/macro dimensions.

5.3 Applied Methods and Data Collection Procedure

The research process commenced with a literature review, the majority of which was carried out during the period October 1991 to January 1994. However, the process continued for the duration of the total research project as new material was found, and existing material updated. The empirical research commenced in January 1994 and continued until November 1994. As discussed in Section 5.2, the research strategy adopted deliberately linked positivistic and phenomenological

methodologies, adopting a multimethods stance in the following manner. The first phase of the research was designed to incorporate the phenomenological approaches of social constructionism and grounded theory. These aimed at addressing the internal dimension of the social world, and facilitating the co-participation of actors in the research process at a micro level. The second phase moved to a positivistic approach, taking the findings from the first phase to the total population, by means of a self-administered mailed questionnaire. In this way it was possible to focus precisely on the significant issues to be addressed in the questionnaire. This provided a mechanism to increase the degree of validity, and to enhance generalisability in a wider macro level socio-economic context. The final phase of the research process linked and synthesised the findings from phases one and two, thus combining micro and macro dimensions.

i) Literature Review

A comprehensive literature review was carried out in the first instance, prior to entering into empirical research activity. It drew on the multi-disciplinary sources of: marketing; organisational behaviour; small firm sector; sociology; economics; strategic management; networks and strategic alliances; UK hotel industry; and relative public domain data. From this material a set of fifteen research propositions were developed, relative to strategic alliances. The key foci of concern of the research propositions are now presented.

Formation Factors

- Factors which influence a small firm into joining a strategic alliance are: external competitive pressures; internal performance pressures; access to new markets; desire to internationalise; achieve economies of scale; access communications technology; and enhance overall competitive position. Motivation to join is strongest when these factors are exerting the greatest combined effect. (Bunt & Pino 1991; Lewis 1990; Lorange 1989; Axelsson & Easton 1992; Dawson & Shaw 1992; Powell 1992)

Member Characteristics

- In order to effectively achieve the goals, and improve the competitive positioning of the strategic alliance, new members are selected on the basis of: complimentary assets; acceptance a degree of control over the assets; compatibility of the owner; cultural match on key values; ability to teamwork; and past performance in other strategic alliances. (Lorange 1989; Hamill 1991; Lewis 1990; Mattsson 1986).

Organisational Structure

- Strategic alliances which incorporate stable and dynamic dimensions in the structure, will retain a competence for self-renewal and effectiveness over time. (Gray 1991; Lorange 1989; Axelsson & Easton 1992; Mattsson 1989). The organisational structure of a strategic alliance links the internal capabilities, resources and social relationships of members through strategic systems and actions, of both implicit and explicit form. The extent of interdependency of the positions of members and the strength of the systems in place with be reflected upon the degree of hierarchical dominance within the organisational structure. (Dawson & Shaw 1992; Axelsson & Easton 1992; Porter 1985)

Member Benefits & Costs

- A member who abides by the rules of the strategic alliance organisation has the potential to benefit from: organisational learning; enhanced effectiveness through accessing corporate services; a predictable, negotiated environment; and maximised utilisation of resources invested in the strategic alliance. (Axelsson & Easton 1992; Porter 1986; Lewis 1990; Welch 1991; Lorange 1989; Ansoff 1970; Dent 1990)

- Within a voluntary strategic alliance, transaction costs are borne by the small firm individually and the strategic alliance collectively, and are equitably distributed throughout the membership. In a stable relationship a

strategic alliance aims to minimise the transaction costs incurred by members, through synergistic linkages and economies of scale. Thus, a strategic alliance exists where the transaction costs of the combined organisation are lower than those incurred by the individual member. In this respect, transaction costs are accepted by the member on the understanding that they will be compensated for by strategic benefits, of both social and economic nature, in excess of the costs. (Ouchi 1980; Jarillo 1990; Blois 1989; Pietsch 1991; Ansoff 1970)

Member Behaviour

- The behaviour of members is influenced by the structure and strategy of the strategic alliance over time. As a result, the consequences of earlier activities of the strategic alliance will form the base for present and future member expectations and experience of negative effects will have an adverse influence on the members level of commitment, participation and future developments of the strategic alliance. (Hamill 1991; Greenley 1989; Fombrun 1986; Porter 1985)

- In order to preserve the competencies of the strategic alliance members must abide by the rules of the organisation. Specifically, a proactive role is expected as norm, sharing objectives and strategies among members, acceptance of mutual reliance and vulnerability, and refraining from behaviours which are a threat to the overall performance of the strategic

alliance. (Drucker 1992; Porter 1990; Lewis 1990; Greenley 1989; Fombrun 1986)

- Each member in the strategic alliance should be allowed to retain enough autonomy to perform effectively their specialist function, retaining the management structure and culture best suited to its market, functions and expertise, with the freedom to choose what services they wish to use from the strategic alliance. (Dent 1990; Hamill 1991; Axelsson & Easton 1992; Harper 1992; Greenley 1989; Lorange 1989)

- Member dependency on the a strategic alliance enhances its independence through competitive strength, mutual dependence and the creation of new growth opportunities.(Lewis 1990; Gray 1991; Curran et al 1991; Poon 1988)

- The degree of a strategic alliances insulation from other networks is dependent on the extent and effectiveness of membership benefits, as a result a small business may have positions in one or several strategic alliances. (Axelsson & Easton 1992; Mattsson 1989)

Management

- A strategic alliances' economic activity is co-ordinated by market forces, the establishments of agreements of different degrees of formality and the management of member relationships, rather than by management process

159

and capabilities. Given this relationship, effective long-term management is built upon mutual trust, which is dependent upon perceptions of equity in power balance, communication, and reciprocity. (Blois 1989; Dawson & Shaw 1992; Mattsson 1989; Lester 1991; Axelsson & Easton 1992; Ali 1992)

- The more a voluntary strategic alliance develops in terms of scale and scope, the more difficult it is to manage. This is further exacerbated in a dynamic environment where a strategic alliance is continuously dealing with non-standard situations with no previous experience relative to strategy implementation, nor of assessing the effectiveness which may have an adverse effect on the organisations effectiveness. (Drucker 1992; Hamill 1991; Axelsson & Easton 1992)

Strategy & Alliance Evaluation

In strategic alliances strategy modification represents a continuous activity, which must accommodate the individual economic and personal goals of members, in addition to the goals of the core organisation. Furthermore, the adoption of new strategy will have a significant impact on organisational structure. (Moore 1992; Greenley 1989; Glueck & Jauch 1984; Chandler 1966; Devlin & Bleackley 1988; Fletcher 1993)

- The value of a strategic alliance is judged relative to the total system of the organisation in terms of:

  - contribution of the strategic alliance to individual members strength/strategic importance of the strategic alliance to the member;

  - benefits of the combined strength of the strategic alliance/strategic resources brought to the strategic alliance by each member.

(Paasche et al 1993; Lorange 1989; Hamill 1991; Axelsson & Easton 1992)

ii) Empirical Research Context

A strategic alliance, Scotland's Commended Hotels (SCH) and its member small hotel firms were selected as the subjects for empirical research on the basis that they conformed to the small firm and strategic alliance definitions developed in Sections 2.2 and 4.2. This strategic alliance is an example of small firms voluntarily co-operating, seeking to add to their competencies by combining marketing resources with those of their partners, in order to safeguard and improve their market and competitive position. The sixty-six small hotel member firms are financed by one individual or small group, directly managed by its owner(s) in a personalised manner, and have a maximum number of forty bedrooms. Furthermore, it has been established in Section 2.3 that this typology of small firm is representative of approximately 60% of the UK hotel population. The sampling was based on first the core

organisation management, followed by the random selection of two members from each of the five geographical sub-divisions of SCH, and finally survey of the total population which achieved an 89% response rate.

The immediate past Chairman of SCH was approached in January 1994 in order to ascertain the level of willingness of the organisation to participate in the research project, and the potential degree of access with would be afforded to the researcher. He knew and respected the researcher as the university lecturer of his daughter, which influenced the degree of receptivity with which he met the request. Furthermore, the timing coincided with recognition that SCH had reached a critical stage in its life-cycle. The consortium was becoming a victim of its own success, in that with success came greater management responsibilities which the current voluntary management structure was finding difficult to sustain. As a result of these two factors he agreed to open the door to SCH on the researcher's behalf and arrange maximum access to organisational literature, members of the management committee, members and those other organisations generally associated with SCH. The researcher was then invited to attend the February 1994 management committee meeting and present her credentials, aims and expectations as regards her relationship with SCH. Agreement of the management committee was unanimous. They stated that the researcher's involvement, over the proposed ten month period, could only be to the

benefit of the organisation, as such she should be accorded every support. From that point the data collection process commenced.

iii)Empirical Research Design, Applied Methods & Data Collection Procedure

A graphic presentation of research design can be found in Appendix One within which the applied research methods were: organisational literature review; in-depth tape recorded interviews; longitudinal study; diary of participant observations; and mailed, self-administered questionnaire. All the collected data was uniformly coded according to the frameworks which appear in Appendices Eight, Nine and Ten. Each of these methods are now discussed.

- **Organisational Literature Review**

During February 1994 the Business Plan (1991), Constitution, Membership Application Package, and the transcript of the out-going Chairman's speech at the 1993 Annual General Meeting were reviewed and analysed. This served to familiarise and sensitise the researcher towards the social structure, setting, language, and key issues associated with the organisation. Moreover, it assisted in ascertaining the significant issues to be examined in the next phase.

- **In-depth Tape Recorded Interviews**

From March until May 1994, fifteen in-depth tape recorded interviews were carried out with: Richard Gerald Associates (RGA), the business consultant who had prepared the Business Plan in 1991 for SCH and worked closely with the organisation during the period 1991 - 1994; the former and current Chairmen of SCH; the two Vice-Chairmen; and ten of the member hotels. The duration of the interviews ranged from half an hour to three hours, however, the average was approximately one hour long. Following the interviews, all the tapes were transcribed by the researcher, and open coding (Appendix Seven) applied according to the key concepts which were emerging.

Interviewee selection was based on a purposive and judgmental basis rather than on probability procedures. The aim was the optimisation of the expertise and knowledge of the sample, rather than maximisation of the degree of representativeness. The primary purpose of these interviews was to assist understanding relative to the meanings interviewees attached to issues and situations in the context, in a manner unstructured in advance by the researchers assumptions. Thus, the interviews were of a semi-structured nature, seeking clarification and elaboration of issues developed from the organisational literature.

Interview guiding prompt scripts were used (Appendices Two & Three). In this way, the respondents were encouraged to answer the questions in their own terms without feeling constrained by the pre-formulated ideas of the researcher. However, although the interview prompt scripts were standardised to enable respondent comparison relative to the significant issues under study, considerable latitude was employed in the probing of the respondent for additional relevant information.

It is considered that the high quality of response was assisted by two facts. First, the researcher blended in terms of her industry background and personality with those of the respondents. As such she was accepted and trusted, which allowed the free flow of information. Second, the relevance of the research to the interviewees was high, which positively affected the level of commitment and quality of the data offered. The findings from this phase in the research process were communicated back to the management committee. This took the form of two reports: Findings to Date, April 1994; and Commended Members: In-depth Interview Findings, May 1994 (Appendix Ten).

- **Longitudinal Study**

The official minutes arising from the monthly management committee meetings were coded and analysed over the ten month period from February to November 1994, culminating at the Annual General Meeting (20th

November 1994). This data was coded according to the framework (Appendix Seven) which had been developed from the organisational literature review and in-depth tape recorded interview research activities. This provided the researcher with a view of how the members of the management committee interpreted reality, and served as a means of tracking major issues and their development over the ten month period.

- **Diary of Participant Observations**

A diary was systematically maintained of participant observations which were made during attendance over the period February to November 1994 of the management committee meetings. This involvement was interrupted, moving in and out of the organisation to conduct the observations on a monthly basis, and was not one of continuous longitudinal involvement. This data was coded according to the guiding framework (Appendix Seven). The objective was to record the reality of discussions, values, motives, practices, relationships, and interaction which were not communicated through the official minutes of the meetings.

This highly empirical and inductive method was considered appropriate as the research was concerned with description and understanding of social patterns, the content of which cannot be separated from the way it is conveyed. However, it became increasingly difficult to remain a detached neutral observer as the months progressed. The researcher moved from

being a stranger, to friend, to respected expert as she became more and more engaged in the social scene. Appendix Six documents this evolution. The research method of participant observation was time and financial resource intensive. Over the ten month period the researcher travelled approximately 2,800 miles, over the equivalent of twenty days, accounting for a total of eighty hours of observation at the management committee meetings.

- **Questionnaire**

Following initial data collection and analysis (January - May 1994), the findings were tested within the total population of SCH in June 1994 by means of a self-administered, mailed questionnaire (Appendix Four). The aim was to verify the findings to date, and to enhance generalisable properties within the wider economic and social contexts. The questionnaire was piloted during the week June 1st to 7th with six management committee members, and one academic expert in questionnaire design. From this process, the design was amended relative to: style of layout; omitted categories; contentious or negative wording of questions; incorrect categories; misleading completion guidance instructions; the inclusion of an "open box" facility for unstructured comments; and a reduction of the time allowance for the completion and return, in order to instil a sense of urgency. The questionnaire was then mailed to the total population, accompanied by a covering letter from the

Chairman (Appendix Five) urging their completion and immediate return. This was justified on the basis that the resultant information would ultimately benefit individual members and the strategic alliance as a whole. The questioning structure of the questionnaire consisted of five open opinion seeking, and thirty-five closed factual, questions. The response rate was 89%. The findings from this phase in the research process were communicated to the management committee in the "Survey of Findings of Total SCH membership" report in June (Appendix Ten).

A further two research finding reports were produced at the request of the management committee. These were communicated in July 1994 (A Strategic Direction for Commended 1994 - 97), and November 1994 (Scotland's Commended: What Future?), details of which can be found in Appendix Ten. Thus, it can be observed that during the research process five separate reports were presented to the management committee of SCH, one of which was also distributed to the general membership. As a result throughout the research process, findings to date were discussed and validated with the actors directly concerned. This provided the researcher with a means of verification, and illumination of new lines of enquiry.

5.4 Data Analysis

Application of the multimethod research approach generated two distinctively different sets of data, one which was derived from qualitative techniques, and one from a more positivistic stance. As a result, each set required to be processed by two

distinctly different means of analysis. However, this did not necessarily preclude the combination of the resultant findings, within a deliberately designed data analysis approach. The following explains the analysis approaches adopted, and the sequence of activities which served to combine qualitative and quantitative findings.

The majority of the data collected was of a qualitative nature. The analysis of such data required the researcher to bring order, structure and meaning to a mass of relatively non-standard information. Analysis aimed to develop explicit, systematic methods for drawing conclusions, testing them carefully, and facilitating replication by future researchers, as recommended by Miles & Huberman (1994). This meant that analysis aimed to interpret, seek out themes, patterns and categories, and to identify linkages between arrangements, activities and outcomes. Furthermore, this was a continuous, iterative process, with little distinction between the collection of data, and its analysis and interpretation.

The data arising from the questionnaire was analysed, using SPSS. This was a much more standardised, mechanistic approach in comparison to that of the qualitative data. The analysis involved the researcher coding the questionnaire after it had been administered, in a numerical form acceptable to the computer programme. The data was then inputted and processed to first produce frequency tables which enabled descriptive statistics to be presented. Second, the Pearson correlation coefficient was applied to the data in order to ascertain the degree of association between the range of variables. From this information a range of cross-tabulations were computed (see Appendix Eleven) and the results analysed.

Analysis of the key empirical research phases followed the seven stage framework supported by Miles & Huberman (1994), Easterby-Smith et al (1991), Glaser (1992), Gilbert (1993) which is that of: familiarisation; reflection; conceptualisation; cataloguing concepts; recoding; linking; and re-evaluation. This framework will now be used in order to document applied methods, procedures, processes of analysis, and to illustrate the manner in which qualitative and quantitative findings were combined.

i) Familiarisation (January - February 1994)

The objective of the research at this stage was to explore and become familiar with the historical, current and future mission, corporate objectives, constitutional form, organisational structure, membership criteria, and marketing and management strategies of SCH. To this end organisational literature including the Business Plan (1991), Constitution, Membership Application Package, and the out-going Chairman's speech at the 1993 AGM were reviewed and analysed.

ii) Reflection (February 1994)

The data collected in point (i) was then reflected upon, identifying key issues which appeared to dominate the data. These key issues then formed the framework for a guiding prompt script (Appendix Two) to be used in in-depth tape recorded interviews with SCH's current and past Chairmen, the RGA consultant, and the two Vice-Chairmen of marketing and

administration. This stage was distinctive for the volume and range of alternative research propositions, explanations and solutions which were still very much at the instinctive gut feeling stage. These still required consideration and had not yet been rigorously tested.

iii)Conceptualisation (March - May 1994)

Analysis of the interview and out-going speech transcripts resulted in the identification of a set of core concepts, which emerged allowing their articulation into a set of explanatory variables. Based on data and analysis to date, key concepts were built into a guiding prompt script (Appendix Three) to be used during in-depth tape recorded interviews with a representative sample of the membership of SCH. However, at this stage the researcher was not sure just how reliable or valid these concepts were. It was therefore necessary to return to the data and methodically highlight and identify the themes, concepts, variables as they appeared through coding.

iv)Cataloguing Concepts (May - November 1994)

Stage one open codes were not pre-specified but commenced as major concepts emerged at each stage in the project. These developed into a clearly structured, rational, conceptual framework which was applied throughout the varied sources of data collection (Appendix Seven). Coding terminology used, aimed at precise, clear meanings which could be shared among future analysts.

Initial open coding defined the core concepts, then deepened into sub-codes pertaining to the key properties within each concept. This indicated a reflexivity and sensitivity in adapting to codes-in-use, rather than generic-code-for-many-uses generated by a pre-fabricated start list. Thus, a workable framework of codes, sensitive to the patterns of data was developed which assisted in linking related data. On completion of the coding the sentence/phrase was manually logged in a matrix cell corresponding to the source of the information on one axis, and the code on the other. Thus, the information was consolidated into one, easy to refer to, format, without losing the sense of the material.

v) Recoding (December 1994 - March 1995)

The approach to coding developed as field experience continued. Furthermore, some codes did not work, others died, and some appeared to strengthen and dominate. Thus, as research progressed it was necessary to consider a hierarchy of codes making decisions as regards which codes should be killed, expanded, or linked.

In particular, overlaps, linkages and relationships between the sub-codes emerged as clusters, creating code families (Appendix Eight). This represented the second stage of coding. Thus, data was then recoded and analysed relative to hierarchical requirements, and clustering progressed theoretical development through higher levels of abstraction. At this stage

there was a need for the researcher to refocus further analysis on to the key

research issues and objectives, which entailed the putting aside of a volume

of data in order to concentrate on the most robust categories. The researcher,

therefore, made selective judgements regarding what data to retain and what

to reject, using selective codes. The selective codes (Appendix Nine)

represented the third and final phase of coding.

vi)Linking (March - June 1995)

Linking all the variables which were identified as important into a more

holistic set of theories was the next step. This involved weaving back and

forwards between literature and evidence collected in practice. More

specifically, the organisation of the findings through the structure of the

selective codes facilitated the researcher's focus on substantive, linked

literature themes. Relative to the concepts of network and strategic alliance

theory, it was found that further clarification and analysis was required. Thus,

at this stage the findings from the questionnaire were introduced in order to

contribute to the assessment of the validation of the formulated grounded

theory concepts. This progressed the level of understanding and knowledge

already developed.

Further analysis of both the qualitative (Chapter Six, Appendix Fourteen),

and the quantitative (Chapter Seven, Appendix One), data generated a range

of theories. These were then linked back to the research propositions

(Section 5.3) developed from the reviewed strategic alliance literature. Gaps, relationships, and discrepancies which required further verification, questioning, and the need to seek out of further data and/or literature were identified and the necessary action taken.

vii)Re-evaluation (May 1995)

The research then entered a period of re-evaluation of empirical theories, deliberately seeking disconfirmation of findings, towards rigorously ascertaining their quality. The discussion and conclusions associated with this stage appear in Chapters Eight and Nine.

5.5 Research Process Evaluation & Critique

The researcher is confident that the research strategy and methodology adopted have adequately addressed the key issues, objectives, and aims as identified in Sections 1.2 and 5.1. Specifically, a considerable depth of understanding and knowledge has been developed relative to the process of strategic alliance creation, development and management of relationships at a general, as well as, at a sector specific level.

Furthermore, it is believed that the outlined research strategy and methodology benefited from the strengths of the multimethod approach. In this respect, the interweaving of methods enhanced the validation of the research, and linked the micro and macro dimensions. Thus, the marriage of methods facilitated the formulation of valid macro-level generalisations, built from the foundation of micro-

level social realities. Such a planned, systematic synthesis of research styles purposefully aimed at improving social science knowledge within the central theme of this research project.

The following areas have been identified as worthy of discussion relative to the success and flaws of the research process: literature review; context; methods; and data analysis.

First, the sequencing of a comprehensive literature review as the traditional starting point for doctoral research studies is not considered time or specialist knowledge development effective. In effect, the researcher spent a total of twenty-six months reading around an extremely broad area of literature, which was summarised and catalogued methodically. Once the fieldwork commenced and analysis was on-going, it became obvious that much of that body of literature was redundant and that the researcher would have been better employed focusing on a narrow body of literature in considerable more depth, over a much shorter period of time. It is therefore recommended that following a light survey of what, at that stage, is considered relevant literature, the researcher does not hesitate to enter the field. This is clearly a function of the grounded theory approach towards areas of research about which little literature exist. Nevertheless, it is recommended that students of both phenomenological and positivistic studies may benefit from some degree of exposure to the field at an early stage in order to more clearly focus the research process, prior to carrying out a comprehensive literature review.

The second issue is that of the research context or social setting. It is believed that a central element in the achievement of sound quality data was the relationship which commenced and developed between the researcher and the actors. This was further enhanced by the credibility of her background within the industry sector under study. As a result the initial door was opened to the organisation. Once inside the researcher worked at developing the trust and confidence of the total population with, what she considers to be, successful results. It is believed that the importance and value of this access and rapport cannot be underestimated, for without it the research project may falter, if not die. Thus, the researcher considers that the knowledge developed through the thesis has been substantially enhanced by the achievement of this element.

Third, as discussed above, the researcher was generally satisfied with the range and combination of methods used. However five observations are justified relative to the: longitudinal study; diary of participant observation; questionnaire; periodic management committee reports; and framework for analysis.

i) Longitudinal Study

The longitudinal study commenced by attempting to analyse the minutes and meetings of all three committees (management, Administration, Marketing). This was extremely time consuming, involving six days in travel and meetings each month, and resulted in an excessive amount of data. Furthermore, the management practices and procedures resulted in the

majority of the information being summarised through the management committee minutes. The decision was therefore taken after three months (April 1994) to concentrate purely on the management committee, as they represented the central actors relative to the research objectives.

ii) Participant Observation

It was found that the ability of the researcher to retain detachment and objectivity was extremely difficult to maintain over time, as is illustrated in Appendix Six. Even at the early stage of in-depth interviews with management, the Chairman and the Past-Chairman were drawing the researcher into action research. The Past Chairman saw her as a valuable agent of change. He said that *"we are leading up to a point where the consortium needs to make some major decisions. Knowing the way the consortium works, that might have taken a few years. With you being on the scene, it might force us to think a bit more about them, and speed up the decision-making".* The researcher does not devalue the method of participant observation as a result of her experience, where she became part of the data in the process, attuned to the field and subjects therein. The caution is that this method requires work, alertness and a steely determination if the research objectives are to be achieved, and not diverted to satisfying the immediate needs of the actors.

iii)Questionnaire

Two issues identified as associated with the questionnaire were those of timing, and skill requirement. First, the questionnaire was developed and administered in June 1994 while grounded research and analysis was still in progress. On reflection, the researcher recognises that she was impatient at this stage, and that it would have been more appropriate to have administered the questionnaire in November 1994 once the qualitative research and analysis was completed. However, it should also be noted that the actors were exerting pressure over her. They were eager to progress the research and have the findings communicated back to the management committee, in order to assist it in future strategy development. Hence, the researcher was driven by the imperatives of the field, rather than academic correctness. However, in defence it should be noted that the timing within the context of the organisation's life was an important influence on the high response rate achieved.

Second, while the researcher was confident with her skills relative to qualitative research, she was less at ease with those associated with qualitative methods. As a result, the questionnaire was administered without due consideration to the methods and skills which would be required for comprehensive analysis. This developed into a crisis situation for the researcher. Finally, it was decided that the only course of action was to set aside the data and concentrate for one complete month on acquiring the set of

skills necessary to carry out the work. The timing of this was in the final stages of writing up the thesis, thus, was psychologically difficult to cope with. However, the challenge was addressed and the results are presented in Chapter Seven.

iv)Management Committee Reports

It is considered that the five management committee reports which were developed by the researcher over the period April to November 1994 (Appendix Ten) provided an extremely valuable mechanism, facilitating the involvement of the actors in the research process. This served to enhance their opinions relative to the credibility of the researcher, illuminate new lines of enquiry, and validate or dispute findings at each stage. Therefore, research outcomes have been shaped by the phenomena under study, within their social setting. Thus, it can be presumed that the final conclusions and recommendations are valid and transferable into reality.

v) Framework for Analysis

As described in Section 5.3, a seven stage framework was adopted to guide data analysis, the application of which went smoothly until the process reached stages six (linking) and seven (re-evaluation). By these points the volume and complexity of data and analysis began to overwhelm the researcher. She intuitively felt that the data was sufficient in quality and quantity, but how to move the analysis to a higher degree of abstraction

without reducing the richness was problematic. Moreover, how to link all the variables into a more holistic theory was evasive.

This dilemma was compounded by uncertainty as to how to marry grounded theory to existing theory. Was the grounded theory to be packaged to fit the existing theory, or was it the other way round? Finally, the issue was resolved through the writing up of the grounded research findings within a logical framework, developed from the selective codes (Appendix Nine). This provided the researcher with a structure and focus to take to the literature chapters. In effect the thesis was constructed from the end to the beginning. In this way the literature was forced to fit the emerged findings, rather than vis-a-versa. From this point the process of linking and re-evaluation flowed.

5.6 Summary

The key task of this research project was to improve understanding of the processes leading to the creation, development and management of strategic alliance relationships. It is considered that application of a multimethod approach assisted in the achievement of this task, providing a valuable methodological balance. Specifically, grounded theory generated a sensitivity of, and insight into, the reality of the social situation under scrutiny, while the questionnaire survey provided the vehicle for testing grounded findings and further validating the research outcomes. Thus, it is considered that the research methods utilised were the most effective,

within the context of the problems and theories which they were being used to

illuminate, and the stages in the research project development.

Appendix One: Research Design

	Research Design			
Phase	**Description**	**Duration**	**Subjects**	**Methods**	**Analysis**
One	Micro/Social Action/Phenomenological	February/ November 1994	Core strategic alliance organisation and member sample	Organisational literature review, in-depth interviews, longitudinal study, diary of participant observations	Transcript analysis, matrix analysis, coding of concepts, transaction cost analysis
Two	Macro/Social Structure/ Positivistic	June 1994	Total membership population	Self-administered mailed questionnaire	SPSS computer software programme
Three	Multimethods/ Social Relationships/Synthesis	November 1994/ June 1995	Gathered data	Linking of qualitative and quantitative research findings to existing theory	Synthesis of findings, identification of gaps, support, discrepancies, seek out further data and/or literature as required, formulate re-evaluated theories

Appendix Two: Guiding Prompt Script For In-Depth Interview:

RGA Consultant & SCH Management

- Discuss the future of the small hotel firm generally, within the current trading environment, identifying major challenges facing the operation.

- Consider the long-term role of voluntary consortia forms of organisation, such as SCH, within the hotel industry, particularly relative to product distribution systems.

- Opinion regarding the corporate objectives as set out in the RGA (1991) Business Plan.

- What are your opinions regarding the nature, characteristics and effectiveness of SCH's organisational structure?

- Some of the members of SCH are members of other consortia. What are your opinions on this?

- How much in the way of socialising and the "fellowship" aspect actually takes place between members of SCH?

- What are the motivations and aims behind SCH linking with other organisations such as suppliers, tourist board, travel trade, and other?

- How is quality of members monitored and what is it's role in the development of SCH?

- What are the main costs or restrictions associated with membership of SCH in terms of finance, operations, rules and sanction mechanisms, and other?

- What do you think are the most important aspects which will influence the successful management of SCH into the future?

Appendix Three:

Guiding Prompt Script for Member Hotels Interviews

Background Information

- Length of time in business at this particular hotel?

- Owner's prior education/training relative to the hotel industry?

- Bedroom occupancy over period 1990 - 1993?

- Percentage of overseas/domestic sales achieved annually?

Organisation Management

- What degree of involvement do you think members should have in the management of the consortium?

- Do you consider the voluntary nature of the management to work well?

- Can you identify what costs and benefits are associated with being a Committee member?

- Would you support the appointment of a Chief Executive to take over the overall management of the consortium?

Membership

- When did you join SCH?

- What motivated you into joining SCH?

- What do you recognise as the key benefits of being a member?

- What do you dislike about being a member and how can these issues be eliminated?

- What would you consider to be the maximum and minimum size for SCH? For what reasons?

- What would your reaction be to the acceptance of a new member located close to your hotel?

- What do you think is the best procedure to handle this issue?

- Would you support moving all Commended members to a minimum 4 Crown Highly Commended Level?

- How do you think that the quality should be monitored consortium wide? STB? Fellow Member? Contracted Inspector? Other?

- Do you agree with all the terms and agreements of membership and sponsorship?

- What benefits do you see in all members of the consortium abiding by the agreements?

- Do you think the terms and agreements should be more actively enforced? How?

- For what reasons do you consider membership of other consortia, in addition to SCH, necessary?

- Which other consortia are you a member of?

- What membership benefits do they offer members who SCH does not?

- To what degree do you feel it necessary to participate in : Regional Meetings; AGM; social events: familiarisation of other member hotels; etc.?

- What benefits do you see to be gained from participation?

- How can membership participation be increased?

Marketing

- How would you rate the marketing activity carried out on your behalf by SCH?

- How do you suggest that the marketing is made even more effective?

- In what ways do you broadcast the fact that you are a member of SCH?

- To what extent does the STB support your marketing efforts and how can it be improved?

- What do you think about the Short Break Brochure?

- Do you consider that it will benefit your business?

- What are your opinions regarding the Scotsman Promotion?

- What other types of products/packages would you like to see developed?

- What percentage of referral business do you get through: SCH; Agents: STB; Direct from guests; Other?

- What method of booking do you think guests will prefer to use over the next five to ten years?

- How will the increasing computerisation of reservation systems affect the way reservations for your hotel are made?

- Do you consider that your business and SCH as a whole would benefit from owning and running a Computerised Reservation Office?

Membership Fees

- The appointment of a Chief Executive, establishing a CRO, and the incorporation of AGM fees would require a rise in membership fees. What level of increase would you consider acceptable in percentage terms?

Future Management Issues

- Solicit any relevant additional comments and opinions.

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SCOTLAND'S COMMENDED HOTELS - THE FUTURE?

Questionnaire for Survey of Total Membership

Member Information

1. How many years has the owner worked in the hotel industry? Please tick.

    1-10 ☐   11-20 ☐   21-30 ☐   31+ ☐

2. If the hotel industry represents a second career move, please list what industry sector(s) the owner worked in before moving to hotels.

---

3. How many years has the owner(s) owned this particular hotel? Please tick.

    1-10 ☐   11-20 ☐   21-30 ☐   31+ ☐

4. In what year did the hotel become a member of Commended?

    1990 ☐   1991 ☐   1992 ☐   1993 ☐   1994 ☐

5. For which of the following reasons did the owner select Commended over the other hotel marketing consortia? Please tick all relevant boxes.

Access to agents

Continued on from the BTA Scheme

Knew and respected existing members

Identification with quality grouping

Range of promotions

Other*

*Please specify_____

6. Are you a member of any other consortia? Please tick.

Yes (go to question 7) ☐   No (go to question 9) ☐

7. If "yes" please state which one(s). Please list.

_____

_____

8. What benefits do these other consortia give you that Commended does not? Please list.

_____

_____

9. From the following list of benefits provided by Commended please rank in order of importance to your business. Please tick the appropriate boxes.

	Very Important	Quite Important	Not Very Important	Not at all important
Centralised Marketing	☐	☐	☐	☐
Purchasing	☐	☐	☐	☐
Overseas representation	☐	☐	☐	☐
Referral business	☐	☐	☐	☐
Short break brochure	☐	☐	☐	☐
Scotsman promotion	☐	☐	☐	☐
Brochure	☐	☐	☐	☐
Other*	☐	☐	☐	☐

*Please specify_____

10. Please indicate, by ticking the appropriate boxes, your opinion as to whether you consider that Commended has:

	No Opinion	Necessary	Yes	No
Lack of forward planning	☐	☐	☐	☐
High level of agency commission	☐	☐	☐	☐
Conflicting range of tariffs over promotion	☐	☐	☐	☐
An unnecessary discounting approach	☐	☐	☐	☐
Difficult to comply with sponsorship agreements	☐	☐	☐	☐

11. How many members do you consider to be the ideal size for Commended? Please tick

0-25 ☐ 26-35 ☐ 36-45 ☐ 46-55 ☐ 56-65 ☐ 66 75 ☐ 76+ ☐

12. What factors made you select the number grouping in Question 11? Please tick all relevant categories.

Geographical spread

Market share

Fee income generation

Capabilities of management structure

Focus on quality members

Number of hotels in Scotland which fulfil membership criteria

Other*

*Please specify_____

13. If a local competitor hotel, which meets membership criteria, applies to join Commended, how would you react? Please tick appropriate box.

Support application

Request right to veto

Other*

*Please specify_____

14. Would you support moving all Commended members to a minimum 3 Crown and 4 Crown Highly Commended level and above? Please tick.

Yes (go to Question 15) ☐   No (go to Question 16) ☐   Don't know ☐

15. If "Yes" on which of the following reasons, relative to current membership quality, is your answer based? Please tick.

Quality range too wide

Customer quality experience inconsistent

Confuses the market place

Other*

*Please specify_____

16. If "No" on which of the following reasons is your answer based?

Customers prefer variety

Judge each hotel on own merits

STB evaluation not indicative of customer experience

Other*   -

*Please specify_____

17. Who should monitor the standards of hotel facilities and service of Commended members? Please tick.

Scottish Tourist Board

Motoring Organisations

Fellow member

Committee member

Commended employed inspector

Other*

*Please specify_____

18. How strongly do you feel the need to participate in the following Commended organised events? Please tick.

	Very Strongly	Strongly	No Opinion	Not Interested
Regional Meetings				
Annual General Meeting				
Commended organised social events				
Management Committees				

19. Since the year you joined Commended how many of the following have you attended? Please insert the numbers in the boxes.

Regional Meetings

Annual General Meetings

Commended Organised Social Events

20. Have you ever served on a Commended Committee since the year you joined the consortium? Please tick.

Yes ☐   No ☐

21. Can you list any suggestions as to how the level of membership participation could be increased?

_____

_____

_____

22. Which of the following factors limit the extent to which you participate? Please tick all relevant categories.

Personalised hotel operation ☐

Distance to travel to meetings ☐

Late notice of meeting dates ☐

Attitude of fellow members ☐

Don't feel need to participate ☐

Other* ☐

*Please specify_____

23. What are the benefits to you of being an active member? Please tick all relevant categories.

Referral business

Support and advice

Communication of membership benefits

Don't know

None

Other*

*Please specify_____

Market Information

24. How would you rate the effectiveness of Commended's marketing in the following areas? Please rate on a scale of 1-5, with five representing excellent.

	1	2	3	4	5
Lobbying Support from Scottish Tourist Board					
Print Material Quality					
Development of Special Promotions					
Promotion of Referral Business					
Establishment of overseas agents					
Public Relations Activity					
Joint Advertising					
Other*					

*Please specify_____

25. What percentage of your hotel's bedroom reservations do you estimate are a result of Commended's marketing activity? Please tick.

0-10% ☐ 11-20% ☐ 21-30% ☐ 31-40% ☐ 41-50% ☐

51-60% ☐ 61-70% ☐ 71-80% ☐ 81-90% ☐ 91-100% ☐

26. What was the hotel's average percentage annual bedroom occupancy for the months the hotel was open? Please enter percentage.

1990 ___%   1991 ___%   1992 ___%   1993 ___%

27. What percentage of the hotel's guests originate from outside the UK? Please tick

0-10% ☐ 11-20% ☐ 21-30% ☐ 31-40% ☐ 41-50% ☐

51-60% ☐ 61-70% ☐ 71-80% ☐ 81-90% ☐ 91-100% ☐

28 What percentage of the hotel's total bedroom reservations come through the following sources? Please enter percentages

Corporate

Commended Central Reservations Office

Tourist Information Centres

Direct from guest

Travel Agents/Operators

Informal Member Hotel Referral   _____

                                        100%

Other (please specify) _____

29. Over the period 1994-2000, do you think that the percentage of "direct from guest" reservations will? Please tick

Increase ☐   Stay the Same ☐   Decrease ☐   Don't Know ☐

30. Would you support the development of an in-house Commended computerised reservation system? Please tick.

Yes (go to Question 31) ☐　No (go to Question 32) ☐　Don't Know (go to Question 33) ☐

31. If "Yes" for which of the following reasons. Please tick all relevant categories.

Increase the level of international reservations ☐

Generate new business through database marketing ☐

Monitor origins of reservations ☐

Produce performance figures of agents ☐

Track inter-consortium referral business ☐

Other* ☐

*Please specify_____

32. If "No" for which of the following reasons?

Volume of business doesn't justify it ☐

Costs of development and manning ☐

More cost-effective to contract it out ☐

Other* ☐

*Please specify_____

Management of Commended

33 Should management of Commended be carried out by a paid Chief Executive Officer? Please tick.

Yes (go to Question 34) ☐　　　　　No (go to Question 35) ☐

Don't Know (go to Question 36) ☐　Ideally but not at this time (go to Question 36) ☐

34. If "Yes" which of the following reasons would agree with? Please tick all relevant categories.

Minority of members have the free time to be on management committees ☐

Members don't have the necessary expertise ☐

It is more cost effective ☐

It will assist in long range planning ☐

It will increase the professionalism of Commended ☐

Other* ☐

*Please specify_____

35. If "No" which of the following statements do you agree with? Please tick the appropriate boxes.

Membership would lose control ☐

It would change the organisation's philosophy ☐

High cost involvement ☐

Current management structure works well ☐

Members become less visible to the market place ☐

Over reliance on CEO could lead to vulnerability of Commended ☐

Other* ☐

*Please specify_____

36. Which of the following alternatives to the appointment of a paid Chief Executive Officer would you support? Please tick all relevant categories.

Restructure current management organisation

Strengthening of current secretarial support

Appointment of a marketing director

Contract out the management to an agency

Other*

*Please specify_____

Membership Fees

37. What are your views about the current level of membership fees? Please tick.

Good Value ☐   Difficult to Justify ☐   Poor Value ☐

38. Under what circumstances would you consider an increase in membership fees? Please tick relevant boxes.

AGM attendance costs incorporated

Justify by cost allocations and budget projections

Translated into increased volume of business

Aim being to curtail level of sponsorship required

Resulted in more professionally managed organisation

Produced a more focused, quality, grouping

None

Other*

*Please specify_____

Commended's Future

39. In order to strengthen Commended in the future which, if any, of the following proposals would you support? Please tick all relevant categories.

	Very Strongly	Strongly	No Opinion	No Support
More selective membership criteria	☐	☐	☐	☐
Enforce membership terms and conditions more rigorously	☐	☐	☐	☐
Secure market share on "quality" rather than "price" criteria	☐	☐	☐	☐
Contract out as many management responsibilities as possible	☐	☐	☐	☐
Develop and maintain clear strategic direction	☐	☐	☐	☐
Other*	☐	☐	☐	☐

*Please specify_____

40. If you have any further thoughts regarding the future direction of Commended please comment below.

_____

_____

_____

_____

Hotel Name _____

Please return to: **Mairi Robertson, Scotland's Commended**

Admin Office, 33 Craiglockhart Drive South

Edinburgh EH14 1JA

Please return by: 20 June 1994 at the latest.

Thank you for your speedy response

Appendix Five: Covering Letter From the Chairman

Covering Letter From The Chairman Which Accompanied The

Questionnaire For Survey Of Total SCH membership

9 June 1994

Dear Member

Scotland's Commended Country and Town House hotels are, in most members' minds progressing nicely. Thank you!

We could happily continue in that way and be a pleasant little club of country and town house hoteliers, occasionally referring a booking to one another, with off season breaks, such as the Scotsman's, keeping us going in the winter. In some cases we even receive some NET rate bookings from overseas agents; not to mention Go-As-You-Please. Quite cosy really isn't it? Scotland's Commended can continue along these lines and even produce more business given time, except for one factor - TIME. The time your committee members have available to spend on Scotland's Commended business has now reached its peak. This has become apparent because at meetings we discuss new ideas, and there are plenty of them, but we have not time to put them into operation, nor can we, therefore, plan effectively for the future.

WE NEED TO DECIDE WHICH DIRECTION THE CONSORTIUM SHOULD TAKE!

It is therefore imperative that you - and every member - complete the enclosed Questionnaire. This will help your committee members to develop Scotland's Commended's Strategy for the future and allows you to contribute to that strategy.

This is NOT a meaningless exercise. The findings and recommendations will be presented for discussion at Regional Meetings and at the AGM.

The initiative is being carried out by Alison Morrison of the Scottish Hotel School, University of Strathclyde. Alison has been with us now since February gathering information on our Modus Operandi to help us look at ourselves and look to the future.

The questionnaire should be completed by 20 June 1994 and returned to Mairi Robertson by fax (031-455-8544).

It is an absolute necessity that you adhere to this time-scale so that results can be analysed in time for members' discussion from September to November.

Yours in great anticipation!!

Peter Aretz, Chairman

Appendix Six:

Relationship Development Between Research & Actors

Relationship Development Between Research & Actors	
Date	**Research Observation**
17.02.94	The researcher was introduced to the management committee for the first time. Permission was given for her to sit in on the management committee meetings for the next nine months in order to conduct research which will form part of her Ph.D. thesis. This is on the condition that she presents the findings at the AGM in November 1994. The committee felt that an outsider's view could only be beneficial and noted that there would be no financial implications for SCH. MR asked the researcher for a short article to appear in the next membership newsletter to introduce her to the members. The researcher made it clear to the committee that she was attending the meetings purely as an observer, with no wish to interfere in, or to contribute to, the business affairs. However, PA asked the researcher if the committee could request her opinion should it be needed.
17.03.94	The management committee discussed the need to get more feedback from the membership as regards the effectiveness of the current marketing activities. The researcher mentioned that the next step in the data collection process would be to talk to a selection of members about their views regarding the effectiveness of the management of SCH. As such, she volunteered to liaise with the management committee in order to incorporate questions which would benefit their needs, in addition to her own. This offer was greeted with enthusiasm and gratefully accepted: "that was a nice offer" (AD). Throughout the meeting GE constantly referred to the researcher for reassurance and verification that his views were valid.
21.04.94	Increasingly PA is looking to the researcher to provide support and to endorse the direction in which he wishes to take the organisation. In particular, that of devolving many of the management committees responsibilities to a paid executive.

	Relationship Development Between Research & Actors	
Date	**Research Observation**
26.05.94	The researcher's report on the interviews carried out with ten members was presented. The management committee thanked the researcher for a very worthwhile and interesting report, although they did not agree with a great deal of the members answers. This stimulated extremely animated discussion. The researcher cautioned Committee members against taking the findings of only ten in-depth interviews as representative, and that the findings needed to be verified with the total membership. It was therefore agreed that the report should form the basis of a questionnaire to be sent to all members. This would be sent within the next two weeks in order to ascertain whether these views are representative of the whole membership. A covering letter signed by the Chairman, urging members that it is in their best interests to respond, will be attached.
22.06.94	The researcher has now become an accepted and key member of the management committee. PA is reluctant to hold future meetings at times when she is unable to attend.
04.08.94	The researcher presented consolidated research findings to date and recommendations to be taken on board when SCH moves to develop future strategy in a document entitled A Strategic Direction for Commended 1994 - 97, as such her role was central to the meeting. Relative comments raised by Committee members were noted in order to feedback the actors responses, dispute and verification into the research process. Overall, the findings and recommendations were accepted as just and sound. GE asked the researcher regarding her perceptions of SCH prior to commencing the research process and whether she had: "got what she wanted out of it". The researcher responded that she had come into SCH with no preconceptions at all. Her arrival appeared to have coincided with SCH reaching a cross-road in its development which had made the setting and research subjects all that more interesting and worthwhile.
22.09.94	The researcher was invited to the AGM to join forces with RGA in order to sell the future strategy, which has been developed by the management committee, to the membership. This presentation by persons outside the organisation is seen as being a key influencing factor towards the acceptance of the proposals.
20.10.94	The researcher confirmed that she and RGA would do a joint presentation at the AGM, and that they had already liaised as to the approach and content.

Appendix Seven: Coding Framework Stage One

Coding Framework: Stage One Open Codes		
Definition	Master Code	Sub Codes
Historical development of SCH	*CH*	
Pattern of membership		CH:PM
Relationship with the BTA		CH:BTA
Strategic management		CH:SM
Competitive Positioning of SCH	*CP*	
Logis of GB		CP:LS
Opportunities for SCH		CP:OP
Scottish Heritage Hotels		CP:SH
Strong points of SCH		CP:SP
Weak points of SCH		CP:WP
Constitutional form of SCH	*CF*	
Dissolution arrangements		CF:DS
Future direction of SCH		CF:FD
Member participation terms		CF:MP
Membership criteria		CF:MC

Coding Framework: Stage One Open Codes		
Definition	**Master Code**	**Sub Codes**
Voluntary nature of management		CF:VN
Corporate objectives of SCH	*CO*	
Benefits of membership		CO:BM
Business generation		CO:BG
Financial solvency		CO:FS
Geographic spread		CO:GS
Market proposition		CO:MP
Membership management		CO:MM
Size of membership		CO:SM
Strengthening of fellowship		CO:SF
Costs of membership	*CM*	
Commission rates		CM:CR
Consistent quality		CM:CQ
Financial costs		CM:FC
Operational constraints		CM:OC
Personal sacrifices		CM:PS
Sponsorship agreements		CM:SA
Spread of tariffs		CM:ST

Definition	Master Code	Sub Codes
External communications	*EC*	
Agents and wholesalers		EC:AW
Public relations		EC:PR
Regional consortia		EC:RC
Scottish Enterprise		EC:SE
Scottish Tourist Board		EC:STB
Sponsors		EC:SS
Financial issues	*FI*	
AGM costs incorporated in fees		FI:AGM
Consortium budgets		FI:CB
CRS/CRO SCH development		FI:CC
Financial gearing		FI:FG
Future strategy implications		FI:FS
Membership fees		FI:MF
Quality inspector employment		FI:QI
Sponsorship		FI:SS
Surviving the recession		FI:SR
Value for money for members		FI:VM

Coding Framework: Stage One Open Codes		
Definition	Master Code	Sub Codes
Future management direction and implications	*FM*	
Brand awareness		FM:BA
Business generation		FM:BG
Contracting out of management services		FM:CO
CRS/CRO SCH development		FM:CC
Future direction		FM:FD
Information system development		FM:IS
Paid executive employment		FM:PE
Quality standards		FM:QS
Inter-consortium communication	*IC*	
Encourage referral business		IC:ER
Membership communication		IC:MC
Organisational learning		IC:OL
Peer support		IC:PS
Promotion of fellowship		IC:PF
Regional Meetings/AGM		IC:RM
Marketing activity extent and effectiveness	*MA*	
Advertising		MA:AV

Coding Framework: Stage One Open Codes		
Definition	Master Code	Sub Codes
Blue book brochure		MA:BB
Brand image projection		MA:BI
CRS/CRO development		MA:CC
Database marketing		MA:DM
Exhibitions and roadshows		MA:ER
Product development		MA:PD
Referral business		MA:RB
Regional consortia relationship		MA:RC
Representatives and agents		MA:RA
Scotsman promotion		MA:SP
Scottish Tourist Board assistance		MA:STB
Short break programme		MA:SB
UK marketing		MA:UK
Membership benefit identification	*MB*	
Feeling of fellowship		MB:FF
Marketing activity centralised		MB:MC
Organisational learning		MB:OL
Peer support		MB:PS

Coding Framework: Stage One Open Codes		
Definition	**Master Code**	**Sub Codes**
Purchasing discounts		MB:PD
Quality grouping		MB:QG
Referral business		MB:RB
Scottish Tourist Board association		MB:STB
Membership criteria, terms and conditions	*MC*	
Active participation		MC:AP
Food quality		MC:FC
Geographic location		MC:GL
Independent ownership		MC:IO
Member selection process		MC:MS
Multiple membership of consortia		MC:MM
Personalised management		MC:PM
Property size		MC:PS
Quality control		MC:QC
STB quality grading and classification		MC:STB
Terms and conditions		MC:TC
Organisational structure	*OS*	
Administrative issues		OS:AI

212

Coding Framework: Stage One Open Codes		
Definition	**Master Code**	**Sub Codes**
Compliance with rules, terms and conditions		OS:CR
Joining motivations		OS:JM
Member participation		OS:MP
Part-time management		OS:PM
Unification and commitment of members		OS:UC
Voluntary nature of management		OS:VN

Appendix Eight: Coding Framework Stage Two

Coding Framework: Stage Two Clustering Of Code Families	
Key Category	**Clustered Codes**
Branding	CO:MP, MA:BI, FM:BA
Competitive Positioning	CP:SH, CP:LS, CP:SP, CP:WP, CP:OP
CRO/CRS SCH Development	FM:CC, FI:CC, MA:CC
Fellowship And Support	MB:PS, MB:FF, IC:PF, IC:PS, CO:SF, IC:OL
Financial Issues	FI:SR, FI:FG, FI:CB, FI:VM, FI:FS, FI:QI, FI:AGM, FI:CC, FI:MF, FI:SS, CM:FC, CO:FS, CF:DS
Future management	FM:QS, FM:PE, FM:IS, FM:FS, FM:BA, FM:BG, FM:CC, FM:CO, CR:FD, CO:SM, CO:MP, FI:FS, EC:SE
Geographic Spread	CH:PM, CO:GS, MC:QC, MC:GL, CO:MP
Marketing Activity	MA:DM, MA:CC, MA:RA, MA:ER, MA:BB, MA:AV, MA:RB, MA:SP, MA:SB, MA:UK, MA:PR, MA:STB, MA:BI, MA:RC, EC:TO, EC:AW, EC:RC, CO:BG, FM:BG
Membership Benefits	MB:MC, MB:FF, MB:PS, MB:RB, MB:PD, MB:OL, MB:QG, MB:STB, CO:BM, CP:SP
Membership Criteria	MC:STB, MC:IO, MC:GL, MC:TC, MC:PM, MC:FQ, MC:AP, MC:MM, MC:QC, MC:PS, MC:MS, CF:MC, CO:MP

Coding Framework: Stage Two Clustering Of Code Families	
Key Category	Clustered Codes
Membership Terms And Conditions	CM:CR, CM:ST, CM:OC, CM:PS, MC:TC, OS:UC, OS:CR
Organisational Structure	OS:UC, OS:CR, OS:MP, OS:VN, OS:PM, OS:MS, OS:AI, OS:JM, CH:BTA, CH:SM, CF:DS, CO:SM
Quality Assurance	MB:QG, CM:CQ, FM:QS, MC:FQ, MC:QC, CO:MP
Referral Business	IC:ER, MA:RB, MC:QC, MB:RB, CO:BG
Scottish Tourist Board	EC:STB, MA:STB, MB:STB, MC:STB
Sponsorship	FI:SS, EC:SS, CM:SA
Voluntary management	CF:VN, FI:VM, OS:VN, OS:PM

Appendix Nine: Coding Framework Stage Three

Coding Framework: Stage Three Selective Codes	
Codes	**Definition**
FF	Formation Factors
MB	Member Benefits
MBE	Member Behaviour
MC	Membership Characteristics
OS	Organisational Structure
SE	Strategy And Strategic Alliance Evaluation
SM	Strategic Alliance management

Appendix Ten:

Reports Presented To The Management Committee

Date (1994)	Name Of Report	Description
April	Findings to Date	Presented findings to date from organisational literature review, in-depth interviews with RGA, present and immediate past Chairmen, and the two Vice-Chairmen, analysis of management committee meeting minutes, and points noted through participant observation at these meetings. The key areas addressed were: organisational structure; management approaches; membership characteristics; member behaviour; member benefits; and marketing activities.
May	Commended Members In-Depth Interview Findings	Analysed the findings from in-depth interviews with a total of ten member hotels. The information addressed the areas of: organisational structure; management approaches; membership characteristics; member behaviour; member benefits; and marketing activities.
June	Findings of Survey of Total SCH Membership	Analysis of the findings from a mailed, self-administered questionnaire to the total membership which achieved a 91% response rate. The information addressed the areas of: organisational structure; management approaches; membership characteristics; member behaviour; member benefits; and marketing activities.

Reports Presented To The Management Committee		
Date (1994)	**Name Of Report**	**Description**
July	A Strategic Direction for Commended 1994 - 97	The report consolidated the findings from the three reports above. Strategy development recommendations were presented, supported by issues to be considered in the areas of consortia format, membership, marketing activity, and the organisation.
November	Scotland's Commended: What Future?	Based on the research carried out during the period February to November 1994 and the findings above, this report presented to the membership proposals for the future strategy of SCH. The support of the membership was requested and at the AGM voting was approximately 80% supportive.

Appendix Eleven: Control Questions

Control Question	Correlated Question	Pearson Score	Variable labels
QI How many years in hotel industry	5d	.964	Identification quality grouping
	10a	.936	Lack forward planning
	12d	.975	Capabilities management structure
	13b	.959	Right to veto
	18d	.774	Management committee participation
	19a	.779	Regional meetings
	19b	.914	AGM
	22a	.741	Personalised operation
	22b	_.753	Distance to travel
	22c	.578	Late notice
	23a	.662	Referral business
	23b	.848	Support and advice
	30	.993	Develop CRS
Q2 Industry sector of career(s)	18c	.793	Social events
	19b	.841	AGM

Control Question	Correlated Question	Pearson Score	Variable labels
	20	.636	Served on committee
	23a	.874	Referral
	23c	.906	Communication of benefits
	25	.843	Reservations SCH
	30	.536	CRS development
	33	.694	Appoint CEO
	37	.971	Value fees
Q3 Years owned hotel	6	.687	Member other consortia
	8a	.855	Market coverage
	8b	.858	Political
	14	.970	Move to 3/4 CHC
	18b	.748	AGM
	18c	.733	Social events
	19c	.914	Social events
	20	.615	Served on committees
	22a	.296	Personalise operation
	22b	.445	Distance to travel
	22c	.632	Late notice

Control Question	Correlated Question	Pearson Score	Variable labels
	22d	.760	Attitude fellow member
	37	.817	Value fees
Q4 Year joined SCH	5a	.123	Access to agents
	5b	.002	Continued BTA
	5c	.434	Knew and respected
	5d	.002	Identification quality
	5e	.154	Range of promotions
	20	.855	Served on committees
	22a	.412	Personalised operation
	22b	.553	Distance to travel
	22c	.129	Late notice
	22d	.165	Attitude fellow member
	25	.952	Reservations SCH
	30	.968	Develop CRS
	33	.802	Appoint CEO
	34d	.704	Assist long range planning
	35b	.918	Change philosophy
	35c	.710	High cost

Control Question	Correlated Question	Pearson Score	Variable labels
	35e	.929	Members less visible
	36b	.545	Strengthen secretarial
	36d	.756	Contract out
	37	.871	Value fees
	39a	.954	More selective
	39c	.507	Secure on quality
	41a	.503	3 crown
	41b	.165	3 crown highly
	41c	.045	3 crown deluxe
	41d	.492	4 crown
	41e	.855	4 crown highly
	41f	.646	4 crown deluxe
	41g	.503	5 crown
	41h	.750	5 crown highly
Q6 Member other consortia	40a	.304	Borders & SW
	40b	.661	West Coast & Argyll
	40c	.957	Tayside Central Fife
	40d	.754	Grampian

Control Question	Correlated Question	Pearson Score	Variable labels
	40e	.394	Highlands & North
	40f	.327	London
	41a	.247	3 crown
	41b	.754	3 crown highly
	41c	.132	3 crown deluxe
	41d	.864	4 crown
	41e	.091	4 crown highly
	41f	.078	5 crown
	41h	.828	5 crown highly
	42	.994	Number of bedrooms
Q11 Ideal size of membership	40d	.817	Grampian region
Q14 Move to 3/4 CHC	41c	.529	3 crown deluxe
	41h	.946	5 crown highly
	40b	.111	West Coast & Argyll
	40c	.046	Tayside Central & Fife
	40d	.960	Grampian
	40e	.954	Highlands & North
	40f	.260	London

Control Question	Correlated Question	Pearson Score	Variable labels
Q30 Develop CRS	28d	.804	Reservations direct from guest
Q 37 Value of membership fees	24b	.909	Print material
	24d	.610	Referral
	24g	.587	Joint advertising
Q42 Number of bedrooms	9c	.627	Centralised marketing
	9e	.906	Short break brochure
	9g	.620	Brochure
	22a	.764	Personalised operation
	23b	.643	Support and advice
	33	.820	Appoint CEO
	34a	.758	Minority members free to manage
	34b	.526	Members do not have necessary expertise
	37	.811	Value fees

6. Chapter Six: Scotland's Commended Hotels: Background And Qualitative Research Findings

6.1 Introduction

This chapter presents the findings of the research from the qualitative research phase one stage of the research process, as described in Chapter Five, Appendix One. Thus, the following findings are derived from the research methods of organisational literature review, in-depth tape recorded interviews, longitudinal study, and diary of participant observation. These were applied to the empirical data sources of organisational literature, management committee meetings, and interview transcripts during the period February to November 1994. The resultant data was then analysed by means of a constant comparative method throughout the data collection process. There followed a seven stage framework of familiarisation, reflection, conceptualisation, cataloguing of concepts, recoding, linking, and re-evaluation.

In order to assist reader understanding of the dialogue, glossaries indicating to whom the initialled quotations belong, personal profiles of each of the persons quoted, and technical terminology appear in Appendices One to Three. Throughout the discussion of the findings, reference is made to three categories of data. The first is termed 'management' and refers to the combined information sources from the review of organisational data and the in-depth interviews with the management committee members. The second source is termed 'members', presenting the

viewpoints identified through the in-depth interviews with ten members. Finally, termed "minutes" is the information gained through interpretation of the minutes of the management committees combined with that of participant observations.

The framework for this chapter has been derived from the selective codes documented in Chapter 5, Appendix Nine of: membership characteristics; formation factors; organisational structure; membership benefits; member behaviour; strategic alliance management; and strategic alliance strategy.

6.2 Scotland's Commended Hotels (SCH): Background Information

In order to clarify the context of the findings the text commences with a presentation of the background information relative to the organisation which is called Scotland's Commended Hotels.

i) Overview

SCH evolved from the discontinuation of the British Tourist Authority (BTA) 'Commended Hotels in Scotland' scheme in 1990. At that time, existing members saw the opportunity in the market place to capitalise on the 'Commended' name which had been successfully promoted by the BTA for thirteen years. Thus, Scotland's Commended Country Hotels and Inns was formed in May 1990. In 1992, following recommendations from consultants Richard Gerald Associates (RGA), the name was changed to 'Scotland's Commended - A Selection of Distinctive Country & Town House Hotels'.

SCH can be described as an association of individually owned and managed country and town house hotels from 3 Crown Commended to 5 Crown Deluxe levels in terms of the Scottish Tourist Board (STB) grading and classification specifications. Members seek to offer a hotel of individual character and quality, taking pride in providing high standards of food and service in pleasant surroundings. Owners take personal interest in guests and are generally available. Staff should be versed in the aims of SCH and the promotion of referral business.

ii) Aims and Functions

The current key aims of SCH are communicated in the Mission Statement (Appendix Four). These are to: maintain its position as the leading professional consortium for Scottish hotels which meet membership criteria; and to be active on behalf of members. This involves seeking opportunities to maximise profitable returns by: accessing domestic and overseas markets; negotiating purchasing discount; and promoting co-operation to enhance inter-member referral business. Thus, specific activities carried out by SCH on behalf of members centre on revenue generation, and the administration of the purchasing discount scheme. Revenue is generated from the following sources: SCH direct bookings; overseas ground sales agents; inter-member guest referrals; central reservations office; short break brochure; and the Scotsman promotion. Members can benefit from negotiated purchasing

discounts through an established scheme. These areas are discussed in more detail in Section 6.6.

iii)Constitution

The constitutional form of SCH is that of a co-operative, consensus organisation of businesses operating at the same level of activity, and all having the same stated values. Thus, it is a voluntary association, with no part having legitimate power to exercise control over the total system. Members have the right to present proposals to change any aspect of the official Constitution at the Annual General Meeting. However, dissolution of the organisation must be supported by the signed consent of at least one-third of the qualified membership. Should this occur, then the balance of funds remaining would be returned proportionally to all current members. The issues of decision authority and voluntarism are investigated in greater depth in Section 6.5.

iv)Membership Structure

SCH has 66 full members, which represent 1,159 bedrooms, giving an average property size of 17.5 bedrooms. During the period 1990 to 1994 a total of 19 properties left SCH (Appendix Five). The majority (10) were also members of Scottish Heritage Hotels (SHH), a competitor organisation, and were given a directive by SHH management to be a member of SHH exclusively or to exit the relationship. They chose to stay with SHH. Of the

remaining nine, one property went bankrupt, one member died, one changed ownership, three hoteliers were not willing to offer a reason for exiting SCH, and three considered that SCH no longer accurately reflected the market level of their properties. Applications for membership are evaluated by the SCH management against the criteria for membership as detailed in Section 6.3.

v) Geographic Pattern

The present geographic pattern of members is a reflection of the historical development of SCH, when the achievement of a critical mass of numbers was a priority. Appendix Six illustrates the geographic dispersal of members throughout Scotland. In addition, there are two associate members located in Glasgow and London. The dispersion of members is linked to the patterns of tourist demand which can result in the clustering of members as can be seen in the cases of Region 3, Tayside, Central and Fife.

vi) Terms and Conditions of Membership

The terms and conditions of membership are minimal and loose, with members relatively free to operate unhindered by SCH management. Appendix Seven details specific member contractual obligations. These relate to issues of quality assurance, standardisation of trading and operational practices, membership participation, and general terms and conditions of membership. In addition, management negotiates marketing

and sponsorship agreements which members have the choice to opt in or out of.

vii)Finance

Financial solvency represents a central corporate objective of SCH and members remain jointly and severally liable for all contracts, costs and liabilities incurred by the committees in the proper execution of their duties. The Treasurer is entitled to recover any costs incurred on a pro-rata basis from current members and no individual member is empowered to commit SCH to unauthorised expenditure. The management committee has the right to set and pay reasonable amounts of expenses incurred by Officers in the execution of their duties. In 1993/94 these expenses amounted to £2,507.00, 2.5% of total income to the strategic alliance for the same period. This represents approximately £139.00 per committee member, per year.

Income generation sources are a combination of membership fees, sponsorship, and the sale of advertising space in the main SCH brochure. The strategic alliance's income has grown from £60,000 in 1990 to £97,894. in 1994, and the sponsorship target for 1995 is £25,000. Of the income, 81% comes from marketing fees, a further 15% from sponsorship and the remaining 4% from interest receivable and purchasing discount income. The main groupings of expenditure are those of the production of the brochure and special print, committee expenses, marketing activities, payroll,

administration and general expenses, database development, and exhibition and presentation material for travel trade shows. Marketing accounts for 73% of expenditure. In the financial period 1993/94 the consortium incurred a deficit of £6,731.25. The details of income and expenditure 1993/94 can be found in the financial report (Appendix Eight).

viii)Competitive Position

As regards the competitive positioning of SCH, Appendix Nine indicates the degree to which hotel marketing consortia are represented in Scotland, and their average size of membership in 1994. Each of these organisations have members within the same STB grading and classification bands as SCH, and operate in overlapping and different markets. Of the seven which are closest to the SCH average room size, MinOtel, Pride of Britain, Relais and Chateaux, Romantik and Wester Ross represent hotels within different market segments to those of SCH. Thus, the closest competitor organisations are considered to be Scottish Heritage Hotels and Logis of Great Britain. These two are now discussed.

In 1991, RGA recognised Scottish Heritage Hotels (SHH) as a major threat to SCH, and questioned whether Scotland could support two such low-key consortia. This led to SCH proposing a merger with SHH, aiming to create a more financially stable organisation, a move which was supported by the STB. This proposal was rejected by SHH, as they considered that the

membership of SCH was not compatible with that of SHH. The competitive position of SHH weakened over the period 1991 to 1994, and it now operates within a narrow, specialised niche market which has limited market appeal as is reflected in a comment by AT: *'The problem with SHH is that it is too restricted, too deluxe'.*

Logis of Great Britain sought to establish itself in the UK in 1993, using what was considered by PA to be aggressive recruitment tactics. While it is too early in the existence of Logis to identify the degree of impact, as regards the competitive positioning of SCH, it is proving to be an irritation to SCH management: *'They have certainly been a thorn in our flesh' (PA).* The management committee and RGA conclude that SCH had strengthened its competitive position during the period 1991 to 1994: *'It has been established as the lead professional organisation in Scotland' (AD); 'No other consortium in Scotland is worth talking about' (PA).*

This status of SCH is believed to have been achieved through the combination of seven key strengths identified and ranked in importance by management and in the minutes as detailed in Table 6.1. Of these strengths, members focused primarily on numbers 4 and 5, which they believed made SCH more attractive to customers.

Ranking	SCH Key Strengths
1	Association of top, independently owned hotels all having the same stated values.
2	In comparison to the identified competitor organisations, it is a low cost consortium to join.
3	Variety of hotel types, which are individual, personally managed and not standardised.
4	Comprehensive geographic spread, good range of prices, with quality products at each price level.
5	Strong market proposition of collectively good products
6	Members are directly involved in selling the products.
7	STB support of the only cohesive consortium that represents the Scottish hotel product.

Table 6-1: SCH Key Strengths

However, three important weaknesses were recognised by management and in the minutes relative to: membership; management; and marketplace. First, is that the membership had inconsistent quality levels, lack of commitment to the consortium, and limited understanding of the global market place. Second, recognised that the management committee was too distant from the membership, there was a lack of effective communication, and the committee could not devote sufficient time to the management process. Finally, the customers perceived the product as being expensive, difficult to access

geographically, and due to the individuality of the members, branding tended to be weak, and the market proposition not clearly defined.

Having clarified the context of the empirical research, discussion now moves to reporting of the main findings in Sections 6.3 through to Section 6.9.

6.3 Member Characteristics

In order to clarify the profile of members, member characteristics are now presented in the form of established membership criteria. These serve to define the key features of the total membership in terms of: owner/management; standards of food and beverage; STB grading and classification; property size; individuality; and active participation. These details can be found in the Membership Package which is distributed to all persons applying for membership. They are now presented and discussed.

i) Independently Owned and Managed

Owners should be readily available to both staff and guests and offer a personal welcome and interest in the hotel. Management view independent ownership and personal management as important key features of SCH and these are emphasised throughout organisational literature. There is concern by management and members that the selection of some new members appeared to be moving away from this stance, for example Aristo Hotels, a group of three company owned properties. The need to address this matter

was recorded in the minutes. The viewpoint was also reflected in the comments of members who felt that the acceptance of Aristo Hotels was contrary to the personalised philosophy of SCH. PA stated that: *"Acceptance of new members seems to be moving away from what the consortium is all about in accepting company owned hotels"*.

ii) High Standards of Food & Beverage

Members should undertake to maintain a high standard of food, friendly service, and membership of the Taste of Scotland Scheme is recommended. It is advised that the wine list contain a good range of wines, and should be of good value, and knowledgeably presented. Management had identified a need to assess the food quality of members which was variable, however means of assessment tended to be very subjective. The minutes recorded that AA rosettes attained by members would be introduced into the 1995 brochure as a measure of food quality at each individual hotel. However, this only applied to members who had attained AA rosettes.

iii)STB Grading & Classification

Members must participate in the Grading and Classification Scheme of the STB (Appendix Ten), and the minimum standard required is 3 Crown Highly Commended or 4 Crown Commended. Management agreed that the annual STB inspection of properties was the best method of monitoring quality. However, reservations voiced were: *'The STB administers a checklist on*

SCH's behalf, but it is not working well" PA; 'We should be able to not stick too rigorously to STB standards, which I have reservations about' (RGA). Members agreed that the STB made the best of a difficult job in the monitoring of quality and that no matter who carried it out there would always be an element of subjectivity.

iv)Property Size

The hotel should have no more than 40 bedrooms. Members showed concern regarding the acceptance of a new member (Golf View, Nairn) with 48 bedrooms. This did not reflect the country house image and was a worry, as it did not conform to the SCH member profile and may result in confusion of guests in terms of property expectations: *'This is away from the concept which attracted me to join' (ML).*

v) Individuality

The hotel should be of original and individual character and together with the interior decor and furnishings, the grounds of each property should be attractive and well maintained. This was a feature of great pride and importance to members as for the majority it was their raison d'être for being in business. Particular evidence of the importance placed by members on individuality is presented in Section 6.7 relative to sponsorship agreements.

vi)Active Participation

Member hotels must be actively committed to SCH, participating in the administration and promotion of the consortium particularly through brochure display and referral. It was also expected that member hotels will comply with corporate agreements made with sponsors of the consortium. Furthermore, RGA recognised that active membership participation in the management of SCH was the key to reducing overhead costs, which is an important feature in such a resource constrained strategic alliance.

vii)Geographic Location

Members are not evenly dispersed, with clusters in areas with high tourist demand (Appendix Four). It was noted (AD) that a clear definition of criteria for new members, relative to geographic location, had been neglected. Issues associated include: acceptance of a new member may be good, prestigious for SCH but damaging to existing members at the location; territorial protectionism by members; and the need for comprehensive geographic spread to strengthen market proposition. Members have never had the right of veto and nobody to date had resigned due to the acceptance of new members in close proximity. However, members are consulted prior to new member acceptance, and their opinions taken into consideration.

It can be seen from the above information that the membership criteria is clearly stated and communicated, however, a degree of flexibility is evident. Each

membership application is processed by the administration committee, who is responsible for final new member selection. In theory, new member application will be on the basis of how complimentary and compatible they would be with the existing members, and with the consortium as a whole. However, management theory and practice are not necessarily the same thing . This was illustrated in the minutes which identified the following features indicating that the process was not purely objective and mechanistic. These features can be divided into those which are a result of conflicting objectives, and those which are due to the membership criteria not being applied uniformly.

i) Conflicting Objectives

- **SCH v. Member**: Acceptance of a new member may beneficial and prestigious for SCH, but damaging to existing members at the location. This was the case with the acceptance of Farleyer House;

- **Subjective and Protectionist**: New member selection is influenced by the personal and business interests of individual committee members, who are protective of their local market;

- **Lobbying**: A committee member informally lobbied the support of the management committee for membership of his second hotel. The hotel did not conform to the membership criteria, nevertheless, management were

influenced to accept it. However, following further investigation the hotel was not accepted.

ii) Criteria Not Applied Uniformly

• **Quality v. Geographic Location**: An applicant below the minimum acceptable STB grade may be accepted due to their strategic geographic location. This was the case with the Portland Arms, Lybster;

• **Selection**: Applications are evaluated subjectively i.e. *'very pleasant, unpretentious, very mixed reports'*, rather than by formal criteria based assessment;

Thus, it can be seen that management was responsible for diffusing the market proposition and operating logic of the organisation through deviating from established member selection decision-making processes.

6.4 Formation Factors

Table 6.2 identifies the five key factors identified by members which influenced membership of SCH, ranked in order of importance. First, previous positive experience in a strategic alliance relationship was evidenced in that six of the ten members interviewed had continued on from the BTA Commended Hotels in Scotland scheme: *'The BTA scheme was a real prestigious operation, difficult to get into, therefore hopefully a good marketing tool. It meant that I was happy to give*

239

SCH a go' (DP). Second, the strength of SCH's competitive positioning has been established in Section 6.2, the awareness of which had resulted in a positive stance encouraging new member application. Thus, an important deciding factor relative to joining and remaining with SCH was that the hoteliers wanted to be identified with a strong, quality grouping: *'You are judged by the public by your association with other quality members which gives you a credibility i.e. you must be like....' (GE); 'I like the feeling that I belong to a group of really very good hotels' (MH).*

Third, members could not find a better alternative match with any other of the competitor consortia in terms of market level of operation, physical size of member properties, and pricing bands. For instance, SHH was described as too *'rarefied'*, while MinOtels was too *'down market'*. Fourth, the four hoteliers who had become SCH members since 1990 were influenced by the fact that they had known and respected existing members and shared their values and culture. Finally, hoteliers joined and remained with SCH as a means of combating the pressures which have arisen from the strategic imperatives as identified in Section 2.5. Thus, the act of membership was combined with an expectation of the volume of benefits which would arise, in particular, in terms of market exposure and improved business performance.

	SCH Formation Factors
1	Previous positive experience in a strategic alliance relationship
2	Strength of SCH's competitive positioning
3	Compatibility with physical and market profile of existing members
4	Respect, shared values and cultures with regards to existing members
5	Expectations of benefits which will assist in combating strategic imperatives

Table 6-2: SCH Formation Factors

From these findings, it would appear that for each small firm an assessment of the combination of these factors, in comparison to alternative such relationships, will influence the degree of commitment to joining a specific strategic alliance.

6.5 Organisational Structure

As stated in Section 6.2, SCH is a voluntary, consensus organisation of businesses at the same level of activity, all of which theoretically have the same stated values as set out in the Membership Package and the Constitution. Thus, it could be presumed that members had mutual interest in the successful performance of the organisation as a whole. The organisational structure is that of a low hierarchy as illustrated in Figure 6.1. With the exception of the Administrative Secretary who is part-time and works from a home base, the total management consists of members of SCH who

have volunteered to take on the role. Management and marketing services which were contracted out to external agencies included: central reservations office to Room Centre; short breaks programme to Hotel Connections; and overseas representation to agents located in Australia, Belgium, France, Italy, New Zealand, and the USA.

The officers consist of a Chairman, two Vice Chairmen, Treasurer and Secretary, and the past Chairman is automatically an ex-officio member of the management committee. Officers and committee members are elected by the membership at the AGM and serve a two-year term. The management committee is responsible for day-to-day management, in conjunction with two specific committees: administration; and marketing. Members received minimal financial compensation for their time spent in managing SCH (Section 6.2) and continued to run their own businesses. It is this willing, active participation of members, on behalf of members, towards the achievement of mutual benefits, which has traditionally underpinned the operating logic of this form of organisation.

SCH Organisational Structure

Chairman

Vice-Marketing Chairman   Treasurer   Secretary   Vice-Administration Chairman

Management Committee
(Administrative Secretary)

Marketing Committee   Administration Committee

General Membership
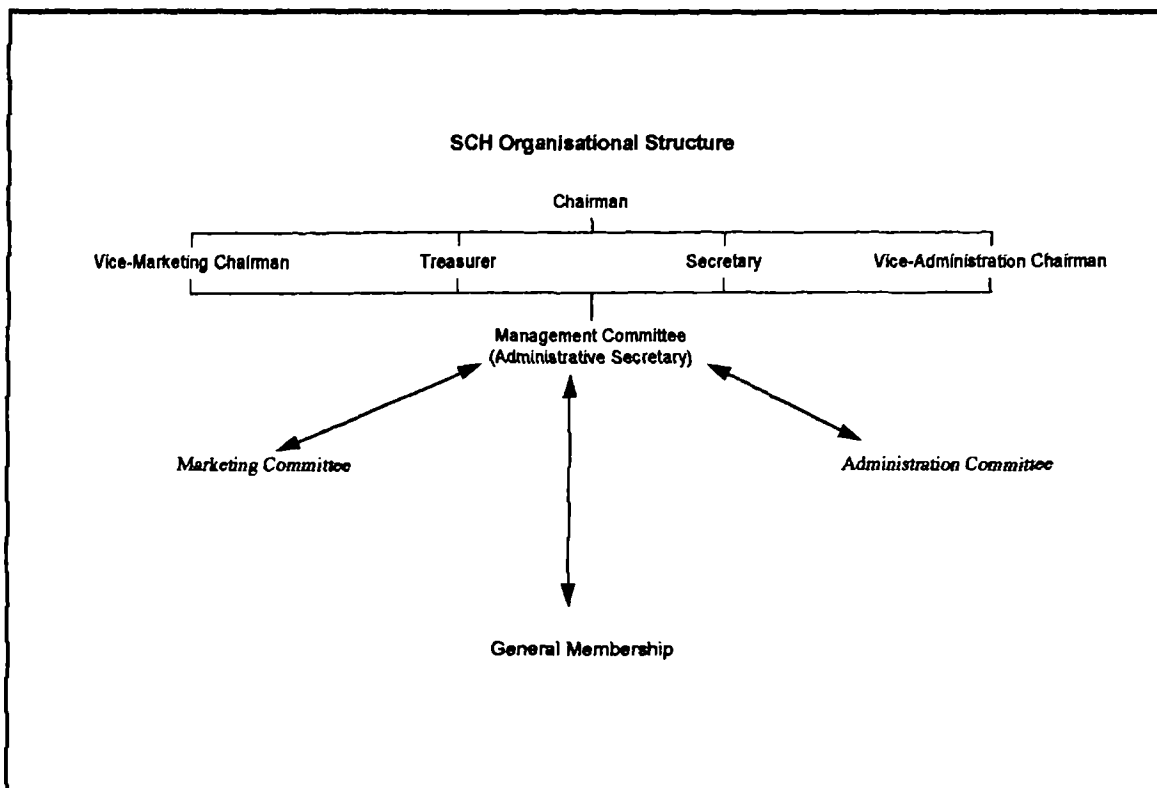
Figure 6-1: SCH Organisational Structure

i) Decision Authority

SCH is a democratic organisation, with each member having one vote and invited to the AGM to participate in the discussion and decision-making process. However, members viewed management as being remote from the general membership and, while management wanted to present the impression of membership involvement in decision-making, they were perceived by members as desiring to retain total control: 'There is an inner circle. We were made to feel like outsiders at the AGM' (GC), 'Committees are seen as remote' (AT) . Findings confirmed that management gave the

impression of SCH being a democratic organisation, in that members were given the opportunity to put themselves forward for committee membership. However this was seen by PA as: *'It is more of a cosmetic exercise, we are concerned with getting pals into the club'*. Thus, recruits would be co-opted. As such, while elections were given the appearance of being open in reality they were not.

Within the minutes key characteristics of management decision-making were identified as:

- **Protracted Decision Making**: Decisions taken by sub-committees were regarded as being only recommendations and were subject to being over-ruled by the management committee. This led to inefficiencies, expanded decision-making time span, and demoralisation among sub-committee members.

- **Subjective Decision Making**: Personal and business interests influenced decision-making. For instance, applications for membership were rejected if they conflicted with the personal and/or business interests of individual Committee members;

- **Use of Personal Networks**: In the achievement of SCH's goals, personal contact networks would be used by individual committee members, overriding officially allocated responsibilities. For instance, AD's official responsibility was to develop linkages with other regional

consortia. However, he used social contacts developed through membership of the Scottish Rugby Union to secure a sponsorship agreement with a major supplier worth £12,000 in 1994 to the consortium.

ii) Terms & Conditions of Membership

Management strongly believed that there was a need for a more dispassionate, autocratic management style and enforcement of membership terms and conditions as set out in the Constitution and Membership Package. Only with such consolidation was it believed that SCH had something solid and attractive to offer both the market place and membership: *'The way forward is autocratic management and enforced rules. This would help to tighten the market proposition' (RGA).*

It is the responsibility of the officers and committees to enforce the terms and conditions as accepted by a hotel on becoming a member of SCH, and it was noted (AD) that applicants for membership accept these on joining. Thus, they had the choice of changing them through the democratic structure, compliance, or to leave SCH. The terms and conditions have been referred to in Section 6.2 and are clearly laid out in the Membership Package. Furthermore, it was stated that membership would be withdrawn if a hotel consistently fell down on terms, conditions and quality standards.

Terms and conditions of membership are linked to decision-making authority relative to enforcement, resignations, and the optional nature of terms and conditions. First, it was agreed by management that rules and regulations had to be enforced more rigorously, especially in order to have negotiatory power over suppliers:. *'There is a problem of members not doing what they are told. A lot of members don't behave. You get so frustrated. Perhaps we should enforce the rules more' (PA)*. Second, was the assertion that: *We have never had to face asking a member to resign' (AD)*. If there was a problem reasons were explored personally first, then help and advice offered. Should they still not comply and show a total disinterest in SCH they would be asked if they really wanted to continue as a member: *'Offer them a nice way out' (PA)*. Members generally recognised that terms and conditions had to be enforced, especially in order to have negotiatory power over suppliers (AT).

Finally, is the optional nature of the majority of the terms and conditions, many of which were at the discretion of members. As such, members had the facility to opt in or out of marketing activities and procedural arrangements. Such non-conforming members were seen as *'offenders'* (*PA*), appearing to take a *'pick and mix' (GE)* approach to membership terms and conditions.

iii)Voluntarism

Seven of the ten members stressed that direct, voluntary membership involvement in the management of SCH was essential to the maintenance of

its competitive position and continuity. This was supported by management in the viewpoint that it is important that: *'The independent hotelier is directly involved in selling his hotel, his home, and keeping the slates on the roof next winter'* *(GE).* Moreover, the members considered that the voluntary nature was a necessary feature of the organisation due to limited financial resources. However, all recognised that it was only the extreme minority of members who gave their time and effort to the management function. This led to committee members suffering from pressure caused by time, money, and expertise constraints. It was agreed by members that this must impact negatively on the running of their own hotels.

iv)Associated Problems

The voluntary nature of the management brought with it problems of varying levels of management capability, commitment, and expertise. Furthermore, participating members incurred personal and business costs. It appeared unrealistic to expect members to be able to carry out all the management duties, in addition to facing the challenges of running their own businesses, and to do both effectively. Furthermore, committee members incurred personal sacrifices which included: time away from their businesses; distance to travel to meetings which could amount to four hundred miles each time; and the volume and range of meetings requiring attendance. GE estimated that as Vice-Chairman of the Marketing Committee he spent the equivalent of one month per year away from his business, while DG estimated that the

cost of travel, accommodation, and administration incurred by individual management committee members amounted to approximately £2,000 per year, against the £139. in expenses received. In addition, the organisation was significantly dependent on donations of member facilities and hospitality in the hosting of meetings.

Specific problems identified by the researcher with voluntary management from the minutes were:

- **Protracted completion of projects**: Grant Sword, Golf View Hotel took over the collation of the Blue Marketing Folder in May from GE. He found difficulties in committing sufficient time to the project, despite involving two members of staff. Another example is that of the production of the Advanced Reservation form. Management identified the need for a revised and simplified form in December 1993, however the project was not completed until September 1994. The original aim had been to have the form in place for the start of the 1994 summer season.

- **Prioritisation of business interests over SCH management**: Both the marketing and administration committee meetings were cancelled in May 1994 at short notice due to business pressures being experienced by the committee members in general.

- **Limited financial planning and control**: The lack of formalised financial management systems led to difficulties in producing meaningful figures, and no basis for comparison with previous years. The new Treasurer (JMc) was concerned about the limited financial control in the organisation over expenditure sanctioned by the committees, and the unprofessional manner in which budget figures and allocations were calculated. Furthermore, the accounts had not been formally audited during the period 1990 to 1994. The new Treasurer was concerned about this obvious lack of formalised, secure systems of financial control on a total income of c. £98,000, and the fact that he was the only signatory on a current account with a balance standing at £92,000.

- **Lack of management resources and systems**: The quality of some management decisions was questionable. For instance, the decision made regarding what quantities of the main piece of promotional print, the blue book brochure was haphazard. It was not based on any management information or rational calculations and neglected to consider how it was to be used in marketing activities: '*Decisions on quantities should be made in a more professional manner*' *(DG)*. Instead rough calculations were made relative to how many brochures the marketing committee thought had been produced in previous years.

- **Discontinuity caused by rotating roles:** This led to revised administrative procedures, discontinuity of role and relationships, and variable levels of capability, experience and commitment from individual members. For example, the handover of the Treasurer's role commenced in March 1994. Seven months later there still had been minimal liaison between the past and new Treasurer. This resulted in problems as regarded sourcing information, understanding budgets and systems. The new Treasurer admitted that in five months: *'he had still not got to grips with the budget' (JMc)*. However, on the positive side, rotating roles represented an opportunity to review procedures, and improve systems. For instance, the new Treasurer reviewed administration and control of funds and the accounts will be audited for the first time for the financial year 1994/1995.

- **Management Meetings:** Meetings were poorly time managed, unbusinesslike and the Chairman lacked assertion and control over members. Issues were not prioritised, discussion was unfocused, impetus was lost, and entrepreneurial energies diffused. For instance, at one meeting (26.5.94) it took 4½ hours to go through the minutes of the previous committees meetings, prior to addressing vital strategic issues. Furthermore, organisational learning took place amongst management committee members which led to inefficiencies in dealing with the management of the core organisation. Thus, during meetings, SCH

business matters were constantly diverted in order to discuss matters such as key statistical trading information, and discounts negotiated with suppliers. This was to the benefit of the individual committee members, but not necessarily to the core organisation.

- **Forward Planning**: Short notice of Regional Meeting dates to members resulted in low levels of attendance. In addition, sales promotions were introduced with little lead time, and the resultant pricing structure led to member and customer confusion and conflict. This was particularly evident with the introduction of the Short Break Brochure at a time when the Scotsman Promotion was still in operation. Management recognised the need (October 1994) for, and the benefits of, forward planning. For 1995/96 they intended to carry out a long-term planning session of four days duration in order to discuss, plan and schedule SCH business for the year. It was hoped that this action would both relieve the pressure on committee members and increase the professionalism of SCH.

The overall result of these problems was a lack of professionalism within the organisation. DG criticised the activities of management as not being sufficiently professional, lacking forward planning and cohesion. He commented that: *'We are at a cross-road in this job. We need a more professional body, an employed official to administer and manage'.* In addition, the limited capabilities of, and constraints experienced by, committee members resulted in frustration and the feeling that they were not

251

doing the job as well as they could: *'We are hoteliers basically, and not consortium managers "(GE)*. When the Treasurer of six years (DG) resigned he admitted that *'he was not an accountant but had done the job to the best of his abilities'*. Moreover, he had performed the job during a stressful time when he had sold one hotel, bought, refurbished and opened a second.

It is clear that there is an interplay between management capabilities, resource constraints, and organisational requirements within this strategic alliance. Specifically, this appears to have an impact on: the quality of management decision-making; effectiveness of communication with members; and the overall professionalism of the organisation.

v) Paid Chief Executive Officer

As a result of the problems and issues associated with voluntary management, the management strongly believed that committee members could no longer carry the administration and marketing burden, and run successful businesses. Thus, management believed that SCH needed to change the organisational structure, in the form of employing a Chief Executive Officer (CEO), dedicated to the management function. However, it was agreed that the organisation must still be member led. This was viewed as representing the best value for money and kept the fellowship aspect intact: *'If you formalise the structure, the spirit and referral business would be lost' (NF)*. The minutes reinforced this belief seeing the appointment of a paid executive as a

step towards relieving some of the frustrations of management, and assisting in the professionalisation of SCH.

However, nine of the ten members interviewed responded negatively to the proposal of the appointment of a paid CEO for four major reasons:

- The expenses which would be involved in terms of salary, car, office space and equipment, general expenses, etc. It was felt that SCH could not afford this and could not justify the raising of fees in order to finance it: *'Appointment of a paid executive is just the start, there are other associated expenses.' (AC)*

- There was a danger that a paid executive would become the public face of SCH, rather than the membership. Contacts would be developed between potential customers and the CEO, which might leave SCH vulnerable if the CEO should leave. *'The CEO becomes SCH, not the hoteliers' (AF)*.

- A paid executive would be making decisions regarding, for instance, sponsorship, and deals with overseas agents, which would directly affect the way members did business. This was not considered acceptable as such decisions should be made by members, on behalf of members: *'Can't have a CEO making decisions which will directly effect the way members do business' (DP)*.

- Some members were reflecting on their negative experience of this type of management arrangement in another Scottish consortium (Scottish Heritage Hotels): *'We saw a SHH fail because of this' (AC)*.

6.6 Member Benefits and Costs

Associated with membership of SCH are a range of benefits and costs. These are now presented and discussed.

i) Benefits

It was clearly stated as a SCH corporate objective in the RGA (1991) Business Plan that there was a need to continuously extend benefits and values of membership, both social and business. This was reinforced in the minutes, where management commitment to this is recorded. It was identified that benefit extension was achieved primarily through: operating a purchasing group enabling member discounts; product development and promotional activity generating business and spreading demand geographically; and improved member/management communication regarding the benefits of membership.

The key benefits of membership as listed in the Membership Package and are outlined as follows:

- Participation in an annual full colour brochure, with print run of 50,000 and the coloured map flyer with a print run of 160,000. Widespread distribution at home and abroad through the offices of the BTA.

- Listing with full colour photograph in map brochure with suggested itineraries, distributed throughout member hotels, and associate consortia in England, Wales and Ireland.

- Joint marketing ventures and special promotions. A recent Scotsman Spring Promotion generated over £1 million of off-season business for participating hotels.

- Cost effective, efficient overseas representation normally out with the scope of individual hotels. Automatic and free entries in Overseas Hotels and Resorts Guides, Travel Index, used extensively by North American travel agents.

- Computerised central reservation service, with payment only on business produced. Access to world-wide computerised reservation systems through Hot Key International.

- Automatic participation in purchasing agreements arranged with Consort Hotels Purchasing.

- Exposure at the World Travel Market and Scottish Travel Trade Fair.

- Press and publicity agent handling press releases and publicity for both the consortium and for individual members.

- Referral business and increased co-operation through member hotels.

- Opportunities to persuade travel writers to visit all areas and hotels.

The key benefits of membership were identified by members ranked in order of importance to their businesses in Table 6.3. When the range of benefits are contrasted against those of key competitor organisations (Appendix Eleven) SCH rates average to above average.

Ranking	SCH Key Membership Benefits
1	Cost-effective centralised marketing activity.
2	Inter-consortium business referral.
3	Purchasing savings.
4	Peer support
5	Overseas representation
6	Close association with the STB Grading and Classification Scheme

Table 6-3: SCH Key Membership Benefits

Centralised Marketing

It was the view of management that in the current trading environment the independent, small hotel could not market effectively on its own. As a result,

the consortia form of organisation, pooling marketing resources, was a way forward for the small firm: *"This is the only way for the small firm to have some marketing muscle' (PA).*

Half of the members interviewed recognised that they had received tangible benefits from membership in the form of market exposure, raised profile, the Scotsman Promotion, business from overseas agents, and general market place awareness building. The remainder questioned the productivity of SCH marketing relative to their individual hotels: *'It doesn't work for me, I get nothing out of it' (GH).* The majority viewed dependence on SCH for all marketing activity as a mistake: *'Can't expect SCH to do everything for you, still have to market your own product' (AT),* and carried out additional marketing activity independently. This independent approach could be related to three causes: the owner/manager recognised the potential vulnerability of over dependence; it reflected a characteristic of independence frequently associated with entrepreneurial personalities; and/or SCH was not producing a sufficient volume of business to satisfy members' business objectives.

The Scotsman Promotion (SP) is an example of successful SCH centralised marketing activity. It generated £2.5m (1993-1994) incremental revenue for the consortium as a whole, which made it a landmark in the development of SCH. As a result of the SP, SCH won the 1993 Thistle Tourism Award, sponsored by the STB for off-season business development. The SP was

257

identified by management as being central to strengthening awareness of the existence of SCH in Scotland.

Eight of the ten members interviewed strongly supported the continuation of the SP. Despite the fact that it represented discounted business, the volume factor had a significant positive impact on cash flow and provided SCH as a whole with substantial market exposure. Member comments emphasised the extent of their dependence on the SP:

- *'It is essential to our business and must continue next year' (AT)*;

- *'Gave amazing exposure to SCH and cashflow which kept many of us in business' (AF)*;

- *'Didn't go into the first SP, tried to keep rates high, but we were going broke and had no choice but to join. We are now a successful hotel because of it' (DP)*;

- *It is imperative that it is run this Autumn (1994) as there is no way we will be able to replace the business' (DP)*;

- *'Excellent, gave us cashflow when we wouldn't have had it' (ML)*.

Thus, it would appear that members had become extremely dependent on this one promotion: *"in danger of becoming Scotsman Promotion junkies" (GE)*.

The minutes also recorded that many members felt that they could not survive without the SP.

Referral Business

The promotion of co-operation to enhance inter-consortia referral business was recognised by management as a key means of increasing the volume of business generated. However, the level achieved was weak. It was viewed as an untapped potential of SCH which required the development of a *'network effect' (RGA)*. However, unless members had confidence in the products, they were not going to be encouraged to give personal recommendations to their valued guests: *'A member refers business because he knows the hotelier and has confidence in his product' (AD)*.

A particular aspect of increasing the level of referral business to hotels was identified as developing product knowledge and personal contacts within the membership. This could be achieved through the opportunities provided, in the form of Regional Meetings, Annual General Meeting, social events, and a preferred bedroom rate for SCH members at sister hotels. This refers to: *'The social aspect is part of getting referrals' (GE)*.

Only one of the members interviewed was happy with the level of referral business which accounted for 9% of their total business in 1993 (GC). It proved to be extremely problematic identifying the volume of business coming through SCH, with reservations from Room Centre averaging no

more than an estimated 1%. However, it may be supposed that a percentage of the guest direct bookings (c.80%) were as a result of SCH's general marketing activities. On the whole, members agreed that the referral scheme did not work well. Furthermore, two members considered that the Committee members '*won*' on referrals and that unless you were located in a prime tourist area you did not receive them. Thus, the level of referrals was seen to be influenced by participation on committees, and geographic location.

The key points identified by members as hindering the achievement of referral business were:

- **Product Knowledge**: Decreases as the number of members increases which lowers the likelihood of referral;

- **Quality Standards**: Inconsistent which lowers confidence relative to referral;

- **Market Share**: At new member selection stage the matching of supply to the patterns of business, in order to generate a satisfactory market share throughout the SCH membership, is vital in order that value of membership be achieved. For instance, MH was an example of this problem.

Purchasing Savings

Automatic member participation in purchasing agreements was arranged with Consort Hotels Purchasing by the management committee. The main types of items purchased through this scheme were: bar supplies; liquid petroleum gas; food items; soft furnishings; and dry goods. Research by RGA (1994) indicated that any member using the Consort Purchasing scheme with some diligence could save upwards of £1,000 per annum, thus covering the direct costs of membership of SCH. This meant that members had the potential to financially benefit from membership without having received one bedroom reservation through the SCH system.

It was noted in the minutes that the cost of joining Consort Purchasing as an independent member was £700 and that SCH members were required to contribute only £70. Therefore, members were getting an extremely good deal through Consort, but generally did not avail themselves of these benefits. There was a 5/5 split among members in opinions regarding the purchasing scheme. Half felt that they could secure as competitive prices with local suppliers, and half were enthusiastic regarding the substantial purchasing savings that they had gained.

Fellowship/Peer Support

Management viewed the promotion of a feeling of fellowship, and peer support as important to the organisation. Thus, the participative element was

seen as essential in the promotion of co-operation, self help groups and general communication with peers. Furthermore, this was stated as a corporate objective in the RGA (1991) Business Plan, for reasons of: providing meaningful communication to members; strengthening the bonding of members; and to improve the perceptions of benefits. As such, socialisation with peers was seen as an advantage. Members were much less aware of the fellowship and peer support aspects of the organisation, although they did agree that peer support and in-house discussion had helped many members survive the recession. A viewpoint presented was that what fellowship did exist was seen to be threatened by the increased number of members.

The four issues associated with this membership benefit have been identified as:

- **Peer support and mutual help**: Running a hotel can be quite an isolated experience. Thus, peer support and mutual help alleviated this for SCH members, resulting in important benefits: *'None of the members went into receivership during the recession' (GE); 'Peer support has kept SCH members going through the recession, this is an indication of the value of membership' (AD).*

- **Collective expertise**: More communication and better use of the collective expertise of membership would serve to strengthen peer

support. It was considered that being able to use members as a source of informal business advice represented a very valuable resource, especially for inexperienced hoteliers: *'I am not hot on accounting and reporting procedures, but I know I can call on members who are, and they have helped me' (GE).*

- **Minority avail of it:** At Regional Meetings and the AGM there was evidence of great fellowship, but this was not representative of the general membership. *'The people on committees are like-minded and enthusiastic about SCH, as a result there is a great rapport. That doesn't apply to the majority of the membership' (PA); 'Fellowship is available to all members. Not to avail themselves of it is their own fault, they are the losers, there is no question' (AD)..*

- **Business motivated:** It was recognised that the act of accessing the fellowship aspect was business motivated, rather than purely social: *'The fellowship aspect, gaining business information in a social setting, is very important' (NF).*

In the minutes evidence of fellowship and peer support can be seen in the form of: financial; quality; marketing; and social/business. The following illustrations support the strongly expressed view: *'What is the point in being a member of a consortium if members can't help each other out during difficult times' (GE).*

263

- **Financial**: Ladyburn was paying the subscriptions in small instalments, it was felt that she should be *'booted out' (DG)*. However, it was agreed that she be allowed leeway until the end of the SCH financial year. The Chairman was responsible for pursuing the issue and he found it *'very unpleasant as it is contrary to the central SCH philosophy of fellowship' (PA)*.

- **Quality**: Creggans had been asked to resign due to the property falling below the minimum acceptable STB grading and classification level. When informed they were alarmed at the idea of no longer being a member of SCH. It was, therefore, agreed that management should be sympathetic and give them one year to improve.

- **Marketing**: Balgonie had not paid for advertising entries in the SP, as a result the Scotsman newspaper was excluding it from the next promotion. It was stated by NF that Balgonie would be *'distraught, suicidal, devastated'* business wise if this happened. It was agreed that management would resolve the issue on the member's behalf.

- **Social/Business**: A wine trip to France was organised by management for April 1995. It incorporated a promotion to the new French agents - Acceuil d'Ecosse.

ii) Costs

The financial costs associated with SCH membership were primarily in the form of joining and membership fees, the amounts of which are determined each year by the management committee and notified to members at the AGM. The 1995 structure was composed of: initial joining fee £1000 plus VAT; subscription £1,500 per year plus VAT; and bedroom weighting of £20 per bedroom. Bedroom weighting for hotels in the Outer Isles was not applicable.

Membership of SCH was less expensive than most other leading hotel consortia. For a hotel of the average size of 17.5 bedrooms, the annual subscription was nearly £800 less than MinOtel and over £1,000 less than Scottish Heritage Hotels (Appendix Twelve). Furthermore, as a voluntary organisation, SCH was significantly dependent on the gratuitous commitment of member donations of meeting rooms, management services, and general hospitality.

Membership fees had been controlled during the recession through the raising of income from sponsorship agreements and increasing the number of members. However, it appeared that given the combination of sponsorship saturation, easing of the recession, and increased administrative and marketing costs, the level of membership fees required to be urgently reviewed. This was confirmed in the minutes were it was recorded that

although account projections were back on course, income was not sufficient to cover costs, and subscriptions were considered unrealistically low.

In the September 1994 RGA report 'Membership Benefits' it was stated that member annual subscription offered outstanding value for money, with the benefits outweighing the cost by a factor of 13. The average 17 bedroom member subscription of £1290 covered the cost of appearing in the main brochure, flyer, short breaks brochure and any special promotions, overseas representation, CRO, referral business, exhibitions, purchasing and the *"feel good"* factor. RGA concluded that the financial cost-effectiveness was conclusive and that SCH membership, represented a very sound marketing investment. The conclusions from this report are summarised in Appendix Thirteen.

Seven members felt that they had received value for money set against the range of benefits as a whole, and recognised that SCH was not a high fee consortia in comparison to others: *'We think current fees are extremely good value, we are doing well through SCH' (GC).* Three members were unclear as to what actual benefits they received from membership and questioned the value for money: *'I am already questioning the value of current fees, I wouldn't be willing to pay more' (GH).*

6.7 Member Behaviour

It is clear that member behaviour is integral to the successful operation of the core organisation and the achievement of the member benefits. In any discussion of member behaviour, it is important to remember the challenges facing the owner/manager in terms of resource constraints, combined with the challenging strategic imperatives (Section 2.7). Thus, small firm resources and capabilities are generally being stretched to cope with the pressing issues, relative to the business, with minimal resources remaining to devote to the strategic alliance.

Within this context, dominant issues associated with member behaviour have been identified by the researcher as: unity and commitment; compliance to sponsorship agreements; proactive membership role; multiple network position; and organisational learning. These are now discussed.

i) Unity and Commitment

Management recognised that unity and commitment of members was essential in the achievement of organisational goals, maximisation of profit revenues, and negotiatory power of SCH over suppliers. Therefore, a major organisational aim was to ensure that the membership of SCH achieved effective consolidation, co-operation, commitment, communication, and flexibility. Members were aware that a lack of unity and commitment within SCH diluted the strength, efficiency and detracted from marketing activities, and negotiatory power over suppliers. As a result, management efforts were

267

not as productive as they were designed to be, causing frustration within a proportion of the members. These members threaten to exit the relationship to join other marketing consortia, which were perceived as being more effective in sourcing business in the markets they wished to target e.g. Small Luxury Hotels (Kinloch House), Pride of Britain (Sunlaws). Of particular interest is that both of these properties are examples of small firms which have used SCH as an incubator organisation. During the four year period of their membership they had followed a programme of capital investment, product and market development, and had drawn on the strengths of SCH. This had resulted in them outgrowing the consortium and moving on to organisations which represented properties at a higher market level, nationally and internationally.

An example of unity and commitment was seen in the promotion of SCH as a brand symbol. This appeared to be weak throughout the membership, thus the opportunity to establish a stronger market image and awareness was being lost. Greater use of the symbol had the potential to assist members in being judged as being part of a quality grouping, enhancing their overall image and credibility in the market place. Thus, it was recommended that: *'SCH must brand without taking the personality out of the individual hotels' (RGA)*.

Nine of the ten members interviewed agreed that more use of the SCH symbol should be made in order to establish a corporate identity but that it lacked in impact, and it appeared that: *'The majority of guests are unaware of*

what it stands for' (DP). At the AGM (November 1994) PA asked members to demonstrate commitment to SCH by using the logo on all printed material and advertising; and mentioning SCH in connection with awards received or publicity in publications or on television and/or radio.

The reality of achieving the aim of unity and commitment was questioned by RGA, who considered that it was: *'unrealistic to ever expect the membership to act as one'*. While it was thought that only the minority of members behaved inconsistently and were dysfunctional (c. 10%), PA recognised that these *'rogue'* members could potentially damage the operating logic of SCH. Two main factors have been identified as influencing the degree to which members comply: the quality of management decision-making; and the volume and complexity of sponsorship agreements.

Specifically, decision-making was carried out by management and passed down to the membership. Thus, members were being asked to comply with decisions which would impact directly on the way in which they did business, but to which they have not been party: *'When I don't comply, it is because I know it won't be good for my business' (AC)*. It is therefore considered by the researcher as important, towards the achievement of compliance, that management ensure decisions taken are to the benefit of both SCH and the membership.

The increased volume and complexity of sponsorship agreements over the period 1990 to 1994 had contributed to the difficulties which membership experienced in complying, and management time involvement in the enforcement/policing of the terms and conditions. For instance ML stated that: *'We don't need more suppliers, it adds to paperwork and the complexity of the organisation'*

The minutes confirmed that it was only the minority (c. 10%) of members who were dysfunctional. Evidence of the nature of this behaviour is presented in Table 6.4

Examples Of Dysfunctional Member Behaviour
Exhibiting individually at the Scottish Travel Fair, rather than consolidating effort within the SCH stand.
Non-compliance with sponsorship agreements.
Encouraging guests to complain to the Chairman about closely located competing member hotels.
Declining to participate in special promotions such as the Scotsman Promotion and Short Break Brochure.
Reluctance to supply ten names and addresses of good short break customers for consolidation into a SCH database.
Non-communication to staff regarding SCH policies and procedures such as the existence, terms and conditions of the Short Break Brochure.
Non-payment of membership fees within the stipulated time span.

Table 6-4: Examples of Dysfunctional Member Behaviour

There was little sign of active sanction mechanisms to deal with such dysfunctional member behaviour. However, given the importance of sponsorship income, the Chairman was driven to take disciplinary action (September 1994), sending members who were not complying to sponsorship agreements a letter reminding them of the agreements, and giving them six months to comply.

The sanctioning norm appeared to be the application of peer support in the first instance (Section 6.6) to ascertain the reasons underlying deviance, with any official stance by management seen as a last resort. It is important to note that non-compliance of the terms and conditions of membership was more evident among those members who did not participate in management, meetings and social gatherings of SCH.

ii) Sponsorship Agreements

The minutes stated that the 1995 target for sponsorship was £25,000 which represented 22% of the total projected income for SCH. However achievement of that figure was dependent on members complying with the stipulated terms of the agreements. Sponsors were concerned that this was not happening and were threatening to withdraw support for 1995.

All ten members interviewed were negative regarding the imposition of sponsorship agreements on the membership by management. It was generally considered that there were too many sponsors of variable quality. Moreover,

as seen in Section 6.5, in order to ensure compliance, it was essential that the decisions taken were to the benefit of members as well as for SCH.

Members were of the opinion that before taking decisions management should carefully consider, first, if it was realistic for the members to comply and second, the quality of the suppliers: *'I am really worried about the sponsorship we are doing now. It is widespread and down market' (AT).* This refers to the increased number sponsorship agreements which had been entered into and the quality of some of the suppliers' product ranges which the members found inferior when compared to their own quality standards.

The Haughton wine sponsorship agreement was an example of this, and represented the most emotive of all sponsorship agreements entered into by SCH since it had been established. It resulted in fierce membership resistance. Members viewed it as an example of bad management decision-making which was reflected in the general points raised regarding sponsorship below.

- The Haughton wine deal represented a bad management decision: *'Nobody is going to tell me which wines to stock. The wine list is personal to the hotel' (KL);*

- Lack of advance knowledge irritated the member and disrupted their operations: *'We were told that the Haughton wine deal had been*

accepted, with no consultation, no warning and wine lists already printed for the season.' (KL);

• Need to retain individuality: *'Guests come for the difference, the variety' (DP);*

• Management make decisions without consultation with members: *'The first we hear about it is once the deal is done, in a faxed directive from Mairi' (PT);*

• It is recognised that sponsorship had controlled the level of membership fees and that it had been helpful in the early development of SCH. However, it was considered that the level of sponsorship should be restricted: *'If fees were being increased in order to reduce sponsorship, I would support it' (DP).*

iii)Proactive Membership Role

As stated in Section 6.4 a proactive role by members in the administration, promotion, and compliance with corporate agreements was expected as a norm, as per the terms and conditions of the membership contract. However, there was a general lack of member participation in management, Regional Meetings, AGM, familiarisation with colleague member hotels, arranged social events, hosting meetings, compliance with sponsorship agreements,

and circulation of promotional material. Attendance at the 1993 AGM was 50% and 60% in 1994, while Regional Meetings averaged 30%.

Management continuously questioned why some non-participating hotels were members at all, concluding that providing they fulfilled the membership criteria and paid their fees, there was really no a real problem. Certainly within the given organisational structure, which was dependent on member participation in management, there was an obvious problem, which would not be as significant if management was contracted out, or carried out by a paid CEO. Management did believe that limited member participation, resulted in the benefits of membership not being maximised, particularly in the areas of referral business, entrepreneurial synergy, power over sponsors, stronger negotiatory stance with representatives, and informal peer advice and support. This lack of participation represented a source of great frustration for the management and missed opportunities for the membership in general.

Eight of the ten members interviewed felt strongly that there was much to be gained from participation in the form of peer support, referral business, and communication of membership benefits. However, factors mitigating against such behaviour were as indicated as presented in Table 6.5.

Factors Mitigating Against A Proactive Membership Role
Personalised management style, requiring total involvement in the day-to-day operation.
Lack of obvious business outcomes from member contributions at meetings.
Distance to travel to meetings and events.
Time involvement away from the business.
Short notice of Regional Meeting arrangements.
Members' perception of being inferior to the management.

Table 6-5 Factors Mitigating Against A Proactive Membership Role

Two members felt very negative regarding participation, in that they regarded attendance at Regional Meetings and the AGM as not the best use of their time. This was primarily due to the lack of action outcomes and being made to feel inferior to committee members which is illustrated by the following comments: *'I was left wondering if it was the best use of my time' (MH); 'Don't need to volunteer to attend meetings where I am made to feel like some second class citizen' (GH).* It is important to note that GH was consistently negative regarding all aspects of the organisation. His hotel product was in decline, and his level of strategic awareness and understanding of the operating logic underpinning SCH were low.

iv) Multiple Network Position

Management recognised that in the ideal scenario, one consortium should satisfy all the needs of members. However, at present SCH was classed as a *'low key operation'* (RGA) and not in a position to consider an exclusivity clause, as had been the case with SHH (Section 6.2). PA viewed multiple consortia membership as demonstrating a lack of commitment by members to SCH. Nevertheless, management understood that the multiple network position of members was a necessary means of sourcing business from a wide range of diverse markets, in order to satisfy their individual financial objectives. In addition, there were a number of regional initiatives being undertaken, for instance Grampian's Tartan Collection, sponsored by Grampian Enterprise, which some members felt obliged to support for a range of political and economic reasons. Multiple network position was, therefore, considered acceptable by management if it was not duplicating and/or detrimental to the marketing activities of SCH. Six of the ten members interviewed were not members of any other consortium other than SCH.

v) Organisational Learning

A function of participation, fellowship and peer support is that of the promotion of organisational learning. In this respect, two main points have been noted: the need for member education; and the influence of negative

and positive member experiences on future member behaviour. First, it has been identified that it takes time and effort for members to learn about, and understand the organisation, new products, procedures and systems, and sponsorship agreements. Second, future member behaviour will be influenced by experience of successful and unsuccessful initiatives undertaken by the organisation. For instance, should the Short Break Brochure programme which commenced in April 1994, be seen not to be working during the first year of the promotion, it was suggested that (NF) members would be reluctant to support it for a second year.

6.8 Strategic Alliance Management

The management committee was responsible for overseeing the three core functions of membership management, marketing, and organisational administration, as defined in the organisational literature. This information is presented in Table 6.6.

Core Functions of SCH Management		
Membership Management	**Marketing**	**Organisation Administration**
New applicant evaluation and selection	Marketing plan development, implementation and evaluation	Monitor purchasing discount benefits
Quality assurance	Database maintenance and utilisation	Secure sponsorship
Enforce membership terms and conditions	Product portfolio development	Budget and financial management
	Intermediary relationship management	Maintenance of management information systems
		Strategy implementation and evaluation

Table 6-6:Core Functions of SCH Management

i) Members' Perspective and Issues

Members' perspective of the management committee, their achievements and key issues associated have been identified and will now be discussed. Views relative to the current management included:

- Admiration for those willing, and with the time, to take on the management role: *"Admire members who take on the management role"* *(MH);*

278

- Recognition of the pressures which they must experience in running both a hotel and SCH: *'Don't know how they find time to manage (SCH) and run their own hotels' (AC)*;

- Approval of management's efforts, calibre and enthusiasm: *'We've always had good keen people on committee' (AF)*;

- No alternative form of organisational structure, which allows for members to retain control: *'In favour of members being directly involved in management' (GC)*;

- No resources to employ professionals, thus must leave management to 'amateurs': *'Considering we are amateurs, SCH is run quite well' (AT)*;

- Lack of financial compensation for management role: *'Committee members are paid minimal expenses for attendance, and that doesn't cover travel or time away from their business' (AF)*;

- Future survival of SCH will require the management structure to be reviewed: *'If it is to be pushed forward, it needs to review the management structure. (PT)*.

Further member comments relative the management reflected a 'them and us' relationship which appeared to have evolved:

- Management benefit by attracting a greater market share through SCH sources: *'Committee members have the finger on the pulse, know various travel trade contacts, get more referrals as they are the more visible members' (AC); 'Committee members are doing it to better their own ends' (GH);*

- Management represented an elite group: *'Those on Committee are an elite group who have the luxury of having the time and resources to put into committee work, which the 'ordinary' member has not' (GH);*

- Limited membership consultation prior to management decision making: *'Understand that it is the role of management to make decisions on behalf of members, but feel strongly that there should be greater consultation' (PT).*

The majority of the members aimed to avoid being on committees and there was an obvious imbalance in terms of the contribution that individual members made. Members agreed in principle that they should participate but factors mitigating against it were given as: dislike participating in committees; not good at contributing to committees; lack the time required to participate in committees; and not part of the 'club', made to feel like an outsider. For example:

280

- *'I am not a committee person, the only committee I like is a committee of one - me' (MH);*

- *'SCH is managed by the old tie brigade. If you are not part of the club you are made to feel an outsider, second rate' (GH);*

- *'All members should be involved in some capacity. I couldn't take over the role of the , this is a personalised business, I can't afford to take time away' (AF).*

Generally, members felt that the majority of committee members were motivated to be so out of self-interest. The fact that they were where the action was, suggested that they had more opportunities to build relationships with other members and the travel trade, thus stimulating business to their hotels.

Management recognised that there were benefits arising from participation on committees relative to: business generation; access to collective expertise of peers; informal advice, information and support; and a welcome release from the daily routine of hotel management.

ii) Management Style

Management were of the opinion that there was a need for a more dispassionate, autocratic management style and enforcement of membership criteria, rules and policies as set out in the Constitution. Only with such

consolidation did they believe that SCH would have something solid and attractive to offer both the market place and membership: *'We have 66 egos and personalities, somebody needs to hold them together. We need to be more autocratic' (GE).*

Members voiced two key views relative to management style. The first was that management was distanced from the general membership. This was attributed to the management wanting to manage the impression of member involvement in decision-making, but they were perceived aiming to keep total control (Section 6.5). Management appeared to be out of touch with the views and needs of the general membership. For example, when the findings of a survey (May 1994) of a representative sample of the members were presented by the researcher they considered them to be unbelievable and not representative of the general membership.

The second view was that the management was dictatorial, rather than consultative. Management appeared to be reluctant to discuss issues with members prior to decision making which was confirmed by a comment from PA: *'Decisions are made by management and members are expected to comply'.* Four of the ten members interviewed considered that the management dictated directives, which had no flexibility for negotiation of terms and conditions, despite all the businesses being different. Examples of this can be seen in the sponsorship agreements discussed in Section 6.7, and in the selection of new members within close proximity to existing members

(Section 6.3): *'I was dictated to that MH was becoming a member' (AC); 'I didn't know he had been accepted until I got a memo' (GH).*

This dictatorial attitude also emerged in the formulation of the new strategy during March to November 1994. In this instance, the majority of the management preferred to devise the strategy then tell the members. GE thought it unnecessary to involve the members in the process. However, NF supported member involvement in order for them to accept ownership of it more readily. It was therefore agreed to communicate the draft strategy through the mechanisms of the Regional Meetings and the AGM.

Another management tactic was identified by the researcher as that of acting as a gatekeeper, limiting the degree of detail available to the membership. For instance, management discussed how they could '*hoodwink*' the membership at the AGM into accepting the strategy proposals presented. Thus, the Chairman was reluctant to provide members at the AGM with detailed financial information and it was agreed that it would only be provided if they specifically asked. There was a further suggestion that members be '*canvassed*' prior to the AGM in order to ascertain how they intended to vote, and to coerce them towards the acceptance of the strategy proposals.

However, despite these perceived negative aspects of the SCH management style, management was generally benevolent and supportive of any members

experiencing difficulties, giving them time to sort the problematic issues out prior to any sanctioning action being taken. This has been clearly illustrated through the examples of fellowship and peer support discussed in Section 6.6.

iii)Unity & Commitment

Management identified that important mechanisms in the achievement of unity and commitment of the membership were member participation in bi-annual Regional Meetings and the Annual General Meeting, and effective on-going member communication.

In this respect, the minutes recorded that Regional Meetings performed a strategic role. They involved members in the management function and current issues of importance, *'educating'* (AD) members and staff regarding SCH policies, procedures, philosophy, and in providing a feedback mechanism for members views, and ideas: *'We consort for mutual benefit. In order to extract fullest potential from the members and the market place, ideas, suggestions and problems are shared, together we can build on current success' (AD).*

Members emphasised the two-way communication function of the Regional Meetings with feedback from members being equally as important as communication from management.. However, specific problems associated with the meetings have been identified as:

- **Short notice:** In March 1994 it was agreed that representatives from the marketing, administration and management committees should attend each Regional Meeting. However, the short notice of the meetings in April 1994 meant that there was a low turnout and that committee representatives were unable to attend. The Chairman made a request to the administration committee that in future the dates would be set well in advance. At the AGM it was announced that two Regional Meetings are planned for 1995 with the dates for the first, to be held in April given.

- **Lack of visible management action or feedback:** The minutes from the April 1994 meeting were to be collated and returned to management by an administration committee member. This task had still not been completed by November 1994. This represented a source of frustration for members, leading to a perception that participation in Regional Meetings represented a futile activity.

- **Biased decision making:** Voting at the Regional Meetings was biased to those in attendance, thus the majority of members had no say (out of choice) in decisions taken. This had the potential to lead to resentment, non-compliance and compounded hostility and alienation over time.

Membership communication mainly took the form of a quarterly newsletter and considerable faxed paper communication generated on a day-to-day basis. However, it was questionable as to how much was actually read,

understood, and acted upon: '*A lot of paperwork is generated. I get the impression that members don't read it*' *(PA)*. Members agreed that the maintenance of strong communication links with management was vital in contributing to the continuing success of SCH. However, there was criticism that all communication appeared to take the form of directives, without any option but to comply. Furthermore, members would have liked to be party to management issues and concerns: '*It seems as though the management want to protect us from the problems they face*' *(AT)* These comments are reflective of the management style discussed earlier in this section.

The minutes confirmed that membership communication did not appear to be working. Management was frustrated regarding the lack of response, understanding and action, by members. This could be attributed to the volume of paperwork, and the mode of delivery. Furthermore, despite these communication efforts: '*It was noted that some members feel isolated as they don't know what is going on*' *(NF)*. Management recognised in September 1994 that there was a need for feedback from members regarding their perceptions of the effectiveness of SCH management, membership benefits and future direction: '*We should be listening to the members*' *(NF)*. Thus, a survey was carried out by RGA, resulting in a report entitled "Analysis of Membership Benefits of SCH" (Appendix Twelve).

iv)Sponsorship Agreement

It has been noted in Section 6.2 that sponsorship income would account for approximately 22% of SCH's income in 1995, as such it made a significant contribution. For management, the problems of members not complying with sponsorship agreements became more complex and difficult to manage with increased numbers of sponsors. As discussed in Section 6.7, members were particularly unhappy with a wine sponsorship agreement, however, at the time the agreement was made (May 1994) management stressed that: *'While we should be listening to members who are unhappy with the Haughton situation, we certainly shouldn't turn down £5,000' (NF).*

6.9 Strategy

It has become clear that one of the central issues to this thesis is the link between management and members, in the design and implementation of strategy. This involves the reconciliation of the macro-objectives of the core organisation with the micro-objectives of the members. This issue is now addressed within the given context.

i) Macro Objectives of Management

The two key management objectives which has been identified in Section 6.2 are for SCH to maintain it's position as the leading professional consortium for Scottish hotels which meet membership criteria, and to be active on

behalf of members, seeking opportunities to maximise profitable returns. It is believed by management that the significance of SCH's role to members had been enhanced over the period 1990 to 1994 as: *'Hotelkeeping has changed so much, that independent hoteliers today need the support of strong organisations like SCH. In the 1980s it was sufficient that it was a quality club, assisting in marketing. In 1990s it needs to be strengthened as markets have changed rapidly and completely"* (AD).

In 1991 it was recognised as a weakness that SCH did not have a strategic business plan, as a result RGA produced an extremely well researched, comprehensive document. However, management were reluctant to take ownership of many of the recommendations, as a result, implementation was minimal. However, in March 1994 SCH recognised the need to develop their own strategic plan and were advised by RGA that, management and members must be flexible in order to cope with the management of change which may be associated with its implementation.

ii) Micro-Objectives of Members

It was the members' view that SCH had become the strongest most viable consortium in Scotland, and that it had proved it could survive. However, it was considered that the organisation was now at a cross-roads, needing to become a more professional and effective organisation: *'SCH is currently caught in middle track'* (PT); *'SCH is floating about in a middle ground*

between loose co-operative and high powered national force' (KL).
Therefore, members considered that SCH needed to develop a clear strategy
and an appropriate organisational structure which had the ability to perform
the services and activities more efficiently.

iii)Macro/Micro Reconciliation

Issues identified as important to the future of SCH at a macro level by
management, and at a micro level by members, which required a degree of
reconciliation were:

Market Proposition

Management agreed that SCH's market proposition was not clearly
established in the market place. There was excessive variance and quality
standards required to be more effectively enforced, if not raised. Factors
aimed at achieving a clearer market proposition were identified as: defined
and enforced membership criteria; branding through standardised market and
operational procedures; quality consistency and assurance; and a
comprehensive geographic spread matching patterns of demand.

Members believed that management should develop criteria of what
constituted a quality guest experience and make sure that it was *'policed'*
(ML) throughout the membership. Rogue members had to be dealt with, as
they did not reflect well on SCH as a whole. Thus, standards must be

reviewed and actively enforced. The aim of this action was the development of a market proposition which would be a combination of : a specialised and differentiated guest experience; defined and enforced membership criteria and quality consistency and assurance.

Size of Membership

Management identified that establishing the optimal size of membership was not guided by any minimum or maximum number, but driven by a combination of:

- **Market**: establishment of a clear market proposition in terms of geographic coverage, focused quality grouping, and specialised product offering;

- **Member**: supply of hotels satisfying membership criteria, relationship of market share to member, and the degree of member commitment to SCH;

- **Management**: capabilities of the management structure;

- **Economic**: level of membership fee income generation, and attractiveness to sponsors.

Six of the ten members interviewed agreed that SCH was currently the right size, and that what was essential was the matching of geographic spread to patterns of customer demand. Additional issues which were raised included:

- **Market**: geographic coverage needed to be balanced with demand patterns in order to achieve a satisfactory market yield for each member. This aspect was also highlighted in Section 6.3;

- **Member**: total membership quality required to be reviewed which may lead to a reduction in members;

- **Management**: present organisational structure cannot support more members;

- **Economic**: fees may have to be raised to cover reduced reliance on sponsorship and more careful selection of members.

Quality Assurance

There was unanimous agreement by management that quality assurance represented a major issue, requiring to be urgently addressed by SCH. This was seen to be of particular importance as the consortium is perceived as being as strong as its weakest link: *'You are judged by the public by your association with other quality members which gives you a credibility i.e. you must be like....' (GE).* Thus, it was believed that there was a need to review,

and detail, exactly what the minimum acceptable quality and service requirements of SCH were and to ensure that they were enforced.

Members also recognised the importance of quality assurance: *'I like the feeling that I belong to a group of really very good hotels' (MH)*. However, it was emphasised that the measure of quality should be guest focused, and not a mechanical cut-off grade: *'Quality should be a measure of the total guest experience and not a STB imposed standard' (KL)*; *'There are a lot of excellent properties which do not conform to STB's idea of quality. Each hotel should be looked at on its own merits' (AF)*.

Furthermore, it was considered that quality did not only apply to the top end of the market: *'Customers want variety in terms of experiences, tariff levels, location and don't want to stay in a baronial or deluxe hotel for all of their stay' (AT)*. Management needed to develop criteria of what constitutes a quality guest experience and make sure that it was enforced throughout the membership.

Computerised Reservation System (CRS)

Management were of the opinion that SCH must come on line with a CRS facility, linked into international systems, either in-house or contracted out. It was thought that if this was not achieved, members would leave to join consortia which were better served (GE). An in-house CRS was recognised by management as a high cost investment which would require a substantial

increase in fees. This might result in forcing some of the financially weakest members to exit the SCH relationship.

Eight of the members did not support the development of an in-house CRS, nor did they understand the imperative of participating in even a contracted out service. This was on the basis of: not sufficient business coming through the system to justify the cost of the development and manning; and the majority of bookings were made direct to the hotels by the customers themselves and not through an intermediary organisation. The two members who did not reject the idea said that they would consider the proposal against further information relative to cost implications, and commission rate structures.

Management agreed to consider contracting out the CRS function to HC. The cost to members would be packaged as a management fee, rather than on a commission payable basis. This was supported by members who recommended that as many of the management duties should be contracted out as was possible, without losing control and the spirit of the organisation. Furthermore, it was observed that: *'SCH shouldn't get involved, it can't afford it and doesn't have the expertise' (AT); 'It is not cost-effective to do everything in-house' (DP).*

Marketing Activity

Management aimed to raise bedroom rates, reduce discounts, offer value for money promotion, business loyalty clubs, and develop linkages with regional consortia. The minutes recognised that management was trying to target too many markets. It was therefore proposed that in future management should rationalise efforts and concentrate on the most fertile markets, such as Europe and the USA.

Members felt that SCH marketing would remain difficult until after the recession, and that they needed to market their own businesses separately as well as supporting SCH initiatives. However, they considered that the volume of business should be increased not by discounting, but by raising quality and value for money at a rate which more accurately reflected the product offering. Methods for increasing volume were seen as database marketing and direct mail.

Revenue Generation Routes

In terms of revenue generation routes, management held the following views relative to the main issues of:

- **Sponsorship**: increase level of sponsorship income rather than number of members;

- **Management**: build financial reserves to enable development of supportive head office facilities;

- **Membership**: expansion in size of membership and resultant greater marketing and administration costs have eroded reserves;

- **Fees**: remained static during the period 1990/94, with income generation relying on increased member numbers and sponsorship agreements, in 1995 they need to be increased.

Members views included:

- **Sponsorship**: recognition that sponsorship had controlled the level of membership fees and that it had been helpful in the development of SCH. However, it was considered that the level of sponsorship should be restricted: *'If fees were being increased in order to reduce sponsorship, I would support it' (DP)*. Members would prefer a strong number of members in order to reduce reliance on sponsorship: *'SCH should not be a hostage to sponsorship' (ML)*;

- **Fees**: need income from strong membership numbers;

- **AGM Attendance**: not in favour of the inclusion of the cost of attendance in the annual membership fees;

iv)Member Involvement and Acceptance of Proposed Strategy

Management commenced work on developing a new strategy for the future development of SCH in March 1994. By June 1994 the main issues requiring to be addressed and the strategic aims and objectives had been formulated. At this point management discussed if the strategy document would require the approval of the members. Opinion was split into the majority who considered it to be unnecessary, and NF who argued strongly that it was important to move in a direction which all members feel at ease with.

After lengthy discussion, it was agreed that the membership would be informed and have discussion at Regional Meetings and the AGM, with the final proposals being presented at the AGM. Thus, a vote was to be taken at the AGM on whether members wished to progress with the strategy recommendations. However, the Chairman saw no alternative, and strongly believed that a rejection by the members would represent a vote of no confidence in the management. The Chairman suggested that members might find the proposals more credible if someone from out with the consortium presented them, such as the researcher and RGA.

At the AGM in November 1994, PA said to the membership that AD the previous year had questioned how long it might be before SCH needed to employ a full-time CEO. The Chairman asked members to bear in mind AD's hope that when the time came, those members who allowed others to

do the work would not vote against the proposal. At the AGM the strategy proposals were presented and members asked to vote for their adoption. There was a majority vote (80%) in favour of acceptance

6.10 Conclusions

In the medium-term, SCH has proved to be a sustainable example of a strategic alliance. This is mainly due to its achievement of a competitive position that delivers profitable returns for members.

From the perspective of the strategic alliance, this position can be maintained and enhanced through ensuring the appropriate combination of complimentary assets, compatible owner cultural match on key values, direct member involvement in management, unity and commitment of members, and lobbying of political support.

From the perspective of the member, evaluation of the worth of the strategic alliance is based on the combination of the: original formation motivations; competitive position of SCH; and volume of benefits received and cost incurred. Furthermore, the retention of a flexible organisational structure and voluntary ethos is considered to be central to their continuing commitment to the strategic alliance.

As a result of these two perspectives there is evidence of the existence of a tension between the need of the core organisation for consolidated, co-ordinated structure, unity and commitment, and the voluntarism and flexibility which are essential to

members. The reconciliation of both perspectives is considered to be central to the continuing success and sustainability of the strategic alliance.

A set of research propositions which have been grounded in the findings presented in this chapter have been developed and appear in Appendix Fourteen. These have been further investigated within the total population of SCH by means of a mailed, self-administered questionnaire, the findings of which are presented in Chapter Seven.

Appendix One: Management Committee Members

Actors	Profile
Glossary: Management Committee Members	
PA	Peter Aretz, Chairman: General manager Rufflets Country House Hotel, St. Andrews was appointed as Chairman to SCH in November 1993, as such was still new to the role and learning as regards responsibilities, duties and membership expectations. He is a dedicated long-term hotelier who has been in the hotel and catering for all of his working life (35 years). He is very committed and enthusiastic. However, it was noted that his position at the hotel is that of general manager on behalf of the owner, as such it is possible that his outlook may vary from that of the majority of the members who own and manage their hotels.
AD	Allan Deeson, Immediate Past Chairman: Proprietor, Nivingston House Hotel, Cleish, and Parklands Hotel, Perth is a dedicated long-term hotelier who has been in the hotel and catering industry for all of his working life (35 years). He is very committed and enthusiastic, revelling in the enjoyment of belonging both to the hotel industry and the 'club' which is SCH. He sees the philosophy of fellowship as vital 'cement', keeping the organisation together. He is steeped in the historical development of SCH, however, recognises that it is now necessary to give the evolution of the organisation a push forwards into the next stage of its development, which he sees as being professionalisation.
GE	Gavin Ellis, Vice-Chairman: Proprietor Knockomie House Hotel, Forres represents the young blood, is a dedicated hotelier who has been in brought up in the hotel industry and spent all of his working life (15 years) in it. He is very committed and enthusiastic and has strong views about the future direction of SCH in organisational structure and marketing terms. He continuously gave the impression that if SCH does not move in the direction he supports he will exit the relationship and move on to a consortium which is more compatible with his views.

Actors	Profile
Glossary: Management Committee Members	
NF	Nigel Franks, Vice-Chairman: Proprietor Darrochlearg Hotel, Ballater is an accountant to profession who returned in 1989 to take over the running of the hotel which has been in the family for forty years. He brings a different perspective and approach from the those of PA, GE and AD, very much free from group think. In addition, he was only appointed to the management committee in November 1993 and has a freshness and clarity of thinking, with the ability to identify and address crucial issues which would otherwise be passed over by the other members of the committee.
DG	David Gregory, Immediate Past Treasurer: Proprietor Loch Torridon Hotel, Loch Torridon trained as an agriculturist, however, he has been in the hotel industry for twenty years. He is tremendously dedicated to achieving the success and development of his business. He is clearly unhappy with the way in which SCH is managed and will not hesitate in leaving the consortium if it is not run more efficiently.
JMc	John McMenemie, Treasurer: Proprietor Knockendarroch Hotel, Pitlochry was appointed as temporary Treasurer in March 1994, to be voted in officially as an office bearing at the AGM in November 1994. He was completely new to the committee structure of SCH. The majority of his career has been spent as an accountant and an academic and he has been in the hotel industry for ten years. He is very insightful and in a very eloquent manner brings the discussions at the management committee meetings back to basics, focusing on the actual needs of the average member. As a qualified chartered accountant he is keen to professionalise the systems of financial control within the organisation.
MR	Mairi Robertson, part-time Administrator: Her previous employment was with STB as secretary to the . She is sensitive to the organisational characteristics, enjoys her role, and is efficient.

Appendix Two: Interviewed Member Hotels

Glossary: Interviewed Member Hotels	
Actors	**Names**
AC	Auchen Castle Hotel, Beattock
AT	Ardentinny Hotel, Loch Long
AF	Ardfillayne Hotel, Dunoon
DP	Dunain Park Hotel, Inverness
GC	Glengarry Castle Hotel, Invergarry
GH	Garth Hotel, Grantown-on-Spey
KL	Kinloch House Hotel, Blairgowrie
MH	Moffat House Hotel, Moffat
ML	Muckrach Lodge Hotel, Dulnain Bridge
PT	Pine Trees Hotel, Pitlochry

Hotel Name	Region	No. Beds	STB Grading	Years in Hotel Ind.	Previous Sector	Joined SCH
Auchen Castle	1	26	4 Crown Commended	11-20	Banking/ Insurance	1990
Ardfillayne	2	7	4 Crown Deluxe	31+	Not Applicable	1990
Ardentinny	2	11	4 Crown Commended	11-20	Distribution	1990
Dunain Park	5	8	4 Crown Deluxe	11-20	Health & Education	1990
Glengarry Castle	5	26	4 Crown Commended	31+	Primary	1992
Garth	4	14	4 Crown Highly Commended	11-20	Distribution	1990
Kinloch	3	21	4 Crown Highly Commended	11-20	Distribution	1990
Moffat House	1	20	4 Crown Highly Commended	21-30	Civil Service	1991
Muckrach Lodge	4	12	4 Crown Highly Commended	1-10	Civil Service	1992
Pine Trees	3	20	4 Crown Highly Commended	31+	Not Applicable	1990

Appendix Three: Technical Terminology

Term	Description
Glossary: Technical Terminology	
AJM	Alison Morrison, researcher
BTA	British Tourist Authority
CRO	Central Reservations Office
CRS	Computerised Reservations System
RGA	Richard Gerald Associates, SCH Business Consultants
SBB	Short Break Brochure
STB	Scottish Tourist Board
SCH	Scotland's Commended Hotels
SHH	Scottish Heritage Hotels
SP	Scotsman Newspaper Promotion

Appendix Four: SCH Mission Statement

Scotland's Commended Hotels is an association of independently owned hotels all having the same stated values: a warm welcome, comfortable facilities, value for money and priding themselves on serving good Scottish food. The hotel owners, generally available to both staff and customers, take a personal interest in their guests.

Scotland's Commended intends:

- To become the leading professional consortium for Scottish hotels holding these values, and

- To be active on behalf of it's members and seek opportunities to maximise profitable revenues for them.

In order to achieve these objectives, Scotland's Commended must ensure that all members:

- are committed to the aims and objectives of the consortium;

- comply with corporate agreements; and

- be actively involved, when required, in the administration, marketing and other affairs of the consortium.

Appendix Five:

Members Leaving SCH During the Period 1990 - 1994

Member	Reason Left
Allt-Chaorain, Crianlarich	SCH no longer reflected market level of property
Arisaig, Arisaig	No reason offered
Ballathie, Kinclaven	Remained with SHH
Balnacoil, Aboyne	Went bankrupt
Baron's Craig, Rockcliffe	Proprietor died
Castleton House, by Glamis	Remained with SHH
Culloden House, Culloden	Remained with SHH
Druimnacroish, Isle of Mull	Remained with SHH
Houston House, Uphall	Remained with SHH
Howard, Edinburgh	SCH no longer reflected market level of property
Invercreran, Appin	No reason offered
Kildrummy Castle, Kildrummy	Remained with SHH
The Lake, Port of Menteith	Remained with SHH
Manor House, Oban	Remained with SHH
Mansion House, Elgin	Remained with SHH

Member	Reason Left
Medwyn House, West Linton	Change of ownership
Pittodrie House, Inverurie	Remained with SHH
Scarista House, Harris	No reason offered
Sunlaws House Kelso	SCH no longer reflected market level of property

BORDERS & SOUTH-WEST	1
WEST COAST - ARGYLLSHIRE	2
TAYSIDE, CENTRAL & FIFE	3
GRAMPIAN	4
HIGHLANDS & NORTH	5

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AA Some members have been awarded AA Rosettes for the quality of their food. These are shown in individual entries from information supplied by the AA.

5

308

Appendix Seven: Members' Obligations

- To be graded and classified by the Scottish Tourist Board, attaining a minimum status of 3 Crowns Highly Commended or 4 Crowns Commended.

- To display prominently the membership plaque outside the premises, the brochure display rack at reception, and to place a Consortium brochure in each guest bedroom. To use the Consortium logo on local printed material.

- To honour commitments made by the Consortium relating to trade sponsors.

- To honour commission arrangements made by the Consortium when accepting reservations from nominated agents.

- To pay all subscriptions by the due date. The subscription year currently runs from 1st October to 30th September each year, with the full subscription prepaid by the preceding 1st July to allow for inclusion in the brochure.

- To train all reception staff to promote onward bookings to other members' hotels, and to ensure that all staff in contact with guests are aware of the aims and objectives of the Consortium.

- Every effort should be made to attend the Annual General Meeting, and all of the Regional Meetings held throughout the year.

- To advise the committee upon change of ownership of the hotel. Membership is that of the establishment and not the hotel owner and any new purchaser should be made aware of the hotel's membership commitment.

- Resignation of an existing member must be given in writing by 31st December for the following year.

- To have an automatic fax machine installed.

Appendix Eight: Financial Report 1993/94

Income

Marketing Fees		79,710.23
Interest Receivable		2,287.71
Sponsorship	-MacAllan Lang	12,000.00
	- J&B	3,000.00
Purchasing Income - Watson & Philip		896.19
		97,984.13

Expenditure

Administration Fees	7,008.50
Administration Expenses	5,882.28
Marketing	65,358.25
AGM Expenses	1,698.40
Committee Expenses	2,507.00
Purchasing	10,720.00
Printing Short Break Brochure	10,797.00
Bank Charges & Interest	73.20
Taxation	58.75
	104,625.38

Deficit for period   **£ 6,731.25**

Appendix Nine: Consortia Which Represent Independent

Hotels With Members In Scotland

Consortium Name	Hotel Numbers	Average Size
Best Western	20	38
Consort	44	53
Golden Tulip	2	33
International Leading Assn.	7	51
Leading Hotels of the World	1	132
Logis of Great Britain	95	14
MinOtel GB	40	18
Pride of Britain	6	14
Relais et Chateaux	3	15
Romantik	2	13
Scotland's Commended Hotels	66	17
Scottish Heritage	12	20
Small Luxury Hotels	4	44
Viking	7	28
Wester Ross	19	18

Source: UK Hotel Groups Directory 1992; primary research to update figures.

Appendix Ten:

Scottish Tourist Board Grading & Classification

Scottish Tourist Board Grading And Classification :An Indication Of Facilities Expected At Each Level						
Grade	**Listed**	**1**	**2**	**3**	**4**	**5**
Clean, comfortable accommodation	P	P	P	P	P	P
Adequate heating at no extra charge	P	P	P	P	P	P
Breakfast	P	P	P	P	P	P
Wash basin in bedroom or in private bathroom		P	P	P	P	P
Bedroom key provided		P	P	P	P	P
Shared lounge available		P	P	P	P	P
Colour TV in bedrooms or in guests' lounge			P	P	P	P
20% of bedrooms have private facilities			P	P	P	P
Early morning tea/coffee available			P	P	P	P
Hot evening meal until 7.00 p.m.				P	P	P
50% of bedrooms en-suite				P	P	P
24-hour access available to registered guests				P	P	P
Radio, colour TV and telephone in all bedrooms					P	P

Scottish Tourist Board Grading And Classification :An Indication Of Facilities Expected At Each Level						
Grade	**Listed**	**1**	**2**	**3**	**4**	**5**
Room service of drinks and snacks between 7.00 am - 11.00 PM					φ	φ
All bedrooms en-suite with bath and shower						φ
At least 1 suite and range of room services						φ
Restaurant open for breakfast, lunch and dinner						φ

Appendix Eleven: Membership Benefits

Membership Benefits: Competitor Consortia Comparison

Consortium	Marketing Benefits	Other Benefits
Best Western	Publications, Satellite linked international reservation service, National and international advertising, Broad product range, Conference venue finding service, Press and PR, Exhibitions, Promotions	Purchasing
Consort	Hotel directory, Consort Corporate Club, Central Conference booking service, Consort Freedom Breaks, Freedom Pass touring programme, Group sales department, CRO with access to main global distribution systems, PR agency, Exhibitions and workshops, Promotions, Overseas representation in Germany, India, Japan, N. America	Purchasing
Logis of Great Britain	Guide book, Computerised CRO, Overseas representation, Press and PR, Promotions	Purchasing Legal hotline
MinOtels	Publications, Referrals, Loyalty scheme, Computerised CRO	Purchasing
Romantik	Romantik Guide, Mini Guide, professional PR agency, exhibitions, access to global distribution system, trade partners with Hertz, Lufthansa, CRO in Germany	

Consortium	Marketing Benefits	Other Benefits
Scotland's Commended	Publications, Promotions, Referrals, Overseas representation in Italy, N. America, Australia, Belgium, France, and New Zealand, Exhibitions, CRO, Access to global distribution systems, Press and PR, partner with UK regional consortia	Purchasing
Scotland's Heritage	Short breaks programme, main brochure, referrals, promotions	

Appendix Twelve:

Comparison Of Hotel Consortia Annual Subscriptions

1994 rates per 17 bedroom hotel

Hotel Consortium	£
Logis of Great Britain	692.50
Scotland's Commended Hotels	1,290.00
MinOtel	2,082.50
Scotland's Heritage Hotels	2,500.00
Romantik	3,400.00
Consort Hotels	4,260.00
Best Western	5,325.00

Appendix Thirteen: Analysis Of Membership Benefits of SCH

RGA Report, September 1994

The key findings from the 1994 RGA report 'Analysis of Membership Benefits - SCH' are as follows:

- Membership of SCH represents extremely good value for money. A new member making extensive use of the purchasing scheme could be virtually guaranteed to cover the cost of membership with purchasing savings;

- A 17-room hotel would pay an annual subscription of £1,290 but could reasonably expect to receive net room revenues of £14,960;

- General use of the purchasing scheme could be expected to save upwards of £1,000 p.a.;

- Bookings made directly with the hotel, where the telephone number has been found in a piece of SCH print, represents the largest segment of business generated by SCH (46%);

- The level of referred business which a hotel could expect to receive would almost exactly cover the annual subscription;

- The SBB has generated nearly £16,000 of revenues, despite only having operated through the peak summer months when many hotels were refusing this reduced rate business due to existing higher rate occupancy;

- The SP has generated between £1 million and £2 million;

- Members put considerable value on the discussion/information exchange benefits;

- Membership of SCH is less expensive than most other leading hotel consortia. For the hypothetical hotel, the annual subscription is nearly £800 less than MinOtel and over £1,000 less that SHH.

Appendix Fourteen:

Research Propositions From Qualitative Research Findings

i) Formation Factors

- Factors which influence a small firm into joining a strategic alliance are: previous experience in a strategic alliance; strength of the strategic alliance's competitive position in relation to alternatives; compatibility of physical profile and markets of operation; respect for, and shared values and cultures with, other members; expectations of benefits and/or solutions to address specific strategic imperatives.

ii) Member Characteristics

- The competencies of the strategic alliance will be sustained and enhanced provided new member selection adheres to the stipulated membership criteria, follows formal selection procedure guidelines and is not influenced by the personal objectives of management involved in the process. If this is not achieved, management must accept the responsibility for diluting the market proposition and corrupting the operating logic of the strategic alliance.

iii)Organisational Structure

- Strategic alliances which incorporate stable and dynamic dimensions in the organisational structure will retain members, as such the structure must incorporate elements of flexibility and voluntarism in the selection of activities and services which most accurately match the specific needs of the individual member. In this way, commitment and unity are achieved, the competence for self renewal and effectiveness over time is retained, thus benefits for the strategic alliance and individual members are maximised.

- In a strategic alliance with low hierarchical dominance, members are loosely dependent, minimal formal systems exist, and the majority of terms and conditions are of a voluntary nature. This leads to tensions between the need of the core organisation for consolidated and co-ordinated action, against the voluntarism and flexibility of importance to members. The management of these tensions are central to the continuing success of the strategic alliance.

- An organisational structure will exist where ever there are linkages and relationships. However, it is considered that hierarchical dominance within a consensus strategic alliance stifles the strength and synergy of the organisation. Alternatively, it is considered that a flatter hub and spoke configuration of dynamic linkages and relationships, revolving around the core strategic alliance organisation, represents a more sustainable and

productive structure. Within such a structure, members select to link with the core organisation for specific projects in order to satisfy identified strategic imperatives.

iv)Member Benefits & Costs

- A member who abides by the terms and conditions of the strategic alliance, and is active in the affairs of the organisation, has the potential to optimise the benefits therein. It is a dual responsibility of management and members to ensure effective communication and organisational learning, as regards the range of benefits achievable. In this way, utilisation of the resources invested in the strategic alliance and benefits received are maximised.

- Members received limited benefits for two key reasons. First, through poor selection of the member by management, in that they are not complimentary and compatible to the general membership profile. The second reason is that the member is dormant, expecting benefits as an automatic response to the payment of membership fees.

- The generation of referral business requires participation, confidence in, and knowledge of, members and their hotels. This process may be constrained due to poor member selection by management and the increasing size of the membership.

- The achievement of the benefit of fellowship and peer support requires members to actively participate in the process and effective communication systems in order to maximise the potential of this benefit. This becomes increasingly more difficult to achieve given the increasing number of members. Thus, management must recognise that the achievement of fellowship and peer support is not an organic process, but represents a formal responsibility of management requiring the establishment of facilitating systems.

- Within the strategic alliance costs are borne by the member individually and the strategic alliance collectively, and are equitably distributed throughout the membership. The strategic alliance aims to minimise the transaction costs incurred by members through synergistic linkages and economies of scale. Thus, the strategic alliance exists as transaction costs of the combined organisation are lower than those which would otherwise be incurred individually by members. In this respect, transaction costs are accepted by the member on the understanding that they will be compensated for by benefits in excess of the costs.

v) Member Behaviour

- The behaviour of members is influenced by the structure and strategy of the strategic alliance over time. As a result, the consequences of earlier activities of the strategic alliance will form the base for present and future member expectations and experience of negative effects will have an adverse influence on the members level of commitment, participation and future developments of the strategic alliance (as per literature).

- In order to preserve the competencies of the strategic alliance members must abide by the rules of the organisation. Specifically, a proactive role is expected as norm, sharing objectives and strategies among members, acceptance of mutual reliance and vulnerability, and refraining from

behaviours which are a threat to the overall performance of the strategic alliance (as per literature).

- Each member in the strategic alliance should be allowed to retain enough autonomy to perform effectively their specialist function, retaining the management structure and culture best suited to its market, functions and expertise, with the freedom to choose what services they wish to use from the strategic alliance (as per literature).

- Member dependency on the strategic alliance enhance its independence through competitive strength, mutual dependence and the creation of new growth opportunities (as per literature).

- The degree of a strategic alliances insulation from other networks is dependent on the extent and effectiveness of membership benefits, as a result a small firm may have positions in one or several strategic alliances (as per literature). However, this may prove detrimental to the effectiveness of the strategic alliances activities.

- Within a strategic alliance, perfect unity and commitment facilitates the achievement of organisational goals, profit earning potential, and negotiatory power over external bodies. Imperfect unity and commitment dilutes the strength, general efficiency, marketing effectiveness, and negotiatory power. As a result management efforts are less productive,

which in turn leads to frustration amongst management and members, and a weakened market proposition.

- Dysfunctional member behaviour occurs when: the quality of management decision-making is perceived as flawed; unhappiness exists as regards the volume, quality, and complexity of sponsorship agreements; disappointment is felt about the volume of benefits received; loose terms, conditions, and systems enable such behaviour; and negative outcomes are experienced within the strategic alliance over time.

- Sponsorship agreements must benefit both the strategic alliance system and individual members. They must be compatible in terms of quality and image, and member compliance terms should be realistic and implementable. Furthermore, members should be party to timely consultation and communication, and the individuality of the members not compromised.

- A source of alienation of members results from limited participation which leads to decision-making being biased to those who do participate, which in turn compounds the alienation of non-participating members.

- Organisational learning has an important influence on positive and negative member behaviour over time. As such member education, training and

communication as regards the operating logic of the strategic alliance represents a major responsibility of both management and members.

vi)Management

- Disincentives to participation in the management of the strategic alliance are of a socio-economic nature including: the minority of members have the time and resources to participate; there is minimal financial incentive; member personalities do not lend themselves to committee participation; and the existence of a closed club attitude of existing committee members. A positive incentive is represented in the achievement of an increased volume of benefits through greater visibility to members, the travel trade, and general publics.

- Within the management committee tension exists as members are required to take on an additional persona, in that they have to reconcile both their needs as a member with those of a manager of the strategic alliance system.

- Management finds it easier to manage the membership as a mass rather than each individual member as this would compound the volume of work involved. Only in exceptional circumstances will individual member issue to addressed by management.

- Perfect unity and commitment enables organisational learning, entrepreneurial synergy, peer support and democratic decision-making.

Imperfect unity and commitment results in limited organisational learning, diffused entrepreneurial synergy, untapped fellowship and peer support, and resentment regarding decision-making which appears to be dictatorial.

- The establishment of effective communication systems is important to the achievement of strategic alliance success. Poor communication systems results in management and member isolation, frustration, and the general lack of unity and commitment within the strategic alliance.

vii)Strategy

- Within a strategic alliance strategy development does not represent a continuous activity but is addressed when the organisation reaches a crisis point in it's life-cycle. Members have limited involvement and the objectives of the core organisation dominate. New strategy will have a significant impact on the organisational structure of the strategic alliance.

- The stability and sustainability of a strategic alliance are linked to the strategies being pursued; the competencies of the management; the behaviour of the members; and the benefits that accrue to individual members and the system as a whole. Relationships will be maintained provided resultant benefits continue to match or exceed member expectations in comparison to alternative strategic alliances.

7. Chapter Seven: Questionnaire Research Findings

7.1 Introduction

The objective of Chapter Seven is to progress the level of understanding and knowledge developed in the Chapter Six findings and research propositions. This has been done by means of a mailed questionnaire, administered within the total population of SCH, which achieved a 89% response rate, accounting for 59 members in all. The structure of the questionnaire (Chapter Five, Appendix Five) incorporated open and closed questions. Thus the findings presented in this chapter combine the statistical analysis of the closed questions with a summary of additional open box comments which were offered by the respondents. The data arising from the questionnaire was analysed, using the computer software package SPSS as described in Section 5.4. The Pearson correlation coefficient applied to the data, indicated that there were few strong correlations between the range of variables. These overall findings are now presented and discussed.

7.2 Member Characteristics

In Chapter Six member characteristics were discussed from the perspectives of the membership criteria as presented in the organisational literature and the views of those interviewed. In contrast, this section presents the characteristics from the perspective of the total membership of SCH.

i) Member Profile

In terms of member characteristics the following respondent profile emerged: 83% had been employed in the hotel industry for eleven or more years; 42% had owned their current hotel for 1-10 years; and 37% for 11-20 years. Thus, the majority of members had significant industry specific experience and were not new entrants to the sector. Furthermore, 58% had been in the hotel and catering industry for their entire career. For the remainder it represented a second or third career move. The range of industry sectors were represented, however, most significant were those of the Civil Service, and Distribution, each accounting for 10% of previous career origins.

ii) STB Grading and Classification

The market level of operation of the respondents as indicated by the STB Grading and Classification levels are presented in Table 7.1. The associate member located in London is not included as that property is graded under the English Tourist Board scheme. It can be seen that there is a clustering of members between the two bands of 4 Crown Commended and 4 Crown Highly Commended, accounting for 74.1% of the total membership. The one member at 3 Crown Commended level does not conform to the stipulated membership criteria. This member has since left the consortia as he felt it no longer accurately reflected the market level of operation of his hotel.

Scottish Tourist Board Grading And Classification		
Grading And Classification	Number Of Members	Percentage Of Total
3 Crown Commended	1	1.7
3 Crown Highly Commended	4	6.9
3 Crown Deluxe	3	5.2
4 Crown Commended	22	37.9
4 Crown Highly Commended	21	36.2
4 Crown Deluxe	4	6.9
5 Crown Commended	1	1.7
5 Crown Highly Commended	2	3.5

Table 7-1: Scottish Tourist Board Grading And Classification

iii)Property Size

The bedroom size distribution of members is presented in Table 7.2. From this it can be seen that there is a clustering of members in the 11-20 bedroom size band, and that almost 73% of members have less than twenty rooms. One member has 48 bedrooms which does not conform to the stipulated membership criteria.

331

Bedroom Size Distribution Of Members		
Number Of Bedrooms	Percentage Per Band	Cumulative Percentage
5 - 10	15.3	15.3
11 - 20	57.6	72.9
21 - 30	23.7	96.6
31 - 40	3.4	100.0

Table 7-2: Bedroom Size Distribution Of Members

iv)Geographic Location

Geographically the membership is dispersed as presented in Table 7.3. The percentage representation in each of the regions is related to historic recruitment patterns and the patterns of tourist demand. This results in an uneven dispersal and clustering in‑areas with high tourist demand as identified in Section 6.4. The views of members relative to their territorial rights is investigated further in Section 7.8, on the subject of right of veto of new member applications.

Geographic Dispersal Of SCH Membership		
Region	**Number Of Members**	**Percentage**
Borders & South West	17	29%
West Coast & Argyll	12	20%
Tayside, Central & Fife	12	20%
Grampian	8	14%
Highlands & North	9	15%
London	1	2%
TOTAL		100%

Table 7-3: Geographic Dispersal Of SCH Membership

v) Business Performance

As a measure of business performance, annual average occupancies for 1990 and 1991 were used. They were found to be comparable, falling within the banding 61-80%, which represented 52% and 46% of the respondents respectively. However this banding dropped in 1992 to 41-60%, accounting for 50% of respondents. By 1993 average occupancy had recovered slightly with the respondents evenly split 47%/47% between the two bands.

It can be seen that membership characteristics were varied in terms of the length of time in the hotel industry, years of ownership of the business, and previous career sector. However, those members whose career has been based solely in the hotel industry sector dominated. The typical member was 4 Crown Commended or Highly Commended, had 11-20 bedrooms, and an average annual bedroom occupancy of approximately 60%.

7.3 Formation Factors

A range of formation factors were identified in Section 6.4, and are now investigated further. Findings showed that 59% of respondents had been members since the inception of SCH in 1990, and 21% joined in 1991. Thus, the strategic alliance had added 20% of its membership during the period of 1992 to 1994. The strongest motivations towards joining SCH are identified in Table 7.4. It can be seen that those of a more direct commercial nature, such as access to agents and the range of sales promotions, were of lesser significance, than those associated with status, values, culture and previous positive experience in a strategic alliance.

Motivation	Number Of Responses	Percentage Support
Desire to be identified with a quality grouping	30	51%
Knew and respected existing SCH members	25	42%
Continued membership from the BTA scheme	25	42%
Access to agents	21	36%
Range of promotions	11	19%

SCH Formation Motivations

n=59

Table 7-4: SCH Formation Factors

The issue of being identified with a quality grouping was less important to members who joined in 1990 (48%) and 1991 (75%). However, 100% of members who had joined during the period 1992 - 1994 identified this factor. Of the respondents which selected the motivation "knew and respected existing SCH member", 61% joined in 1990, and 26% in 1991. Of the members who had continued from the BTA scheme 81% joined in 1990, and 19% in 1991.

It is therefore proposed that the strength of SCH's competitive position, achieved during the first two years of the consortium's life had had a positive influence on new member recruitment. Moreover, the strength of the knowledge, respect, and

positive experience achieved while members of the BTA scheme combined to reinforce joining motivations. These findings confirm those presented in Section 6.4.

7.4 Organisational Structure

Specific problems related to the strategic alliance organisational structure, which was dependent on voluntary management, were identified in Section 6.5. Therefore, members were surveyed as to their opinion concerning the proposed restructuring of the organisation in the form of appointing a Chief Executive Officer (CEO) to manage the consortium. This proposal emerged from the research with the management committee.

Of the membership, 46% supported this proposal, 23% agreed with the principle but felt that the timing was not appropriate, 24% rejected the idea, and 7% did not have an opinion on the matter. Relative to bedroom bands, those within 21-30 bedrooms indicated greatest support (88%), with the lowest support coming from the 5-10 bed room banding (29%). It could be proposed that the size of the business had an impact on the individual business perspective of the members, and their degree of strategic awareness.

Alternatives to the appointment of a CEO presented by respondents were to: employ a Marketing Director (51%); strengthen the current secretarial support (47%);

restructure the current organisational configuration (34%); and to contract out as many of the management functions as possible to agencies (11%).

Support for the proposal of the appointment of a CEO was based on the view points presented in Table 7.5. A further comment made by 4% of respondents was that the current committee structure was incapable of making commercial decisions in the appropriate time scale. This confirmed the findings in Section 6.5. Support was strongest from the newer members who joined in 1993 and 1994, with 100% responding within the "Yes/Ideally" bands.

Support Appointment Of A CEO		
View Point	Number Of Responses	Percentage Support
Minority of members have time to manage	26	93%
Assist in more effective long-range planning	21	75%
Increase professionalism of the consortium	19	68%
Members do not have the necessary expertise	13	46%
Prove to be more cost-effective	7	25%

n=28

Table 7-5:Support Appointment Of A CEO

The influence of the size of business variable again appeared to be significant. Of the 31-48 bedroom size band, 50% considered that the minority of members had time to manage and that members did not have the necessary expertise. These findings were in contrast to 8% of the 5-10 bedroom size band. Those who had worked in the hotel industry 1-10 years (50%) were most critical of the lack of forward planning which the perceive to be associated with the management of SCH. However, those in the 31+ band found this issue to be or minor significance.

Those respondents who were not supportive of the appointment of a CEO based their answer on the view points presented in Table 7.6. Members since 1990 registered lowest support (57%).

No Support Appointment Of A CEO		
View Point	Number Of Responses	Percentage Support
High cost involvement undesirable	11	92%
Membership would lose control	8	68%
Members would become less visible in the market place	7	58%
Would change the organisation's philosophy	5	42%
Current organisational structure works well	5	42%
Reliance on a CEO would lead to SCH becoming vulnerable	4	33%

n=12

Table 7-6:No Support Appointment Of A CEO

Further comments offered by members as regards the organisational structure were:

- It was considered that the current organisational structure of the three committees caused division, lack of co-ordination and elongated the decision-making process.

339

- Before building the organisational structure, the "raison d'être" of SCH had to be refocused. Decisions had to be made as regards its nature. Was it a quality "club" or a commercial business organisation?

- The best managers of SCH are the members themselves, as they have the best interests of the members at heart.

This split in the opinion of the membership is an illustration of the tensions that existed within the organisation, as identified in Section 6.9. Specifically in this section, such a split has been identified amongst founding and new members, diverse lengths of time in the hotel industry, and different bedroom size bands of members.

7.5 Member Benefits and Costs

Section 6.6 identified the range of benefits and costs associated with SCH membership. These are now investigated relative to the total membership.

i) Benefits

Respondents ranked the benefits of SCH membership as presented in Table 7.7, corresponding to the aims of the organisation as identified in Section 6.2. Thus, the ranking achieved from the survey could be taken as an indication of the degree of success that the strategic alliance has achieved in meeting these aims.

The bedroom size of members appears to have a correlation with the rating of the importance of the benefits. The most conclusive of which was overseas representation which was indicated by 100% of the size band 5-10 rooms as quite/very important, however only 79% of band 11-20 were of this opinion. Additional benefits which were highlighted were: status of being associated with a quality grouping, and social involvement which can lead to access to peer support and advice.

Benefits Of SCH Membership			
Benefit	Dominant Ranking	Number Of Responses	% age
Overseas Representation	Very Important	36	61%
Centralised Marketing	Very Important	33	56%
Brochure	Very Important	30	51%
Scotsman Promotion	Very Important	29	49%
Referral Business	Very Important	29	49%
Purchasing	Quite Important	28	47%
Short Break Brochure	Very Important	16	27%

n=59

Table 7-7: Benefits Of SCH Membership

Reservations which accrue to members as a direct result of SCH can also be regarded as a measure of the volume of benefits of membership. The volume

of reservations which respondents identified as originating from the SCH system is as presented in Table 7.8. The researcher has no basis for comparison as regards figures achieved within other such consortia organisations. However, it would appear that the benefits of SCH membership identified in Table 7.7 generated a relatively insignificant level of reservations. Members since 1990 showed the greatest spread of reservations received through the SCH system, ranging from 69% (0-10%), 17% (11-20%), 10% (21-30%), and 4% (31-40%). This contrasted with members since 1994, who showed the most limited spread of reservation volume of 100% in the 0-10% band.

Reservations Received Through SCH		
Percentage Reservations Received	Number Of Responses	Percentage Respondents
0-10%	35	64%
11-20%	13	24%
21-30%	6	11%
31-40%	1	1%

n=55

Table 7-8: Reservations Received

Thus, it would appear that the range of benefits delivered was directly related to the aims of the consortium and the original formation motivations of the members. The importance assigned to the benefits by members was

proportionate to the bedroom size banding of the hotel. Furthermore, the volume of benefits received could be positively correlated to the length of time in membership. Finally, the status of being associated with a quality grouping was a dominant finding, similar to that identified as being associated with formation factors (Sections 6.4 & 7.3).

ii) Costs

Members were surveyed as to their perceptions of value for money received from membership fees relative to the range and volume of benefits achieved. Of respondents, 60% considered that the 1994 level of SCH membership fees represented good value, 30% found them difficult to justify, and 10% considered that the value achieved in return was poor. Of those members who joined SCH in 1993 100% considered that they received good value, which contrasted to years 1990 and 1991 (58%). The responses from years 1990 to 1992 were spread across all three of the rating bands, which may indicate the greater experience and knowledge that these members had of the organisation, thus presenting more measured responses. Those members who joined in 1990 found the membership fees most difficult to justify (35%). The bedroom band of 11-20 bedrooms indicated the strongest support for value for money (65%), and 31-48 the weakest at 50%.

The issue of increasing membership fees was explored. Members indicated that they would support an increase in membership fees under the

circumstances presented in Table 7.9. Predictably, the circumstance whereby

an increase would translate into an increased volume of business dominates.

A further comment made by 10% of the respondents was that individual

membership fees should be directly related, retrospectively, to the volume of

business achieved through the consortium during the previous year.

Circumstances Whereby Increased Membership Fees Would Be Considered		
Circumstance	Number Of Responses	Percentage Support
Translated into increased volume of business	38	64%
Resulted in a more professionally managed consortium	32	54%
Produced a more focused quality grouping of members	21	36%
Costs allocations and budget projections justified it	16	27%
Curtailed level of sponsorship required	15	25%
AGM attendance costs incorporated	8	14%
None	3	5%

n=59

Table 7-9: Circumstances Increase Membership Fees

344

The majority of members considered that they received value for money in return for their membership fees. However, there was a contrast in opinion between the length of time of membership. Thus, it appears that the degree of value for money decreases relative to the number of years in the organisation. The issues of the need for increased management professionalism, and the production of a more focused quality grouping, as have recurred throughout the research findings were also highlighted.

7.6 Member Behaviour

The role of member behaviour in the success of the strategic alliance and member benefits was recognised as integral in Section 6.7. Specifically, a pro-active role is expected as a norm (Section 6.4). It was evident from the findings in Chapter Six that members were not conforming to this behaviour. Thus, participation levels, motivations, mitigating factors and benefits have been investigated further. Finally, the issue of multiple consortia position is explored.

i) Participation Levels

Members were surveyed regarding their views on the need to actively participate within the organisation, and actual participation levels The results are presented in Tables 7.10 and 7.11.

It appears that participation in SCH social events represents a low priority for the majority of the members in general. There was 0% support for SCH

social events from the previous career sectors of Distribution, Health and Education, compared to support of 50% from Primary, and 35% from Hotel & Catering. Furthermore, the most significant very/strongly support was from those members who had worked in the hotel industry for 21-30 years (40%). However, actual attendance at social events by this group was the lowest (27%). The generally low priority of social events could be attributed to the time demanding, personalised nature of the business, and/or the lack of understanding as regards the business benefits that could potentially accrue from such social interaction within this organisational form.

Members were asked to record their actual attendance levels at the Annual General Meeting and Regional Meetings. The results (Table 7.11) did not correspond to organisational records which showed AGM attendance level of 50%, and average attendance at Regional Meetings as 30%, for 1993. Thus, is would appear that respondents had inflated their actual participation levels, which led to a distortion in findings. The strongest support for attendance at Regional Meetings (95%) came from those who have been in the hotel industry 11-20 years, and weakest support came from those in the 1-10 years band. The strongest support for attendance at the Annual General Meeting (78%) came from those who had been in the hotel industry for 21-30 years.

In respect to management committees, 48% of members had no opinion or were not interested, while only 36% of the total had ever participated in them. This highlighted an obvious attitude split in the membership, whereby

almost half showed no willingness to take responsibility for management. Those who had been in the hotel industry for 21-30 years felt very/strongly as regards the need to participate in management committees (71%), whereas 59% of those who have been in the hotel industry for 11-20 years had no opinion or were not interested. A higher proportion of those who became members in 1992 (60%) and 1993 (50%), than those who joined in 1990 (39%) and 1991 (25%), had become members of the management committees. Of those members whose previous career was in the Civil Service, 83% had never served on the management committees, this compared to 59% from the Hotel and Catering industry.

Need To Participate In SCH			
Type Of Participation	Dominant Ranking	No. Responses	% age
SCH Social Events	No opinion/Not interested	43	73%
Annual General Meeting	Very strongly	36	61%
Regional Meetings	Very strongly	31	52%
Management Committees	No opinion/Not interested	28	47%

n=59

Table 7-10: Need To Participate In SCH

Indication Of Participation Levels		
Type Of Participation	**Number Of Responses**	**Percentage Levels Participation**
Regional Meetings	47	80%
Annual General Meeting	44	75%
Management Committee	21	36%
SCH Social Events	16	27%

n=59

Table 7-11: Indication Of Participation Levels

It would appear that the length of time which a member had been in the hotel industry and the previous career industry sector both had a bearing on the degree and type of member participation.

ii) Participation Mitigating Factors

Factors mitigating against the degree to which members participated were identified as presented in Table 7.12. The strength of identification of the personalised nature of the business operation as the dominant factor reflects a key characteristic of small business management in general. The factor was most strongly represented within the bedroom band of 5-10 (88%) and weakest for the band 31-48 (33%), which may be taken to reflect different

resource bases to which these operations have access. A further correlation to the personalised nature of operation was identified as that of the number of years which the member had owned the current hotel. While the level of identification of the factor was consistent across the majority of bands (77-80%), the exception was that of 31+ years where it was identified by only 57%.

Distance to travel to meetings and events served to compound the problems of participation. This was most strongly identified in the regions of London (100%) and West Coast & Argyll (73%) which reflects the geographic location and difficulty of access to the venues of the meetings and events. A negative attitude of fellow members was only identified by 6% of the members, all of which became members in 1990.

Further comments made by members included that meetings tended to lack any clear purpose or evidence of outcomes, and depressingly few members attended. Moreover, it was felt that individual member contribution was not significantly valuable enough to justify time away from the business, and that a core of long-standing members controlled the organisation. Finally, one respondent recommended that members should be more actively encouraged by the management to contribute to the organisation, and receive reward and/or recognition for their input.

Factors Mitigating Against Participation		
Factors	**Number Of Responses**	**Percentage Support**
Personalised nature of the business operation	45	76%
Distance to travel to meetings and events	30	50%
Late notice of meeting dates	14	23%
Negative attitude of fellow members	4	6%

n=59

Table 7-12: Factors Mitigating Against Participation

Thus, the degree of member participation in the organisation can be correlated to the size of the establishment, stage in the member's career life-cycle, and geographic location. Furthermore, it has been proposed that the development by management of a reward structure, which values individual member contribution, could act as an incentive for increased participation.

iii)Participation Benefits

Benefits identified as arising from active participation were indicated as presented in Table 7.13. The role which participation played in inter-consortium referral business dominated the findings. This benefit was most strongly recognised by those members who had been in the hotel industry for

21-30 years (78%) and those whose previous careers had been in the Primary industries (100%). Those formerly in Distribution registered the weakest awareness (33%). No strong correlation emerged for the three other benefit categories. Further comments included that active participation enabled: the exchange of marketing ideas; increased market awareness; and a personal knowledge of other members and their hotels which increased confidence in referring business.

Benefits Arising From Active Participation		
Benefits	Number Of Responses	Percentage Support
Increase generation of inter-consortium referral business	36	61%
Access peer support and advice	31	52%
Efficient communication of membership benefits	25	42%
None	0	0%

n=59

Table 7-13:Benefits Arising From Active Participation

Thus, the number of years in the hotel industry and the previous career industry sector appear to influence the degree of member awareness as regards the benefits of active participation.

iv)Multiple Consortia Position

Members who held multiple consortia positions represented 42% of respondents, and it was strongest in terms of the numbers of years which the hotel has been owned in the bands 11-20 (55%) and 21-30 (60%) A total of ten other such organisations were represented, and in some cases one respondent was a member of more than one other, for example Garth, Dundonnel, and Old Manor. The consortia most strongly represented were Logis of GB (28%), Independent (16%) and Routier (16%). Logis of GB was identified in Section 6.2 as one of two closest competitor organisations to SCH.

The regions with the highest percentage of membership of other consortia were the Borders (53%) and Grampian (50%). It was also strongest within hotels of 14, 16 and 20 bedroom size. The behaviour did not appear to correlate to a particular grading and classification level, however those members of 3 Crown Deluxe, 4 Crown Deluxe, and 5 Crown Commended did not hold any other memberships. This could be explained in that these members were satisfied with the range of benefits received through SCH, and felt no need to access the additional resources of alternative strategic alliances.

Of those respondents which held multiple consortia membership, motivations were identified as corresponding to access additional market, political, and service support. These three motivations are now presented:

- **Market (73%):** Increased market exposure and support in different markets, through a wider range of agents at varying levels of national, European and international marketing. This was strongest in hotels which had been owned 21-30 years (66%). This may be taken as an indication of the maturity of the business's life-cycle and markets of operation;

- **Political (14%):** In order to gain support from public sector funding agencies. This was strongest in the banding of owned hotel 1-10 years (66%). This may indicate the developmental stage in the business's life-cycle and the need to secure grant funding from public sector sources;

- **Additional Services (14%):** Provision of additional services in the form of loyalty clubs, access to computerised reservations and global distribution systems, conference venue finder, national sales force, focused overseas representation, and more powerful purchasing schemes.

Thus, multiple consortia position can be seen as a need to satisfy imperatives of an economic and a political nature, which SCH cannot fulfil. The practice can be correlated to geographic location, maturity of traditional markets, and business life-cycle. Furthermore, the practice was related to the length of

time the business had been owned, which could indicate a general maturity of business approaches.

7.7 *Strategic Alliance Management*

A range of issues relative to the overall management of the strategic alliance was presented to the members in order to assess the strength of their view points. The results are presented on Table 7.14. Most conclusive was that of difficult to implement sponsorship agreements which reflected the concern illustrated by members in Section 6.7, and the requirement that such agreements benefit both the small firm and the strategic alliance as a whole.

Management Issues			
Issue	Dominant Ranking	Number Of Responses	Percentage
Unnecessary discounting approach	No/No opinion	40	68%
Conflicting range of tariffs over promotions	No/No opinion	39	66%
Lack of forward planning	No/No opinion	37	63%
Difficult to implement sponsorship agreements	Yes	33	56%
High level of travel agency commission	Necessary	19	32%

n=59

Table 7-14: Management Issues

Members were requested to rank the effectiveness of the marketing activities carried out on their behalf by the management of SCH, evaluating the activities in terms of poor, below average, average and above average. Table 7.15 presents the findings. Respondents were generally supportive of the effectiveness, however considered that opportunities regarding public relations activity, promotion of inter-member referral business, and joint advertising with external organisations were relatively unexploited.

Effectiveness Of SCH Marketing Activities			
Activity	Dominant Ranking	Number Of Responses	Percentage
Sales promotion development	Average/Above average	36	61%
Overseas agent establishment	Average	26	44%
Public relations activity	Below average	20	39%
Print material quality	Above average	23	34%
Promotion Referral Business	Below average	19	32%
Lobbying support of the STB	Average	16	27%
Joint advertising with external organisations	Below average	13	22%

n=59

Table 7-15: Effectiveness Of SCH Marketing Activities

Thus, members were generally satisfied with the activities carried out by management on their behalf, with the exception of sponsorship agreements. This highlighted the need for management to ensure that decision-making benefited both the strategic alliance system and individual members.

7.8 Strategy

The link between management and members in the design and implementation of strategy has been identified in Section 6.9. Thus, a range of management and

member issues which have recurred throughout the research as being associated with strategy design are now discussed. Specifically, these issues are: size of membership; right of veto; quality levels and assurance; computerised reservation system; and the future direction of the strategic alliance.

i) Size of Membership

Of the respondents, 34% considered that the ideal size of membership for SCH was in the banding 56-65, and 28% selected 66-75. Factors which influenced the selection of these bands are identified in Table 7.16. In terms of the majority size band selection, the regional split was as follows: Grampian, West Coast & Argyll and Borders & South West 56-65; Highlands & North and London 66-75; and Tayside, Central & Fife 46-55. The latter choice reflects the perceived high density of members relative to demand within this region, thus, the members would prefer a reduction in membership numbers rather than any increase. This can be taken as an indication of the desire for territorial protection by members.

Further comments focused on the points of view that an exclusive small, quality grouping had potentially a strong market appeal, and that members wanted to enjoy the status associated with being a member of a select consortium.

Factors Influencing The Size Of Membership		
Factor	Number Of Responses	Percentage Support
Comprehensive geographic spread	46	78%
Focus on quality members	37	63%
Fee income generation	30	51%
Market share per member	21	36%
Number of hotels in Scotland which fulfil membership criteria	19	32%
Capabilities of management	12	20%

n=59

Table 7-16: Factors Influencing The Size Of Membership

Thus, members views on the ideal size for SCH were influenced by the regional supply, demand correlation, and territorial protectionism. An additional size issue had been identified relative to the status and quality of the grouping, which had also been a feature of the findings in the areas of formation factors, and benefits and costs.

ii) Right of Veto

The issue of incorporating the right of existing members to veto new member applicants into the Constitution was explored. Of the respondents, 59% supported this proposal, but agreed that it should not be an automatic process and that each application must be considered on its own merits. In this manner, if an existing member considered the applicant to be commercially undesirable to their business, then they would request the right of veto.

Those who had worked in the hotel industry 11-20 years (68%) felt strongest about the right of veto, followed by those in the 31+ year band (61%). Regional differences of opinion were identified with strong support from London (100%), Grampian (75%) and Highlands & North (70%), while moderate support was given from the Borders & South West (58%), Tayside Central & Fife (50%) and West Coast & Argyll (45%). This reflected differing degrees of territorial protectionist attitudes, most probably linked to evaluations of market share.

However, a dilemma was recognised, in that a course of action which may be commercially beneficial for the existing member, could be potentially detrimental to the well-being of the core organisation. In this case, the strategic alliance may wish to draw into the membership a particularly prestigious small firm, or one which was geographically strategically located,

to strengthen the profile of the strategic alliance as a whole. This confirms the finding identified in Section 6.3.

iii)Quality Levels and Assurance

Opinions as regards support for raising all SCH members to a minimum 3 and 4 Crown Highly Commended STB grading and classification level were surveyed. These were split 49% yes to 49% no, with 2% not knowing. Those who supported the move did so for the reasons outlined in Table 7.17. Those members who had become members in 1991 (58%) felt most strongly about the proposal, however only 25% of those who had become members in 1990 supported the move. Of those members at the levels which would be affected by this proposal (3 and 4 Crown Commended) support was understandably lowest at 50% and 31% respectively.

A further comment was that the lower quality grading and classification end of the membership contradicted the quality image that SCH was aiming to present to the market place. In addition, the existing wide spread of grading and classification levels made confident inter-member referral difficult.

Support Raising Of Grading & Classification Level		
Reason	**Number Of Responses**	**Percentage Support**
Existing quality range is too wide	17	29%
Customer experience is currently inconsistent	16	27%
Wide range of quality levels confuses the market place	10	17%

n=59

Table 7-17: Support Raising Of Grading & Classification Level

Those who did not support the raising of the grading and classification levels did so for the reasons presented in Table 7.18. A further comment was that SCH could benefit from geographic and market spread, as such cross-fertilisation of a variety of grades and classifications was perceived as being healthy.

No Support Raising Of Grading And Classification Level		
Reason	Number Of Responses	Percentage Support
Hotels should be judged on their own merits	18	30%
The STB evaluation scheme is not indicative of the customer experience	13	22%
Customers prefer variety of properties and experiences	11	19%

n=59

Table 7-18: No Support Raising Of Grading And Classification Level

As the quality issue has been identified as important to the success of the strategic alliance, the membership was surveyed as to who should monitor it on the organisation's behalf. The results are presented in Table 7.19. Further comments were that the STB scheme was flawed, therefore it should be balanced with some form of SCH evaluation and monitoring scheme.

Membership Quality Monitoring		
Monitoring Means	**Number Of Responses**	**Percentage Support**
Scottish Tourist Board	46	78%
SCH employed inspector	16	27%
Management Committee member	8	14%
Fellow member	6	10%
Motoring organisations	5	8%

n=59

Table 7-19: Membership Quality Monitoring

This issue again highlighted a split in the opinion of the membership as regards the spread of market levels being healthy or being detrimental to the success of the organisation. Furthermore, opinions appeared to be influenced by the length of time of membership of SCH.

iv)Computerised Reservation System

The manner in which communication technology is impacting on the way hotels distribute their products and communicate with the market place was identified in Section 2.5. Furthermore, this issue was raised by management in Section 6.9 relative to strategy, thus, the membership were surveyed as to their opinions regarding the development of a SCH dedicated computerised

reservation system. Of the respondents, 34% supported this proposal, however, 42% were against the idea, and 24% did not know. With the exception of 1993 members, 100% of which supported CRS development, the response across the years of membership was predominately negative with 0% support coming from 1992 and 1994 members.

Support was based on the reasons presented in Table 7.20. This was strongest in the years worked in the hotel industry bands of 11-20 (40%) and 21-30 (38%), and from those whose previous career was in Distribution (50%), followed by Hotel & Catering (38%).

Support SCH Computerised Reservation System		
Reason	Number Of Responses	Percentage Support
Generate additional business through database marketing	18	30%
Increase the level of international reservations	16	27%
Track inter-consortium referral business	15	25%
Produce performance figures to monitor agents	14	24%
Monitor the origins of reservations	13	22%

n=59

Table 7-20: Support SCH Computerised Reservation System

Those respondents who did not support the development of a dedicated SCH computerised reservations system did so for the reasons presented in Table 7.21. An additional comment was that the majority of SCH customers preferred to deal direct with the individual hotels, thus such a system was not considered necessary. This issue was supported in that 15% of respondents identified that direct from guest reservations represented 56-60% of total reservations, and 21% 76-80%. Furthermore, 46% consider that these figures would increase during the period 1994 - 2000.

No Support SCH Computerised Reservation System		
Reason	Number Of Responses	Percentage Support
Current volume of business does not justify it	23	39%
Prohibitive cost of development and manning	18	30%
More cost-effective to contract the function to an outside agency	7	12%

n=59

Table 7-21: No Support SCH Computerised Reservation System

Thus, views relative to the development of a SCH dedicated computerised reservation system were influenced by the characteristics of the member. This was in terms of the year of membership, previous industry sector, and

the predominate method by which reservations are made by customers with each member.

v) Future Direction

In order to assess members' views as regards the future strategic direction of SCH a number of proposals were presented for ranking. The results are presented in Table 7.22. The very strong support for the proposals of securing market share on quality, and the development and maintenance of a clear strategic direction, have been confirmed throughout the research across all years of membership. The more rigorous enforcement of membership terms and conditions, and the adoption of more selective membership criteria were strongly supported. There was predominately no support for the contracting out of management responsibilities, as it was believed that such a move would incur unnecessary additional costs to the strategic alliance. These findings reflect the views of management identified in Section 6.8. However, it should be noted that there were a total or 23 respondents to this question and members involved in the management committees accounts for 18 persons. Thus, these finding may be biased towards the views of the management.

SCH Strategic Direction			
Proposal	**Dominant Ranking**	**Number Of Responses**	**% age**
Develop and maintain a clear strategic direction	Very strongly support	32	54%
Contract out as many management responsibilities as possible	No opinion	28	47%
Secure market share on quality rather than price criteria	Very strongly support	25	42%
Enforce membership terms and conditions more rigorously	Strongly support	22	37%
Adopt a more selective membership criteria	Strongly support	19	32%

n=59

Table 7-22: SCH Strategic Direction

7.9 Consolidation

The combined findings derived from analysis of the qualitative and quantitative data indicate that expectations of total unity and commitment from such a diverse grouping of small firms is unrealistic. Moreover, participation cannot be presumed as a norm but is influenced by a wide range of factors as summarised on Table 7.23. The combination of these factors will influence each individual member's behaviour

367

as regards: the range of benefits achieved; participation levels; awareness of strategic issues; and evaluation of the effectiveness of the strategic alliance relationship as a whole.

Factors Influencing Member Behaviour	
Member Specific	**Business Specific**
Length of time in the hotel industry	Number of bedrooms
Previous career sector	Years of ownership
Length of SCH membership	Market level of operation
Previous experience in a strategic alliance relationship	Predominate bedroom reservation method
Mutual respect, shared values and cultures	Economic and political imperatives
Stage in career life-cycle	Stage in business life-cycle
	Geographic location

Table 7-23: Factors Influencing Member Behaviour

7.10 Conclusions

A set of research propositions have been development from the questionnaire findings. These are presented in Appendix One. The findings throughout this chapter have been consistent with those found in Chapter Six. It is concluded that the characteristics and behaviours of the small firm owner/manager cannot be divorced from the core organisation. Furthermore, it has been established that these are

diverse, complex, and integral to the management function, and the benefits achieved, and costs incurred.

The current organisational structure has strengths in that it has sustained and grown the membership, establishing a sound competitive positioning. However, weaknesses have arisen from the limited member participation in management by the majority of the members, and varying characteristics of members, which have had a negative effect on the organisation as a whole.

The limited member participation in management could be addressed within a reconfigured organisational structure, which aims to accommodate the individual economic and personal goals of members, in addition to the goals of the core organisation. This may require the incorporation of stable and dynamic dimensions within the organisational structure, in order to retain members. Such a structure would be composed of elements of member flexibility and voluntarism, alongside those of management consolidation and co-ordination.

The issue of varying member characteristics could be addressed by future management practices and procedures which aim to achieved a complete match of the variables identified in Table 7.23. However, the desirability of the achievement of such a cloning of small firm owner/manager types into an organisational form has to be questioned. It is considered that there may be a danger in that striving for unity and commitment much of the synergy and dynamism of the strategic alliance could be dissipated.

Appendix One: Research Propositions From Questionnaire Findings

i) Formation Factors

- Factors which influence a small firm into joining a strategic alliance are: the competitive position of the strategic alliance; knowledge of, respect for, and shared culture with, existing members; and previous positive experience in a strategic alliance.

ii) Member Characteristics

- Assets, culture and key values of members can be matched as per membership criteria. However, member behaviour is also influenced by the member characteristics of the length of experience in the industry sector, and previous career industry sector.

iii)Organisational Structure

- Organisational structure is influenced by the opinions of the membership. These can be varied relative to: founding and new members; length of experience in the sector; and size of business.

iv)Member Benefits & Costs

- The range of benefits delivered to members is directly related to the aims of
  the strategic alliance and the original formation motivations of members.
  The importance assigned to the benefits by individual members is
  proportionate to the size of the business. Furthermore, the volume of
  benefits received can be positively correlated to the length of time in
  membership.

- The degree of perceived value for money decreases relative to the number of
  years in a strategic alliance.

v) Member Behaviour

- Member behaviour as regards awareness of the benefits of active
  participation are influenced by the number of years experience in the hotel
  sector, and previous career industry sector.

- Multiple strategic alliance position is a result of a need to satisfy imperatives
  of an economic and political nature, which the existing strategic alliance
  cannot fulfil. The practice can be correlated to: geographic location;
  maturity of traditional markets; stage in the business life-cycle; and the
  length of time the business has been owned.

vi)Management

- It is essential that management decision-making ensures that it is to the benefit of both the core organisation and individual members.

vii)Strategy

- It is vital to the well-being of a strategic alliance that the individual economic and personal goals of members, in addition to the goals of the core organisation, be accommodated in strategy development. This may require an organisational structure which incorporates stable and dynamic dimensions, enabling elements of co-ordination and consolidation to operate alongside those of flexibility and voluntarism. Only in this way will effective unity and commitment be achieved.

8. Chapter Eight: Discussion And Synthesis Of Research Findings

8.1 Introduction

The objective of this chapter is to discuss and synthesise the findings from literature, qualitative and quantitative research. In this way the range of variables which have been identified as important are linked into a set of theories and partial models. These models primarily relate to the internal dynamics and relationships of the strategic alliance, however the role of external competition and opportunities for membership of other alliances are also incorporated. Furthermore, as the subject of the empirical research, Scotland's Commended Hotels, is that of a resource constrained strategic alliance for, and managed by, small firms themselves, it follows that the discussion is relative to this form of organisation. Moreover, the researcher recognises that there are a myriad of strategic alliance types, each with its own unique nature and characteristics. As such, broad generalisations will not necessarily apply universally. However, it is considered that the resultant findings do enable a comprehensive understanding of the specific phenomena under study.

Following a description of the thesis context, the framework for the chapter mirrors that of previous chapters. This framework explains the functioning of the alliance, through examination of a number of variables of different types. Thus, relationship to, and the interaction of, the variables of formation factors, member characteristics,

organisational structure, member benefits and costs, member behaviour, strategic

alliance management, and strategy are examined in detail.

8.2 Thesis Context

The context of this thesis is that of the small firm and its environment, small firm

strategy in general, and a specific strategic alliance. Each of these areas are now

discussed.

i) The Small Firm and its Environment

The small firm represents the dominant form of business within the UK hotel

sector, heavily dependent on the self-employed and small employer, within a

population that is shrinking in general, and mainly at the cost of the small

firm. Findings (Chapter Two, Appendix Two) illustrated the importance of

small firm research being sensitive to sectoral peculiarities, in order that

outcomes be both academically sound, and accurate and operational within

the realities of the sector. To that end a definition was developed by the

researcher (Section 2.2), grounded in the specific sector under investigation,

incorporating quantifiable, qualitative and sectoral parameters. In this way it

is considered to be sensitive to economic factors, owner/manager behaviour,

and sector characteristics. The importance of such a focus was also

highlighted through the process of statistical comparison between the small

firm sector in general with that located in the hotel industry (Section 2.3).

While it is considered that the definition worked adequately in the research process, the opportunity is now taken to sharpen the focus, adding a strategic alliance dimension in order to more accurately reflect this research project. The modified definition is as follows:

"A small firm is financed by one individual or small group, directly managed by its owner(s) in a personalised manner and not through the medium of a formalised management structure. In comparison to the largest unit of operation within its sector, it is perceived to be small, in terms of physical facilities, production/service capacity, and number of employees. It may or may not be linked to a strategic alliance network as a means of achieving enhanced performance outcomes."

The shrinkage of the small hotel firm population is, in part, due to the strategic imperatives, discussed in Section 2.7, arising from the industry structure, product characteristics, current trends, and industry practices. These have combined to challenge the existence of the small firm within the sector. The imperatives were categorised in terms of: product; market; economic; technology; and political. In order to meet these challenges, it was proposed that owner/managers require to respond professionally, maximising their entrepreneurial qualities. However, in reality they are addressing these challenges with varying levels of commitment, ability, strategic awareness, economic dependence, and professionalism (Boer 1992; Medlik 1994; Hankinson 1995).

ii) Small Firm Strategy

Given this environment, the dominant small firm strategy supported by literature (Chapter Three, Appendix Three) is that of the concept of co-operative networks. Jarillo (1993) observed that co-ordination through co-operative networks is crucial for small firms, most of which do not have the necessary resources to compete across the full spectrum of activities in their business system. Furthermore, co-operative networks enable the small firm to obtain some of the economies of scale necessary to remain competitive.

Promotion of a more comprehensive understanding and knowledge of this form of strategy was achieved by focusing on a specific form of partial network, that of a strategic alliance, as defined by the researcher in Section 4.9. Thus, the primary focus of this research is on strategic alliances whereby small firms make a voluntary decision to join, and accept a certain level of contractual commitment to the co-ordinating organisation. This represents alliances of legally and financially independent units.

The researcher proposes that such strategic alliances represent an example of one type of the operationalisation of a network form, providing a mechanism which mediates between pure market and the small firm on behalf of its members (Section 4.9). They are explicit expressions of linkages within a network structure, representing the function of partial overlap of the organisational domains of the small firm members and the core organisation.

This form of overlap was identified in Section 3.2 relative to small firm strategy, involving the three components of: entrepreneur; firm resources; and strategy. The same approach applies in relation to strategic alliances which require the appropriate combination of all three components in order to ensure the survival and achievement of the small firm, and the strategic alliance, objectives.

iii)A Specific Strategic Alliance

Scotland's Commended Hotels (SCH) was selected as an example of sixty-six small firms linked into a strategic alliance, the characteristics of which conform to the definitions presented in Sections 2.2 and 4.9. It is a marketing focused organisation with the stated key aims (Section 6.2) of: maintaining its position as the leading professional consortium for Scottish hotels which meet membership criteria; and to be active on behalf of members. This involves seeking opportunities to maximise profitable returns by accessing domestic and overseas markets which would be difficult on an individual basis. Thus, it represents the function of partial overlap of organisational domains of the individual members and the core organisation, in respect to combining entrepreneurs, resources, and strategies. In this way, joint domestic and overseas marketing activities are enabled.

The constitutional form of SCH is that of a co-operative, consensus organisation of small firms operating at the same level of activity.

Theoretically, all members have the same stated values. The current relatively high status which SCH has achieved within the industry sector is believed to be attributed to seven key strengths identified by management and presented in Table 6.1. These are summarised in Figure 8.1.
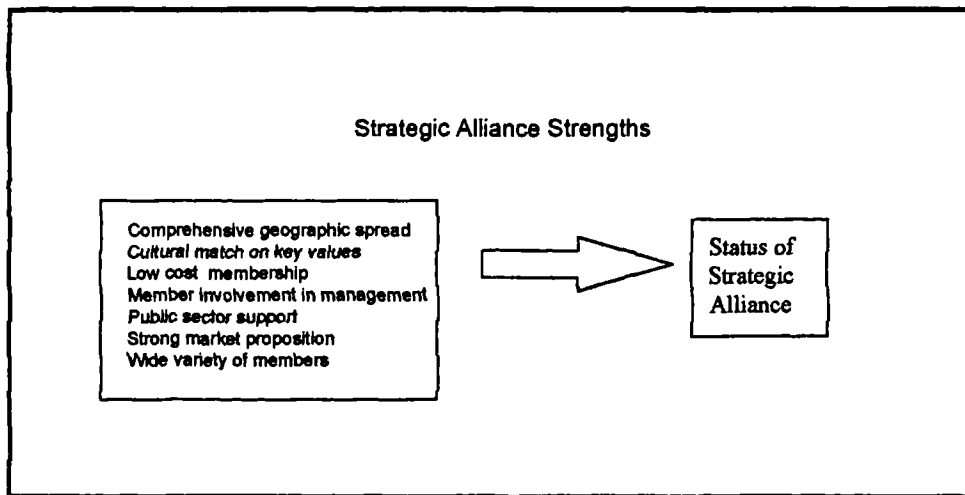
Figure 8-1: Strategic Alliance Strengths

However, important weaknesses were recognised by management (Section 6.2) relative to: variability in the characteristics of members; management inefficiencies and alienation from the general membership; and a weak market proposition. Thus, while a degree of success had been achieved, preliminary investigation indicated that there were flaws associated with the organisational form, and management practices and procedures.

Thus, this represents the context for the thesis. The chapter now progresses to discussion and synthesis of the processes leading to the creation of strategic

378

alliances, and the issues involved in developing and managing the resultant relationships.

8.3 Formation Factors

The rationale given for small firms forming into networks (Section 3.5) is that they are: seeking a means to achieve improved performance through: the attainment of a sustainable competitive advantage; reacting to competitive adversity; and/or responding to identified opportunities (Ansoff 1970; Shaw & Dawson 1995). In comparison, strategic alliance formation factors are more clearly articulated, as regards what the alliance can do to assist the small firm at a micro-level. These have been identified in literature (Brunt & Pino 1991; Lewis 1990; Lorange 1989; Axelsson & Easton 1992; Dawson & Shaw 1992; Powell 1992), and can be categorised in terms of antecedent motivations and desired results, which reflect both offensive and defensive strategies. Antecedent motivations include: address external competitive pressures; relieve internal performance pressures; access new markets; wish to internationalise; and access communications technology resources. Desired results are that strategic alliance formation will generally enhance overall competitive position, and achieve certain economies of scale, for the small firm. In addition, it was agreed that the motivations for a small firm to form into an alliance with a strategic partner are varied and complex, exacerbated by the idiosyncratic characteristics of the small firm (Fletcher 1993). As a result, additional motivations which influence, mobilise and shape alliance formation require to be understood.

379

These include: the embeddedness of the small firm in socio-economic networks which provide strategic alliance opportunities; cultural and contextual issues which cultivate an alliance culture and provide social legitimisation; psychological factors focusing on entrepreneurial vision and ambition; and industry sector contextual issues (Lorange 1989; Sutton 1990; Dawson & Shaw 1992; Fletcher 1993; Van Gils 1993).

The combination of these formation factors led the researcher to categorise and summarise their nature in Table 4.1 as economic, socio-economic, and strategic. However, these categories cannot be regarded as discrete. Economic factors aim to add value to the small firm's existing resource base through, for example, access to new markets and the achievement of certain economies of scale. Socio-economic factors involve the behavioural aspects associated with the achievement of economic outcomes, for instance, the exchange of ideas, skills, knowledge and cultures among members. Finally, the strategic factors utilise the economic and socio-economic factors in order to move the firm forward, change and develop it in a planned, course of action which contributes to its individual strategy.

This research found (Section 6.4) that the motivation to join and remain with the strategic alliance is strongest when these identified antecedent and desired result factors exerted the greatest combined effect. These triggered small firms into considering strategic alliance membership as either an offensive or defensive strategy, motivating a search for viable strategic alliance alternatives. In particular, it was found that the factors which influenced joining a strategic alliance were

dominated by those of a socio-economic nature (Sections 6.4 and 7.3). These included: previous positive experience in a strategic alliance; the strength of the strategic alliance's competitive position in relation to alternatives; respect for, and shared values and cultures with, other members; and the perceived status of belonging to a quality grouping. Furthermore, it was found that the strength of the strategic alliance's competitive position had had a positive influence on new member recruitment. Those motivations of a purer economic nature, such as access to agents, the range of sales promotions, and compatibility of physical profile and markets of operation, were perceived by members as of lesser significance than the socio-economic motivations.

Thus, from the findings in Sections 6.4 and 7.3 it appears that the embeddedness of the small firm in socio-economic networks, and cultural and contextual issues, exert a significant influence over strategic alliance formation, in addition to those of a more rational economic nature.

Furthermore, throughout the research process formation factors of an explicit strategic nature were vaguely communicated to the researcher by members, in terms of seeking a means to address external competitive and/or internal performance pressure. This formation motivation, of joining and remaining with the strategic alliance as a means of combating the pressures which had arisen from the strategic imperatives identified in Section 2.5, was given lowest priority by members (Table 6.2). This corresponds to the findings in Sections 2.7 and 3.2, where it was identified that the ability of small firm owner/managers to adopt a strategic stance was

381

generally limited. This issue is discussed further in Section 8.9 relative to strategic

alliance strategy development and small firm strategic awareness.

These findings relative to strategic alliance membership are illustrated in Figure 8.2,

drawing on the structure presented in Figure 3.2.. This partial model shows the

sequence of the small firm moving through: being triggered into considering the

strategic alliance option; assessment of the range of alternatives available within

their social and economic context; and membership of a specific strategic alliance.

Momentum For Strategic Alliance Membership

> **Triggering Mechanisms**
> Arising from internal &
> external environments

> **Small Firm Characteristics**
> Embeddedness in socio-
> economic netork, cultural
> & contextual issues

> **Identification & Assessment Of**
> **Alternative Strategic Alliances**
> *Range of perceived net benefits*
> *& strategic alliance competitive*
> *position*
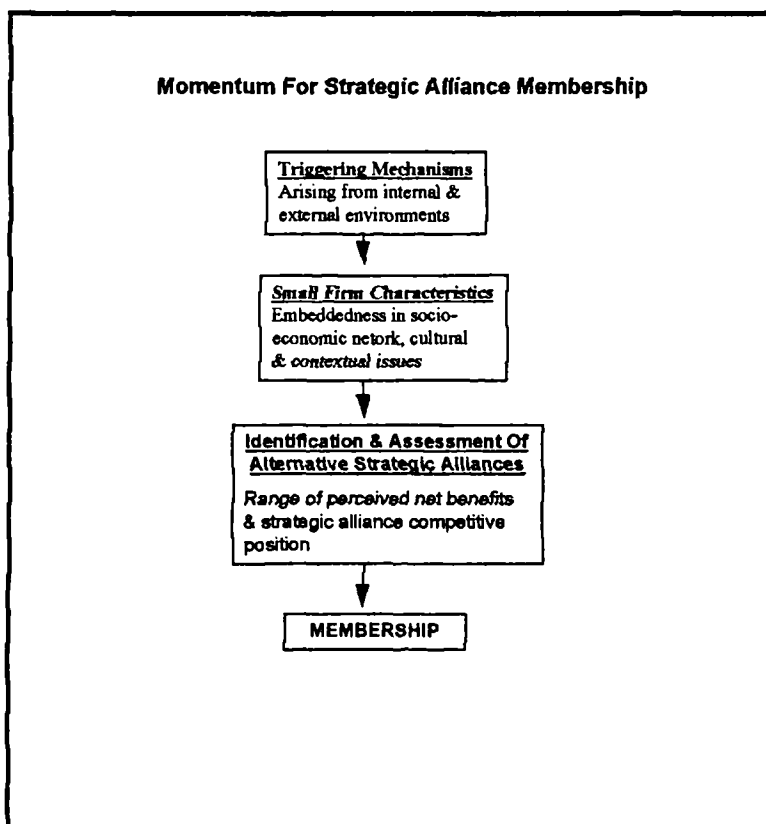
> **MEMBERSHIP**

Figure 8-2: Momentum for Strategic Alliance Membership

8.4 Member Characteristics

The relevance of member characteristics prior to, and after, formation are now discussed. Literature (Lorange 1989; Hamill 1991; Lewis 1990; Mattsson 1986) identified that, in order to effectively achieve the goals, and improve the competitive positioning of a strategic alliance, new members should be selected on the basis of : complimentary assets; acceptance of a degree of control over the assets; compatibility of the owner; cultural match on key values; ability to teamwork; and past performance in other strategic alliances.

These features were identified in the findings of this research (Sections 6.3). It was found that membership criteria had been established in order to achieve control over the new member selection procedure, in a manner comparable to the literature recommendations. However, it was identified that the process was not purely objective and mechanistic. In some cases there was evidence of a degree of flexibility, in others the recommendations of the administration committee were overruled by the management committee. Specifically, management deviated from the membership criteria for three main reasons: geographic location; prestigious status; and territorial protectionism. First, was that of the geographic location of the applicant. A strength of the SCH market proposition was recognised as being able to offer a comprehensive geographic coverage of Scotland for tourists on a touring holiday. However, in some more remote areas there were no hotels which met the established membership criteria. Therefore, in order to fill strategic geographic gaps, a hotel of an inferior quality was occasionally admitted. Second, the prestigious

status of the applicant could be regarded by management as having the potential to enhance the overall profile of the organisation. Thus, despite existing members being in close proximity, and that they considered acceptance to be detrimental to their market share, in certain cases, the applicant would be admitted. Finally, if acceptance of an applicant meeting the established membership criteria would encroach upon the territory of individual members of the management committee, then the decision would be influenced to reject it.

Furthermore, it was found (Section 7.2) that while the matching of assets, culture, and key values of members can be achieved as per membership criteria, two further significant member characteristics were neglected. These were the length of experience in the industry sector, and previous career industry sector. These factors were not considered at new member selection stage, and may have an influence on the volume of benefits received and member behaviour which will be addressed in Sections 8.6 and 8.7.

Thus, it appears that member selection procedures, and member characteristics are intricately related. Furthermore, they may have an impact on the strategic alliance competencies in the form of level of achievement of organisational goals, the strength of the market proposition, and the degree of preservation of the operating logic of the strategic alliance. This inter-relationship is illustrated in Figure 8.3. The results caused by the identified deviation from member selection procedures are far reaching and are discussed in following sections relative to member benefits, member behaviour, management, and strategy.

Member Characteristics & Strategic Alliance Competencies Inter-Relationship

Member Sellection Procedures → Member Characteristics

Strategic Alliance Competencies
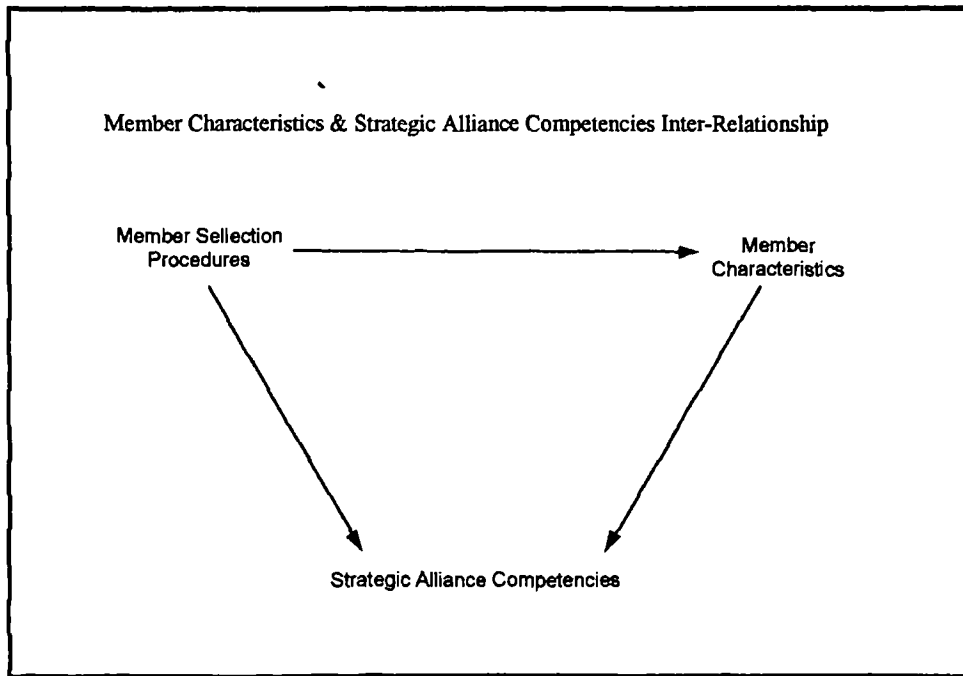
Figure 8-3: Member Characteristics Inter-Relationship

8.5 Organisational Structure

Membership and management are linked through an organisational structure. The form which is central to this research has been stated as one which is horizontal and voluntary in nature (Section 3.6). This represents a consensus form of collaboration between autonomous firms, within which no single firm exercises control over the entire system. Relative to the network form of organisation, structure varies in terms of the: degree and scale of co-operation; level of commitment; number of services offered; and strength of social exchange ties (Mattsson 1989; Masurel 1993). Within strategic alliances, organisational structures vary in respect to their purpose, format, features, and variable dimensions as summarised in Chapter Four, Appendix One.

The three key features identified as being associated with the strategic alliance organisational structure under investigation are the degree of structuredness, flexibility and voluntarism, and configuration. These are now discussed.

i) Structuredness

Structuredness refers to how interdependent the members are and the extent of implicit and explicit systems in place. The degree of structuredness will depend upon the: transactional patterns; strength of social exchange; size of membership; economic constraints; range and volume of tasks to be performed; and degree of systems in place. These factors will be reflected in the organisational structure of the strategic alliance (Mattsson 1989; Dawson & Shaw 1992; Axelsson & Easton 1992; Porter 1985). Furthermore, the structure links the internal capabilities, resources and social relationships of members through strategic systems and actions, of both an implicit and explicit form.

This research confirmed these findings (Sections 6.5 and 7.4.). In addition, it was identified that there was an interplay of the members and organisational structure, in that it is influenced by the opinions of the membership. These opinions varied relative to the general differing characteristics of the members and more specifically in terms of: founding and new members; length of experience in the sector; and size of business. This split in opinion contributed to the tensions within the organisation which were identified as a

key issue in Section 6.9, and which will be further discussed in Sections 8.8 and 8.9. Despite this complexity it is proposed, that if firms are members of a network then they are interdependent to some degree. Furthermore, while a formal organisational structure may exist, the evolution and impact of a strong informal organisation appears to be a significant feature of the type of strategic alliance under investigation.

Figure 8.4 summarises the factors involved in influencing the degree of structuredness of the organisation, which shapes the ultimate characteristics of the strategic alliance.

Strategic Alliance Degree of Stucturedness

Factors

Transactional Patterns

Strength of Social Exchange

Size of Membership

Economic Constraints

Range and Volume of Tasks

Control Systems

Member Opinions

Degree of Structuredness

Characteristics

Internal Capabilities

Social relationships

Resources

Strategic Systems & Actions
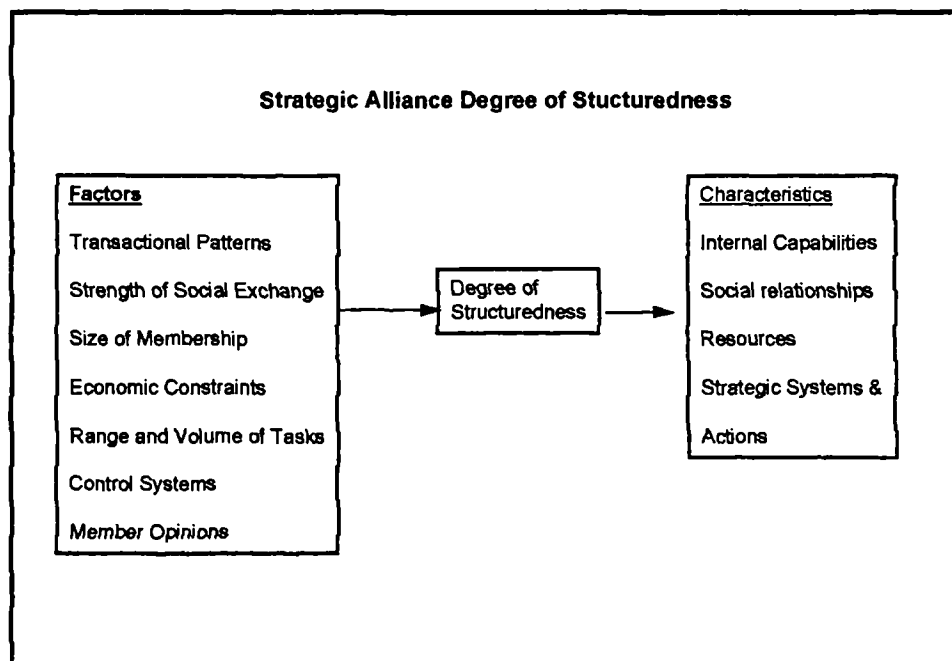
Figure 8-4: Strategic Alliance Degree of Structuredness

ii) Flexibility and Voluntarism

Literature (Dent 1990; Hamill 1991; Axelsson & Easton 1992; Harper 1992; Greenley 1989; Lorange 1989) recommends that the strategic alliance organisational structure enables each member to retain enough autonomy to perform effectively their specialist function. In this way they keep the management structure and culture best suited to their market, functions and expertise, with the freedom to choose what services they wish to use from the strategic alliance. However, Shaw and Dawson (1993) recognise that a compromise is required between the degree of flexibility and voluntarism, and the rules necessary in order to bind the organisation, in order that the strategic alliance be effective.

The accuracy of this viewpoint was endorsed by the findings (Section 6.7), specifically in relation to sponsorship agreements. In this case, certain members chose not to comply as they considered that the resultant outcomes would impact negatively on their individual business. Moreover, members were of the opinion that the flexibility relative to compliance of certain terms and conditions, such as sales promotions and purchasing agreements, enabled them to participate in activities and services from which they would benefit, and reject those which they perceived to be detrimental. Furthermore, it was found that members believed that the voluntarism of management had contributed to the strength of the strategic alliance's competitive position. In addition, they recognised that given the resource constrained nature of the

organisation voluntary management was a necessary feature of the strategic alliance.

In the members' opinion, the combination of these features served to ensure the continuity and success to date of the strategic alliance. However, the findings (Section 6.5 & 7.4) from this research suggest that such an approach to organisational structure may detract from the organisational capabilities, and the ultimate strength of the strategic alliance's competitive position. This issue is addressed in point (iii).

iii)Configuration

Once the degree of structuredness, and the features of flexibility and voluntarism have been addressed, the strategic alliance organisational configuration will be developed. Within, horizontally configured, voluntary strategic alliances, the structure generally revolves around a hub management composed of peers, which direct and initiate the alliancing procedure (Jarillo 1993) In theory, such a configuration allows for equitable linkages and dependencies. This combines the ingredients of co-operation and control, which ensure greater continuity and mutual dependency, thus reducing uncertainties for the firms involved (Rokkan & Haughland 1993) The nature of the horizontal, consensus strategic alliance and the management requirements are summarised in Table 8 1.

Horizontal Consensus Strategic Alliances	
Nature of the Organisation	Co-operative Mutual Dependency Social Exchange Bonds Symmetrical Relationships Voluntary Commitment
Management Requirements	Strategic Systems Strategic Action

Table 8-1: Horizontal Consensus Strategic Alliances

The achievement of the management requirements is dependent upon satisfying the characteristics associated with the nature of the organisational form. This may require the incorporation of stable dimensions to enable the requirements of management, combined with a dynamic dimension to support member flexibility and voluntarism. This point of view corresponds to literature (Gray 1991; Lorange 1989; Axelsson & Easton 1992; Mattsson 1989; Webster 1992) which strongly supports the view that strategic alliances which incorporate stable and dynamic dimensions, will retain a competence for self-renewal and effectiveness over time.

At conception, the organisational configuration of the strategic alliance under study was that of a horizontal hub, composed of peers who directed and initiated the alliance management practices and procedures (Section 6.5). However, during its four years in existence it had evolved into a low

hierarchy, within which management attempted to impose systems, and decision-making on members. The majority of the terms and conditions were of a voluntary nature, and as such not enforceable by management. This structure was found to lead to frustrated management effectiveness, specifically in the areas of enforcement of membership terms and conditions, and the optional nature of promotional and purchasing agreements made on members behalf. This resulted in a general membership perspective that management was incompetent as will be discussed in Section 8.8. Furthermore, it was also found (Section 6.8) that hierarchical dominance within such a consensus strategic alliance had the potential to stifle the strength and synergy of the organisation. In particular, members attributed this to: an autocratic management style; ineffective communication systems; and dictatorial management decision-making. This led the researcher to question the ability of this organisational configuration to satisfy the characteristics associated with the strategic alliance organisational form, in order to achieve the management requirements. This is specifically questioned relative to the existence of implicit, as opposed to explicit, stable and dynamic dimensions.

Given these findings, it appears that strategic alliance organisational structure is shaped by the interaction of: member characteristics; the nature of the organisational form; and the requirements of management.

8.6 Member Benefits and Costs

There are a range of benefits and costs associated with network and strategic alliance membership, which are summarised in Table 3.1 and Chapter Four, Appendix Two. Relative to networks, associated benefits and costs were categorised as financial, operational, and strategic in nature, and expanded to incorporate the category of marketing in response to strategic alliance literature. It was identified (Section 4.6) that the combination of financial, operational and marketing benefits have the potential to result in the achievement of benefits of an overarching strategic nature. The range and volume of benefits, and features associated with net benefits are now discussed.

i) Range of Benefits

Literature (Axelsson & Easton 1992; Johannisson 1987a; Porter 1985; Campbell & Sommers Luchs 1992; Shaw & Dawson 1993) identified the range of member benefits as being of an economic, socio-economic, tangible, and intangible nature. Within networks they are said to be aimed at achieving some form of improved performance outcome. As the focus of the research moved to joint activity strategic alliances, the level of detail in literature, relative to the range of benefits, was much more intense and attuned to the research context. Benefits associated with both networks and strategic alliances are strongly related to the original formation motivations.

Findings from this research (Sections 6.6 and 7.5) confirmed those of literature. In addition, the mix of socio-economic, economic, and strategic formation motivations, as discussed in Section 8.3, was reflected in the actual benefits received. It was also found that the range of benefits delivered to members was directly related to the aims of the strategic alliance organisation (Section 6.2). Thus, it can be said to be directly related to the aims of the strategic alliance and the original formation motivations of members. The benefits are directed at achieving enhanced performance outcomes of a financial, operational, marketing and/or strategic nature.

ii) Volume of Benefits

Literature (Axelsson & Easton 1992; Porter 1986; Lewis 1990; Welch 1991; Lorange 1989; Ansoff 1979; Dent 1990) identified the volume of benefits achieved by an individual member to be dependent upon member behaviour and characteristics, and management practices and procedures. Relative to member behaviour, it was identified that a member who abides by the rules of the strategic alliance organisation has the potential to benefit fully from: organisational learning; enhanced effectiveness through accessing corporate services; a predictable, negotiated environment; and maximum utilisation of the resources invested in the strategic alliance. In respect to management practices and procedures, they require to optimise the utilisation of resources and the volume of benefits to individual members and the strategic alliance as a whole.

These findings were confirmed and elaborated on in this research (Sections 6.6 and 7.5). Relative to member behaviour, it was found that a member who abides by the terms and conditions of the strategic alliance, and is active in the affairs of the organisation, has the potential to optimise the benefits therein. However, it is proposed that the degree of such behaviour will be dependent upon the perception by individual members of the volume of benefits achievable, and the extent to which the personalised, resource intense nature of the small firm operation constrains this activity. As regards the later point, this was evidenced in Sections 6.7 and 7.6 where the finding dominated the range of factors limiting participation levels. This is discussed further in Section 8.7.

Furthermore, relative to the volume of benefits achieved, it is proposed that the issue of non-participating members can be interpreted from a negative and positive stance. Negatively, it is proposed that members who did not participate, expecting a volume of benefits as an automatic response to the payment of membership fees, were dissatisfied by the relationship. Conversely, it could be the case that members did not participate because they were satisfied with the current volume of benefits achieved, thus identified no need to invest additional effort in the organisation. It appears that understanding member behaviour relative to participation in the affairs of the organisation is a complex issue. However, there does seem to be an

association between this and the volume of benefits received by individual members.

In terms of member characteristics, two not referred to in literature were identified in Section 7.5 which appeared to have an impact on the importance assigned to, and actual, volume of benefits received. First, it was found that the importance assigned to the volume of benefits by members was proportionate to the size of the firm. This was identified relative to marketing activities, where the smaller, more resource constrained firm, rated the services of the strategic alliance of higher importance than the larger properties. Second, was that the volume of benefits achieved can be positively correlated to the length of time in membership. This was evidenced in the volume of reservations received through the strategic alliance system which was greater for those who had been members since inception, compared to those who had joined in the last two years. This could be attributed to flawed member selection procedures with new members not being as marketable as older members. Alternatively, it may be explained by the network effect which matures with time and trust, towards social embeddedness. This was seen (Section 6.6) in the form of strong camaraderie, peer support and trust among founding members, which had the potential to generate a greater volume of internal and external reservations in comparison to more recent members.

In terms of management practices and procedures, it appears that the volume of benefits received by individual members may be constrained due to: the poor selection of the member by management; ineffective communication systems; and limited organisational learning mechanisms. Evidence of deviation from the established member selection procedure was presented in Sections 6.3 and 8.4. As a result, in certain cases, member assets were not complimentary, and their objectives were incompatible with the system as a whole. Section 6.8 identified that the mode of communication of management with members was ineffective, and that opportunities to encourage organisational learning were limited. This led to management being frustrated regarding the lack of response, understanding and action by members and the volume of member benefits being under-achieved. As a result, it was recognised by management that improved management practices and procedures were required in order to optimise the utilisation of resources, and the volume of benefits achieved by the individual member, and the strategic alliance as a whole.

Thus, consolidating the findings from points (i) and (ii), it appears that the range and volume of benefits received result from the: degree to which members abide by the rules; level of member activity in the affairs of the organisation; selection procedures of management; achievement of effective communication and organisational learning; the length of time in membership; and are proportionate to the size of the firm. Furthermore, the

range and volume of benefits achieved may have an influence on future

strategic alliance systems and procedures, member behaviour and

characteristics. This interrelationship is illustrated in Figure 8.5.

Influences On The Range & Volume Of Benefits

Strategic Alliance Systems & Procedures
Benefit Policy
Communication
Member Selection
Organisational Learning

Member Behaviour & Characteristics
Length Of Membership
Conform To Rules
Active Participation
Organisational Learning
Size Of Firm

Range and Volume of Benefits Achieved
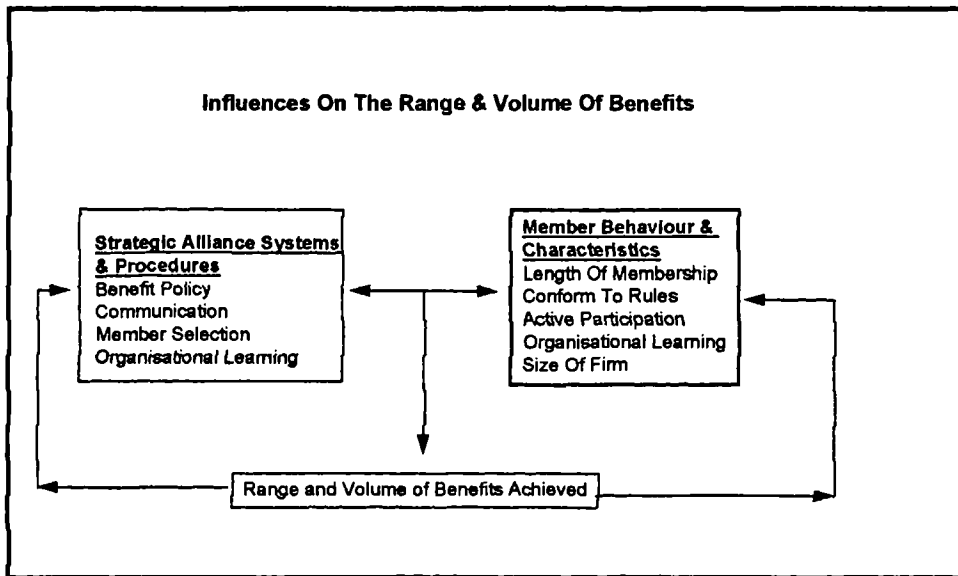
Figure 8-5: Influences on the Range & Volume of Benefits

iii)Net Benefits

It is inevitable that network relationships will incur some level of transaction

costs (Ansoff 1970; Ouchi 1980; Mattsson 1986; Lorange 1989; Jarillo 1990).

Within voluntary strategic alliance literature (Ouchi 1980; Jarillo 1990; Blois

1989; Pietsch 1991; Ansoff 1970) it is identified that transaction costs are

borne by the small firm individually, and the strategic alliance collectively.

The equitable distribution of these costs is central to the success of a strategic

alliance which is aiming to achieve common benefits.

In a stable relationship a strategic alliance aims to maximise net benefits to members, through synergistic linkages and economies of scale. In this respect, transaction costs are accepted by the member on the understanding that they will be compensated for by benefits, of both a social and economic nature. Thus, a strategic alliance may exist where the transaction costs of the combined organisation are lower than those which would otherwise be incurred by the individual member. Thus, a small firm could be motivated to join a strategic alliance in a situation where the transactions costs are lower than it would encounter on its own, and in relation to alternative strategic alliance options.

It was concluded (Section 3.7) that in order to justify a strategic alliance's existence positive net benefits require to be achieved among benefit expectations, actual benefit outcomes, and resultant transaction costs. This requires to take place within a trust culture, where all members are satisfied as regards the equity of benefit and cost distribution. Furthermore, it was recognised that adverse, or positive, achievements of expectations influence future participation in network activities. Thus, once the existence of net benefits has been established, the next stage is to put in place management practices and procedures to ensure their actual delivery.

Within the strategic alliance under investigation, members were jointly and severally liable for all costs incurred by the management in the proper execution of their duties. In this research, as a means of evaluating the

relationship of membership benefits to costs, an independent investigation (RGA) concluded that the financial cost-effectiveness of SCH was unquestionable, and that membership represented a sound marketing investment (Section 6.6). This was confirmed by the majority of members, which could be taken as an indication of generally positive net benefits associated with the strategic alliance.

However, there was a contrast in opinion between the length of time in membership. It appears that the degree of perceived value for money decreases relative to the number of years in the organisation (Section 7.5). This may be taken to indicate: variations in the attitudes of members accepted into the organisation at different points in time; members seeking different benefits linked to the life-cycle of the business; or a result of organisational learning over time. An additional, explanation could be that the strategic alliance performs an incubator role (Sections 3.7 and 4.9). In this respect a small firm enters the strategic alliance with specific needs, once they have been satisfied the firm is strengthened and draws less on the services. This was found to be the case in Section 6.7 where certain members entered the strategic alliance at its inception, and drew on the strengths of the organisation to assist in the development of their product and market. Once their objectives had been achieved, the members no longer had a need for the strategic alliance and exited the relationship in favour of a more attractive alternative. Thus, it is proposed that within an effective strategic alliance,

perceived value for money can decrease with the length of time in membership as initial objectives are achieved. Furthermore, this finding highlighted a split between founding members and the majority who are committed to the organisation, and those for whom membership represents a short-term, rather than a long-term relationship.

iv)Net Benefit Evaluation

Given the importance of strategic alliance evaluation, literature (Devlin & Bleakley 1988; Lorange 1989; Hamill 1991; Van Gils 1993) suggests the utilisation of a contingency-based conceptual framework. Within this, it is recommended that small firms rationally evaluate proposed strategic alliance relationships from the perspective of their individual requirements. This was recognised as a fundamental key to the success of the alliance in order to achieve a strategic fit, ensuring that strategic alliance membership reinforced the core thrusts of the small firm, and/or complemented its basic strategies. Further literature (Paasche et al 1993; Lorange 1989; Hamill 1991; Axelsson & Easton 1992) expands this perspective by recommending that, the value of a strategic alliance be also judged relative to how the entire alliance system benefits from the combined strengths of members. These perspectives were addressed by the researcher in Chapter Four, where she developed an evaluatory framework which is presented in Table 4.2.

That framework is progressed in Figure 8.6 relative to member evaluation of the strategic alliance relationship over time once it has been established, and the impact this has on member attitude. This involves a combination of the variables of net benefit expectations, actual ouctomes, and personal and business characteristics of the member. Furthermore, it indicates the central role of a trust culture towards positive or negative evaluatory outcomes. Of particular significance is the result of net benefit evaluation on organisational learning and member attitude towards future strategic alliance participation.
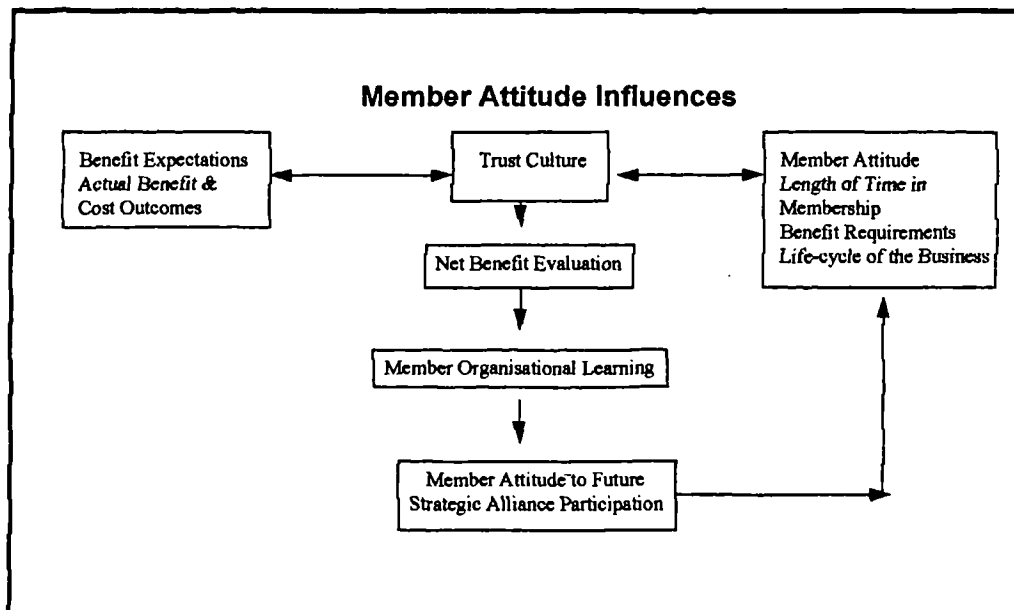
Figure 8-6: Member Attitude Influences

8.7 Member Behaviour

Literature (Johannisson 1987a) identifies that each member brings their unique set of values, attitudes, perceptions, motivations, expectations, capabilities, and inseparable

business and personal objectives to a network. Thus, the behavioural properties

cannot be divorced from the members. This feature is particularly important to

strategic alliances, as success is dependent on member behaviours and relationships

(Roper 1992; Shaw & Dawson 1993). Further literature (Drucker 1992; Porter 1990;

Lewis 1990; Greenley 1989; Fombrun 1986) argues that in order to preserve the

competencies of the strategic alliance members must abide by the rules of the

organisation. Specifically, a proactive role by members in the organisation is

expected as norm, which is of significant importance in small, resource constrained

alliances. In this context, the individual member contributes by performing certain

of the management tasks, towards the achievement of common goals. Furthermore,

success can more effectively be achieved provided members: share objectives and

strategies; accept mutual reliance and vulnerability; and refrain from behaviours

which are a threat to the overall performance of the strategic alliance. Moreover,

success is based on the achievement of mutual trust, understanding, and social

embededdness, which develop only with effort over time.

This integral feature of member behaviour to the successful operation of the core

organisation, and the achievement of individual member benefits, was confirmed

throughout research findings (Sections 6.7 and 7.6). Its central role to the sustained

success, enhancement of the competitive position of the strategic alliance, and future

member behaviour is illustrated in the form of a sequences of outcomes in Figure

8.7.
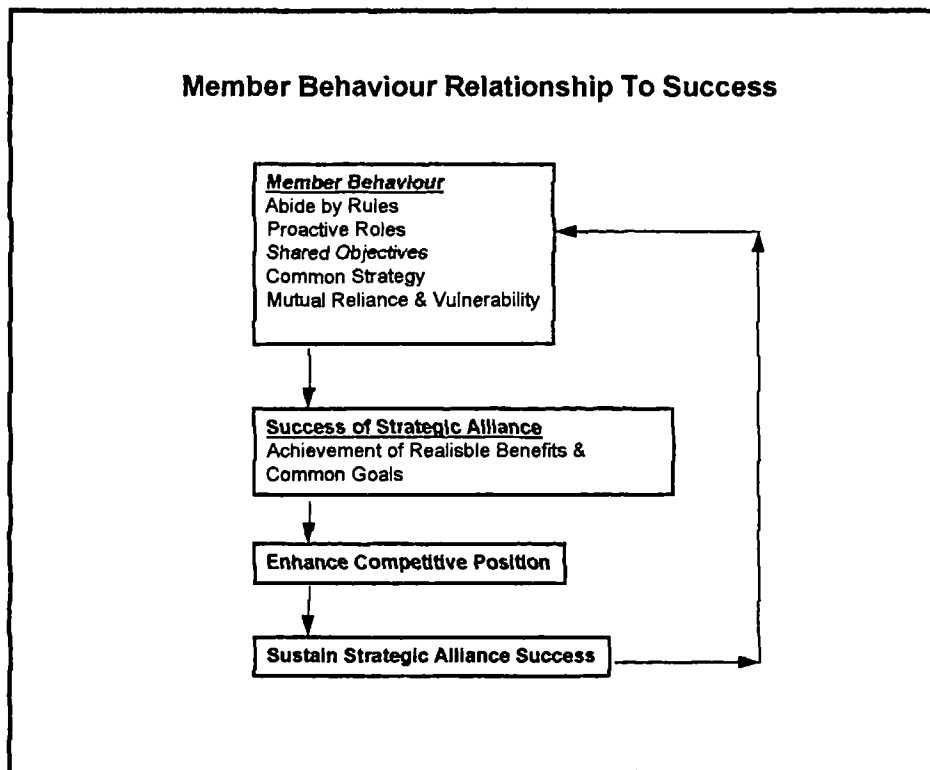
Figure 8-7: Member Behaviour Relationship to Success

Key features associated with member behaviour were identified throughout literature and empirical research as unity and commitment, operating logic, participation, dysfunctional behaviour, and multiple network position. These are now discussed.

i) **Unity and Commitment**

Literature (Roper 1992; Shaw & Dawson 1993) proposes that it is unrealistic to expect members ever to be completely united, as a strategic alliance is dealing with a coalition of interests. When it is achieved, it is at best a fleeting moment in a dynamic process. This was confirmed in findings (Section 6.7) which identified three specific features which had influenced

the degree of unity and commitment achieved. These were the perceived poor quality of management decision-making, the dictatorial management style, and the questionable quality and large volume of sponsorship agreements. Further findings (Section 7.9) emphasised that the degree of unity and commitment achievable was identified was being influenced by a wide range of factors which are summarised in Table 7.23. These were categorised as being either specific to the member, or to the business.

The contrast between perfect and imperfect unity and commitment was found in Section 6.7, and the features are presented in Figure 8.8. Lack of achievement of unity and commitment caused frustrated management effectiveness, missed opportunities for members, and the permeation of negative attitudes in general. Thus, it can be observed that the degree of unity and commitment achieved will impact on the competencies of the strategic alliance relative to achievement of organisational goals, and preservation of the operating logic. This in turn will have an effect on the competitive positioning of the strategic alliance.

Contrast Perfect/Imperfect Unity & Commitment

Perfect	Imperfect
Organisational Learning	Limited Organisational Learning
Entrepreneurial Synergy	Diffused Entrepreneurial Synergy
Peer Support	Untapped Peer Support
Participative Decision Making	Resentment Regarding Decision-making Which Appears To Be Dictatorial

Impact On:
Organisational Goals
Operating Logic

Strategic Alliance Competitive Position

Figure 8-8: Contrast Perfect/Imperfect Unity & Commitment

ii) Operating Logic

The operating logic represents the philosophy and rationale which underpins the organisation. Thus, the existence of a philosophy germane to the organisational form, and an understanding of the operating logic by all members of the strategic alliance is essential, if it is to be an effective system (Hamill 1991). In particular, literature (Easton 1990; Roper 1992; Axelsson & Easton 1992) identifies that understanding of the operating logic is dependent upon a strategic awareness, in that strategic action is not limited to any one focal firm but is a joint activity. It involves all members within the strategic alliance in collective tasks, towards the achievement of common benefits. This is particularly significant within the given context of a resource constrained organisation which is dependent upon high levels of

member participation. The extent to which understanding of the operating logic is achieved will be influenced by member characteristics and behaviour, management practices and procedures, and the range and volume of net benefits. These in turn will influence the extent to which the competencies of the organisation are preserved and optimised.

Section 6.7 supported literature, providing evidence regarding the effects of differing degrees of understanding of the operating logic of the strategic alliance under investigation by both management and members. This had an effect on: levels of unity and commitment; occurrence of dysfunctional behaviour; compliance with terms and conditions; and degree of member participation in the organisation. Negatively, these combined to dilute the general competencies of the organisation in terms of competitive strength, management effectiveness, marketing activities, and negotiatory power over suppliers of the strategic alliance. This served to damage the operating logic, the member experience of which was fed back into organisational learning, which compounded the damage to the operating logic. The main causes of damage to the operating logic are discussed within the following points (iii) and (iv).

Figure 8.9 presents a partial model of the relationship of operating logic to strategic alliance competencies, and thus the range and volume of benefits achieved. This illustrates that on entering a strategic alliance a member brings a certain degree of strategic awareness, which will determine the

degree to which the operating logic of the organisation is understood. Thereafter, organisational learning will influence the extent to which the level of member strategic awareness is deepened.

Operating Logic And Member Behaviour

Organisational Learning ———▶ Operating Logic ◀——— Initial Degree of Member Strategic Awareness

Member Behaviour

Strategic Alliance Competencies

Range & Volume of Benefits Achieved
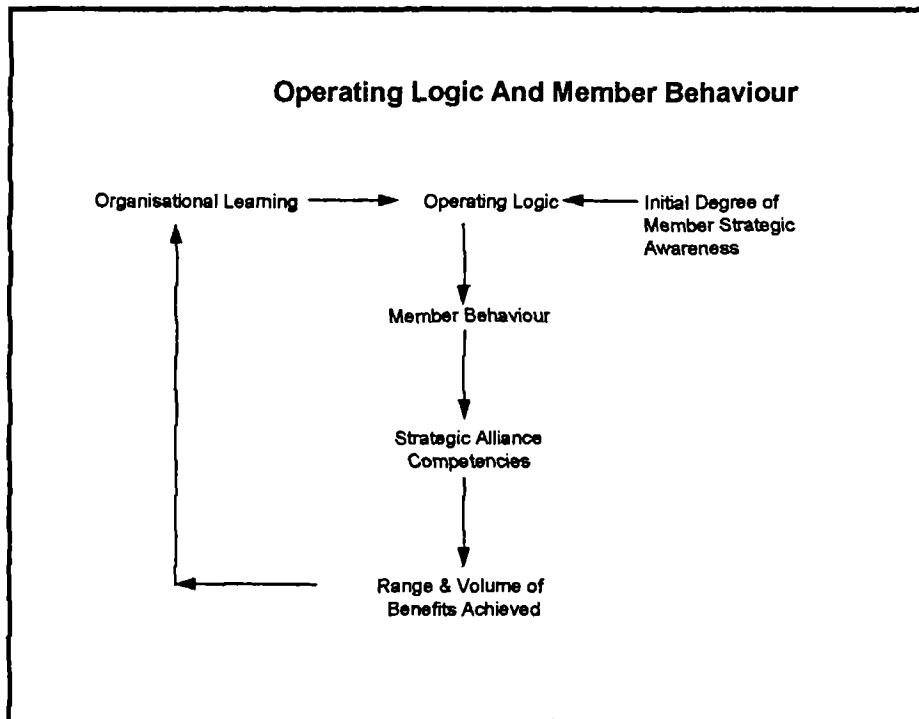
Figure 8-9: Operating Logic & Member Behaviour

iii)Participation

Within voluntary, resource constrained alliances high levels of participation are recognised as important in order to maximise benefits, functions, degree of status and success, and financial viability. Furthermore, the achievement of higher participation levels was found to result in greater cohesion which comes closest the mirroring the organisational structure of the corporate chain (Shaw & Dawson 1993; Donckels 1993). Three factors which have

407

been identified as mitigating against participation in network activities are those of: the psychological outlook of the business owner, which frequently stresses autonomy and independence; the opportunity costs of attending meetings and seeking advice; and the resources intense, personalised nature of small business management (Go & Welch 1991; Curran & Blackburn 1994).

In this research, it was found (Sections 6.7 & 7.6) that the membership, in general, recognised the value of active participation. However, they were constrained in doing so as a result of a range of mitigating factors. The highest rated factors were those of the personalised nature of the operation, and the opportunity costs of attending meetings and events (Tables 6.5 and 7.12).

In particular, members were aware that active participation had the potential to bring the benefits of accessing peer support, encouraging referral business, and more effective organisational learning. The degree of this awareness, and the actual level of member participation in the organisation, could be correlated to: the size of the establishment; stage of the member's career life-cycle; geographic location; number of years experience in the hotel sector; and previous career industry sector (Section 7.6). Thus, participation was generally greatest among members: with 20+ bedrooms; towards the end of their career; conveniently geographically located to access venues for meetings and events; and who had been in the hotel industry for 11+ years.

Furthermore, those members whose previous career industry sector had been that of the Civil Service, showed the least willingness to be participate in the organisation. None of them had never participated in the management function, compared to 59% of those from the hotel industry. As a result, it appears that the most participative members were those who were less resources constrained, and had a depth of understanding of, and experience in, the hotel industry. It is possible that this grouping represented those members for whom the benefits of the alliance were greatest, however, this specific relationship was not researched.

Sources of alienation which deterred member participation were identified (Section 6.7) as being associated with both management and member variables. However, the most dominant sources were attributed to management which was perceived by certain members to be incompetent. This viewpoint was shared by members who criticised management relative to: ineffectiveness which resulted in low volume of benefits received; variable decision-making quality; negative attitude towards the membership; and the volume, complexity, inflexibility, incompatibility and imposition of terms and conditions. Sources of alienation which arose from the members themselves were a lack of awareness of the need for organisational learning, and territorial protectionism which constrained them from working with members located in close geographic proximity. As a result of these combined sources of alienation, decision-making was biased to those

members who did participate. This in turn compounded the perception of alienation by non-participating members. These sources of alienation and their effects are summarised in Figure 8.10.
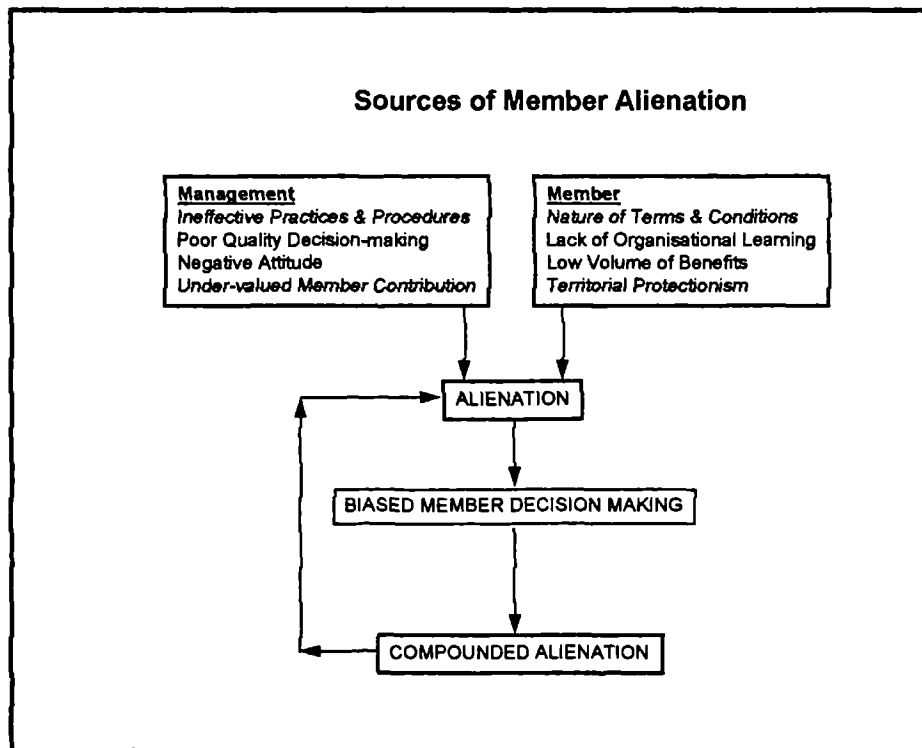
Figure 8-10: Sources of Member Alienation

iv) Dysfunctional Behaviour

Sources of potential organisational conflict may occur when members act dysfunctionally (Rokkan & Haughland 1993). This serves to decrease the amount of resources mobilised, and undermine strategic initiatives taken by management to realise alliance benefits. Thus, dysfunctional member behaviour can potentially influence the capabilities of the strategic alliance to operate as an efficient system.

It was found (Section 6.7) that the causes of dysfunctional member behaviour were similar to those of alienation. It occurred when: the quality of management decision-making was perceived as flawed; members were admitted which did not conform to the established membership criteria; unhappiness existed as regards the volume, quality, and complexity of sponsorship agreements; disappointment was felt about the volume of benefits received; and loose terms, conditions, and systems enabled such behaviour. Furthermore, as negative outcomes were experienced within the strategic alliance over time, dysfunctional behaviour was reinforced.

v) Multiple Network Position

Literature (Axelsson & Easton 1992; Mattsson 1989) proposes that the degree of a strategic alliance's insulation from other such organisations is dependent on the extent and effectiveness of membership benefit delivery, that is to say, the degree to which the needs of individual members are being satisfied. As a result, a firm whose needs are not being fully satisfied by one strategic alliance may have positions in several. This was confirmed in empirical findings (Section 6.7 and 7.6) which identified that multiple network position could be seen as a method of satisfying imperatives of an economic and political nature which membership of one strategic alliance did not achieve alone. Furthermore, the practice could be correlated to a member's geographic location, and the stage in the business's life-cycle. Thus, the behaviour was more common among members who were more

geographically isolated from traditional patterns of demand, and who had

owned their businesses 11+ years. This member behaviour could be taken as

a reflection of a range of causes including: dissatisfaction with the range of

benefits delivered by the one strategic alliance; the maturity of historic

markets; and an evolution of management practices and requirements over

the life-cycle of the business. Figure 8.11 summarises the factors which

motivate small firms towards adopting a multiple network position. This is a

combination of the characteristics arising from the internal and external

environments, with the existence and availability of alternative strategic

alliances options.
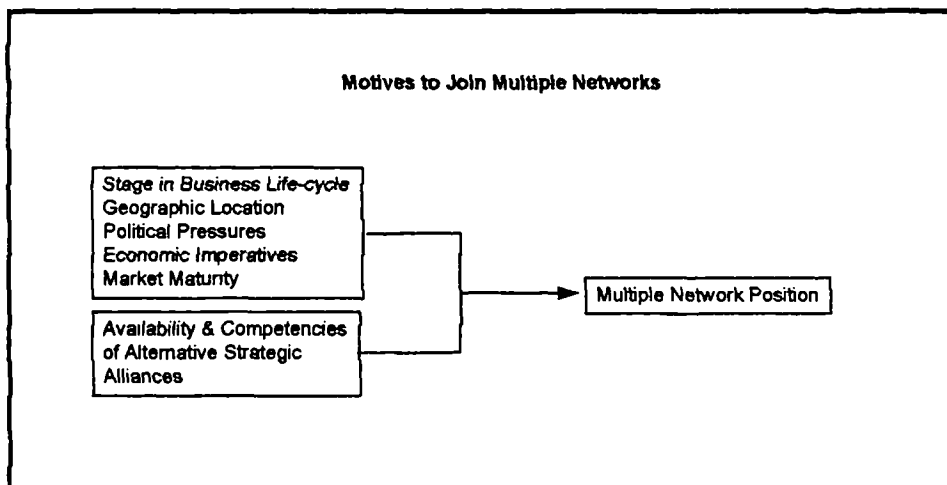
Figure 8-11: Motives to Join Multiple Networks

Management considered (Section 6.7) that multiple network position of

members was acceptable provided it was not duplicating and/or detrimental

to the activities of the strategic alliance. However, management did view

such member behaviour as demonstrating a lack of commitment to the

strategic alliance. Furthermore, it was perceived to have the potential to: detract from the marketing effort and proposition; confuse consumers; and reduce the overall effectiveness and competitive strength of the core organisation.

It is clear that member behaviour both influences, and is influenced by, negative and positive organisational learning over time. In this respect the degree of satisfaction of members relative to the achievement of the organisational goals, and the range and volume of benefits, will impact on the structure and strategy of the alliance, and thus, the competitive positioning of the organisation as a whole. As a result, it appears that positive member behaviour plays a central role in sustaining and enhancing the competitive position of the strategic alliance as illustrated in Figure 8.12.

Impact of Member Behaviour

Member Behaviour
↓
Achievement of Organisational Goals
↓
Range & Value of Benefits
↓
Organisational Learning
↓
Structure & Strategy
↓
Competitive Position
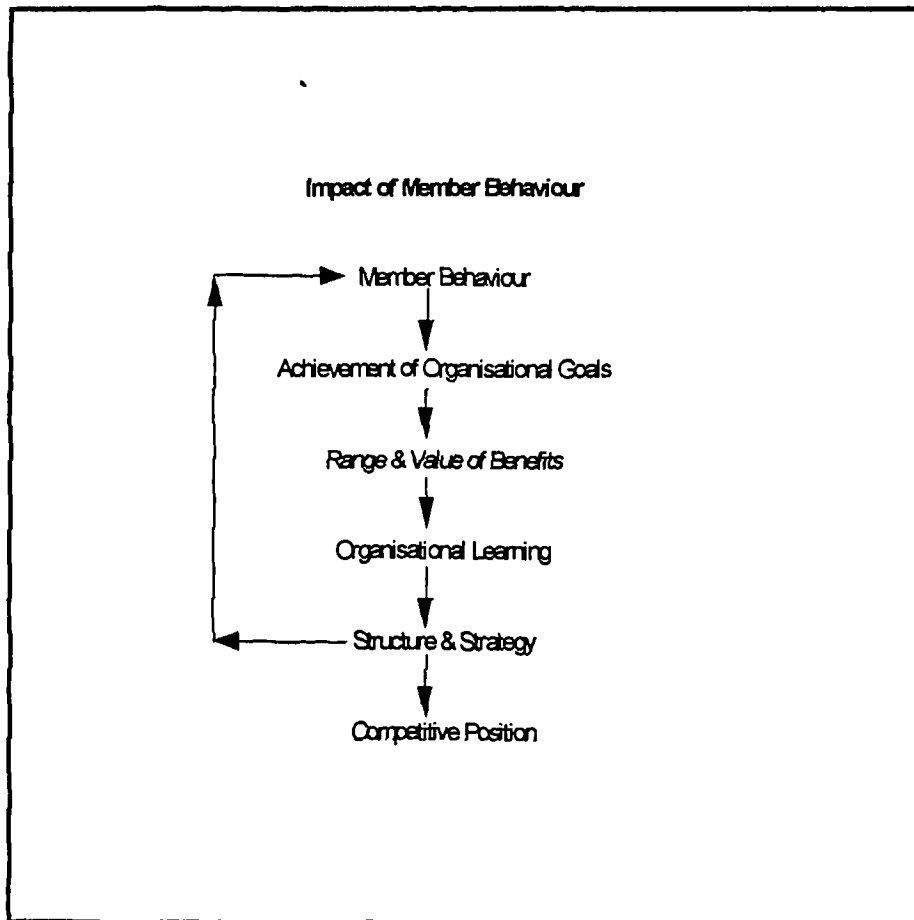
Figure 8-12: Impact of Member Behaviour

8.8 Strategic Alliance Management

In relation to small, resource constrained strategic alliances, limited financial resources enable the employment of minimal full-time administrative and management staff. Thus, the management functions require to be carried out by members on a voluntary basis, working within severe time constraints in general. This voluntary characteristic means that management are often confronted by novel situations, for which they have no tried and tested theoretical models which can be

414

applied. Furthermore, management is faced with the challenge of co-ordinating the

actions, and achieving the satisfactions of a heterogeneous, idiosyncratic, grouping

of firms and owners. Positively, however, as stated in Sections 6.5 and 8.5, this

voluntary nature of management was viewed by members as having contributed to

the strategic alliance's success and continuity to date. Relative to strategic alliance

management, the areas of requirements, participation, challenges, and micro/macro

reconciliation are now discussed.

i) Management Requirements

Like any organisational form, the strategic alliance has its basic managerial

requirements which include: development and management of the alliance

itself; co-ordination of financial resources and communications technology;

definition and management of the core competence and strategy; developing

relationships with customers; and management of the information resources

that bind the organisation (Webster 1992). However, Anderson (1992)

proposed that effective management of strategic alliances is more multi-

faceted than this, requiring comprehensive understanding of the factors that

explain both pressures towards unity and commitment, and pressures towards

disruption and pluralism. This involves managing perceptions of equity in

power balance, communication, and reciprocity. (Blois 1989; Dawson &

Shaw 1992; Mattsson 1989; Lester 1991; Axelsson & Easton 1992; Ali

1992). As a result of these features, it was recommended (Lorange 1989;

Blemans 1990) that the network form of organisation requires a management

structure which fosters trust, retains a competence for self-renewal, and supports voluntarism which underlie all the positive characteristics of network structure.

In this research, management requirements (Section 6.8) were found to be overseeing the three core functions of: membership management; marketing activities; and organisational administration. Further management requirements were identified as: enforcement of membership criteria, rules and policies; achievement of unity and commitment; maintenance of effective management communication systems; and income generation.

In addition, specific to the strategic alliance organisational form, findings (Section 6.8 and 7.7) emphasised the importance of membership management. In particular, addressing such sources of alienation and dysfunctional behaviour as identified in Section 8.7. This could be achieved through explicit, centralised and formalised decision-making authority, and using implicit, informal incentives. Management were of the opinion that there was a need for a more dispassionate, autocratic management style and enforcement of the membership criteria, rules and policies as set out in the organisation's Constitution. In their view, only with such consolidation would the alliance have something solid and attractive to offer both the market place and members. The contrasting viewpoint from members was that management was already overly autocratic, dictating, rather than consulting the membership regarding the affairs of the organisation.

Furthermore, the management were seen as remote from the general membership, and as a result appeared to be out of touch with their views and needs. However, despite these perceived negative aspects of the strategic alliance management structure, management was generally benevolent and supportive of members experiencing difficulties. This was clearly illustrated through the examples of fellowship and peer support discussed in Section 6.6. Furthermore, while there was evidence (Sections 6.6 & 6.8) of a level of understanding of the dynamics and the philosophy underpinning the organisation by management, it was not complete. Thus, it appears that management style, structure and understanding were, to a certain degree, threatening the key positive characteristics which underlie the network structure.

ii) Management Participation

Disincentives to participation in the management of the strategic alliance were found to be (Sections 6.8 and 7.7) of a socio-economic nature including: the minority of members had the time and resources to participate; there was minimal financial incentive; no value in relation to perceived benefits accruing; and the existence of a closed club attitude of existing management committee members. Furthermore, it was found that member personalities generally did not lend themselves to committee participation. A quotation which encapsulates the typical attitude of members from Section 6.8 is: *"I am*

not a committee person, the only committee I like is a committee of one - me"

(MH).

A positive incentive to participation in management was identified (Section 6.8) as represented in the achievement of an increased volume of benefits through greater visibility to members, the travel trade, and general publics.

It was found (Section 6.8) that those members who did volunteer to be part of management required to take on an additional persona, in that they had to reconcile both their needs as a member with those of a manager of the strategic alliance system. This is a complex issue, as the nature of the small firm and that of the voluntary, resource constrained strategic alliance, results in overlapping domains, and often conflicting objectives. These influence decision-making, the degree of affordable commitment, and thus the effectiveness of strategic alliance management. As a result, management committee members were in a situation where: they had to prioritise one business interest over another; the combined pressure resulted in the diffusion of entrepreneurial synergy; and general frustrations were experienced in that they were performing neither of the roles effectively.

A consequence of these features was that management participation was deterred by the powerful mitigating factors of: business constraints; personalities; lack of perceived reward; and a negative attitude of the current management. Those members that did participate had the potential to receive

an increased volume of benefits. However, this was at the cost of a diffusion of entrepreneurial synergy, and frustration in that the combined demands of the alliance and business resulted in them performing neither job effectively.

iii)Management Challenges

Literature (Drucker 1992; Hamill 1991; Axelsson & Easton 1992) identified that the more a voluntary strategic alliance develops in terms of scale and scope, the more difficult it is to manage. This is further exacerbated in a dynamic environment where the management of a strategic alliance is continuously dealing with non-standard situations with no previous experience, which may have an adverse effect on the organisations effectiveness.

This situation was confirmed throughout the empirical research where the strategic alliance was in danger of falling victim to the level of success it had achieved (Section 5.3). Sections 6.5 and 6.8 identified ranges of problems associated with voluntary management, the developing scale and scope of the organisation, and the dealing of non-standard situations by management with limited experience, resources and capabilities.

This was evidenced in the form of: protracted completion of projects; prioritisation of business interests over the strategic alliance management; limited financial planning and control; lack of management resources and systems; and discontinuity caused by the rotating nature of management

roles. These problems and inefficiencies were primarily caused by: the voluntary nature of management; time and expertise constraints; and an inappropriate organisational structure. The overall result was a lack of professionalism which, it is proposed, threatened the sustainability of the strategic alliance in the long-term.

Thus, it appears that the developing scale and scope of the strategic alliance as a result of the achievement of success has the potential to threaten its sustainability as illustrated in Figure 8.13. This may lead to a situation where management react to non-standard situations with flawed management practices and procedures. In such a case, it may lead to the unwitting destruction of the success achieved to date, and possibly the strategic alliance itself.
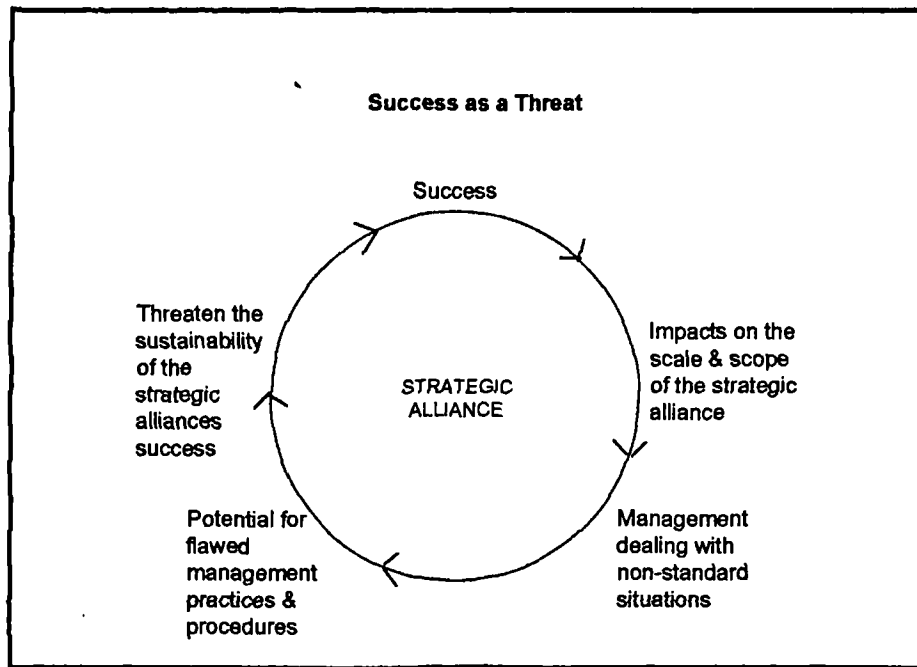
Figure 8-13: Success as a Threat

iv) Micro/Macro Reconciliation

Literature identifies (Roper 1992; Masurel 1993; Shaw & Dawson 1993) that a key management challenge is to create a synergistic organisation which effectively reconciles the objectives of the small firm with the objectives of the strategic alliance system. Thus, it is clear that alliances face different managerial problems from those of the corporate groups. In particular, this is because of the need to manage the convergence of interests between individual members and the organisation as a whole, and the lower co-ordinative power of the core organisation. As a result, managers of strategic alliances often struggle to be effective, as effort appears to be caught constantly in the middle, between the small firm and the core organisation. Thus, a crucial management function is to reconcile the range of tensions and

polarities, as were identified in Figure 3.4 and evidenced throughout

empirical findings. It is proposed that the range and volume of benefits

achieved will determine the level of energy and commitment which members

are willing to invest in resolving the range of tensions and polarities, towards

the reconciliation of micro and macro objectives. This cyclical flow is

illustrated in Figure 8.14.

Micro/Macro Reconciliation

Range & Volume of Benefits Achieved

MICRO/MACRO RECONCILIATION

Degree of Resolution Tensions & Polarities

Energy & Commitment
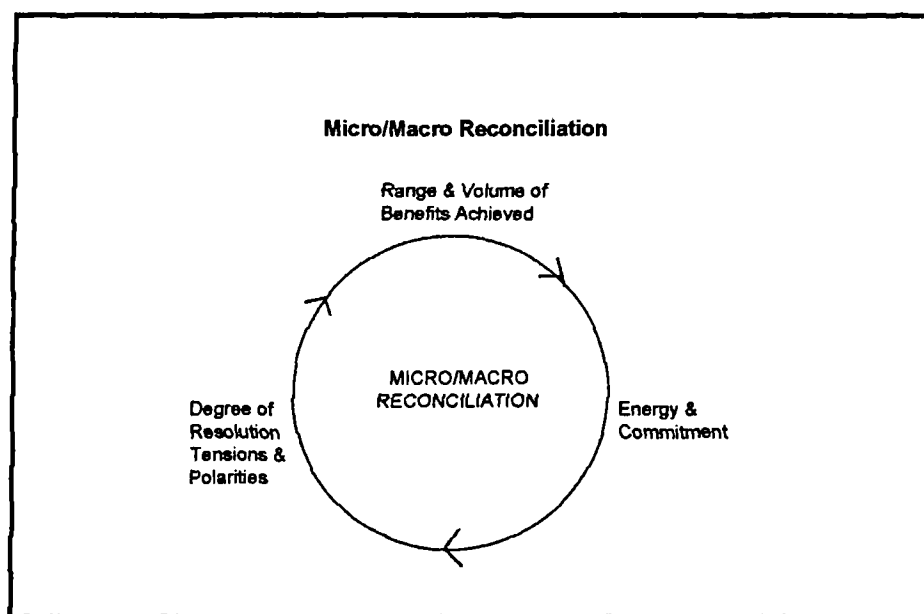
Figure 8-14: Micro/Macro Reconciliation

Should the value of net benefits be deemed minimal, management and

members will be   unable to optimise the organisational structure and

processes required to maintain a competitive advantage. Thus, they may

have to accept that they can exist as no more than loose strategic networks, or

even that the alliance ceases to endure.

8.9 Strategy

A definition of small firm strategy was presented in Section 3.2 which has been integral to this thesis. Specifically, it recognises that decision-making motivation cannot always be assumed to be driven purely by perceived economic, and rational business growth objectives. In addition, it takes account of the dynamic nature as both the firm and the entrepreneur develop over their respective life-cycles. Thus, while literature (Chapter Three, Appendix Three) has identified co-operation through a network structure as a potential winning strategy for the non-dominant small firm, it cannot be simplistically assumed that the sector in general will accept the strategy en masse. It appears that the adoption and success of co-operative strategies is dependent upon the unique demeanour of each ·entrepreneur, within their own individual contexts, and at specific points in time. Thus, it is proposed that alliance strategy development requires to take account of strategic awareness, management/member linkage, and organisational learning. These issues are now discussed.

i) Strategic Awareness

It was found (Hankinson 1992; Boer 1992; Storey 1994) that members bring different levels of strategic awareness to the strategic alliance. Furthermore, any investigation of small firm strategy requires to incorporate the interaction between elements relative to the entrepreneur, the firm and strategy (Storey 1994), in order to more fully understand the associated characteristics and

behaviours. It is this key role of the owner/manager in the development of strategy, as the driver and shaper, which is of significance. Therefore, enlightened strategy development is dependent upon the degree of strategic awareness and general behaviours which the owner/manager brings to the strategic alliance. Findings from this research (Sections 6.9 and 7.8) illustrated the variance in strategic awareness of members relative to key strategic issues. These included: the size of membership; right of veto; quality level and assurance; computerised reservation system development; and the future direction of the strategic alliance. Furthermore, it was identified that the degree of member strategic awareness will vary relative to the range of member and business specific factors listed in Table 7.23.

ii) Management/Member Linkage

It has become clear that a central issue to this thesis is the link between management and members in the design and implementation of strategy. This involves the reconciliation of the macro-objectives of the core organisation with the micro-objectives of the members. However, throughout the empirical research there was evidence of tension between the need of the core organisation for consolidated, co-ordinated structure, unity and commitment, and the voluntarism and flexibility which are essential to members. The reconciliation of both perspectives in strategy development is considered to be central to the continuing success of the strategic alliance.

As was identified in Section 8.8, there must be some degree of compromise if the strategic alliance is to succeed and significant net benefits generated.

iii)Organisational Learning

Literature (Hamill 1991; Greenley 1989; Fombrun 1986; Porter 1985) identified that the behaviour of the members can both influence, and be influenced, by the structure and strategy of the strategic alliance over time. As a result, the consequences of earlier activities of the strategic alliance will form the foundation for present and future member expectations. Similarly, experience of negative effects will have an adverse influence on the members level of commitment, participation and future developments of the strategic alliance. This was confirmed by the findings in Sections 6.5 and 6.7, relative to the appointment of a Chief Executive Officer and the success of the short break brochure. Furthermore, this aspect has been highlighted in respect to net benefits (Section 8.6), sources of alienation and dysfunctionality (Section 8.7), and membership levels of energy and commitment (Section 8.8). Thus, it is important to recognise the interplay between strategy development and member opinions, which are influenced by positive and negative organisational learning experiences.

iv)Strategy Development

Literature (Moore 1992; Greenley 1989; Glueck & Jauch 1984; Chandler 1966; Devlin & Bleackley 1988; Fletcher 1993) recommended that in

strategic alliances, strategy development should represent a continuous activity, which must accommodate the individual economic and personal goals of members, in addition to the goals of the core organisation.

In this research, it was found (Section 6.9) that within the strategic alliance under investigation, strategy development did not represent a continuous activity, but was addressed when the organisation reached a crisis point (Section 5.3) in its life-cycle.

At the initial stages of strategy development, members had limited involvement and the objectives of the management dominated. Once the key aims and objectives of the strategy had been formulated, management discussed if the strategy document would require the approval of the members. The opinion of the management committee was split into the majority who considered it to be unnecessary, and the minority who felt that it was important that the members endorsed the strategy in order that their support for the future direction be gained. Finally, it was agreed that the membership should be issued with the strategy document ("Proposals for the Future and Financial Implications") which would be discussed and voted on at the AGM. Thus, while no explicit effort was made by management to incorporate the economic and personal goals of individual members, consensus was sought as regards a common strategy for the strategic alliance.

In addition, it was recognised (Sections 6.5 and 7.4) that the implementation of the strategy proposals would have a significant impact on the organisational structure of the alliance. Specifically, it would involve the incorporation of a salaried strategic alliance manager to which management would devolve many of the core management administrative and business development functions.

From the findings in this section it appears that strategic alliance strategy and organisational structure emerge from the relationships illustrated in Figure 8.15. In this way, the core organisation's objectives, and management objectives, practices and procedures commence the process, then combine with member characteristics. From this a common strategy for the strategic alliance is agreed, which will have implications for its organisational structure.

Strategic Alliance Development

Core Organisation Macro-objective

Management Objectives, Practices & Procedures

Strategy Development ⟶ Strategy ⟶ Strategic Alliance Organisational Structure

Member Characteristics
Micro-objectives
Strategic Awareness
Stage In Career/Business Life-cycle
Organisational Experiences
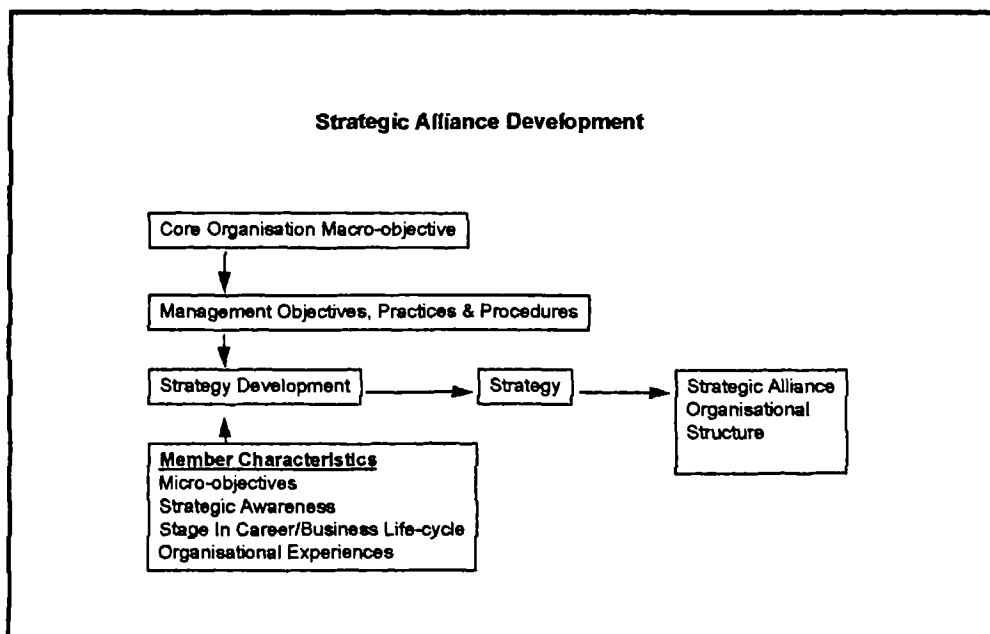
Figure 8-15: Strategic Alliance Development

8.10 Summary

This chapter has discussed and synthesised the research findings, explaining the creation and functioning of a specific, resource constrained strategic alliance. In particular, the range of variables of which the alliance is composed have been identified and their relationships and interactions examined and explained. Furthermore, these significant variables have been linked into a set of theories and partial models. Thus, it can be summarised that at creation stage, management practices are responsible for shaping strategic alliance member characteristics. Once functioning management practices and procedures, and member characteristics and behaviour, interact to produce outcomes which will impact on the future competitive position of the strategic alliance. These outcomes were identified in terms of negative or positive effects on member organisational learning and the competencies of the strategic alliance as a whole.

It is clear that the ultimate success of the alliance is dependent upon: formation motivations; member selection procedures; range and volume of benefits; and the affinity which bonds members. Instrumental are management style, practices and procedures which promote a cohesive, co-ordinated culture, recognising the economic and social dimensions of the relationship. Specifically, management requires to have effective member communication mechanisms, and to ensure that the quality of management decision-making is to the benefit of both the organisation and the individual member.

These success influencers, with respect to the internal strategic alliance organisation,

can be summarised relative to management, members and outcomes as presented in

Figure 8.16.

Internal Strategic Alliance Organisational Success Factors

Management
Member Selection Procedures
Management Style & Processes
Communication Systems
Decision-making

Member
Formation Motivations
Affinity Bonding Members
Structure

Strategic Alliance Success
Achievement Of Organisational Goals
Maximisation Of Range And Volume Of Benefits
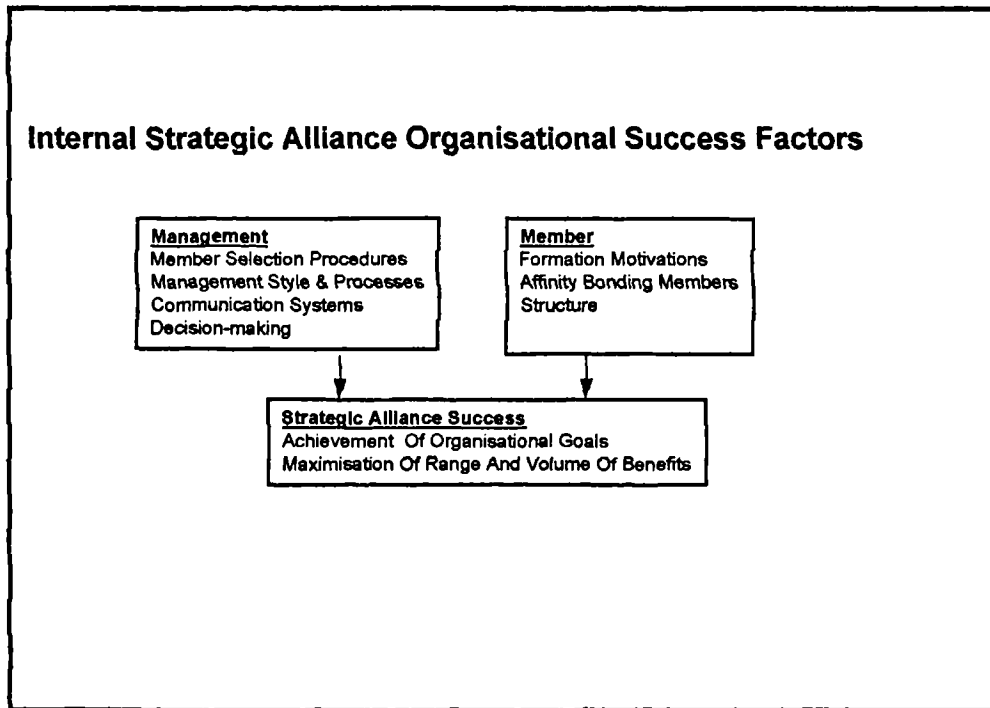
Figure 8-16: Internal Strategic Alliance Success Factors

Chapter Nine draws conclusions from this discussion, presenting four holistic

theories derived from the partial models in this chapter, relative to strategic alliance

creation and development, organisational structure, and management of

relationships. Further conclusions are developed with respect to the contribution of

the research findings to the small firm sector in general.

9. Chapter Nine: Conclusions, Research Limitations, Action Outcomes And Recommendations For Future Research

9.1 Introduction

This chapter progresses the discussion in Chapter Eight towards formulation and presentation of conclusions. They aim to communicate the achievement of the thesis objectives as stated in Section 1.2. The framework in which they are presented addresses the: creation and development of strategic alliance relationships; organisational structure; management of relationships; and contribution of the research to the small firm sector in general. Finally, research limitations are identified, action outcomes communicated, and recommendations for future research outlined.

9.2 Strategic Alliance Creation

The creation of strategic alliances is an interplay between the characteristics of the small firm owner/manager searching for a strategic alliance opportunity, the characteristics of the strategic alliance, and management member selection procedures. In terms of the owner/manager, it is concluded that enlightened small firm strategy development, which recognises the potential opportunities of strategic alliance membership, is dependent upon the degree of strategic awareness and general behaviours of the individual. Furthermore, the depth of embeddedness of the

small firm in socio-economic networks, cultural and contextual issues; and the current competitive position of the strategic alliance, exert a greater influence over strategic alliance formation than those of an economic nature. Specifically, it was concluded that the strength of the competitive position of the strategic alliance under investigation had had a positive influence on new member recruitment, in that it was favourably differentiated from the range of alternative organisations. A further conclusions was that, from the perspective of the owner/manager, the strategic element of the alliance is often masked by those of a more tactical and operational nature. This reflects the small firm's pre-occupation with short-term imperatives, rather than long-term planning.

The strategic alliance is characterised by its aims, objectives and underpinning philosophy. These mould the member selection procedures, administered by management, which play a central role in the creation of strategic alliance relationships, and the shaping of member characteristics. The importance of these procedures cannot be over emphasised, as they establish the member characteristics which combine to form the strategic alliance. In this research, problems associated with this process were a result of an incomplete range of membership criteria, deviation from the existing established criteria, and flawed management practices and procedures which had combined to damage the overall competencies of the strategic alliance

The impact of member characteristics is far reaching in that they have an influence on strategic alliance structure, strategy, competitive position, unity and commitment,

431

member behaviour, degree of member strategic awareness, net benefits achieved, and organisational consensus. Therefore, it is recommended that member selection criteria be carefully formulated in order to ensure compatibility of assets, culture, key values, and the career profile of the applicant. Once established, it is a responsibility of management that these be applied objectively without any unjustifiable deviation from established practices and procedures.

9.3 Development of Strategic Alliance Relationships

Once created, the development of strategic alliance relationships becomes primarily an interplay between the range of benefits, volume of net benefits achieved, member characteristics and behaviour, and management practices and procedures.

The range of benefits achievable by members is correlated to the aims of the strategic alliance, and formation motivations of members. They are directed at achieving enhanced performance outcomes of a strategic, tactical and operational nature. The actual volume of benefits achieved is related to: the degree to which members abide by the rules; level of member activity in the affairs of the organisation; new member selection procedures; achievement of effective communication and organisational learning; length of time in membership; and are proportionate to the size of the firm. Specifically, it was concluded that members who have been part of the alliance since its inception, conform to the rules, actively participate in the affairs of the organisation, and are responsive to organisational learning will achieve a greater volume of benefits than the opposite member profile.

Furthermore, the smaller, more resource constrained the firm, the greater the perception of value assigned to the range and volume of benefits. However, the validity of this conclusion is dependent upon the aims of the strategic alliance, level of benefits achievable, and the effectiveness of management practices and procedures.

Resultant member behaviour will be influenced by perceived benefits achievable, the personalised nature of small firm management, and the personalities of individual members. Moreover, the actual volume of net benefits achieved will influence the attitude of individual members to the future levels of participation, energy and commitment which they are willing to invest in the strategic alliance. Furthermore, it was observed that the volume of benefits achieved can be maximised within a culture of trust, reciprocity and equity. The perceived and resultant volume requires to be evaluated from the perspectives of both the member and the core organisation, in order that a strategic fit, and the ultimate satisfaction of both parties with the relationship, be achieved.

Figure 9.1 consolidates the conclusions from sections 9.2 and 9.3 illustrating the relationships involved in strategic alliance creation and development, where the emphasis is primarily on the internal dynamics of the organisation. It can be seen that net benefits are influenced by: member behaviour and characteristics; the achievement of a strategic fit by the small firm; and the practices and procedures of management. Specifically, the feedback loops highlight the potential casual relationship of negative or positive satisfaction levels relative to net benefits to

future management practices and procedures, and member behaviour and characteristics. This emphasises the role of negative and positive organisational learning experiences with respect to both management and members.

Strategic Alliance Creation And Development

| Small FirmInternal/External Triggering Mechanisms Owner/Manager Characteristics & Behaviours | Small FirmSocio-Economic NetworkEmbeddedness Cultural & Contextual Issues |

Small Firm Evaluation & Achievement of Strategic Fit → Strategic Alliance Search Amongst Identified Alternatives ← Strategic Alliance Management Practices & Procedures

Strategic Alliance Selection

Member Characteristics & Behaviour

Net Benefits

Figure 9-1: Strategic Alliance Creation & Development

9.4 Organisational Structure

Once the existence of net benefits has been identified, justifying the strategic alliance, the next stage in the development of the organisation is to ensure that the organisational structure is configured to actually deliver the benefits. It needs to support management in linking the internal capabilities, resources and social relationships of members through systems and actions of both an implicit and

explicit nature. The degree of structuredness of the strategic alliance will depend upon the extent of interdependency of positions of members, and the strength of systems in place. Furthermore, from this research it has become clear that strategic alliance organisational structure requires to incorporate some form of compromise. This needs to combine the features of organisational control essential to provide meaningful net benefits, with voluntarism and flexibility of management and terms and conditions. These features have been found to facilitate the retention, and nurturing of the membership, and have a positive influence on member behaviour. However, it has been recognised that the combination of these features may lead to tensions between the need of the core organisation for consolidated and co-ordinated action, against the voluntarism and flexibility of importance to members.

From this research, it was concluded that the interplay of members and organisational structure during the four years of the strategic alliance's existence had resulted in its' distortion, and loss of vitality. At conception the organisation had been configured as a horizontal hub of management, with members revolving around the core organisation. However, over time this had evolved into a low hierarchy. Furthermore, many implicit, rather than explicit terms and conditions existed, and while these enabled member flexibility, they generally frustrated the efforts of management. Thus, the organisational structure was considered by management, members and the researcher to be no longer appropriate to satisfy the nature of the organisational form, and the requirements of management. As a result,

reconfiguration was required in order to sustain the success achieved by the strategic alliance to date.

From the perspective of management, such a reconfiguration aimed to retain the strength of member involvement in management, while addressing the problems and inefficiencies identified as being associated with voluntary management and implicit terms and conditions of membership. From the perspective of members, it was recognised as important that a certain degree of voluntarism and flexibility relative to management and terms and conditions of membership be retained.

Thus, the researcher recommended that the configuration of the organisational structure reverted to a horizontal hub and satellite form (Figure 9.2).

Strategic Alliance Organisational Structure

Figure 9-2: Strategic Alliance Organisational Structure

At the heart of the hub is a management committee which directs an employed strategic alliance manager. The manager would be financed for a period of three years by a combination of increased membership fees, and a public sector grant, towards the self-sufficiency of the organisation by year four. Such an employee would be responsible for the administration and business development of the alliance on a day-to-day basis, however, all major decisions would require the approval of the management committee. The satellites are composed of working parties of

members, addressing specific responsibilities, such as marketing activities, social events, purchasing agreements, and sponsorship. These working parties couple and uncouple as and when required, with their output and recommendations being co-ordinated and acted upon by the strategic alliance manager. The activities of the strategic alliance manager would be supported and guided by the management committee and working party structure. In this way, the organisation would benefit from valuable membership input, control, effective communication, and the less tangible benefits of business referral, peer support and advice.

This configuration aims to encapsulate the total membership. In contrast to the previous structure, the required level of commitment would recognise the constraints of the personalised nature of the small firm operation. Thus, the level of requested commitment would be realistic relative to the circumstances of the average member. For the majority of the membership, this moves the notion of participation in management from being an impossibility, to being a possibility worthy of consideration.

It was further concluded that the strategic alliance management required to review the range of existing terms and conditions. As a result, it was recommended by the researcher that the reconfigured organisational structure incorporated a stable dimension in the form of certain explicit, enforceable terms and conditions to enable the requirements of management. This is combined with a dynamic dimension defining the degree to which members have flexibility in the selection of activities and services which most accurately match the specific needs of the individual

438

member. This provides the small firm with a clearly communicated level of flexibility, giving them the option in certain cases to choose whether to access the market directly, or to channel their resources through the core organisation.

It is proposed that such an organisational structure is justified given its ability to facilitate the following features: achievement of the organisational control necessary to optimise net benefits; maximisation of the entrepreneurial synergy of the membership; enable realistic levels of member participation in management; strengthened social and transactional bonds; minimisation of opportunities for member alienation and dysfunctional behaviour; and preservation of small firm strength at a local level. Thus, potentially the strategic alliance has the competence for self-renewal and sustained effectiveness.

9.5 Management of Relationships

It has become apparent that the focus of strategic alliance management is not necessarily how to create the alliance, but how to manage it in order to gain specific benefits once it has been established. The extent of the management practices and procedures adopted will be influenced by the organisational structure, resource base, size of membership, and the volume of tasks to be undertaken. These influence member characteristics, which in turn impact on the competencies of the strategic alliance, in terms of the achievement of organisational goals, strength of competitive position, and preservation of the operating logic.

As indicated in Section 9.4, reconfiguration of the organisation to enable the appointment of a strategic alliance manager would serve to relieve the pressures experienced by management, and maximise the entrepreneurial synergy of the collective membership. Moreover, such an appointment is aimed at overcoming the ranges of problems associated with pure voluntary management, the developing scale and scope of the organisation, and the dealing with non-standard situations by management with limited experiences, resources, and capabilities. The strategic alliance manager would be a constant feature of the organisation, a capable, experienced and dedicated resource. Such dedicated management would have the potential to: increase the professionalism of the organisation; maximise business development opportunities; and effectively reconcile the objectives of the strategic alliance and individual members, managing a convergence of interests. In this way, the effectiveness of management practices and procedures could be enhanced, and member energy and commitment increased. This would contribute towards the optimisation of net benefits, thereby enhancing the overall capabilities and success of the strategic alliance.

Specifically, research identified five key areas which require to be acknowledged and addressed by the strategic alliance manager and the management committee in order to enable the successful management of strategic alliance relationships. These are: management style; member characteristics and behaviour; the quality of management decision-making; management information systems; and organisational

learning. Conclusions and recommendations are now presented relative to these areas.

i) Management Style

The strategic alliance manager and the management committee need to adopt a management style appropriate to the strategic alliance form of organisation. Findings concluded that management required to: remain close to the general membership not distanced; be consultative not dictatorial; preserve the democratic structure, not merely the perception; be benevolent and supportive; enable organisational learning; and encourage entrepreneurial synergy. In this way the organisation will have the potential to: foster trust; address sources of alienation; guard against dysfunctional behaviour; retain a competence for self-renewal; support voluntarism; and managed perceptions of equity and reciprocity.

ii) Member Characteristics and Behaviour

Management of member characteristics and behaviour is recognised as a central responsibility of management. Aspects of member behaviour are: unity and commitment; understanding of the operating logic; dependency; dysfunctionality; participation; and multiple network position. Effective behaviour management is crucial to the range and volume of benefits achieved, the structure and strategy of the strategic alliance and thus the competitive position of the organisation as a whole. As a result, management

is required to: maximise unity and commitment; retain a competence for self-renewal; address sources of alienation; guard against dysfunctional behaviour; support voluntarism; and encourage active participation. Furthermore, this must be done within a culture which fosters trust, reciprocity, equity, and communication, reconciling the micro-objectives and characteristics of the small firm, with the macro-objectives and characteristics of the strategic alliance system. Moreover, this requires to be achieved within a resource constrained situation, from both the perspective of the member and the hub management.

iii)Decision Making

It has been identified that the quality of management decision-making has an impact on the: member characteristics; degree of unity and commitment achieved; extent of dysfunctional behaviour and alienation of members; and ultimate volume of net benefits achieved by the strategic alliance. Thus, it is concluded that decision-making requires to benefit both the strategic alliance system and individual members. It must be compatible in terms of quality and image, and member compliance terms require to be realistic and implementable. Furthermore, members should be party to timely consultation and communication, and the individuality at a local level, which is recognised as a strength of the hotel operation by the members, must not be compromised.

iv) Management Information Systems

It became apparent that as the strategic alliance developed in scale and scope, it required more meaningful management information. This was to assist in: enhancing the quality of management decision-making in relating the actual, tangible benefits to members in the form of meaningful statistics and analysis; to avoid member and management isolation; and to generally improve the effectiveness of communication with members. It was therefore recommended that a computerised management information system be developed and maintained by the strategic alliance manager. Such a system would be capable of dealing with functions including: marketing activity implementation and evaluation; business development; quantification of purchasing agreement discount; membership communication and enforcement of terms and conditions; and budgetary and financial control.

v) Organisational Learning

The importance of organisational learning to members and management has been emphasised throughout this research. This was specifically evident relative to organisational learning which arose from the interaction of net benefit evaluation, management practices and procedures, and member behaviour, which resulted in either negative or positive experiences This reinforced positive or negative member behaviour in relation to the strategic alliance, which impacted upon the overall competencies of the organisation.

It is therefore recommended that the alliance develops member training programmes to be made accessible to the membership. This represents a logical addition to the portfolio of corporate services which are generally offered to members. Such a training provision would: aim to enhance member understanding of the philosophy and operating logic which underpins the organisation; develop and strengthen affinity bonds; clearly communicate the means by which optimal net benefits could be achieved; encourage voluntary participation in the management activity; and explain and justify the terms and conditions of membership. In this way, members and the strategic alliance have greater potential to reconcile their range of objectives, towards fashioning a common strategy, which would optimise net benefits for both members and the strategic alliance as a whole. Furthermore, it recognises that relative to small, resource constrained strategic alliances organisational learning requires to be a dual responsibility of management and members.

Figure 9.3 summarises the recommended sequence of stages involved in the management of relationships, from strategic alliance initiation through to on-going operation. The feedback loop indicates the inescapable cause and effect between: management practices and procedures; member characteristics and behaviours; strategy and structure; and organisational experiences over time. Thus, the importance of continual monitoring of outcomes, and implementation of appropriate refining action is emphasised. In this way the organisation has the potential to retain

the vitality and spirit which is considered to be the lifeblood of this organisational

form.
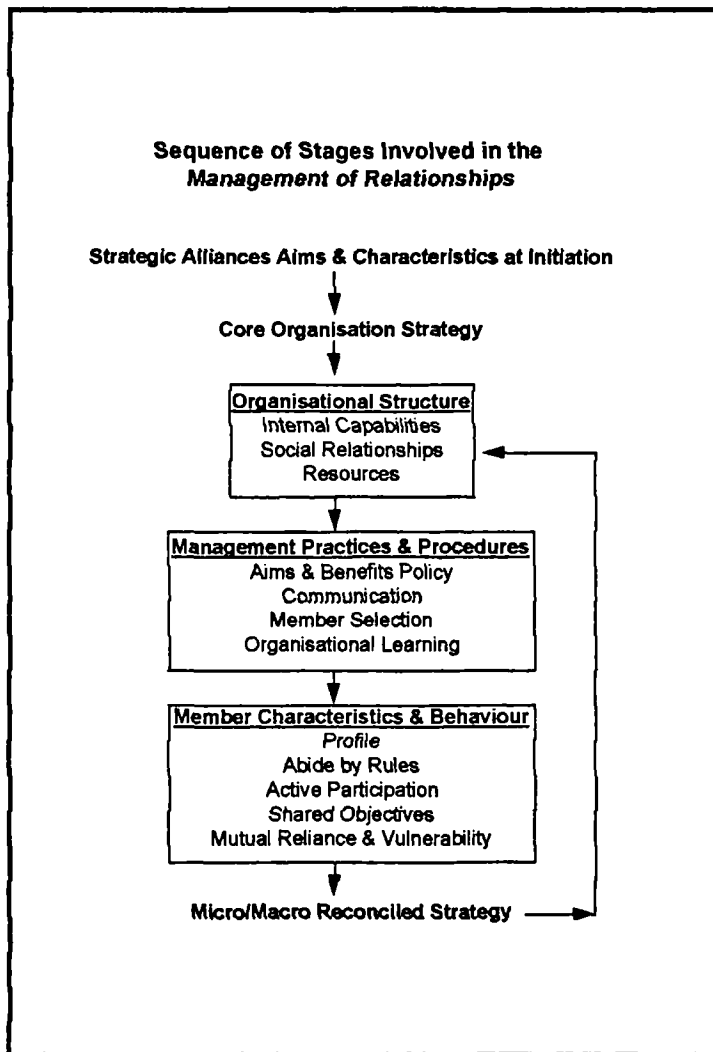
Figure 9-3: Management of Relationships

Finally, Figure 9.4 presents a summarising model bringing together the range of

partial models which have been presented throughout Chapters Eight and Nine. It

illustrates that at creation stage the small firm, and the strategic alliance, bring their

own distinctive sets of characteristics, which influence unique sequences relative to

small firm strategic alliance membership, and strategic alliance member selection.

These sequences result in their ultimate combination, which primarily sets the characteristics of members and management. Once established, the characteristics play a central role, in the development of a strategy which reconciles the micro-objectives of the small firm, with those of the core organisation. From the strategy an appropriate organisational structure is configured which sets the strategic alliance practices and procedures. These features determine the capabilities and competencies of the strategic alliance, which combine with the existence and nature of external opportunities, in order to achieve a certain range and volume of benefits by the organisation, and individual members. The resultant organisational learning will in turn effect future member and management behaviour, which impacts negatively or positively on the strategic alliance practices and procedures. At the heart of the strategic alliance are the operating logic and trust culture which permeate the total organisation, infiltrating every aspect. Finally, the feedback loop indicates influence of organisational learning on member and management behaviour, which may alter the original characteristics, thus impacting on the total process of strategic alliance development and management.

Strategic Alliance Creation , Development and Management

Small Firm Characteristics   **Strategic Alliance Characteristics**
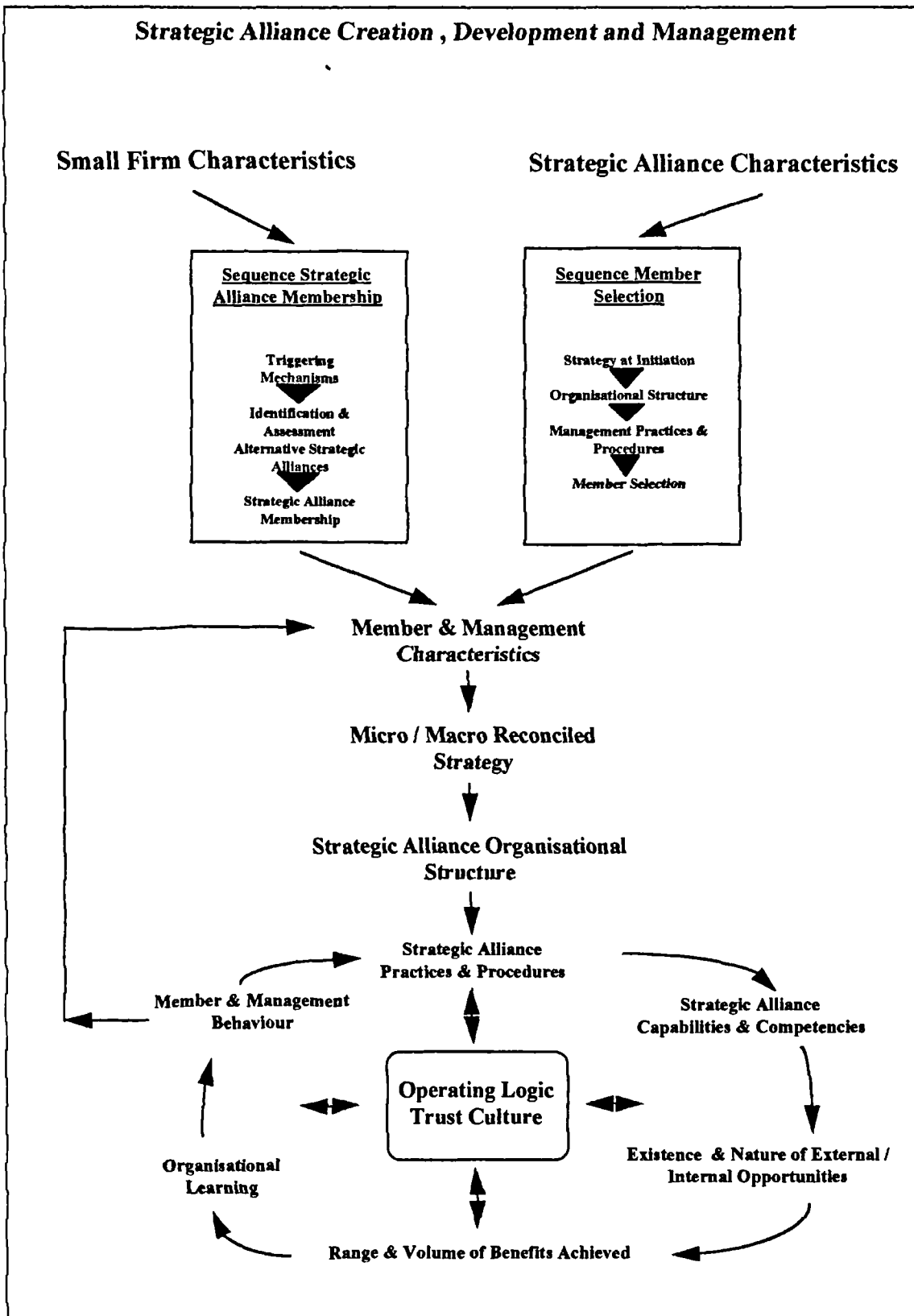
Figure 9-4: Strategic Alliance Creation, Development & Management

447

It is concluded that the stability, sustainability and success of a strategic alliance is related to: the strategies being pursued; the competencies of the management; the behaviour of the members; and the net benefits that accrue to the individual member and the system as a whole. It is only when all these components interlock, in appropriate measures, that the strategic alliance will be durable and productive over time. Moreover, the foundation stone of this proposition is the relationship between management and members. It is the achievement of this solid base which represents the biggest challenge for small firm strategic alliance initiators, managers, and members alike.

9.6 Contribution to Small Firm Research in General

The researcher is hesitant to make any broad, sector all embracing generalisations as regards the findings of this thesis. However, it is believed that the principles identified as being associated with strategic alliance creation, development and management are applicable across the sector as a whole. This is provided care is taken to be sensitive to sector specific characteristics and peculiarities. The significant contribution of the research has been to advance knowledge in respect to developing a comprehensive understanding of the dynamics involved in the development and management of relationships, within the context of small firms linked into resource constrained strategic alliances. Specifically, it has contributed in terms of identifying the interrelationship of: management practices and procedures; member characteristics and behaviour; strategy and structure; and

organisational learning. These are intricately married and only when all these components are in harmony will the strategic alliance competencies be preserved and success sustained.

It is therefore concluded that co-operative networks are capable of providing support for the small firm, enhancing performance and independence of ownership. Moreover, they have the potential to perform an important nurturing incubator role. However, they should not be simplistically regarded as a panacea for the strategic imperatives facing all small firms. It is unlikely that blind subscription to the concept, without due understanding of the operating logic, and evaluation of the degree of strategic fit will achieve positive outcomes for either the member or the core organisation. It is therefore recommended that the small firm considers the co-operative option, searches for the strategic alliance which most closely fits and complements the business's strategy, and evaluates the associated net benefits prior to adoption. Moreover, owner/managers must be educated by the core organisation to understand that it is only with time, commitment, energy, compromise and strategic awareness that mutual, enhanced business performance outcomes will be achieved through strategic alliance relationships.

9.7 Research Limitations and Action Outcomes

Limitations relative to the applied research methodology have been discussed in Section 5.5. In relation to the project itself, the obvious significant limitation is the focus on only one regional, resource constrained strategic alliance. Thus, it could be

449

criticised that the findings are unique to that organisation and as such, lacking in generalisability. However, it is argued that this viewpoint must be balanced with the depth and richness of the research findings. These have achieved an insight into the realities and dynamics of a small firm strategic alliance relationship development and management. Furthermore, as stated in Sections 2.8 and 8.2 the research process aimed to achieve outcomes which not only advanced knowledge, but which were accurate and operational within the realities of the small firm sector. This aim has been achieved in the following manner.

A report summarising the researcher's findings to date was presented to the management committee of SCH in July 1994. It made recommendations regarding: membership characteristics; marketing activity; organisational structure; management practices and procedures; public sector funding opportunities; and future strategy. Following discussions with the management committee, the researcher developed two further reports. The first "Scotland's Commended: What Future?" presented these recommendations to the total membership, seeking their approval for the future development of the strategic alliance. At the AGM, November 1994, 80% of the membership agreed to accept these recommendations. The second report was presented in the form of a proposal to Scottish Enterprise and Highland & Islands Enterprise, requesting funding in order to support the proposed strategic development of the organisation. Grant funding of £90,000. over a three year period was secured in November 1994. The funds were to be used, primarily, to sustain the employment of a full-time strategic alliance manager. This employee

will relieve the management committee of many of the routine administrative duties, as well as proactively developing business on behalf of the membership. However, the membership will still be directly involved in the management of the affairs of the strategic alliance in order that it benefit from the strengths of their individual contribution, and entrepreneurial synergy.

Given these two positive outcomes, the researcher has confidence in the accuracy and validity of her findings, which have been endorsed by the small firms themselves and public sector organisations of significant status within the business environment.

9.8 Recommendations for Further Research

From the conception to the final conclusions of this research project the researcher was continuously confronted by new, tempting lines of enquiry which were research attractive. So much so, that occasionally it was found that she had unwittingly followed them, although many were not directly relevant to the thesis development. This in itself, had a learning outcome, in that it disciplined the researcher to retain a sharp focus on the prime research theme.

Themes for further research emerged from both the literature review as much as from the fieldwork. In some cases they mutually reinforced each other, in others they were discrete. Five significant research themes which have been identified during the project are as follows:

451

i) Management, Member, Strategy and Structure Inter-Relationship

It is considered that a natural starting point for further research is to commence where this project finished. In this way, the process of knowledge development would move from a general study into a small, resource constrained strategic alliance, to a focus on the identified critical components within a wider sample of similar organisational forms. This would overcome the recognised limitation (Section 9.3), deepen and enhance findings, and increase generalisability confidence. Thus, further development of the key conclusion which recognised the inter-relationship of management practices and procedures, member characteristics and behaviour, structure and strategy, and organisational learning represents a significant research theme.

ii) Socio-economic Formation Factors

It was identified that influences and motivations, other than those of a purely economic nature, impact on strategic alliance formation (Section 8.3). These include: the embeddedness of the small firm in socio-economic networks which provide strategic alliance opportunities; cultural and contextual issues which cultivate an alliance culture and provide social legitimisation; psychological factors focusing on entrepreneurial vision and ambition; and industry sector contextual issues. Given the meshing of the social and economic domains which is characteristic of small firm management, it is

considered that research in this area would represent a significant contribution to knowledge.

iii) Organisational Tensions

Throughout literature and empirical research the theme of organisational tensions has recurred. These tensions are between the need of the core organisation for consolidated and co-ordinated action, against the voluntarism and flexibility of importance to members (Section 8.8). Thus, while the researcher continues to support the strategic alliance option for small firms, it is recognised that the organisational form is permeated with challenges to its effectiveness. It is therefore proposed that further research is justified and worthy in determining how to overcome and/or manage these challenges to the benefit of strategic alliance members.

iv) Motives for Dysfunctional Behaviour

Member behaviour has been identified as a key variable contributing to the effectiveness and success of small, resource constrained strategic alliances. Dysfunctional behaviour by individual members was found to decrease the amount of resources mobilised, and thus, influence the capabilities of the strategic alliance to operate as an efficient system. Furthermore, it was found (Section 8.7) that dysfunctional behaviour resulted in negative outcomes, which in turn reinforced the behaviour. Therefore, it is proposed that this represents a significant research theme aimed at the identification of the

causes of dysfunctional behaviour, to assist understanding, and the development of management strategies designed to address and overcome it. In this way the level of achievement of organisational goals, the strength of the market proposition, and the degree of preservation of the operating logic of the strategic alliance could be maximised

v) Small Firm

Within the area of small firm literature the theme of the enterprise culture was prevalent. This is such a complex subject encompassing sociological, psychological and political aspects which is rich in research topics. Documentation of the associated government policy itself represents another fascinating area which has tremendous scope for research. In particular, the focus for such research could be well directed at an evaluation of the success of the policy and related public sector initiatives within the hotel industry.

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504

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