Abstract. Generic strategies have been reported in several industries in the past years. Still, so far there is a lack of clear evidence regarding the way in which generic strategies appear to be used within the hospitality industry. The paper envisions on a comparative approach regarding one of the most well-known and highly cited strategy typologies within the context of two regions pertaining to Romania and US, respectively. Our study uses a survey based on a pre-tested questionnaire to address the generic strategies and the way they are reflected in the daily activities of hotel managers from Cluj-Napoca and San Antonio. Using the factor analysis we were able to draw some conclusion about the existence of the generic strategies in the Romanian and American hotel industry. The paper presents some comparison on hotel industry practices between the countries and suggests managerial implication for development of generic strategies within this industry. This is one of the first studies undertaken to highlight a dual approach in respect to the generic strategies within the hotel industry and the results prove to be of utterly importance for both academics and industry leaders.

Keywords: generic strategies, hotel industry, comparative approach.

A COMPARATIVE APPROACH OF THE GENERIC STRATEGIES WITHIN THE HOTEL INDUSTRY: ROMANIA VS. USA

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1. Introduction

Strategic management has sought from its beginnings to answer the question of how firms achieve sustainable competitive advantage. In this quest, strategic management has developed theories and concepts that mainly examine the environment and look inside the company, developing ideas and methodological advances that follow and try to predict management practice transformation (Herrmann, 2005).

Once an organization has performed both the external and internal analysis, it will undergo a certain steps in order to formulate the best strategy that could allow the company to gain the competitive advantage. The classical strategy approach often uses Porter’s (1980) generic strategy framework for focus, cost leadership, and differentiation to understand the particular strategic direction an organization may pursue. One could easily find an extensive array of resources for determining the strategic direction of the hospitality companies. There is an abundance of case study material on the budget airline sector in particular, which is useful for exploring the contemporary application of the strategic choice concepts and principles. However, empirical studies that draw on Porter’s strategic typologies are rare within this domain leaving an immense potential for future research.

This paper tries to fill in the existing gap within the specific literature of generic strategies implemented in the hotel industry from a two country perspective. The paper addresses the following research questions:

1. What strategy types are found among hotel companies from Romania and US?
2. Will they resemble in any way Porter’s (1980) generic strategy types?

For better answer these questions we have envisioned a research framework that uses 27 items questionnaires that has delivered to hotel managers from Cluj-Napoca (Romania) and San Antonio (US) reflecting strategic practices undertaken by the hotels. The paper starts with a thorough review on the generic strategies literature and continues with an overview of the way these strategies are documented within the hotel industry. A comparative analysis of the hotel industry in Romania and US follows next and the research methodology is described in detail. The paper highlights the main findings and their managerial implications and ends with several concluding remarks.

2. Theoretical background

2.1. A review of generic strategies

The multifaceted nature of the strategy concept makes it an extremely complex research object (Solberg and Durrieu, 2008). Seen through the lenses of an international manager, the content of strategy may be divided into two levels: generic strategies and internationalization strategies. The first group includes Miles and Snow typology (1978) and Porter typology (1980).
Miles and Snow developed four archetypal strategies: defender, prospector, analyzer, and reactor focusing on intended rate of product market change. In general, research has supported the validity of the Miles and Snow typology, although there have been inconsistencies. For example, Conant et al. (1990) found that the subjective profitability evaluations of managers in defender, prospector and analyzers organizations were not significantly different among themselves. However, other studies found conflicting or rather mixed findings (DeSarbo et al., 2005; Hambrick, 1983; Parnell and Wright, 1993).

The main strength of this typology is its exhaustive description of organizational behavior, comprising the simultaneous consideration of key elements of strategy, structure, process variables and their relationship with performance. It builds on “distinctive competence” (Snow and Hrebiniak, 1980), and takes into account both internal aspects of organizational structure and strategic orientation. Miles and Snow (1978) framework appears to account for significant variations across organizations, views the organization as an integrated system and allows for the strategy construct to be operationalized in non-industry-specific terms (Snow and Hrebiniak, 1980; Hambrick, 1983).

Porter’s (1980, 1985) generic strategy typology is most notable. A number of studies have demonstrated the usefulness of Porter’s approach (Dess and Davis, 1984, Hambrick, 1983, Hawes and Crittenden, 1984).

According to Porter, a business can maximize performance either by striving to be the low cost producer in an industry or by differentiating its line of products or services from those of other businesses; either of these two approaches can be accompanied by a focus of organizational efforts on a given segment of the market. Further, a business attempting to combine emphases on low costs and differentiation invariably will end up “stuck in the middle” (Porter, 1980, p. 41).

Whereas Porter contends that the assumptions associated with low costs and differentiation are incompatible, those in the “combination strategy school” have argued that businesses successfully combining low costs and differentiation may create synergies that overcome any tradeoffs that may be associated with the combination (Parnell, 2006). Proponents of the combination strategy approach based their arguments not only on broad economic relationships but also on anecdotal evidence demonstrating how individual firms have identified such relationships unique to one or a small group of firms in an industry.

Because buyers see price and not cost, Bowman and Faulkner (1997) argued that sustainable competitive advantage is achieved by offering products or services that are perceived by customers to be:

1. Better than those of the competition regardless of price;
2. Equal to the competition but at a lower price; or

Hence, Bowman and Faulkner introduced into the discussion the notion that prospective buyers examine both price and perceived quality in making purchasing decisions and that many will be a function of both. Other attempts to further develop or revise Porter’s typologies have also been made (Miller, 1986; Miller and Friesen, 1984).
2.2. Generic strategies within the hotel industry

The use of Michael Porter’s typology in the hospitality industry has been assessed by several scholars (Evans et al., 2006, Harrison and Enz, 2005). There is a general agreement about the use of cost leadership within the hotel industry. It is considered that the hotels are pursuing some sort of balance between low cost and differentiation. According to Harrison and Enz (2005), a clean room and linens and some level of comfort (telephone and television) is expected at every lodging property. The only exception would be independent units in out-of-the-way places that have relatively little serious competition or motels that specialize in proving short term services. Once the basic quality standards have been met, differentiation occurs as firms offer significantly more than just a clean, comfortable room. Brands like Fairfield Inns, Etap, and Motel 6 do not offer more than the basics. Management in these companies is very good at keeping costs at a minimum. Consequently, they can keep prices low and attract a wide segment of the market interested in an inexpensive room.

Firms that implement the cost leadership strategy will typically employ one or more of the following factors to create their low cost positions (Porter, 1985): (1) accurate demand forecasting combined with high capacity utilization; (2) economies of scale; (3) technological advances; (4) outsourcing, or (5) learning/experience effects. An organization pursuing a differentiation strategy is targeting a broad market. Examples of firms pursuing differentiation strategies include both Marriot and Hilton by providing very high-quality guest experiences that appeal to both business and personal travellers. Currently many firms in the hospitality industry are using Wi-Fi as a tool for differentiation. Companies pursuing differentiation strategies cannot ignore their cost positions.

The key to a focus strategy is providing a product or service that caters to a particular segment in the market. Firms pursuing focus strategies have to be able to identify their target market segment and both assess and meet needs and desires of buyers in that segment better than any other competitor. Four Seasons focuses on elite consumers with discriminating tastes. According to Evans et al. (2006) focus strategies can be developed in travel and tourism in a range of different circumstances by: (1) focusing on a particular group of buyers; (2) specializing in a particular geographic destination; (3) catering for the benefits sought by a particular group of buyers.

2.3. The Romanian and US hotel industry

Romania is entering a historic period as it transitions from a command to a market economy and joins the European Union (Glasser-Segura, 2010). In terms of the hotel industry, Romania inherited a great tourist accommodation capacity from the communist period in comparison with other former communist countries from Central
and Eastern Europe like Czech Republic, Croatia, Poland or Hungary. Since the 1960s Romania had developed numerous accommodation facilities especially on the sea side of the Black Sea, that are convenient for a mass tourism demand having a majority of low ranked hotels in this part of the country.

After the 1990s, the evolution of the main tourism indicators points out two distinctive periods on the Romanian market. Both of these periods are characterized by severe government instability and lack of policies and strategies regarding the tourism industry. During the period between 1990 and 2000 there has been a slow intensity of the privatization process, only 55.3% of the accommodation facilities were private-owned. After 2001 Romanian tourism industry followed an ascending trend due to an accelerated privatization process (92% of the accommodation facilities that have been transformed from state owned to private owned. During these period lots of investments have been made for modernizing the accommodation structures and to increase the volume of the green-field investments.

In the present time Romania’s hotel industry is characterized as having diverse products that are addressed to various market segments (Borza and Bordean, 2008). The last years brought an increased involvement by international hotel companies like Marriott, Best Western, Howard Johnson, Golden Tulip, Accor, Cendant, IBIS, Ramada, Sofitel, Hunguest, etc. Market entry by international hotel companies has brought not only competition but also management know-how from developed countries (Yu and Huimin, 2005). With that added expertise, the gap between domestically operated hotels and those run by international companies has narrowed substantially. Moreover, hotels operating under international standards have contributed to enhancing the productivity and efficiency of domestically operated hotels. However, the international hotel chains did not penetrate in the same way all over Romania (Bordean, 2010). For example, in Cluj-Napoca there are only two hotels that run under an international franchisee, namely Best Western Topaz and Tulip Inn Sunny Hill, respectively.

Besides an increased competition Romanian managers have to face the current economic downturn which affects in the end all the sectors within an industry. The effects of the economic crisis have already determined a tremendous decrease in the number of tourists and also it lower down the pace of investments within hotel industry. The most frequent types of Romanian hotels will fall under one of the following categories (Lupu, 2003; Baker et al., 2002): (1) commercial hotels that address especially the business tourists that are using these accommodation facilities during short-to-medium staying; (2) touristic hotels that apart from the commercial ones accommodate tourists especially during week-ends; and (3) holiday hotels that would to be found in either seaside or mountain resorts.

The US hotel industry is a mature industry marked by intense competition. Market share increases typically comes at a competitor’s expense. Industry-wide, most growth occurs in the international, rather than the domestic, arena. In the 1980's there was extensive merger and acquisition activity between hotel and non-hotel companies.
Many companies are now selling specific brands in an effort to get back to their core business.

Another trend in the hotel and beverage industry is paperless inventory systems. Improvements in scanning equipment have made this possible. In many instances, ordering, delivery, payment and stocking are all initiated and accomplished by software prompted by information captured by scanning equipment with very little human involvement. Some chains have sold ownership in their hotels to foreign investors while still maintaining control. This provided the capital that was needed for further expansion. Product segmentation has become more popular. Luxury and first class hotels have created more amenities and products for their customers while economy and budget motels have cut back services in order to maintain lower prices. Also specialized extended stay and suite hotels have become more popular. Hotels with indoor water parks are one of the newest trends. Timeshares is another segment that many hotel companies are involved with recently. The development, sale, and management of timeshares have become particularly popular with the large chains. Franchising continues to flourish in the hotel industry.

Other recent trends in the industry include luxury mattresses, complimentary breakfast, high definition TV, high speed internet access, Wi-Fi (wireless internet access), and room suites. Common American hotel classifications are as follows (Martinez, 2005): (1) commercial hotels - cater mainly to business clients and usually offer room service, coffee-shop, dining room, cocktail lounge, laundry and valet service as well as access to computers and fax services; (2) airport hotels are located near airports and are a conveniently located to provide any level of service from just a clean room to room service and they may provide bus or limousine service to the airlines; (3) conference centers are designed to specifically provide meeting space from groups; they provide all services and equipment necessary to handle conventions; (4) economy hotels provide a limited service and are known for clean rooms at low prices meeting just the basic needs of travelers; (5) suite or all-suite hotels are hotels which offer spacious layout and design. Business people like the setting which provides space to work and entertain separate from the bedroom; (6) residential hotels used to be very popular. The typical residential hotel offers long term accommodations; (7) casino hotels are often quite luxurious. Their main purpose is in support of the gambling operation. Casino hotels often offer top name entertainment and excellent restaurants; (8) resort hotels are the planned destination of guests, usually vacationers. This is because resorts are located at the ocean or in the mountains away from inner cities.
3. Research methodology

3.1. Sample and scales used

In order to answer the research questions of our study we have envisioned a quantitative research based on the questionnaire technique. The questionnaire was developed on two parts, starting with personal and demographic section, followed by a section of 26 questions regarding the various strategic practices used by the hotels. As our main goal was to establish which are the strategies implemented in Romanian and US hotel sector we referred to some previous works undertaken by Allen and Helms (2006) and Allen et al. (2007) who developed a framework for assessing the generic strategies of Michael Porter. Thus, the respondents were asked to describe the degree of importance for the 26 key practices used by their hotels, using a five point Likert scale (1 = Highly unimportant and 5 = Very important). The questionnaire was translated and sent to both Romanian and US hotel managers. Table 1 refers to some of those 26 strategic practices that were measured within our study.

*Table 1*

**Samples of strategic practices used in the survey**

<table>
<thead>
<tr>
<th>Strategic practices</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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</thead>
<tbody>
<tr>
<td>1. Providing specialty products and services</td>
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<td>2. Producing products/services for high price market segments</td>
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<tr>
<td>3. Controlling the quality of products/services</td>
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<tr>
<td>4. Providing outstanding customer service</td>
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<tr>
<td>5. Improving operational efficiency</td>
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<tr>
<td>6. Vigorous pursuit of cost reduction</td>
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<tr>
<td>7. Tight control of overhead costs</td>
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</table>

Our study was conducted in Cluj-Napoca, Romania and in San Antonio, USA. The Romanian hotels sample was chosen from *The Guide of the Romanian Hotels* edited by Romanian Tourism Authority which works under the direct supervision of the Ministry of Tourism, whereas the American hotels sample was chosen from *San Antonio Hotel and Lodging Association*. The questionnaire was addressed primarily to hotel managers and to other employees who had decision making tasks and could offer insights about the strategic practices undertaken within their hotel. Usable responses included 29 questionnaires retrieved from the Romanian hotels and 25 questionnaires from the American hotels. The data was analyzed using SPSS 14.
3.2. Research design

Within our research framework we tried to operationalize on Michael Porter’s (1980) generic strategies for companies within the hotel industry from an international context approach. Figure 1 highlights the elements of our research design by describing the parameters that we have used to conceptualize the model (Allen and Helms, 2006; Allen et al., 2007), the type of analysis used, the sample group target, and the expected results of this study.

Assuming the existing literature on generic strategies and the current situation of the hotel industry in both Romanian and US context, we have proposed the following propositions:

**P1:** The Romanian hotel managers are more likely to use differentiation strategies.

**P2:** The US hotel managers are more likely to use low-cost strategies.

### 4. Analysis and interpretations

The Romanian sample from Cluj-Napoca consisted mainly of hotel managers (93.2%), and only a few were marketing managers (3.4%) and front-office managers (3.4%). The vast majority of the Romanian respondents (68.9%) have a previous work experience in the hospitality industry of more than five years which allows us to consider their responses as being not only pertinent but also valuable. The smallest Romanian hotel in the sample had 20 rooms and the biggest one had a total of 156 rooms.
rooms, which allow us to estimate a median value of 42.39 rooms with a standard deviation of 32.03. The majority of the Romanian respondents (74%) had a prior work experience of one to five years for the hotel in which they were employed, showing that they possessed adequate organizational knowledge to accurately complete the questionnaire.

The US sample from San Antonio consisted of mainly hotel managers who involved in filling in the questionnaire; however the number of American marketing managers and front-line managers who take part in the survey is slightly bigger than the Romanian one. The role of middle managers in corporate strategy within US context is well documented by previous empirical and conceptual research studies and it is highly recognized the involvement of US middle managers in both formation and implementation phases of strategy process (Kuratko et al., 2005; Hornsby et al., 2002; Floyd and Wooldridge, 1999). In terms of working experience within the industry and the hotel, the US managers tend to be more faithful to their initial jobs. This shows the hotel industry in Cluj-Napoca is highly characterized by the fluctuation of personnel, including the ones that are part of senior level. As for the ownership structure of the two samples, the results show contradictory approaches between hotels in Cluj-Napoca that are single independent and the hotels in San Antonio where one could easily find more hotels pertaining to different international or franchisee chains.

<table>
<thead>
<tr>
<th>Some considerations on the Romanian and US samples</th>
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<tbody>
<tr>
<td><strong>Sample structure</strong></td>
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<tr>
<td>- hotel managers</td>
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<tr>
<td>- marketing managers</td>
</tr>
<tr>
<td>- front line managers</td>
</tr>
<tr>
<td><strong>Work experience within the industry</strong></td>
</tr>
<tr>
<td>- 1-5 years</td>
</tr>
<tr>
<td>- more than 5 years</td>
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<tr>
<td><strong>Work experience within the hotel</strong></td>
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<tr>
<td>- 1-5 years</td>
</tr>
<tr>
<td>- more than 5 years</td>
</tr>
<tr>
<td><strong>Type of ownership</strong></td>
</tr>
<tr>
<td>- single independent</td>
</tr>
<tr>
<td>- part of an international chain/franchisee</td>
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</tbody>
</table>

In order to test the propositions the twenty-six strategy items were subject to a factor analysis. This would allow us to test if the practices theorized by Allen and Helms (2006) and Allen et al. (2007) naturally grouped into any of Porter’s (1980,
1985) generic strategies. The use of factor analysis within the hospitality industry has been well documented in previous studies before (Rahajeng, 2008; Harold, 2007).

For the Romanian hotels sample we have used SPSS principal component analysis with a Varimax rotation and Kaiser Normalization, a four factor solution emerged explaining 66.53 of the variance. All twenty-six item have loaded at 0.40 or greater; hence we have included all these items in the resulting four factors. The resulting four factors were then further interpreting for their meaning. Based on the items comprising the factors, three factors represent Porter generic strategies; namely cost leadership, differentiation and focus differentiation. The cost focus strategy was not represented.

For the US hotels sample we applied the factor analysis for the 26 items with a Varimax rotation and Kaiser Normalization, the four factor solution explained 54.23 of the variance. Not all the practices from this sample have loaded at 0.40 and so we had to withdraw them from the analysis. In the end, there were only two factors that could be associated with two of Michael Porter’s (1980) typology: the differentiation and focus differentiation strategy. In conclusion, we may affirm that the first proposition was supported; the Romanian sample hotels are pursuing two of Porter’s differentiation strategies and in the same time the results show that the cost strategy is followed within the hotel industry in Romania. The second hypothesis is not supported; the analysis proved that the US hotels from San Antonio are implementing Porter’s (1980) differentiation strategy, but they are not striving for implementing the low cost strategy.

Based upon the factor analysis, three major strategies emerged from the data; all of these three strategies were apparent in the Romanian hotels and two of them are apparent in the US hotels sample. The first strategy identified to be pursued by the Romanian hotels is the low cost strategy. Although it is hard to imagine the hotels pursue this strategy, the results proved different. Hotel managers must be focus first on reducing the costs and keeping a tight control over costs due to the economic conditions and fierce competition that takes place within the hospitality industry. There were only four strategic practices that comprise this strategy according to the factor analysis, but three of them are strongly correlated with the leadership cost strategy. Managers from the hotels that are following this type of strategy are looking for a vigorous pursuit of cost reduction, a tight control of overhead costs and improving operational efficiency.

The second strategy that emerged from the data analysis refers to the differentiation strategy. This strategy is even better represented by the number of items that loaded into this factor. According to Parnell (2006), the differentiation strategy must be sustained by the value created throughout the implementation of strategy and through market control. Value is defined as the relationship between perceived worth and cost (Parnell, 2006). The hoteliers create value by constantly improving the quality of products and services that they offer and also by innovating in new techniques and technologies. The market control dimension is sustained by developing brand and company name identification.
Another strategy that corresponds to Porter’s typology that was identified within this study in the Cluj-Napoca’s sample refers to the focus differentiation strategy. Hotels that are pursuing this strategy are focusing on a niche market by providing specialty products and services. These hotels are more likely to offer products and services for high price market segments.

Although some of the results for the Romanian, sample sound little unexpected they should be analyzed within a larger context. Băcanu (2010), for example, points out that cost leadership strategy generates a special interest for the Eastern European countries and especially for Romania. According to Băcanu this is due to Romanian companies to produce and sell at lower prices because of the economic conditions (i.e. level of salaries) and this could became a competitive advantage against other competitors on the market. It seems that the Romanian managers of the hotels from Cluj-Napoca are wide aware of this benefit and they tried to implement the low cost leadership strategy as a part of their intention to gain a competitive advantage on the market. In the same time, the generic strategy of differentiation is adopted in an increasing number of industries (Băcanu, 2010) as the Romanian managers are willing to improve the quality of the products and services they would offer to their clients.

Our study revealed that the US hotels sample in San Antonio are following two of Porter’s generic strategies, namely differentiation strategy and focus differentiation strategy. There have not enough factors to load into a factor that comprised the cost leadership strategy. Although this does not allow us to affirm that the US managers are not willing to keep control over their costs. As we have seen in the literature review of this paper, the cost leadership would be hard to follow within the US hotel industry and evidence of this only refer to some hotel chains that are well known for their interest in offering just the accommodation service and nothing more (i.e. Motel 6). The San Antonio hotel sample consisted of merely first class hotels addressing the lodging needs of business people who are in a constant look for better services and better quality. In this regard, the results for US hotels came at not surprise as managers are seeking to satisfy the needs of their sophisticated customers.

5. Concluding remarks

To date there have been no studies specifically designed to test whether Porter’s strategies are in use in the Romanian hotel industry, nor to make comparison between the Romanian and US hotel industry in terms of the generic strategies implemented. This study used a sample consisting of key decision informants from different hotels in Cluj-Napoca and in San Antonio. The results of the study are important for both theoreticians and practitioners as they point the evidence for using Michael Porter’s strategies in the Romanian and US hotel industry.
However, the results of our study should be analyzed in the light of their limitations. Although we have used a consistent number of respondents in our sample, the results cannot be generalized within the whole industry. We have used samples from two cities in Romania and San Antonio. The hotels in our two samples vary quite a lot as it could be easily observed from our factual data analysis, and moreover the hotel industry in the countries seems to be rather distinctive. We believe that our study could be improved by enlarging the number of hotels in the samples and by referring to a larger area in a future research.

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