2010

Commentary: Cultures and the Implementation of Strategy

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Abstract
[Excerpt] In the featured chapter (Chapter 46), "Viable Structures and Cultures in Hospitality Organizations," authors Eliza Ching-Yick Tse and Giri Jogaratnam laid out the important connection between the strategic management of hospitality businesses and the building and development of culture around them. It is important to highlight that when thinking about strategic management and culture, four main constituents need to be considered: owners, managers, employees, and guests. While it may seem at times that these four interrelated groups are at odds with each other, well-run businesses understand the synergies that exist among these groups and use those synergies to create value for all the parties involved.

Keywords
Cornell University School of Hotel Administration, hospitality management, hospitality industry, strategic management, organization culture, structure

Disciplines
Hospitality Administration and Management

Comments

Required Publisher Statement

Cultures and the Implementation of Strategy

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In the featured chapter (Chapter 46), "Viable Structures and Cultures in Hospitality Organizations," authors Eliza Ching-Yick Tse and Giri Jogaratnam laid out the important connection between the strategic management of hospitality businesses and the building and development of culture around them. It is important to highlight that when thinking about strategic management and culture, four main constituents need to be considered: owners, managers, employees, and guests. While it may seem at times that these four interrelated groups are at odds with each other, well-run businesses understand the synergies that exist among these groups and use those synergies to create value for all the parties involved.

It is also useful to look at business entities on how they structure and use capital. Burt (1992) identified three kinds of "capital" (p. 8), or opportunities, that may exist in a business setting: social, human, and financial. Social opportunities concern the formation of new social relationships with others and are available to all organizational members. Human opportunities are the individual qualities an organizational member shares with others. Each organizational member possesses individual talents that may be valued by other organizational members. Financial opportunities represent tangible resources that are essential to work functioning. Financial resources are not necessarily available to all organizational members as some organizational members have greater access to funding, equipment, and supplies. In short, employees benefit from capital in organizations. The access to social, human, and financial resources within an organization helps determine success and failure and to a large extent shapes the culture of the organization.

Organizational Structure

Organizational structure is the means by which things happen. Any organization has both formal and informal networks by which ideas, efforts, and outcomes are realized for the constituents. The idea of mechanistic versus organic structure is somewhat limiting in defining how organizations truly use structure to accomplish goals. In reality, most organizations are hybrids, built from a blend of both mechanistic and organic elements. Even in the most bureaucratic organizations, ideas are shaped and emerge through organic processes. Hybrid structures are more common than the literature in strategic management would lead us to believe. There is also a misconception regarding organic organizations and the connection to entrepreneurship. Most people assume that to be entrepreneurial, you must, by definition, operate under an organic structure. If you look at successful entrepreneurs, you often see two sides (or partners)—one who envisions new things and one who is grounded in process and procedure to ensure that these things can be fully developed and executed.

In reality, all organizations begin with an organic structure, and as time progresses, the need for a mechanistic structure emerges. For example, take a single unit restaurant operator who is ready to open a second unit. The operator will gain experience in running the business, understanding how the restaurant and its offerings fit into the market and how their guests react to their product and service offerings. Through experience, the operator will formalize processes and create and develop standards to lead to consistency. Only after these standards are realized can the restaurateur open the second unit. This point was highlighted in Chapter 47 by Susskind, Kacmar, and Borchgrevink, where standards and consistency were presented as the starting point of support functions and service delivery processes that ultimately lead to performance. Attention to detail and consistency is how companies like Disney, Darden Restaurants, Yum! Brands, and McDonald's grow their businesses. They understand the structure and support that is needed for their constituents and grow their businesses based on that. This connects to how firms choose to compete with one another. The question about structure that needs to be asked and answered is: Do the things we have in place (procedures, policy, processes) help us meet our organizational goals or do they get in the way? A classic example of this is the union electrician who needs to come to a job site to turn on the lights so a union plumber can install pipes, rather than the plumber just switching on the light herself.

Competition

There are three levels of competition that emerge over time (Haanes & Fjeldstad, 2000): entrepreneurial, contractual, and operational. Entrepreneurial competition normally consists of new companies with new ideas, products, services, or concepts. For these firms, competitive advantage comes from their ability to take risks and a need to explore. These firms are less mechanistic and focus on a new idea rather than a clear long-term business strategy. With contractual competition, firms are focused on building new markets and expanding current market position. The competitive advantage for these firms emerges from superior performance and an understanding of business processes. In this stage, operators are more focused on the business strategy because the idea has been solidified. Lastly, with operational competition, firms are interested in creating new synergies. With these firms, competitive advantage comes from a well-managed and defined cost structure. This is what occurs with most mergers. The idea here is that firms develop over time and pass through these three types of competitive modes depending upon their place in the life cycle. Most organizations compete as a blend of these three forms over time.

Technology

In Chapter 46, Tse and Jogaratnam introduced the idea of technology and the role that technology and technological advances play in service delivery. Technology can make processes faster, more efficient, and easier to complete, but we all know that is not a given. Several examples come to mind, but I will focus on the idea of the self-service kiosks now present at airline counters, hotel front desks, grocery checkout lines, and quick service restaurants (QSRs). When these technologies are introduced, there is often a learning curve that the organization and the consumer go through to use the new process or technology. When the airlines first started using the kiosks, they knew that they needed customer service personnel available to help the customers navigate the new process. The airlines knew, however, that ultimately, these kiosks would save time in labor, labor dollars, and time for the customers, but the transition period to train the customers would require an investment of energy and effort. Having support available for unsure customers and the means to troubleshoot problems that came up was a key factor to successfully rolling out the technology. Now, about 7 years later, we do not even think about the kiosks anymore—they have become institutionalized into the service process. This is one example of many technological innovations that have led to service improvements and cost savings.

Culture

Culture permeates every part of an organization. In Chapter 46, Tse and Jogaratnam identified several classic organizations known for their unique cultures (i.e., Disney, McDonald's, Southwest Airlines, Starbucks). All of the companies mentioned have all had growing pains and needed to be reminded what was unique about what they did, how they did it, and why they did it. Let's take a look at McDonald's in the late 1990s through 2003. The company had truly lost their way. They acquired brands outside of their original competency and lost touch with what their customers wanted. So what did McDonald's do to right the ship? They got back to the basics. They changed their leadership and identified what it was that customers truly loved about their brand (burgers and fries, plus other innovative products to appeal to current tastes). They divested brands they had acquired that were draining energy and resources from their core brand, their core guests, and the market they had essentially created. Growth can affect your culture; so when you grow and develop, the changes you make need to preserve and protect the cultural elements that make your organization special to your constituents (owners, manager, employees, and guests).

People in your organization need to want to come to work and believe in the culture of the organization. It is easy to espouse a culture, but it is less easy to grow and nurture it. If you can, step back to remember the airline industry before deregulation or the U.S. auto industry before Japan took a major position in the auto global industry. These companies had a different feel to them than they do today. The idea is that the nature of their business and competition in their business changed; they slowly and unsuccessfully changed, while more savvy firms built their positions and successful, sustainable cultures in their way.

Your guests also need to understand what you do and why you do it. In their examination of sustainable tourism in Chapter 51, Hawkes and Kwortnik found that guests all have different interpretations of sustainability. It becomes challenging to build a culture around a key issue if it is not clearly articulated and digested by all of the constituents. Culture should be, as Tse and Jogaratnam noted, a shared understanding of the organizational environment.

Culture and Competence

Competence is defined as an organization efficiently doing what it is asked to do. Competence is made up of knowledge, know-how, and attitudes (Durand, 2000). Knowledge encompasses the access to relevant data, the ability to recognize the data as useful and acceptable, and the skill to integrate the data into preexisting schemes that evolve along the way. Know-how relates to the skills, capabilities, and abilities to perform required job functions. And attitudes refer to the behavior, identity, will, and commitment individuals have toward the organization and its constituents (Durand, 2000). Well-articulated cultures help to build a firm's ability to compete in the marketplace.

Oftentimes the founder of a company is viewed as a visionary. The culture is built around the idea and know-how of the founder. When growing and developing, organizations must not lose sight of the origin of the basic competencies that built the firm. After a company opens its 100th unit, do they remember what knowledge, know-how, and attitudes got them there?

In Chapter 48, Camillo, Connolly, and Kim did a great job of demonstrating how the elements of human capital, social capital, and financial capital influence the success factors for restaurateurs. Their work describes how competition, environmental factors, and internal factors, such as culture, staff, and management practice influence decisions about structuring and running a business, clearly showing the connection among culture, organizational structure, and management practice.

Culture and Human Resource Implications

In Chapter 49, Tracey and Hinkin highlighted how prevalent and potentially disruptive turnover can be to an organization. An organization's culture is one way to safeguard precious human capital in an organization. It remains important not to lose sight of the fact that all businesses'—regardless of their hierarchical structure, the stage of the life cycle in which they are positioned, and whether they are mechanistic or organic—turnover can be managed and controlled. A decade-old study conducted by the National Restaurant Association and Coca-Cola, entitled "The Industry of Choice Report," (National Restaurant Association, 1999) identified many key factors that managers of food service operations (and hospitality organizations at large) can do to improve how they use human capital in their business. The fact that this study remains timely today is worth noting here.

The first issue has to do with money of course. Organizations need to direct more resources toward unit managers to make sure they can maintain and retain the workers needed to properly execute on their espoused standards; they also need to pay employees more to ensure that the talented employees are properly rewarded. Next, it is crucial to determine what each class of employee needs. Some workers would benefit from a day care allowance, while a uniform allowance or car insurance allowance may be more valuable to others.

If you commit to applying more resources to your staff, you need to ensure that you "average up"—that is, purge your less effective staff members and hire those with higher levels of needed talent. This can be done through properly introducing and conveying your culture to all new hires and certify and cross-train employees to create growth opportunities and expose employees to other parts of the business.

Relative to structure, savvy organizations need ensure that HR and training functions report high enough up the corporate ladder and that they remain accountable for results, not just programs. Human resource (HR) departments should be held to goals for turnover and bringing on qualified new hires. It is also reasonable to include outside resources to assist in training and acclimating employees, but the use of these programs and resources need to be clearly aligned with the goals and mission of the organization. Too often, we bring outside consultants in to help, but they fall short on driving long-term results.

Finally, be sure that you are teaching the right subjects and you have the right incentive system in place. All of your training and development activities need to be firmly aligned with your firm's mission and vision and reward system whether they are monetary rewards or another form of recognition.

Conclusion

In conclusion, the culture and climate that you create in your organization is a function of a set of interrelated activities and experiences that shape and direct the future. Are you an organization known for innovation, stability, people, or process? Regardless of the strategic positioning of your organization, without a coherent mission and vision that is embraced and executed by guests, employees, managers, and owners, you will not stand out among your competitors, and you will most likely be a part of a short-lived or temporary phenomenon.

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