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Economics and Law
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Unchained Ideology

“Why Hoteliers in Sweden choose to remain
Independent”

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Abstract

The increasing dominance of hotel chains worldwide has been acknowledged since the 1970s. However, nowadays there are still many independent hoteliers present in the industry, especially in Europe and the Nordic countries. Moreover, hospitality professionals have expressed the increasing call for hotel independence. The position of the independent hotelier has been explored to a limited extent in existing literature. This research made an effort towards creating an understanding of why these independent hoteliers choose to remain independent, despite that they can be expected to embrace affiliation in accordance with existing literature principles. In-depth interviews were held in order to create this understanding, whereby the hoteliers were selected based upon location, hotel size and governance form. Current literature has often discussed hotel independence versus affiliation as a result of a functionalistic perspective. It is though not clear what independence entails in this perspective. This research therefore suggests a more subjective approach. Although hoteliers perceive themselves to select hotel independence based upon functionalistic motives, it is actually ideology that plays an important role in the desire to remain independent. This ideology may have negative consequences for hotel businesses, as argued by means of the Icaros paradox.

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Chapter 1) Introduction to Hotel Independence

1.1) Determining the Situation

1.1.1) Coming of the Chain

The history and development of hotels are closely connected to that of civilisation (Levy-Bonvin, 2003). Hotels began to develop and gained importance in the form of thermal bath houses and guest lodges during the Greek and Roman periods. Only since the 15th century, the hotel industry commenced to really exist, when hotels were obligated to register in France and the UK. The industry gained even greater importance in the cities worldwide with the coming of the industrial revolution. Moreover, as a result of the increasing wealth during the 20th century, the hotel industry continued as a booming business.

In the early years of the hotel development, most hotel properties were independent (Mazzeo, 2004). However, in today's competitive and globalized world, inter-firm collaborations occur more and more and they also impact the hospitality industry in general (Constructor and Kundu, 1998). The hospitality industry takes one of the top places when ranking the industries that use inter-firm collaborations most (Blair and Lafontaine, 2006; Johnson and Scoles, 2002). The concept of inter-firm collaborations was developed during the 1940s and 1950s (Bradach, 1998; Mendelsohn, 2005). Since then, the sales of chain organizations in all industries have doubled. Chain organizations are a part of every day life and both the consumers and the businesses have accepted these collaborations as a way of doing business. Especially franchising and management service agreements are very common nowadays among hotel chains in order to expand rapidly over a large geographic area (Sorensen and Sørensen, 2001). Franchising was first introduced in the hospitality industry by Holiday Inn in the 1960s (Pine et al. 2000; Warnick, 1993).

Customers have often been used as the underlying argument for the development of the hotel chain. In the 1970s, business travel market increased rapidly, as well as their attractiveness towards hotel managers (Levy-Bonvin, 2003). A call for more consistency as well as a reassurance for the traveller caused hotel chains to develop and as time went by, more and more firms were looking for alliances (Warnick, 1993). The lack of sophistication of the traveller made the call for consistency and basic need fulfilment even stronger. As a result, hotel chains, grew even faster during the 1980s.

1.1.2) Call for Hotel Independence

Although the dominance of hotel chains in the hospitality industry worldwide has been increasing since the 1970s (Contractor and Kundu, 1998), there are still many independent hoteliers in the business, especially in Europe and the Nordic countries (Gillette, 1996). Where in the United States of America 75% of the hotel supply can be classified as affiliated (Rushmore, 1999). the European Union's hotel industry is not as dominated by chains (Holverson and Rafaz, 2006). Here, 20% of the *hotel room supply* in the European Union is provided by integrated hotel chains. However this percentage is around 60% in the major capital cities of Europe.

The times of chain dominance are over and the future is open for independent hoteliers to flourish (Green and Kett, 2004). Gillette (1996) adds that the total hotel cycle is changing from chain dominance towards hotel independence. The increasing independence of hoteliers can be seen as a counter reaction within this cycle on the dominance of hotel chains in the past decades. The increasing independence has been motivated by the decreasing capabilities of the chain. A hotel manager (Hospitality Sales & Marketing Association International, 2004) described that the chains' focus upon efficiency and profitability made them lose track of quality, customer service and innovation. This insufficient eye for the core essence of the hospitality business has stimulated the downturn of the chain.

Although on the one hand the internal processes of the hotel chains are argued to enhance the call for independence, the changing customer has also been appointed frequently as an explanation. *“Trends worldwide have shown that standalone properties are attractive to guests who don't want to take the 'Big Mac' approach. Namely, those avoiding the same burger, which is available in all restaurants ... Consumers may gradually get tired of cookie-cutter chain products and lean towards a more personalised and unique one. Herein lies the opportunity for standalones to shine”* (Farwaha, 2001).

1.1.3) Ideas of Hotel Independence

The discussion between hotel independence and hotel chains is an actual one. The previous paragraphs demonstrated the current developments regarding this issue in the hotel industry. Since the hotel industry worldwide is booming, and is gaining importance and acknowledgement of researchers, it thus seems a very relevant debate¹.

¹ The worldwide hotel industry has been breaking records in 2006 and for the first half of 2007 as well (MKG Group¹ 2007; MKG Group², 2007; Travel Industry Wire, 2007). During 2006 150.000 new rooms were added, which was needed due to a growth of the demand with 12,4% (Hotel Management Network, 2007). This major increase in demand is a result of the

Viewpoints of the discussion of hotel independence versus affiliation can be classified as a paradox. The traditional view associates hotel affiliation concepts with favourable conditions for both parties in this collaboration (Gillette, 1996; Warnick, 1993). As the world's largest chain organizations consolidate and benefit from economies of scale, scope, the latest technology and expertise in order to build strong brands for more demanding customers; there is increasing pressure upon independent hoteliers to be able to continue to perform well or even to survive (Johnson and Scoles, 2002).

However, this traditional opinion must be challenged based upon the existing facts and statistics. One should thereby not forget that there are still many hotel businesses that keep their independence and do not want to be involved in chain organizations. Gillette (1996) described that since the beginning of the 1990s in general conversions from chain-affiliation towards independence have always been significantly higher than conversions the other way.

On the one hand the changing customer, as well as the failure of the hotel chains may be seen as a possible explanation for the increasing call for independence in the hospitality industry worldwide. On the other hand, motivates for affiliation in comparison to hotel independence have been discussed and related to particular market conditions, hotel size, location as well as the competitive situation in the hotel market around the properties². But, what about those hotels, which are expected to be in a hotel chain according to their characteristics of market conditions, hotel size, location and competitive situation, but who choose to remain independent in their business? How can this paradox phenomenon be understood in the hotel industry? The following problem statement can be formulated:

“Why do hoteliers choose to remain independent?”

1.2) Gap in Existing Literature

The field of hotel independence is an interesting field for research, because it lacks research about the independent hotelier. Thus, new perspectives are missing, since current literature is limited to functionalistic approaches.

positive economic growth and the related increased tourism demand. The boost in the development of hotel rooms can be accounted for by the major hotel chains.

² In among others Altinay, 2006; Chathoth and Olsen, 2003; Cho, 2004; Conti and Micera, 2006; Contracto and Kundu, 1998; Cunill, 2006; Dahlstrom et al. 2002; Johnson and Scoles, 2002; Morrison 1994; Preble et al., 2000; Rushmore, 1999; Slattery et al., 1985; Weinstein, 2001.

1.2.1) Traditional Focus upon Hotel Chains

The field of inter-firm collaborations is an interesting and important field, especially when considering the ever-increasing globalization and competition worldwide (Contractor and Kundu, 1998). Much has already been written about corporate alliances and corporate forms. Some authors argued that in this field of hotel governance research is lacking specifically within the hotel industry, about the selection of the different hotel governance forms, and the influences upon this selection process (Altinay, 2006; Conti and Micera, 2006, Contractor and Kundu, 1998). All of these authors strongly advise for more research in this field.

On the other hand Mazzeo (2004) stated that extensive theoretical and empirical literature has already examined the choice of organizational form both in the hotel industry as well as beyond. It was stated that the hotel chain has often been the focus of the research. Slattery et al. (1985) made an attempt into investigating the development of hotel consortia and their background factors. Furthermore, Dahlstrom et al. (2002) examined the choice for a certain hotel governance structure and the factors that affect this choice within the Norwegian hotel industry. Moreover Cunill (2006), bundles information that discusses the motivational choice for chain-affiliation when looking at the differences between franchising, management contracts, leases and fully-integrated hotel chains. Last also Altinay (2006), Conti and Micera (2006) and Contractor and Kundu (1998) researched factors that affect why hotel chains differ between franchising, management agreement and integrated hotel chain strategies.

Most of these studies have been performed in the USA and one must notice that these researches focus around the governance forms of franchising and equity owned hotel chains. There do is an extensive body of literature upon franchising in general (Mendelsohn, 2005).

1.2.2) Missing Research about the Independent Hotelier

This extensive empirical literature has overlooked the other side of this governance process, namely the one of the individual hotel property or better called the hotelier. Few academic studies have focused upon the views of the independent hotelier. The traditional research about hotel governance embraced the perspective of the advantages of chain-affiliation seen from the chain's perspective. Apparently the hotel chains do not offer only advantages, because there are many independent hoteliers in business. Morrison (1994, 1998 and 2007) is a leading author in describing the independent hotelier. She touched upon the small hotel as well as its characteristics and potential coherence to voluntary marketing initiatives. She prompts for more research in the field of the small hotelier. Holverson and Rafaz (2006) made

a recent attempt to discuss the branding of independent hoteliers in Europe and the advantages of joining into joint brand initiatives. This study focused however only on branding choices.

In addition to the academic literature sources, other sources from hotel and tourism magazines and hospitality consulting firms made a beginning by acknowledging the increasing existence of independent hoteliers in the hotel industry and by looking into factors that might affect this phenomenon³.

1.2.3) Another Approach?

The interest for the perspectives of the independent hotelier seems to slightly gain interest and importance on the academic stage. However both the research upon independence and affiliation does not go beyond the so-called functionalistic approach. Research focuses upon the background of hotel governance in terms of resources, costs and external considerations. It appeared difficult to find research approaches that attempted to explain hotel independence by means of personal background and ideology of the hotelier. This study therefore attempts to take hotel governance research into a relatively unexplored area. Previous literature has often discussed the advantages of joining into a hotel chain. These advantages would be more beneficial to the independent hoteliers than the costs of participating as a chain-affiliated hotel chain. This traditional statement will be attempted to contradict by stating that it is not only these functional advantages, rather there is a more complex reasoning behind.

1.3) Focus on Sweden and its Hotel Industry

In the existing literature there is limited research upon hotel governance in Europe and Scandinavia. However, the Swedish hotel industry brings in an interesting area for research, when investigating why hoteliers favour independence. First, the hospitality industry in Sweden is booming and becoming an increasingly attractive tourism area (Statistiska Centralbyrån, 2006; Sveriges Hotell och Restaurangföretagare, 2007)⁴. It has been argued that this industry is fully in development and that competition is tough (Göthesson and Riman, 2004). Second the level of hotel independence is according to raw statistics very high.

³ These include among others work from Farwaha (2001), Gillette (1996), Goff (2001), Green and Kett (2004), Hancock (2007), King (2003), Mieyal Higgins (2006), Rushmore (2004) and Warnick (1993).

⁴ Over the last couple of years the hotel industry in Sweden has experienced positive growth when considering the number of rooms sold, the average room rate (ARR), the number of rooms available, revenue per available room (RevPAR) and room sales (Sveriges Hotell och Restaurangföretagare, 2007). The increase in the number of rooms sold (6,3%) in the beginning of 2007 is in percentage higher than the increase of the available rooms with 2,2% for the start of 2007 (Statistiska Centralbyrån, 2006). These statistics demonstrate attractive conditions for (new) hotel development, which demonstrated a record level since 25 years in Sweden.

Although the impact of hotel chains can be felt throughout the world and in Europe, rather in Sweden the statistics and experts argue that most hotels do not belong to a hotel chain or alliance, but do remain independent (Minfors, 2007; Palmgren, 2007). According to Arnek (2007), there are approximately 400 to 450 chain affiliated hotel properties (19%) in Sweden. On the other hand there are around 1950 to 2000 independent hotels (81%). In 2006 there are in total 2404 hotels in Sweden, which produce around 102.000 hotels rooms and an average occupancy of 49.2% (Alexanderson and Hirsch, 2007; Statistika Centralbyrån, 2007).

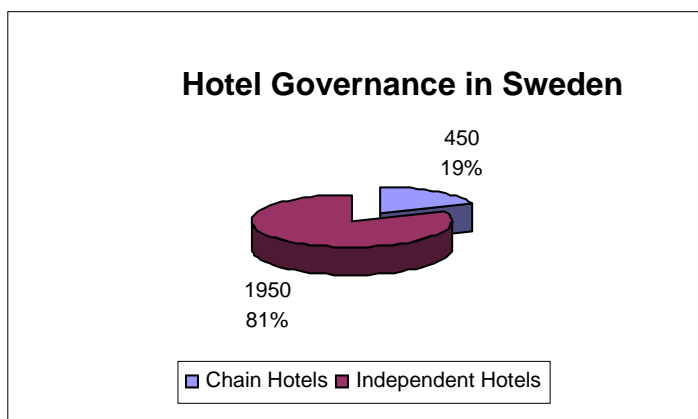


Figure 1) Hotel Governance in Sweden 2006

There is however another profile for the total hotel room supply in Sweden for the year 2005. The statistics here are from one year earlier, but there are no reasons to account for a drastic change in the statistics or within the industry.

Although the share of chain hotels in the absolute number of hotels is limited, they do represent a larger share in the total hotel room supply. The total hotel room supply in Sweden includes for 17% rooms belonging to an integrated Swedish hotel chain; for 36% rooms belonging to an International integrated hotel chain; for 37% rooms belonging to independent hotels; and for 17% rooms belonging to voluntary marketing initiatives (Granhed, 2006). Apparently, those hotels that belong to a hotel chains are larger in comparison to the independent hotels⁵.

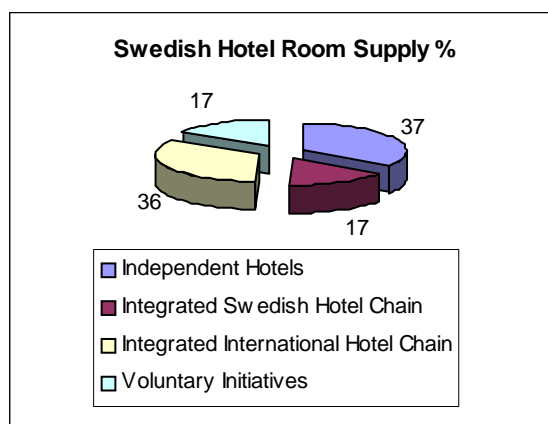


Figure 2) Hotel Governance Groups within the Swedish Hotel Room Supply in Sweden 2005

More statistics from Granhed (2006) demonstrate that the hotel chain properties can especially be found in the main cities in Sweden, namely Stockholm, Göteborg and

⁵ The average hotel in Sweden has 54 rooms and the largest share of the hotels (1057 hotels) has less than 50 beds (Statistika Centralbyrån, 2006). This may indicate less than 25 rooms per hotel, when considering all rooms as double rooms. In the areas of Stockholm and Göteborg the largest share of the hotels has over 200 beds per hotel, meaning 100 hotel rooms or more.

Malmö. These cities have a market share of 25% in terms of hotel properties. The growth of the industry is mainly acknowledged in these cities, as a result from increased business and conference activity there. Below a rough division can be found between independent and affiliated hotels⁶ as well as an overview of this division per geographical area.

	Total:	Independent:	%	Affiliated:	%
Stockholm	292	213	73%	79	27%
Göteborg	112	82	72,3%	30	26,7%
Malmö	94	69	72,4%	25	26,6%
Västra Götaland	277	187	67,5%	90	32,5%
incl. Göteborg					
Rest of Sweden	1906	1673	86,1%	233	13,9%

Figure 3) Division of Independent and Chain Hotels Geographically in Sweden 2007

The guests that visit both these independent and chain hotels, are for 80% of the guest nights Swedish. They are in particular from the business market segments during the weekdays. The foreign market segments visit Stockholm, Göteborg and the region of Västra Götaland.

1.4) Rationale and Purpose of the Research

The core essence of the previous paragraph is that most hotel properties in Sweden do not belong to a certain hotel chain or hotel group. Statistics, facts as well as the input of professionals from the Swedish hotel industry confirm this⁷. This has also been acknowledged by comparing the number of independent hotel *properties* with the affiliated *properties*.

However, Granhed (2006) demonstrated by means of statistics that the major hotel room supply still comes from the various hotel chains. Chain hotels are therefore larger. Furthermore these chain hotels are mainly situated in urban areas, which have a more competitive situation, while serving more foreign guests in these locations. Size and location could thus be possible explanations for the differences between chain-affiliated hotels and independent hoteliers. But what about those independent hotels that are also larger and located in the cities. Why are those still independent?

Independence and affiliation can be considered a two-way process, in which there is an interaction between the hotel property and the hotel chain. The hotel chain can be one part

⁶ This division has been made after an evaluation of the location of hotel chain properties in Sweden This includes information from Accor Hotels, 2007; Best Western Hotels, 2007; Choice Hotels, 2007; Countryside Hotels, 2007; Ditt Hotell, 2007; Elite Hotels, 2007; First Hotels, 2007; Hilton Hotels, 2007; LHW, 2007; Nordic Hotels, 2007; Norlandia Hotels, 2007; Park Inn, 2007; Radisson SAS Hotels, 2007; Rezidor SAS, 2007; Rica Hotels, 2007; Scandic Hotels, 2007; SLH, 2007; Spar Hotels, 2007; Svenska Möten, 2007; Sweden Hotels, 2007; WorldHotels, 2007.

⁷ Based upon interviews with Arnek (2007) and Palmgren (2007), as well as statistics from Granhed (2006).

of the explanation towards the question of why hotels in Sweden are more independent. It might be very well possible that the hotel chains in Sweden are not be interested in all of the individual hotel properties. On the other hand, one may wonder whether the division between chain-affiliated hotels and independent hotels in Sweden is related to external market and demand conditions, and/or environmental forces in Sweden; or whether it is a distinct internal choice from the individual hotel property owner and/or manager to remain independent.





Although the perspectives of both the hotel chain as well as the hotelier in the two-way hotel governance process are very interesting to investigate, the perspectives of the hotel chains about hotel governance have been explored before in traditional previous research. Moreover, since the number of independent hoteliers is way larger than the number of chain properties in Sweden, it would make more sense to begin with exploring their perspective and situation. The general purpose of this study is thus to understand why hoteliers in Sweden are merely independent in a situation where they, according to existing theory, should be affiliated. The study should expand and enrich the existing traditional literature upon the hotel governance decisions from independent hoteliers and should remove the research spotlight from the hotel chain towards the individual hotelier.

Thus, the core concept of this study is hotel *governance*⁸. The most well-known governance strategies within the hotel business include independent hoteliers, consortia and/or platforms, franchises, management service agreements and fully-owned equity chain hotels. Although there has been made a clear distinction between these hotel governance strategies, none of these governance forms is better than the other (Chandler, 1962; Zajac and Yin 2004). The choice for a certain form of governance within a business determines how strategy is being developed and how it is being deployed in action (Chandler, 1962; Johnson and Scoles, 2002; Mintzberg, 2004; Yin and Zajac, 2004). It is therefore not the purpose to judge upon the governance form, but rather to create an understanding of one of these governance forms, namely independence.

⁸ Governance discusses the organizational form that a business pursues (Yin and Zajac, 2004) and has been defined as ‘*diversity and comparative structures, processes and performance of allocation mechanisms and organizational forms ... It can be said as the way agents manage their common affairs*’ (Elsner and Schoenig, 2005 pp.71-72). However not all organizational forms will fit all strategies (Chandler, 1962). Together with Hellriegel, Jackson and Slocum Jr. (2002), Johnson and Scoles (2002) and Mintzberg (2004), most authors agree that one of the dimensions that business strategy touches, entails the form of *governance* or also called the control or organization within a business.

1.5) Desired Findings of the Study

Based on the above discussions of the research problem, the rationale and the purpose this research, the following findings are desired to be obtained in the end of this research process.

-  *An understanding of what hotel independence is and entails.*
-  *An understanding of why hoteliers are independent, while they actually are supposed to be affiliated according to existing theories upon hotel governance.*
-  *An understanding of the motives of hoteliers in Sweden to remain independent.*
-  *An understanding of the perspectives of hoteliers in Sweden upon affiliation and hotel independence.*

1.6) Practical Importance for Professionals

This research will focus first towards the hoteliers and hotel chains in Sweden in order to provide them with a framework that they will be able to use in their strategic decision-making development process of hotel management and hotel governance. In a competitive and developing hotel market these considerations are of great importance for further business success, since strategy and governance are inter-related concepts. Independent hoteliers and hotel chains will gain an understanding into the dynamic process of hotel governance and into which motives affect especially the independent hoteliers in this process. Chains can thereby improve their understanding of the individual hotelier when demonstrating their interest in the hotel property. Moreover the independent hotel will gain a better understanding of its business and decisions towards independence and affiliation.

Second this research aims to oppose and challenge the traditional viewpoints upon affiliation as well as filling the gap that is present in the literature concerning strategic hotel governance development. This gap deals especially with the considering of why the independent hoteliers decide to remain independent. More specifically it targets the gap in the literature concerning the matter of why hotels remain independent even though they actually are supposed to be affiliated based on current functionalistic perspectives.

1.7) Disposition of the Work

This introductory chapter will be followed by a theoretical framework about hotel governance, affiliation and hotel independence. Governance forms will be discussed as well as the considerations of independent hoteliers in their business. In chapter three the methodology of this study is discussed and in chapter four the empirical data are presented. The last two chapters will analyze and discuss these results, and lead to a conclusion.

Chapter 2) Theoretical Framework

This part of the thesis work will focus upon the literature that has already been discussed in relation to hotel independence and hotel governance strategies. The various levels of independence as well as functionalistic and subjective perspectives towards hotel independence will be explored.

2.1) Levels of Hotel Independence

Independence has been defined as “*being free from outside control and not connected with another separate*” (Holmes and Gibson, 2001 p.8). Control of the own time, flexibility as well as the freedom of one’s own work are core characteristics of this independence. It is very rare in an independent situation that business ownership and management are separated entities. Moreover the owner’s personal objectives will guide and direct in so doing the business decisions. Small business enterprises (SMEs) as well as family-owned businesses have been defined by Holmes and Gibson (2001) as organizations with high business independence, and characterize the definition of independence.

2.1.1) Defining the Independent Hotelier

There is no commonly accepted definition of the independent hotelier (Morrison and Thomas, 1999). Holverson and Revaz (2006, p. 400) describe the independent hotelier in Europe as “*for the most part, SMEs owned and managed by families and/or entrepreneurs*”. SMEs as well as family-owned businesses represent the largest share among the independent hoteliers worldwide (Holmes and Gibson, 2001; Hughes, 1999). This definition does not cover all. Morrison (1998) in Holverson and Revaz (2006) adds the following definition of an independent hotelier: “*It 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*”. This organizational form does not resemble a miniature version of the larger hotel companies and requires thus a different strategic approach (Morrison and Thomas, 1999).

Independent hoteliers are different from other hotel governance forms in terms of their lifestyle and family-oriented objectives, allowing them to keep control over key decision-making (Holverson and Revaz, 2006). Economic objectives are often not constituted as the primary goal of these entrepreneurs. Morrison and Conway (2007) created a table with definitional features of the independent hotelier, also called the small hotel firm. “*The*

population of small hotels consists of atomistic, micro and small organisations, operating within a local marketplace, employing labour-intensive traditional hospitality practices. First, Independent hoteliers have a lower number of employees, often employing family members. Second, they have a limited number of facilities and services. Third, invested capital, market share, level of operation and profits obtained from these operations in the hotel are minimal.

Although there may be quantifiable characteristics, qualitative features have been acknowledged in relation to the independent hotelier (Morrison and Conway, 2007). The hotel’s orientation and motivation arises from personal and social backgrounds, and the management style and structure is considered informal. Furthermore, social rewards are more important than economic ones. Moreover, ownership is held by the hotelier self with a personalized service orientation and high levels of commitment.

Quantifiable	Qualifiable
Number of employees and family members	Business orientation and motivation
Physical facilities and services provided	Management style and structure
Financial investment and statistics	Ownership configuration
Market share and level of operation	Service orientation and commitment
Economic rewards	Social rewards

Figure 4) Characteristics of the Independent Hotelier

2.1.2) Independent Hoteliers and the Hotel Consortium

The second level of independence includes more voluntary collaborations. Already in the 1980s Littlejohn (1982, p. 79) used the term hotel consortia as a general description of certain types of affiliation. A hotel consortium has been defined as “*an organisation of hotels, usually, but not necessarily owned autonomously, which combine resources to establish joint purchasing/trading arrangements and operate marketing services. These aims will often be achieved through the setting up of a centralised office whose activities will be financed through a levy/subscription on member hotels*”. The initial purpose of hotel consortia was related to the appeal towards the customer that the hotel was still independent and could provide its own uniqueness. The hotel consortium will keep control over purchasing, branding and reservation systems, while the independent unit controls all other aspects (Cunill, 2006; Dahlstrom et al., 2002).

Members of consortia are in general small independent hoteliers in the down-scale market with a rural location (Slattery et al., 1985). More and more, smaller hotels are

increasingly becoming part of an affiliation (Morrison, 1998). The number of independent hoteliers in the consortia was way in this manner larger than the number of hotel chain properties.

The increase of revenues and the reduction of costs are the general motives for the hotelier to join into a consortium. Hotel consortia can then be established because of five overlapping purposes (Roper, 1993; Slattery et al., 1985). These five purposes include marketing purposes; marketing and purchasing purposes; referral purposes; human resource purposes; and reservation features purposes.

Traditionally consortia have always been placed at an equal level with the hotel chain (Roper, 1995), however this may be questioned in relation to the definition of independence. Hancock (2007) noted that these consortia are the key answer towards the possibility for independent hoteliers to remain independent in a society where brands are creating a competitive advantage. Rather than reducing a firm's independence, it is argued that consortia will actually enhance it, because it helps the hotelier to survive (Morrison, 1994). One must notice though that hotel consortia differ among each other in degree of formality, membership relationships and ownership (Morrison, 1994).

2.1.3) Chain-Affiliation

Less independent governance forms include franchising, management service agreements and integrated hotel chains. They are grouped under the term chain-affiliated. A hotel chain can in general be determined upon as one that has an equity stake in other properties, or operates a hotel that actually belongs to another hotel property owner (Contractor and Kundu, 1998). Equity properties are those that are directly owned by the hotel firm, while those that are non-equity properties do not require equity investments from the chain. In the hotel industry the most common form of hotel governance includes franchising and management service agreements (Contractor and Kundu, 1998). Together these forms take up a larger share of the international market (Chathoth and Olsen, 2003). Franchising can create faster penetration into the market (Goff, 2005), which might be unknown (Aronson, 2007) without requiring high investment capital (Butler and Pidd, 2006; Conti and Micera, 2006). *“Capital-intensive elements (such as real estate) can nowadays be separated from the knowledge-based or managerial expertise elements of competitiveness”* (Contractor and Kundu, 1998, p.326).

Franchising is the *“granting of a license for a predetermined financial return by a franchising company (franchisor) to its franchisees, entitling them to make use of a complete*

business package, including training, support and the corporate name, thus enabling them to operate their own businesses to exactly the same standards and format as the other units in the franchised chain” Altinay (2006, pp.108-109)⁹.

Franchising is selected by a hotelier to access scarce resources. Franchisors want to limit their monitoring, risks and agency costs in each business unit (Combs and Castrogiovanni, 1994). The franchisee has control over the daily management as well as the physical assets of the hotel property (Contractor and Kundu, 1998). However, the hotel firm trains, guides and shares knowledge with the franchisee. They also set the standards, brand and reservations systems. The hotel firm earns fees compared to the revenues and profits of the hotel property (Vargo, 2006). The reduced level of control and freedom for the hotelier thus decreases the level of independence.

A management service contract is “*a long-term agreement of up to ten years or even longer, whereby the legal owners of the property and real estate enter into a contract with the hotel firm to run and operate the hotel on a day to day basis, usually under the latter’s internationally recognized name*” (Contractor and Kundu, 1998 p. 329). The hotel chain controls the management, codified strategic assets and tacit expertise. The hotel chain will earn fees that are usually a percentage of revenues created, called productivity rewarding (Lynn and Hazinski, 2005). Management service contracts can be valuable when the expertise of the company is of more value (Eyster, 1997; Langston, 2005). In franchising and management service agreements, the hotel firm will have reduced financial risks and it can benefit from locals and their knowledge. The hotelier in its turn has a reduced level of independence.

The lowest level of independence for the hotelier is considered to be in an integrated hotel chain. A fully-integrated hotel chain owns the physical assets as well as all other assets of the hotels. Fully-owned hotels offer the chain the highest level of control upon daily management, quality, physical assets, tacit expertise and codified strategic assets such as the chain’s brand and reservation system (Contractor and Kundu, 1998). An equity stake can however not be dissolved easily in comparison to non-equity properties. The hotel firm will instead earn full profit (Goddard, 2002).

⁹ Similar definitions can be found in Combs and Castrogiovanni (1994), Cunill (2006) and Rushmore (1999).

2.2) Functionalistic Perspectives of Hotel Independence

Functionalistic approaches are generally considered to be objective and realistic (Holmwood, 2005). It allows characterizing phenomena along comparative dimensions, which can be generalized and are stable over time. Functionalism aims to understand phenomena based upon function, rather than upon aesthetics. Phenomena thereby occur, because they have a function or a natural purpose. Applying this to hotel governance theory and more specifically to hotel independence theory, the existing theoretical framework has discussed its phenomena in relation to theories that appear normal and functional. They serve as a function for the selection of an organizational form within the hotel industry. Resource based theory, agency theory and transaction costs theory are generally accepted towards understanding the function of hotel governance and hotel independence.

2.2.1) Resource Based Theory

Independent hoteliers are said to “*suffer from human, financial and technological resource poverty that restricts the ability to reinvest in innovation, renewal and modernisation of existing products and services*” (Morrison and Conway, 2007 p.56). Apparently independent hoteliers have fewer resources than hotel chains have. Resource based theory discusses that actions taken by businesses are dependent on accessing valuable resources that this business does not own (Altinay, 2006; Conti and Micera, 2006; Das and Teng, 2000; Preble et al., 2000; Wernerfelt, 1984). In resource-based theory, it is about resource efficiency and the resource dependency upon those firms that own the resources (Dimou et al., 2003).

Affiliation can provide the opportunity for the independent hotelier to acquire scarce and core resources, or to use these resources more efficiently by creating economies of scale. Under certain circumstances this may be necessary for the hotelier. Resources include physical capital, human capital and organizational capital (Barney, 1991). Quality competence, organizational competence, brand and reputation and physical competence can create competitive advantages for an organization.

In line with the essentials of resource based theory, the choice between hotel independence and affiliation is dependent upon acquiring those resources that can create a competitive advantage for both parties in the collaboration. When resources are all homogenous, no competitive advantages can be created (Barney, 1991). Rather heterogeneous, rare and valuable resources can make a competitive advantage sustainable. Thus, those resources that an independent hotel possesses, as long as others do not possess

them or if these are differentiated, can create a sustained competitive advantage and thereby reduce the need for affiliation. History, personality and reputation are resources that cannot be imitated. The decision for a certain governance strategy depends on an evaluation of the resources that the independent hotelier is having and lacking and what a hotel chain can offer

in return (Chathoth and Olsen, 2003; Farwaha, 2001).

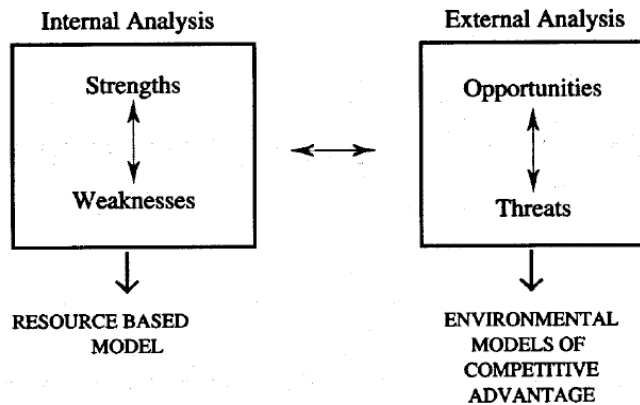


Figure 5) Resource Based Theory

Independent hoteliers should consider its resources. They have strong resources, but are also missing some. Whether resources are strong or weak is depending

upon the environment one is in. The environment makes that resources can create a competitive advantage. Affiliation could change this position by providing resources to the hotelier (Barney, 1991).

There have been acknowledged general hotel characteristics that affect the resource need. Location and hotel size are two of these characteristics. Independent hotels tend to be smaller than affiliated hotels (Chathoth and Olsen, 2003; Slattery et al., 1985). It is easier for the hotelier to fill the hotel rooms in a smaller hotel than in a larger hotel. Simply stated, a larger hotel has more rooms to sell and needs therefore more help with that by means of affiliation and the related resources of marketing.

Furthermore when hotels are smaller, they tend not to be financially attractive for a hotel firm (Slattery et al., 1985). The hotel firm lives from the individual units in terms of its revenues. The costs in such a situation would be higher for the firm than the possible profits earned from the unit (Claver-Cortés et al., 2007; Contractor and Kundu, 1998; Dahlstrom et al., 2002). Most hotels that belong to a hotel chain are larger with an unwritten rule of 60 hotel rooms as a barrier. Hotel chains are thus not interested in the resources of these smaller independent hoteliers, while the hotelier self has sufficient own resources.

The same reasoning is valid for the star classification of the hotels. The higher the star classification of a hotel is, the higher the hotel performance can be expected, and thereby the greater the earnings could be for the hotel chain (Claver-Cortés et al., 2007; Cho, 2004; Slattery et al., 1985; Morrison, 1994). Lower star classified hotel properties have a lower need

for resources thereby limiting the resource need, while at the same time the hotel chain has no interest in such properties since there is limited potential for financial return.

2.2.1.1) Strategy: Standards versus Uniqueness

The independent business has both strengths and weaknesses in terms of its resources (Donnelly, 1964). If a hotel decides to remain independent, this will mean that the hotelier has to develop its own operational concepts, procedures and quality controls (Johnson and Scoles, 2002). This concept has not been tested before by other hotel properties; thus the hotelier is bearing a higher operational risk compared to units that are affiliated with a hotel chain or consortium (Cunill, 2006; Mendelsohn, 2005). However, in a hotel industry with increasing certification and classification systems, quality can already be assured (Warnick, 1993). This reduces the operational risks and the difficulty of developing operational concepts.

Although affiliation may bring on the one hand, an independent hotelier operational standards and concepts, on the other hand one should keep in mind that these are highly standardized and lack uniqueness (Warnick, 1993). Hotel chains are known for their high level of standardization. Having everywhere the same operations, staff performance and design may lose focus of the customization that customers might want. Goff (2005) describes about the necessity to set standards, however these should not be limiting the creativity of the units. Standards on the one hand provide a brand identity, consistency and guidance. However it may also disappoint travellers, who do not want the same hotel design and service while being on the other side of the world. This poses the risk of losing customers and being overdrawn by competitors (Cunill, 2006; Gunter, 2007; Holverson and Revaz, 2006).

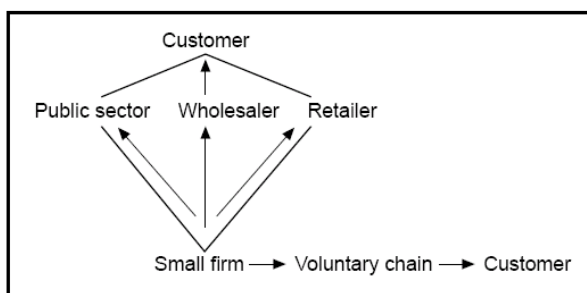
Traditional research described the value of customization within the creation of guest satisfaction (Grönroos, 1990). The trend in the business seems to go towards customization and uniqueness of the hotel concept (Cunill, 2006). The own history and identity make independent hotels unique and different from hotel chains. Morrison (1998) provides furthermore strategic suggestions for independent hoteliers. Strategies of independent hoteliers include differentiation, innovative product extension, specialization and market diversification. Holverson and Revaz (2006) discussed that when hotels remain independent they will decide themselves which niche market they will serve and what their positioning strategy will be. Creating a home away from home can enhance the customer experience (Tisch, 2007). One size does not fit all. It is very important to offer something extra and something different. Niche marketing can certainly create a competitive advantage according

to Johnson and Scoles (2002). Furthermore the hoteliers have the freedom to choose which local markets to serve best and in doing so they can control the level of customization towards the customer.

King (2003) adds that hotel chains and consortia often go for their own successes, thereby trying to maximize the value of its affiliates on a short-term base. Culligan (1995) argued that the hotel chain attempts to maximize its short-term earning from each unit, thereby trying to get as many units as possible. Units lose their uniqueness and competitive advantages, thereby taking each others' demand, rather than new demand (Brewer, 2003). An independent hotelier has thus better long-term strategic possibilities on its own.

2.2.1.2) Marketing and Branding Resources

The marketing resources have played and are still playing the most important role in the decision-making process for affiliation. Especially the lack of marketing resources for the independent hotelier has received major attention in existing literature. Marketing is the most important resource that chains and consortia possess over independent hoteliers. Blair and Lafontaine (2005) described these marketing advantages as demand-enhancing. Its goal is to increase the bookings in the hotel by attracting more customers by means of the chain's brand, GDS system, customer loyalty program and customer events (Bland, 2003; Cunill, 2006; Dahlstrom et al., 2002; Holverson and Revaz, 2006; Mendelsohn, 2005; Rushmore, 1999). Independent hoteliers will have limited access to reservation channels, chain-wide



advertising networks as well as the creation and use of a well-known hotel chain brand (Johnson and Scoles, 2002; Preble et al., 2000; Rushmore, 1999).

Figure 6) Marketing Resources of the Chain and Consortium (Morrison, 1994)

The independent hotel can make use of its own marketing possibilities (King, 2003). King (2003) and Rushmore (2004) described that it is not necessary anymore for independent hoteliers to join a hotel firm, because the Internet and third parties' reservation channels has broadened the marketing scope of the individual hotel. This replaces what a chain has to offer (Olsen and Connelly, 2000). The Internet medium has made it possible for the independent

hoteliers to be recognized and to be found by the guest. Tisch (2007) stated here that by means of the Internet hotels can go global, while keeping their hotel in local style. Louvieris and Driver (2004) add that the increasing online purchases, which certainly is an advantage for the independent hotelier, since anyone can enter the Internet nowadays. Salerno (2005) even estimates that on-line reservation systems by third parties can create up to a 30% increase in reservations, while this percentage for franchising reservation channels is only 5%.

Branding is another dimension of marketing. Independent hotels do not have a well established name and reputation that is internationally spread and known among customers. A panel of experts from the international hotel industry recognized that branding is the key to building awareness, popularity and a successful network (Bland, 2003). According to Rushmore (2001) the brand advantage is the main reason for independent hoteliers to enter into a hotel affiliation; and this explains why in a competitive and brand-sensitive market such as in the USA, over 70% of the hotels are affiliated. By means of joining into a hotel chain, a hotel owner gains instant recognition and an image in the hotel industry (Rushmore, 1999). Moreover, the increased *perceived* importance of global reservations systems and branding leads also to joining into an affiliation (Contractor and Kundu, 1998).

Although marketing research often discusses the importance of a brand, independent hoteliers can on the other hand create a brand themselves (Weinstein, 2001). Since the control in independent hotels is more direct, there is also higher control over the brand. History, identity and uniqueness can create a strong individual brand and reputation in itself (Donnelly, 1964; Holverson and Revaz, 2006). The hotel is in that way not dependent upon the performance of other units in the brand of a chain, which might not meet the brand qualities that have been determined and thus pull down the complete brand name in itself (Johnson and Scholes, 2002). A brand may not be needed at all, because this branding economy confuses and segments customers too much. Weinstein (2001) continues that customers want to break with the current level of commoditization.

Whether or not a hotelier has a need for marketing resources is depending on the locational and hotel size considerations. Rushmore (2004) stated that an extremely good location will generate demand in most conditions anyway for the hotelier. In these locations demand is more dense and popular, and thus the opportunity for earnings is higher there (Slattery et al., 1985). It requires a higher form of control in order to take advantage of this opportunity. On the other hand Combs and Castrogiovanni (1994) acknowledged that especially those locations with few repeat purchases are dependent upon brand names and marketing initiatives. This therefore means that the hotelier needs to access there resources by

means of hotel consortia, franchising or management agreements (Dahlstrom et al., 2002). In such a situation a hotelier has more problems in generating demand. The level of demand that is needed to fill a hotel property is depending also on the hotel size. The more rooms a hotel has, the more the hotelier needs to fill these.

2.2.1.3) Knowledge and Skills

A frequently used argument within resource based theory is that independent hoteliers lack knowledge and skills in comparison to hotel chains. Joining a hotel firm and/or alliance will provide the individual unit with expertise and knowledge from firms that have been in the business for many years (Cunill, 2006; Mendelsohn, 2005). Coaching by the firm's head office and assistant services as well as the acquisition of tacit knowledge are part of the deal. Training programs, coaching and internal employee development are other major advantages (Altinay, 2006; Cunill, 2006).

However, nowadays hotel managers are better educated (King, 2003). Exceptional management, knowledge and skills will not provide a need for taking on a form of hotel affiliation (Rushmore, 2004). Furthermore, hoteliers often have experience or hire expertise via third parties or networks. Moreover, independent hoteliers will be able to make use and create a competitive advantage with their knowledge of the local market and culture. This knowledge does the hotel chain not have (Holverson and Revaz, 2006).

2.2.1.4) Capital and Investments

Independent firms have limited capital possibilities (Altinay, 2006; Carney, 2005). This makes them disadvantaged in getting those resources that they need. Investments are high within the hospitality industry due to the high level of asset-specificity (Cunill, 2006; Dimou et al., 2003). Independent hoteliers will have a limited possibility to obtain finance for these investments and innovation of the business since they have a limited background (Johnson and Scoles, 2002). The owner of the property is fully responsible for the investment and will thereby bear higher financial risks. Costs and control are not being shared among different agents, thereby limiting growth perspectives. Growth for independent hoteliers is bound to their financial resources (Altinay, 2006).

Joining a hotel alliance may provide independent hoteliers with a platform for investments (Dimou et al., 2003). Warnick (1993) argues on the contrary that lenders

nowadays have realized that chain-affiliation and a brand name are however no guarantees for success. Thus, independent hoteliers should be able to access capital resources as well.

2.2.1.5) Efficiency of Resources

In addition to the availability of resources for the hotelier, the efficiency and use of these resources is an important part of resource based theory. On the one hand there are theories that state that independent hoteliers can be more efficient. Carney (2005) states here that the independent organization is often more efficient, because it handles with the family's personal wealth and the own money. Personal goals are inter-related with business purposes. People tend to be less efficient when working with other peoples' money (Bartholomeusz and Tanewski, 2006; Carney, 2005). Demsetz and Lehn (1985) state that the more concentrated the ownership of a business is, the higher the level is to which the same owner deals with benefits and costs. Since the welfare of the family is tied directly to the performance of the company, families are motivated to reduce costs. The business is often passed on from generation to generation. Therefore there is a higher motivation to maximize efficiency and value (James 1999 in Bartholomeusz and Tanewski, 2006; Chami, 1999).

On the other hand Cunill (2006) argues that it are especially the efficiency disadvantages that have high consequences for the independent hotelier both operationally as well as financially. First of all, Donnelly (1964) states that independent businesses often have poor profit discipline. They focus too much on product quality and relationship management, whereby the attention for cost control is being neglected. Secondly affiliation can bring a hotelier economies of scale, efficiency and leverage within operations and purchasing (Johnson and Scoles, 2002). The costs for the hotelier in the field of purchasing and efficiency are lowered due to the obtainance of economies of scale via contracts that the hotel chain has negotiated earlier (Blair and Lafontaine, 2005; Conti and Micera, 2006; Cunill, 2006; Holverson and Revaz, 2006). Economies of scale could be achieved via supplier negotiations, the implementation of quality controls and unified standards (Mendelsohn, 2005). Dimou et al. (2003) argued that this of great importance in an industry that is characterized by a complex logistical and supply chain. These economies of scale can be very beneficial for independent hoteliers when capital and revenues are the scarce resources and when cost efficiency is an important aspect of the business' strategy. Warnick (1993) however argued that nowadays individual hotel properties have matching or even beating purchasing prices due to its routine-based purchasing.

2.2.2) Transaction Cost Theory

Transaction cost theory has often been applied together with resource based theory in connection with hotel governance. The essence of this theory entails that in a perfect market, transactions between companies are carried out without any costs (Varamäki and Pihkala, 1997). Information would thereby be freely available and there would always be other suppliers to exchange to if another would fail. However these perfect market conditions do not exist. Transaction costs consist of finding a customer, establishment, negotiation, monitoring, coordination as well as maintaining team work. Transaction costs increase within industries with asset specificity, uncertainty and infrequency of transaction – such as within the hospitality industry. Cho (2005) discusses that transaction costs analysis should be used when evaluating different governance forms.

Establishment costs could be high for hoteliers, because the independent hotelier need to find out and finance all him or herself. The hotelier is not working with standardized options and pre-tested packages from chains and consortia. Coordination, negotiation and monitoring costs could be lower in an affiliated situation (Varamäki and Pihkala, 1997). In the networking relationship with suppliers and other third parties, the independent hotelier might be missing out on having a broker and coordinator, who gets things done in the business. On the other hand, the family firm is often characterized by good internal relations that stimulate operations as well as employee loyalty (Donnelly, 1964). The family business is capable of helping and improving the internal communication and information exchange between members in the hotel (Bartholomeusz and Tanewski, 2006). Thus in this way transaction costs may be reduced.

The costs of finding a customer are connected with the marketing resources that a hotelier has. These costs may be higher for independent businesses, since they have limited resources and less brand reputation compared to hotel chains (Varamäki and Pihkala, 1997). Hotel chains often already have access to customers and its brand is as a magnet towards attracting these customers. However if a hotelier has no difficulties in finding a customer, it would create extra costs to enter into affiliation as a result of its affiliation fees.

Affiliation fees make chain membership costly. Rising franchising fees and transaction costs may lead to a preferred higher level of business independence over chain-affiliation (Rushmore, 2004; Vergo, 2006). The increased transaction costs come from among others the continuous change of marketing and branding that is placed upon the independent units from the hotel chain as well as the doubled the time of becoming a chain affiliated hotel (Dela

Cruz, 2007). Hotel owners should be careful in considering which affiliation to join. Rushmore (2004) estimated these fees and transaction costs to take up between 8 and 11% of the room sales, by which an independent hotelier can easily market them individually. Depending on the different governance levels, the residual profit can be high or low for the hotel owner. The greater the residual profit is, the greater the incentives are to put effort in the business and to also stimulate innovation and explorative learning (Yin and Zajac, 2004)¹⁰. The independent hotel owner will receive full profits from its business and has no fees to pay to the chain (Bradach, 1998; Cunill, 2006; Rushmore, 1999).

2.2.3) Agency Costs and Control

The third theory that has frequently been discussed together with resource based theory and transaction cost theory, entails agency theory. Other theories have discussed affiliation in relation to a lack of resources and a high level of costs for the hotelier. Agency theory discusses however another side that may provide a clearer insight into why hotels remain independent. The relationship between a hotelier and a hotel chain or consortium is called the principal agent relationship (Dahlstrom et al., 2002). According to Johnson and Scholes (2002) having a corporate parent can add value to the individual family business. Value could however be destroyed when business are better off on their own, or when the corporate parent adds agency costs and bureaucracy (Contractor and Kundu, 1998).

The problem is that both parties in the relationship have often different interests, which might be conflicting and create agency costs (Eisenhardt, 1989). Within the agency theory the principal (the hotel chain) has interest in controlling the activity of the agent (the hotelier). This desire for control is related to the desire to control the service quality performance of the agent in order to produce premiums and customer loyalty, thus increasing the financial benefits for the principal. However, the interests of the agent may thereby be neglected. Not working harmoniously together as well as friction, conflict and misunderstanding lead to mistakes and costs. Conflicting interests increase the costs of monitoring and quality control from the chain's points of view, while the individual hotel incurs costs from not being able to take on own interests or taking advantage of the chain.

In order to assess the agency situation the hotelier and the chain should begin by questioning each other's objectives, attitudes, situation and possibilities (Holverson and Revaz, 2006). One should also understand where the customers for the hotel property are

¹⁰ The profit minus the fees is called residual profit in Yin and Zajac (2004)

coming from and whether these customers are interested in the hotel chain brand that could be added from getting into an affiliation with this major hotel chain (Brown and Dev, 1997; Cho, 2004). It should be considered with regards to the hotel chain what their portfolio is, strengths and reputation, requirements, quality assurance, costs and offerings. A mismatch is certainly creating agency costs (Cunill, 2006; Donnelly, 1964). Slattery et al. (1985) also discussed that the level and scale of facilities as well as the number of amenities (diversification) affects the choice for hotel governance and agency costs. Those hotel units that have more diverse and unique amenities are more independent, because they are difficult to add into a concept or an established brand of a hotel chain and/or consortium.

Above the situation is discussed between the chain and the hotelier, but one should also keep in mind the internal agency situation of the independent hotelier. There are several agents, often reflected in the different family members as well as the non-family employees in the business. These agents can have conflicting interests (Donnelly, 1964), but in a smaller independent family-owned organization there can be more control upon the non-family agents hereby reducing these conflicts. Fama and Jensen (1983 p. 306) argue therefore that family independent ownership is minimising agency costs, because the ownership is in the hands of *“agents whose special relations with other decision agents allow agency problems to be controlled without separation of the management and control decisions. For example, family members, therefore have advantages in monitoring and disciplining related decision agents. ... they have many dimensions of exchange with one another over a long horizon, and therefore, have advantages in monitoring and disciplining related agents”*.

Control theory is directly related to agency theory. According to Carney (2005) each governance structure has different implications for ownership, control and decision-making (Bradach, 1998; Cunill, 2006; Goddard, 2002). Control is an important determinant for the level of independency, it may also be considered a potential for wealth for a business (Demsetz and Lehn, 1985). A lack of control may stimulate chaos and a loss of uniformity (Bradach 1998). Control is gaining importance for hoteliers, because in tomorrow's experience-based customer (Olsen and Connelly, 2000), the employee gains importance. Consequently it is important for an hotelier to control this employee. Those hoteliers, who perceive the strategic importance of control over management and quality as high, will also be more likely under their own direct control (Contractor and Kundu, 1998).

In an independent business, the hotel is likely to be owned, managed and controlled by the same person(s). The interests between owners and managers are therefore similar, thereby decreasing agency costs and increasing control. Since the interests are similar – so-called

personalism – there tends to be less authority and corporate hierarchy. Thus, the business operates “*under fewer internal constraints as they may exempt themselves from the internal bureaucratic constraints that limit managerial authority in other modes of governance*” (Carney, 2005 p.256). This unity of ownership, management and control makes that the business is capable of reacting quickly in an increasingly hostile environment. Carney (2005) argued about the freedom that the independent-owned family firm has to innovate its organization as well as the products and services.

Hotel chains are on the other hand characterized by routines, frameworks and norms, which decrease the capability of taking advantage of opportunities and taking actions on threats. Independent hoteliers can control and select their own operations, procedures, processes, quality control systems and performance standards (Johnson and Scoles, 2002). They are not forced by a principal to take in the standards from the chain. Decision-making is not being delayed via hierarchical layers of a hotel firm. This delayed decision-making process makes that hotel chains are turned into slow organizations that cannot meet up with operational and technical changes (Bradach, 1997; Johnson and Scoles, 2002).

2.2.5) Market and Customer Principles

2.2.5.1) Markets and Competition

The previous theories have discussed the supply side of the market by means of the hotelier. However, the introduction discussed the importance of the customer and the market to create an understanding of the principles of hotel independence and affiliation. In its simplest form a market will develop there where demand and supply for a product or service meet (Hughes, 1999). As long as the demand for a certain product or service exists over its supply, supply can grow. When the supply is larger than the demand, the prices will drop and businesses in the supply side go bankrupt so that demand and supply meet. In a situation with room oversupply, there is a greater struggle for the customer (Cho, 2004). The more competitive the market is – measured by means of room oversupply – the more a hotel might be willing to join in an affiliation. Thus the inter-relationship between demand and supply will impact the level of competition in the market (Hughes, 1999).

Markets differ in the level of market concentration, the level of product differentiation and the level of market entry. The hospitality industry can, according to Hughes (1999), usually be seen as a monopolistic competition, meaning that the supply consists of many (small) firms with a few firms that have more power – especially the hotel chains. These

many firms can exist due to a level of differentiation of the product or service. Moreover in a market with more diversified businesses, the level of product and service similarity is lower. This lower similarity – also stated as heterogeneity – means that the competition may be less severe. The existence of too many chains in the market will turn against the choice for a hotel chain. Chains compete each other out and become thereby more similar and standardized compared to each other (Rushmore, 2004).

Competition is related to location as well (Goddard, 2002). The competitive situation in cities and popular locations is tough for hoteliers. Therefore affiliation will be more attractive for an independent hotelier. In more remote and less competitive locations independent hoteliers can better manage on their own (Slattery et al., 1985).

The competitive situation is also dependent upon the level of customer loyalty as well as the level of diversification of a market. Hughes (1999) argues that in a market with high customer loyalty, the struggle for a hotel to create demand is not that high. Mielal Higgins (2006) continued that this loyalty enables hoteliers to survive during both the ups and downs in the economy.

2.2.5.2) Customers and Hotel Independence

Shifting the focus to the demand side of the hotel market, it was argued that consumers are stimulated in their buying behaviour by marketing stimuli from suppliers and other stimuli such as the economics, technology, politics and culture of the customer and its environment (Kotler, Armstrong, Saunders and Wong, 2002). The buyer him or herself has personal characteristics that affect the decision-making process as well. Personality affects the preference and selection of a certain brand, based on both the customer's experience and connectivity. Certain customers buy products and services due to routine, meaning that these customers choose their regular brands. Others are looking for more variety, while another group of customers has a more complex reasoning.

Green and Kett (2004) stated that the customer is getting more independent and sophisticated (Warnick, 1993) in their decision-making. New technology, the Internet as well as the desire for more individual unique holiday experiences are underlying concepts. The customer will first recognize a need and look for information upon how to fulfil this need via the marketing tool of organizations (Blackwell and Blackwell, 2001). Alternatives will be evaluated based upon the market, the competition, the buyer situation and the word-of-mouth

information. Ultimately the final decision will be made and the product will be purchased. This purchase will be a base for new evaluation of alternatives when the need occurs again.

Purchases may be either homogenous or heterogeneous (Hughes, 1999). Heterogeneity in the underlying customer environment may help explain the choice for independence (Mazzeo, 2004). Customers have different needs and this may help explain why some hotel properties just should be independent, while it is better for others to be within a chain (King, 2003). The more heterogeneous the customers and the market are, the more niches there exist for an independent hotelier to fill. Tisch (2007) stated that an hotelier can be successful when deciding to serve multiple segments. Customer diversity creates safety and back-up for the hotelier. Means of customization are of key importance in being able to serve different customer segments.

Branding is a way to help customers create expectations as well as to steer buyers in their buyer decision-making process. Branding is a part of the customer decision-making process, but one may also question the added value of a brand. On the one hand, over 60% of the US and UK travellers stated the importance of a brand in their decision-making process towards a hotel property (Hancock, 2007). On the contrary Olsen and Connelly (2000) stated that the future's traveller does not show any brand loyalty anymore. Rather the consumer selects the property that fits best with the needs at time and the experiences required.

Well-known hotel chains are associated with their brand, while independent hoteliers often operate without a brand. Cunill (2006) argues about the pros and cons of having a brand. Preble et al. (2000) stated that a brand is a superior resource that can be obtained by means of inter-firm collaborations. A brand can make it easier for customers to recognize a certain company or hotel. Customers at the same time recognize that the brand is associated with the quality and characteristics of a product. This brand provides the customers with an image and creates therefore expectations of the hotel. In this way the risks for the consumer are decreasing, since they know what to expect. The hotel industry is very competitive and therefore a brand attract customers better – especially international and repeat customers (Cho, 2004).

On the other hand a brand can also have its disadvantages. A brand stands for consistency and creates expectations with the customer; however the intangible aspects of the service industry make that this consistency cannot always be met up with (Cunill, 2006; Sandoff, 2005). The hotel chain, which runs a brand, may have difficulties to ensure consistency of all business units, since they operate under different conditions and different local markets. Besides that a change in one of the brand units will automatically mean that all

other units should experience the same change in order to keep the brand consistency. Brand damage by one unit in the chain, may have huge negative consequences for the other chain units as well. In a worldwide hotel industry with over 140 brands, what is the difference of having a brand or having no brand? (Warnick, 1993). The branding has gone too far and has lost its sense-making of reflecting the company's values. It is not the name that defines a chain, but rather the customers' commonalities that can be measured by customer loyalty.

2.3) Subjective Approach to Hotel Independence

Actions within businesses are not always deployed based upon common sense and functionalism as discussed in most widely-accepted business theories (Hartley, 1983). Often managers and owners are supported by ideological motives rather than business sense. Where the previous sections discussed theories that “*make sense*” based on general theories about governance and business strategy, there are still independent hoteliers, whose position cannot be explained based upon that sense-making.

The Icaros paradox has defined this lack of sense-making by means of Greek mythology. The greatest asset of the fabled Greek Icaros – his wings – caused his downfall. After flying too close to the sun, his wings got destroyed and he plunged in the sea. “*Success leads to specialization and exaggeration, to confidence and complacency, to dogma and ritual*” (Miller, 1992). Initially the own ideology is what gives success to the organization. Irrationality does not necessarily have to be wrong here (Brunsson, 1982). However, over time strategies become less balanced and may cause the downfall of an organization. Although ideology is here specifically related and tested in relation to negative business performance, the paradox demonstrates that business and governance strategies cannot always be explained based on common sense.

In contemporary business wisdom, management strategy is considered scientifically and functionally (Alvesson and Willmott, 1996). Scientifically reflected, “natural” organizational behaviour and strategy would entail the pursuance of profitability, efficiency and cost control, and comes forth from a hierarchical power division and political bargaining. However, Alvesson and Willmott (1996) argued for a more cognitive and critical approach, in which the perceptions of the manager channel organizational behaviour. Although it are often marketing and financial perspectives that are considered to dominate strategic management, this is only a way to legitimize the own ideology. Thus, strategic management is undeniably ideological in its nature.

Ideology has been defined as a concept that underlies this lack of sense-making. Ideology has been widely recognized as a determinant for organizational behaviour (Hartley, 1983). On the one hand ideology is seen as a false belief with an apparent contrast to reality – a myth (Brunsson, 1982). This is also called the false-consciousness and it may lead to failure (Alvesson and Willmott, 1996). Ideology can at this point best be described as holding a blind belief in something and then holding onto that believe in defiance of logic, in spite of practical decisions, and in some cases, acting in a way that is completely against what common sense would dictates. On the other hand ideology is seen more analytically. Ideology in its character is then *“a set of beliefs about the world and how it operates, and what values and ideals are worth striving for ... ideology is the justificatory dimension of culture ... it refers to that part of culture which is actively concerned with the establishment and defence of patterns of belief and value . . . ideology names the structures of situations in such a way that the attitude contained toward them is one of commitment . . . it seeks to motivate action”* (Alvesson, 1987, pp.14-15). Ideology thus can be seen functional for a certain group or organization (Hartley, 1983).

Although there may be contrasting perspectives upon ideology, both argue that it consists of a set of values and beliefs that influence behaviour (Hartley, 1983). It levers action and dominates organizational culture (Miller, 1992). Ideologies are often substitutes for decision-making (Brunsson, 1982). Ideologies in that way define what is perceived as a fact and which facts are considered important for the organization. This affects what the business determines upon and puts into action.

Ideology may be created in several ways. First, ideology may occur as a result from conflicting situations (Hartley, 1983). Applying this to the discussion upon hotel independence and affiliation, it may be possible that this conflicting situation might foster the ideology and myth to remain independent as affiliation may create a conflict situation. Second, ideologies arise from its organizational members and the organization’s history (Brunsson, 1982; Hartley, 1983). In the case of an independent hotelier, owner and manager are often the same person and thereby may be expected to be the one that brings in the ideology in the business. Conti and Micera (2006) add here that the history of the company is an important determinant of hotel governance and independence. The history of the company can create a strong name and reputation. A good name for the hotel together with unusual amenities and strategic concepts do not generate a need for affiliation.

In this history of the independent hotelier lies often a family background as well as an independent history. The family atmosphere is reflected often in the reputation of the business

as well as in its goals. According to Donnelly (1964, p.64) in Van den Berghe and Carchon (2003) the independent family firm has been “*closely identified with at least two generations of a family and this link has had a mutual influence on company policy and on the interests and objectives of the family ... The important institutional values of the firm are identified with a family*”. Moreover, it has been argued by this author that the family in the business has more than purely financial reasons to participate in the business. It operates upon ideology. Profits may not be the main intention of the family, other goals may satisfy the owner as being the manager (James, 1999). Emotional value in this sense makes that an hotelier does not match with a chain concept by means of its ideological background (Brunsson, 1982).

2.4) Summary of the Theoretical Framework

This chapter has discussed the different levels of independence including the independent hotelier, the platform-affiliated hotelier, and the chain-affiliated hotelier. Hotel independence has been claimed to be understood as a result of functionalism theories. Resource based theory has argued for hotel independence by means of an evaluation of the hotel’s own resources and possible resources that can be obtained from affiliation in order to create a competitive advantage. Hotel independence may also be understood when considering the level of transaction costs that arise from affiliation over hotel independence. Third agency and control theory alleged for hotel independence based upon a reduced level of conflict among agents as well as a higher level of control over the business. This should improve the hotel’s performance and output. Fourth external conditions have been used as a framework for hotel independence. Hoteliers can remain independent in relation to the market and the customer background. The heterogeneity in the market – both among supply and demand – affects the possibilities that a hotelier has for independence.

Opposing these functionalism theories of hotel independence, there was attempted to create a perspective of the idea of ideology and subjective/irrational aspects that may stimulate hotel independence. It is especially this perspective upon ideology and culture that could influence the perceptions of hoteliers upon the affiliation processes as well as the environment of the business, because this study aims to understand the position of the independent hotelier that cannot be explained by functionalism considerations. Since ideology influences decision-making and action, it may be assumed that it thereby affects the functionalism theories as an underlying concept.

Chapter 3) Research Methodology

This chapter discusses how the research has been applied after the construction of the theoretical framework. The main components of this chapter are a description of the research stages as well as an evaluation of these phases.

3.1) Structure of the Research

3.1.1) Determining the Research Problem

The initial research problem was noticed while meeting with a relatively new hotel chain in Sweden. This hotel chain experienced problems in finding affiliates that were willing to join into the hotel chain. Their experience was that the level of independence for hotels in Sweden is very high in comparison to other countries. After this initial, a second meeting was planned with the responsible sales person of the hotel chain, who was responsible for recruiting new hotels. During this conversation the advantages and disadvantages had been discussed in terms of affiliation and independence. The chain concept was considered also in comparison to other well-known hotel chains in Sweden. According to the chain representative their chain was different in concept by providing more control and freedom for the independent hotelier within their chain. Furthermore, speculations had been made about possible motivations for hotel independence.

After the first initial recognition of the research problem, two other exploratory interviews were held with two representatives from two well-known international hotel chains in Sweden and in Switzerland. During these two interviews similar questions were asked in terms of advantages and disadvantages of affiliation and why they thought that hoteliers rather remain independent than that they become affiliated. The generation of ideas for the research problem from these interviews was combined with literature findings.

Literature about the perspective of the independent hotelier was limited. Since the independent hoteliers represent a large group in Sweden, it would therefore be interesting to see the research problem from their perspective. This also in relation to the problems of the Swedish hotel chain in finding interested affiliates. Moreover, the literature demonstrated the increasing level of hotel independence. Therefore the problem statement was determined as:

“Why do hoteliers in Sweden choose to remain independent?”

Based on the problem statement, objectives and the theoretical framework, it has been possible to identify several components, which deal with the phenomenon of hotel independence. Independence may be understood by functionalistic and subjective approaches. These may make it possible to classify the independent hotelier and the considerations that affect hotel independence. Ideology thereby could play an important role, since it has not been explored before in relation to hotel independence, but could however be an underlying concept for the functionalism perspective. Moreover, it should not be forgotten to investigate the interest from hotel chains, because a lack of interest from their perspective may explain the level of hotel independence. Below the following sub questions of the research problem are presented:

- 1) *What are the characteristics of hotel independence?*
- 2) *To what extent have hoteliers in Sweden been approached by hotel affiliation alternatives?*
- 3) *Which internal and external considerations affect hotel independence in Sweden*
- 4) *What is the role of ideology upon hotel independence in Sweden?*

3.1.2) Selection of the Research Design

There is not sufficiently known about the situation of independent hoteliers in Sweden to apply descriptive or causal research. Creating an initial understanding of the hoteliers' position in Sweden would therefore be more appropriate, meaning the application of an exploratory research design and in-depth interviewing techniques. Exploratory research is *“mainly used in cases where the research objectives focus on gaining background information and clarifying the research problem to create hypotheses and establish research priorities”* (Hair et al., 2006 p. 170).

Exploratory research is connected with the application of qualitative research designs. According to Hair et al. (2006 p.173) qualitative research is *“research used in exploratory designs to gain preliminary insights into decision problems and opportunities”*. Auerbach (2003, p.3) provides the following definition: *“Qualitative research is research that involves analyzing and interpreting texts and interviews in order to discover meaningful patterns descriptive of a particular phenomenon”*. Qualitative research is more and more recognized as a true foundation to build upon existing theory or to create new theories (Auerbach, 2003; Shah and Courley, 2006; Silvermann, 2001; Symon and Cassell, 1998). Qualitative research has also been selected, because of its shorter time frame, richness of data, accuracy of recording behaviours, and preliminary insights into building models and theory (Cooper and Schindler, 2001; Hair et al., 2006; Strauss and Corbin, 1990).

3.1.3) Execution of the Research

The study has made use of interviews to create an in-depth analysis of hotel independence in Sweden. Within research an interview has the aim *“to obtain information and understanding of issues relevant to the general aims and specific questions of the research project”* (Gillham, 2000 p.2 and Keats, 2000). Since subjective considerations and ideology are one part of the understanding of the research problem, interviewing seems appropriate, because it is used *“to capture a person’s attitudes, feelings and/or behaviours”* (Hair et al., 2006 p.171). The choice for interviewing seems obvious for this study ever since depth and meaning are central items, and the research aims to acquire insight and understanding. The main objectives of the interviews included the gaining of preliminary insights upon hotel independence; the obtaining of detailed and unrestricted comments; and the stimulation of having the respondent communicate as much as possible. Interviews provide at this point an opportunity to get deeper into a certain state of being and offer an excellent position within this study to get an understanding of the hoteliers in Sweden.

During October 2007, 16 interviews were held with different hoteliers within the areas of Göteborg, Västra Götaland and Stockholm. The interviewing series started with one pilot interview. This has been done to gain experience in interviewing, ask for feedback from the respondent and to have a first glance upon possible results (Gillham, 2000). The sampling process for these interviews will be explained in the next paragraph. The interviews were held in the hotel of the hotelier. In 10 cases the interview was directly with the hotel owner, while in the other cases the hotel manager was interviewed.

The selected hotel properties were phoned and asked for their participation in the research. The option of phoning was selected in order to establish a first personal contact with the owner/manager and to increase participation rate. After approval an appointment was made and a confirmation was sent by e-mail if required. The duration of the interviews differed from 35 minutes up to 2 hours depending on the willingness of the respondent to answer the questions as well as the level of depth that the interview reached.

In addition to the interviews with the independent hoteliers in Sweden, an interview with the tourist board in Göteborg – Göteborg & Company – was planned, because they perform an important role in the hotel business in Göteborg. Tourist boards offer hoteliers options in terms of marketing and networking, something that hotel chains offer as well (Goddard, 2002). These resources could perhaps take away some of the disadvantages of independence. The interview at Göteborg & Company was held with the relationship manager, who is

responsible for the contact between the organization and the hoteliers. The interview was planned for one hour and discussed the following topics:

- *The services that Göteborg & Company provides to hotel chains and independent hoteliers*
- *The contact between the company, the hoteliers and hotel chains*
- *The advantages from Göteborg & Company towards the hotels*
- *Possible factors influencing the decision-making process for hotel independence as perceived by Göteborg & Company*

3.1.4) Communication of the Empirical Data

After the interviews were held, the data had to be analyzed. “*No one is smart enough or intuitive enough to read a series of transcripts and immediately see the patterns within them*” (Auerbach, 2003 p. 41). Symon and Cassell (1998) and Gillham (2000) call this mode of coding and analysis *template analysis*. It means basically the categorization of the interview results into themes. This process has been based upon the 7 step method of Auerbach (2003), which was also discussed by Strauss and Corbin (1990).

First, after the interviews were held, a complete transcription of each interview had been prepared. During some of the interviews a tape recorder was used as addition to the writing up of the complete answers of the respondents. After all interviews were written out, over 60 pages of text had to be transformed by means of a table into different themes and constructs. In the second stage interesting ideas were marked bold and given a theme according to the theoretical framework that was researched upon earlier. Third, these themes formed the basis for a table in which these themes were presented vertically and the hotels horizontally.

In the following step the table was transformed into different levels of independence. Results for independent and platform-affiliated hotels were grouped separately to create a better understanding of what independence entailed in comparison to affiliation. Fifth, per category the variants of the answers were grouped together and dominant patterns were discovered that could create an understanding of the independent hotelier as well as its considerations and situation (Keats, 2000). Sixth, these patterns were created into a theory by combining the results in combination with the theoretical framework. Last but not least, the story was written in the next chapters.

3.2) Sampling Method

Sweden encompasses in total over 2400 hotel properties. These properties either belong to a hotel chain, hotel platform, or are independent. In terms of time, costs and resources, it is however not feasible to contact all of these properties and include them in a qualitative study. Thus, sampling has been necessary (Cooper and Schindler, 2001; Hair et al., 2006).

3.2.1) Target Population

The theoretical framework has discussed that concepts of hotel size, hotel location and the competition in the local market have an affect upon the resource need and the cost situation of the hotelier. Those hotels that are located in urban locations with high tourist attractiveness stimulated affiliation, because the competition is often harder there and since hotel chains are merely interested in these locations. Furthermore, the larger the hotel is, the harder it is to fill a hotel for the hotelier and the more potential there lies for a hotel chain. In order to exclude these factors and to have a focus upon those hoteliers that form a potential for affiliation, target hotels were selected that all fulfil these criteria. The target population can be defined as independent hoteliers that have a hotel with over 60 rooms and are located in attractive and competitive locations in Sweden.

3.2.2) Sampling Criteria

The first stage of the sampling process focused upon geographical considerations. The areas of Stockholm, Göteborg and Västra Götaland have been specifically selected, because they include the larger part of the hotels in Sweden. Västra Götaland is the largest county in terms of number of hotel properties within Sweden, namely 12% of the total number of hotels. By including the complete county into the research there could be made a distinction between urban and rural locations, since market conditions and location do seem to affect the choice for a hotel governance form. Furthermore, the two largest urban areas of Sweden, namely Göteborg and Stockholm, were included in the study. The competitive situation will be toughest there. The three selected areas represent together 681 hotels out of the 2404 hotels in Sweden (28,3%). Among these 681 hotels the city of Stockholm has a share of 42,9%, the city of Göteborg has a share of 16,4% and the area of Västra Götaland has a share of 40,7%. There was attempted to make within the sample a comparable division of these shares.

In the second step of the sampling process hotels with more than 60 rooms have been selected. The focus can be upon the non-functionalist perspectives of the independent hotelier,

by means of this selection process. Smaller hotels were namely expected to be independent, because of the lack of interest from the hotel chain, because smaller hotels are financially not attractive for chains.

3.2.3) Sampling Process

The sampling process began with the construction of a list with all relevant hotel properties. Multiple sources have been used in order to create this list. The sources independently did not fully represent all hotels. The total list with all sampling elements, which was constructed by means of these multiple sources, did however not fully correspond with the statistical number of hotels in Sweden. The number of hotels obtained by means of listing was close enough though to the official statistics and did not exceed a difference of 54 hotels from the official statistics of 681 hotels.

Three lists have been constructed, which represented each a geographical area. The starting point for each list came from the relevant tourist board for that area. On the Internet, these tourist boards present lists with available hotels. A second source came from Sveriges Hotell och Restaurangföretagare. They provided a list with all star classified and membership hotels in Sweden. However, this excluded the non-star classified and non-member hotel properties. Therefore a third source was included, namely the Eniro yellow pages of the phone directory online in Sweden.

After the three lists were constructed, each hotel had to be researched upon location, hotel size and affiliation with the help of the Internet. Those hotels in the list that were smaller than 60 hotels were excluded. Furthermore, the distinction was made between chain-affiliated hotels, consortium-affiliated hotels and independent hotels¹¹.

	Total properties	Relevant properties	Independent properties	Chain properties	Consortium properties
Stockholm	292	99	17	59	23
Göteborg	112	37	10	22	5
Västra Götaland incl. Göteborg	277	50	9	26	15

Figure 7) Relevant Hotels in the Sample





The goal of was to have as many interviews with hoteliers as possible. However, it would be too much to contact all properties by phone in terms of costs and time. Therefore a random

¹¹ The hotel chain properties hereby include properties belonging to Accor Hotels, Best Western Hotels, Choice Hotels, Elite Hotels, First Hotels, Hilton Hotels, Rezidor SAS Hotels, Rica Hotels, Scandic Hotels or Sweden Hotels. Included in the definition of a hotel consortium are Country-side Hotels, Small Luxury Hotels, Leading Hotels in the World, World Hotels, Ditt Hotell and Svenska Möten Hotels.

selection has been made of the relevant independent hoteliers and consortium-affiliated properties available for sampling. Consortium-affiliated properties have thereby been selected as well, since their appeal lies in the high level of independence. Owners and managers of these properties perceive themselves independent. Random selection has been facilitated by means of number generation in a graphic calculator. The hotels selected were called. When insufficient participation was obtained, other hotels were randomly selected to add into the sample, until a level was reached, where no time was available for more interviews. Two interviews with chain-affiliated hotels were added as a backup variable. In the sampling process it has been kept in mind that within the total sample taken there should be representative for the different geographical areas and its share in the total number of hotels.

3.2.4) Level of Non-Response

During the sampling process 38 hotels were called, including 25 hotels from the Göteborg and Västra Götaland area and 13 hotels from the Stockholm area. Out of these 38 contacted hotels, there were 16 hoteliers available for an interview. The main reasons for non response were:

 <i>No time for an interview</i>	<i>11 x</i>
 <i>No interest in the study</i>	<i>5 x</i>
 <i>Manager is not available in the near future due to holidays</i>	<i>3 x</i>
 <i>Front desk does not want to connect through with the manager / owner</i>	<i>3 x</i>

3.2.5) Obtained Sample and its Characteristics

The 16 hoteliers interviewed represented 18 hotel properties divided over 9 platform-affiliated hotels (50%), 7 fully-independent hoteliers (38,9%) and 2 chain-affiliated hotels (11,1%). The total sample of these 18 hotels represented Stockholm with 8 hotels, Göteborg with 6 hotels and Västra Götaland with 4 hotels. Important here to consider is that out of all the Göteborg and Stockholm hotels 50% fully independent. However, looking at the area of Västra Götaland, none of the hotels there was fully independent. The majority of the platform-affiliated hotels are located in the area of Västra Götaland. The chain-affiliated properties were both located in Stockholm.

All fully independent hotels were situated in an urban area, with the exception of one property. The platform-affiliated hotels were located in urban areas as well. However, a larger share was represented in the rural areas in comparison to the independent hoteliers. Out of the

rural properties in this study only 25% was fully independent. The other 75% was platform-affiliated.

Almost all of the interviewed hotels belonged to the three and four star hotel classified properties. The division between the three star hotel classified properties and four star hotel classified properties was almost fifty-fifty. When looking at the facilities of the hotels there was a large spread of the number of hotel rooms among the sample. The lowest number of hotel rooms was 62 and the highest 704. The fully independent hotels, the majority of the properties had somewhere between 60 and 90 hotel rooms. The platform-affiliated hotels were however more represented in the segment with over 100 hotel rooms.

Half of the interviewed hotels had not diversified their property with conference facilities. More than half of the fully independent hoteliers had no conference facilities. The situation of the platform-affiliated hotels was the other way around. The majority of the hoteliers did have to some extent a restaurant or bar. However among the platform-affiliated hotels there are in comparison to the independent hoteliers more properties with multiple food and beverage outlets.

3.3) Interview Development and Questions

The interviews were in-depth interviews and focused on gaining a deeper understanding. The interviews were very open and depending upon the hotel manager/owner. However the open interviews were structured by means of an interview schedule. Appendix 1 demonstrates this interview scheme. Nevertheless it must be claimed that not all interviews followed the questions strictly.

3.3.1) General Questions

The importance of an introductory phase in an interview has been acknowledged by Gillham (2000). In this phase respondents should get an idea of why they were participating in the interview, receive information on the purpose and length of the interview, and have the possibility for opening up to each other. Each interview started with a short introduction for the hotel owner/manager to make clear who the interviewer was and what the intention of the study was. There was also given a description of how the interview would be conducted and what would happen with the results of the interview. The opening questions of the interview were kept informal in order to create a comfort zone. The hotel manager/owner was asked to describe something about the hotel, its history and background, as well as to provide some

information about him or herself. Whenever possible, probing questions were asked for clarification and more details¹².

3.3.2) Market and Customer-Related Questions

After the introductory questions were asked, the interview transferred into topics related to the perceived customer and competition in the local hotel market. Questions were asked in relation to the type of customers, the marketing towards the customers as well as the competition levels in the market. The concept of competition was discussed in terms of the direct number of competitors for the property as well as the perceptions upon the concentration and level of competition in the market. The hotel owner/manager was stimulated to discuss topics of unique selling points, branding, marketing channels and relationships (soft branding) of the hotel in relation to the market and customer.

3.3.3) Independence Perspectives

The third set of questions discussed whether the hotel had been approached by some kind of hotel chain or consortium and what the reaction was upon this eventual approach. Advantages and disadvantages as well as perceptions upon affiliation and independence were examined. These questions were related to the categories of agency and control theory, resource based theory and transaction cost theory. In this way answers could be found upon how the hotel manages its resources and deals with its agents. In this category there were also questions about the resources, such as the type of reservation and marketing channels that the property uses and the perceived need for and application of branding. These variables may explain why a hotel property has decided not to add into inter-firm collaborations. Strategic considerations may also be an indicator into whether an individual unit will fit into a hotel chain or has the uniqueness to remain independent. Underlying opinions and ideology of hotel independence were representing another topic that was essential in this section of questions.

3.3.4) Concluding Questions

The last set of questions in the interview dealt with the success of the business and the key for success. Questions discussed what success meant for the owner and whether success has

¹² Probing has been used mainly in terms of clarification, seeking a next stage in a sequence, seeking reasons, and exemplification (Keats, 2000).

always been part of the hotel. To finish off the interview, the respondent had the possibility to add something that would fit in the discussion between independence and affiliation.

3.4) Evaluation of the Methodology

3.4.1) Reliability

Reliability deals in qualitative research with consistency as well as the possibility for reproducing the study (Golofshani, 2003; Joppe 2000). It is to a certain extent questionable to what degree this study here is reproducible, since it involves a qualitative procedure. Measurements may change over time as a result of environmental conditions for the responding hoteliers. Furthermore, there do were differences between the interviews held for this study. This occurred, because the interviews were very open and dependent upon the respondent. However, the research methodology has aimed for structure and consistency. Thus, reliability may be questioned.

The reliability of the interviewing is defined as “*the degree of consistency that the interview has for the person or persons interviewed – either by repeating interviews or by or by checking in the same interview*” (Keats, 2000 p.76). During the interviews each question was summarized by the interviewer and a confirmation of the respondent(s) was asked. In this way the understanding of the answer was tested and its reliability. Often questions related back to earlier answers. There is also no reason to suspect respondents to provide answers that cannot be trusted. Although these procedures have enhanced the reliability of the interviewing process, still a lack of stability in the respondents’ environment and in the phenomena investigated reduces reliability notions of this study.

3.4.2) Validity

Validity deals with the extent to which a test measures what one actually wish to measure with it (Cooper and Schindler, 2001; Hair et al, 2006; Joppe, 2000; Keats, 2000). Interviewing is often discussed as more of a subjective research method. This makes it more difficult to measure what one wants to measure. Interpretative bias and interaction bias has to be taken into account in each interview study. People might also not have told accurate truths (Gillham, 2000). Interviews about perceptions and opinions give access to a subjective rather than an objective world. This should be kept in mind when analyzing the data. Other factors that diminished the validity of the research are related to the lack of verbal skills in English by

some of the hotel owners/managers. Last, the interviewer herself lacks experience in interviewing. Thus also the validity of the research may be questioned.

3.4.3) Generalizability and Representativeness

Representativeness and generalizability deal with the extent to which results obtained represent the whole population (Cooper and Schindler, 2001; Hair et al, 2006). In this study one should take into account that only a small sample of 18 hotels has been used, which decreases the generalizability. Furthermore, the studies has been undertaken during a market situation in which there was high customer demand. This may not be comparable to perceptions that would have been measured under other market conditions. Moreover, only a limited number of areas in Sweden could be accessed for the interviews. This thus means that results may not be representative for the rest of Sweden. Last, since the sample discussed hoteliers with more than 60 rooms in a competitive and urban environment, the results and analysis of the data may only be representing this share of the hotels in Sweden.

Auerbach (2003) also suggest the term justifiable when relating representativity to qualitative research. For research to be justifiable it must be transparent, communicable and coherent. One does not need to agree, rather understand. There has certainly been made attempts here to explain the research process and results in order to make it transparent and communicable for the reader, professional and future researcher. The analysis of the interview data has also attempted to be coherent to what has been answered by the respondents and what is actually happening in the hotel industry in Sweden in terms of the discussion of hotel independence.

These considerations have to be taken into account when continuing with the following chapter about the empirical data of the interviews.

Chapter 4) Empirical Data

This fourth chapter will present the empirical data that were obtained from the interviews with several hoteliers in Sweden.

4.1) Perspectives of Independence

Although the research certainly has no statistical and quantitative purposes, it is interesting to begin this chapter with the following observation. Where initially the statistics demonstrated an independence level of 81% in Sweden, the relevancy percentages are lower¹³. These relevancy figures arose from the sampling process. Around 8% of both the platform-affiliated and fully independent hotels in Göteborg, Stockholm and Västra Götaland are properties with over 60 hotel rooms. This percentage is 53,8% for chain-affiliated properties. It is however a discussion whether platform-affiliated hotels are independent or not. Nyman (2007) from Göteborg and Company perceives these hoteliers as affiliated. However all hotel owners and managers from the platform-affiliated hotels felt they were independent. Whether the level of independence between fully-independent hotels and platform-affiliated hotels differs will be elaborated upon in the coming paragraphs.

	Fully Independent:	Platform-affiliated:	Chain Affiliated:
Göteborg			
- Initial		82	30
- Relevant	10 (12,2%)	5 (6,1%)	22 (73,3%)
Stockholm			
- Initial		213	79
- Relevant	17 (8%)	23 (10,8%)	59 (74,7%)
Västra Götaland			
- Initial		187	90
- Relevant	9 (4,8%)	15 (8%)	26 (28,9%)
Total		1950	450
- Initial		482	199
- Relevant	36 (7,5%)	43 (8,9%)	107 (53,8%)

Figure 8) Initial and Relevant Hotel Governance Situation in Sweden

4.2) Potential Interest from the Chain

The fully independent hotels are all not affiliated to some kind of marketing and distribution platform or a hotel chain agreement. However, this does not mean that they are out of the affiliation picture. Nearly all of the fully independent hotels have been contacted by a hotel

¹³ Relevancy includes hotel properties with over 60 rooms in a competitive and demand attractive environment in Sweden.

chain or platform for affiliation. Franchising and platform-affiliation were thereby prominent. Names such as Sweden Hotels and Best Western Hotels were most often stated. Only one independent hotelier could potentially be interested in joining a marketing platform or a hotel chain. This could be a consideration if a chain would come by with an “*impressive*” name such as Best Western Hotels or Scandic. However, this chain has not contacted the property.

Looking at the platform-affiliated respondents, all are member of a platform. However, not all of these properties have been contacted by a hotel chain. Approximately half of these hotels had been contacted by a “*real*” hotel chain for affiliation. Again, the names of Best Western and Sweden Hotels emerged as most frequently stated. A few of these platform-affiliated hotels could potentially be interested in chain-affiliation.

4.3) Independence versus Affiliation Considerations

This paragraph discusses what the hoteliers’ feelings and opinions were about affiliation and independence. Furthermore, factors are discussed that were perceived to have an influence upon these views.

4.3.1) Ownership and Background of the Hotel

History, ownership and the background of the hotelier can have an impact upon ideology and the affiliation preferences (e.g. in Conti and Micera, 2006; Donnelly, 1964). A large majority of the interviewed hotels included family-owned properties. It was obvious that all of the fully independent hotels are family-owned. However, only half of the platform-affiliated hotels are family-owned. The remaining hotels were owned by investment organizations or private owners. None of the chain-affiliated hotels was family-owned.

Shifting the picture from the ownership structure to the management of the property, it appears that those hotels that are family-owned are with the exception of one property also managed by family or friends of the hotel owner – the so-called unity of ownership and management. The preference for keeping ownership and management both in the family has been worded as following.

“When my sister moved to Peru, we hired a hotel manager. But this was not that good, because we wanted the hotel to stay within our family and breathe a family atmosphere” (Hotel 3)

Out of the fully independent hotels there was only one of the properties that is managed by an external manager. In this case the family was however included as an advisor of the board. The family-owned platform-affiliated hotels are all managed by the

family. The platform-affiliated hotels that were non-family owned were managed by an externally hired manager or an investment organization.

In addition to the ownership background, the history of the hotels had a divided mix with dates going back to the 1970s, 1980s, 1990s and the 21st century. Interesting though here is that the majority of the fully independent hoteliers and platform-affiliated hoteliers started a hotel from nothing, while those who took over a hotel chose a property with a history dating back to the 17th, 18th, 19th and beginning of the 20th century. History had an important role upon the reputation of the hotel as well as the ideology of the property. In this light, the owner of one of the hotels reports the following story:

“The place is very old. In 1727 it was built. There is a health spring at this place and people came here to drink this kind of healthy water. This water is still exclusive here for the guests. In the 16th century the Swedish government was very jealous on the Spa and health spring in Belgium and Germany. So they went to do some research there. They found out that all of them were based on water that was rich in minerals and people bathed in it. They took an order to look around whether there was also something like this in Sweden. This water here was already very popular since 500 before Christ. It was sacred by Odin the myth god. In the 11th century when Sweden became Christen this water got forgotten since the religion was left. So in the 17th century this place opened like a kurort ... Nowadays we have some kind of long tradition and reputation. Often the guests’ grandfather was here as well” (Hotel 12)

Those fully independent hoteliers, who started a hotel from nothing were ready for something new in their life and saw an opportunity for a new hotel, because the market was lacking a hotel in a certain segment. In other words they found a niche. Some of the hotel owners had a hotel before, but a majority did not have previous experience. The hotel owners that took over an existing hotel mainly looked at the available options in the market, its location, its appearance and its possibilities. They did not necessarily have a background in the hotel industry either.

The owners and managers of the platform-affiliated hotels also stated that they found a certain business opportunity for starting a hotel. In doing so the location was an important consideration. Similarly to the fully-independent hoteliers, there were owners that wanted to do something different and were attracted by the hospitality industry. Interesting difference here is that the platform-affiliated hoteliers stated more financial and prestige motivates as the reason for establishment of the hotel property.

“I worked as a trouble shooter and wanted to make my own money out of it. There is a lot of money in this business ... I wanted to buy a bad performing hotel and fix it” (Hotel 2)

“Our investment organization buys properties with development possibilities. The properties are then improved and sold eventually later again... We mainly make a selection based upon location and property” (Hotel 4a and 4b)

4.3.2) Favouring Independence

The fully independent hoteliers were not interested in affiliation. Their ideology against affiliation includes several motives. First, the hotel owners/managers felt that it was not necessary to join a chain, because they experienced that their business was going fine. They liked the hotel as it is, as well as its independence. Some of the striking statements of the owners included the following:

“It is not necessary!” (Hotel 1) “I like the hotel as it is and the hotel works very well” (Hotel 3)

“We never considered getting in a hotel chain, because we are doing pretty good” (Hotel 7) “We don’t need it! ... We are doing quite well on our own actually” (Hotel 9)

Second, the hoteliers did not feel affiliation as something good, because it is especially the proud of being independent that influences the hoteliers’ ideology. The long tradition of being independent has fostered this proud. As a consequence this proud was also fostered by the fear of the hotel owner/manager for losing the own personality, differentiation, uniqueness and independence of the hotel. The hoteliers want to keep their property personal, small and private. This was their identity and perceived advantage

“We want to keep it private and personal ... it can be an advantage not to be in a chain” (Hotel 3)

Identity of the hotel, the hotelier and the personal background from the hotel make that chain-affiliation is no option either. Hotel chains were associated with commercialization and anonymity. Standardization was another frequent idea about what chain affiliation would involve. This over-standardization within the hotel chains has also been recognized by the platform-affiliated hoteliers. It is thereby a reason for not joining into a chain relationship.

“In larger hotel chains it is more commercial. The structure is not very appealing. You are very anonymous. Everyone knows your name, but not who you are. It is not very cosy” (Hotel 7)

“A hotel chain sounds like a horrible hotel machine” (Hotel 2)

One of the platform-affiliated hoteliers hereby argued that the standardization has a negative effect upon the level of customization and the level of customer satisfaction.

“I used to miss there – in a hotel chain – that businesses don’t take the chance to get to learn the customer and read the customer. If I come for instance in a hotel at 10 in the evening and I am

hungry, then the hotels say that the kitchen is closed. Then they don't even offer me the apple that stands on the reception desks. Then they ask me if I need something else and I say that I need to copy something. Then they send me to the copy machine, instead of offering to make the copies for me. I would love to have someone who says *Hej I can do that for you!* Here we don't care about our own needs, but rather about the customers' needs and about reading what the customers want. We meet the customer at a customer level. We step into their court, instead of that they step into our court" (Hotel 14)

Independent hoteliers felt that it was their core identity to be cosy and personal. Hoteliers feared the loss of identity when integrating in a hotel chain. Uniqueness is thus an important part of the identity and the ideology of the hoteliers, which make that the hotel can compete with and beat the chains.

"I have nothing with hotel chains. It is so impersonal! It is part of our identity here that we do not belong to a chain and I am sure that we will never be" (Hotel 5)

"Our philosophy is to own the house and the hotel, it makes it special. It is yours and you can do everything with it. If you build it up it is your values. These hotels here are an imprint of my life. I call it my museum ... But if Best Western comes here they want to put our sign down and take our and my identity. Our profit is our stable identity. These hotels are a little bit my thing. I have been collecting my things in my travelling and I didn't know there to put my stuff. So I thought about creating a home for everybody. My home is their home" (Hotel 9)

In combination with this recognition of personality and uniqueness, hoteliers discussed the importance of niche marketing. The hoteliers have been able to find their own niche in the market and thus feel that they can perform just as good as the chain. As a result they therefore felt that they don't need an affiliation.

"After 19 years of experience for the hotel we have found our own niche" (Hotel 7)

"You can't beat the hotel chains, so copying them would be devastating – so do things differently" (Hotel 3)

The ideas from the hoteliers upon the standardization of the chain and the personalization of the independent hotel cause a perceived mismatch between hotel unit and hotel chain/consortium. This mismatch would certainly create agency costs since chain and hotel are considered too different. Some hoteliers felt that they would not serve a similar concept as a chain.

"I don't really think that a chain logo like Best Western would fit on our wall here" (Hotel 5)

"It just doesn't feel right for us. They don't really fit with our business idea" (Hotel 15)

“There is this famous designer who designed the Metropolitan hotel and a couple of other hotels. This kind of hotels could never be part of a hotel chain, because his personality and life is in the design. That is what I am doing” (Hotel 9)

4.3.3) Agents, Control and Decision-Making Considerations

The previous section discussed that both the fully-independent hoteliers as the platform-affiliated hoteliers have an ideology of independence in which a unique and personal identity is being portrayed. In order to do so, control is an important concept. All fully independent hoteliers and platform-affiliated hoteliers noticed during the interviews that control upon the business is of major importance for them. This control is important according to the hoteliers to be able to execute the niche and personality concepts of the fully independent hoteliers. Affiliation would take away control for the owner as perceived by the interviewed hoteliers.

“Control is an important aspect of my work. I control 100% that we don’t deviate from our concept. We have to control what we do and don’t want a chain to control and deviate from our concept. There is precise machinery behind the scenes that determines what we do” (Hotel 7)

“I like to run and organize things ... I know what I want in my heart with my hotel and I have the image of the hotel. Everything here, the circle is all about me and my personality” (Hotel 8)

The importance of control was underlined by the following as well. Direct control meant that a hotel owner/manager could immediately decide upon actions and decisions. This control could thus lead to a better result towards the customer. It was one of the major reasons not to join into a (chain) affiliation.

“There are no five star food chains. If you want to be a number one restaurant, the owner should be on site. Look at the most famous restaurants. You cannot have ten of the same of these. The owner has to be on site to keep the standards and the quality high ... Chains can definitely do a good job, but based on my experience I think that the most extraordinary and impressive service comes from the individual hotels where the managers are on site” (Hotel 15)

“A chain tells me what to do and I want to keep it like this ... I am convinced that we can achieve the same performance towards the guests or even better” (Hotel 13)

This perceived importance of control was linked to the ability to directly make decisions and to check upon what is being executed. By means of affiliation, an hotelier would need to share this decision-making process. Hotel owners/managers of both the fully-independent hotels and the platform-affiliated hotels agreed that this sharing of the decision-

making process with other agents (the chain) would delay operations and strategy making, and thus lowering the service and the flexibility towards the customer.

“I can do that already tomorrow, while in a chain this may take years” (Hotel 3)

“It is so annoying that you need to apply for permission if you want to change” (Hotel 9)

“Our hotel works closer with the guests and is more flexible. We can quicker meet the customers’ demands and we have a quicker follow-up if something goes wrong. Chains have different policies and levels and here we don’t have that. It is much easier to make quick decisions. Some chains even have centralized complaint centres where it may take about two weeks before you get an answer on your complain. Here we want to solve a complaint within 4 hours ... Chains have centralized competence bind mainly to their chain’s head office and not in the hotels. We have the competence in house. If a conference guest needs special equipment we make the decision at once. In a hotel chain one has to go to the main office, wait for a decision, and then buy it via one of their suppliers. We can use our credit card, go downtown and be back with the equipment in 20 minutes” (Hotel 15)

In addition to the sharing of the decision-making process, hoteliers feared the dependency upon the chain. Affiliation was considered to be taking away the hotel owner’s/manager’s control thereby increasing the dependency upon the *parenting agent*.

“They (chains) take away all the control” (Hotel 1)

“You are going to be so dependent on them (chains)” (Hotel 3)

“When you join a hotel chain, you will get fast demand, but once you leave them they take away everything with them and you can start all over again ... So you get stuck as a hotel” (Hotel 2)

“No I don’t want to be in a chain. Maybe we could have a little better business, more bookings and lower prices, but I don’t like to be stuck to something. This chain people say *No, you are not stuck to something*, but they tell you all these standards and how to do everything” (Hotel 3)

Although the franchise and lease hoteliers have been added as a back-up in this studies, both seemed to agree upon the importance of control as well. However, they did not feel that they had a reduced level of control. The franchisor took care of for instance that the control of the external booking channels was secured. The hoteliers here actually felt that the chain’s standards functioned well as a control mechanism.

4.3.4) Independence and the Resource Perspective

One of the major advantages of chain and platform-affiliation recognized in the theoretical framework would be the access to scarce resources. When asking the fully independent hoteliers whether they perceived to be missing resources in their business, which they could obtain by means of affiliation, it were especially marketing related resources that were missing. Chains and platforms could provide potential international marketing channels, they can boost occupancy, and they could cause a little more bookings with 1 or 2%. However, this potential was not sufficient to select an affiliated type of governance. To a lower extent hoteliers were missing professional competence and knowledge of the chains' head offices.

Looking at how the platform-affiliated hotels perceived the lack of resources that hotel chains could provide in comparison to hotel platforms, it was noted that they lacked other resources in comparison to the fully independent hoteliers. The resources that the independent hoteliers were missing were mainly covered by the platform. Missing resources included to a smaller extent loyalty programs that could boost bookings during low occupancy periods. One hotel was missing a bigger network of contacts that chains have. Also the back-up and the economic stability of a chain during tough economic conditions was a lacking resource. Comparing those properties that perceived no lacking resources at all, the propensity was higher for the platform-affiliated hoteliers than for the fully independent hoteliers.

Even though there were resources missing, still a large number of the fully independent hoteliers recognized no need for affiliation, because they felt that there was no resource need. First, the business was going fine and hoteliers considered their hotel very successful and had thus no need for other resources that could be obtained via affiliation.

“We are a self-playing piano” (Hotel 15)

Second, if there was a resource need, then these hoteliers recognized the potential for obtaining resources via other channels. The hoteliers could obtain their resources via other channels or networks, whereby the Internet was considered a major and very important step towards the obtainance of resources.

“I believe that I have good enough help from the agencies that exists (Hotel 9)

“I believe in independent hotels for the future, because the market is so transparent with the Internet now that the chain loses its advantages” (Hotel 2)

Success and Ideology

Before continuing with a description of the perceptions and use of specific resources, a first look will be provided into the success story of the hoteliers. It was noted that all of the fully independent hoteliers and platform-affiliated hoteliers stated that their business was considered and perceived successful due to favourable market conditions and/or a unique business concept. All owners and managers could live from the business so to say. However, nearly all of the fully independent hoteliers noted that financial success was not their main driving factor or ideology. Commercial success is not more important than personal success and a sense of happiness. These owners and managers noted that it is more important to do something different in live, rather than squeezing out money from the guests. It was seen as more satisfying to have a customer leave satisfied and return, rather than to take advantage of the customer and his money

“Both financial and personal successes are important. I feel happy that I don’t squeeze out money from the guests, but rather make them happy instead” (Hotel 3)

“Financial success if not the core of starting my hotels ... We don’t want to fill the hotel and make use of the guests. We want the guest to come back to Stockholm first of all and then of course choose us. We want them to enjoy their stay with us” (Hotel 9)

On the contrary, none of the platform-affiliated hotels discussed the importance of personal success. Measures of success were for all platform-affiliated hotels the occupancy percentage and the average room rate. Profit percentages, profit and costs were discussed by a large majority as well. Perhaps, this ideological difference influences the perceptions of the hoteliers upon the need for scarce and unique resources.

Need for Marketing Resources

In terms of resource needs, marketing has always been the number one resource that could be obtained via either platform and/or chain-affiliation. However, nearly all of the fully independent hoteliers felt that they hardly used marketing or needed marketing in order to attract their customers. The low need for marketing can be explained by means of several factors. First, there is the advantage of word of mouth communications. As long as the hotel would deliver good service, the customers would come back to the hotel.

“Our main marketing tool is word of mouth commercial. This is very important for us since we are a fairly small hotel. There are high costs of getting new customers. We don’t have a big

marketing budget or large sales department either. Guests should leave our hotel satisfied. For independent hotels it is important to deliver service that is expected by the guests or even better is to be above that so that they come back to us” (Hotel 15).

Second, customer loyalty made customers flow to the hotel by means of the hotel’s reputation and/or business agreements. The considered strong name of the business would be serving as a brand. This good reputation would attract customers and enhance customer loyalty, which helped ensure hoteliers in their demand. Loyalty could also be obtained by means of business agreements with surrounding companies to secure them with business guests during the week. They thus generate a large percentage of their room nights. One hotel owner stated that she earned almost 100% of her room nights from these business agreements with surrounding companies. Third, the factor location was considered an important reason for guests to come anyway. A good location would bring customers *anyway*.

In contrast with the fully independent hoteliers, the platform-affiliated hoteliers did express the need for marketing resources. In general the platform-affiliated hoteliers were larger in size when comparing to the fully independent hoteliers. One of the owners also expressed that size had an influence upon the need for marketing.

“If you are bigger – I mean over 100 rooms – then it may be a good thing to join in an alliance, mainly because of the marketing. You must belong to something then to fill up the rooms. Especially for international marketing it is a very good thing” (Hotel 6)

The main reason for joining this platform is related to obtaining access to marketing channels. The need for marketing and the obtainance of sufficient bookings cannot be managed by the hotel itself. Channels are required to help the hotelier. Especially international marketing was a major reason for joining a platform.

“I do think that the marketing is our main reason to be in WorldHotels. We need a line to the GDS and consortia contracts and we get them via WorldHotels ... We needed a more international chain or platform in order to fill our hotel since we are one of the bigger hotels ... There is a lot of noise out there and you need to be seen. With a platform this is easier to do ... But at the moment though we need all the channels to fill all of our rooms ... they (WorldHotels) are the channel that we can market ourselves internationally. Via their reservation system we get 35-40% of our bookings” (Hotel 12)

The platform-affiliated hoteliers stated that a large proportion of their bookings came forth from platform-related marketing channels and GDS systems. The use of platform related marketing tools saved costs for the hotel property.

“We have a limited budget since we are so small, so for us the money we pay to Ditt Hotell earns what we get back in bookings” (Hotel 10)

Since platform-affiliated hoteliers retrieved their resources by means of the platform, the need for chain-affiliation was reduced and even diminished.

“There is nothing that they can give us that we don’t have. I don’t miss anything.” (Hotel 14)

In addition to these marketing tools, the platform-affiliated hotels also perceived business agreements to be important. However, one of the conference hoteliers that is platform connected, saw these agreements as dangerous. This was stated, because they make the hotel dependent upon certain customers.

“We don’t really have a pre-dominant customer. We think that the conference industry is a very vulnerable business, because in bad times businesses will cut first on their meetings and events ... We have very few business agreements actually. We don’t want a dominant customer, because it would make our business even more volatile” (Hotel 14)

To a smaller extent the independent hoteliers made use of tools such as direct sales, advertising, networking, conference organizers, travel agencies, free publicity, PR and other online channels. There was no budget to be able to finance such activities. However, there was also no perceived need for the use of extra channels either. Direct sales as a marketing tool is relatively more used by platform-affiliated hotels. Less frequent marketing channels used by a few of the platform-affiliated hotels included radio, e-marketing, newspapers, PR and media attention, travel agencies, word of mouth commercial and newsletters. Remarkable here is the limited use of word of mouth communications. This type of marketing was dominant for the independent hoteliers.

Looking at the role of the tourist board towards the fully independent hotels, it was felt that the tourist boards of Stockholm, Göteborg and Västra Götaland are doing a great job in promoting the destination. However, most fully independent hoteliers noticed that the actual bookings, in percentage of their total bookings, were not that high. An advantage though came across from familiarization tours that this tourist board organizes, whereby it markets indirectly the hotel as well. Furthermore, the tourist board stimulates cooperation and networking among hotels in the destination. Platform-affiliated hoteliers shared the same opinion.

“The good thing is that you are being shown and they have a network” (Hotel 3)

Need for Branding

Continuing with branding perceptions, the fully independent hoteliers were not missing a famous brand from a well-known chain or platform. Almost all hoteliers felt that their history and experience created a good and well recognized reputation, which attracted customers and created customer loyalty for the hotel. In its turn this reduced the necessity for marketing efforts, as described previously. A brand from a hotel chain or platform would not even fit the own personality and style of the hotel.

“After 14 years we have generated a good reputation and name, and benefit from the word of mouth marketing by our guests” (hotel 3)

“We have been here for a long time and we have build recognition. We don’t really need to fight for new customers anymore” (Hotel 15)

The need for branding has only to a certain extent been acknowledged by the platform-affiliated hotel properties. The platform-affiliated hotels can thereby be divided into two groups. The first group has selected a platform, because to be able to put focus on their own brand. Those hotel owners that perceived the importance of developing their own brand also indicated that their strong history and good reputation resulted in a well recognized name and customer loyalty. The second group though recognized the importance of adding the brand of the platform to the hotel. The brand will then be a quality guarantee for the property towards the customer.

“Svenska Möten is a nice brand and it is recognized. Good thing is also that they choose you, so that gives a signal to the customer too. The logo means something” (Hotel 14)

Where the branding was not perceived as a major reason to join a platform, the matter of chain-affiliation seems to express the need of branding. The franchise property owner was very happy with the brand and logo, which were demonstrated throughout the whole hotel. Furthermore, the brand was also a control mechanism, because guests would know what to expect from the brand and would tell the hotelier if something was not correct. The lease property confirms this point of view and adds in here that the internationally well known name is of major importance for foreign guests. They want the certainty, because they lack knowledge of the culture. However, one of the fully independent hoteliers added here that the Swedish hotel industry is mainly visited by European and Nordic guests, who are less brand-sensitive in comparison to American guests. In his perception, the need for branding should be less in Sweden.

It is only to a limited extent that the fear for brand cannibalization is being expressed as a reason for having a negative stand against chain-affiliation.

“When they think that a hotel is part of a chain they evaluate it at the level of the worst hotel. I mean with that if your first impression in a Scandic Hotel was negative, then you will never go to another Scandic, even that it may be totally different ... In my opinion, chains seem to be to have as many hotels as possible in their chain. They take on any hotel that is interested. Hotel chains also don't kick out a hotel that does not do a good job in terms of quality. The customer decides what has been a good job ... If some of the members of the hotels would do a bad job, then it should be excluded and not as now being kept in the chain. Of course this is very rare, since the hotel chain lives from the hotels in it, so the more the better.” (Hotel 15)

Other Needs for Resources

To a limited extent, hoteliers have discussed the importance of resources outside the marketing and branding scope of the business in relation to the discussion of independence and affiliation. The theoretical framework has discussed the influence of capital and knowledge resources. The assets of a hospitality property have been classified as specific and thus require a risky and large investment. In order for a hotel to grow and to exist, continuing investments in upgrades, refurbishing and expansion are required. Hotel chains and platforms can provide the hotel with financial support via investments.

The hotel owners and managers of the fully independent hotels indicated to be able to invest themselves. All of the hotel owners and managers indicated here that they have created family capital due to their background in either the hotel business or in another business. This has given them a broad basis as well as financial stability. Also the obtainance of possible bank loans seemed not to be a problem. In another situation the real estate owner of the hotel was very willing to help investing in the property.

In accordance with the fully independent hoteliers, also the platform-affiliated hotels do not seem to have problems with investing in their business. The back-up of an investment organization or private owner provides financial safety. Furthermore, a combination of bank loans and generated family capital seem to confirm the situation of the independent hotelier.

“We are investing 10 million in upgrading the hotel to match the upgrading of the area for the future ... it is from our own capital and a bank loan” (Hotel 2)

Most of the fully independent hoteliers recognized that the hotel chains have a great possession of knowledge and competence. However, the fully independent respondents still felt that this was not a reason to join into a hotel chain or platform. Hoteliers were very well

capable of creating their own network of connections, learning and knowledge. Informal cooperation with other independent hoteliers was a great help in generating field trips and in discussing problems in the market. Moreover, learning by doing and experience in the business were of great help to the fully independent hotelier.

“We have a loose cooperation with some hotels here in the area ... I appreciate this cooperation a lot more than a cooperation with Best Western for instance. It is more sincere ... We discuss travel, yield management, occupancy, knowledge, problems and best practices” (Hotel 9)

The platform-affiliated hoteliers used the platform to generate knowledge. To a smaller extent were factors such as education and experience by doing mentioned as ways to learn. The network groups in Göteborg were other sources of knowledge.

“We learn a lot from the WorldHotels Academy. We also meet with other hotels in Stockholm. We as a hotel also travel to other cities to see what other hotels do in WorldHotels” (Hotel 6).

“For us the most important feature is the networking of the platform. We are all working together. In this case the networking and the social functions are a main advantage. You can call a colleague if you want to know something and it is nice not to be alone” (Hotel 14).

4.3.5) Independence and the Cost Perspective

In addition to the resource perspective, the theoretical framework has also discussed that affiliation could have positive effects upon cost reductions. The purchase of cheaper supplies has been considered cost saving while being affiliated. However, costs were not considered a primary reason for the fully-independent hoteliers in doing business. First, the fully independent hoteliers did not discuss the costs of affiliation as a reason for remaining independent. Only one hotelier claimed that it would cost a lot of money to be in a chain. The importance of costs was thus not perceived. Second, especially in terms of purchasing some of the fully independent hoteliers recognized the importance of quality and uniqueness of the resources over cost efficiency. This desire for qualitative supplies means that there would not be obtained a fit with a hotel chain. These hoteliers thus did not want the standardized purchasing that platforms and chains can offer a hotel. It is part of their ideology upon uniqueness and *being different* that resources should not be standardized and cheap.

“But we also don’t want the standard cheap chain products and supplies anyway. This is part of our concept to have some more expensive supplies. We are for instance the only hotel in Sweden that has Björn Borg products in the bathroom. That makes us unique as well. Costs are not one of our driving forces in the business” (Hotel 7)

“Yeah in some way they can be more efficient. But in some way we are more specialized than other hotels are in for instance a hotel chain. Most of the chains have the F&B all the same. SAS for instance is deciding their meals in Brussels. They buy their wine all at the same wine suppliers. This means that they have to buy from suppliers that can provide such large volumes as well. I mean not all suppliers can supply 2000 boxes of wine for instance. They don’t order 4 boxes of course. In that way we can buy from special suppliers. We can buy for instance ecological food or buy wine from a special vineyard. We can therefore have a more interesting food menu and wine list. We have the possibility to change on these supplies as well” (Hotel 15)

Although quality of the supplies plays an important role for the hotelier, the fully-independent hoteliers also recognized that they were capable of negotiation cheaper supplies via their own network, methods and channels to obtain scarce resource as well as purchase discounts. This can be either related to the tradition and reputation of the individual hotel or it is related to the competence of the hotelier.

“And we can buy cheap supplies because of our long tradition and contacts with the suppliers” (Hotel 5) “My husband is very good in negotiating with suppliers” (Hotel 1) “We compare suppliers and buy in bulk” (Hotel 7) “Recently we got a member in the UPHO that negotiates reduced suppliers prices” (Hotel 9)

Costs play a more important role for the platform-affiliated hoteliers in comparison to the fully-independent hoteliers. First, there are some platform-affiliated hoteliers that were willing to be a part of a chain. However, the costs of affiliation and the investments that would have to be done, were too high for the property. Second cost reductions and purchase discounts have been mentioned by all platform-affiliated to be one of the primary reasons for platform-affiliation. Platforms such as WorldHotels, Ditt Hotell and Svenska Möten can arrange purchase negotiations with local suppliers. These hotel managers and owners perceive thus costs as an important part of their business. There is hardly any resistance to the statement that costs are important for the business.

“If you are not in a hotel chain, you can’t operate on your own. The distribution and marketing costs are just too high else” (Hotel 2)

“Svenska Möten looks at the overall quality and works with the safety and security. They have a purchase agreement with Norges Avtal and this already pays back our membership” (Hotel 14)

Those platform-affiliated hoteliers that did not perceive costs as importance stated that in its strategy the hotel pursued exclusivity. In this exclusive market segment the supplier power was limited.

4.3.6) Independence and Ideas upon the Customer

The introduction started by stating that the customer has often been accused as a reason for the developing trend towards chain dominance in the 20th century and towards more independence in the 21st century. In general, the purely business properties from the interviews served a merely Swedish or mixed clientele, while the leisure properties serve merely international clientele. Those properties that are having merely conference guests experienced that they had Swedish or a mixed clientele, while those properties that had business guests during the week and leisure guests during weekends and holidays demonstrated a more international and mixed clientele.

The guests that visit the fully independent hotels that were interviewed can be classified for the majority as business guests during the week and leisure guests during weekends and summer time. The other fully independent hotels had purely business guests in their business, because these hotels were located in purely business locations. Platform-affiliated hotels served an equally distributed clientele between business/conference guests and business/leisure guests. In this way the guests don't seem to be that different than other types of hotels. Although the general typology of the customer may be somewhat similar when considering all hotel properties, there were however some owners that felt that some chains served a different type of clientele.

Nearly half of the fully independent hotels had a guest base from local or Swedish origin. The other hoteliers had either a mixed or an international clientele. Also for the platform-affiliated hoteliers there is a mix of the clientele between purely international, purely Swedish and mixed customer bases.

The fully independent hotel owners/managers acknowledged on the one hand that there are always guests that need a hotel chain, while others are more adventurous and looking for something different. There is place for both in the market.

“Some of the guests need this chain-affiliation for their expectations. Some of the guests always go to a new hotel, because they are very curious. Those people think that a chain hotel is very boring. They want more adventurous hotels. You have many different types of guests” (Hotel 7)

On the other hand, another view of a fully independent hotelier was that the customer needs more and more an independent hotel.

“Our customers say oh you are not a chain members, that's unique!, while you don't here them complaint where their gold points are” (Hotel 3)

In general it seems that fully independent hotels perceive themselves different from the major hotel chains in terms of guests' needs. The hotel owners and managers of the fully independent hotels expressed that they thought that the customers prefer and need their kind of hotels over chain-affiliated hotels, because of the following reasons. Most hoteliers stated that customers nowadays needed a smaller hotel that feels like home and offers a more personalized service. Guests were also considered to demand more personality in the hotel, higher quality, and more flexibility and freedom. Furthermore, the hotel owners and managers felt that the customer nowadays is more individual. The hotel owners / managers of the fully independent hotels stated that their main unique selling points towards the customers were location, being different and personalized service. This thereby matches the viewpoints upon what the customers nowadays need. Price was not considered an important point.

“I experience that people want to stay more in a smaller personal atmosphere that is different and new. They want to be meeting the owner and this is also good for the owner, because you get instant feedback from them” (Hotel 9)

“Even if everything is perfect like in a chain, our guests would prefer the atmosphere and the personal identity. Feels more at home here” (Hotel 8)

“People want their freedom and they have more personality. Therefore they want a hotel with more personality as well. People don't want be stuck or placed in a box” (Hotel 3)

“The demand for individually branded products is increasing, since people get more individual” (Hotel 8)

“Still I think it is better to remain independent for the future. It is more like a feeling. But I think that people that are travelling around a lot want more personality” (Hotel 9)

Something that was not mentioned by the fully independent hoteliers was the importance of price and value for money for the guests. This was a more important consideration for the platform-affiliated hoteliers when asking them what they felt that the customer needed and what they could offer in return. The owners and managers of the platform-affiliated hotels acknowledged that their guests required value for money with a good ratio between price and quality. Furthermore, the quality was of major importance. Moreover, location was a major factor for the guests to select a hotel. To a smaller extent personality and identity towards the customers were considered a guest need.

4.3.7) Independence and Market Perspectives

The situation in the market can affect the level of independence. Especially the experienced level of competition is an important indicator. There were several fully independent hoteliers that announced that there was no competition, because of the booming hotel market. The market was seen as full. In that sense the demand was larger than the supply of hotel rooms.

“I don’t think that we have competition” (Hotel 1, Hotel 7 and Hotel 9)

“At the moment the demand from the guests is very high” (Hotel 15)

Since the market was perceived as full, the hotel owners stated that the importance was to have everything internally well organized. If all was internally well, guests would come anyway.

“It is most important for us and the guest to keep the hotel in great condition, to have good staff facilities so that the staff and guests stay with us. As long as we are tip and top then we don’t need to look at our competitors that much” (Hotel 9).

The perceived low level of competition was also related to location, in which no direct other hoteliers had been recognized.

“In some ways we don’t have competition, because we are the first and only time occasion for people arriving at the airport or those that need to stay close to the airport. But if we do not do a good job the first time, they won’t come back and then we will need to face competition from the hotels in Göteborg ... We can be their first and only choice” (Hotel 15)

Fully independent hoteliers did recognize that new hotels were coming in the future. This might make the competition tougher. However, this was not seen as a threat, because these hotels would not be similar according to the hoteliers. Hotel chains are not seen as competition for the independent hotel properties. The hotel chains would serve another kind of demand. They were also considered to be too boring. All chains looked the same, which made that there were too many chains and customers would choose for something else.

“We also must accept that some people just stay in a hotel chain and some just choose a family hotel. There will always be markets for both I think” (Hotel 3)

“It can even be an advantage not to be in a hotel chain, because there are already so many of them” (Hotel 5)

All the platform-affiliated hotels also recognized the good market conditions in which demand is high at the top of the economic cycle. Some of these hotel owners/managers even stated that this made them without competition at all. However, a larger group of platform-

affiliated hoteliers recognized that although the market was good, their main competitors were properties belonging to one of the major hotel chains such as Scandic, Choice Hotels and Radisson SAS. A few stated that this made the competition tough for the hotel.

Although the majority recognized the competition from the chains to a certain extent, there were also properties that perceived not to have competition. The location of the property as well as the reputation and tradition made that the competition was more afraid of them than that they were afraid of the competition. They also felt that their properties were not really in a competition rather they were complementary to other “competitors”.

“Although there is another property next to use, they are more a complement to us ... like apples and pears” (Hotel 14)

Chapter 5) Analysis

This chapter will elaborate on the previous chapter by combining the empirical data with the literature in order to be able to come closer to answering the question “*why hoteliers choose to remain independent?*”. This problem statement was specifically applied in relation to the area of Sweden. In doing so, the research questions were concerned with the level of independence within the Swedish hotels as well as the characteristics of this independence. Furthermore, the role of the chain in the governance process was considered by questioning its (lack of) interest in the independent hoteliers. Moreover, it was questioned which factors had a role upon hotel independence and in specific ideological considerations. The coming sections are clustered around these topics.

5.1) Level of Independence

Initially, it was argued by among others Farwaha (2001), Gillette (1996), Green and Kett (2004) and Warnick (1993) that there is an increasing call for hotel independence. A clear definition and understanding of what hotel independence would entail was however missing. When considering Sweden in specific, the initial statistics on the one hand demonstrated a percentage of 81% independent hotels (Arnek, 2007) opposite to chain hotels. On the other hand this might be reflected in a somewhat different picture after this research. Where this statistic first appeared to be a basis to take research upon, it now sharpens the need for a clear definition of hotel independence. It turned out that within the initial statistics upon hotel independence in Sweden, also platform-affiliated hotels were included. The actual participation and the need for participation into hotel platforms seemed higher than expected, especially when considering the relevant hotels¹⁴ in this study. Thus, independent hoteliers turn out to be more represented in the smaller hotel segments below 60 hotel rooms.

Platform hotels seem to increase their share. Looking at the relevant share of the fully independent and platform-affiliated hotels, which was calculated during the sampling process, these governance groups are equally divided in the hotel segment with over sixty rooms. In this segment the relevance of chain-affiliated hotels is higher though. Furthermore, also the tourist board in Göteborg, Göteborg & Company acknowledged that fewer hotels are being

¹⁴ By means of relevant one must consider that these are the properties with over sixty rooms located in an attractive environment. In other words, the relevant properties are the properties that have the potential for being chain-affiliated.

fully independent, rather more related to a platform. Morrison (1998) and Hancock (2007) confirmed here the growing need for and participation in hotel platforms.

In this new statistical perspective, one should begin with wondering what the definition of an independent hotel is in order to determine the level of independence of the hotels, specifically when considering fully independent hoteliers and platform-affiliated hoteliers. Apparently the statistics consider platform-affiliated properties to be independent, although the tourist board Göteborg & Company disagrees here. Interesting here is that the fully independent hoteliers perceived their situation as independent, while the platform-affiliated hotels also considered themselves independent. To a certain extent also the chain affiliated hotels – especially the franchise property – had a feeling of independence in a sense that they felt chain-affiliation not as something that they were stuck on. However, both the platform-affiliated properties and fully independent hoteliers did see chain-affiliation as a situation in which they would be stuck on “*something*”. In short, hotel owners and managers did not seem to perceive platform-affiliation as a real affiliation with a hotel chain.

One may however wonder to what extent the hotel property remains independent when affiliating with a platform or by means of a franchise? The definition of independence entails the hotel to be free from outside control and not connected with another separate entity (Holmes and Gibson, 2001 p.8). On the one hand when considering the definition of Holmes and Gibson (2001), one may conclude that all hotels are connected to some kind of other separate entity. On the other hand the fully independent hoteliers and platform-affiliated hotels as well as the chain-affiliated hotels perceived themselves merely independent. It must be noted that none of them operated in a vacuum. To a large extent third parties were involved in the business, and networks – either informal or formal – were created and used. Can one thereby conclude that no hotel is fully independent anymore? Perhaps the level of formality of the connection with the other separate can help in creating a clear definition. Platform-affiliated hotels thereby have a more voluntary connection, though it is more formal than full independence.

In contrast with Holmes and Gibson (2001), Morrison (1998) argued that hotel independence may be defined as “managed directly by the owner”. Unity of ownership and management appears to be a determinant of independence. Another answer lies in the perceived level of freedom and control for the hotelier as well as the level of voluntary participation with these third parties (Holmes and Gibson, 2001). During the interviews all owners and managers of the hotel properties stated that they were satisfied with their current

governance situation, because they had their desired level of freedom and control. Can all hoteliers be perceived independent then?

In order to be able to have a better view upon the level of independence and the definition of hotel independence, the main characteristics of both the fully independent hoteliers as well as the platform-affiliated hoteliers are considered. The similarities as well as differences may provide a basis for defining hotel independence¹⁵.

5.1.1) Characteristics of the Fully Independent Hoteliers

In general, the fully-independent hoteliers had between sixty and ninety hotel rooms, a low level of facilities, while being located in a merely urban environment. Second, all fully independent hotels were family-owned and with the exception of one hotel also managed by this family. There can be seen a unity of owner and manager concept that reduces agency costs (Carney, 2005; Dahlstrom et al., 2002; Donnelly, 1964; Fama and Jensen 1983). This special family ownership also means that different goals are being set up for the business. Emotional value and feeling entered into the business. Personal goals got integrated with commercial goals, especially when considering the viewpoints upon success. Fully independent hoteliers did not perceive financial rewards to be their core essence. Instead, the personal well-being, the social rewards as well as the execution of the owners' ideas were important. Third, the majority of the fully independent hoteliers started the hotel from nothing in order to start something new in life, while noticing an opportunity in the market. Thus, it were merely personal and family related motives that stimulated the foundation of the hotel.

5.1.2) Characteristics of the Platform-Affiliated Hoteliers

The analysis of the interview data revealed that the platform-affiliated hoteliers had several features in common. First, although statistically the numbers of independent and platform-affiliated properties were way larger than the number of chain-affiliated properties, still the majority of the room supply came from the affiliated hotels. Most platform-affiliated hoteliers in this study were represented in the segment with over hundred rooms. These hoteliers stated that the more rooms they had, the higher the need was to fill these rooms and thus the higher the need was for more marketing channels via either a platform or chain. This has already

¹⁵ It should be stressed though that all properties in this definition should have over sixty rooms, are located in a competitive and (tourist) attractive environment, thus having the potential for chain-affiliation.

been acknowledged by Contractor and Kundu (1998), Dahlstrom et al. (2002), Littlejohn (1982) and Slattery et al. (1985) as the core reason for platform affiliation.

Second, in addition to the size of the hotel, platform-affiliated hoteliers were more represented in rural areas, while having a more diversified level of facilities available in their property. Third, the platform-affiliated hotels were less family-owned and more often managed by non-family managers. Even if family ownership was less present in this type of hotels, the platform-affiliated hotels had in most cases unity of ownership. Family-owned platform-affiliated hotels were managed by the family, while those that were owned by an investment organization or private owner were also managed by these parties via their managers. Fourth, the majority of the platform-affiliated hotels started their hotel from scratch, because they also saw an opportunity in the market and to do something different. However, more financial and prestige motives were underlying the business. Thus, platform-affiliated hoteliers can be considered different from the fully-independent hoteliers.

5.1.3) Similarities and Differences within Independence

Previous literature has acknowledged hotel independence in relation to the unity of ownership and management (Morrison and Thomas, 1999); high level of family ownership (Morrison, 1998); smaller hotel size and SMEs (Morrison, 1998); less-formalized management structure; personal/family objectives and social rewards (Holverson and Revaz, 2006; Morrison and Conway, 2007); less importance placed upon economic rewards; as well as the limited level of facilities and smaller number of employees. These characteristics connect to a certain extent the fully-independent hoteliers as well as the platform affiliated hoteliers together. These types of hotels may be considered as independent when considering the unity of ownership and management and to a certain extent upon the level of informality and family ownership as well. In addition most fully independent hotels and platform-affiliated hotels were SMEs, even though platform-affiliated hotel properties were larger.

The findings of this study show however that there is a difference when considering hotel size as well as the personal/family background in the hotel business development. First, platform-affiliated hoteliers were larger than the fully independent hoteliers, although this can not be held statistically valid in this research work and although their size was still not large. Second, the level of facilities was higher for the platform-affiliated hoteliers. Third, platform-affiliated hoteliers had a more commercial focus than the fully-independent hoteliers. While the independent hotelier was considered to have personal/family objectives and a focus upon

social rewards, the platform-affiliated hoteliers had a higher focus upon economic rewards. This could stem from the fact that the platform-affiliated hoteliers were less family-owned than the fully independent hoteliers. In this situation, the platform-affiliated hoteliers could not be considered an independent hotel.

On the other hand, platforms have been considered to provide the appeal to the customers of being independent (Littlejohn, 1982), as well as that they enhance independence by offering resource opportunities and thus limited chain-affiliation needs (Hancock, 2007; Morrison, 1994). Unity of ownership and control are still lying in the hands of the hotel owner. Thus, these hotels may be considered as an independent hotel overall.

The discussion upon hotel independence has a consequence for the creation of an understanding of why hoteliers remain independent. To a certain extent therefore the platform-affiliated hoteliers will also be considered part of this independence, since they are included in the official statistics. In the coming section, differences as well as similarities between both forms of independence are highlighted.

5.2) Role of the Chain and the Platform

The focus on the hotelier's perception of independence is limited. Governance processes are always two-way processes. The majority of the independent hoteliers as well as platform-affiliated had been approached by (a) hotel chain(s), although merely in terms of platform-affiliation, franchising agreements and/or voluntary hotel chains. Nyman (2007) from Göteborg & Company stated that those properties with a management service agreement as well as fully-owned equity hotel chain properties are mainly hotels that were initiated by a hotel chain in their construction phase. This may explain why the hotels that were interviewed were not asked for a management agreement or full inclusion in a hotel chain. Furthermore, franchising is increasingly used within the business to obtain a fast growth for the chain in the market (e.g. Aronson, 2007; Contractor and Kundu, 1998; Goff, 2005; Rushmore, 1999). This fast growth and aggressive strategy of these franchising chains may explain why the presence of this type of chain is more present during the approach of independent hoteliers.

Although most hoteliers in this study had been approached by hotel platforms and/or chains, there was no interest from these hoteliers in affiliation. Thus, the level of independence of hoteliers in Sweden may not be attributed to a lack of interest from the chains. This also would not seem logical either, because all interviewed hotels had the

characteristics¹⁶ to be interesting for chains. Remarkable is though that a larger proportion of the platform-affiliated hotels mentioned that they could be interested in a full franchise concept in the future. However, these hotels had not been contacted by the right chains or chain-affiliation would have been too expensive by means of investments, fees and transaction costs. One explanation could be that fully independent hotels are not interested into any chain or platform-affiliation at all, while some of the platform-affiliated hotels are more interested in chain-affiliation, but have selected a platform-affiliation instead as an alternative. Another possible explanation here is the resource need, which is most frequently associated with affiliation, since chains and platforms merely offer similar advantages.

Although there may not be a lack of interest from the chain's side, it must be noted though that the names of the chains and platforms that were interested in the interviewed hoteliers included a limited selection. Certain chains and platforms were mentioned by nearly all respondents. Clarion collection, Best Western and Sweden Hotels were the top names listed. It might be that these chains are not of interest to the fully independent and platform-affiliated hotels, because they serve a totally different concept or do not have the offers and resources that these hotels want and need. In the light of agency costs, a mismatch between the concepts would not make sense and create conflicts (Altinay, 2006; Cunill, 2006; Eisenhardt; 1989; Holverson and Revaz, 2006). Thus, even if governance is a two-way process, the view of the chains cannot be regarded as an explanation to the level of independence among Swedish hoteliers.

5.3) Perceptions upon Independence: Functionalism or Ideology?

Since the chains cannot be considered to provide an explanation for the level of independence of the hoteliers in Sweden, a clearer understanding should be constructed of the hoteliers themselves. As noted in the empirical data set, all independent hoteliers did not want to be affiliated, either because they perceived that it was not necessary or that it would be harmful/negative for their business. This is here classified as the ideology of hotel management. Ideology is “*a set of beliefs and ... what values are worth striving for ... Ideology seeks to motivate action*” (Alvesson, 1987, pp. 14-15). Several reasons have been presented by the hoteliers to explain their management decision towards independence. These all aim to justify the hotel's independence and governance decision, but they are rather a part of their ideology.

¹⁶ In terms of location and hotel size.

5.3.1) Principles of the Hotel Management Ideology

Goals and Objectives

Ideology has often been recognized as the determinant for organizational behaviour (Alvesson; 1987; Brunsson, 1982; Hartley, 1983). This means that the ideology and the forthcoming goals of the hotelier will affect the identity and strategy of the business. Ideology stems from its organizational members (Hartley, 1983). For both the fully independent and the platform-affiliated hotels the unity of ownership and management indicates that the ideology stems from the owner. When regarding both the fully-independent hoteliers and the platform-affiliated hoteliers as independent hoteliers, it can be stated that they hold a similar ideology upon independence. Independence is for them something to be proud of. It represents the ideology of their own personality, uniqueness and differentiation in comparison to other hotels and in particular to the chain-affiliated hoteliers. Within this ideology, affiliation is seen as something negative and something to fear. This is the fear of losing identity, personality and the fear of standardization.

A core value of the independence ideology was according to the definition of hotel independence the pursuance of personal non-commercial goals (e.g. Donnelly, 1964; James, 1999; Morrison and Conway, 2007). This is where the difference between platform-affiliated hoteliers and fully-independent hoteliers can be recognized. While all hotels perceived themselves successful, they measured success differently in terms of reaching both personal and commercial goals. On the one hand, the majority of the fully independent hoteliers stated that earning money at the costs of the customer was not their main priority. Personal success was also of importance for the owners and hotel managers of fully independent hotels. Certainly the hoteliers had to make a living, but the hotel was merely something personal and excessive profits or cost reductions were not priority. On the other hand costs and cost control were not perceived as important. Cheaper purchasing and marketing channels were not important for the hotel in order to reduce costs. In doing so there are no reasons to enter into an affiliation. The feeling of pleasure and personal values were more important over the feeling of finance and prestige.

The prioritization of these personal non-commercial objectives does not match with functionalistic management ideology in which commercial goals and power are being pursued (Alvesson and Willmott, 1996). Perhaps in this way the hotel management ideology of the fully independent hoteliers is different from ordinary and well-accepted management ideologies.

Shifting however the picture towards the platform-affiliated hotels, they described the importance for their business in having a commercial focus and goal. When asking for their perceived success they immediately made a connection with profits, profit percentages, cost percentages, occupancy, rates and yield management. Most of the interviewed platform-affiliated hotels considered that costs as well as the earning of money from the guests had a high priority. The platform-affiliated hoteliers thus have a better connection in their management ideology with more functionalistic management perspectives (Alvesson and Willmott, 1996).

Although the two types of hoteliers proclaimed to have different sorts of goals for their business, it seems questionable especially of the fully independent hoteliers, to what extent it can be possible not to hold a focus upon costs and costs control. Considering the functionalistic perspective and the ordinary management ideologies, this would not make sense and would have a negative effect upon the success of the business (Miller, 1992). The natural core of each business should be the financial target (Holmwood, 2005). Furthermore, it seems “easy” to state that costs and financial success are not of major importance, especially when considering the very good market conditions in which there is a lack of room supply. It may be considered that the high priority of the pursuance of non-commercial goals for an independent hotelier to be defined by a large extent of the fully independent hotelier’s ideology in order to justify its independence. The hoteliers’ management decisions have thus been based upon the perceived success of their strategy, where it is actually another factor – the high demand – that has led to this success. This is the so-called false consciousness of ideology.

Customization and Niche Marketing

An important aspect of the independent hotel management ideology was notions of customization and niche marketing. The independent hoteliers described their hotel management as being about customization. They described the core identity as leading to a feeling of personality and cosiness towards the guests, which would create higher customer satisfaction. In this way the hoteliers discussed the application of niche marketing in their business entity. Uniqueness was the key word for them in order to create a competitive advantage over other hotels by serving a niche market segment. When applying the strategy principles of Porter in Johnson and Scoles (2002), it may be noted that fully independent hoteliers are more occupied with a differentiation and focus strategy that tries to search for a niche in the market.

Although the fully-independent hoteliers expressed the use of niche marketing, it were the platform-affiliated hotels that were more concerned with their location, price and informal atmosphere and service. The concept of value for money was of importance. Thus, for platform-affiliated hoteliers cost control and commercial goals take a higher position in their ideology. Based upon the more commercial ideology of the property, the increase of revenues as well as the reduction of costs are main motives to join into a platform as was suggested by Slattery et al. (1985).

While the platform-affiliated hoteliers expressed their higher concern with finance and commercialization, both claim to strive for uniqueness, personality and differentiation. This idea of uniqueness fosters the fear for chain-affiliation. The fear of losing personality, identity and uniqueness of the hotel and its owner as well as the fear for standardized and sterile hotel operations are strong perceptions that live in the minds of platform and independent hoteliers. Is this fear a myth or a justification for their choice? One may also wonder to what extent this strategy and these *unique* selling points make all independent hotels similar? When each hotel proclaims to serve a niche, how many niches are there actually existing in the market? Strategically these hoteliers walk the same road and are thus not unique. However when observing the properties they are differentiated by means of owner, personality, design, execution and personnel. Furthermore, it is the nature of the hospitality industry to customize as Sandoff (2005) proclaimed. Pure standardization is not possible to achieve since personnel and the customer are involved in the production of the service. Thus, claims for independence may thus be understood as a result of the hotel management ideology rather than based on functional necessity and logical sense making.

5.3.2) Viewing the Customer

Another part of the hotel management ideology and identity is how customers are perceived. It was already stated in the literature that one should understand where the customers for the hotel property are coming from and whether these customers are interested in a hotel chain before deciding upon independence or affiliation (e.g. in Brown and Dev, 1997; Cho, 2004). Although the majority of both the affiliated and the non-affiliated hotels served merely business guests during the week and leisure guests during the weekends and holiday periods; and although the division between the national and international customer segments is quite equally divided for both hotel governance groups. It is however the view upon the needs and the loyalty level of the guests that creates a pattern and further basis for analysis.

First, fully independent hotels considered themselves different from affiliated hotels since their customers were classified as needing individuality, uniqueness, personality, flexibility and something different. The hoteliers felt that their guests needed and wanted a more personalized, homey, flexible and different hotel in comparison to the standard, traditional “*boring*” hotel chain. This thus confirms the viewpoints of King (2003), Bruijstens (2007), Green and Kett (2004), Tisch (2007) and Warnick (1993). On the contrary, platform-affiliated hotels discussed more the need of the customer for value for money, price and quality, although they also recognized the perceived need of the customer for something individual and personalized. It can thus be seen that these hoteliers feel that hotel chains, platform hotels and fully independent hoteliers can live side by side, rather than competing each other out, since customers are considered heterogeneous. Customers were considered to be very heterogeneous in the market, thereby offering possibilities for niches.

Second, although all hoteliers in the different hotel governance groups described themselves to have loyal customers, it were especially the fully independent hoteliers that stated that their customers were so loyal that marketing was not necessary. This then would increase the transaction costs of possible affiliation for the hotelier (Varamäki and Pihkala, 1997). Customer loyalty was often explained by the perceived strong individual reputation and uniqueness of the hotel. The independent hoteliers argued that as long as their internal processes were fine, the customer would return, thus reducing the competition for their property. This confirms Hughes’ (1999) argument that in a market with high customer loyalty, the struggle for a hotel to create demand is not that high anymore. Individual hotels are thereby claimed to be able to hold their own loyal business during both the ups and downs in the economy (Mieyal Higgins, 2006).

Although it was especially the fully-independent hoteliers, who claimed to have guests with different needs and a higher loyalty base, the same reasoning can be noted from platform-affiliated hoteliers. This means that both types of hoteliers share the same kind of reasoning. It may however be questioned to what extent these customers are actually different and heterogeneous from customers that visit chain hotels. As Mazzeo (2004) claimed, customer heterogeneity does can provide an explanation for hotel independence. On the one hand, if the customers really are different, this may confirm the views of the hoteliers. On the other hand, if there is no actual difference between customers, customization and customer loyalty may be regarded as a part of the hotel management ideology and way of thinking of independent hoteliers in order to justify their independence. Thus, customer loyalty can correspond to their ideology of being unique and personal by serving a niche segment.

Claims regarding the importance of customer loyalty may also be questioned. First, since the hotel size of the fully independent hoteliers was smaller, loyalty may have been perceived faster. Second, it is unclear to what extent customer loyalty really matters for the running of a profitable hotel business? It seems not possible to have a loyal customer base for a hotel with over 60 rooms during 365 days a year. Thus, customer loyalty is rather a part of the hotel management ideology, a myth that justifies independence.

5.3.3) Viewing the Market and Competition

The hoteliers' understanding of the customer also affects the way they look upon the market and the competition. Since hoteliers regard customers to be heterogeneous, independent and different, there seems to be place for both the independent and the affiliated hotels in the market. In a similar way, also the supply side – in other words the hotels – was perceived heterogeneous as described in the uniqueness of the hotel. This confirms again what Mazzeo (2004) already stated earlier that heterogeneity in the market explains the affiliation choice.

The differently perceived customer needs will make that properties are in the mind of the hotelier competing with properties in their customer need segment, rather than competing with properties in other segments (Hughes, 1999). Since the customers are perceived so distinctively different for the hotel, there is no perceived competition in that segment/niche. Interesting here is that the fully independent hoteliers do not perceive competition at all since they considered themselves to be much more different and individual than other properties. Furthermore, they also perceived their customers' needs unique and different from other hotels. They perceived themselves to be in some kind of niche. Niche marketing creates thus a competitive advantage (Cunill, 2006; Johnson and Scoles, 2002). Hughes (1999) already argued that in a market with more diversified businesses, the level of product and service similarity is lower, and the lower the competition is. This low perception of competition means that fully independent hoteliers perceive no need for affiliation. It is however not certain whether there is no competition at all for these hoteliers. As stated earlier it is not sure whether there are that many niches in the market that the competition may be excluded. Moreover, it is also unclear whether the customers are actually that different that they only visit a certain type of hotel, while being insensitive to other hotels.

On the contrary, the platform-affiliated hoteliers perceived themselves to compete with chain-affiliated hotels in the same segment. Although platform-affiliated hotels considered themselves also unique and different in their strategy, they also discussed the importance of

the concept of costs and value for money. They might thus have a more rational and perhaps also realistic view upon the customer, the market and the competition. Since the platform-affiliated hoteliers considered themselves competing with the chains, they might be considered in this perspective more of an affiliated property.

Cho (2004) already discussed that in a situation with room oversupply, there is a greater struggle for the customer. The more competitive the market is – measured by means of room oversupply – the more a hotel might be willing to join in an affiliation. In this perspective, platform-affiliated hoteliers may be in a segment with too many chains. This confirms the statement of Rushmore (2004) in which the over-existence of chains and consortia will enhance the intense competition within and between chains. Moreover, the fully independent hoteliers also stated that they perceived that there were too many chains in the market. The existence of too many chains in the market will turn against the choice for a hotel chain, since chains compete each other out and become thereby similar (Rushmore, 2004).

Although the competition was perceived differently, all hoteliers confirmed the extremely good market conditions with more demand than supply. In the current market all hoteliers perceived that there was a high demand for hotels due to a shortage of supply, thus making it easier for the hotelier to attract customers. This may especially be the case for the fully-independent hoteliers. Perhaps there is an increasing demand for the independent hotel at the cost of the chain properties as stated by the hoteliers and among others Green and Kett (2004) and Warnick (1993). It might also be that the location affects the market situation. Goddard (2002) already acknowledged this relationship between location and competition. The urban locations – as they call cities like Stockholm and Göteborg – perhaps thereby offer excellent situations for generating demand for fully independent hoteliers. Or possibly this view is part of the hotel management ideology upon differentiation and uniqueness.

Whatever it may be, the great market conditions do confirm a circular reasoning of the fully-independent hoteliers. Where the own ideology is focused upon uniqueness, differentiation and the personalization of the business, this affects the way customers are perceived. The way that the customers are perceived creates a niche that allows the business to perceive a lower level of competition. Then in the actual market there is over-demand. This confirms the initial ideology, however on a false consciousness basis. This may however have disastrous effects if market conditions change. This false consciousness basis may eventually even cause the downfall of the business as argued in the Icaros paradox (Miller, 1992). This is represented in the figure on the next page.

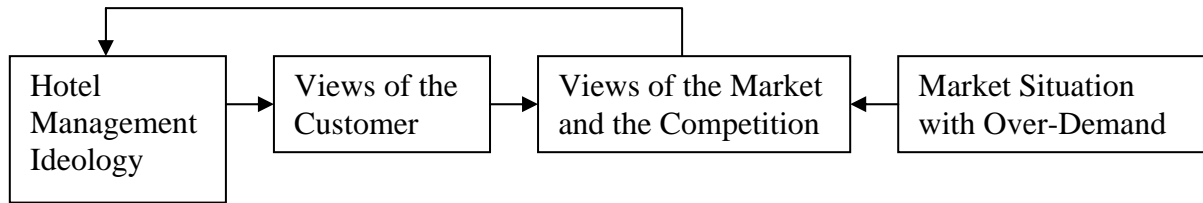


Figure 9) Circular Reasoning of the Independent Hotelier

5.3.4) Control and Agency Issues

Circular reasoning can also be seen in the views upon control. Control was considered by all hoteliers to be a factor that could create a competitive advantage. This confirms what Demsetz and Lehn (1985) already stated in terms of that control can create wealth for a business. Furthermore, all of the interviewed hoteliers perceived control as important in their business. This then confirms what Contractor and Kundu (1998) already argued. They stated that those firms that perceive the importance of control to be high, are likely to be under own control. However, it is the execution and the background of this control that turned out to be different between the independent and affiliated governance groups.

Both the fully independent hoteliers and the platform-affiliated hotels preferred to have full and direct control of the owner over the hotel's operations and decision-making processes in order to be able to guarantee quality, personality, uniqueness and quicker implementation of changes and policies. Unity of ownership and management was thus applied. Direct control can lead according to independent and platform-affiliated hoteliers to better quality and results towards the guests. Control is needed to differentiate and customize towards the needs of the guest, which in its turn was perceived as the key for loyalty. Control is a wealth for a business and thereby this has been confirmed by Bradach (1997), Carney (2005), Cunill (2006) and Demsetz and Lehn (1985).

In other words control was needed to be able to perform the hotel management ideology of being unique and different. The desire for direct control seemed related to the development of the hoteliers' own hotel concepts that only the owners had in mind and would therefore be able to implement. Furthermore, this direct control would also reduce time for decision-making. Direct control would thus minimize agency costs since there are also less bureaucratic barriers and constraints (Carney, 2005; Fama and Jensen 1983). Moreover, control was necessary in order to deal with personal needs and goals. The hoteliers that had a more personal view upon the business, perceived it important to be independent and control their own ideas.

Where the independent and platform-affiliated hotels form a group in their views upon control, it is remarkable to see that the interviewed franchise and lease property also perceived to have high control. The franchising concept kept the control over the booking channels, while operational control was kept by means of the chain standards. The lease property also perceived control high, due to the strict policies and ownership of the facilities, employees and operations. The control by means of standardization matches with the more commercial concept and the considered customers' needs (Combs and Castrogiovanni, 1994).

Back to the process of circular reasoning, control desires from the independent hoteliers stem from their hotel management ideology. Control has been an important determinant of defining independency as well. The hoteliers here feared that in a chain-affiliation control would be lost and thus the own business identity and personality would be lost. In that sense that control stems from ideology, it also reinforces this ideology of independence by having direct control usage and fostering the fear of losing this control. However, since also the affiliated properties – although limited in this study – stated to have high control over their business (though by other executing processes), perhaps control may be regarded as being part of the independent hotel management ideology.

Clear is though that this reasoning of the independent hotelier has been confirmed by many writings upon agency theory¹⁷. Where direct control was perceived to reduce agency costs by stimulating a faster decision-making process and a limited deviation of the business concept, it may also be added here that the unity of ownership for most independent businesses also reduced agency problems and conflicts of interest. Since most independent hoteliers and platform-affiliated hoteliers stated that they could not imagine having a chain taking over their business, a fear for mismatch was faced.

5.3.5) Resources and Costs

The determination of the hotel management strategy, which may be an ideology, fosters the need for resources and processes that can create a competitive advantage for the hotel. This need for the key resources will ultimately determine the selection for a certain hotel governance strategy (Barney, 1991). Independent hoteliers have often been considered as resource poor (Morrison and Conway, 2007). Where fully-independent hoteliers perceived affiliation not to be necessary and needed, this was especially meant in terms of resources. Fully independent hoteliers did not perceive to miss any vital resources in their business that

would stimulate their interest in chain-affiliation. Although they miss some of the marketing and competence resources of the platforms and hotel chains, these were not perceived to create a competitive advantage for their business. The competitive advantage was rather created by their uniqueness and personality, which is their ideology. Where resource based theory stated that independent hoteliers choose a platform or chain-affiliation, because of their resources that could create a competitive advantage (Altinay, 2006; Barney, 1991; Conti and Micera, 2006; Das and Teng, 2000; Farwaha, 2001; Preble et al., 2000; Wernerfelt, 1984), there are two considerations that influence that these resources are not perceived as creating a competitive advantage for them. Since there is no perceived need for resources, this reduces the affiliation need.

First, there is a reduced perceived need for resources, because the independent property has access to these resources via other ways. In terms of marketing the majority of the fully independent hotels do not perceive the need to do marketing towards their guests to be high, because of their high level of customer loyalty. This meant that the supposed need for marketing resources and branding was low, while the alleged need for differentiation and identity was high in order to keep attracting these customers. This has been confirmed by Rushmore (2004). The use of word of mouth marketing as well as the use of a limited number of marketing channels was sufficient for the fully-independent hotelier. An added brand of a chain or platform would not make sense here. One hotelier even stated that he perceived the customers in Europe and Scandinavia to be less brand sensitive than in the USA. Moreover, these hoteliers also did not seem to lack resources in terms of finance and learning either. Over the years hoteliers have created family capital as a firm base for financial stability and investments. Knowledge is being generated by experience, education and informal networking with other independent hoteliers.

However, platform-affiliated hotels described the lack of marketing channels, reservation systems, knowledge base and the possibility for reduced purchasing, as is generally stated in resource based literature (e.g. in Blair and Lafontaine, 2005; Bland, 2003; Cunill, 2006; Dahlstrom et al., 2002; Holverson and Revaz, 2006; Mendelsohn, 2005; Rushmore, 1999). As their strategy and thinking is focused more around the concepts of costs and value for money, these resources can therefore create a competitive advantage for the hotel property. Furthermore, these platform-affiliated hotels were considered to have a lower level of customer loyalty, although both hotels perceive their level of loyalty somewhat high.

¹⁷ E.g. in Bradach (1997); Carney, 2005; Dahlstrom et al., (2002); Demsetz and Lehn (1985); Donnelly (1964); Fama and Jensen (1983)

Still they do suppose to need the extra marketing resources to fill up their properties – perhaps because they were larger as well. Loyalty levels are thus not sufficient. Platform-affiliated hotels did have in doing so thus a perceived need for marketing and distribution resources as well as learning. Therefore they selected a platform that matched their business.

This is where the main difference between fully-independent and platform-affiliated hotels comes forth, namely the resource need. However, since the reasoning for the limited need for resources is based upon hotel management ideology ideas, it would not seem to be functionally understandable that the fully independent hotels have a reduced resource need. Could it therefore be that platform-affiliated hotels do are independent, but have a more functionalistic reasoning in comparison to the fully-independent hotelier? Are these fully-independent hoteliers naïve?

Second, in addition to the reduced need for resources, the resources that could be obtained via affiliation were not considered right or good. In terms of marketing, the fully independent hotels got their resources via alternative non-chain channels that included the Internet and third parties. The chain and platform's resources were not perceived unique. The Internet as being a cheap and successful marketing channel for the hotels, also offered an option for the own marketing, rather than being part of a larger channel. This uniqueness thereby matches with the hotel management ideology that seems to be the base to justify independence.

Continuing with the expected purchasing advantages of affiliation, it must be noted that third parties were used by fully independent hoteliers to reduce purchasing costs. Does this mean that the independent hoteliers are actually focusing on cost control, but rather use their focus upon social rewarding as a justification of their independence? One of the fully independent hoteliers announced that they were not in a worse position for negotiating purchasing discounts either. With regards to the purchasing of resources and supplies, the resource theory has often discussed chain-affiliation in terms of lowering the costs of resources. However the quality of resources seems more important for fully independent hoteliers rather than the quantity of these resources. Chain channels, knowledge and other resources were not perceived to be unique. Too many other hotels had them already. When resources are all homogenous, no competitive advantages can be created (Barney, 1991). The fully independent hoteliers thus wondered to what extent the chain and platform's resources and its added brand would actually create a competitive advantage. Warnick (1993) and Loker (2005) already stated that in a world-wide hotel industry with over 140 brands, what is the difference of having a brand or having no brand? The branding has gone too far and has

lost its sense-making of reflecting the company's values. It is not the name that defines a chain, but rather the customers' commonalities that can be measured by customer loyalty. If a hotel chain cannot offer this loyalty there is no point in adding only a name. However, it did not seem functional to be only living upon a loyal customer base as discussed earlier.

Independent hoteliers are thus not interested in the chain's resources, since they lack the quality. The supplies and amenities of hotel chains as well as food and beverage supplies are not perceived as exclusive and of good quality. This exclusivity and quality level of the supplies makes the independent hoteliers perceive themselves to be different. This matches their intended strategy, or better called hotel management ideology.

Where the quality of affiliated resources seems not to be sufficient for the fully-independent hoteliers, they do offer an addition to the platform-affiliated hotels. These hotels are not obligated to use the platform's resources. Rather, they use them as a back-up and cost-reducing mechanism. However, in their viewpoint the own unique resources are not lost, rather complemented. This perspective seems to create a more rational perspective, while the fully-independent hoteliers have a more ideological way of thinking.

Ultimately the need for resources as well as the control considerations will determine which hotel governance strategy a hotelier will prefer.

5.4) Striking Findings

The above discussion of the results clearly enlightens the discussion between functionalism and ideology. The reasoning of the fully independent hoteliers and to a certain extent also the platform-affiliated hoteliers seems to be related to hotel management ideology, which aims to justify the hotel independence by seemingly applying functionalistic reasoning. It is actually the subjectivity of these justifications, and not the perceived rational thinking and functionalism that affects hotel independence. However on the contrary, the platform-affiliated hoteliers have come across with more functionalistic influences in their justification of affiliation.

Chapter 6) Conclusion and Discussion

This final chapter of the thesis will provide an answer to the research problem of why hoteliers in Sweden decide to remain independent. There has been prepared a framework during the analysis stage. Here, the exploration will be concluded. Furthermore a discussion will be held upon the contributions and limitations of this study. Moreover, suggestions will be provided for further research in the field of hotel governance.

6.1) *Why Hoteliers choose to remain Independent*

Most studies about hotel governance focus on agency theory, resources and/or transaction costs. It is however not this resource base, transaction cost base or agency base that determines the selection for hotel independence. This study argues that these theories can be applied and have been applied by the hoteliers, but seem however to be a consequence or justification of what can be classified as the hotel management ideology of the independent hotelier. The answer to hotel independence appears thus to be found in the ideological thinking and myths upon affiliation and independence, rather than the perceived more functionalistic motives of the hoteliers. These hoteliers considered their way of thinking as a valid and rational way to build their strategy and actions upon. However these functionalistic views are not more than a justification of their hotel management ideology towards independence.

The hoteliers' values were of high importance, especially when considering that most independent hotel properties in this study have been approached by a hotel platform and/or hotel chain. Since hotel governance is considered a two-way process, it can not be the actions of the affiliated party alone that determine hotel independence. Although this is valid, there has been considered a possible mismatch between affiliated party and hotelier, because only a limited selection of affiliated parties has approached the hoteliers. This possible mismatch would thus create agency costs in that situation as stated in the agency theories.

This study has shown that the hotel management ideology turns out to be a valid basis for understanding hotel independence. First, ideology seems to earn its credits in the discussion upon hotel governance, because it was the perceived lack of a need for affiliation in combination with the negative image of affiliation that were the two main reasons provided for selecting hotel independence. Hoteliers stated that they were proud of the independence and that they aimed for being unique, customized and offering a niche in the market.

Affiliation was perceived to be too standardized; thus fostering the fear for affiliation. However, when all hoteliers aim for the same thinking of uniqueness, this can not be considered unique anymore. Thus independent hoteliers, both fully independent and platform-affiliated hotels, act in similar ways as the chain. This confirms the statement that the proclaimed functionalistic views of the hoteliers are in fact subjective in its nature. They thus stem from the hotel management ideology

Second, as a consequence of this perceived hotel management ideology of uniqueness, customers are seen different and more loyal in comparison to those visiting affiliated properties. Hoteliers, in doing so, proclaimed that customers would on the one hand prefer independent properties more and more over affiliated properties, while on the other hand these customers would be so loyal that marketing resources – the main thing that affiliation offers according to the hoteliers – would not be needed. Although it seems suitable to point the finger at a customer-perspective, one should keep in mind that this is the hoteliers' image of the customer, rather than the actual customers' situation. This perceived customer heterogeneity together with the perceived customer loyalty can however not be confirmed by means of functionalistic and rational reasoning. Thus, it can better be connected with the ideological thinking of the hotelier in order to validate the choice for independence.

Since the views upon the customer are coming forth from the hotel management ideology of uniqueness, these have also impacted the perceived competitive situation in the market. A perceived lack of competition has been given as a motive for remaining independent. However, it is rather the circular thinking that arises from the hotel management ideology that confirms the hoteliers' perspectives. Especially in combination with the existing good market conditions, the hoteliers' strategy (or rather the ideology) is confirmed to be valid for them.

Third, the focus upon personal goals, rather than commercial goals, is something that cannot be matched with existing functionalistic management theories. The importance of costs and cost control was low for especially the fully-independent hoteliers. Personal success and pleasure in the execution of hotel operations played a more important role. In combination with the desired uniqueness and personality of the hotel, this personal focus was considered the main strategy and motive for remaining independence. Since this perspective that was brought forward by the hoteliers does not match rational business strategy in which financial motives are the core of each business, another claim for the ideological influence upon independence can be placed.

Where the fully independent hoteliers claimed to be able to reduce costs via their own networks of purchasing and marketing, this contradicts that hoteliers focus solely on non-commercial and personal objectives. Rather they use this perceived low focus on costs and cost control as a justification for independence. This lack of commercial focus may make that hotel management ideology is different from regular functionalistic management ideologies. Especially when considering that it were the platform-affiliated hoteliers and chain-affiliated hoteliers in this study that did have the commercial focus in their property and therefore got affiliated to reduce costs and access resources.

Fourth, the hoteliers stated that their independence was related to the desire for control and quicker decision-making processes in order to increase customer satisfaction. Control was especially perceived necessary to be able to execute the uniqueness and personality of the owner. Control can then be considered a resource. Where it decreases agency costs as perceived by both the fully independent and platform-affiliated hoteliers, it may also be considered part of the hotel management ideology. This, especially when considering that the platform-affiliated and chain-affiliated properties in this study also confirmed to have a high level of control. Rather, the means of control are different. Thus, control stems from the perceived strategy of uniqueness and personality of the hotelier and may be a part of the ideology of being independent and fostering the myth and fear for affiliation.

6.2) Definition of Independence

Although hotel independence is the core issue of this study, it is still not clear what it actually entails and to which extent the conclusions upon ideology may be valid. Since this study discussed both fully independent hoteliers and platform-affiliated hoteliers, independence should be related to these types of hoteliers. On the one hand, these hoteliers share similarities that match with the existing definitions. Unity of ownership, control and informality were the main similarities. On the other hand the biggest difference between both types of hoteliers is the background of the hotel management purpose and ideology. Platforms are seemingly replacing chains in the segments that need affiliation as a result from the hotel's size and the more commercial ideology of the business. A lower level of family ownership in combination with a higher focus upon commercial objectives, platform-affiliated hoteliers did not match with current definitions of independence. Since platform-affiliated hoteliers were considered to have a more functionalistic management ideology, could it be concluded that independence is not part of existing functionalistic management theories?

Since the presence of platform-affiliated hoteliers seems to be equally important or even larger than the share of the fully-independent hoteliers in Sweden, the definition of independence might need to be reflected upon. Since both types of hoteliers considered themselves independent and shared similarities that have helped to define independence, it seems valid to include them all among the term of independence. Furthermore, to a certain extent all hoteliers are connected or working together with other separate entities. This would entail that no hotel is independent anymore. However, since the differences in ideology and business objective give the impression of great divergence, it would be better not to include the platform-affiliated hoteliers under the term independence. This, especially when considering the importance of this ideology upon the decision to remain independent. It is though not the main purpose of this study to answer the question upon what hotel independence may entail. However, it should be regarded as background information towards the understanding of why hotel independence in Sweden is selected by hoteliers.

6.3) Consequences of Ideological Thinking and Independence

Although it has been argued that ideology is a base for most decision-making and does not necessarily need to be negatively viewed, the consequences of the adherence to ideology can also be seen in terms of the Icaros paradox. Where initially the hotelier is successful, perhaps because it is new in business, this success leads to (over)specialization, dogma, rituals and ultimately failure. Ideology is the underlying factor that explains this process. Since the hotelier founds its business strategy upon the beliefs of uniqueness and personality, all actions (e.g. viewing the customer, competitive assessment and internal assessment) arise from this belief. However, as demonstrated earlier, this belief does not need to be the right one seen from a more functionalistic perspective. The beliefs nowadays may be confirmed by extraordinary market conditions and the forthcoming success. However, the circular reasoning of the fully-independent hoteliers may ultimately cause the downfall of the hotelier. This should thus be watched for, especially since false consciousness is a consequence of ideology.

It is even more important to consider the impact of hotel management ideology upon hotel independence, when keeping in mind that the hotel industry may entail circular activity. Where it was the domination of chains in the end of the 20th century, experts and literature have argued for the increasing call for independent hotels as a counter-reaction upon this chain dominance. If, indeed the market is changing towards independence, the position of

undersupply may soon turn into one of oversupply, in particular because the entry and exit barriers in the hotel market may be considered relatively low (Hughes, 1999).

6.4) Contributions of the Research

6.4.1) Empirical Contributions

During the research into hotel independence, new empirical data has been brought up by the means of semi-structured interviews with both independent, platform-affiliated and to a limited extent also with chain-affiliated hotels in Göteborg, Stockholm and Västra Götaland. The empirical data are related to matters of hotel independence and specifically into the perceptions of these hoteliers upon their business, the market and chain-affiliation. Empirical data seen from the perspective of the individual hoteliers were lacking in the current empirical environment worldwide. Furthermore, the presence of Sweden within the empirical data set upon hotel governance was limited. Thus, this study has added to the data upon hotel governance, seen from the perspective of the hoteliers for the area of Sweden.

6.4.2) Theoretical Contributions

Although the aim of the research has been to create an understanding into the matters of hotel independence, the research has added to the existing theories upon hotel governance. Specifically, the research added to the discussion upon the importance of resource based theory, agency theory and transaction cost theory, the following interesting theoretical viewpoint. It was argued for that it is rather a more subjective approach of hotel management, rather than a functionalistic approach within hotel management that helps determine upon hotel independence. Although the hoteliers themselves perceive to apply functional motives – both externally and internally – these driving forces are rather argued for as subjective reasoning stemming from the hotel management ideology upon hotel independence.

6.4.3) Methodological Contributions

This research has not contributed to introducing a new methodology to the existing methodologies within the research spectrum. Semi-structured interviews with hoteliers have been used before and are nothing new. Furthermore, it has not been the intention of the research to introduce new methodologies to the research field.

6.4.4) Practical Contributions

As one of the hotel owners in this research stated, the question of hotel governance is always an actual one and has to be reconsidered over time. Therefore this study may practically contribute to hoteliers and perhaps also to hotel chains and platforms to create an insight into the decision-making process upon hotel independence. It could help hoteliers to understand their position and keep an actual fresh mind upon their choice towards independence, so that the Icaros paradox may not fall in and cause the downfall of their business. It may also help the chains that may have a problem in generating affiliates for their chain to gain an understanding of the hotelier and his/her reasoning. Thus, a better match may be made between hotelier and affiliation.

6.5) *Limitations of the Research*

It would be great to be able to understand and explain as much as possible. However, this is not possible. Therefore this research has attempted to make a first initial understanding of potential factors that affect the decision-making process of hotel governance. The research is limited to the viewpoints and perceptions of independent and platform-affiliated hoteliers. The sample of hotels in this research has been limited to 18 hotels within a limited geographical area of Sweden. The presence of chain-affiliated hotels in the sample is underrepresented and only used as a back-up variable. The research has thus no statistical value in that sense. Moreover, one should also consider that this research was held in a time period in which the industry was at the top of the economic business cycle.

Since the research dealt with perceptions of hoteliers, it is uncertain what really is the truth in the actual hospitality industry. However, on the other hand, these perceptions are the base upon which hoteliers will act. The research has attempted to have in-depth interviews with hoteliers; however the scope of the research was so broad that real in-depth viewpoints have not been reached. The research is limited to superficial perceptions of business, market and governance considerations.

Looking at the content of the research, the work is bounded to the involvement of the concepts of ideology and the perspectives of hoteliers. Topics and themes outside this scope are not part of the research.

6.6) Suggestions for Further Research

Further research is required into the statement that it is rather the subjective ideological factors that affect the preference for hotel independence over the more functionalistic perspective. This should be tested further in other settings and to a deeper extent than that this research has attempted. One may wonder whether the formality and functionalism of affiliation is something frightening for the individual hotelier.

Second, the study addressed shortly upon the question of what independence actually is. More specifically the question arose whether platform-affiliated hoteliers are independent. In an industry with increasing platform-affiliation, this is an actual one and should be addressed by means of future research.

Another suggestion for further research arises from the notion that the customer was seen as a possible explanation and understanding for the selection of a specific hotel governance strategy by the hoteliers themselves. However are these perceptions matching the reality of the customer? Further research into who the current customers are in the Swedish hotel industry in combination with an analysis of their needs and loyalty level can help to either confirm or refuse the hoteliers' perceptions upon the customer. Interesting would also be to investigate the viewpoints of the customer upon the different hotel governance strategies in Sweden. What would be the different viewpoints of the customer upon fully independent hoteliers, platform-affiliated hoteliers and chain-affiliated hoteliers?.

Fourth, this research was limited to a time in which the hotel industry in Sweden was booming. The booming market conditions and high customer demand generated a positive position for all hoteliers, thereby reducing a need for chain-affiliation. However, what would be the perceptions and opinions of hoteliers during times of economic downturn? Other theories that were discussed in the literature have discussed the importance of market conditions and competition levels upon affiliation.

Last, as governance is always an actual topic for the hotelier, the affiliated party and the researcher, it should certainly be kept up to date with new research perspectives and approaches.

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Appendix 1) Interview Scheme Independent Hoteliers

INTRODUCTION:

Dear Hotel Manager / Hotel Owner,

My name is Harma Alma and I am a student at the Tourism and Hospitality Management education of the Graduate School, which belongs to Göteborg University. My master thesis will discuss the topic of hotel governance strategies and specifically addresses the question why certain hotels decide to remain independent in a tough competition with the hotel chains, while others decide to join into some kind of corporate alliance.

During the interview, there will firstly be asked some general questions about the hotel and about yourself. These questions are followed by some questions about the customer and about the market. In that way the interview will proceed into the discussion of chain-affiliation as well as related subjects. After the research, all information will be dealt with anonymously and it will be edited so that it will not be recognizable for the reader from which hotel the information came.

For now, I would like to thank you for your great cooperation and in January 2008 I will be pleased to send you the results of the work!

GENERAL QUESTIONS:

Date of Interview:

Name of Hotel:

Interviewee:

Position Interviewee:

Location of Hotel:

Number of Hotel rooms:

Star Classification of the Hotel:

HISTORY and OWNERSHIP:

- 1) Could you tell something about the hotel? When was it built, when and who started it, how did it develop, when did you buy it, is there a special history behind the hotel etc.?
- 2) Do you own the hotel as well? How is the organizational structure of the hotel?
- 3) What kind of facilities and services do you offer to the customers?
- 4) Can you tell something about your personal history in the hotel business?
- 5) Why did you decide to have specifically this hotel at this location? Does the hotel / location symbolizes something special?

CUSTOMERS and MARKETING:

- 6) What kind of customers are coming to the hotel? Where are they from? What is their reason for staying? What are their needs? How do they reach your hotel and how do you reach the customer?
- 7) How do you reach your customer? What kind of marketing activities do you do? Do you have a brand name? Do you need a brand in order to reach your customers? Is it expensive for you to market and get your hotel full? Do you have relationships with other third parties (soft branding) and how are these relationships? What do they include? How is your relationship with the tourist board?

COMPETITION and the MARKET:

- 8) How do you see the competition for you? Is the level of competition very high? Who are your main competitors? What do you do better than your competitors? What is your unique selling point?
- 9) What kind of challenges does your hotel face in the market?

CHAIN-AFFILIATION:

- 10) Have you ever considered to join a hotel chain, or have they ever shown interest in your hotel? Tell more ... Why did you not join a hotel chain or why did you?
- 11) What is a hotel chain for you? What is your image of a hotel chain or hotel consortium? How do you look at the hotel chains? What do you think of them? Do you consider them more positive or negative or can't we speak from that?
- 12) What would you consider advantages of chain-affiliation?
- 13) What would you consider disadvantages of chain-affiliation?
- 14) Can you describe your operational concept? Do you control your operations yourself? How important is control? Why this operational concept? Have you developed your operational concept yourself?
- 15) How is it to invest yourself? Is it bearable or is it difficult to make it financially? Do you have opportunities for being cost efficient?
- 16) How do you have gathered your knowledge and how do you keep up to date with your knowledge? Do you have aspirations to grow and if so how would you do this?

CONCLUDING QUESTIONS:

- 17) How successful is your business? Has it always been? Have you had bad periods? Can you describe what caused these bad periods? What is the major explanation of your success?
- 18) Is there anything you would like to add to this interview?