

# **Strategic alliances in the South African independent 3 star and above hotels**

**by**

**Walid Nasser**

**Student Number 10671570**

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of Master of Business Administration**

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## **Declaration**

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

Walid Nasser

9<sup>TH</sup> Of November 2011

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## ABSTRACT

This research was conducted to identify whether South African 3 star and above hotels are interested in forming alliances.

The objective of this study was to group South African independent 3 star and above hotels on the alliance framework continuum, namely; cooperation, collaboration, coordination and coadunation; and to identify whether South African independent 3 star and above hotels are interested to progress from one simple form of alliance to the next complex, formal type of alliance. Hypotheses were proposed to determine the significance of the differences in preference of South African 3 star and above independent hotels.

Thus, this study is descriptive in nature, to test the proposed hypotheses. An extensive investigation into the relevant literature was done. An empirical study was also conducted and the measuring instrument consisted of a self-administered questionnaire. The population selected consisted of managers of these South African 3 star and above independent hotels.

The major findings included: South African independent 3 star and above hotels seem to prefer niche personality and potential non-financial relationship, while they try to avoid economic and cultural integration with a partner firm and not interested in shared management control with the partner firm. Besides, four factors confirmed the alliance continuum developed by Bailey and Koney (2000), namely; cooperation, coordination, collaboration and coadunation.

Friedman's test indicated that there is significant difference among the different dimensions of alliance formation, namely; cooperation, collaboration, coordination and coadunation and that South African independent 3 star and above hotels are interested to form cooperation form of alliances mostly, followed by coordination form of alliances. South African independent 3 star and above hotels are neutral on whether to form collaboration type of alliances and they are not interested to involve in the coadunation form of alliances.

Chi-square test indicated that there is no significant difference on the opinion of the respondents on whether the hotel they work for needs to progress from simpler form of alliances into more formal and complex format of alliances. However, those who preferred that their hotel has to progress from simpler form of alliance are higher in number than those who did not prefer.

It was, inter alia, recommended that as South African 3 star and above hotels choose lower form of alliance, value chains seem the most applicable form of alliance. Hotels could share a name, reservation information and some basic IT facilities (point of sale IT reservation equipment and back office IT equipments).

Finally, the study concludes by recommending that South African independent 3 star and above hotels should take alliances as an option for growth and justification of expenditures and decide the level of alliance continuum they want to engage in.

**Key words:** Strategic alliances; Alliance continuum; Friedman's test; Chi-square test.

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## **CHAPTER ONE**

### **Introduction to Research Problem**

#### **Introduction**

Globalization has brought developments in the lodging sector in the form of aggressive expansion into different critical geographical regions, as well as the need for global branding, expansion of brand loyalty, increasing profitability, assuring sustainable shareholder value, international product positioning, and the promotion of consistent service standards. This has led to a number of alliances, mergers and acquisitions, where a number of the hotels which were involved in these alliances and mergers were extremely successful in their presence throughout the globe (Whitla, Walters & Davies, 2007).

The construct strategic alliance has gained prominence despite the fact that its impact has not been investigated in the South African Hotel industry. This research attempts to understand where in the continuum of the different stages of alliance formation does South African independent 3 star and above hotels lie, and whether or not these hotels intend to progress to the next level of alliance continuum.

#### **Background of the study**

The changing landscape in South Africa in the 1990s, including the reintegration of the economy into the global marketplace, opened up new opportunities for international investors in South Africa. The actual and potential international trade and economic growth in South Africa has created new opportunities for one to five-star hotels (Ahmed, Heller & Hughes, 1999:74). This continued into the 21<sup>st</sup> Century, as more and more international hotels started to invest and ally with South African hotels due to the political stability of, and increasing international events in South Africa, such as the 2010 World Cup which was hosted by South Africa.

South Africa's hotel industry is dominated by a few well established, locally owned hotel groups. These South African owned hotel groups have grown largely because of a lack of competition coming from international hoteliers due to the sanctions during the apartheid regime (Ahmed *et al.*, 1999, p. 74). This growth continued to the extent that the big South African hotels, such as Sun International, have been registered with the JSE – Johannesburg Stock Exchange.

Since the 1970s, the Southern Sun Group which is owned by South African Breweries (SAB) and founded by hotel tycoon Sol Kerzner in 1969 has long been the biggest player in the South African hotel industry. The group's 10,497 hotel rooms represented 22 percent of the South African inventory in the late 1990s (Ahmed *et al.*, 1999, p. 74). In 1997, Protea Hotels formed a joint venture with the Southnet group of companies to launch a new budget hotel chain, Landmark lodges. Hotel chains now represent more than 50 percent of the total room inventory in South Africa. However, the market for budget hotels is still dominated by small hotels or lodges (Ahmed *et al.*, 1999, p. 74). The market for small hotels continued to exist as a number of new South African Guest Houses and Bed and Breakfast accommodations mushroomed with the emergence of the previously disadvantaged South African groups' interest in the hospitality industry. According to the World Trade Organisation (WTO), a Small Medium Enterprise (SME) hotel is a property with less than 50 rooms which employs less than ten persons and is oftentimes situated in peripheral locations (Main in Holverson & Revaz, 2006, p. 401), while an independent hotel is defined as a hotel not affiliated to any brand (Holverson & Revas, 2006, p. 399).

Quite often, these small hotels are family managed hotels which lack the necessary skills and fertile ground for innovation in order to acquire market shares and grow. However, it is also feasible that these small hotels might be small because of their decision to remain so. That is, they don't want to take the risks of an alliance formation. This study will attempt to group the different independent 3 star and above hotels into a continuum of alliance and to identify whether or not these hotels intend to grow by evolving into a more complex and formal system of alliances on the alliance continuum.

The intention of this study is to find a solution for small hotels and lodges which remain small, not because they want to remain small, but rather because they don't have the know-how to grow either organically or by forming alliances, mergers or acquisitions.

### **Problem statement**

The product of a hotel is accommodation, room service and other ancillary services. As hotels try to differentiate themselves for the sale of this product they have to utilize different tangible and intangible resources amid stiff competition. A differential advantage doesn't just happen however, it must be built. It is built by planning a marketing program that will meet the preferences of the customers so as to have a full room occupancy rate of the hotel. As independent 3 star and above hotels may lack all the necessary marketing tactics, referral mechanisms and other technologies to promote their product (they cannot be all things at the same time), the need for alliances becomes relevant and necessary.

Often hotel consumers check for the presence or absence of some extra features that would entice them to choose one hotel over the other. In such an instance, the customer would be interested not only in the core service of room accommodation, but also in the entire bundle of additional benefits or amenities provided – the peripheral service. It is only when the hotelier understands what the true impact of these additional benefits on the buying decision of the clients is that an effort will be put in to alter the needed features. Competition through any or all of the above mentioned areas presupposes to a high degree that the hotelier knows its consumer profile and is able to anticipate future room occupancy rates and that the hotelier is empowered with the necessary resources. However, in order to accommodate these divergent hotel product amenities an organisation needs a lot of knowledge and investments, which an average hotel might not have available to them. In order to acquire the necessary capital, skills and tacit knowledge, hoteliers forge alliances with different service providers vertically and even with other hotels horizontally.

According to Litteljohn, Roper & Altinay (2007), in the hotel industry, there are many different company types, such as highly branded chains, which operate through a mix of ownership, franchise and/or management contract strategies; “secondary” hotel groups that franchise from a portfolio of brands and some “tertiary” management companies (virtual to the extent that they own no property or brand but undertake operations of units) In addition, there are airline linked hotel companies and resort-based groups.

Some of the existing realities and future trends in the hotel industry as discussed by Litteljohn *et al.* (2007) include the following:

- Changes in technology and communications will link the hotel business with other tourism suppliers and customers, ultimately changing traditional industry relationships and boundaries. Thus the potential alliances that South African hotels expect should take technology into account.
- Future competitiveness will be achieved at the local, rather than international level. Hence the potential allies of South African Hotels should also focus on forging alliances within their countries rather than waiting for international European or North American hotel chains for alliance formation.

For a hotel to be in tandem with the existing realities and future trends, a hotel needs the necessary capital to acquire the required technology and best skills, top management which understand the existing realities from their experience and knowledge of the industry and management who are innovative concurrently with the future trends discussed above. The top management of a hotel should also have the necessary skills and time to look for possible ways of competing in the market or for possible alliances to gain either from economies of scale, economies of scope or joint procuring with other hotel allies.

However, even though alliances might be the alternative to acquire all the missing capital or skills, they might not be the preferred solution as there is a risk of failure to perform as expected. In line with the above discussion, the main problem of this study is to determine:

***Where on a continuum of the different stages of alliances does South African independent 3 star and above hotels' exist or wish to exist.***

The sub-problems of the study include:

***Whether South African independent 3 star and above hotels are interested in progressing from the least complex and informal forms of alliances to the more complex and formal forms of alliances.***

### **Purpose of the research**

Against the background discussed above on alliance formation, the goal of this research is:

- To examine the alliance strategic processes and analytical tools needed by South African 3 Star and above independent hotels' managers for selecting a partner organisation in order to build successful South African hotel alliances.
- To develop an alliance framework in order to classify the different 3 Star and above South African independent hotels on the alliance framework continuum.

### **Research objectives**

In order to guide the research process, various research objectives have been developed which centre around the framework of alliance formation along the continuum of alliance economics. The research objectives include:

- To group South African independent 3 star and above hotels on the alliance framework continuum.
- To identify if there is a need by South African independent 3 star and above hotels to progress from one simple form of alliance to the next complex, formal type of alliance.
- To investigate the decision making process that South African independent 3 star and above hotels' managers use when choosing amongst different alliance framework options.

## **Significance of the study**

This study will contribute to the body of knowledge regarding alliance formation by the South African independent 3 star and above hotels. It will provide insight to managers who want to understand the success and growth opportunities available using alliance formation. In this way, it will inform strategy formulation of the company.

## **Assumptions**

In general, it is assumed that the respondents from big hotel chains have more knowledge of hotel alliance formation than their counterparts from smaller, independent 3 star and above hotels. As a result, this research does not include hotel chains. Other than that, this research assumes that all the respondents selected will have adequate knowledge of alliance formation of the hotel industry and are expected to respond without bias. The study also assumes that the respondents are the appropriate people to respond to the questionnaire. Finally, the study assumes that the feedback will be honest and reliable.

## **Scope and Limitations of the study**

The study will be conducted across independent 3 star and above hotels in South Africa. The respondents will be either previous management body of Hotels or existing managers of these independent 3 star and above hotels. The study does not include opinions from hotel chains or hotels outside South Africa.

The core focus will be on managers who have had managerial positions in the Hotel industry for at least a year. These would be regarded as the most appropriate respondents whose opinion of alliance formation in the South African Hotel industry will guide the findings of this study.

The research might be limited by financial resources as a lot of communication expenses might be incurred to approach and to distribute the questionnaire to different South African independent 3 star and above hotels' managers,

directors and other Hotel industry regulatory bodies. Thus, a convenience sampling technique will be implemented. The other limitation is that due to competition in the hotel industry, a number of respondents might not be willing to allow a survey to be conducted in their organisations. Finally, the survey is likely to carry a significant portion of respondents, who might have a mediocre knowledge of alliance formation.

## **Conclusion**

This chapter presented the introduction, background of South African Hotel Industry, problem statement, purpose of the study, research objectives, significance of the study, assumptions of the study, research scope and limitations of the study. Chapter Two will present the Literature review of this study.

## CHAPTER TWO

### Literature Review

#### Introduction

The literature review section includes the definition of strategic alliances, types of strategic alliances and the advantages and disadvantages of strategic alliances. A detailed discussion of the governance structure of the Hotel industry in line with the stage of alliance formation on the alliance continuum is also discussed.

Hospitality is the term generally associated with hotels and restaurants. The hotel industry (also referred to as the lodging or accommodation industry) has different facilities including bed and breakfast establishments and luxurious resorts. The range of facilities represents the different needs and preferences of travellers as well as the changing markets. The variety of rooms has developed in response to customer needs as social and business needs have changed.

Due to the growth in domestic and international tourism, the accommodation industry and therefore the number of available rooms, has increased rapidly to keep pace with globalization. The accommodations or hotel sector is the dominant industry in the travel industry because of the revenue directly generated by hotels and other accommodations, the employment they provide and the support services and supplies that the industry requires. In recent years, the hotel industry has also become more international in nature as North American, European, and Asian hotel chains now operate hotels throughout the world. These chains include well-known names like Sheraton, Hyatt, Hilton, Four Seasons, Holliday Inn, Accor, Radisson and Nikko Hotels. This Chapter discusses the hotel industry in line with the choice of alliance formation of the 3 Star and Above Independent South African Hotels as part of the tourism product offered by a destination.

## **2.2 Definition of strategic alliances**

According to Hill (2005), strategic alliances refer to cooperative agreements between political or actual competitors. Strategic alliances range from joint ventures to short-term contractual agreements in which two companies agree to cooperate in a particular task.

Terpstra & Simonin (1993) define strategic alliances as:

- Contractual agreements between two parties for which no legal entity is created and there is no purchase of equity between parties;
- Equity participation which involves the acquisition of equity in one firm by another;
- Joint ventures in which a separate legal entity is created; and
- Consortia, a collaborative arrangement among three or more parties, regardless of the equity structure.

Dunning (1997) identifies strategic alliances as big multinational corporations which are interconnected with small and medium-sized firms in a dense network of joint ventures, licensing agreements, voluntary hotel chains, franchising and other forms of equity and non-equity cooperation. Holtbrugge (2004) indicates that to be of strategic importance for the partners, an international cooperation must have a long-term orientation.

## **2.3 Advantages and disadvantages of strategic alliances**

Strategic alliances support an enterprise to achieve survival and development within its own strength. Alliances also help for sharing and creation of knowledge, information and personnel to an alliance including both competition and cooperation alliances (Ji & Huang, 2010).

In spite of the increase in international alliances, “40 to 70 percent of alliances fail due to premature breakdown of the alliance or financially damaging to one or both parties to the alliance” (Ybarra & Turk, 2011, p. 2). Besides, conflict, poorly perceived performance and inflexibility, poor communication, opportunism, incompatible objectives, control and ownership arrangements

could also be the reason for alliance failure. Due to these factors there is limited understanding of alliance management, why alliances fail or what makes alliances successful.

The complications listed by Hamel (1989) are that an alliance can lull managers into becoming complacent and failing to develop new technologies; and parallel to this, the alliance can form a conduit for the flow of knowledge from one firm to the other. Moreover, alliances can mean that a firm has to share its profits. Holtbrugge (2004) summarized the distinct purposes of international strategic cooperation into three advantages.

**1. Scale advantages.** This involves the removal of excess capacity by aligning similar resources from the different collaborators in the value-adding process.

**2. Resource advantages.** This involves the combination of complimentary resources, skills, and strengths that belong to different stages in the value-adding process. Resource advantages are particularly important for collaborations between organizations from developed, emerging and developing countries whereby the developed countries provide the technological and management know-how and financial resources, while the developing and emerging countries provide access to local customers, suppliers, and governmental officials (Holtbrugge, 2004, p. 256).

**3. Learning advantages.** Alliances also mean benefiting from new skills. This is especially true in high-tech industries where knowledge is a key competitive advantage.

In their 1989 study, Bradach & Eccles recognise that distribution processes can be coordinated via integrated channels, networks of independent agents and mixed alliance formations. There are several reasons why hotel management firms forego independence for alliances. For example, a local company that traditionally has had control over the entire operation may find it difficult to get international visitors, and thus decides to enter an agreement with an international hotel chain. In this way, the local hotel can get access to an international brand name and an international reservation system. Further more,

the brand owner can provide managerial competence and necessary capital to the local hotel. At the same time, the inter-firm alliance reduces the capital investment for the hotel chain. In addition, the international hotel chain rests its operations on the local innovation capability, entrepreneurial drive, managerial skills and local market knowledge (Lafontaine and Kaufman 1994). The support from both alliance participants indicates that the concern is over control of activities vis-a-vis getting access to resources provided by other companies (Harrigan in Dahlstrom, Haugland, Nygaard, & Rokkan, 2002). By cooperating on specific activities, both the local hotel company and the international hotel chain get access to resources provided by the other participant, but at the same time they have control over other activities.

There are a number of theories in the international economy that encourage firms to cooperate rather than follow “Porter’s compete at all cost philosophy”. These include: (a) increased competitive pressure in the globalisation process and the strategic need to gain scale and scope economies; (b) the need to preserve strength in national markets while adapting to the local needs and demands of international markets; (c) technology and knowledge transfer flows at ever-increasing rates, in the process shortening product life-cycles and forcing the need to share R&D activities between companies; (d) sophisticated consumers are demanding more and more specialized packages, thus creating a supply-side need to combine the best technology with the best marketing; (e) overcapacity in traditional industries has led to many businesses repositioning in new markets and seeking partners to aid the transition; (f) many groups have become over-diversified, thus forcing a need to restructure; (g) threats of takeover or successfully completed takeovers have forced restructuring as they were found to not be sustainable over the long term. Thus alliances came as the order of the day to grab opportunities and to alleviate risks. However, alliances are not all the same. Alliances differ in terms of the degree of complexity, formality of the partnership and the interdependability of the alliance. Alliances also depend on the level of risk undertaken, the capital investment involved and the trust and control environments. Before the classification of hotels is discussed, the study found it relevant to discuss the benefits and risks of alliance formation for South African independent 3 star and above hotels in a table format.

**Table 2. Error! No text of specified style in document..1 Benefits and risks of alliance formation for small independent 3 star and above hotels.**

	<b>Remaining independent 3 star and above hotel</b>	<b>Forming part of an alliance</b>
Possible benefits	<p>More control over management and entrepreneurship; Create a niche personality; Satisfy a select group of clients; No fees and/or royalties to allies</p>	<p>Incremental revenue; Premium pricing; Name recognition with clear positioning; Access to new global market segments; Access to electronic distribution and other IT systems; Marketing and sales support; Increased customer satisfaction due to met expectations; Loyalty programs; Management and staff training; Possible financing opportunities; Procurement opportunities.</p>
Possible risks	<p>Increasing difficulty to compete with the resources of large companies; Large numbers of travellers may be attracted to brand names; High costs of effective distribution; Increasing costs of communication; Unable to obtain necessary marketing intelligence in order to compete</p>	<p>Loss of managerial control; Loss of regular guests; Loss of unique identity; Fees and royalties based on revenue, and/or number of rooms, not profits; Costs (fees and investments) exceed return on investment; Standards change requiring capital investment; Possibly long contractual commitments; Disposal</p>

Source: Holverson & Revas 2006: Benefits and risks of alliance formation for small and medium-sized independent 3 star and above hotels.

According to Table 1, forming alliances has pros and cons, where people might need to conduct a thorough analysis of the situation of the hotel considering alliance formation. Hotel managers will have a dilemma on whether they will benefit more than what they are worth without alliances than by forming

alliances. The next section discusses the classification of hotels before the deeper discussion of different models of hotel alliance formation.

## 2.4 Classification of hotels

Accommodations can be classified into various categories because of the wide range of room types and amenities. Various attempts have been made to establish a globally uniform hotel classification system but the effort has faced many difficulties. Some of the obstacles to developing a uniform classification system include variations in definitions, facilities, service standards, management and cultural influences on service which differ in every country (University of Hawai'i, 2011).

Many countries have official, government classification systems based on physical and qualitative criteria. Other countries have classification systems based on private sector standards. In the United States, there is no official classification system and most hotels rely on private, commercial services for classification and ratings. Most destinations use a star rating system, the highest number of stars (five) is usually for a deluxe hotel with fine restaurants, high level of service, and top quality facilities. Other classification systems include those based on the price of the rooms with categories such as budget/economy, mid-scale, and upscale/luxury (University of Hawai'i, 2011).

Hotels are classified in a number of ways with many different categories. In most parts of the world, the property type is based on its amenities and also by the location and the target markets that the hotel wishes to attract. Some subgroups of hotels include:

- Airport hotel: Located near an airport with amenities for the air traveller including facilities for business meetings.
- Convention hotel: Located in major cities, often near a municipal convention centre with major space for meetings and exhibition areas.
- Commercial hotel: Located in urban areas with business travellers as the primary target market with upscale or midscale facilities.
- Suite hotel: Apartment-style hotels which offer more space and upscale amenities.

- Condominium hotel: Located in resort destinations with individually owned hotel units often with kitchen facilities where owners use the units as personal vacation homes and also rent out the units at other times.
- Timeshare hotel: Located in resort destinations, where the unit ownership is shared and each owner has a fractional ownership and is entitled to use the unit for a fixed time period in the year.
- Motor hotel: Located close to a highway for automobile travellers with provisions for parking and amenities which may include swimming pool, coffee shop, and family-oriented facilities.
- Bed and breakfast hotel: Located in private homes or small inns, usually modest establishments which offer breakfast and sometimes light meals. These accommodations are usually family-run operations and include hostels and pensions (University of Hawai'i, 2011).
- Resort Hotels: For vacation destinations, resort hotels have become the most important segment of the accommodations sector providing sporting activities with more extensive amenities than in urban hotels. The typical guest at a resort is a longer staying customer and seeks either a vacation or pleasure or a combination of business with pleasure. The standard of service and other amenities are much higher than found in most other types of accommodations. However, resorts also provide the option of getting and preparing food in-house by the guests.

While the above section provided the types of hotels, the next section provides the stages of alliance formation in the hotel industry from less complex, less formal alliance types to the more complex and more formal alliance types.

## **2.5 Framework for strategic alliances**

According to Rutledge (2011), alliances might be termed differently by different parties involved in forming alliances. That is, some might say network, while others collaboration, coordination or other terminology. These different names of alliances suggest that forming a strategic alliance is problematic. Parties' intentions differ, such as, relationships, processes and purposes. According to (Bailey and Koney in Rutledge, 2011), a continuum of strategic alliances is useful in order to serve as a framework and tool to strengthen strategic

alliances. The continuum also helps to differentiate the level of formality and interdependence of the alliance.

Peterson (1991) postulates that there is a three point continuum of interaction for strategic alliances and suggests that this continuum begins with (1) cooperation, whereby fully independent groups share information that supports each other's organisational outcomes, to (2) coordination, whereby independent parties align activities or co-sponsor events or services that support mutually beneficial goals, to (3) collaboration, where individual entities give up some degree of independence in an effort to realise a shared goal. Hogue (1993) characterizes five levels of "linkage," which can be used to define existing or potential collaborative relationships. Her continuum, Community Linkages – Choice and Decisions, identifies the five levels as networking, cooperation/alliance, coordination/partnership, coalition, and collaboration. Linkages at each level are distinguished by their purpose for coming into existence, their structure for organisation, and process for making decisions. "Collaboration" is identified as the most highly developed level of integration point on the continuum.

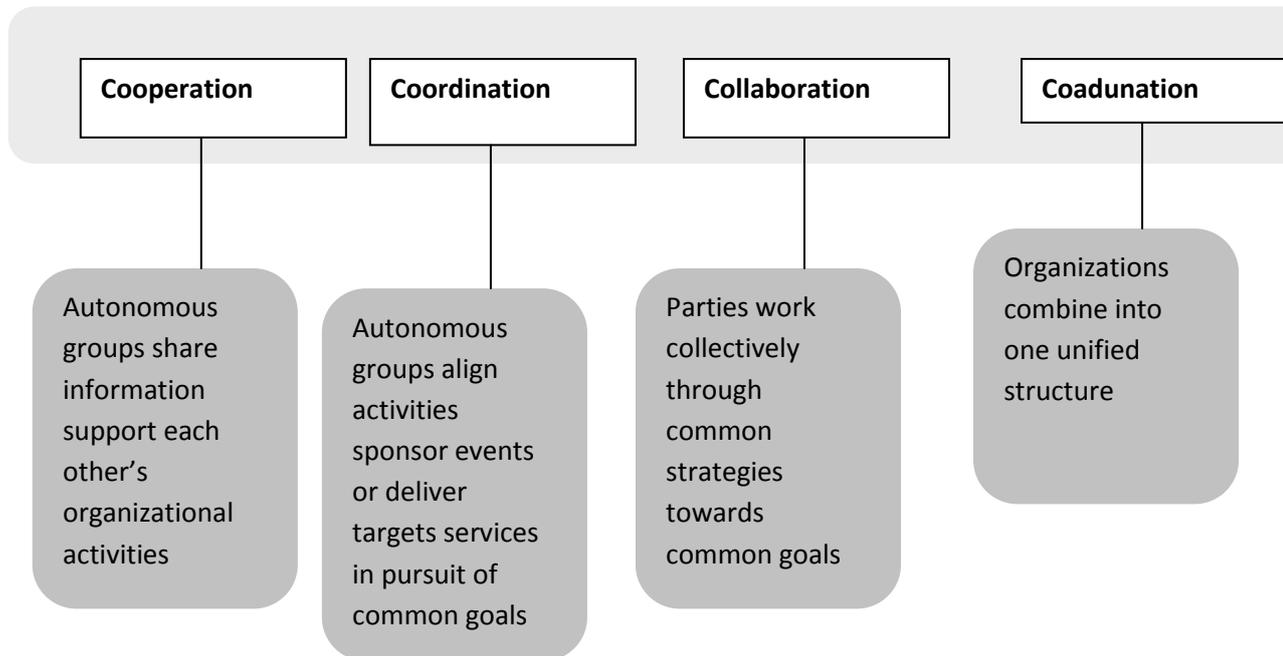
Bailey & Koney (2000) extend Peterson's and Hogue' work and make the case for coadunation as the farthest point on the integration or linkage continuum. They indicate that collaboration is a journey, not a destination. The continuum, which separates different forms of alliances is made to include; Cooperation, coordination, collaboration and coadunation.

Cooperation involves autonomous groups sharing information to support each other's organisational activities. Coordination involves autonomous groups aligned activities, sponsor events or delivery targeted services in pursuit of compatible goals. Collaboration involves parties working collectively through common strategies towards common goals. Coadunation involves organisations combining cultures into one unified structure (Bailey & Koney in Rutledge, 2011).

Figure 1. Indicates the alliance continuum by Bailey & Koney (2000) wherein it starts with cooperation, which is less formal, less interdependent and less

complex to the more formal, highly interdependent and highly complex linkage of coadunation.

**Figure 2.1: A continuum of strategic alliances**



While the parties in cooperation share information to support each other's business, the partners in coordination align activities in pursuit of common goals. The parties in collaboration work collectively through common strategies for a shared vision. Finally, in coadunation, partners combine into one unified structure.

### Types of strategic alliances

According to University of Hawai'i (2011), hotels are managed and operated under different systems around the world. There are many models including:

- Independently owned and operated properties
- Chain-affiliated properties which are independently owned and operated
- Chain-owned and operated properties
- Chain-operated properties which are independently owned
- Franchised properties

In recent years, the accommodations sector has seen a trend toward larger chains as hotel companies have tried to gain stronger positions in national, regional, and international markets. Today, there are many mega-chains which rely on franchising or management contracts to compete in the global tourism market place (University of Hawai'i, 2011).

Hotels owned and operated by chains tend to be larger properties, however, independently-owned and operated properties outnumber chain-affiliated properties worldwide. In terms of the number of rooms, hotels owned and operated by chains are dominant worldwide. The type of arrangement for ownership and management differs by region. For example, in North America, franchising and management contracts tend to be more popular (University of Hawai'i, 2011). In line with the different arrangements of hotel management and ownership systems, there are different types of strategic hotel alliances. The four most important types will be discussed in this section. They are voluntary hotel chains, franchising, management contracts and joint ventures.

### **Voluntary hotel chains**

Voluntary [chains](#), also known as "referral chains", enhance the marketing and sales campaigns of hotels members. A voluntary chain, which selects independent hotels according to its market position, federates independent hotels which have common quality criteria. It offers the hotels brand awareness, by promoting its hotel members and increasing their sales and visibility. Hotel chains provide a certified quality to the hotel members where a grateful clientele who acknowledge the chain's quality guarantees. Voluntary chains also have *brand signs to indicate* whether the hotel belongs to a hotel chain. It benefits from a huge network of journalists, partners, travel agents and large client portfolios (Marvel, 2004).

The hotel's range of a voluntary chain has to be coherent. A chain decides if hotels can be an affiliate according to its market position, clientele and branding. Hotel category, geographical localization, number of rooms, interior design and so forth are part of selective entry criteria which varies from a

voluntary hotel chain to another. For instance, a business hotel chain favours seminar hotels, luxury hotel chain favours 4 and [-star](#) hotels and a leisure hotel chain favours facilities. In addition to secure criteria, independent hotels wanting to become members of a voluntary chain have to be aware of their values and philosophy. They also have obligations such as paying entry fees and annual dues (Marvel, 2004).

The most important chains have a [\\_centre](#), a directory and a website – that gathers all the hotel members- within an online booking engine. Each year, a hotel chain publishes its own directory which gathers all the information related to their hotel members. More informative than a directory, a chain's website is useful to potential customers to get details about hotel services and to see more pictures. The largest hotel chains offer an online reservation solution for [\\_users](#) who benefit from packages and preferential rates with the chain's guarantees. The largest voluntary hotel chains have their own sales calls. Commercial Counsellors and Booking Officers know each hotel member very well. They are experts in helping clients find the most suitable hotel for their stay (Marvel, 2004).

Based on their knowledge of the international market, the largest hotel chains' commercials are all able to suggest hotel business plans to hoteliers and help them adapt their commercial policy to the market's evolution. They organise events and professional meetings to put hoteliers in contact with key accounts, [agents](#) and business and leisure clientele (Marvel, 2004).

In aligning the hotel chains to form part of the alliance continuum, based on the definition and tasks of voluntary hotel chains, they fall under cooperation and coordination. That is, voluntary hotel chains share information and to some extent align activities to fulfil the criteria to belong to a specific chain.

## **Franchising**

Franchising is a version of licensing whereby the franchisor gives the franchisee the right to use intangible assets as well as tangible assets in a specific

geographic area (Preble *et al.*, 2000). Franchising provides the franchisee a right to run a business which is tried and tested. Besides, the franchisee benefits from the economies of scale, economies of scope, advanced information and communication technology and the brand name recognition of the franchisor (Holverson & Revas, 2006).

A franchise agreement is a marketing agreement between the hotel looking for an alliance and a national chain. The new hotel agrees to build and operate its activities based on certain standards common to the chain, to participate in the marketing programs of the chain and to pay royalties to the chain for the use of the chain's name and materials (Klas, 2003).

For hotels, mostly the franchisee remains in control of the management and the property, but has the advantage of using a large chain's trademark or trade name in marketing. The owner or franchisee must follow the operating rules of the franchisor and pay a royalty fee as specified by the contract. Usually the franchisee benefits also by being part of an international reservations system, purchasing supplies at a discount and receiving professional managerial assistance (University of Hawai'i, 2011). "The franchisor agrees to maintain certain standards chain-wide, to advertise and market the chain on a national, regional and local basis, to provide the franchisee with marketing materials, training programs and possibly to restrict the number and location of other members of the chain in the same market" (Klas, 2003).

Hausman in Holverson & Revas (2006, p. 399) explain, "Individual entrepreneurs to have a hotel with a recognizable name and in theory they acquire the right to operate a business that has been fully debugged and tested". The above quote by Hausman indicates that an entrepreneur does not need to spend time, effort and finances in order to build goodwill for his hotel. The disadvantages of franchising to the franchisee include: the royalty fees to be paid which at some stage might be higher than the return on investment, loss of control and management independence and the risk of associating with country of origin of the franchisor during turbulent political times (Holverson & Revas, 2006). Besides, Klas (2003) indicates that franchisees can pay

anywhere from 5.0 to 9.0 percent of room revenue to the franchise company, along with tens of thousands of dollars in up-front fees.

Another disadvantage of franchising is participation in special marketing programs and making rooms available for the central reservation system. “The chain may offer special rates or package deals on weekends or during summer months when business travel is slow. You may end up being forced to honour such programs during what, for a casino hotel, is a peak demand period that would normally command top rates. If the majority of the demand for your hotel comes from a casino and is attracted by your own marketing efforts, you can end up paying the chain a fee for room reservations you captured without their help” (Klas, 2003).

### **Management Contract**

The management contract is often found in international tourism where a hotel chain can establish a presence without the investment of ownership. The management contract allows for the separation of ownership and operation. In the international setting, management contracts are widely used for the brand name in marketing. The franchisor will also provide the management team and the hotel is expected to operate by standard management practices of the chain. For many hotels which are foreign-owned, this is a very common means of operation. In Hawaii, for example, where many hotels are owned by Japanese investors, the hotels are operated by management contract using brand names such as Sheraton or Marriot (University of Hawai'i, 2011).

A franchise agreement is not a management contract. The reason being that the franchisee is still responsible for the management of the hotel, either directly or with the help of a separate management company. Some chains provide the option of a management contract rather than a franchise agreement, in which case the chain becomes the manager of the franchisee hotel on its behalf and the franchisee receive the benefits of a franchise in addition to the management service (Klas, 2003).

## **Joint ventures**

A joint venture involves two or more partners form an entity for a specific purpose, where equity is usually involved. Sheraton and the hotel division of Koor Corporation have been involved in a joint venture of franchising activities in the Middle East (Preble *et al.*, 2000). Establishing a joint venture with a foreign firm has long been a successful and preferred entry mode (Hill, 2005, p. 493).

According to Thompson *et al.* (2005), joint ventures are the best alternative, when an opportunity is too complex, uneconomical, risky, needs high competencies and knowledge, for a single organization to pursue alone; or when it is the only way to enter the foreign market. According to Hill (2005, p. 493) a firm benefits from local partners knowledge of the competitive conditions, culture language and political system of the host country. When the development costs and or the risk of opening a foreign market are high, a firm may gain by sharing these costs and/or risks with a local partner.

Lu and Herbert (2005) state that the disadvantages of joint ventures, which is similar to licensing, in that firms might risk the imitation of their skill, products and technology by the partner where at a later stage the partner could become a competitor in the original firm's own market. The second disadvantage is that a joint venture does not give a firm the tight control over subsidiaries that it might need to realise an experience curve or scale of economies (Hill, 2005, p. 493).

## **Synthesis of the continuum of alliance formation with the types of alliance formation**

Having discussed the four different types of alliance continuum, namely, cooperation, coordination, collaboration and coadunation and the three major types of alliance formation, namely, voluntary hotel chains, franchising and joint ventures, the study found it useful to relate these two different kinds of alliance governance structures into perspective. The reason being that the alliance continuum is a framework which needs to be complemented by the practical

and familiar working terminologies of alliance formation under the subject of international business management.

While voluntary hotel chains might fall under cooperation and coordination, as the name implies, it is voluntary membership with minimal subscription fee. Franchising falls somewhere under coordination and collaboration, as the franchisee still has rights to operate his/her business (coordination) while at the same time, the franchisee is required to align his/her room rate based on the franchisor's decision (collaboration) – as there is some form of pricing strategy alignment. Management contracts purely fall under collaboration as the management contract company, such as Sheraton Hotels Group, aligns the Sheraton of South Africa with the rest of the world's Sheraton hotels, though these different Sheraton hotels in the world are owned by different individuals or companies. Finally, joint ventures fall under coordination, as the owner relinquishes power to the joint venture.

Furthermore, the different alliance types, from the less formal (voluntary hotel chains) to the more formal (joint ventures) differ in terms of their decision criteria on market benefits, market size, population density, finance risk, market positioning and reputation requirements.

### **Selection criteria by South African 3 Star and above hotels to forge alliances**

#### **Marketing benefits as a criteria for forging alliances**

Based on research output by Holverson & Revaz (2006) on European hotels, both the voluntary hotel chain members and franchisees indicated that their “global reach”, “new customer segments”, “image improvement” and “increased awareness” were the main reason to be part of an alliance instead of remaining independent. This was especially true for the voluntary hotel chain members, which are usually the lesser known when completely independent, possibly due to their size or location. The main difference between the four continuum alliance formation types comes on “targeting was accurate”, the franchisees

responded targeting was accurate, while half of the voluntary hotel chain members indicated it was not accurate. Due to this, half of the voluntary chain members indicated that their “marketing and communication campaigns” had improved once they joined the hotel chain.

When asked what the main reasons for the hotel to have selected voluntary hotel chains or franchising instead of remaining independently owned were, the leading responses from both types of branded hotels were “reputation”, “reservation system” and “positioning”. While “Brand size” and “geographic origin of the brand (Hotel Chain name)” did not rate very high on the decision-making criteria for both voluntary hotel chains members and for franchisees (Holverson & Revaz, 2006). Overall, when selecting a specific brand it appears that the hoteliers are most interested in “fit” (reputation and positioning) and “reach” (reservations systems) which is congruent with the competitive industry environment and the hotels’ own limited resources.

### **Control elements as a criteria for forging alliances**

In the hotel industry, Dahlstrom, Haugland, Nygaard & Rokkan (2002) conducted a research on 650 Norwegian hotels and provided the reasons for the selection of the different types of alliance formation by one hotel over the other.

The research by Dahlstrom *et al.* (2002), was based on agency theory, which involved the need for control over the different performance dimensions of the different hotels. Contractor and Kundu in Dahlstrom *et al.* (2002), argue that four dimensions are especially important to control in the hotel industry. These dimensions refer to control over (1) operational management and quality, (2) capital and property, (3) competence and expertise, and (4) the brand and reservation system.

*“In vertically integrated hotels, a national or international firm controls all four dimensions. Franchise agreements establish inter-firm alliances between a franchisor and the local representative, a franchisee. The latter party usually*

*maintains control over local capital investments and is the residual claimant to profits. The franchisor's operating and monitoring systems yield control over operations and expertise, and the franchisor maintains control over the branded operating system. A hotelier that is a member of a voluntary chain maintains control over capital and oversees operations, quality, and competence. The chain however, controls the brand and reservation system. Finally, independent hotels are not members of a chain and oversee all aspects of operations"* (Dahlstrom *et al.*, 2002).

The different performance dimensions of a hotel, namely, service quality, financial risk, and the market environment are the control elements, which determine the choice of one type of alliance formation over the other by hotels. That is, the number of service offerings (service quality), distance to headquarters (service quality), hotel scale (financial risk), population (market environment) and population density (market environment) which influence governance. These five factors used to analyse the 650 Norwegian hotels will be aligned with the four alliance continuum in this study (Dahlstrom *et al.*, 2002).

**Hotel Amenities** – the amenities offered by the hotel, which involve an additional investment in capital, have implications for the form of governance. For example, an eighteen-hole golf course requires a sizeable investment in property and equipment. As the number of amenities increases, independent hotels have stronger incentives to become associated with a hotel chain. The chain's promotional efforts, the reservation system, and the brand capital should generate a client base and revenues unavailable to the independent agent. The huge capital investment might lead for the independent hotel to look for the highest levels of alliance formation such as joint ventures, which involve coadunation to lessen the capital investment risk (Dalhstrom *et al.*, 2002).

Ancillary amenities, which involve service quality and customer response, may only be controlled during the time-limited interaction with the customers. Brand building activities performed by the independent hotel may be difficult and costly to observe and control. It will be expensive for a brand name owner to monitor the daily operation of a local hotel since control demands a high degree of

managerial supervision. As the monitoring of agents' behaviour becomes more difficult, principals increasingly prefer outcome-based contracts such as franchises and voluntaries. Thus, it can be concluded that as the breadth of ancillary services offered by the hotel increases, franchising and voluntary chains will be employed more frequently than independent outlets or integration (Dalhstrom *et al.*, 2002).

**Population considerations** – Agent's and principal's motivations for establishing alliances are likely to be influenced by local market characteristics. Although some agents are large publicly held companies, most proprietors manage relatively small enterprises (Stanworth & Kaufmann, 1995). As the market becomes large, the potential for these agents to operate on an independent basis is likely to decline. Moreover, as the concentration in the market increases, property values should serve as strong disincentives to independent operators. They have limited resources to invest in large markets with high population densities and as independents they will not have scale economies to support on-going efforts to promote their establishments. Therefore, one would expect fewer independent entrepreneurs in sizeable and densely populated markets.

**Competitive environment** – in their study of franchise purchase decisions, Stanworth & Kaufmann (1995) suggest that franchising, relative to independent operations, lowers the risk incurred in operating a business. Previously self-employed persons polled in their study indicated that business support services were franchising's most salient features. These findings suggest that franchisees are more risk averse than independent hotels. Because the organisational support systems endemic to integration are more elaborate than those associated with franchise support systems (Bradach, 1998), it is consistent with the logic of the Stanworth & Kaufmann (1995) study to suggest that integrated operations would be more risk averse than other governance systems.

**Hotel Scale** – when establishing a new hotel, a brand owner will be concerned about the investment itself and the amount of capital that will be locked into the investment. It is also likely that such capital investments will affect the form in

which choice of governance is made. When a company is exposed to risk, coadunation (vertical integration) will reduce the cost. Firstly, vertical integration offers the local hotel different benefits such as a brand name, reservation system, and competence; and furthermore, vertical integration gives the owner a better assurance of not losing the investment when establishing larger hotels. There might also exist scale advantages in marketing and in administration of hotels that encourage integration (Scherer in Dahlstrom *et al.*, 2002). Second, in the case of full vertical integration, ownership of the hotel lies with the chain and not a local businessperson. As an integrated hotel chain owns and operates several hotels, the chain is better able to reduce risk through diversification. Therefore, larger hotels will be more vertically integrated than smaller hotels (Dalhstrom *et al.*, 2002).

To conclude, it is the contractual specifications (control elements) that determine the governance of alliances not the common ownership (Morrison, 1994, p. 26). Group shared aims in strategic alliance success are dependent on two conditions:

1. Existence of obligations or rules formalising the strategic alliance relationship.
2. Sanction mechanisms and information systems to create an incentive structure ensuring the fulfilment of these obligations.

## **Conclusion**

Over the last few decades, the hotel industry has witnessed an increased focus on chains, strategic alliances and brands. Less than 10% of all North American Hotels are wholly owned whereas 80% are managed by franchise agreements or management service contracts. Franchising and management service contracts are used in Europe and in Asia, yet wholly owned hotels represent a larger portion of the industry in Europe than in North America. More research is needed to determine the different types of chains that exist in South Africa.

The hotel industry continues to be the major contributor to job creation and revenue growth in the global tourism industry. The industry is now more highly

segmented in terms of the variety of accommodations and the types of market served. As the needs and tastes of the visitor industry in terms of business and social activities have changed, the accommodation sector has adjusted in terms of the style of hotels, type of hotel rooms, and the products and services provided. The new trends in technology, changing ownership structures, proliferation of national, regional, and international chain hotels and new ways of marketing have all resulted in a rapidly evolving hotel industry that is an integral part of global tourism (University of Hawai'i, 2011).

## CHAPTER THREE

### Problem Statement and Research Questions

#### Introduction

From the previous section the following observations have been made:

- The hospitality industry is a major contributor in job creation.
- The hotel industry is segmented by the types of clients it serves, the existence or non-existence of a well-recognised hotel brand name.
- The hotel industry is full of strategic alliances to benefit from economies of scale and economies of scope.
- It is desirable for a South African 3 Star and above hotel to aggressively market itself as a destination for tourists.
- Research on South African 3 Star and above strategic hotel alliances has been limited and therefore not much attention was paid to efforts.

It is therefore logical to conclude that there exists a dire need to redirect research effort towards this identified gap. This revelation becomes the foundation of the research problem which will be discussed below.

#### Problem statement

Having established that the hotel industry in South Africa has a profound role to play in changing the country's economic fortunes and having observed a gap in the existing knowledge about strategies to forge alliances in the hotel industry to upgrade the quality of service and the amount of capital investment in the hotel industry in South Africa, the next logical question is, "to what extent are the South African 3 Star and above hotels involved in forming strategic alliances as a core function to develop their business?" This question can be further broken down into the following sub-questions.

## **Research questions**

This study will investigate the types of strategic alliances that South African 3 Star and above independent hotels are involved with. Different factors will be considered in the light of the broader environment, the hotels and the Hotel managers.

- Research Question 1: where on the continuum of alliance formation do South African independent 3 star and above hotels lie?
- Research Question 2: Are South African independent 3 star and above hotels interested in progressing from one simple, informal form of alliance to the next complex, formal type of alliance?

## **Research hypotheses**

This study centres on the following hypotheses /propositions.

Ho1: South African independent 3 Star and above hotels prefer lower stages of alliance formation (cooperation) with statistically significant difference than the rest of the stages on the alliance continuum.

Ha1: South African independent 3 Star and above hotels do not prefer lower stages of alliance formation (cooperation) with statistically significant difference than the rest of the stages on the alliance continuum.

Ho2: South African independent 3 star and above hotels are interested in progressing from one simple, informal form of alliance to the next complex, formal type of alliance.

Ha2: South African independent 3 star and above hotels are not interested in progressing from one simple, informal form of alliance to the next complex, formal type of alliance.

## **Conclusion**

This chapter presented the problem statement, the research questions and the hypotheses for statistical testing. Chapter Four discusses the research methodology of the study.

## **CHAPTER FOUR**

### **Research Methodology**

#### **Introduction**

This chapter discusses the methods and principles used in this study. It specifically explains how the study was conducted to achieve the objectives mentioned in Chapter One. Firstly, the research design and methodology will be discussed. Thereafter, data collection, sampling design, data measurement, data processing, analysis and proposed evaluation of results will be highlighted.

#### **Research design**

Cooper & Schindler (2003) define research design as the plan and structure of investigation which serves as a blue print to obtain answers to research questions. The plan is the overall scheme or programme of the research. It includes an outline of what the investigator will do, from developing hypotheses to the final analysis of data. A structure is the framework of the relations among variables of a study. A research design expresses both the structure of the research problem and the plan of investigation used to obtain empirical evidence of the problem. The following research design was used to conduct this research.

#### **Degree of research question crystallization**

A study may be viewed as exploratory or formal. The main difference between these two options is the degree of structure and the main objective of the study. Exploratory studies seem to support informal structure with the aim of discovering future research tasks. The immediate purpose of exploration is usually to develop hypotheses or questions for further research. The formal study begins where the exploration leaves off. It uses a hypothesis or a research question and involves precise procedures and data source specifications. The goal of a formal research design is to test the hypotheses (Cooper & Schindler 2003, p. 146). Though the research objective is

determined, forming a framework of alliances using a continuum has not been tested before. As a result, this study is an exploratory study.

### **Method of data collection**

This classification distinguishes between monitoring and interrogation /communication processes. Monitoring as a data collection instrument includes studies in which the researcher inspects the activities of the subject or the nature of some material without trying to draw responses from anyone. In the interrogation /communication study, the researcher questions the subjects and collects their responses by personal or impersonal means. The collected data may result from: interviews or telephone conversations; self-administered or self-reported instruments sent through the mail, left in convenient locations, or transmitted electronically or by other means; or instruments presented before and/or after a treatment or stimulus condition in an experiment (Cooper & Schindler, 2003).

This study is an interrogation study, as self-administered questionnaires were used by sending the questionnaires through post to the independent 3 and above star Hotel managers.

### **The purpose of the study**

The essential difference between descriptive and causal studies lies in their objective. If the research is concerned with finding out who, what, where, when, or how much, then the study is descriptive. If it is concerned with learning why – that is, how one variable produces changes in another – it is causal (Cooper & Schindler, 2003). This research is a descriptive study as it has been attempted to determine what the Hotel managers perceive about alliance formation through this research.

### **Scope of the study**

Statistical studies are designed for breadth rather than depth. They attempt to capture a population's characteristics by drawing inferences from a sample's characteristics. Hypotheses are tested quantitatively. Generalisations about findings are presented based on the representativeness of the sample and the validity of the design. Case studies focus more on a full contextual analysis of fewer events or conditions and their interrelationship. Although hypotheses are often used, the reliance on qualitative data makes support or rejection more difficult (Cooper & Schindler, 2003). The study in progress is a statistical study as it tested the research questions identified using quantitative techniques.

## **Research methodology**

Little is known about the subject of Strategic alliances in the South African independent 3 star and above hotels Industry, which means the subject has not been formally researched from a hotel perspective. Furthermore, even though the research problem pertaining to this study is precisely defined, hypotheses were not tested before. Owing to these factors, an exploratory research was conducted.

## **Data collection**

In conducting this research, primary as well as secondary data were used to acquire the necessary information.

**A. Primary data** – are data collected with a specific purpose in mind. That is for the needs of this particular research project (Diamantopoulos & Schlegelmilch, 1997). The factors in this study, which were investigated, concerned the attitudes, opinions, intentions and expectations of the respondents which can best be measured by the interrogation data collection method.

After careful analysis of the advantages and disadvantages of the different interrogation methods of data collection, self-administered questionnaires were used. Self-administered questionnaires are inexpensive and the limited resources of the researcher favoured this method. Self administered

questionnaires have the advantage that more time is allocated to obtaining the responses from the respondents. The respondent is able to answer the question in his own environment and may provide a more lengthy response to the question. The impersonal way in which the survey can be conducted may increase the response rate of the respondents, as they may be more willing to answer personal questions.

The self-administered questionnaires were distributed to 200 hotel managers, previous hotel industry executives and directors of government departments responsible for the hotel industry. Attitude and opinion data were collected to determine the perceptions of hotel managers on alliance formation of independent 3 star and above hotels in South Africa. In order to address the research objectives identified in Section 1.5. Data was also collected on demographic information, in order to compile a respondent profile, which conforms to the specific parameters of this study.

**B. Secondary data** – are data which have not been gathered expressly for the immediate study at hand but for other purposes, although they might be of relevant use for this research project (Diamantopoulos & Schlegelmilch, 1997, p. 5). These data are collected from academic journal articles, Tourism Grading Council of South Africa (TGCSA), books, periodicals and the internet.

The data from TGCSA served as the sample of the population that was drawn for this study. Academic journal articles, books and the internet provided a contemporary perspective on the hospitality industry, specifically, hotel industry alliances.

### **Data measurement**

As this research favours quantitative technique, the questionnaire design is also related to the quantitative technique. This section deals with the various measurement scales used in designing the questionnaire of the final questionnaire developed.

## Measurement and measurement scales

According to Webb (1992, p. 139), a questionnaire comprises various measurement scales, these include: nominal, ordinal, interval and ratio scales. The scale types used in a survey determine the various summary measures, which can be used to analyse the data. In this study, interval scales were used to measure the alliance formation understanding of hotel managers while nominal and ordinal data were used in the analysis of the demographic factors.

Respondents to this study were participating in a three-part, self-administered questionnaire. The first section – Section A - of the questionnaire contains 36 variables on the different stages of alliance formation on a continuum of the independent 3 star and above hotels in South Africa. In addition, Section A includes an overall question asking, “Overall, do you think alliance formation increases the performance of an independent 3 star and above hotel in South Africa?” Section B of the questionnaire, which contains sixteen variables presents questions related to the need of the independent 3 star hotels level of interdependence or degree of formalisation interested in forming alliances. Section C of the questionnaire includes demographic factors and classification data related questions.

Section A of the questionnaire was adapted from Holverson & Revas (2006, p. 404), which discusses benefits and risks of branding approaches for small and medium-sized independent 3 star and above hotels. Questions 1 to 13 focus on the cooperation stage of alliance formation, while questions 14 up to 20 focus on the coordination stage on the continuum of alliance formation. Questions 21 to 29 focus on the coordination stage of alliance formation. Questions 30 to 33 focus on the coordination stage of alliance formation. Section B of the questionnaire was developed by the researcher to discuss the degree of formalisation required by the allying partner or the level of interdependence of the allying partner.

Finally, Section C of the questionnaire included demographic variables for further understanding of why a particular respondent responded the questions on alliance formation.

The statements that make up the variables for strategic alliance formation, Sections A and B were measured with a five-point Likert scale that measures the difference in opinions of respondents. The five point Likert-scale ranges from mostly disagree (1) to mostly agree (5), with no verbal labels for scale points 2 through 4. Besides, a sixth scale (I don't know) will be asked to give an option to the respondent if he does not know the answer.

The final questionnaire is divided into three sections (see Appendix 1):

Section A: Continuum of alliance formation by independent 3 star and above hotels

Section B: Degree of interdependence or formalisation required in alliance formation by South African independent 3 star and above hotels.

Section C: General demographic information.

## **Sampling**

A sample is a part of a population, which is the totality of entities in which there is an interest (Diamanntopoulos & Schlegelmilch, 2000, p. 10). There are six steps to design a sample, namely:

Step 1: Define the population

Step 2: Define a frame for the population

Step 3: Select the sample unit

Step 4: Select the sample selection method

Step 5: Determine the sample size

Step 6: Define the sample plan

In this research, the managers of the South African independent 3 star and above hotels were viewed as the elements of the population. However, it becomes difficult to consider only the existing managers of the independent 3 star and above South African hotels for further analysis purposes. The reason being there could also be previous managers who can give a good insight about alliance formation. Thus, the study didn't want to bind itself with limited

respondents who are currently managing hotels. The frame of the population is therefore made to include previous managers of these independent 3 star and above hotels.

Though the Tourism Grading Council of South Africa (TGCSA) is recommended to be the sampling unit, as the list of 3 star and above independent hotels is collected from it (TGCSA), the inclusion of previous managers extends the sampling unit, making it bigger. Therefore, the entire population of TGCSA, which is 789 hotels and the chance of each unit to be selected once, which includes 789 managers, was not known as there will be previous managers of these hotels considered for the survey as well. The probability sampling method could thus not be used and no generalizations about the results were made. As a result, one of the non-probability sampling methods – convenience sampling – was used to reach the respondents for this research. The primary virtue of convenience sampling is its low cost.

The criteria that was used for the respondent selection process was education (the potential respondent must be capable of understanding and completing the questionnaire). That is, the potential respondent's profile on the demographic question "Level of education" guided the utilization of the questionnaire responses, which means responses from respondents who reached grade 8 and above were utilized for further analysis. With regard to the sample size, according to Martins, Loubser & Van Wyk (1996), there is no statistical formula to calculate the sample size of a non-probability sample. In this instance, determinants of a sample size would be time and funds available. The limited time available and financial constraints therefore impact the size of the sample and limit the amount of questionnaires to be distributed to the 200 respondents. After the sample has been determined and the data has been collected, the next step is to measure, analyse and interpret the data.

## **Data analysis**

This section presents the data analysis techniques that were utilized. Firstly, the data gathered was edited, coded and exported to SPSS statistical software.

Thereafter, factor analysis was conducted to confirm whether the different dimensions created from the variables, based on theory, load together. Reliability analysis was also conducted in order to prove the scientific value of the measurement instrument, that is, to find out whether the instrument is reliable and can be replicated in other researches of a similar environment.

Descriptive statistics, including mean and standard deviation analysis were conducted to identify the difference between the different variables and dimensions. The mean scores identified using descriptive statistics were finally compared using the Friedman test technique to check if there is significant difference between the different dimensions measuring the hypothesis. Chi-square test was also used to compare if there is significant difference between those who selected to progress from lower forms of alliances to the higher more formal levels of alliances.

## **Conclusion**

This chapter presented the research methodology section. It included sections on data gathering, sampling, data analysis and interpretation. A more in depth analysis will be provided in the relevant section dealing with results.

## **CHAPTER FIVE**

### **Research Results**

#### **Introduction**

In Chapter 4, the research methodology was discussed. This included the general approach used to collect and analyse data. In this chapter, the analysis of the collected data is conducted. Data editing is aimed at avoiding errors in the matrix in the data matrix questionnaires both during and immediately after the collection of data. Standard editing and coding procedures transformed into symbols which could be understood by computer software (Diamantopoulos & Schlegelmilch, 2000).

Frequency analysis, tabulations and descriptive statements were used to analyse the data. Reliability analysis, Chi square and Friedman's Test were used to analyse the hypotheses on alliance formation of South African independent 3 star and above hotels.

### **Scale Purification**

Scale purification involves cleaning of data to make it ready for further analysis. It might involve deleting of non-aligning data to improve the statistical usability of the remaining data. It involves, editing, coding and reverse scoring.

**Editing** - is the reviewing of data collected, to ensure that all the questions have appropriate answers. Typical mistakes, which can be identified with editing, are skipping a question, more than one answer selected and if only one answer is allowed to a question. In this study, questionnaires having more than 20% incomplete responses or having two answers to the same close-ended questions were disregarded. Of the total 41 responses collected, 34 were found usable after screening for missing values and repetition of scores, which keeps the response rate to be 82%. Of the total seven responses discarded, five of the responses were having responses less than 80% of the questions asked in the questionnaire. The other two responses which are deleted from further analysis involved responses with totally strongly disagree answers, where the two respondents indicating that they totally do not agree strategic alliances add value to their hotel.

**Coding** - refers to the classification of responses into categories. In this research, a five point Likert-scale was used for the “Alliance formation of South African 3 star and above hotels” variables measurement scale, therefore scores for each item ranged from 1 to 5, where ‘1’ refers to strongly disagree and ‘5’ refers to strongly agree. The coded items were firstly captured in excel worksheet and later on exported to SPSS software package to analyse the data.

### **Reverse Scoring**

In reverse scoring the wording of particular items has been reversed to help prevent response bias. Reverse scoring brings all the variables in the section to have similar positively worded items or to have negatively worded items. The reverse scoring is done by changing the score ‘1’ to ‘5’, ‘2’ to ‘4’, ‘4’ to ‘2’ and ‘5’ to ‘1’. In this research one variable was reverse scored. The variable: ‘In forming alliances, the hotel I work for does not want to pay fees and/or royalties to voluntary hotel chains or franchises” was reverse scored to fit with the rest of the data and have a positive meaning. Hence, the reliability of the measurement instrument improved.

Once the question was reversed scored, it was decided that descriptive statistics needed to be conducted to determine basic statistics of frequency analysis on the individual variables.

### **Descriptive statistics**

According to Diamantopoulos and Schlegelmilch (2000), frequency distribution for each variable of interest is the starting point of descriptive analysis. While frequency distribution analysis was conducted, the mean and standard deviation scores were also conducted. That is, descriptive statistics is conducted on the 46 questions. The mean was calculated to determine the average value of a variable. Standard deviation was computed to analyse whether the mean score was supported by majority of the respondents or not.

## Demographic factors analysis

### Distribution of respondents by age

Almost one third of the respondents, 32.4% are older than 60 years. On the respondents open comments, it was indicated that most of the respondents are owners of the independent 3 star and above hotels. As these individuals have been running their business in their own for some time, it seems difficult for them to ally. The other higher response group includes respondents between the age of 46-60, which constitute 35.3% and respondents between the age of 31 -45, which constitute 23.5%. The youngest age group of 18-30 years constitute only 5.9% of the independent 3 star and above hotels management.

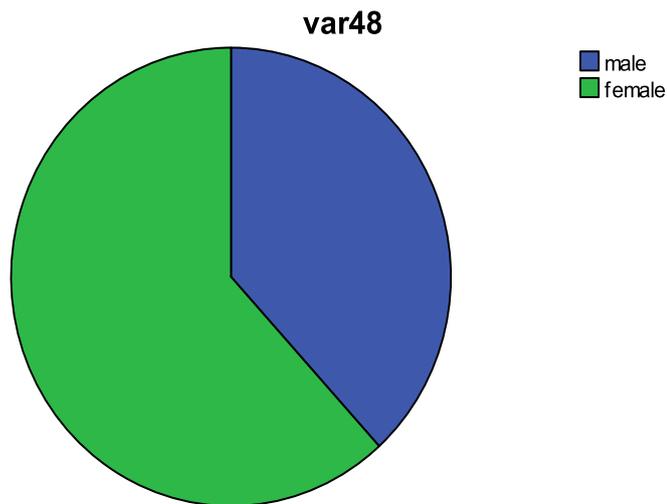
**Table 5.**Error! No text of specified style in document.**2 Distribution of respondents by age**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-30	2	3.9	5.9	5.9
	31-45	8	15.7	23.5	29.4
	46-60	12	23.5	35.3	64.7
	60+	11	21.6	32.4	97.1
	5	1	2.0	2.9	100.0
	Total	34	66.7	100.0	
Total		51	100.0		

### Distribution of respondents by gender

Distribution of respondents by gender indicates that males constitute 38.2% while females constitute 61.8% of the respondents.

**Figure 5.2 Distribution of respondents by gender**



**Distribution of respondents by ethnic group**

Majority of the respondents constitute white South Africans with 67.6%. The rest of the ethnic groups are represented in small numbers of Indians 17.6%, followed by coloureds with 8.8% and black South Africans with 2.9%.

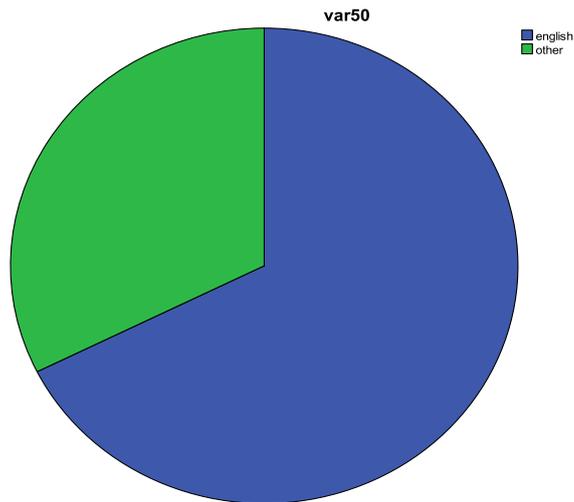
**Table 5.3 Distribution of respondents by ethnic group**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	black	1	2.0	2.9	2.9
	coloured	3	5.9	8.8	11.8
	indian	6	11.8	17.6	29.4
	white	23	45.1	67.6	97.1
	5	1	2.0	2.9	100.0
	Total	34	66.7	100.0	
Total		51	100.0		

## Distribution of respondents by language they frequently speak

In terms of language they frequently speak, two thirds of the respondents indicated that English is their main language, while 32.4% indicated that English is not their first language.

**Figure Error! No text of specified style in document.2 Distribution of respondents by language**



## Distribution of respondents by level of education

With regards to level of education of the respondents, 50% indicated that they have a degree, while one fifth of the respondents indicated that they have a diploma. Those with post graduate degrees constitute 17.6%, while only 8.8% constitute hotel managers with Certificate and below levels.

**Table 5.3 Distribution of respondents by level of education**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Matric-certificate	3	5.9	8.8	8.8
	Diploma	7	13.7	20.6	29.4
	Degree	17	33.3	50.0	79.4
	Degree +	6	11.8	17.6	97.1
	5	1	2.0	2.9	100.0
	Total	34	66.7	100.0	
	Total	51	100.0		

### Distribution of respondents by work experience for the current employer

In terms of work experience, 32.4% of the respondents indicated that they have more than 19 years of work experience, while 52.9% of the respondents indicated that they have work experience between 9 to 18 years. Only 14.7% or 5 respondents have work experience below (8) years.

**Table 5.**Error! No text of specified style in document.**4 Distribution of respondents in terms of work experience**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 - 8 years	5	9.8	14.7	14.7
	9 -18 years	18	35.3	52.9	67.6
	19 - 30 years	11	21.6	32.4	100.0
	Total	34	66.7	100.0	
Total		51	100.0		

### Distribution of respondents in terms of work experience in the hotel industry

In terms of work experience in the hotel industry, 14.7% have worked in the hotel industry for more than 19 years. Another group worked between 9 to 18 years constitute 15 respondents, while those respondents with only 8 years or below work experience in their current work place constitute 38.8%. One respondent did not fill his work experience in his current job.

**Table 5.**Error! No text of specified style in document.**5 Distribution of respondents in terms of work experience in the hotel industry**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 - 8 years	13	25.5	38.2	38.2
	9 -18 years	15	29.4	44.1	82.4
	19 - 30years	5	9.8	14.7	97.1
	4	1	2.0	2.9	100.0

Total	34	66.7	100.0
Total	51	100.0	

### Descriptive statistics

Out of the 46 variables under alliance formation of South African independent 3 star and above hotels, variables number 5 and 35, “In forming alliances the hotel I work for is committed to a potential non-financial relationship with the partner firm,  $X = 4.09$ ” and “the hotel I work for wants to create a niche personality,  $X = 4.09$ ” have highest mean scores. However, as the standard deviation for variable 5 “In forming alliances the hotel I work for is committed to a potential non-financial relationship with the partner firm” is not small, the variable is not supported by most of the respondents. That is, the highest mean score was most probably achieved by chance rather than by an agreement in opinion of the respondents. For variable number 35 “The hotel I work for wants to create a niche personality” has the lowest standard deviation score of “std.dev = 0.522” which indicates that most of the respondents agree on the question.

The third highest mean score belongs to variable number “(8), the hotel I work for, actively seeks advice and information from partner firms, mean score of  $X = 4.000$ ”. This highest mean score is followed by relatively lower standard deviation score, std.dev = 0.935, which indicates that most of the respondents agree with the variable. The fourth largest mean score comes with variable number “(4), in forming alliances, the hotel I work for communicates with potential partners in order to obtain the necessary marketing intelligence in order to compete,  $X = 3.97$ ”. However, this score is not supported with the lowest mean score (std.dev. = 1.115), and as a result, there is high possibility that the high mean score was achieved because of average of extreme opinions and not similar opinions.

**Table 5.**Error! No text of specified style in document.**6 Item Statistics**

	<b>Mean</b>	<b>Std.</b>	<b>N</b>		<b>Mean</b>	<b>Std.</b>	<b>N</b>
		<b>Deviation</b>				<b>Deviation</b>	
var01	3.64	1.342	33	var24	2.94	1.088	33
var02	3.73	1.206	33	var25	3.18	1.185	33
var03	3.06	1.298	33	var26	2.79	1.193	33
var04	3.97	1.015	33	var27	2.88	1.269	33
var05	4.09	1.100	33	var28	2.45	1.277	33
var06	3.85	1.034	33	var29	2.61	1.248	33
var07	3.85	1.202	33	var30	2.88	1.317	33
var08	4.00	.935	33	var31	1.85	.939	33
var09	3.70	1.132	33	var32	2.48	1.372	33
var10	3.82	1.014	33	var33	2.30	1.262	33
var11	3.67	1.051	33	var34	3.64	1.025	33
var12	3.55	1.034	33	var35	4.09	.522	33
var13	3.67	1.080	33	var36	3.27	1.069	33
var14	3.33	1.109	33	var37	3.70	.728	33
var15	3.12	1.317	33	var38	3.52	.972	33
var16	3.48	1.034	33	var39	2.97	1.185	33
var17	3.12	1.293	33	var40	3.88	.893	33
var18	3.27	1.180	33	var41	3.21	1.166	33
var19	2.76	1.001	33	var42	3.06	.966	33
var20	2.76	1.091	33	var43	3.21	.820	33
var21	3.03	1.185	33	var44	3.30	1.075	33
var22	3.15	1.302	33	var45	3.61	.864	33
var23	3.27	1.306	33	var46	3.00	1.146	33

The fifth highest mean score is found in variable number 40, “the hotel I work for prefers a self-enforcing agreement where there is no intervention from third party to determine whether a violation has taken place,  $X = 3.88$ ”, followed by lowest standard deviation score,  $\text{std.dev.} = .893$ . This result indicates that the majority of the respondents agree that in forming alliances hotels prefer a less formal agreement.

Variable number 31, “In forming alliances, the hotel I work for is interested in shared management control with the partner, mean score,  $X=1.85$ ” has the lowest mean score. This lowest mean score is followed by relatively lowest standard deviation score,  $\text{std.dev} = .939$ , which indicates that majority of the respondents are not interested to share management of their hotels.

The next lowest mean score comes from variable number 33, “In forming alliances, the hotel I work for aligns both economically and culturally with the partner, mean score,  $X=2.30$ ” though with relatively higher standard deviation score of  $\text{std.dev.} = 1.262$ .

The third lowest mean score comes from variable number 28, “In forming alliances, the hotel I work for benefits from name recognition of the partner with clear positioning” though with relatively higher standard deviation score of  $\text{std.dev.}=1.277$ ”. The fourth lowest mean score belongs to variable number 32, “In forming alliances, the hotel I work for embraces organizational culture integration,  $X=2.48$ ”. The standard deviation for variable 28 is not small and as a result the response could most likely belong to chance than an agreement by majority of respondents’ opinion. Finally, the fifth lowest mean score belongs to variable number 29, “In forming alliances, the hotel I work for seeks compatible goals and commits resources with the partner firm to get access to new global market segments,  $X = 2.61$ ” followed by relatively higher standard deviation score,  $\text{std.dev.}=1.248$ .

Once the descriptive analysis was conducted, it was decided that factor analysis needs to be conducted, as the questions are numerous, all in all 53 questions, of which the 46 questions need to be further grouped into meaningful dimensions. The meaningful dimensions are supposed to align in terms of level of alliance formation, or if such grouping cannot be created, to check the group order to be identified, named and prioritized in terms of its alliance formation formality and complexity.

## Factor analysis

According to Pallant (2001), factor analysis takes a large set of variables and looks for a way that the data may be 'reduced' or summarized using a smaller set of factors or components. The grouping is done by compiling the inter-correlations of a set of variables. The two forms of factor analysis include exploratory and confirmatory. Exploratory factor analysis is often used in the early stages of research to gather information about (explore) the inter-relationships among a set of variables. As the questions in this research are newly developed for the study, exploratory factor analysis was used to check if there are any relationships and then analyze the study based on the developed factors.

The correlation coefficients between the factor and the variables are called loadings while the sums of the variances of the factor values are called Eigen values. The communalities are estimates of the variance in each variable that is explained by the available factors. To find the results of the loadings, Eigen values and communalities of the factors (dimensions), the available variables must be entered into statistical software, such as, SPSS or other software.

To find some pattern in which one factor heavily loads (have a high correlation coefficient) on some variables and the other factor on others, the variables must be rotated. Finally, the interpretation of factor loadings is largely subjective. There is no way to calculate the meanings of factors; they are what one sees on them (Cooper and Schindler, 2001).

Factor analysis was conducted on the 'Alliance formation of South African 3 star and above hotels' items. Factor loadings were used for each variable to identify the factors (dimensions). Factor loadings of 0.30 and higher were generally considered as significant when formulating the final pool of variables and in the identification of the factors. Furthermore, the proportion of the total variability explained by each factor was considered in the analysis. Only those factors with Eigen values larger than one were retained. Using the Principal Component factor analysis technique and Varimax with Kaiser Normalization rotation, the analysis retained Four (4) interpretable factors for the first set of questions and

similar Four (4) factors for the second group of questions by the Eigen value criterion of one. These factors are going to be discussed next.

The identified factors were used to compare the perceptions of South African independent 3 star and above hotels managers on the level of alliance formation that the hotels they manage are interested in. Loadings greater than 0.3 where considered significant and are highlighted in bold. As the identification of factors is subjective, sometimes, if there are cross-loadings (having 0.3 load of one variable on more than one factor) they were analyzed and made to align with the one factor which has the highest load score.

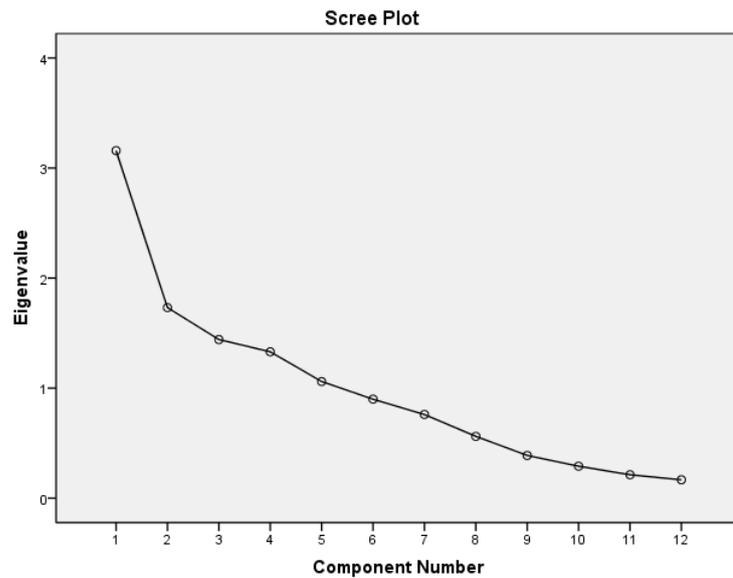
The different colours in the following Table 5.7 indicate the variables that align together to form a factor. The four factors identified can easily be traced from the four different colours.

**Table 5.7 Rotated Component Matrix<sup>a</sup>**

	Component					Component			
	1	2	3	4		1	2	3	4
Var01	.366	.144	.843	.015	var24	.368	.611	-.241	.359
Var02	.188	.213	.837	.013	var25	.375	.671	-.177	.219
Var03	-.095	.280	-.597	-.098	var26	.126	.762	.257	-.047
Var04	.804	.161	.029	.121	var27	.402	.485	-.180	.187
Var05	.729	.225	.117	.195	var28	.098	.872	.139	-.182
Var06	.801	.098	.161	.040	var29	.109	.800	.301	.005
Var07	.711	-.101	.133	.315	var30	.479	.653	-.183	-.248
Var08	.630	.308	.321	.308	var31	-.173	.767	.064	-.051
Var09	.621	-.002	.402	.440	var32	-.062	.884	.009	.074
Var10	.769	.132	.378	.089	var33	.105	.827	.112	-.021
Var11	.684	.009	.369	.307	var34	-.018	-.081	.122	.865
Var12	.501	.029	-.102	.346	var35	.206	-.089	.684	-.045
Var13	.655	.103	.050	.423	var36	.304	.164	-.111	.801
Var14	.227	-.006	.079	.668	var37	.845	.044	-.257	.025
Var15	.273	-.060	.137	.777	var38	.587	.123	.413	.167
Var16	.372	-.322	.358	.637	var39	.046	.069	.752	.013
Var17	.410	-.174	.236	.683	var40	.157	.665	.133	.277
Var18	.201	.270	.767	.278	var41	.759	.073	.208	.193
Var19	-.083	.007	.608	.489	var42	.653	.415	.270	-.170
Var22	.048	.349	.601	.487	var43	.020	.755	.124	-.027
Var23	.378	.369	.123	.687	var45	.145	.754	-.207	-.047
					var46	-.126	.155	.550	.444

<sup>a</sup>Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. Rotation converged in 6 (var 1-33) and 4 (var 34-46) iterations.

**Figure Error! No text of specified style in document.3 Scree plot of identifying the factors**



According to the graph, the relatively sharper angles that are formed determine the amount of feasible factors available. From the graph the four factors can also be traced.

### **Factor One - Information and communication dimension – Cooperation**

The first dimension identified from the rotated factor loadings can be equated with Cooperation section of the findings by Bailey and Koney (2000) four dimensions of alliance formation. This dimension included 10 variables, beginning from variable 4 up to variable 13 (Refer Appendix A). All these 10 variables clearly align and indicate that they are related to information dissemination and sharing.

### **Factor Two - Exchange of knowledge with financial implications – Coordination dimension**

The second dimension identified from the rotate factor loadings includes Six variables which involve inviting partners for meetings, to establish connections with partners, not to pay fees or royalties to voluntary hotel chains, gains access to new global market segments from partner firm, saving costs from management and staff training by the partner firm and to form cross-functional

teams between the two partners. While the first three variables are similar to the first dimension of cooperation, which involves information dissemination dimension, the last three variables involve on cost saving activities, which is equivalent to the coordination dimension in Bailey and Koneys' (2000) four dimensions of alliance formation.

### **Factor Three - Joint utilization of resources dimension – Collaboration dimension**

The third dimension involves Five variables, variable 14 to 17 and variable 23. These variables involves, arrangement of joint utilization of IT and electronic distribution equipment; providing joint utilization of maintenance facilities; providing enough time and resources for the partnership; facilitating the joint procurement of items and developing strategies together with the partner firm depending on the degree of goal interdependence.

### **Factor Four – Cultural and economical integration dimension – coadunation dimension**

The final fourth dimension consists of 10 variables, which mostly involve integration of marketing activities, alignment of pricing, standardizing product designs together with partners, name recognition together with the partner firm, seeking compatible goals and committing resources with partners to get access to new global markets, financing opportunities to acquire more businesses, being interested in shared management control with the partner firm, embracing organisational cultural integration and aligning both economically and culturally with the partner. This dimension is equivalent with the coadunation dimension of the Bailey and Koneys' findings in their research in (2000).

With regard to the 13 variables that are in section two, though factor analysis was conducted, they do not make meaningful arrangements into different dimensions as identified by Bailey and Koneys' classification of the variables in to four dimensions. For instance, Variable 37, 38, 41 and 42 align together using the rotated factor loadings. However, it is difficult to relate to the Bailey

and Koneys' (2000) alliance formation dimensions, as the items loaded together have different meanings.

Variables 40, 43 and 45 loaded together. Again it is difficult to relate these variables as one dimension and compare them with one of the dimensions identified using Bailey and Koneys' (2000) variable groupings into dimensions. Variables 35, 39 and 46 align together. Variable 34 and 36 align together. So, the study will further analyse the first 33 variables under Section One for further discussion.

### **Reliability analysis**

A measure is reliable to the degree that it supplies consistent results. Reliability is a necessary contributor to validity but is not a sufficient contributor to validity. The relationship between reliability and validity can be illustrated by the use of a bathroom scale where, if the scale measures your weight correctly from time to time, then it is both reliable and valid, but if it overweighs you by seven kilograms it is reliable but not valid. In this context reliability is not as valuable as validity, but it is easier to assess (Cooper & Schindler, 2003). One of the most commonly used indicators of internal consistency is Cronbach's Alpha (1951) coefficient. Ideally, the Cronbach's Alpha coefficient of a scale should be above 0.7. Cronbach's Alpha values are, however, quite sensitive to the number of items in the scale. With short scales (e.g., scales with fewer than ten items) it is common to find quite low Cronbach's Alpha values.

As shown in Table 5.8 the combined reliability for the 46 - item scale of Alliance formation of South African 3 star and above hotels questionnaire computed by using Cronbach's coefficient alpha, was high ( $\alpha = 0.931$ ). This indicates that there is high internal consistency among the variables.

However, even though the alpha values for the 'overall Alliance formation of South African 3 star and above hotels' dimension is high, the "alpha if item deleted" (Refer Table 5.8) scores for the overall measurement "Alliance formation of South African 3 star and above hotels" dimension - showed higher

variance from the aggregate value of 0.931. That is, if the variable, variable number 3 (Refer Table 5.8) was removed (variables deleted – not used in the analysis of the research project) from the overall questionnaire of Alliance formation of South African 3 star and above hotels dimension, the reliability value would have been improved to  $\alpha = 0.937$ .

**“In forming alliances, the hotel I work for does not want to pay fees and/or royalties to voluntary hotel chains or franchises” (variable 3).**

Some researchers and analysts might argue that the above higher Cronbach Alpha variable should be excluded from further analysis. However, if once again check the ‘alpha if item deleted’ result after the one variables (having higher alpha value than overall alpha) been deleted and conducted another reliability analysis, other variables will also come out having ‘alpha if item deleted’ values greater than the ‘overall alpha’. This means most of the variables will be excluded from further analysis. As this research is exploratory and the variables that fall under the “Alliance formation of South African 3 star and above hotels” dimension and the four sub dimensions are necessary parts of this research, the variables are retained. Hence, future research has to revise the questions or collect more sample size, as the sample size in this research is small 34 respondents.

**Table Error! No text of specified style in document. Reliability analysis: Scale (ALPHA) – Cronbach Coefficient Alpha Reliability Statistics**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.931	.933	33

Item-Total Statistics					
Variables	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted	Variables	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
var01	.	.928	var18	.	.927
var02	.	.929	var19	.	.930
<b>var03</b>	<b>.</b>	<b>.937</b>	var20	.	.928
var04	.	.928	var21	.	.928
var05	.	.927	var22	.	.927
var06	.	.928	var23	.	.926
var07	.	.928	var24	.	.928
var08	.	.926	var25	.	.928
var09	.	.926	var26	.	.929
var10	.	.927	var27	.	.929
var11	.	.927	var28	.	.929
var12	.	.930	var29	.	.928
var13	.	.927	var30	.	.930
var14	.	.929	var31	.	.931
var15	.	.929	var32	.	.930
var16	.	.929	var33	.	.929
var17	.	.928			

From the reliability analysis Table 5.8, the highlighted variable number 3 indicates a score which is greater than the overall reliability measurement score of the “Alliance formation of South African 3 star and above hotels” value of 0.931. Further discussion is presented in Section 5.6.

## Friedman Test

### Friedman Test of individual variables

The Friedman Test is the non-parametric alternative to the one-way repeated measures analysis of variance. It is used when you take the same sample of subjects of cases and you measure them at three or more points in time, or under three different conditions (Coakes & Steed, 2001). The study utilised Friedman's Test in order to determine whether there is a significant difference among the four different factors, namely "cooperation", "collaboration", "coordination" and "coadunation" dimensions. The Friedman Test was used to identify if there is a significant difference among the dimensions, without identifying specifically which dimension contributed for the significant difference. The Friedman Test was mainly used to rank orders of the different dimensions in terms of the respondents' opinion.

### Interpretation of output from Friedman Test

The results of this test suggest that there are significant differences between the 'cooperation, collaboration, coordination and coadunation' dimension mean scores. This is expressed by a Sig. level of .000 (which means less than .005).

**Table Error! No text of specified style in document.8 Alliance framework dimensions descriptive Statistics**

Description	Mean	Std. Deviation	N
Cooperation	3.8206	.81120	34
Coordination	3.2745	.76418	34
Collaboration	3.2529	.97273	34
Coadunation	2.6794	.93737	34

### Hypothesis Test Summary

Null Hypothesis	Test	Sig.	Decision
The distributions of cooperation, coordination, collaboration and coadunation are the same.	Related-Samples Friedman's Two-Way Analysis of Variance by Ranks	.000	Reject the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

## Chi Square

According to Pallant (2001), the chi-square test for independence is used to determine if two categorical variables are related. It compares the frequency of cases found in the various categories of one variable across the different response options of the variable. In this study, the proportion of the respondents' responses on the variable "overall due intend to progress from one lower form of alliance formation to the next higher level of alliance formation" were compared in terms of their Alliance formation of South African 3 star and above hotels context attitude.

There is no significant difference between the preferences of respondents' on the variable "overall due intend to progress from one lower form of alliance formation to the next higher level of alliance formation" though those who indicated that they intend to progress from lower form of alliance formation to the higher form scored 15, while those who indicated scored 13. That is, though the mean score of those who intend to progress from one form are higher in number (15) the difference is not significant.

**Table Error! No text of specified style in document. Chi Square Variable 46: The hotel I work for intends to progress from one form of alliance to the next form of alliance.**

The hotel I work for intends to progress to higher levels of partnership in the alliance (Var0046).	Observed N	Expected N
Strongly disagree (score 1) + disagree (score 2)	13	30
Strongly agree (score 5) + Agree (score 4)	15	30
Neutral	6	15
Total	34	75

### Hypothesis test summary

Null hypothesis	Test	Significance	Decision
The categories of var0046 occur with equal probabilities	One-sample Chi-Square Test	0.139	Retain the null hypothesis

## Conclusion

The empirical findings of this study are prepared to identify whether South African independent 3 star and above hotels are interest to form alliances and whether the same hotels are interested to progress from simple form of alliance to the higher more formal form of alliance. Demographics and descriptive statistics were conducted to provide preliminary analysis of the data. Factor analysis was conducted to group the variables in the questionnaire in to fewer dimensions. Reliability analysis was conducted in order to test whether the instrument used can be replicated in other similar researches.

Friedman's test indicated that there is significant difference among the different dimensions of alliance formation, namely; cooperation, collaboration, coordination and coadunation and that South African independent 3 star and above hotels are interested to form cooperation form of alliances mostly, followed by coordination form of alliances. South African independent 3 star and above hotels are neutral on whether to form collaboration type of alliances and they are not interested to involve in the coadunation form of alliances.

Chi-square test indicated that there is no significant difference on the opinion of the respondents on whether the hotel they work for needs to progress from simpler form of alliances into more formal and complex format of alliances. However, those who preferred that their hotel has to progress from simpler form of alliance are higher in number than those who did not prefer.

## CHAPTER SIX

### Research Discussion

#### Introduction

Chapter One presented the objectives of the study and it was concluded with a brief discussion on the layout of the study. Chapter Two presented the literature review of the study, focusing mainly on the types of strategic alliances and the governance structure of the hotel industry inline with the stage of alliance formation. Chapter three of the research study discussed the problem statement and research questions. The research questions involve;

- Where on the continuum of strategic alliance formation does South African independent 3 star and above hotels belong? And;
- Are South African independent 3 star and above hotels interested to progress from one simple informal form of strategic alliance to the next complex formal type of strategic alliance?

The research design and methodology was discussed in Chapter Four. In Chapter Five the research findings were presented in order to achieve the objectives of the study.

The main objective of this chapter is to analyse the research findings presented on Chapter Five. This chapter is divided in to three sections. The first section discusses the demographics and descriptive statistics findings and their interpretation. The second section discusses the factor and reliability analysis findings and their interpretation. The final section discusses Friedman's test and Chi-square tests conducted to prove the hypotheses inline with the research findings. Finally, the analysis was made to align with the literature review conducted in Chapter Two.

## **Discussion of the results**

In this section, the demographic and descriptive statistics findings of the study are integrated with the literature review. As the findings presented on the demographics and descriptive statistics sections are not supported with statistical significance tests, the analyses utilised the terms 'seems' and 'likely' to indicate the preliminary nature of the statistical analysis in these two sections.

### **Demographics**

Responses were analysed with regard to: age, gender, ethnicity, language you frequently speak, level of education, work experience in the company you are currently working in and work experience in the hotel industry.

Majority of the respondents in the research were English speaking female whites aged 40 and above. Specifically, one third of the respondents were aged more than 60 years old. Most of the respondents have a minimum of Matric level of education, while 50% of the respondents have a degree. Thus, the results of the analysis were formulated on solid grounds, as respondents with Matric and above are expected to understand the concept of alliance formation. In terms of work experience, an average work experience of 9 years and above in the hotel industry is reported by most of the respondents. This seems to indicate that the decisions taken by the respondents in managing their 3 star and above hotels were conscious and heavily depend on some value gained from experience. Further discussion of the demographic analysis was not conducted as alliance formation decisions are mostly business case linked long term sustainability and profit and loss analysis decisions rather than being linked to behavioural aspects of the decision makers or managers.

## Descriptive statistics analysis

**Table Error! No text of specified style in document.4 Highest and lowest mean and standard deviation scores**

	Mean	Std. Deviation	N		Mean	Std. Deviation	N
Var35	4.09	.522	33	var31	1.85	.939	33
Var05	4.09	1.100	33	var33	2.30	1.262	33
Var08	4.00	.935	33	var28	2.45	1.277	33
Var04	3.97	1.015	33	var32	2.48	1.372	33
Var40	3.88	.893	33	var29	2.61	1.248	33

In analysing the descriptive findings the highest and the lowest Five mean and standard deviation scores were analysed. The rest of the scores are presented in a table format and could further be analysed, though due to the page limitation of research study, the study did not try to analyse further the whole mean and standard deviation scores.

Of all the individual variables, the response to variable 35 = “creating niche personality” seems to indicate clearly that the South African independent 3 star and above hotels are not interested to form part of a bigger hotel chain or brand name group, rather they prefer to remain small family owned and managed 3 star and above guesthouses or bed and breakfast resorts. On the comments provided by the respondents on the questionnaires, some of the respondents indicated that they consider the hotel they run as their place of creativity and retirement job where they don’t want a hustle by joining bigger hotel chains in terms of being required to draft contracts of agreements and revenue sharing administration costs.

Creating niche personality might also involve having a specific service quality, such as, food menu which is altered almost every day, which a hotel might think has a competitive advantage over others and by having such a competitive advantage, the hotel might focus in acquiring long term government contracts, where government departments pay for their staff to stay in a hotel until they provide them with a house to stay. That is, individuals might appreciate the

alternative food menu they get and prefer to use such a hotel for conferences, workshops and other programs, which in turn increases revenue of the hotel. If the competitive weapon was food menu and the hotel can provide it on its own and acquires a separate market, such as government departments, then the hotel might focus to serve such a niche of the market, without sharing revenue with a potential partner.

The other highest mean score from the descriptive analysis was for variable '5', that "In forming alliances the hotel I work for is committed to a potential non-financial relationship with the partner firm" indicates that most of the South African 3 star and above hotels seem to be risk averse. That is, they don't value injecting extra funds together with partners to improve and add the hotel amenities and expect more rewards. In other words, the South African 3 star and above hotels they don't seem to accept that integrated form of alliance increases value for their hotel.

The third highest mean score, variable number "(8), the hotel I work for, actively seeks advice and information from partner firms" and the fourth largest mean score, variable number (4), "in forming alliances, the hotel I work for communicates with potential partners in order to obtain the necessary marketing intelligence in order to compete" seem to indicate that majority of the South African independent 3 Star and above hotels are mainly interested on information sharing and communication flow among the networks.

The fifth highest mean score which is variable number 40, "the hotel I work for prefers a self-enforcing agreement where there is no intervention from third party to determine whether a violation has taken place" indicates that South African independent 3 star and above hotel managers prefer to have informal agreements, where clear contractual agreements with duties and responsibilities assigned are missing and remedial actions for not delivering according to the contract terms are not mandatory.

The lowest mean score of all the variables "In forming alliances, the hotel I work for is interested in shared management control with the partner" indicates that South African 3 star and above independent hotels are more of entrepreneurial

organisations whereby they only allow for an outsider to provide information and may be to influence, but other than that no sharing of management decisions. The response leads to the assumption that the South African hotel managers either don't trust the capability of their potential partner to contribute in management decisions or the South African managers do not want to entertain possible risks of opportunism (the partner deciding the business cases in his/her hotel's favour) which might happen if they allow to share management. This result could partly be attributed to the long-time isolation of South Africans from the global business environment where South African business people were lacking exchange of ideas and sharing of resources with the international arena.

The second lowest mean score whereby the independent South African hotels clearly indicate that they don't want economic and cultural integration, involves high risk in terms of committing resources and management styles to the extent of even being bought out by outsiders. As a result, some of the hotels' managers who responded to the questionnaire indicated in their written comments that their hotel is a legacy of the family, and as a result they don't want to compromise their economic, cultural and management liberty by sharing with an outsider who claims a partner. That is, the hotel managers prefer to manage their hotel in their own way.

In forming alliances, "the hotel I work for benefits from name recognition of the partner with clear positioning". Branding and name recognition is not found as highly influential by South African independent 3 Star and above hotels in attracting customers. While a lot of funds are spent by modern organisations to build or sustain their brand, it seems contrary to the South African 3 star and above hotels. The possible factor for not being highly interested to be part of a well known brand could be that of the hotel industry in South Africa is identified by the star rating system. That is, almost each and every hotel has a star rate, which identifies the hotel for the level of service that the customer could expect. This grading of the hotels which is manifested in different advertisement journals and electronic media gives confidence for the customer for the level of service that he can expect from the hotel. To make it clear, a person who is willing and who can afford to stay in a four star hotel, will expect the same

service, whether the 4 star hotel belongs to one of the global hotel chains, City lodge or he can expect the same service from any other independent hotel which is rated 4 star, but not associated with any chain, such as Brooklyn lodge.

The fourth lowest mean score variable number 32, “In forming alliances, the hotel I work for embraces organizational culture integration” supports the discussion that South African independent 3 star and above hotels are not interested to cultural integration, which in turn seems to indicate that South African independent 3 star and above hotels have their own ways of doing things. Finally, the fifth lowest mean score belongs to variable number 29, “In forming alliances, the hotel I work for seeks compatible goals and commits resources with the partner firm to get access to new global market segments” seems to indicate that the South African hotels under study do not intend to commit resources for partnership.

### **Factor analysis discussions**

The study pre-determined to identify four factors, based on the subjective judgement found on Bailey and Koney’s (2000) four dimensions of alliance continuum. Closer investigation of the variables that aligned to the four factors gives that;

All information and communication related variables aligned together. These variables involve the sharing of information without any cost involvement or shared assignment of tasks. Most of the variables involve; inviting a meeting, sharing information with partners and networking. This factor, which is named “Cooperation” is the lower form of alliance formation. Cooperation has the highest mean score indicating that the respondents (Managers of 3 star and above South African independent hotels) are willing to engage in such form of an alliance.

The second dimension identified has variables some of which closely resemble to the variables in the cooperation dimension while more of the other variables involve lower level of sharing resources and capitalising on capabilities. That is,

“gaining access to new global market segments”, “all team building activities”, “training employees together with the partner firm” and “being not interested to pay royalties for a parent firm” all these variables indicate that there is some element of basic cost sharing activities, without being controlled under franchising or other formal agreements. The voluntary chains seem appropriate for the South African independent 3 star and above hotels which provide lower risk and lower reward types of alliance involvement. The mean score of the respondents for this dimension was ( $X = 3.27$ ), which is much more close to neutral (score = 3) than to agree (score = 4) for hotel managers to develop an alliance.

The third dimension involves joint utilisation of IT equipment and electronic distribution systems, joint procurement, resource sharing with partner firm and developing strategies together with the partner firm in penetrating a market. This dimension clearly indicates that the partner is interested to invest on the alliance and is prepared to commit resources for the alliance. Together with the commitment of resources comes high reward and possible risk of failure. Thus the partner firm is willing to share risk for the commensurable amount of reward. The higher the amount of resources involved and the risk assumed the more complex the alliance will be as the partnering organisations introduce advanced control measures to protect their interests and will want formal contractual arrangements for the alliance to continue. In such an instance, franchising becomes the preferred method if not management contracts. The mean score of these dimension is ( $X = 3.25$ ) which is much more close to the neutral score (score = 3) than to agree (score = 4) seems to indicate that South African independent 3 star and above hotel managers are not highly interested to involve in such form of an alliance, rather they are neutral.

The fourth dimension created using the factor analysis comprises variables such as, “In forming alliances, the hotel I work for standardizes product design and components with the partner, integrates local sales activities with the partner, shares local brand strategies with the partner, aligns it’s pricing (premium) strategy with the partner, benefits from name recognition of the partner with clear positioning, seeks compatible goals & commits resources with the partner firm to get access to new global market segments, prepared to

finance opportunities to acquire more business, interested in shared management control with the partner, embraces organisational culture integration, aligns both economically and culturally with the partner”. All these 13 components form the fourth dimension of “Coadunation”. The 13 variables seem to indicate highly integrated form of alignment between the partners’ activities.

The results of the mean score analysis on the Fourth dimension “Coadunation” indicates that the dimension has the lowest mean score of ( $X = 2.6794$ ), which is in between “disagree” and “neutral” scores. This lowest mean score result indicates that the South African independent three star and above hotels are not interested in a highly integrated form of alliance formation.

Factor analysis of the 13 variables in Section B did not result in meaningful factors aligned together to have a dimension for discussion. Due to the misalignment that resulted from the factor analysis of the 13 variables in Section B, the study decided not to analyse the factors created from the 13 variables. However, analysis of the individual 13 variables is conducted together with the rest 33 variables in Section A.

For instance, one dimension which includes the two variables, variable numbers 34 and 36 “in forming alliances the hotel I work for wants to have more control over management and entrepreneurship” and “wants to benefits from the large numbers of guests who might be attracted to known brand names” after rotated factor analysis resulted in less meaningful alignment of the variables together. That is, the variables are contradictory according to this study’s discussion of alliance formation, as independent hotels who want to benefit from known brand names have to buy a franchise which takes the self management and entrepreneurship aspects of their requirement.

The other dimension which comprises the variables “In forming strategic alliances, the hotel I work for wants to create a niche personality; prefers possibly long contractual commitments from partners; and intends to progress into higher forms of partnership in the alliance” contains variables which have different opposing meanings to form one dimension (with related benefits or

failures). That is, for a hotel which intends to create a niche personality is difficult to engage in possible long contractual commitments, as long contractual commitments result in losing some power of entrepreneurial spirit of the hotel to create the niche that it wants to create. The potential long term contractual partner might not agree to form a niche rather a mass market program.

In conclusion, the 13 questions (variables) included in the questionnaire which are meant to ask the control perspective of alliance formation did not give meaningful factors formation when the questions were factor analysed. As discussed earlier in chapter Five, factor determination is subjective and is based on theories and the researcher's opinion on the subject matter. The alignment of the 13 variables in to factors resulted into a combination of different variables in to groups with no meaningful results.

### **Reliability and factor analysis discussion**

Multiple questions were identified for each construct to ensure a high level of reliability, discriminant and convergent validity. Reliability is defined as the ability of the scales to consistently yield the same response (Nunnally as in Pallant, 2001). There are two types of consistency, that is, stability (over time) and equivalence. For Cronbach's alpha, a value above 0.70 is often considered to be acceptable for existing scales, whereas values above 0.60 are deemed sufficient for newly developed scales. Table 5.1 which provides the results of the assessment of the scales using Cronbach's alpha indicates that all scales except for variable 3 have a Cronbach's alpha value less than the overall Cronbach's alpha ( $\alpha = 0.931$ ) that is defined by (Nunnally as in Pallant, 2001). However, as this research is exploratory and the variables included are measured for the first time, variable number 3 (Refer Table 5.9) is retained for further analysis.

With regard to factor analysis, of the four identified factors, factor 1 - Cooperation explains 20.76% of the variation in the data, factor 2 – coordination – explains 19.402% of the variation in the data, factor 3 – collaboration – explains 15.158% of the variation in the data and factor 4 – coadunation –

explains 13.05% of the variation in the data. The four factors cumulatively account for 68.37% of the variance.

### **Non-parametric techniques**

As we have serious violations of the distribution assumptions of parametric tests, very low sample size, non-parametric techniques were used. These tests tend to be less powerful than their parametric counterparts. Alternatively, some non-parametric tests (Chi-square test) are appropriate for data measured on scales that are not interval or ratio (Coakes & Steed, 2001). In this study, Chi-square and Friedman test are used to analyse the hypotheses.

To test the hypothesis specified in Section 3.4, one needs to identify, first, the alliance formation dimensions or factors. The aforementioned discussion indicated that the factor analysis techniques available, principal components analysis with Varimax rotation made available four interpretable factors. The next step was to use the different hypothesis testing techniques to justify the statistical significance of the assumptions of the hypothesis. In this study, the two hypothesis testing techniques, namely, Friedman's test and Chi-square test were applied.

Prior to analysis, the four dimensions identified, cooperation, coordination, collaboration and coadunation dimensions were examined through various SPSS programs for accuracy of data entry, missing values, and fit between their distributions and the assumptions of multivariate analysis. The three responses having missing values were deleted.

Based on formulated hypotheses in chapter Three, the Friedman's test and Chi-Square test were conducted and analysed in order to investigate the level of choice of South African 3 star and above independent hotel managers on the four different levels alliance continuum and in order to determine whether the independent hotels intend to progress from the lower form of alliance formation to the higher more complex and more formal form of alliance formation.

## **Hypothesis 1**

The results from the survey as reflected in Table 5.10 indicate that South African 3 star and above independent hotels prefer to ally more on cooperation followed by a neutral or indifferent attitude to ally at the level of coordination and collaboration and they are not willing to ally at the level of coadunation. The difference among the respondents' opinion was found to be statistically significant which indicates that the choice made was not by chance.

Thus, the null hypothesis that South African independent 3 Star and above hotels prefer lower stages of alliance formation (cooperation) with statistically significant difference than the rest of the stages on the alliance continuum is accepted.

## **Hypothesis 2**

The results from the survey as reflected in Table 5.11 indicate that more of South African independent 3 star and above hotels prefer to progress from the simplest form of alliances (cooperation) to the higher forms of alliances such as coordination and collaboration. However, the difference among those who prefer to progress from simplest form of alliance to the higher level of alliance is not statistically significant. This indicates that the difference is very close and that it can be by chance.

Thus, the hypothesis that South African independent 3 star and above hotels are interested in progressing from one simple, informal form of alliance to the next complex, formal type of alliance is not accepted. Instead the alternative hypothesis, South African independent 3 star and above hotels are not interested in progressing from one simple, informal form of alliance to the next complex, formal type of alliance is accepted.

As shown in Tables 5.10 and 5.11, the striking result in terms of alliance formation analysis is the statistically significant difference among the four dimensions of alliance formation respectively. Cooperation dimension scored

highest mean score, followed by coordination then by collaboration and finally followed by the lowest mean score of coadunation. The differences in the mean scores of these four dimensions was not by chance and as such meaningful interpretation of the results leads for the South African independent 3 star and above hotels to realise that they are not prepared to form higher levels of alliance formation. For the potential investor, South African independent 3 star and above hotels are not prepared to share management control of their hotels or even to grow through different forms of alliance formation.

South African independent 3 star and above hotels are not interested to form coordination type of alliances, which involves mostly franchising, as there will be some royalty payments to be made. Besides, it seems South African independent 3 star and above hotels do not appreciate the value they were going to get from franchising in terms of management skills, product standardisation and other inherent benefits of franchising in hotel management.

South African independent 3 star and above hotels are not interested to involve in coadunation, which involves formation of joint ventures and/or acquisitions (parent – subsidiary) relationship, not only because they are risk averse but also it could be due to the saturation of the market. South Africa hosted Football World Cup in 2010 and as a result a lot of hotels were built. As the main benefits of joint ventures are for growth by acquiring skills and/or capital of partner, it seems South African hotels do not forecast in the near future there is a market that they need to tap in to grow. That is, involving in joint venture might only compromise the revenue that was generated individually instead of providing an opportunity for growth, which might not be possible as there are enough hotels already built for the 2010 World Cup, and this research is conducted in 2011.

South African independent 3 star and above hotels accept to ally at collaboration level or prefer to progress to collaboration level as collaboration involves shared goals, which might for instance involve growing market share through one time advertisement cost. As the advertisement subscription cost is fixed and known, South African hotels do not mind in collaboration, as they will

not be tied up into a long term contractual relationship with other hotels, which involves coordination or coadunation.

The second hypothesis test conducted which involved Chi-square test to identify whether South African independent 3 star and above hotels are interested to progress from the lower, less formal and less complex form of alliance formation to the next more formal, highly complex form of alliance formation resulted with higher amount of respondents indicating they prefer to progress from one lower level of alliance formation to the next higher level of alliance formation. However, this result, was not supported by the statistical significance test of the Chi-square, as the result indicated that it is statistically not significant that the difference among who prefer to progress and those who don't prefer to progress from one form of alliance formation to the next form of alliance formation. Thus, the result should be interpreted with caution because both groups of respondents – those who prefer and those don't prefer to progress to higher levels of alliance formation scored very close results. That is, the result could be by chance.

Further analysis of the Chi-square test results might indicate that those South African hotels which do not prefer to ally, might not ally not because they are risk averse or because they do not understand alliances bring value, rather, those hotels which do not want to ally might have already secured long term contracts with government departments or other organisations, which they think they are making above average profit and involving in alliances might only lead to sharing the revenue that was supposed to be made solely.

From the amalgamated analysis of the mean scores where respondents are more interested to form cooperation form of alliance formation and analysis of the indifferent nature of the responses on whether to progress from the lower form of alliance formation to the next level, it seems it can be concluded that South African independent 3 star and above hotels are willing to involve in the lower form of alliance formation (cooperation) and are willing to progress to the next level of alliance formation (coordination). The independent 3 star and above hotels don't seem to prefer to progress to the higher levels of alliance

formation (collaboration and coadunation as the mean scores of these variables are low close to neutral (indifferent response) and close to disagree responses.

To analyse the study further in terms of financial implications, a small independent hotel will need to spend 10,000.00 (Ten Thousand Rands) for having a call centre, another 18,000.00 (Eighteen Thousand Rands) for having Galileo reservation system, another 3,000.00 (Three Thousand Rands) monthly subscription for maintaining the IT system of the small independent hotel. These point of sale and back office IT costs could either be shared or kept in-house. Thus, partly the decision on whether to ally or not depends on the materiality of the cost for a specific hotel. If a hotel prefers to share the costs, then collaboration to coordination form of alliance would fit the hotel.

The other decision factor is the capacity of the hotel and standardization of its services. If a hotel has a limited capacity and also wants to standardize its services with another hotel in another province or country, then forming a collaboration alliance would pay off to the hotel.

**Table Error! No text of specified style in document.5 Linking of questions and findings to the research objectives and hypotheses**

Objectives	Questions	Findings	Hypotheses
To group South African independent 3 star and above hotels on the alliance framework continuum.	The 46 questions prepared, but only 33 were utilised.	South African independent 3 star and above hotels prefer the lower levels of alliance formation.	South African independent 3 Star and above hotels prefer lower stages of alliance formation (cooperation) with statistically significant difference than the rest of the stages on the alliance continuum
To identify if there is a need by South African independent 3 star and above hotels to progress from one simple form of alliance to the next complex formal type of alliance.	Variable number 46 – the hotel I work for intends to progress to higher levels of partnership in the alliance.	15 respondents prefer to progress from lower form alliance to the next while 13 respondents do not recommend to progress from lower form of alliance formation to the next higher level.	There is no statistically significant difference among those who recommend to progress to higher levels of alliance and those who do not prefer to progress to higher levels of alliance.
To investigate the decision making process that South African independent 3 star and above hotels' managers use when choosing amongst different alliance framework options	The individual variables identified were further analysed to understand the decision making process taken by managers of those hotels.	It seems that South African independent 3 star and above hotels are interested in forming niche personality and are not interested to incur costs to form alliances.	No hypothesis test.

## **Linking academic theory with the research findings**

A management theory perspective would suggest that South African independent 3 star and above hotels should analyse their environment in order to form alliances, as they are the order of the day to prosper, by providing skills, capital and other resources. Analysis of the study found out that South African independent 3 star and above hotels are not in favour of alliance formation, at least at the higher levels of alliance formation.

The normal assumption of contemporary management theory is alliance formation reduces the relative risk in two ways. First, alliances offer the local hotel benefits such as brand name, reservation system, and competence. In addition, alliance formation gives the owner better assurance for not losing the investment – particularly when investing in larger hotels. Second, by alliance formation, the chain reduces risk more effectively than the local businessperson does (Brickley et al., as in Dahlstrom, Haugland, Nygaard and Rokkan (2002).

According to Frances Hesselbein of the Peter F. Drucker Foundation and John C. Whitehead of the Harvard Business School as in Gajda (2003),

We live in a time when no organisation can succeed on its own... As we look around us in a new century, we realize than businesses and non-profits in today's interconnected world will neither thrive nor survive with visions confined within the walls of their own organisations. They need to look beyond the walls and find partners who can help achieve greater results and build the vital communities to meet challenges ahead (forward, 2000).

However, though it seemed easy to collaborate, the word “collaboration” is a difficult subject to understand. Although with collaboration organisations can solve common problems or join resources to handle complex projects, its definition is somewhat elusive, inconsistent, and theoretical. Gajda (2003) indicate that in collaboration's overuse, it has become a catchall to signify just about any type of inter-organisational or inter-personal relationship, making it difficult for those seeking to collaborate to understand it with certainty. That is, practitioners working to form strategic alliances are not sure if their collective

actions constitute true collaboration and they do not know how to determine if the structural, procedural, and interpersonal relationships between the partners are as healthy as they could be.

This study assumed at first that South African independent 3 star and above hotels, like all other organisations in the world would prefer to ally with other organisations both vertically and horizontally in order to grow. However, the findings were to the contrary.

According to Whitla, *et al.*, as in Hotel Online (2007), the most notable trends in the lodging sector in relation to globalisation is the contemporary push towards presence in critical global markets, the quest for global branding, expansion of brand loyalty, improving profitability, assuring durable shareholder value, international product positioning, and the pursuit of uniform service standards. Due to this moves a lot of mergers and consolidations happened on the international level. Several hotel companies were successful in their actions to spread throughout the globe, with InterContinental and Wyndham being the largest hotel groups in the world as measured by number of rooms. However, this is not the case for the South African independent 3 star and above hotels. Most are not interested in shared management control, not prepared to invest extra for more hotel amenities and not interested to integrate economically and culturally with international partners. These behavioural aspects of the South African hotels led to the limited expansion of South African 3 star and above independent hotels.

Independent hoteliers need help with marketing and especially distribution in the new marketplace, but do not necessarily want to lose their independence (Morrison, 1998). This is inline with this research's findings where by respondents indicated that their hotel is interested for sharing of marketing information but not to integrate economically and culturally where by the hotel loses its independence.

According to Holverson and Revaz (2006:400), building one's own independent brand is always an option for a hotel and may be very successful. Independent, possibly family-owned unique hotels, which are sometimes centuries old and

which have built loyalty through tradition and quality, have a great deal to offer. If these hotels have a solid repeat clientele along with satisfactory occupancies, revenues, and profits, and engage in rapidly growing internet opportunities, there would be little need to invest in an affiliation with a brand. That is what is happening mostly in South African independent 3 star and above hotels. The researcher as a staff of a company owning different international hotel brands indicates that most people when they travel look for a graded hotel in the area where they are going to conduct their business or participate in a conference or meetings. As a result, most of the hotels who publicize their hotels on the internet can easily be accessible by the customers who browse or Google the internet.

Besides, being affiliated with a brand comes with a franchise cost. The franchisee will lose a certain amount of control and management independence. Further, territorial rights are also an issue for the franchisee so that the same branded hotel is not allowed to operate within an agreed distance to avoid cannibalisation (Lewis, 2000). According to the respondents of this research, South African independent 3 star and above hotels are not interested to incur extra costs for the brands or lose control of their business and interference in managing their business from a franchisor.

From all the benefits identified by Holverson and Revaz (2006), more control over management and entrepreneurship, create a niche personality, satisfy a select group of clients and no fees and/or royalties to brands, only the 'satisfy a select group of clients' is the one which is not supported by the South African independent hotels' managers.

Holverson and Revaz (2006) found out that the primary reason for independent hotels to brand was acquiring "marketing services", followed by "global reservations systems", "increase in sales", then "access to new markets". These factors have also been identified as important for partnering by South African independent 3 star and above hotels. The only concern comes, when these South African 3 star and above hotels are asked to incur costs to acquire such benefits, as they expect to get such benefits by networking and sharing of information free of charge or with minimal cost.

## **Discussion of research findings inline with control elements of governance**

In trying to analyse the study in terms of control elements of alliance governance in developing South African independent 3 star and above hotel alliances, operational management and quality are the first points under discussion. The study found out that South African independent 3 star and above hotels' managers indicated that they prefer hands on type of management, where there is no interference from an outside party or a partner. The quality of the hotels under study was not a point for further differentiation as the hotels under study already know the level of quality rating they have from the Tourism Grading Council of South Africa. As such, the South African independent 3 star and above hotels do not seem to accept the idea that alliance formation helps to improve quality and operational management. One reason behind this perception could be, the study included 3 star hotels, where according to the visit by the researcher, the 3 star hotels in South Africa include previously family houses adjusted to be guesthouses, where after getting their 3 star grading continue to operate and serve a specific niche (supported by the mean score of the variable number 5 on niche personality). That is, most of the 3 star hotels do not expect renowned business people to come and rest, but rather students travelling from one country to the other, conference participants, employees of organisations and other on duty individuals who try to save some part of their allowances by not sleeping in a 5 star or a 4 star hotel.

This serving of the lower to middle income niche by South African 3 star and above hotels leads to confidence by the hotels not to look for further operational management support or improve the quality of their services.

In terms of the control elements of capital and property, most 3 star and above South African independent hotels own the properties they trade from, based on the open-ended responses provided by some respondents and by the personal knowledge of some of the participants in the study.

In terms of capital requirement, the hotel industry is not like the commodities industry where excess cash is needed to speculate, acquire and hoard items, or like the car manufacturing industry, where huge manufacturing plant is required. Thus, capital is not a factor for a hotel to intend to ally, unless the hotel intends to grow and intends to have hotel amenities such as Golf courses.

In terms of the control elements of competence and expertise, it is this study's opinion that South African independent 3 star and above hotels will not look for alliances in order to benefit from competence and expertise of the potential partners. The reason being, the hotel industry does not need someone with sophisticated technology knowledge or other management expertise, when the hotel is not big enough. The only important factor that is found to be of interest for the hotels was that of knowledge of market intelligence. And to get market intelligence, South African 3 star independent hotels can buy subscription fees to advertisement companies in order to push customers for the hotel. Thus, the need for competence does not seem to be a factor for South African independent hotels to think to ally.

The brand and reservation system are the final control elements for South African independent hotels to think to forge an alliance. As indicated earlier, the South African independent 3 star hotels do not intend to pay any royalties for using the brand of an organisation. For the reservation system, South African independent hotels do not need to partner with another organisation just for the sake of benefiting from reservation systems. That is, the hotel can acquire the equipment and the software in order to install its own reservation system.

In conclusion, the four control elements which are found to be the reasons for alliance formation by of the Contractor and Kundu as in Dahlstrom, et al., (2002) do not seem to be decisive factors for the independent 3 star and above hotels to join alliances. Due to these reasons, the South African hotels survey resulted with the lowest mean score in terms of more formal and complex alliance formation with other organisations.

In terms of hotel amenities, previous studies accept that the reasons for hotels to ally are to increase their hotel amenities, such as, building Golf courses.

However, these researches found out that South African 3 star and above hotels are not interested to pay any form of royalties or costs for the formation of alliances.

Another factor considered as motivation for alliance formation is the increase in population size. According to theory, as the population gets large it becomes important to ally for independent South African 3 star and above hotels to survive. However, the results of the survey indicate that though the population in general is getting large, South African hotels do not intend to serve the mass market. That is, the findings of the study indicate that South African independent 3 star and above hotels prefer to have a niche personality unlike the theory.

The competitive environment also does not seem to determine whether South African hotels need to ally. That is, for a South African hotel interested more in niche personality does not focus on the competitive environment, as the hotel is not to have price wars, and other competition elements. Rather, the South African independent 3 star hotels are more focused on forming a niche with no price war and other competition elements.

Hotel scale is not considered as an added advantage for someone who intends to ally with another partner. That is, most of the South African independent 3 star and above hotels prefer not to invest in some advanced form of alliances.

The study's purpose has been to gain an understanding of different types of factors available on the alliance formation continuum. The four factors identified by Bailey and Koney's (2000) research were confirmed in this study as the proper alliance continuum stages progressing from lower cooperation through coordination, collaboration to coadunation. Nevertheless, the continuum of strategic alliance formation perspective provides only a partial explanation of why organisations ally or do not want to ally. The study hopes that the findings are informative to researchers seeking to make further theoretical and empirical contributions to this important managerial decision.

## Conclusion

The study has had two aims as it progressed from the literature review to the analysis part. First, to analyse and find out possible responses for the research questions provided. Second, the study intends to develop a reliable instrument, as the questionnaire developed for this study was not tested before and as a result needs reliability analysis test, factor analysis and subjective determination of the factors.

The empirical findings of this study are prepared to identify the level of alliance formation that South African 3 star and above hotels are prepared to involve in. Data was collected from 41 respondents. 34 questionnaires were complete and were used for analysis purposes. The scale purification process indicated that there are four dimensions in the South African independent 3 star and above hotel managers' perception of continuum of alliance formation. To identify the type of alliance formation recommended by the respondents, the mean scores of the four factors created were compared. Demographic analysis of the results indicated that most of the respondents are women, middle to old aged and having been in the hotel industry for more than 10 years.

Reliability analysis of the variables indicated that the instrument has high reliability. However, this could be due to multi-collinearity (repetition of questions). Of the total 46 variables included for reliability test, only one variable was found to be not aligning with the rest of the variables. However, as this research is exploratory and the variable is important for further analysis, the variable is retained. Future research could take note of the variable for further investigation.

Variable numbers 20, 21 and 44 (Refer Appendix A), are found to cross-load on more than one factor when the rotated principal components factor analysis with Varimax rotation was conducted. The three variables are thus excluded from further analysis under the identified factors, but are individually analysed by identifying their mean scores.

As the number of the respondents was very small (smaller sample size) non-parametric test was the preferred technique to analyse the hypotheses. Friedman's test and Chi-square test were conducted in order to prove the hypothesis developed for the study. That is, Friedman's test was conducted in order to determine whether there is a significant difference among the different dimensions of alliance formation continuum. The test results indicate that there is a significant difference among the four dimensions of alliance formation continuum and South African independent 3 star and above hotels' managers prefer to involve more on cooperation (with highest mean score of agreement) followed by coordination (second highest mean score of agreement close to neutral result) followed by collaboration (third highest mean score of agreement more close to neutral result) and final (fourth mean score, but with a disagreement result) of coadunation. The sequence of the mean scores follows the pre determined four factors identified by Bailey and koney's research of four factor alliance continuum research. That is, Bailey and Koney found out in their research that organisations first prefer to involve in lower form of alliance formation progressing to the higher levels of alliance formation step by step.

Chi-square test was conducted in order to find out whether those respondents who prefer the hotel they work for has to progress from lower level of alliance formation to next level are significantly different from those who do not prefer the hotel they work for has to progress from lower level of alliance formation to next level. The findings indicate that almost equal numbers of respondents were divided into the two groups, though those who prefer the hotel they work for has to progress to next level of alliance formation are more by two counts. Due to the closeness of the results, there is no statistically significant difference among the opinions of the respondents.

Finally, linking of questions and findings to the research objectives and research hypotheses was conducted to summarise the findings. All these comparisons will be used in the summary, recommendations and limitations, which will be drawn in Chapter Seven.

## CHAPTER SEVEN

### Conclusions and Recommendations

#### Introduction

This chapter summarises the research, draws recommendations based on the most important findings and conclusions of the study and identifies possible areas for future research and limitations.

#### Conclusions

The main objectives of the research were two fold. Firstly, to determine where in the alliance formation continuum do South African independent 3 star and above hotels lie; and secondly, to identify whether South African independent 3 star and above hotels prefer to progress from the lower form of alliances to the higher more formal and complex form of alliances.

Literature review was conducted on hotel alliances, alliance continuum and the different forms of alliance governance structures, such as voluntary hotel chains, franchising, management contracts and joint ventures. These alliance governance structures were made to be analysed in line with the four alliance framework continuum; cooperation, coordination, collaboration and coadunation.

Descriptive statistics which involved the mean and standard deviation scores compared the opinions of respondents without conducting statistical significance tests. It was found out that creating niche personality, which indicates that South African independent 3 star and above hotels are interested in forming their own brand and service delivery initiatives, has had the highest mean score. The other highest mean score was, 'in forming alliances the South African 3 star and above hotels are committed to a potential non-financial relationship with the partner firm'. These two variables are rated on the lowest

and informal stage along the alliance formation continuum – cooperation - as they do not indicate closer relationship with a potential partner.

The first lowest mean score “In forming alliances, the hotel I work for is interested in shared management control with the partner” indicates that South African independent 3 star and above hotels want to control management of their hotels individually without intervention or support from the partner. The variable “In forming alliances, the hotel I work for is interested in cultural and economic integration” scored the second lowest mean score (respondents – hotels – did not agree with the statement) indicating that South African independent 3 star and above hotels are not interested to integrate culturally and economically with a partner firm, which both of the above two variables are rated highly in the alliance formation continuum – coadunation.

Based on the 33 variables under section A, and 13 variables in section B, in Appendix A factor analysis was conducted. The factor analysis of section A variables confirmed the existence of the four alliance continuum; cooperation, coordination, collaboration and coadunation dimensions. The lower form of alliance, cooperation scored highest mean score, followed by coordination, collaboration and coadunation. The results of the mean score analysis on the identified factors indicated the general preference of South African independent 3 star and above hotels towards the lowest forms of alliance. However, the factor analysis conducted on the second section of the alliance governance framework questionnaire did not come out with meaningful results. Thus, the 13 questions in section B (Refer Appendix A) were individually analysed using mean and standard deviation scores, but further discussion of the 13 questions in terms of grouping into factors was avoided.

The reliability test conducted confirmed the replicability of the measuring instrument as the reliability tests resulted in a very high Cronbach’s alpha value. Even though variable number 3 was not in line with the rest of the variables in the questionnaire; as this study is exploratory, first of its nature, the variable was retained and used for further analysis together with the rest of the variables.

Friedman test ranked the stages of alliance formation continuum created by the mean score, and provided the degree of significance, which indicated that there is significant difference among the preferences of South African independent 3 star and above hotels in terms of their choice among the four alliance continuum, where cooperation is the preferred alliance continuum by respondents. Thus, the null hypothesis that South African independent 3 Star and above hotels prefer lower stages of alliance formation (cooperation) with statistically significant difference than the rest of the stages on the alliance continuum is accepted.

Chi-square test compared the responses on the question 'overall do you intend to progress from lowest form of alliance to the highest form', by transferring the Likert scale responses into categorical variables by counting those who want to progress from one form of alliance to the next more formal alliance (agree + strongly agree responses, total count = 15) and those who do not want to progress from one form of alliance to the next higher level (disagree + strongly disagree responses, total count = 13). The chi-square test (testing if there is significant difference in the counted results) indicated that there is no significant difference among the choices of the respondents. Thus, the hypothesis that South African independent 3 star and above hotels prefer to progress to higher levels of alliance continuum is accepted.

## **Recommendations**

The recommendations in this study are presented in two sections: recommendations based on research findings and general recommendations.

### **Recommendations based on research findings**

In this study, 200 questionnaires were distributed to different South African 3 star and above hotels. However, the response rate was too low with only 41 responses, of which only 34 were used for further analysis. Future research has to distribute more questionnaires and should get more responses, resulting in higher sample size, which is a prerequisite to conduct parametric test.

Parametric tests increase the accuracy level of the analysis with statistical significance.

Based on the research findings, it should not be concluded that because a lot of hotels do not want to ally, alliances do not increase value or profit. Rather, a deeper understanding of why hotels do not want to ally should be analysed. For instance, South African 3 star and above hotels never wanted the higher form of alliances but they are willing to ally at the level of information sharing. Thus, further information should be provided by the interested potential ally, to the unwilling hotel to ally, by providing documentary proof of success stories of allied hotels and forecasting the benefits and risks to be incurred from the alliance.

South African 3 star and above hotels choose lower form of alliance. Value chains seem the most applicable form of alliance for the South African independent 3 star and above hotels. Hotels could share a name, reservation information sharing and some basic facilities (branding benefits).

On the issue of whether South African independent 3 star and above hotels want to progress from the lower form of alliances to the higher levels, more respondents preferred to progress to the higher form, even though the difference was not significant. Thus, more information should be provided to the South African independent 3 star and above hotels who want to progress to higher forms of alliance on the different stages of the alliance continuum. Some of the information could be the level of risk and reward achieved by allying at a higher level and the transaction costs to be incurred (the formalities that are required) when a hotel progresses from the smaller form of alliance to the higher form of alliances.

### **General Recommendations**

Future research should be conducted by differentiating the three different stars, 3 star, 4star and 5 star rating of South African hotels separately as there is a major difference between 3 star and 5 star hotels. That is, those respondents

from 3 star hotels, which involve mostly lodges and guesthouses, seem to be family owned and as a result prefer niche personality with no risk of allying and doing things in the partners' way. In contrast, the 5 star hotels mostly involve both highly equipped facilities and enormous space, which might be difficult to be fulfilled by one owner. As a result, allying with another hotel might help to procure high quality amenities for the hotel and get more customers from the allying partner, as the hotel rooms of a 5 star hotel will be much more than a 3 star hotel. Thus, the results of the analysis might have changed dramatically if the analysis was conducted for a specific grade of the South African hotels.

Future research should also enquire why South African 3 star and above hotels do not want to ally. The more the hotels have an understanding of why other hotels do not want to ally, the higher the opportunity to position themselves to attract a potential allying partner. Financial analysis of the existing hotel alliances, and potential alliances could be more useful as it can clearly indicate the said benefits and losses of alliances.

The existence of advertisement organisations decreases the need to ally in terms of getting more customers. That is, independent hotels can get customers by paying commission for agencies and hotel advertisement companies. Though this decreases the need to ally, it cannot replace the benefits that can be accumulated from forming closer partnerships (alliances) with other hotels, as the allying hotels might not need a fee for their customer provision services rather reciprocal service.

As the world's large hotel groups consolidate and benefit from economies of scale, scope, and concentrated resources for acquiring the latest technology and expertise in order to build strong brands for more sophisticated and demanding customers, there is increasing pressure on small and medium-sized independent hotels to be able to continue to perform well or even to survive. This is especially the case for those European hoteliers with older properties, perhaps not particularly well-located and without any brand affiliation, who are trying to do business in an industry where political and economic turbulence has also contributed to low occupancies for several years (Holverson & Rivaz, 2006). While the above paragraph indicates the status of European hotels,

South African hotels are also impacted by the increasing demand of sophisticated customers, who request the existence of amenities when booking a hotel, such as, availability of conference rooms, local transport facilities and tour guide arrangements and the provision of discounts for group travel. Thus, it is highly recommended for South African independent 3 star and above hotels to associate themselves with other hotels either in a chain or individual hotels so that to share information, to share cost of acquiring a transport facility, such as, Combi Buses, to utilise excess capacity that might exist among the partner hotels and to offer the customer different choices of hotel accommodation and amenities.

Unlike the production of goods, the production and transaction of services are limited in time to the contact with the customer. The owner of a hotel faces a problem safeguarding transactions that are costly to monitor and control. Thus, hotels need to know the importance of providing excellent service to the customer. If hotels are not interested to ally, they can excel in customer service by deploying their staff (for a fee) in successful recognised hotels to get on the job training. This on the job training should be on top of the training that should be provided by recognised hospitality industry training institutions.

Closely intertwined with the worldwide expansion of the service industry, there is a transformation in the structures of the hospitality industry from traditional independent firms into complex networks of arrangements that include voluntary groups, franchised systems, and vertically integrated outlets (Contractor & Kundu as in Dahlstrom, et al., 2002). Besides, the economic growth is serving as an important factor in determining the direction of the hospitality industry. Thus, even though South African 3 star and above hotels are not interested to involve in higher forms of alliance, they should constantly revise their position on whether to ally or not, as the industry is dynamic and the hotels might be left at a disadvantage in terms of level of technology and modern management and marketing systems.

## **Concluding Remarks**

Based on the conclusions, implications, recommendations and the proposed hypotheses, it can be accepted that the objectives and hypotheses formulated in this study were addressed.

It can therefore, be concluded that the results of the study contribute to the body of knowledge on alliances, with specific emphasis on the South African 3 star and above hotels alliance.

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**APPENDIX A**  
**Gordon Institute of Business Management**

2011-07-21

Dear Sir/Madam

I am currently doing my MBA through the University of Pretoria and the Gordon Institute of Business Science, and need to conduct research as part of the final requirements to get my degree.

As part of its ongoing research commitment, this university is currently conducting research into strategic alliances in the 3 Star and above hotels. You have been identified as an individual who could offer valuable insights. We have taken the liberty of enclosing a questionnaire which we would ask you to complete, and return to us in the reply paid envelope at your earliest convenience before **21 August 2011**. The questionnaire will take no more than 20 minutes of your time to complete. Your responses remain anonymous, will be kept in strictest confidence and used for statistical purposes only.

I would really value your input and appreciate your co-operation. Furthermore I would like to bring to your kind attention that participation is voluntary and you may withdraw at any time without any penalty.

Please feel free to contact me should you have any questions. My contact details are listed below.

Thank you in advance for your co-operation.

Yours faithfully,

Walid Nasser

Department of Business Management: Gordon Institute of Business

Contact Details:

Cell phone: 072 500 5710

E-mail: [walid@kharafi.co.za](mailto:walid@kharafi.co.za)

## Gordon Institute of Business Management

2011-07-21

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Please feel free to contact me should you have any questions. My contact details are listed below.

Thank you in advance for your co-operation.

Yours faithfully,

Walid Nasser  
Department of Business Management: Gordon Institute of Business  
Contact Details:  
Cell phone: 072 500 5710  
E-mail: walid@kharafi.co.za

## **Hotel Industry Alliance Experience**

### **Instructions:**

Based on your experiences as a manager of 3 Star and above hotel, please think whether the hotel you work for has the attributes described by each statement.

If you feel an attribute does not at all conform to the hotel you work for to form an alliance, put an 'X' on the 'strongly disagree' number 1. If you feel an attribute conforms to the hotel you work for to form an alliance, put an 'X' on the 'strongly agree' number 5.

If your feelings are less strong, choose one of the numbers in between.

There are no right or wrong answers.

Please answer as honestly and accurately as possible.

Where space is provided please write in your response.

Please complete the entire questionnaire.

## SURVEY QUESTIONNAIRE

### Section A

Question number	Variable Description	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	I don't know
	<b>In forming alliances, the hotel I work for:</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
01	Invites partners and/or potential partners for regular meetings on mutual interests.						
02	Establishes connections to share information with partners and potential partners.						
03	Does not want to pay fees and/or royalties to voluntary hotel chains or franchises.						
04	Communicates with potential partners in order to obtain the necessary marketing intelligence in order to compete.						
05	Is committed to a potential non-financial relationship with the partner firm.						
06	Shares proprietary information with partners.						
07	Advocates on information quality – timeliness, accuracy, adequacy, completeness, credibility.						
08	Actively seeks advice and information from partner firms.						
09	Invites the partner firm in our planning and goal setting activities.						
10	Actively encourages improvement suggestions from the partner firm.						
11	Believes that the parties are expected to keep each other informed about events or changes that may affect the other party.						
12	Expects that the parties will only provide information according to pre-specified requirements.						
13	Fully informs the partner about issues that affect their business.						
14	Arranges joint utilization of IT & electronic distribution equipment.						
15	Provides joint utilization of maintenance facilities.						
16	Provides enough time and resources for the partnership.						
17	Facilitates the joint						

Question number	Variable Description	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	I don't know
	<b>In forming alliances, the hotel I work for:</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
	procurement of items.						
18	Gains access to new global market segments from the partner.						
19	Saves costs from management and staff training by the partner firm.						
20	Requires standards changes which require capital investment.						
21	Succeeds or fails with the partner firm depending on the degree of goal interdependence.						
22	Forms cross-functional teams between the two partners.						
23	Develops strategies together with the partner firms in penetrating a market.						
24	Standardises product design and components together with partners.						
25	Integrates local sales/marketing activities with the partner.						
26	Shares local brand strategies with the partner.						
27	Aligns it's pricing (premium) strategy with the partner.						
28	Benefits from name recognition of the partner with clear positioning.						
29	Seeks compatible goals & commits resources with the partner firm to get access to new global market segments.						
30	Prepared to finance opportunities to acquire more business.						
31	Interested in shared management control with the partner.						
32	Embraces organisational culture integration.						
33	Aligns both economically and culturally with the partner.						

## Section B

Question number	Variable Description	Strongly disagree	disagree	Neutral	Agree	Strongly agree	I don't know
	<b>In forming alliances, the hotel I work for:</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
01 (34)	Wants to have more control over management and entrepreneurship						
02 (35)	Wants to create a niche personality						
03 (36)	Wants to benefit from the large numbers of guests who may be attracted to known brand names						
04 (37)	Wants to avoid high costs of distribution & communication						
05 (38)	Wants to share the increasing difficulty to compete with the resources of large companies						
06 (39)	Prefers possibly long contractual commitments from partners						
07 (40)	Prefers a self-enforcing agreement where there is no intervention from third party to determine whether a violation has taken place.						
08 (41)	Formalises its relationship with a partner by drawing up a legal contract.						
09 (42)	Is flexible enough to entertain a partner's problems due to unforeseen circumstances and market changes.						
10 (43)	Monitors whether the partner has mutual expectations and benefits on time scale.						
11 (44)	Appreciates the fact that the geographic and organisational cultural difference gives the partner the opportunity to act or respond differently.						
12 (45)	Collaborates informally rather than forming formal relationships.						
13 (46)	Intends to progress to higher levels of partnership in the alliance.						

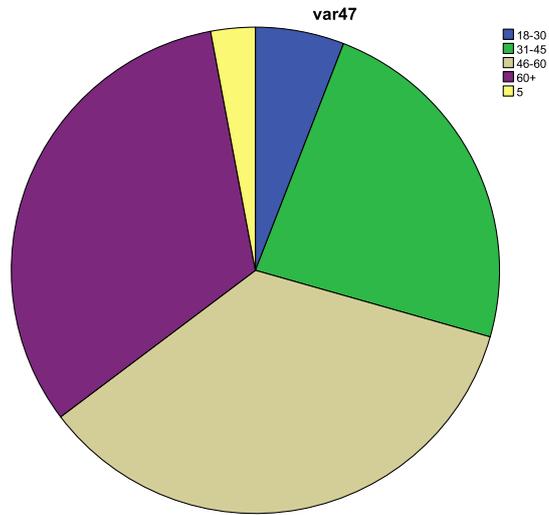
### Section C

Description	Response
1. Age	
2. Gender	
3. Ethnicity	
4. Language you frequently speak	
5. Level of education	
6. Work experience working for your current employer	
7. work experience working in the hotel industry	

**THANK YOU FOR YOUR WILLINGNESS TO PARTICIPATE IN THIS RESEARCH. I APPRECIATE THE TIME YOU HAVE TAKEN TO COMPLETE THIS QUESTIONNAIRE.**

## APPENDIX B.

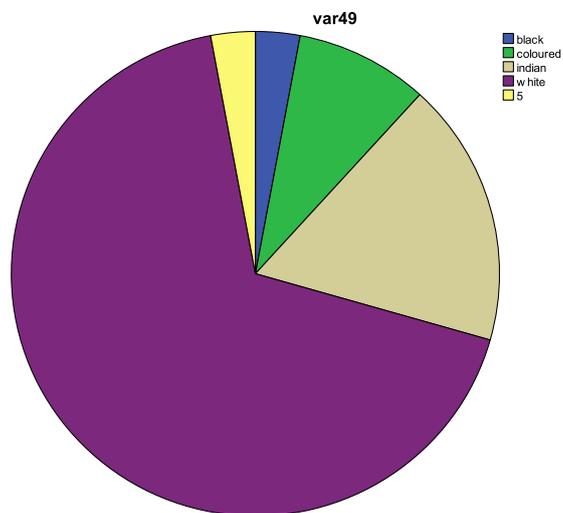
### Distribution of respondents by age



### Distribution of respondents by gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	13	25.5	38.2	38.2
	female	21	41.2	61.8	100.0
	Total	34	66.7	100.0	
Total		51	100.0		

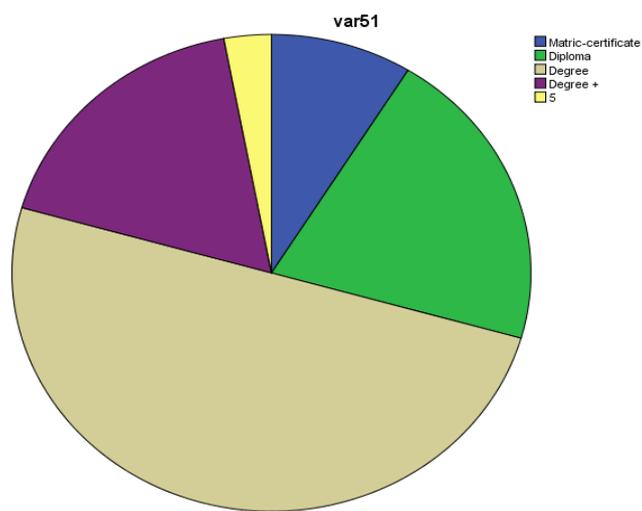
### Distribution of respondents by ethnic group



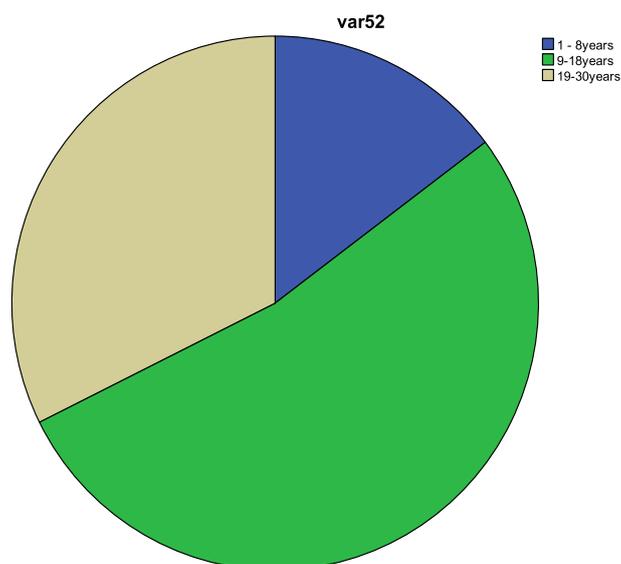
### Distribution of respondents by language

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	english	23	45.1	67.6	67.6
	other	11	21.6	32.4	100.0
	Total	34	66.7	100.0	
Total		51	100.0		

### Distribution of respondents by education



### Distribution of respondents by work experience



## Distribution of respondents by work experience in the hotel industry

