Staying Power: An Institutional Perspective on the Hotel Industry’s Recovery from the Great Recession

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This research is part of my dissertation and is a work in progress.
The U.S. Hotel Industry and the “Great Recession”

- Great Recession (2008-2011) brought record-low occupancies, ~50% decline in property values *(Stoller, 2010)*

- “Particularly hard on” the hotel industry *(Canina, 2010)*; “worst since Great Depression” *(Hotel News Now)*

*Graph created by author with data from American Hotel and Lodging Association*
Fast forward to a remarkable recovery

**By 2015:**
- Highest occupancy ever
- Highest revenue per available room ever
- Continued supply growth

*(Hotel News Now, 2015)*
Industry recovery

“People say the hotel business is [the] oldest business in the world”  (E6.02.14)

“If you don’t change…you become antiquated. Antiquated is just one step before extinct.”  (E7.01.14)

It “is kind of a cultural phenomenon...You’ll have trouble convincing me that anything comes from within the industry.”  (E3.02.14)

• How, if at all, are cultural meanings and practices at the societal level linked to those at the industry level over time? How do they change?
• How did such processes influence recovery from the Great Recession, if at all?
Industry change, periodicity and legitimacy

- Industries change over time
  - Short-term focus
    - Exogenous shock, technology change \( (Raffaelli, 2013) \), institutional entrepreneurship \( (DiMaggio, 1988) \)
  - Long-term focus: institutional periodicity \( (e.g., Dacin, 1997; Glynn & Abzug, 2002) \)
    - Oscillation between periods of stability and change

- Even as industries change, they attempt to remain legitimate
  - Legitimacy defined: “cultural alignment” \( (Scott, 1995: 45) \) or “cultural support” \( (Meyer and Scott, 1983: 201) \)
    - Achieved by becoming isomorphic with the environment
    - Organizations become similar to one another
      - Prevalence can legitimate, but can also delegitimate
  - What drives the “waxing and waning”? \( (Dacin, Goodstein & Scott, 2002: 53) \)
Legitimacy and culture

• Cultural entrepreneurship defined:
  Use of culture to enable desired strategic outcomes
  
  (e.g., DiMaggio, 1982; Lounsbury & Glynn, 2001)

• Much work focuses on initial efforts
  (e.g., DiMaggio, 1982; Lounsbury & Glynn, 2001; Wry, Lounsbury & Glynn, 2011)

• Also addresses threats to industry legitimacy in the broader socio-cultural milieu
  (Lounsbury & Glynn, 2001)
  • How this unfolds is an empirical question
  • Point of entry for this research
An industry view on cultural entrepreneurship

• Cultural entrepreneurship as an ongoing process
  • Response to changing socio-cultural dynamics in the broader environment and to internal industry dynamics

• Core research question:
  How, if at all, is cultural entrepreneurship related to industry legitimacy over time?
  • Could it give industries “staying power” over the long term?
Empirical Context: U.S. Hotel Industry

• “The most distinctively American of all our institutions” (Williamson, 1930: 5)
  • Intended to enable and organize political, social, cultural and economic exchange (Sandoval-Strausz, 2007)

• A cultural industry (Hirsch, 1972)
  • Hotels provide "nonmaterial" goods that express status and taste (King, 1957; Sandoval-Strausz, 2007)

• Also utilitarian and highly institutionalized
  • Strong proximal institutional pressures for sameness and conformity among hotels (Baum & Ingram, 1998; Ingram, 1996)
Data and Methods

• Analytic abduction, goal of extending existing theory \( (Peirce, 1955; Vaughan, 1992, 2004) \)

• Concurrent triangulation strategy \( (Creswell, 2003) \)

• Analytic note-taking and historical narrative: archival data \( (e.g., Quinn & Worline, 2011) \)
  • Organized data into tables, lists, chronological timeline; identified key events, changes, turning points

• Testing and revision: interviews and observations \( (e.g., Navis & Glynn, 2010; Raffaelli, 2013) \)
  • Affirmed initial timeline; deepened understanding of cultural and institutional dynamics at work

• Analysis ongoing
## Data and Methods

### Description of Data

<table>
<thead>
<tr>
<th>Data Source</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Historical Archival: Books</strong></td>
<td>8 books (2,679 pages)</td>
</tr>
<tr>
<td>- One Hundred Years of American Commerce (1895)</td>
<td></td>
</tr>
<tr>
<td>- A History of Travel in America (1915)</td>
<td></td>
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<tr>
<td>- The American Hotel: An Anecdotal History (1930)</td>
<td></td>
</tr>
<tr>
<td>- Class Acts: Service and Inequality in Luxury Hotels (2007)</td>
<td></td>
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<tr>
<td>- Deluxe: How Luxury Lost its Luster (2008)</td>
<td></td>
</tr>
<tr>
<td><strong>Historical Archival: Industry Magazines, Periodicals and Reports</strong></td>
<td>~5,100 pages in total</td>
</tr>
<tr>
<td>- Hotel Monthly (1915-1920 issues)</td>
<td>72 Issues, Hotel Monthly (~3,500 pages)</td>
</tr>
<tr>
<td>- Trends in the Hotel-Motel Business – biannually from 1951-present</td>
<td>32 Trends Reports (~1,600 pages)</td>
</tr>
<tr>
<td>- Hospitality Directions US (PWC, 2014)</td>
<td>1 Hospitality Directions Report (17 pages)</td>
</tr>
<tr>
<td>- Brand Survey (Hotel Management Magazine, 2011-2014)</td>
<td>4 Brand Survey Reports (28 pages)</td>
</tr>
<tr>
<td>- Hotel News Now articles pertaining to industry trends, segment differences, luxury (2008-2015)</td>
<td>51 Hotel News Now articles</td>
</tr>
<tr>
<td><strong>Archival: Academic Case Studies and Research Articles</strong></td>
<td>~300 pages</td>
</tr>
<tr>
<td>- Note on the Global Hotel Industry (2008, Ivey School of Business); HBS cases</td>
<td></td>
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<tr>
<td>- Academic articles specific to the hotel industry</td>
<td></td>
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<tr>
<td>- Relevant Cornell Hotel and Restaurant Administration Quarterly articles</td>
<td></td>
</tr>
<tr>
<td><strong>Semi-Structured Interviews</strong></td>
<td>45 interviews, on average 48 minutes each</td>
</tr>
<tr>
<td>- CEOs, senior executives including brand leaders, industry experts, industry analysts, real estate managers, hotel managers, hotel employees, hotel guests, journalists.</td>
<td>~40 total hours</td>
</tr>
<tr>
<td><strong>Participant Observation</strong></td>
<td>8 days (~85 hours) of participant observation at conferences; 4 hotel tours</td>
</tr>
<tr>
<td>- Attended the 2013 and 2014 International Hotel, Motel and Restaurant Show, North America’s largest annual hospitality industry gathering, with 900 exhibitors and 18,000 industry professionals</td>
<td>~120 hours of participant observation in hotels</td>
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<tr>
<td>- Observations in hotels</td>
<td></td>
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<tr>
<td><strong>Archival Economic Trend Data</strong></td>
<td>Income data, 1913-2012 (World Top Incomes Database, US Census)</td>
</tr>
<tr>
<td><strong>Historical Archival: Newspaper Articles</strong></td>
<td>Initial “hotel” search yielded 37,181 articles. Sampling 5% of articles per year.</td>
</tr>
<tr>
<td>- New York Times articles (search term “hotel” in title) from 1857-present (all available)</td>
<td></td>
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<tr>
<td>- Supplementary articles from TIME, The Economist, Conde Nast Traveler that detail industry history</td>
<td></td>
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</tbody>
</table>
# The U.S. Hotel Industry: 1790-2015

<table>
<thead>
<tr>
<th>Era of the Grand Hotel (1790s – 1930s)</th>
<th>Era of the Chain Hotel (1940- early 1990s)</th>
<th>Era of the Lifestyle Hotel (mid 1990s-2015)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotels established as social institutions</td>
<td>Hotels commoditized as travel is democratized</td>
<td>Hotels develop cultural expertise</td>
</tr>
<tr>
<td><strong>1920</strong></td>
<td><strong>1950’s–1960’s</strong></td>
<td><strong>2002–2007</strong></td>
</tr>
<tr>
<td>10,000 hotels in the US with 300,000 staff members</td>
<td>Franchise model introduced. Enables rapid expansion and necessitates strict SOPs</td>
<td>Rebounding demand and easy financing leads to unprecedented growth, esp. in luxury segment. Mixed-use properties become popular</td>
</tr>
<tr>
<td><strong>1929 - 1936</strong></td>
<td><strong>Late 1970’s</strong></td>
<td><strong>2008 – 2012</strong></td>
</tr>
<tr>
<td>Great Depression: industry occupancy falls to 51% (record low); 4 of 5 hotels go into receivership</td>
<td>Interest in luxury hotels re-emerges; luxury chains grow quickly and rely on SOPs to ensure consistency</td>
<td>Hotels strongly downplay traditional ‘luxury,’ numerous ‘collection’ brands introduced</td>
</tr>
<tr>
<td><strong>1970’s</strong></td>
<td><strong>Late 1970’s</strong></td>
<td><strong>2007</strong></td>
</tr>
<tr>
<td><strong>1985</strong></td>
<td><strong>1985</strong></td>
<td>Brands struggle to differentiate; “lifestyle” concepts proliferate, focus on expertise, curation</td>
</tr>
<tr>
<td>STR founded; introduces industry segments based on chains Boutique hotels emerge</td>
<td>Reservations systems move online, forcing price transparency. TripAdvisor founded</td>
<td><strong>2008</strong></td>
</tr>
<tr>
<td><strong>2013</strong></td>
<td><strong>2008</strong></td>
<td>Economic recession begins. All hotels face declining occupancy, rates; luxury hotels hit especially hard</td>
</tr>
<tr>
<td><strong>9/11 terrorist attack prompts dramatic decrease in travel</strong></td>
<td><strong>2001</strong></td>
<td><strong>2006</strong></td>
</tr>
<tr>
<td><strong>24 new brands launched (201 total). Luxury Collection revamped, W Hotels now considered a luxury brand</strong></td>
<td><strong>2005 – 2006</strong></td>
<td><strong>TripAdvisor gains popularity</strong></td>
</tr>
</tbody>
</table>

## Key Events

- **1794**: First modern hotel established in NYC
- **1829**: First luxury hotel in US opens in Boston
- **1893**: The Waldorf Hotel opens in NYC
- **1830’s**: Midscale and economy market grows as mobility increases and economy expands
- **1907**: E.M. Statler introduces standardization, breaks with “socially exclusive hotel as monument approach”
- **1910**: 10,000 hotels nationwide
- **1980**: ~55,000 hotels nationwide
- **1999**: Starwood introduces W Hotels
- **2001**: 9/11 terrorist attack prompts dramatic decrease in travel
- **2008**: Economic recession begins. All hotels face declining occupancy, rates; luxury hotels hit especially hard
- **2013**: Performance returns to pre-2008 levels; hoteliers emphasize “new luxury”

## Industry Growth

- **1910**: 10,000 hotels nationwide
- **1980**: ~55,000 hotels nationwide
- **1999**: 52,887 hotels nationwide
- **2013**: 52,887 hotels nationwide

- **1910**: $2 average daily rate
- **1980**: $45.44 average daily rate
- **1999**: $110.35 average daily rate
- **2013**: $163 billion in sales

(see Navis & Glynn, 2010; Raffaelli, 2013 for a similar approach)
The Grand Hotel Era (1790-1930s)

- Closely linked with socio-cultural meanings and practices from the outset
- Emerged in the 1790s as a “new way of organizing people”
  - “Supplied new spaces for social display and stabilized status hierarchies; and...restructured the political space” (Sandoval-Strausz, 2007: 43)
- “The history of the hotel in America is the history of progressive luxury,” (Williamson, 1930)
  - Reinforced social boundaries by “allowing for differences in taste” (Williamson, 1930: 39) reflected in practices and standards
From Grand Hotels to Chain Hotels

• In 1907, standardization and chain hotel model were introduced by E.M. Statler
  • “There was a sense that you were born into wealth” (B9.01.14)
  • Limited success: seen as inferior to luxurious Grand Hotels

• As the Gilded Age came to an end, industry’s legitimacy was threatened
  • 1930s and 1940s brought a focus on democracy and social equality

• In response, the chain hotel model was appropriated at the industry level (see Ingram, 1996)
The Chain Hotel Era (1940s-mid 1990s)

- “Broke with the socially exclusive hotel-as-monument approach that had predominated among leading hotel builders since the 1790s” (Sandoval-Strausz, 2007: 132)

- Built from existing hotel practices to appeal to emerging cultural focus on respectability and value
  - “what [hotel chains] brought along was this idea of democratized travel and consistency and we are not going to rip you off” (E6.02.14)

- Consistency, reproducibility were the basis of legitimacy by 1980s; luxury hotels last to adopt the chain model
  - “When I say that the company’s prosperity rests on such things as our sixty-six-steps-to-clean-a room manual, I’m not exaggerating” (J.W. Marriott, 2013)
Chain Hotels in a Changing Environment

- By the late 1990s, “the old trade of feeding and watering people was industrialised” (*The Economist, 2013*)

- Clear standards intended to distinguish chains from one another, but they also encouraged mimicry
  - “At some point the physical stuff…becomes no more of value” (*E7.01.14*)
  - “It’s that ‘me, too!’ thing” (*E3.01.13*) - chain hotels could barely be told apart: “Everything is homogenized” (*E7.01.14*)

- “It’s an industry that basically survived for a long time on assumptions that they made years and years ago” (*E3.01.13*)
The Great Recession and industry legitimacy

<table>
<thead>
<tr>
<th>Pre-recession</th>
<th>Post-recession</th>
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<tbody>
<tr>
<td>Luxury characterized by increasing flashiness, displays of wealth</td>
<td>Luxury characterized by authenticity, enrichment, expertise</td>
</tr>
<tr>
<td>“Conspicuous luxury includes 30,000 pieces of solid-silver tableware…and 2,500 sets of Frette 400-thread-count bed linens.”  (Lee, 2006)</td>
<td>“Luxury has changed. It’s not what it used to be. It doesn’t mean fancy chandeliers, expensive rugs and exotic food...[travelers want] to be connected to the culture around them.”  (Walsh, 2009)</td>
</tr>
<tr>
<td>Luxury as “almost embarrassing, and a little vulgar right now”  (La Ferla, 2008)</td>
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<tr>
<td>“Some words get used so much they lose their original meaning, or at least their credibility. Such is the situation with ‘luxury’ in the hotel industry”  (Stephens, 2009)</td>
<td></td>
</tr>
<tr>
<td>AIG effect: luxury “telegraph[s] extravagance, waste and politically incorrect decision-making”  (Freitag, 2009)</td>
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</tbody>
</table>
Lifestyle Hotels and the Great Recession

• “Lifestyle hotels” began to appear to appear in the early 2000s
  • Positioned as “specialists” or experts in a particular area

• Meaning and practices appropriated from existing cultural models: Hotels “have to be interesting and adventurous” (Walsh, 2009)
  • The boutique hotel model, introduced in the 1980s
    • “An outlier…the brands didn’t think it was truly competition at all” (B7.01.14)
  • Cultural institutions and traditions
    • “inspired by the world of art museums and galleries” (Luxury Collection)
  • Related industries, including retail and fashion
    • Working with “likeminded taste makers…whether it’s chefs or magazine editors” (B2.01.14)
Lifestyle Hotels and the Great Recession

- Sedimented industry practices also remain important
  - Chain Hotel model: “you would think the [chains] are becoming weaker, but they are not” (C1.01.14)
  - Grand Hotel model: “if you go back to the very earliest points, [hotels] were the community center…hotels are going back to that” (C2.01.14)
  - Longstanding taken-for-granted aspects: “the things that a guest expects…It’s what makes service okay and good and up to the expectations of a guest” (B4.01.13)

- By late 2014, the U.S. hotel industry was performing more strongly than ever: “five out of the six key performance indicators hit all-time highs. And we weren’t necessarily sure that the industry would be able to sustain that…And we were very wrong.” (C1.01.14)
Summary

- The U.S. hotel industry followed a model of institutional periodicity, marked by relative stability and times of quickly-unfolding industry change
  - Periods of change and stability were related to cultural entrepreneurship

- **Socio-cultural change**: collective cultural entrepreneurship for industry legitimacy
  - Appealed to the broader values and meanings in society to legitimate existence

- **Relative stability**: organizational cultural entrepreneurship for legitimacy within the established system *(Lounsbury & Glynn, 2001)*
  - Aligned with and perpetuated the dominant institutionalized meanings and norms
Discussion

• Cultural entrepreneurship, i.e., use of culture to enable desired strategic outcomes, may underpin “waxing and waning,” driving institutional periodicity

• Increases the prevalence of institutionalized meanings and practices
  • “institutional prevalence can…also delegitimate” (Glynn & Abzug, 2002: 278)

• In the face of broader change, new practices and meanings appropriated to restore industry legitimacy
  • Collective cultural entrepreneurship updated meanings and integrated new practices (see Glynn, Lockwood & Raffaelli, 2015, for related arguments)
Contributions

- Meanings and practices linked across levels of analysis by deliberative efforts of industry actors
  - Resonate with broad cultural code by appropriating cultural meanings and practices

- Cultural entrepreneurship as ongoing process that brings culture to bear
  - Actors must consider not simply which resources are combined, but also when, how and from where: skillful selection and deployment important to legitimacy

- Long term, culture may be a mechanism for stability and persistence, not just a tool for change (Giorgi, Lockwood & Glynn, 2015)
  - Cultural entrepreneurship as a mechanism underpinning institutional periodicity

- In the face of change – including the Great Recession – cultural entrepreneurship may, paradoxically, contribute to industries’ “staying power”