

## Effects of ownership change on organizational settings and strategies in a Taiwanese hotel chain

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### ABSTRACT

The purpose of this study was to explore the effects of ownership change on a local-chain hotel in Taiwan: how the new chief executive officer (CEO) planned a blue ocean strategy and how he led all employees to achieve pre-established goals. This study applied qualitative research methodology whereby the data were collected by participant observations in the study field and subsequent in-depth interviews with an application of the QSR NVivo software program. This study implies that, in the assimilation stage of the change, (1) the CEO should use democracy instead of dictatorship; (2) sub-cultures, factions and conflict could be prevented by organizational socialization and equal opportunity treatment; and (3) blue ocean strategies enable a shift of organizational image and identity. This qualitative study supplements the existing literature by showing that organizational politics might be affected by organizational change and how the concept of blue ocean strategy might be implemented in the course of organizational change.

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### 1. Introduction

The hotel enterprise environment around the world has been identified as competitive. Moreover, some nations such as Taiwan are classified as having a turbulent and competitive status (Hu et al., 2009; Yang, 2009; Chiang, 2010). According to the Tourism Bureau of Taiwan (2010), there has been over the past 3 years, and will continue through the next 3 years, a tendency for growth in the number of hotel properties in the nation. This growth might be caused by an improvement of the global economic conditions. In this complex and sophisticated marketplace and organizational life in the hospitality industry as a whole, hoteliers attempt to apply the concept of Kim and Mauborgne's (2005) blue ocean strategy (BOS) in order to deal with the regional hospitality environment. Some chief executive hoteliers develop uncontested accommodation markets regionally and internationally and others may expand existing market boundaries and re-segment target markets. Top management always identifies the market situation in a competitive industry and attempts to achieve successful business.

In order to achieve a greater business success, some hoteliers decide to rebrand the existing enterprise and/or create a series of sub-brands under the umbrella of the original brand in order to target different market segments and offer more variety of selection for guests. Furthermore, some enterprises achieve business

effectiveness through organizational change in order to strengthen organizational capacity and capability (Yu and Ming, 2008) and thence to proceed to a blue ocean. Okumus and Hemmington (1998) characterize a 'take-over' as involving management change. It requires hoteliers to attentively respond and adapt to the changes. This study deals with a situation where a domestic chained Hotel Group in Taiwan undertook a change of ownership and a new chief executive officer (CEO) was appointed. The study qualitatively explores how organizational environment of the Group dramatically shifted and the CEO continuously tackled such changes in the first 18 months' transition period.

The main objective of this study was to investigate a perspective of organizational change theory by interpreting a phenomenon where transferring ownership of a local chain-hotel Group incurred subsequent change within the organization, in particular in terms of corporate strategies and organizational settings. The purpose of this study was (1) to explore how a new CEO, after the ownership change, effected the development of the organizational climate and settings, (2) to discover how the new CEO and general manager of the local chain-hotel Group took over its leadership, (3) to examine how the new CEO and general manager of the Group enlarged individual learning capacity to adapt to proposed changes and (4) to discover how the new CEO and general manager of the Group catered for customer values and developed new offerings and packages. This study was developed on the basis of an application of Strauss and Corbin's data analytical strategy (1998). It outlines the fundamental theory of organizational change, provides a broad understanding of the qualitative data transcripts and

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field notes, codes the data, and speculates about a new perspective and/or conceptualized framework (also see Mehmetoglu and Altinay, 2006).

Increasing attention should be drawn to exploring occupational phenomena in the course of organizational change by an application of participant observations in the study field over a certain period in time. This entire process of data collection allows for investigation of what changes occur, how they occur and how implemented strategies affect organizational capacities to confront the business environment. There is scarce evidence to empirically indicate that organizational politics might be affected by organizational change, and how rebranding and re-segmenting strategies achieving a blue ocean could be contemporaneously implemented in the ownership change. In addition to attending to these matters, the study investigates how supportive individual learning and leadership might be determinant factors in the assimilation stage of ownership change. These are some investigations which are needed to supplement the existing literature and to which this study contributes.

The following sections review theoretical foundations, explain the research methodology, present empirical evidence, link the findings to theory and acknowledge some limitations of this study and possible topics for future studies deriving from this.

## 2. Literature review

This section reviews fundamental theory applying to the present qualitative study: organizational change, organizational settings – structure and culture, leadership, individual learning, and corporate blue ocean strategy. Research questions are derived from this review.

### 2.1. Organizational changes

Okumus and Hemmington (1998) and Chiang (2010) propose that organizational changes could occur when a company shifts its market position, creates a new brand, innovates its information operating system, employs new leaders, changes ownership, redesigns standard operational procedures and so forth. These changes further affect organizational routines and settings, thence employees might struggle with new work behaviors in the early stage of assimilation.

Nadler and Tushman (1990) propose that organizational change could be elaborated into two dimensions: strategic and incremental as one facet, and reactive and anticipatory change as another facet. First, strategic change occurs when an organization substantially re-establishes its fundamental business concepts such as management philosophy, corporate values and organizational structure; whereas incremental change occurs when an organization advances its performance in order to match its market demand without change of the fundamental business philosophy and values, and such matters as modifications of technology and service procedures. Second, reactive change occurs when an organization reacts to reality which management has not foreseen, while anticipatory change occurs when an organization attends to a change or tendency of external environment in order to gain more sustainable competitive advantages in a marketplace. Integrations of these two dimensions illustrate quadrants of organizational changes: re-creation (strategic-reactive), adaption (incremental-reactive), re-orientation (strategic-anticipative), and tuning (incremental-anticipatory). The latter two types of organizational change might be risky in today's business environment, in particular where turbulence is present.

Resistance to change might be one employee reaction to such changes. Ownership change might be a radical shift if new own-

ers possess a different paradigm and operational focus and concept from previous owners. Consequently, effective leadership style and healthy organizational settings becomes a crucial determinant for subsequent success in terms of match of customer needs, strength of customer relations and a hospitality market leader position (Gursoy and Swanger, 2007).

Aim (Research question) 1: This study explored changes made after transfer of ownership of a local chain-hotel.

### 2.2. Organizational settings – culture and structure

Organizational or ownership changes might concurrently involve re-framing organizational structure and re-shaping business philosophies (Covin and Slevin, 1990). Altinay and Altinay (2004) highlight that organizational structure has a significant impact on organizational routines. Consequently the structure should encapsulate organizational communication channels, work autonomy, and operational procedures. Furthermore, this reframing might incur a modification of the level of employees' competencies (Doyle, 1995).

Thus, in this transformation, organizational members might resist or counteract the changes. In order to respond to the potential resistance and to enable employees to feel comfortable and confident to adapt to a new setting, leaders might consider nurturing and transforming an organizational culture accordingly, and developing human resource and business strategies (Kemp and Dwyer, 2001). Success is based on how the new management team re-shapes the culture. The culture should be conducive to the workplace environment since a healthy organizational culture would facilitate development of business strategies and management philosophies, thus organizational effectiveness and success in the long run (Kemp and Dwyer, 2001; Asree et al., 2010). The above organizational re-development might also be accompanied by environmental uncertainty and complexity. Consequently, Frances (1995) proposes that leaders should apply the concept of *tolerance of ambiguity* in the assimilation stage of the changes. This implementation enables employees to expand their adaptive capacities.

Aim (Research question) 2: How did a new CEO bring into effect nurturing organizational settings?

In the context of organizational culture, promoting effective leadership and nurturing individual learning could be reinforced in implementing corporate strategies (Asree et al., 2010). In the hospitality setting, this enables an organization to proceed to organizational success in terms of satisfaction of customer needs, reinforcement of customer relations and gaining the position of a hospitality market leader (Gursoy and Swanger, 2007; Gronroos, 1992).

### 2.3. Leadership

Leadership, according to Asree et al. (2010), is defined as "the behavioral process of influencing individuals or groups towards set goals (p. 502)". Nadler and Tushman (1990) point out that, in the process of organizational change, charisma, instrumental and institutional leadership orientation, integrated with a well-organized strategic plan, might alleviate negative and substantial impact from such changes. These three hierarchical levels of leadership indicate that the course of organizational change should gradually evolve from an individual level of charismatic influence to a group level of congruence, and then throughout the whole organization. These leaders attempt to develop a work environment to establish a collaborative climate, open-up communication channels and employee job behavior towards accomplishment of organizational goals (Brownell, 2010; Stone et al., 2004). These elements enable employees to be inspired with shared values of new visions and

innovative behavior. The ultimate purpose of this development is to seek for effective completion of such change.

It is essential for leaders in the initial and assimilative phase of any forms of organizational change, to persuade and facilitate their subordinates to adapt to new organizational settings during the period of uncertainty, and thence transcend their original job performance. Gupta and Krishnan (2004) empirically show that leaders could incorporate socialization into organizational settings in order to accelerate employee behavioral differences. This socialization tactic would reinforce shared values through social identification of subordinates.

Aim (Research question) 3: How did the new CEO and general manager of the local chain-hotel Group take over its leadership?

#### 2.4. Individual learning

Individual learning occurs, according to Jones et al. (2003), when employees collect information and/or knowledge and learn, and then they change their job behaviors. In a change process, individuals with an organization should learn new ways of routines and operational procedure. This means individual learning is a necessity to accomplish new operational goals. Having achieved this, Yang (2009) and Yang and Wan (2004) empirically reveal that leadership would affect individual learning whereby facilitating and mentoring styles are a spur for the team members. These two styles might minimize negative learning attitudes and inappropriate work climate associated with the learning, and strengthen individual absorptive capacity. Furthermore, such learning enables the employees to alleviate any stress caused by organizational and/or ownership changes and subsequent events such as change in a focus of corporate strategies.

In the context of the hospitality settings, Ingram et al. (2000) propose an internalizing action learning framework which reinforces effectiveness of individual learning. This framework consists of four elements: company interface amongst all stakeholders, back-up administrative services, open communication channels and effective usage of organizational resources. These elements should be committed to by management teams, thus enabling individuals to effectively learn and adapt to the new workplace if organizational change has taken place. In a relevant proposition related to this framework, Teare and Monk (2002), emphasize individual learning from changes. They elaborate that, in order to pursue individual and organizational learning, supportive organizational environment, i.e. collaboration amongst employees, systematic action learning and trust, are nurtured.

Aim (Research question) 4: How did the new CEO and general manager of the Group enlarge individual learning capacity to adapt to proposed changes?

#### 2.5. Corporate blue ocean strategies

Corporate strategies, focused on the metaphor of a “blue ocean”, are in favor at present. Kim and Mauborgne (2005) define a blue ocean as organizational performance wherein an enterprise presents its values and products to existing customers and simultaneously broadens its market boundaries. They characterize “value” and “innovation” as determinant components of sustainable competitive advantage and provide a four-grid diagnostic and action-oriented technique to evaluate effectiveness of organizational implementation strategies. This grid consists of components of elimination, reduction, creation and increase. Identification and establishment of these four components enables an organization to cater for customer values through a development of new offerings – i.e. innovation – for them. With respect to the innovation, a hotel should innovate distinctive features of product and service which have not been offered by others. These offerings enable the hotel

to develop its uncontested marketplace. These offerings not only create customers’ values, but also match their needs.

Aim (Research question) 5: How did the new CEO and general manager of the Group cater for customer values and develop new offerings and packages?

### 3. Methodology

#### 3.1. Research design

The purpose of this study was to develop a theory by interpreting a phenomenon where transferring the ownership of the Hotel Group incurred subsequent changes within the organization. Therefore, this study applied a case study methodology, which is “an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly in evidence (Yin, 2003, p. 13)”.

A “triangulation” examination (Jick, 1979; Huber and Power, 1985) was applied to the study in order to ensure the quality of this qualitative research. The data were collected from two sources: participant observations and subsequent in-depth interviews. Such research methodology allows the author(s) to discover complex ontological and epistemological situations in the study field and to observe a variation of individual behavioral and cognitive change throughout the study (Waser and Johns, 2003). Although qualitative research methodology is characterized by subjectivity, democracy of data collection and an analytical approach of predominant induction (Xiao and Smith, 2006; Waser and Johns, 2003), the author(s) complied with neutral standpoints during the data collection and had 6 years’ experience in qualitative data collection, in order to ensure permissible democracy. Field notes in the course of the participant observation and in-depth interviews were tape-recorded in order to secure originality of the data. In addition to these, a triangulation test was applied. Two data sets were paralleled in a comparison.

#### 3.2. Participants

A local chained Hotel Group was invited to participate in this study. The ownership changes of the Group took place in late 2008. The Group owned 11 properties including 10 located around the island of Taiwan and 1 in mainland China. Two additional hotels were opened in 2009 and 2010. Chained hotels under the Group targeted mid-level guests before the changes; whereas now two up-scaled resort and commercial hotels are oriented at guests who require luxury accommodation and catering services. The total number of employees was approximately 1000.

#### 3.3. Procedure

Participant observations were carried out for 6 months and in-depth interviews for a further 4 months.

##### 3.3.1. Phase one

This study primarily used participant observation methodologies for field observations. This participant observation approach took place in a branch hotel which was opened at the end of December in 2009. In addition, within the 6-month data collection, the researcher took many opportunities to interact with managerial staff from the headquarters office to collect data related to the research topic.

During the study design and planning period, the researcher actively arranged research subjects and sites through a network of personal contacts, and entered the study field after being approved by the CEO and its executive team at the headquarters of the Hotel

Group. The executives agreed that the researcher could conduct practical observations for 6 months, 3–4 days per week and for 8–9 h (8:30 a.m. to 12:00 and 1:00 p.m. to 5:30 p.m.) on each day. This process allowed the researcher to understand and systematically collect research subject data. Rotation of the researcher during the 6-month data collection of participative observation was: 1 month in the front office, housekeeping, sales and marketing and purchasing departments respectively, and 2 months in human resource department. Due to scale of business, a human resource assistant manager was also in charge of the special assistant to the general manager.

During the 6 months of field observations (July 27, 2009 to January 31, 2010), the researcher used the “focused observation” method (Waser and Johns, 2003), making use of organizational change theory in collecting the required data. The researcher used a previously prepared observation guide to ask questions and conduct observations, and during the entire study process, the researcher primarily made field notes and recorded audio files to capture the phenomena that he heard and observed. Because they were recording factual content and specific circumstances, the researcher was able to avoid making judgments based on personal values or perceptions during this phase.

In the early stage of the process of data collection, the researcher mainly played the role of complete observer. Working from an observer’s perspective, s/he did not take part in the routine work at the site; instead, s/he observed the various phenomena associated with the research topic, the activities of the research subjects and their interrelationships at the site. The researcher endeavored to build mutual trust with hotel colleagues in various departments so that the hotel staff would view the researcher as part of the work team. A general manager of a branch hotel (i.e. the site of the field study) also supported the researcher to build up this trust relationship throughout the hotel and thereby he personally encouraged colleagues to view the researcher as part of the hotel and planned for the researcher to take part in department rotations in order to perceive a full range of organizational operations. The researcher offered some feedback and comments on the operations in written documents in turn as a completion of the observations in each department. In the subsequent stages (about 2 months after starting this study), after trustworthiness was mutually developed amongst the researcher and employees working in the workplace, the researcher sometimes played the role of participant observer and was invited by departmental heads to participate in the site’s activities (such as routine work). Through field interaction with the individuals who were observed, the researcher could obtain more natural observation and experience.

### 3.3.2. Phase two

This study used diverse research subjects, multiple sites and different data collection methods. The primary method was participant observation. Meanwhile, it was imperative that the researcher collected multiple sets of data and confirmed their data sources to ensure the trustworthiness of the information and improve the accuracy of the research outcomes. In addition to field observations on site, in-depth interviews were scheduled. The total number of participants whose data were collected depended upon the principle of data/theoretical saturation (Glaser and Strauss, 1967). Saturation occurs when, during the process of the data collection, interviewees’ feedback, responses and comments, there is repetition of responses of previous interviewees. This saturation, according to Papathanassis and Knolle (2011), is equivalent to the concept (term) of ‘representativeness’ in quantitative research.

During the 4-month interview data collection period (March 12, 2010 to June 30, 2010), a total of 12 respondents were interviewed for the study. Three were former employees who left the Group after the ownership changes, five were employees who stayed and

remained in middle- to high-level positions, and four were newly hired mid-level managers. Profile of the respondents is illustrated in Table 1.

With respect to research triangulation, in-depth interview questions posed for interviewees were exactly the same as those which were used during the participant observations. Key aspects were leadership, organizational structure and culture, and corporate strategies. Each interview took about an hour to one-and-half hours. All of the in-depth interviews were tape-recorded after the receipt of participants’ approval prior to each interview. Verbatim transcripts of the interviews and tape-recorded field notes were produced.

### 3.4. Data analysis

The purpose of this study was to explore how the concept of organizational change and corporate BOS strategy was applied to practices of the researched chain hotel when its ownership change entered the assimilation stage. An analytic strategy applied in this study was grounded theory, in order to analyze and interpret the data and to develop an integrated theoretical framework and/or model. Such theory makes it possible to conceptualize a new theory and to amend and advance inappropriate current theory (Strauss and Corbin, 1998; Mehmetoglu and Altinay, 2006; Kim et al., 2009).

A qualitative analytic software program (QSR) was used to manage and analyze the qualitative data. The verbatim transcripts of the in-depth interviews and field notes were imported into the QSR NVivo program. Prior to coding the data, all of the transcripts and written field notes were read through, in order to grasp a holistic picture of the data set. While using the NVivo, the grounded theory approach was used whereby appropriate paragraph(s) or quotes with a similar context were categorized and created (or so-called open coding). Each category is a so-called node. Additional nodes were created as required. And then, these nodes were constructed tree nodes. A tree diagram is constructed with a composition of parent and child nodes. Fig. 1 illustrates a coding hierarchy in this study (Mehmetoglu and Altinay, 2006).

## 4. Findings

The outline of this section is illustrated in Fig. 1, coding hierarchy, containing sub-sections of (1) initial stage after ownership changes, (2) business philosophy of the new management team, (3) organizational structure and culture after the new group GM took office, (4) leadership skills, (5) implementing management philosophy, and (6) organizational goals to achieve a blue ocean.

### 4.1. Initial stage after ownership changes

This node (section) aims to respond to Research question 1 as to how subsequent changes took place after transferring ownership of a local chain-hotel. The results from the participant observation showed that some directors mentioned, after the new management team came in, that because the new group CEO did not have a hotel management background himself and had no relevant job experience, he hoped that all of the employees could stay. He only transferred a senior executive assistant manager with a finance background from his previous employment. In the early stages, the management team made almost no changes. However, a few months after the ownership changes, the former general manager (GM) of the Hotel Group resigned, and this forced the management team to recruit a new GM for the Group.

According to responses from a senior management member of the Hotel Group, the old and new executive teams of the headquarters had extremely different business philosophies. For example, the new CEO of the Group believed, first, that the old hotels

**Table 1**  
Details of the respondents.

No.	Gender	Tenure in the Group (years)	Level of education	Position	Status
1	Female	22 years	Bachelor	Senior Executive Manager, Headquarters <sup>a</sup>	Left the Group 9 months after change
2	Female	25 years	Bachelor	Senior Manager, Headquarters <sup>b</sup>	Remained after owner change
3	Male	11 years	Bachelor	Senior Executive Manager, Headquarters <sup>a</sup>	Left the Group 5 months after change
4	Female	10 months	Master	Customer Relation Manager, Branch Hotel <sup>b</sup>	Newly hired after owner change
5	Female	8 years 3 months	Bachelor	Sales Manager, Branch Hotel <sup>b</sup>	Remained after owner change
6	Male	11 years 7 months	Diploma	Front Office Manager, Branch Hotel <sup>b</sup>	Remained after owner change
7	Female	1 year 1 month	Bachelor	Food and Beverage Manager, Branch Hotel <sup>b</sup>	Newly hired after owner change
8	Male	9 years 6 months	Diploma	Front Office Manager, Branch Hotel <sup>b</sup>	Remained after owner change
9	Male	5 years 7 months	Diploma	Supervisor, Branch Hotel <sup>b</sup>	Remained after owner change
10	Male	1 year 3 months	Bachelor	Front Office Manager, Branch Hotel <sup>b</sup>	Newly hired after owner change
11	Male	19 years	Bachelor	Information System Manager, Headquarters <sup>a</sup>	Left the Group 11 months after change
12	Female	8 months	Master	Executive Manager, Headquarters <sup>b</sup>	Newly hired after owner change

<sup>a</sup> The position was held at the date of leaving the Group.

<sup>b</sup> The position was held at the date on which the interview took place.

from before the ownership changes did not have enough style or panache. Second, new or renovated hotels should be built as a characteristic representative face of the company, whereas the old management’s business ideas mainly concerned profit and return on investment, which might be one of the original reasons why the previous GM resigned.

4.2. Business philosophy of the new management team

Findings related to Aim 2 which investigated how the new CEO brought into effect developing organizational settings. This research question is divided into two specific dimensions, comprising new CEO business philosophy and hotel operational concepts, and organizational settings which were reconstructed by the new appointed general manager of the Group.

4.2.1. CEO philosophy

According to the field notes, the new CEO of the Hotel Group felt that no hotel in Taiwan met his personal standards for a five-star hotel. After the transition, the CEO took his previous knowledge and

experience with five-star hotels and changed the entire business to pursue his dream. His service concept was serving the customer first and supplying attentive service. He had not seen any hotel in Taiwan achieving this, and he saw such a philosophy as the foundation on which the hotels being planned and the future development of the entire group would be built. Respondent 4 from the in-depth interview agreed on this point. However, Respondent 2 [Director of the HR department] had a different perspective, noting that, “the new CEO treats this company as his own private network, focusing on his individual priorities and not appropriately respecting the professional team.”

The field notes indicated that the CEO developed the Group’s ultimate goal: to enable the Group to become Taiwan’s hotel industry leader. Respondent 5 also suggested that the CEO wanted to “be at the forefront of the hotel industry in Taiwan and make the company line of hotels the industry benchmark and city landmarks.”

4.2.2. New concepts related to services

The field notes indicated that the new CEO wanted to upgrade the group’s products, particularly the line of new hotels and resort

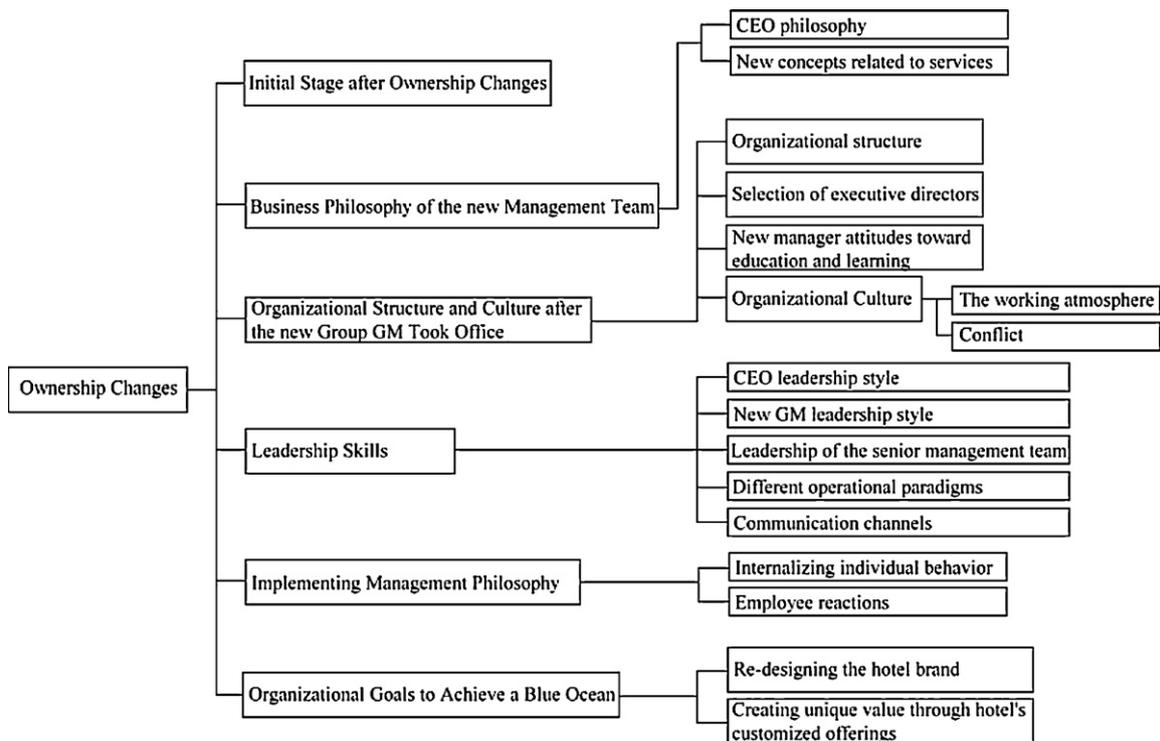


Fig. 1. Coding hierarchy.

hotel flagships, which were to be positioned as low-key luxury properties whose facilities and interior design would contribute to the distinctiveness of these properties. He wanted to create a hotel that guests would experience almost as an art exhibition, while simultaneously insisting that personal tour guides make all of the guests aware of the decorations and distinctive themes. This has become a new part of the company's organizational culture, as shaped by the management team. Respondent 5 found that, "guests have a 'wow wow wow' reaction to the hotel because there are tour guides. They want to visit the hotel again." A food and beverage managers stressed that

"the chief executive wants every employee in the work environment to be able to share and communicate the basic values [of the company] to the guests through the tour guides. (Respondent 7)"

The field notes indicated that the new CEO believed that in a luxury hotel feel and pricing are the main characteristics of the firm's service products. In contrast, Respondent 7 objected to this idea and suggested that instead of focusing on this concept, the firm should focus more on the spiritual level. Respondent 7 asserted that,

"in terms of facilities, our hotels absolutely reach the standards of luxury hotels. However, if we only focus on that, our hotels will be easy to replace because competitors can invest more money in [those areas]. . . if we also integrate the human spirit and historical elements into the Group and its facilities, this will not be easy for other hotels to copy."

#### 4.3. *Organizational structure and culture after the new Group GM took office*

Respondent 1 mentioned that,

"the newly appointed GM of the Group, after taking office, planned out and revised the entire functionality of the organizational structure. The entire company was doggedly expanding the management team's human capital, adding more assistant managers to the various units in the current organizational structure and then increasing the entire team from 40 or 50 to more than one hundred people."

Participant observation and interview data showed that during the recruitment and appointment process for all of the upper-level directors of each division in the headquarters office, the GM participated only in the interviews. The final decisions were left to the CEO.

Respondent 7 emphasized that,

"the new GM of the Group is a professional hotelier who has extensive national and international experience in the business. But a few months after taking office, he did not seem able to truly utilize his competencies or leadership skills and seemed powerless at the Group management level."

This finding was confirmed by the field notes which stated that although the GM was involved in the Group's various decision-making processes, he was usually reluctant to speak up when he disagreed with a policy. The GM was sympathetic and understood the feelings of the old staff, their needs and expectations for the new management team; however the corporate culture had dramatically shifted because first, the management team had become bigger; second, newly appointed directors practiced different leadership styles; third, senior managers under the old system gradually resigned; and last, the new management team laid off some unqualified employees, particularly from the management staff.

#### 4.3.1. *Organizational structure*

After the ownership changes, the management team made a plan to revise the functional organizational structure. The overall structure basically remained the same, except that the marketing department (including public relations) was split into the marketing department and the public affairs department. Meanwhile, for the sake of professionalization, the administrative team was expanded from its original size (40–50 people) to more than one hundred. After the organizational structure was re-designed, Respondent 7 recalled that the management team played a dominant role; moreover, there were problems managing employee retention because of lack of a fair system. Consequently, some employees quit because they could not adapt to the new system.

#### 4.3.2. *Selection of executive directors*

The CEO found new senior executive members of each division in the headquarters using generous offers that attracted talented candidates with media influence, hoping that they would enhance the public image and organizational identification of the Group, publicize the brands of the Group, and shift the old public stereotypes to the new image. Therefore, as Respondent 1 commented, "the criteria for selecting the directors were: high education, fluency in English, and overseas experience-either employment or education."

Three interviewees revealed that the CEO showed little respect for personnel who had significant expertise in the hotel industry, because he believe that individuals who did not have a hotel-related background could still manage operations well. Therefore, the CEO did not recruit many directors with hotel experience, except for the director of Marketing and Human Resources. Respondent 1 was critical of this, claiming that these directors always taught employees and managers who had hotel experience how to operate.

One of the two directors with previous hotel experience was praised widely. On the other hand, Respondent 9 reported that another director, perhaps because of some past changes between different career fields, was slightly out of touch with the five-star hotel industry. This led to the situation that s/he seemed detached from the industry and often needed to ask about the current situation in the hotel industry and that s/he was unable to independently complete some of the strategic work (such as the annual budget).

#### 4.3.3. *New manager attitudes towards education and learning*

According to the field notes, one of the managers could not accept employee suggestions; when employees made any suggestions, this manager often rejected them using such excuses as company institutions and internal culture. This kind of interaction between subordinates and superiors may affect a company because it is only after considerable discussion that decisions can be made that might contribute to the future organizational development of the company. This manager's mentality also conflicted with the management philosophy of the CEO, namely that, "employees should be encouraged to bring up ideas." At the same time, this situation not only affected staff morale but also may have made subordinates reluctant to contribute to the future development of the company, which was a great loss for the firm itself.

#### 4.3.4. *Organizational culture*

Respondent 6 compared the periods prior to and after the ownership changes and pointed out that,

"before taking over, employee turnover rate was very low, they built up strong relationships between each other, and therefore, after the changes, it took some time for new employees to integrate themselves into the work environment. Furthermore, prior to the change, the business philosophy aimed at an

increase in demand and cutting unnecessary expenses. However, after the changes, the CEO and new top management team focused on establishment of a luxury interior design (such as furnishings and décor) of the buildings and stylish and professional design of the official website of the Group.”

To improve the current work environment and service quality, the new director of human resources indirectly encouraged the staff to e-mail him about the mistakes other employees made. Many employees believed that this attack-oriented behavior should be discouraged.

**4.3.4.1. The working atmosphere.** The field notes and the in-depth interview transcripts show that, after the ownership change, individual attitude and behavior, work environment and leadership behavior incurred subtle changes in the headquarters and branches of the Hotel Group.

Referring to individual attitude and behavior, Respondent 2 indicated that employees with a long history with the Group never complained about the work and had a positive attitude, whereas the newly recruited directors had conflicts with one another. The most obvious behavioral change in staff members of the headquarters office was that they used informal networks as a tool for organizational communication. For example, Respondent 5 indicated that,

“New management staff found that the core power was vested in the senior assistant executive manager in the workplace. Consequently, many directors directly began to communicate to the senior assistant executive manager. They knew that, after she made decisions, her direct superior would not object.”

In discussing the working environment, the quality of the workplace climate affected employee happiness and productivity. Respondent 6 said that one of the managers tried to transfer an employee out of his original department because he did not like that person’s work. Respondent 4 recalled,

“because the headquarter deployed tasks related to marketing plans, and also because each branch didn’t have this function, the branch managers currently do not brainstorm as frequently as before; most of the managers just perform these tasks as the headquarters told them to.”

The field notes from participant observation indicated that political factions were informally formed in the organization after the new management team of the headquarters was recruited. This phenomenon affected the work conditions and employee commitment to the organization. Respondent 7 mentioned that, “factionalism and a sense that she was being ignored made her feel no dignity, which in turn greatly affected her efforts for the Group.”

With respect to political fighting within the Group, Respondent 1 pointed out that,

“there is a senior director who, after becoming entrusted with a great deal of power, sometimes leapfrogged over the GM and senior executive assistant manager and directly reported to the CEO. In the meantime, this director tried to both defend him/herself against and compete with the senior executive assistant manager in the headquarters office. This workplace ethic has become increasingly prevalent. The HR director made a proposition to the CEO that the development of compensation policies should be transferred from the responsibility of the senior executive assistant manager to the HR director. This was considered a power battle in the eyes of the senior executive assistant manager.”

As the factions gradually formed, some management staff in the headquarters office went to branch hotels to recruit their own

‘troops’. This phenomenon made some employees experience role conflicts and ambiguity. Respondent 7 said that, “this managerial behavior made me feel split in two; I have to tackle the HR director and my own manager about their different requests.”

**4.3.4.2. Conflict.** Because the marketing and public relation divisions had some overlaps in their job descriptions, and because the directors of these two departments had different expertise from the professional fields, conflicts happened frequently. In such cases, the general manager of the Group came in to mediate in accordance with his professional knowledge.

Respondent 3 [as a resigned senior manager] indicated that, in the early stages of the transition, the HR department should nurture a healthy organizational culture and should play a facilitator role. However, some respondents also gave negative feedback on this comment. For example, Respondent 6 noted that,

“the new HR director did not comprehensively plan in advance. When s/he organized a training session about new management direction and business philosophy, s/he did not take into account the state of on-site operations; instead, s/he insisted on running the training program.”

This lack of prior communication between departments led to the emergence of other conflicts. Such inter-departmental conflict could cause customer service to suffer.

#### 4.4. Leadership skills

The third aim of this study was to assess the skills of the new CEO and general manager of the local chain-hotel Group.

##### 4.4.1. CEO leadership style

The field notes elaborated that, after the ownership change, the CEO dominated daily operations and decision-making, instead of the past authorization system whereby the GM was in charge of this. This evidence also was reinforced by Respondent 1. On the other hand, Respondent 4 indicated that the CEO was open-minded and could humbly accept criticism; for example, s/he noted that,

“once, during the monthly executives meeting, the CEO started by criticizing each branch, [pointing out] areas that needed to be improved, which caused everyone to be in a bad mood. During the break time, a manager went to talk to the CEO, suggesting that it was not good to start a meeting with such low morale; instead, good operating performance should be recognized first. ... After the break, the first thing the CEO did was bow and apologize for this, and he also praised the manager for the suggestion.”

The three maxims introduced by the CEO management team were “dare to put an idea on the table,” “be willing to celebrate good things,” and “observe proper values.” First, the team would be able to come up with proactive ideas of operations, present and discuss them openly at the table and then execute the ideas without hesitation after the decision-making process had concluded. Second, when the team exhibited positive performance, positive recognition by the team or staff was to be given proactively by all means possible. Third, positive thinking and an enthusiastic attitude needed to be encouraged. In addition, the CEO paid a great deal of attention to the emotional state of his employees in the Group, hoping that they should possess two feelings during the work: “be diligent and attentive” and “be happy and have a good time”. The field notes also addressed the fact that the CEO attempted to develop a sharing climate in the Group. He set a good example with his own conduct whereby he always shared his learning and experiences with executive colleagues at the monthly meetings, and

encouraged colleagues to influence his/her subordinates to share in the workplace of each branch hotel.

#### 4.4.2. *New GM leadership style*

According to Respondent 2, the newly appointed GM of the Group positioned himself as a professional manager with expertise in the operation and expansion of new hotels. On the other hand, Respondent 4 believed that the GM was like a general commander of the Group, responsible for communicating and monitoring operating policies and for allocating the Group's overall resources. When it was necessary, he would be the arbiter. Respondent 8 said that the GM was leading by example, delivering the message to all of his colleagues and asking everyone to achieve the objectives that the CEO defined. However, participant observation revealed that the major role played by the GM was that of a follower and that most of the decision-making regarding operations and strategies was still the responsibility of the CEO and a senior assistant executive manager.

The GM promoted three corporate values: attitude, attentive and detailed service, and speed. His first objective was to create a positive business philosophy in accordance with the values established by the CEO. The second was to provide customized services to meet customers' needs and wants, and the third was to provide the services that the hotels' guests required as efficiently and promptly as possible.

#### 4.4.3. *Leadership of the senior management team*

Through the participant observation process, it emerged that some of the newly recruited directors in the divisions attended to organizational performance and efficiency standards that were highlighted by the CEO and GM, but they implemented strategies hastily without considering the implementation status of each associated staff member, or designing a detailed action plan. Normally, the directors simply distributed the plan to their subordinates after agreement of top management, instead of discussing it in detail with those subordinates before proposing their thoughts. Consequently, this approach sometimes meant that subordinates had to develop an additional action to correct this. These claims were consistent with the transcripts of the in-depth interviews. For example, Respondent 1 commented that, "to demonstrate an efficient and positive attitude to the CEO, some directors proposed strategy suggestions without any facilitating tactical strategy."

There were some dysfunctional effects arising from the daily operations; for example, Respondent 11 said that,

"directors often did not take employee workload into account and orally assigned tasks at any time. The new tasks were consistently assigned to subordinates; on the other hand, [the directors] often would not take action to support employees in achieving their tasks. Not only were they unsympathetic to the employees when the staff performed well, but they would also not offer verbal encouragement or real rewards to subordinates; instead, they would take credit in front of their superiors."

Moreover, a number of the respondents also suggested that if a strategy was successful, credit often went to the marketing division of the Group because they always thought that the plan itself was the cause of the success, whereas many field operations staff could not agree. Indeed, many factors, including preparation, relied on on-site staff members, and the marketing staff alone could not make the plan successful.

#### 4.4.4. *Different operational paradigms*

Nurturing a workplace climate of each individual hotel was affected by top management. Since every manager had a different leading style, this led to the situation that each organization

developed its own work climate. This study indicates that, after the ownership change, some loyalty and enthusiasm of employees had been substantially reduced. This might be supported by the following finding, as Respondent 11 recalled that,

"prior to the ownership changes, the corporate culture and leadership skills were [intended] to establish a good work atmosphere and a positive way to encourage recognition and reward employees rather than using criticism. Therefore, the engagement and loyalty of senior employees were greater than that of the current ones. At that time, the staff displayed a proactive attitude and even really tried to improve its own performance; it was not like now, when current employees believe [that if they] do more, [they will] get more wrong [but that] if they do less, [they will] make fewer mistakes [and that if they] do nothing, [they will make] no mistakes, which shows a passive attitude."

The new management team attempted to motivate employees by giving them a sense of achievement generated by praise from their customers. For example, Respondent 4 said,

"through training, [the management team] educated employees and encouraged them to actively present the hotel's uniqueness, such as the characteristic themes of the antique furnishings and the interior design, by offering hotel tours and guiding the customers in this regard. As a result, employees were often praised by the customers, which made them feel proud, saying that they liked serving and growing in such a work environment."

#### 4.4.5. *Communication channels*

There were basically three main internal communication channels that were used after the ownership changes to deliver the management standards and core values. According to Respondent 4, the CEO communicated his progressive business philosophy with general managers of the branch hotels and directors of the headquarters during monthly meetings, after which the management executives would deliver related information to employees. The meetings also included topic-focused presentations and discussions; for example, the CEO shared his concept of the criteria of effective managers. During this time, the CEO asked his secretary to take meeting minutes and issue them to all branches, having them posted on a bulletin board of each property. According to the field notes, it seems that the monthly meetings were used as a business review and not as an inter-departmental communication channel.

Using various communication channels, the HR division of the headquarters communicated the Group's business philosophy and the blue ocean (corporate) strategy of future development. In this approach, it communicated the philosophy of the CEO and GM to employees of the Group. The monthly meetings could not completely convey the relevant concepts to all staff members through managers; therefore, the HR department organized serial on-the-job training programs intended to transmit the new organization culture advocated by the CEO to employees of the Group. Then, revisions to the standard operating procedure would be made to ensure that it matched the standard service levels established by the management team of the headquarters. Having compared the field notes with the response by Respondent 1, we found that in the beginning of the organizational change process, each property of the Hotel Group was still using the previous operating system as part of its standard operating procedures. However, through regular training programs and continuous evaluation of outcomes of the training programs, new sets of operating procedures had been gradually established. Positive effects of this practice were reported by Respondent 12 who said that,

"when each branch constantly reminded all of its employees about new requirements to meeting the level of service

quality, the employees could really focus on the requirements put forward by the management team of the headquarters.”

Interestingly, in-depth interviews showed that some employees possessed a passive attitude towards job performance since directors of the headquarters office took a dominant role. This occurred because the directors used downward (or one-way) communication style to pursue routines. For example, Respondent 8 [a front office manager from a branch hotel] said that,

“in order to meet the CEO’s expectations, directors of the headquarters usually suggested implementing policies without knowing actual operation status. They simply started planning or implementing without communicating with a branch hotel. As a result, the hotel only accepted commands and performed actions. This may explain why employees at the branch do not want to take on active communication and coordination. Instead, they just do what they are told.”

#### 4.5. Implementing management philosophy

It is quite interesting to discover how the new CEO and general manager of the Group enlarged individual learning capacity to adapt to proposed changes (Aim 4).

##### 4.5.1. Internalizing individual behavior

New management philosophy was internalized and implemented in three phases: educating employees, obtaining individual commitment to the new philosophy, and personally taking in part this. It was necessary to provide thorough on-the-job training, and then to encourage the staff to adopt the new management philosophy. Thence, the philosophy had to be put into action to achieve organizational goals. Respondent 3 commented that, “it was easier for a new branch hotel to internalize the new philosophy into operations than old branch hotels.” This appears to be because newly developed hotels were not burdened by comparisons with the old hotel characteristics, so that staff members could approach their jobs without any preconceptions regarding the future. Therefore, on-the-job training programs should be more comprehensive so that employees could look forward to their future development. They could think about the current transition, further adjust their existing work attitudes and improve their performance to meet the new management requirements. Respondent 8 recalled that, “there was a colleague in my branch who was silent unless guests asked questions and would not take the initiative to explain [the hotel] to the guests”. The respondent talked to this colleague in private, suggesting that he adjust his attitude to help achieve the goals of the new management team. Meanwhile, s/he also found that employees would present many ideas for providing quality service and be proud of their contributions. Employees could be stimulated by customer’s positive feedback through mutual interaction amongst colleagues; after all, the Group provided more unique products and services than other hotels.

##### 4.5.2. Employee reactions

The field notes of the participant observation showed that the new CEO had not set up a clear timetable for achieving organizational goals; after all, the early stages of the ownership changes involved merging two different cultures, which required a considerable time investment through a variety of communication channels and varied methods of coordination. Respondent 4 said that,

“in a training curriculum, the new business philosophy and methods were delivered through communication channels to branches. . . the three business philosophies of the CEO involved

high standards and ideals, which caused managers’ understanding at the end of the program to vary.”

Respondent 3 noted,

“after training programs, very few employees could fully implement ideas in all branches; the difficulty was that the managers mostly already had a stable management style, and there was no way it could change in one lesson; right after listening, the managers might feel happy to [change their style], but would wait until something happened. They would forget what they had learned in class and would stick with their previous methods of processing stress. Therefore, new employees would feel confused when they saw a different approach from the standard operating procedures. Some staff members might feel full of hope during the training but feel disappointed about the different leadership style.”

Respondent 9, who had a positive attitude said that after the training, he felt that he was working under the right organization as he said that,

“the CEO did not only want me to make money and work hard; but also he cared how I felt and reinforced my personal values, and he would like the customers to experience good service performance.”

However, Respondent 11 suggested that, “the CEO hopes that we would put our ideas on the table, rather than complain afterwards. This thought might offend some managers; thence they might not conduct this practice.”

#### 4.6. Organizational goals to achieve a blue ocean

It is important to examine how the new CEO and general manager of the Group catered for customer values and developed new offerings and packages (Aim 5).

The CEO and top management team of the headquarters established organizational goals of making all of their hotels as industry benchmark or local landmarks, and, in the long run, to become an international hotel chain and a market leader in the accommodation business in Taiwan. The field notes indicate that the steps that the new management team is taking towards that end involve the blue ocean strategy: re-designing the hotel brand, creating unique value through products and services, sharing the essence of hotel art design with customers, and providing customized services. The management team reclassified the old hotels in terms of their service levels, accommodation and catering facilities and developed various sub-brand names with distinct character to reach different market segments. For instance, according to Respondent 3, the CEO increased investment in two new developing hotels in order to upscale interior designs and to advance the quality of facilities and equipment. In addition, in order to upgrade the existing hotels to meet the pre-set brand standards, the CEO started renovating old hotels with consultation of professional designers and architects.

##### 4.6.1. Re-designing the hotel brand

The new management team, in preparation for building new hotels and re-designing the existing (old) hotels, also put a particular emphasis on the details and the overall atmosphere of the hotel buildings in order to create unique value of products and services to customers. The team made an effort to emphasize the narrative and historical interior design. Respondent 4 pointed out that,

“in addition to [providing excellent] guest accommodation and catering, we want to provide guests with the experience of a cultural tour; for this purpose, the entire management team has thought hard and worked to create designs full of meaning and vivid experience. For example, when we want to use a

'French castle' theme, the interior design includes rivets above the doors, painted stones on the walls, candlesticks, castle walls and other stylistic elements."

Additionally, in order to offer unique products, according to Respondent 7, front office staff provided hotel tours, which made customers feel as though they were in a place steeped with history because of the interior design and antique furnishings. When customers visited the hotel, they truly sensed the intention of the operators, which also broadened their perspective. Respondent 3 suggested that the overall intention of the management team to create cultural and historical depth and story-shaping facilities really provided spiritual dimensions of service that could not be seen in other hotels. Respondent 12 indicated that,

"after nearly six months implementing the hotel tour guide service, customers had gradually begun to give positive feedback; they were in favor of this style, which used a story as the background. Some of them mentioned that they would introduce more customers to the hotel for food or lodging."

#### 4.6.2. *Creating unique value through hotel customized offerings*

Regarding customized services, Respondent 7 indicated that,

"the CEO wanted to equip the hotels with luxury facilities and standard services to guests as other five-star international tourist hotels did. He additionally reinforced that we should go beyond the existing service standards, [with each employee offering] customized service to guests with enthusiasm and creativity to enhance greater satisfaction than would be expected."

According to Respondent 3, the CEO promoted the business philosophy that, "each employee [holds himself] with dignity and elegance and is respected by customers". This business philosophy should be implemented through training programs and a trainer should influence employees to act as gentlemen or ladies. Attendees should develop personal traits such as affirming themselves and fostering a unique identity. Employees in each property were also encouraged to nurture a happy climate in the workplace and motivated to serve customers with attentive detail and creativity, in accordance with work autonomy and authorization.

## 5. Discussion and recommendations

This section is organized on the basis of the five aims of this study. It is constructed as assessing the process of ownership changes, organizational settings, leadership practice, nurturing individual learning, and linking the BOS to this study. Additionally, the last subsection, towards a theory of ownership change and BOS, attempts to deal with an advancement of existing academic knowledge according to the present study.

### 5.1. *Assessing the process of ownership changes*

This qualitative study illustrates that complex tactical strategies are required to achieve a blue ocean after ownership changes. Organizational and managerial development is expected at the crux of this transition in order to achieve sustainable competitive advantage. The Hotel Group attempted to reposition, rebrand and upgrade its products and services in order to achieve unique public image and market recognition. 'Repositioning' and 'rebranding' types of organizational changes were in favor in the study of Okumus and Hemmington (1998). With respect to management development (Doyle, 1995), this study indicates that the attributes of such change brought about an expansion in organizational structure of the headquarters of the Group, a selection of new professional talent executives, and a redesign of interior facilities

and furnishings. These tremendous shifts might require existing employees to adapt to new management and business philosophies accordingly. However, the organization involved in the present study had not completely and appropriately conducted an "informal and visioning workshop (Doyle, 1995, p. 14)", whereby new philosophies and expected work behaviors were mutually transferred and communicated throughout an entire organization by way of organized workshops. This might impair an overall organizational and management development in the long run.

In this study by which ownership restructure enforced subsequent changes, according to Nadler and Tushman (1990), such change might incur a reaction from employees. However, the new top management team thoughtfully planned internalizing action learning in the assimilation stage. This type of organizational change involved a 'reorientation' whereby the researched hotel took part in redefining its corporate core values and business philosophy, along with seeking an anticipative modification of its organizational identification by re-segmenting its strategic marketing focuses (Nadler and Tushman, 1990). In the course of the assimilation, the findings indicate that some employees were resistant to change and there was a tendency of political behavior. But the results revealed a gradually increasing number of employees who accepted and supported the new management concept. Nadler and Tushman (1990, p. 80) say that these two kinds of organizational change are characterized as "risk". How an organization reverses this perilous work to corporate success is crucial. This study suggests that positive individual learning, effective leadership style and beneficial organizational culture need to be further considered and discussed.

### 5.2. *Organizational settings*

This qualitative study empirically reinforces Teare and Monk's framework (2002) which demonstrates that collaboration, open communication, creative thinking and individual capability of integrating hospitality complexity could be developed in a workplace in order to tackle any changes. This study suggests that the CEO and executive team members need to take responsibility to develop effective organizational environment. This study adds to the previous research by additionally revealing that effectiveness of organizational changes would be influenced by factors of political spin and involvement within an organization, social interactions amongst senior executives in the management team of the headquarters as well as employee reactions to the changes.

Human resource specialists play a crucial role in the process of organizational changes (Farquharson and Baum, 2002). In the assimilation stage of the change, there might be an occurrence where employees resist to adapting to new organizational settings; consequently, the human resource department should facilitate them to struggle in the settings and commit to them. In application of the human capital perspective, specialists are required to develop a conducive culture for a new organizational setting. After that, employees need to be involved in organizational enculturation (Czarniawska and Kunda, 2010) whereby socialization and training and development are implemented in order to transmit new business philosophies and shared values to employees throughout an entire organization (Lau and Woodman, 1995; McWilliam and Ward-Griffin, 2006; Canet-Giner et al., 2010; Chiang, 2010). The findings reinforce previous empirical research in perceived organizational change which encapsulated organizational socialization associated factors – i.e. organizational communication system, employee participation and training campaigns – into the change schema.

The study supports Kemp and Dwyer's (2001) empirical research in revealing that managers trusted by the CEO were authorized and delegated. A number of these managers demonstrated

their influential roles amongst colleagues within the organization. It brought about a circumstance that some staff members intentionally liaised with the CEO and his trusted followers (or intimates); thus sub-groups were formed.

As for organizational politics and conflicts, the findings indicate that some management staff in the headquarters office of the Group became involved in power struggles. These power struggles were evident in many situations. For example, some management staff gossiped about others in the organization. Employees took the credit when a job went well, but declined to take the blame when it went badly. Moreover, some staff members took measures to protect themselves against what they suspected might be negative attitudes or actions by others. Also, a human resource specialist intentionally or unwittingly nurtured an atmosphere of sub-group, sub-culture or factions within the Group. Consequently these symptoms might trigger off disruptive outcomes, meaning a negative effect on the development of the Group (Verdu and Gomez-Gras, 2009). Once these continuously remain and spread throughout the Group, it could thus become a characteristic of organizational culture. This would incur dysfunctional conflicts, leading to negative effects on organizational effectiveness.

This qualitative study supported the proposition of Altinay and Altinay (2004) who state that decentralization of decision-making and informal communication channels would be beneficial in dealing with matters arising from hospitality environment complexity and variability. This study revealed that decision-making was mainly centralized by the CEO in the course of ownership changes. This might have a dysfunctional effect on organizational behavior – such as cognitive dissonance, social loafing and negative effect of groupthink – and thence inhibiting organizational development. Consequently, multi-communication channels and workgroup structural design should be encapsulated in the design of organizational structure, in order to maximize structural flexibility to confront the changes (Verdu and Gomez-Gras, 2009).

### 5.3. Leadership practice

Much evidence collected from participant observations and in-depth interviews show that the CEO had a dominant or autocratic role in the assimilation stage of the change. Authority and power was delegated by the CEO to a certain level of management staff; however, the findings revealed that this delegation was not fair to everyone, depending on the degree of intimacy. This suggests that the leadership should promote equality and empathy to all employees rather than selected individuals; thus a possibility of factions would be diminished. Otherwise, it might require managerial flexibility to deal with the changes (Verdu and Gomez-Gras, 2009). This qualitative study applies Ingram's et al. (2000) framework which demonstrates that leaders should play a mentor and supporter role to stimulate employees to adapt to new work conditions and environment, and should open communication channels to resolve doubts of employees and associated stakeholders. In this context, this study shows that the CEO demonstrated multi-faceted professional dispositions of his instrumental, charismatic, and institutional leadership.

#### 5.3.1. Instrumental leadership

The concern of organizational socialization, equality and empathy would further lead to the practices of instrumental leadership. The evidence shows that the researched Hotel Group demonstrated a certain degree of instrumental leadership to control individual behaviors. This evidence comes from an application of the agency theory, which suggests that there needs to be compensations to

employees to allow them to adapt to the new reality (Yu and Ming, 2008). However, the Group still needs firstly, to further advance its mentoring and training system to facilitate employees to adopt new corporate philosophy and values, secondly, to establish appropriate performance appraisal mechanisms to steer employees towards organizational visions, and thirdly, to develop a reward and discipline mechanism to stimulate individuals to cooperate in strategic business plans (Oldham, 1976; Ingram et al., 2000). This would result in alleviating goal conflicts between management team and employees.

#### 5.3.2. Charismatic leadership

On the other hand, with respect to charisma, there might still be a lack of personal leadership support for each individual since the results revealed that some employees raised some negative reactions to the CEO's leadership and business visions. Evidence collected from in-depth interviews indicates the CEO promoted innovative ideas; however some interviewees had different experiences. As aforementioned, organizational socialization could mitigate this impact (Canet-Giner et al., 2010).

#### 5.3.3. Institutional leadership

In a more holistic perspective of organizational development, this study does not really reveal an effective practice of institutional leadership in the course of the ownership change. As previously mentioned, the new CEO dominates operation decisions, i.e. all operation matters have to be approved and hence executed. Although the CEO did not alter the top management team in the early stage of ownership take-over, his leadership style and business philosophy possesses a different paradigm from the previous hotel operation. This might have caused some team members to voluntarily leave the organization.

Hambrick (1987) and Nadler and Tushman (1990) propose that, in the course of the change, it is necessary to take advantage of expertise of team members, transfer the CEO's future visions to the members, and then authorize them with work autonomy. This study indicates that new members of the top management team have associated professional expertise, but a majority of them did not work in the hospitality industry before. This would directly cause potential turmoil and/or conflicts and organizational maladaptation, thence affect employee turnover intention and thus behavior. Moreover, the CEO did not completely empower employees since the study demonstrates that he did not involve them in all decision-making processes. As the CEO had legitimate power, this might be one reason for why a majority of employees in the new work environment behave as 'doers', rather than 'innovators'. This organizational climate might furthermore affect organizational flexibility and responsiveness to cope with the change (Verdu and Gomez-Gras, 2009).

Another possible reason for this 'doer' behavior might be, according to Lau and Woodman (1995), that employees suffer job and role stress from the transformational change. This stress might influence individuals to confront the new work environment and be reluctant to adapt to it. Tackling this problem would enable the employees to be familiar with the environment settings in the workplace, and thence they would adopt a more progressive attitude to interact with organizational routines.

A majority of employees, in particular in the newly opened hotels after the take-over, preferred to pursue the CEO's perspicuous aspiration, thence to support this new leadership style since they could expect future self advancement within the organization. This interpretation could be testified by the results showing that the CEO set a good example with his own behavior in striving for

and implementing pre-established corporate visions and strategic plans.

#### 5.4. Nurturing individual learning

Eriksen (2008) empirically showed that “adaptive organizational change is a human endeavor, not a scientific application of techniques and skills (p. 622)”. This implies that individuals play an important role in determining organizational success in a change. Moreover, Doyle (1995) proposes that during organizational (ownership) changes a change in professional competences would be expected, since top management might have different management paradigms and business philosophies from the traditional (old) system as in the case of this Hotel Group.

In the course of the changes, the findings indicate that the new management team had tried to share new business philosophies with employees in the Group through various communication channels. This supports the empirical study of Chiang (2010). Human resource specialists from headquarters of the Group endeavored to educate the employees with new behaviors, even though some employees negatively reacted against the behaviors and rejected the changes. Such action learning, according to Ingram et al. (2000), would enable employees not only to obtain first hand information about the new operation philosophy but also to assist one another, in order to achieve new goal(s) of the new management team. This practice would lessen the threat of “organizational identity ambiguity” which was defined as “a shared sense that there were multiple possible interpretations of who the organization was, thus leading to a sense of unformulated or nebulous identity (Corley and Gioia, 2004, p. 200)”.

The study also reveals that the CEO allowed his organizational members to enlarge their learning capacity to adapt to the changes by an application of the concept of *tolerance of ambiguity* (Frances, 1995). The time required for this implementation might depend on environmental variability and complexity caused by modification of organizational structure and culture and a shift of business philosophy in the assimilation phase of the changes. Executive team members should promote such a learning climate throughout the Group (Letiche et al., 2008).

The Hotel Group of this study should have been unhindered in the course of the ownership change by the establishment a mentoring system. However, they did not have such a system. Indeed, effectiveness of this organizational change could be facilitated and accelerated where mentors transfer intact business concepts of the new top management – in particular, CEO perspectives – to employees throughout the Group. Ingram et al. (2000) propose that effective communication by written, virtual and face-to-face means determines the quality of this change process. In addition to this, this study would recommend that, selecting the right mentoring candidates who are able to accept their core concept is important. Additionally, these selected mentors need to be further educated and trained. That is, a common consensus of new top management should be completely transferred to these mentors. This practice occurs successfully in the Marriott International program (Ingram et al., 2000).

#### 5.5. Linking the BOS to this study

This study aims to show that a BOS was evident with respect to the elements of *values* and *innovation* (Kim and Mauborgne, 2005) in the researched hotel group. These two are determinant components of competitive advantage. The new CEO and general manager of the Group attempted to establish an overall organizational goal as a market leader in both national and international settings, in order to approach to its blue ocean. This paper shows examples of *innovation* for this chain hotel, i.e. classification of various sub-

brands catering for different target market segments, provision of customized offerings, construction of narrative and historical interior designs, facilities and equipment, a complimentary hotel tour of the hotel's collection of antiques and story-telling about associated historical and cultural contexts of these interior design and antique furnishings. Particularly, such hotel touring and story-telling could furnish spiritual dimensions of service that could not be seen in other hotels.

The above-mentioned innovations could provide its customers with values and even more, create new values in terms of an awareness of cultural and historical depth. Additionally, after the ownership change, the new management team developed a healthy work environment for employees, re-developed a new level of job related competencies and organized well-designed training programs for them to deal with customer service with attentive details and creativity; this gave them a sense of empowerment. This practice might enable front-line service providers to cater for customers' values with distinct offerings and to meet their needs.

#### 5.6. Towards a theory of ownership change and BOS

An objective of applying the qualitative research methodology is to develop a theory of the researched phenomenon. A general aim of this study was to investigate response to the ownership changes of the Hotel Group by examination of how organizational context shifted its focus; and how the CEO dealt with the complex environment incurred by such changes.

With respect to this reorientation type, in the course of the organizational (ownership) changes, according to Okumus and Hemmington (1998), the CEO shifts organizational focus through repositioning, rebranding and redesigning the Group's products and associated offerings. This is what occurred in the researched hotel group. This leads to an anticipated modification of its organizational identification by re-segmenting its strategic marketing focuses (Nadler and Tushman, 1990). This is what occurred in the present study. A new level of job related competencies, i.e. task demands, were subsequently shifted accordingly. These enormous modifications should be committed to by employees in order to enable the Group to achieve its blue ocean whereby there is an innovation and provision of various offerings to different target markets and thence reinforcement and creation of customers' values.

With respect to 'organization' factors, the study indicates that management structure of the Group was centralized by the CEO and his executive team without diagnosis of existing organizational contexts – i.e. operations and strategic focuses. This study suggests that, after the changes, retaining organizational members required them to be respected and give time to gradually adapt to new organizational structure and culture; thus tolerance of ambiguity is required for the members in order to expand their learning capacity. If this was not granted it would lead to a limitation of organizational growth and inability to respond to the turbulent hospitality environment. The present study implies that organizational socialization must be incorporated into the assimilation stage of any organizational changes, thus individual efforts could contribute to organizational effectiveness.

Consequently, a theory of such ownership change and BOS could be conceptually developed from this study, with a proposition that: Individual behaviors (such as learning capacity, task demands) can directly affect implementation of the BOS, thereby enhancing the quality of customer service. Meanwhile, employee job performance in customer services – can be achieved through the regulatory functions of organizational behavior variables (such as organizational identification, socialization and instrumental, charismatic, and institutional leadership).

## 6. Conclusion

The general aim of this study was to investigate subsequent changes after transferring ownership of the chain-hotel Group. While organizational change is the subject of some papers, the aim of this research is rarely explored. This study could conclude that: first, the CEO and general manager of the Group attempted to endeavor to streamline the organization of the Group and to re-segment its strategic marketing focuses. These efforts would definitely contribute to a renovation and provision of distinct hospitality offerings to specific target customers and thence to create their values. Second, the employees experiencing the assimilation stage of the ownership change could be seen as acquiring new learning, performing new task demands, and adapting to new organizational settings. Having reinforced these individual and organizational capacities, this study empirically shows that, maladaptive behaviors such as power struggles and conflicts, factions within the Group should be avoided; instead, tolerance of ambiguity for employees, effective leadership, appropriate human resource practice, and conducive working atmosphere should be developed.

This study applied a qualitative research methodology, which is often classified by subjectivity and democracy of data collection. Thus, it is acknowledged that the researcher(s) might have had a potential impact on the organization through the feedback and comments they made after observations in each department. This study attempted to employ a “triangulation” examination to enhance the quality of this qualitative research.

This qualitative result may need to be further explored in four ways. First, organizational socialization, in particular, social interaction amongst individuals, longitudinally contributes to organizational effectiveness of managing changes. Second, professionally talented people, with or without hospitality experience, could provide competing models of job performance in the hospitality profession. Third, the concept of Nadler and Tushman's (1990) organizational change could be empirically applied to hierarchical structure of linear and/or curvilinear growth modeling. Fourth, there was no evidence that charismatic leadership contributes to organizational success, but on the basis of the research it is suggested that this could be the case. However, this is a topic for further research.

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