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The role of knowledge transference in the process of internationalisation. The case of the London Hilton.

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A thesis submitted in partial fulfillment of the requirements of The University of West London for the degree of Doctor of Philosophy

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Abstract

The Twentieth Century's hotel industry saw a shift from independently managed grand hotels to the increasing influence of multinational hotel companies whilst processes of globalisation contributed to the international movement of people, ideas and practices. The London Hilton was the first subsidiary of this American branded chain to open in Britain undergoing, at the time, cultural and social changes associated with the 'Swinging Sixties'.

The history of grand hotels has been thoroughly documented however there is lack of business history research into the expansion process of modern multinational hotel companies. The aim of this study is to explore the process of internationalisation of Hilton Hotels through the transference of knowledge between the parent company and the London subsidiary. International business theory is investigated in pursuit of establishing relationships between the concepts of transference of knowledge, multiple-embeddedness and negotiation of legitimacy, collectively forming a conceptual framework driving this research.

A single embedded case study is adopted to comprehend the nuanced relationships and pressures resulting from the multiple-embeddedness of the case. An extensive range of archival material is collected to construct an in-depth case study of the London Hilton embedded in the contexts of its parent company as well as home and host countries. The case is synthesised with the theory using interpretive research methods and employing a three-stage coding process.

The London Hilton appears to be representative of a case of effective knowledge transference which avoided the pressure for homogenisation from the host environment. It is an example of an organisation whose foreignness served as a differentiating, rather than restraining factor. These findings contradict the traditional institutional assertion of the necessity for adaptation to local settings and confirm the notion that legitimacy can be negotiated. The appearance of the Hilton hotel on the 1960's London hotel market can be perceived as an emblem of the wider historical changes in the globalising world.

The main contribution of this research is adding a new dimension to the paradigms of institutionalism and the resource-based view by illuminating the complex associations between these concepts underpinning international business theories. The study also extends the existing theory of foreignness and contributes to the body of business history research in the field of hotel management. It recommends the application of oral history and network analysis for further exploration of these concepts.

Key words: Internationalisation, Knowledge Transference, Foreignness, Multinational Hotel Company

Dedication

For my Parents

Rodzicom

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List of Abbreviations:

IB – International Business

FDI – Foreign Direct Investment

MNC – Multinational Company

NHS – National Health Service

UK – United Kingdom

US – United States of America

TWA – Trans World Airlines

Note on terminology:

'Hilton' - refers to the company before separation of the international division from the domestic division in 1964

'Hilton Hotels' – refers to the domestic division of the company

'Hilton International' – refers to the international division of the company

'Hilton Worldwide' – refers to the currently trading company

Conrad – refers to Conrad Hilton

Part 1 – Background to and need for the study

This thesis is divided into three distinctive parts. The aim of Part 1 is to set the scene of the research by discussing its background, positioning and aim. It critically reviews previous research and discusses the methodology adopted. Part 1 situates the research before proceeding to the construction and analysis of the case.

1. Introduction

1.1. Background to the study

The Twentieth Century saw a tremendous and rapid shift in the hotel-keeping industry. Historical events, social changes and technological developments have all contributed to the fact that travellers today can stay in their chosen brand of hotel wherever they travel in the world and that the latter in particular has enabled the development of more professional, standardised and strategic hotel-keeping. This study explores Hilton Hotels as an example of an organisation which developed from a single property in Texas to becoming one of the largest hotel companies worldwide boasting a portfolio of brands and operating hotels on every continent.

The focus of this research developed from an initial interest in the history of London grand hotels, the umbrella term for the iconic hotels such as the Savoy, the Langham and Claridge's, and the impact of globalisation and the expansion of multinational hotel companies upon them. Exploring this topic inevitably drew the researcher's attention to the history of American hotel-keeping which proved to be fascinating mainly because of its rapid development and its role in American society throughout the decades. Hilton Hotels was a company representative of the swift changes in the American hotel scene. It evolved from the tradition of grand hotels and the legacy of its founder Conrad Hilton to become a multinational company associated with standardised service.

The interest in the history of grand hotels stemmed from the fact that these properties are believed to have shaped people's imagination of hotels in general (Berger 2011). Hotels such as the Tremont House in Boston, the Waldorf-Astoria in New York or the Savoy in London were the first to set standards which were subsequently developed and re-invented by modern hotels. Both Slattery (2009) and

Berger (2011) agree that it is the most luxurious hotels which are considered benchmarks for others. Slattery (2009: 36) states: "*all other hotels were lesser versions of the grand hotels*" and this applies equally to the price they charged for their services as to the style of services they provided and the physical environment in which they were set. Studying grand hotels can, thus, provide understanding of practices applied in modern multinational hotel companies.

The early Twentieth Century's grand hotel market was dominated by properties owned by wealthy individuals and managed by skilled hoteliers. Names such as Cesar Ritz, Auguste Escoffier and Rosa Lewis are still considered to be legends in the field of hospitality. However, today even the most renowned hotels including the Savoy, Claridge's and Waldorf-Astoria in New York are managed by multinational hotel companies. This shift has been greatly facilitated by the process of globalisation. The increasing movement of people, capital and information enabled by technological advancements have all contributed to the opening of new markets and have eased entry to the diversified hotel trade. Particularly the developments in communication and transportation technologies allowed companies to offer their products and services abroad (King 1997). This, in turn, led to the increased standardisation of business practices (Geppert and Williams 2006). On the other hand, there are scholars who assert that globalisation has not actually led to homogenisation of business practices, but that practices in companies around the world have been Westernised (Scholte 2005). The American influence in particular is believed to have contributed to the way many multinational firms, including hotel companies, are run. Amatori and Colli (2011: 84) suggest that Nineteenth Century's America was "*about to become the first nation of mass consumption*". As the mass consumption spread across the world, so has the American style of hotel-keeping and management. The trend towards Americanisation of Europe was even more evident in the decades following the Second World War, when American businesses were actively involved in the economic aid provided by the Marshall Plan.

The 1960s is a particular time in London's history when conservative society began shifting towards what became known as 'swinging London' (Sandbrook 2006b). This decade saw not only the influx of American companies, but also the increasing receptiveness to American lifestyle by the public in both London and Europe at large

(Kroes 2007, Bonin and de Goey 2009, Gassert 2012). This stemmed mainly from the economic differences between Europe, recovering from the impacts of the Second World War, and America which was affected by the War to a much lesser extent. In light of these social and economic changes The London Hilton was the first branded American hotel chain to open in London, symbolising the new era of modernity and 'brand culture' (Schroeder and Salzer-Mörling 2006). There is an argument that hospitality service providers, whether in domestic or the commercial domain, possess a certain level of control and the power to exercise their own rules over guests (Lashley and Lynch 2013). Bearing this in mind, the concept that Hilton brought with it modern American ways of hotel keeping and enforced them on guests and the local hotel market appears noteworthy. This study aims to discuss the significance of this company's entry into London's 1960s hotel market.

There is a wealth of research on the Nineteenth and Twentieth Centuries' grand hotels with scholars analysing historical developments of these hotels (see: White 1968, Borer 1972, Taylor and Bush 1974, Sheppardson 1991, Groth 1994, Taylor 2003, Dolkart 2005, Sandoval-Strausz 2007, Berger 2011) and biographies of their managers and founders (see: Miller 1968, Nickson 1997, Turkel 2009). Bowie (2015) raises the issue of public debate as to the standard and price of English hotels in the Nineteenth Century which highlights the service gap between English and American hotels at the time. The history of modern hotel-keeping, however, is rather fragmented and the rapid expansion of hotel multinationals is not yet entirely comprehended. Quek (2007) studied mergers and acquisitions amongst hotel multinationals and Wharton (2001) explored Hilton's internationalisation from an architectural and design perspective. Other studies have focused on strategic decisions as to internationalisation (Roper 2015) but with little application of an historical perspective. Books have been commissioned by hotel multinationals including Intercontinental and Hilton Worldwide (Potter 1996 and Augustin 2013, respectively) but these tend to provide a general historical overview and celebrate these companies' heritage rather than engage in conceptual discourse about internationalisation. Table 1-1 presents the focus of these previous historical studies.

| Author | Focus | Type of publication |
|-------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| Miller (1968) | Biography of Ellsworth Milton Statler | Biography |
| White (1968) | Sociological overview of the history of the hotel industry | Book (sociology and history) |
| Borer (1972) | Overview of different types of accommodation beginning from early inns to grand hotels | Book |
| Taylor and Bush (1974) | The history of British hotel industry from early inns to the 1970s with focus on key events and prominent hoteliers | Book |
| Sheppardson (1991) | The state of the luxury hotel market in London in 1991 | Book |
| Groth (1994) | The history of residential hotels in the United States | Book |
| Potter (1996) | The history of Intercontinental Hotels | Commemorative book |
| Nickson (1997) | Review of autobiographies and biographies of four hotel entrepreneurs (Forte, Hilton, Marriott and Wilson) and their role in hospitality research | Journal article |
| Wharton (2001) | The political and social role of Hilton's expansion from the perspective of architecture | Book (architecture and design) |
| Taylor (2003) | Extended history of British hotel market continued from the co-authored book from 1974 | Book |
| Dolkart (2005) | The history of American luxury apartment hotels | Journal article (design and décor) |
| Quek (2007) | The role of mergers and acquisitions in the development of four hotel companies (Forte, Ladbroke, Bass and Whitbread) | PhD Thesis |
| Sandoval-Strausz (2007) | Social history of the US through the perspective of hotels development | Book (sociology and history) |
| Turkel (2009) | Biographies of prominent American hotel entrepreneurs | Biography (coffee-table book style) |
| Berger (2011) | The history of American luxury hotel market between 1829 and 1929 | Book (sociology, urban development) |
| Augustin (2013) | The history of the London Hilton on Park Lane (commemorative book) | Commemorative book |
| Bowie (2015) | The role of the hotel charges debate published by the Times in 1853 in disseminating management innovations | Journal article (business history) |

Table 1-1. Historical studies of luxury/grand hotel industry between 1968 and 2015

Source: Author's review of previous literature

In the light of previous research, there is a need for historical research into the early expansion of modern hotel companies. There is also lack of business history research seeking to explore the growth of a company from the perspective of its subsidiary. Such a specific angle provides an opportunity for the study of multiple contexts affecting the subsidiary, ranging from its parent company to the external environment of its host location. This approach also sets the case in a very specific historical context which allows in-depth analysis of its influence.

1.2. Positioning of the study

This research project is a business history study. Buckley (2009) asserts that it is the unique logic of an historical approach that influences the organisation of corporate knowledge and, consequently, the methods of formulating problems, presenting arguments and drawing conclusions. This is strengthened by the fact that international business decisions should be made with thorough understanding and evaluation of circumstances, including a company's historical context. Business history can, therefore, provide an integrated conceptual structure for corporate decision-making (Buckley 2009; LSE 2015). The increased importance of corporate history is also recognised by the leading academic and research institutions which closely cooperate with companies on developing economic and business history research. The University of Oxford, London School of Economics, as well as Harvard Business School are all committed to studying historical developments of various industries. These institutions' research has been used by international agencies including the World Bank and International Monetary Fund and by businesses such as WH Smith and Marks and Spencer.

Geoffrey Jones (2015) of Harvard Business School states:

“The current era of globalization, shifting economic power, and financial shocks have many echoes in past events, from which lessons can and should be learned. Business history provides rich and nuanced evidence on the key issues faced by the world today, including the drivers and consequences of globalization, the sources of innovation and entrepreneurship, the role of business in political systems, and the responsibilities of business to creating a more sustainable world”.

Indeed, there is growing body of evidence to suggest that economic and business historians have been able to predict major events, including the economic crisis in 2008, thanks to the comparison of market observations with historical events (Eichengreen 2012).

The Business History Review journal has published two special editions dedicated to the history of multinationals, one in 1974 and the other one in 2015. The significant difference between these two issues was the application of theory (Wilkins 2015). While none of the 1974 articles dealt with theory, those published in 2015 contributed to joining history with theory, for example, in the context of

internationalisation (Verbeke and Kano 2015). This highlights the changing approach to business history and the fact that it now finds application in the wider international business studies. In the light of these changes in academic focus, this research explores the concepts of internationalisation and knowledge transference employed in a single embedded case study of the London Hilton.

This research applies theoretical concepts concerned with international business (IB) to investigate the process of internationalisation of one of the first hotel multinationals. It approaches the enquiry from the institutional perspective which is, so far, lacking in research into multinational hotel companies. It seems clear that in the light of globalisation and its impact on the development of this industry the influence of the external environment on these organisations should be considered. Furthermore, this study applies the institutionalism paradigm to explore the specific historical context surrounding the opening of the London Hilton. It explores the role of transference of knowledge in the process of the company's internationalisation and the negotiation of legitimacy in host locations. Previous research has explored elements of these concepts individually (see Table 1-2), but has failed to investigate the relationships between them, which this research seeks to accomplish.

| Author | Focus |
|--------------------------------|---------------------------------------------------------------------------------------------------|
| Johanson and Vahlne (1977) | The stage process of internationalisation |
| DiMaggio and Powell (1991) | Adaptation to local practices as an element of negotiating legitimacy |
| Kogut and Zander (1993) | Knowledge of a firm as one of its resources |
| Szulanski (1996) | Impediments to the transfer of best practice in international firms |
| Kostova (1999) | Transference of practices in international companies |
| Kostova and Zaheer (1999) | The issue of legitimacy of foreign multinationals |
| Argote and Ingram (2000) | Knowledge transference as a source of competitive advantage |
| Kostova and Roth (2002) | Transference of practices from headquarters to international subsidiaries |
| Dhanaraj et al. (2004) | Tacit and explicit type of knowledge in companies |
| Geppert and Williams (2006) | Transference of practices in multinational companies |
| Dunning and Lundan (2008) | Internationalisation of companies, the role of knowledge from the resource-based view perspective |
| Kostova et al. (2008) | The role of isomorphism in negotiation of legitimacy |
| Meyer et al. (2011) | Opportunities and challenges of MNCs' multiple-embeddedness |
| Ferraris (2014) | The role of multiple-embeddedness in internationalisation of firms |
| Khojastehpour and Johns (2014) | The role of knowledge in expertise in international hotel companies |
| Joardar et al. (2014) | The notion of foreignness as a corporate asset |
| Almodóvar and Rugman (2015) | Updated discussion on the stage process of internationalisation |

Table 1-2. Selection of studies concerned with international business adopted in this research

Source: Author's review of previous literature

Much research into multinational companies adopts a positivist approach to enquiry. However, Lynch, Lugosi and Morrison (2009) criticise academic institutions for encouraging students to follow only positivist precepts which consequently leads to the weakening of critical thinking skills. There is an argument that qualitative research methods offer an opportunity for alternative explanations of ideas which are often taken for granted (Sarantankos 2005). Some of the qualitative methodologies currently applied in hospitality research involve critical management studies (Lynch et al. 2009), comparative historical analysis (Quek 2007) and sociological impressionism (Lynch 2005). These are methods especially used in studies where authors rely heavily on their own impressions and construction of knowledge. They follow constructivist and interpretivist assumptions which also underpin this research. Such methods allow for engagement with a broad range of disciplines which, according to Lynch et al. (2009: 1474) can “*help to develop moral and intellectual capabilities as well as applicable business techniques and practical competencies*” in the field of hospitality. The study, concerned with a range of theoretical concepts, clearly lends itself to such interpretivist research methods.

1.3. Aim and objectives

In summary, the reasons for choosing this topic are as follows:

- The lack of research focusing on individual subsidiaries of multinational companies and hotel multinational companies in particular.
- The considerable lack of business history research into multinational hotel companies.
- The gap in the literature exploring the relationship between the concepts of internationalisation, knowledge transference, multiple-embeddedness and negotiation of legitimacy.

Given the reasons for this study, its overall aim is:

To explore the role of knowledge transference in the process of internationalisation of Hilton Hotels, using the case of the London Hilton.

In order to achieve this aim, which is concerned with a particular company in a particular time period, the following objectives have been set:

1. To review literature concerned with the internationalisation of multinational companies and to construct a framework of relevant concepts as a theoretical underpinning.
2. To construct a case study exploring the development and early operations of the London Hilton within the context of its parent company and the socio-economic and competitive environment of London in the 1960s.
3. To analyse the process of Hilton's internationalisation from the perspective of knowledge transference.
4. To assess the role of multiple-embeddedness in the development of the London Hilton.
5. To contribute to the body of knowledge by evaluating the role played by knowledge transference in the process of MNC's negotiation of legitimacy in the host environment.

1.4. Structure of the thesis

This thesis is divided into three distinctive parts. Part 1 sets the scene of the study by discussing its background, reviewing previous literature and discussing the methodology. Part 2 comprises the four elements of the case study and Part 3 offers discussion of findings and conclusions. This thesis is driven by the multiple-embeddedness of the London Hilton subsidiary which is depicted in Figure 1-1. This model guides not only the data collection and analysis but also its structure. It is repeated in the individual chapters to serve as a conceptual map.

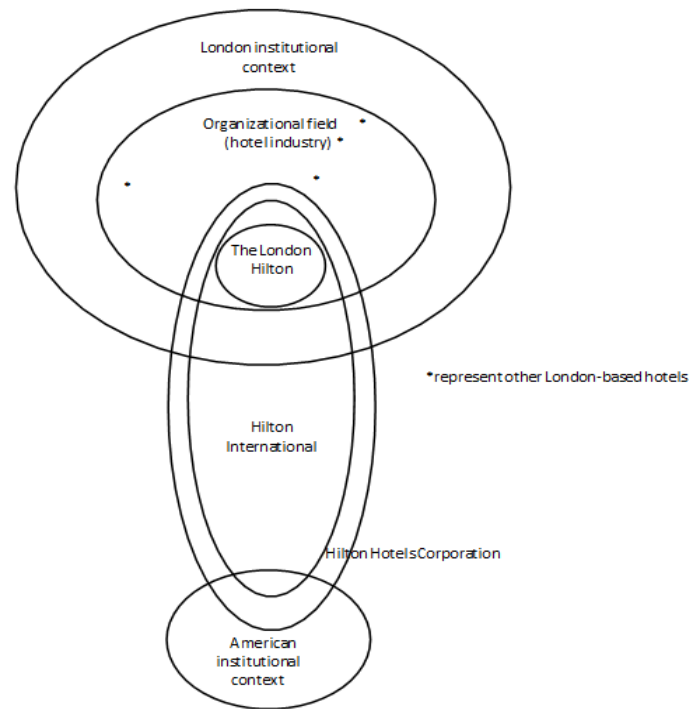


Figure 1-1. Multiple-embeddedness driving the structure of the thesis
Source: Author's visualisation

Having discussed the background and positioning of this study, Chapter Two reviews previous research on theories concerned with the internationalisation of businesses and introduces the institutionalism paradigm as the underpinning theoretical perspective of this study. As discussed in this chapter, the underlying assumption of institutionalism is that the wider context affects individuals and businesses in their decisions, strategies and actions. Individuals and businesses, consequently, are required to navigate through a network of institutions which can be favourable or which might pose challenges in the planned undertakings. The reason for introducing the paradigm in the beginning of this study is that it acts as the wider conceptual umbrella, underpinning other theories asserted and analysed in this study. Institutionalists claim that this paradigm should not be considered a piece of theory, but it is rather a particular way of thinking and of viewing the world. Institutionalism is, therefore, introduced in the beginning, so that its assumptions can be recognised in the following sections of the study. Chapter Two further reviews previous research on MNCs, their internationalisation and the key concepts connected with them, including the transference of knowledge, legitimacy and multiple-embeddedness.

This chapter constructs the theoretical framework of this study by analysing the key theoretical concepts. It, therefore, separates itself from the case study of Hilton and focuses only on previous research concerned with the theoretical side of the research. Findings from this review are later applied in the Discussion in Chapter Eight to serve as the framework for the analysis of the case study findings.

Chapter Three focuses on the research method chosen for this study. Firstly, it introduces business history as a discipline. It is deemed important to discuss the key characteristics of this field of study which does not seem to always have a place in mainstream academic research. Business history is somewhat overshadowed by international business and economic history, therefore, some of its key characteristics are not widely known. Further, this chapter discusses the philosophical approach which drives the research as well as the embedded case study method which is, typically for business history, chosen as the research method. It presents the data collection process and methods of analysis of the collected material. Finally, this chapter discusses the measures used to ensure validity and reliability of this research as well as ethical considerations concerned with it.

The fourth chapter focuses on the historical development of hotels in Britain and America, and particularly on grand hotels. It sets the case of the London Hilton temporally and provides knowledge on the differences in approach to hotel-keeping in these two countries. Additionally, drawing from the institutionalist underpinning, it is believed that the historical context is just as essential as the cultural or economic context. This is the nature of historical study to explain how certain phenomena came to be.

Chapters Five and Six directly address objective two, namely to construct a case study on the London Hilton in the context of its parent company and its host environment. The case first focuses on the parent company, starting from its founder Conrad Hilton. It discusses the historical development of this company and its subsequent entrance onto the international hotel market. The second section of the case study shifts its focus onto the London Hilton. It evaluates the process of development of the hotel, the HR strategies adopted, technological advancements and the marketing methods utilised. The case study is not presented in strict

chronological order but it groups information in conceptual 'clusters'. It is believed that this method is the most effective one in presenting the multiple-embeddedness of this company and discussing its development in the many contexts which surround it. The case is concluded with Chapter Seven which serves as an epilogue. It is not the aim of this research to discuss the transition of the company into Hilton Worldwide but this chapter merely attempts to 'close' the story of this company as of 2016. The case study does not finish at any particular point in time as it is relevant to outline the way that the company has developed since the London property opened. Such an approach also highlights the fact that the London Hilton is still managed by the same company, despite the changes in its corporate structure over the years.

Chapter Eight presents the discussion of the findings from the case study in the light of the previously devised theoretical framework. Following the objectives, it aims to analyse the case from the perspectives of knowledge transference and multiple-embeddedness as important elements of internationalisation. This is not to say that these are the only two concepts involved. In the process of review of previous research, many underpinning concepts are identified and these are also adopted in the discussion. This chapter, therefore, follows the theoretical framework constructed through the review of previous research in order to fully exhaust knowledge gained from previous studies. Such a structure also allows for a more focused and robust analysis. The discussion gains from the case study using it as a narrative and a source on its own. This is an approach typical for business history where researchers build narratives in order to later refer to and learn from them.

The final Chapter Nine is the one which concludes this study. It directly addresses all the set objectives and discusses contributions to knowledge made by this research. It reflects on the research process in terms of the development of knowledge and discusses limitations of this research. Some scholars analyse limitations in methodology chapters, but it is strongly believed that one can only reflect on limitations of certain methods, having attempted to use and apply them. For this reason, the limitations are discussed as one of the last elements in this work. Finally, recommendations for further research are forwarded based on the scope for methodological development as well as on theoretical areas which lend themselves for further, in-depth study.

2. A review of key international business concepts

2.1. Introduction

This research studies the internationalisation of Hilton as a multinational company in the context of its multiple-embeddedness. Such focus makes it imperative that two key theoretical paradigms are adopted in this research, namely institutionalism and the resource-based view of the firm. Applying institutionalism in discussion on the contexts in which Hilton is set gives this study a wide range of tools in analysing various factors affecting the company. The resource-based view, on the other hand, focuses on resources and on a company's ability to manage these. It asserts that the competitive advantage of a firm lies primarily in the application of tangible or intangible resources at the firm's disposal (Penrose 1959). Such resources range from tangibles such as capital and raw materials to intangible assets including expertise or innovative culture. Kogut and Zander (1997) state that the knowledge base of a firm leads to a set of capabilities that enhance the chances for its growth and survival. As such, this view allows for an in-depth study of knowledge transference within the company.

This chapter plays a twofold role; firstly, it reviews the previous research on concepts associated with multinational companies (MNCs) and their internationalisation and secondly, it creates a theoretical framework for analysis of the case study. It, therefore, begins with an introduction to the paradigms of institutionalism and the resource-based view and discusses how they underpin this study. It later moves on to reviewing the literature on multinational corporations and the concepts concerned with their internationalisation, including knowledge transference, multiple-embeddedness and legitimacy.

2.2. The Institutional paradigm

There are numerous definitions of the term 'institution' in the literature and Institutionalists often disagree as to what this most basic assumption of their paradigm involves. Hodgson (1998) states that Institutionalists do not aim to create specific models or theories. What is key in their work is a particular, historically

located approach to analysis. Institutionalism is, therefore, more a way of approaching a study rather than a tool for conducting it; a way of looking at the development of hotels, rather than an exact explanation as to why they developed in a certain way. Back in 1971 Davis and North proposed that institutions are:

“The set of fundamental political, social and legal ground rules that establishes the basis for production, exchange and distribution” (Davis and North 1971: 6)

Later on, in 1990 North coined the following definition which states that institutions are:

“The rules of the game in a society or, more formally, humanly devised constraints that shape human interaction” (North 1990: 3)

This definition already pays more attention to the ‘human’, cognitive side than the previous one in which institutions are seen as external to actors. Edwards, Colling and Ferner (2007: 203) state that institutions are: *“rules, norms, and assumptions that shape economic activity”* and that they *“structure choices of organisational actors”* which instantly adds a business angle to the definition. In 1995 Scott divided institutions into three types of structures which give stability and reason to social behaviour: cognitive, normative and regulatory. Scott (1995) describes these pillars as follows:

- Regulatory pillar – reflects the coercive power of governments and largely corresponds to formal institutions;
- Normative pillar - refers to how the norms, values, beliefs and actions of other relevant players influence the behaviour of focal individuals and firms;
- Cognitive pillar – refers to the internalised, taken for granted assumptions of how the world works that (usually unconsciously) guide individual and firm behaviour.

Scott’s concept of three pillars covers all the areas of knowledge which is present and is transferred within an MNC, including tacit knowledge and explicit practices.

Ingram and Silverman (2002: 6), who represent so-called neo-institutionalists, embark on defining the assertions of institutionalism from a different perspective and start from the statement that: *“actors pursue their interests by making choices within*

institutional constraints". Their focus, therefore, rests on individual actors rather than on institutions themselves. The authors further explain that such actors might involve individuals, organisations or even states which have certain interests and undertake actions to achieve those interests. The same actors who pursue their interest within various environmental constraints simultaneously create constraints for other actors (state for organisations, organisations for individuals and vice-versa) and this is how institutions are developed.

Institutions are simply rules which influence organisations and individuals working in a given environment (North 1991, Scott 2005). The literature divides these rules into formal and informal ones, and agrees that their characteristics depend on the country where the organisation operates and include legal, political, religious, language and other aspects (Peng and Meyer 2011). North (1991) stresses that institutions play a crucial role in reducing uncertainty of exchanges between companies and in regulating various transaction costs between them.

This is where the concept of transaction costs needs to be defined. One of the key decisions that every company makes is whether to undertake certain activities within the firm or whether to enter in a transaction with an external party. This decision is based on the cost of such transactions (Douma and Schreuder 2012). If the cost of performing a certain activity within the firm is lower, the company will internalize it, which means that it will use its own resources to perform it. Otherwise, it will enter into a transaction with another company (Commons 1931, Coase 1937). Such transaction can take the form of a wide range of types from purchasing individual goods to establishing joint ventures. Transaction costs include anything from search and information costs to policing and enforcement costs. Well-established institutions can minimise the latter and, effectively, make it more efficient for companies to enter economic exchanges (i.e. transactions).

Forms of transactions have developed throughout the centuries. From the earliest times people entered into transactions by exchanging goods and/or money (North 1991). The more advanced trading forms, the more complicated transactions become. Simple face-to-face transactions became gradually replaced with more complex ones where a number of actors and agents were involved, up to the modern days where individuals, international organisations and nation states are all involved

in transactions. The more complex transactions are, North (1991) argues, the greater the risk, and the potential cost of failure.

Institutionalists believe that institutions are the basic determinants of the performance of an economy (Peng and Meyer 2011). Institutions provide a secure framework for the organisation of firms, because they set formal and informal regulations which contribute to the feeling of security of investment. These include the availability of entering contracts, legal rights and responsibilities all of which are essential when companies want to invest in other countries. A clear institutional framework plays a crucial role in the process of gaining legitimacy by a foreign company, which means being accepted by the local environment. Institutional framework gives guidance as to what is accepted and pursued and what companies need to adapt to in order to be accepted. The issue of legitimacy will be discussed further later in this chapter.

2.2.1. Development of the institutional paradigm within management studies

The theory of institutionalism has been developing throughout the years. It has its roots back in the early twentieth century when scholars started discussing issues of productivity, industrialization and later, management (Scott 2004). In the 1930s and 1940s academics started focusing on organisations as primary units of analysis and in the 1950s they began shifting more towards the social side of the subject. 'Old' Institutionalists included Thorsten Veblen, John Commons and Wesley Mitchell and this movement was particularly dominant in American universities after the First World War (Hodgson 1998). In the 1980s, academics turned their attention more towards the individual rather than the organisation as a unit of analysis and this is when neo-institutionalism began to be more accepted amongst scholars. Scott (2004) claims, however, that now both old institutionalism and new institutionalism are keenly discussed and researched and often complement each other. Kostova, Roth and Dacin (2008) also criticise gaining from only one of the forms of institutionalism and calls for using elements of both in discussing issues connected with MNCs and their strategies. They particularly highlight the need for remembering

about so-called 'old' institutionalism because it asserts more dynamism, change and social construction than the newer forms.

DiMaggio and Powell (1991) argue that as the scholars move from institutionalism to new institutionalism the term 'institution' modifies its character. In the older approach institutions are believed to be the result of human design and people's purposive actions. However, in the more recent approach, institutions are thought to be created by humans, but not necessarily in a conscious way. New institutionalism asserts that people, and therefore whole organisations, are driven by forces which are often not realised and which lack consciousness (DiMaggio and Powell 1991, Peng 2002). Consequently, organisational structure is often based on taken-for-granted beliefs and actions and common understandings which are seldom explicitly articulated (DiMaggio and Powell 1991). Any changes are therefore unintentional, lack reflexivity and are often taken-for granted. This is a much more cognitive process than the one asserted by old institutionalism and more directly reflects the idea that companies are shaped by tacit knowledge which is often so deeply rooted in people's behaviour that its existence is not even realised. Explicit practices are merely results and reflections of deeply embedded values and beliefs, and as a result are often difficult to explain and justify. The new institutionalism, consequently, benefits more from the resource-based view than its older form because it considers knowledge (both tacit and explicit) to be the company's resource which is central to all decision-making (Wach 2014).

Some Institutionalists (North 1991, Peng, Li Sun, Pinkham and Chen 2009) assert that individuals and organisations (actors) create or change institutions by their rational decisions and actions which suggests that knowledge plays an important role in actors' decision making. Boland (1992) presents, however, an alternative perspective on the role of knowledge in institutional change. He claims that what causes change in institutions is not knowledge but the lack of it; people and organisations try different solutions to problems they face and when these solutions do not bring the expected results actors change their strategies. Institutional change, therefore, is not based on constant success as presumed by many Institutionalists (North 1991), but on systematic failure caused by the lack of knowledge or reliance on false knowledge.

2.2.2. The Institutional perspective on strategy

Peng (2002) calls for the inclusion of an institutional perspective when analysing a firms' strategies. In this he follows North (1991) and Scott (1995) who consider the influence of institutional frameworks on organisations as essential, as opposed to Porter (1980) who only focuses on industry conditions or Barney (1991) who stresses the relevance of firm's resources. Peng (2002) calls this new perspective 'an institution-based view of business strategy' and states that strategic choices are not only a result of a firm's resources or industry conditions but they also reflect formal and informal constraints of a certain institutional framework. He states that an institution-based view on strategy sees dynamic interactions between institutions and organisations as key forces which drive organisation's strategic choices. Peng et al. (2009) argue that an institution-based view can complement the existing resource- and industry-based approaches and allows for a broader understanding of strategies within a wider context. They call it 'a third leg for a strategy' suggesting that none of these methods on their own can effectively explain strategic choices, whereas combining them allows for an in-depth study. This is also the approach adopted in this study. As previously stated this research benefits from the institutional paradigm inasmuch it analyses a company in its multiple economic and social settings. However, it also benefits heavily from the resource-based view which focuses on knowledge residing in the company as its core resource.

Scott (2005) highlights that in the global economy organisations are often affected by foreign practices, beliefs or actors even without leaving their home countries. This applies even more to multinational companies which operate simultaneously in numerous institutional environments, and even more so to international hotel companies which not only operate in foreign countries but also serve guests coming from a range of countries and cultures. As mentioned earlier, not only employees of companies are carriers of values, habits and widely understood knowledge, but so are customers who travel to different locations, gain various experiences and transfer certain expectations across national borders.

Strategic choices depend on institutional environment in which the MNC is embedded and this is the reason why both institutional and resource-based angles should be consulted when planning a corporate strategy. The decision of transferring

certain practices from parent firms to subsidiaries depends heavily on the strategy which the MNC undertakes. There is a wealth of literature on strategies undertaken in the global market and growing debate on whether MNCs should have a more global outlook or focus on local practices and institutional settings. Companies which have a more ethnocentric character are less likely to adapt to local standards and often apply standardised operations (Yu, Byun and Lee 2014). Their decision-making is centralised and products and services are delivered in exactly the same manner wherever they are sold. Thus there is little adaptation to local cultural norms and institutional arrangements (Perlmutter 1969). The geocentric approach, on the other hand, gains knowledge and experience from foreign subsidiaries and uses them to construct the most flexible strategy which is reactive to local preferences and changes (Simmonds 1985). Decision-making in this case is not so centralised and subsidiaries often communicate and transfer knowledge between themselves instead of only following the parent firm. As argued by Stonehouse, Hamill, Campbell and Purdie (2004), however, a strategy rarely means a set plan which is not amended. Usually MNCs have a strategy which allows for emergency changes and adaptations. Thanks to these, MNCs can actively compete against other businesses. Subsidiaries which are open in foreign countries usually represent a mixture of pre-planned strategy and emergency decisions made to address pressures from the local environment (Stonehouse et al. 2004). This is, once again, where institutional approach is clearly linked with the resource-based view in that companies decide on how to use their resources in response to institutional pressures from external environments.

Institutionalists assert, therefore, that every organisation is set in a wider context (environment) which is driven by a range of institutions, whether they are formal or informal, and that this environment has direct impact on company's operations. Kostova (1997, 1999) argues that before analysing the transference of organisational practices one needs to draw up a country institutional profile (CIP) which:

“Reflects the institutional environment in that country defined as the set of all relevant institutions that have been established over time, operate in that country, and get transmitted into organisations through individuals” (Kostova 1997: 180)

Following Kostova's recommendation, this study includes an in-depth discussion on the historical and cultural context of the case (see Chapter Four). This author further claims that CIP is issue-specific and should not be regarded in general terms, but should rather be applied to specific phenomena. As argued earlier, companies learn not always from their parent companies, and not even from other subsidiaries of the same MNC, but often from their competitors or other organisations operating in the same field. Organisations in the same field create a 'population' which develops as a result of the transference of knowledge within it (Argote, Ingram, Levine and Moreland 2000). Kostova et al. (2008) take this argument even further and claim that MNCs, by having to operate in different environments, create their own distinct intra-organisational fields. Such fields are increasingly disconnected from national institutional environments which stems from the global nature of MNCs (Djelic and Quack 2003).

The core idea that organisations are deeply embedded in social and political environments suggests that organisational practices and structures are often either reflections of or responses to rules, beliefs, and conventions built into the wider environment. This however, applies equally to the home (where the firm originates from or where its major operations and headquarters are situated) and host (where the company or its subsidiary operates) environments. The concept of institutionalism emphasises the relationship between organisations and their environments (DiMaggio and Powell 1991) and demonstrates clear linkage with the resource-based view of the firm (Dunning and Lundan 2008). The following section will use these 'umbrella' concepts of institutionalism and the resource-based view to further analyse multinational companies as pools of resources (Penrose 1959) and discuss the process of their internationalisation. It will particularly focus on corporate knowledge and its transference as well as on multiple-embeddedness and legitimacy of foreign companies in host countries.

2.3. Multinational companies and their internationalisation

Multinational companies (MNCs) constitute one of the key focus areas of international business literature. They are distinctively different from domestic companies in that they operate in a number of countries and environments, as

opposed to a single environment of a home country. In the past, MNCs were seen as monolithic objects but more recent literature treats them as networks which consist of interrelated elements (Dunning and Lundan 2008, Ferraris 2014). There are researchers who focus on the distribution of tangible resources (Wernerfelt 1997) within MNCs but others consider knowledge to be the essence of MNC's existence and see MNCs as systems of knowledge (Penrose 1959, Kogut and Zander 1997). What they have in common is looking at MNCs from the resource-based perspective. This chapter reviews previous research on the conceptual distinctiveness of MNCs, their multiple-embeddedness, transference of knowledge and legitimacy as theories underpinning this study. It begins with a brief introduction to the phenomenon of globalisation which is the key motive for rapid internationalisation of modern companies.

Before the discussion proceeds it should be noted that the issues connected with MNCs and their internationalisation are underpinned by a wide range of theories and concepts rooted in the international business (IB) field. This poses both opportunities and challenges for a researcher. Bello and Kostova (2012) discuss the challenges faced by scholars researching IB and consider multidisciplinary to be one of the main ones. They claim that scholars usually engage in a diverse range of concepts from business and management areas to underpin their studies. As a result, the theoretical base is not only multidisciplinary but also multi-layered. This is what is considered to be one of the challenges in structuring a thesis such as this because cross-referencing between various chapters and sections is inevitable. Another issue which Bello and Kostova see as a possible threat to a research project's rigour and conceptual depth is that multidisciplinary research often skims the surface of the concepts involved and does not thoroughly integrate them. This is why this research strives to limit the number of theories applied as well as utilizes original sources, where possible. For example, when discussing institutionalism in this thesis, sources by Scott (1995) and DiMaggio and Powell (1991) are cited. Using works which are considered seminal for some of the knowledge fields is also the reason for some of the sources dating back to the 1990s and earlier. Bello and Kostova (2012) suggest that in the case of such multidisciplinary research, precise definitions for all theoretical constructs should be given to avoid ambiguity, hence the number of definitions in this review of previous research.

2.3.1. Globalisation

Since the 1980s there has been a substantial and growing debate on globalisation, globalised markets and companies operating on a global scale (Clark and Knowles 2003, Cavusgil and Knight 2015). Having said this, the exact definition of globalisation has been a point of debate (Clark and Knowles 2003) and varies between economic, socio-cultural and political dimensions. Clark and Knowles (2003) note that a lot of confusion as to what globalisation really means stems from often contradictory uses of the term. The word 'global' is equally used in the socio-cultural dimension to talk about a 'global village' meaning that the world has become 'smaller' and to express how large its scope is i.e. 'global world'. They conclude, however by stating that globalisation means: "*the process by which economic, political, cultural, social, and other relevant systems of nations are integrating into World Systems*" (Clark and Knowles 2003: 368), which clearly addresses all three dimensions. They claim that their definition is multi-disciplinary and, as such, has particular application to international business studies which are concerned with global and multinational firms. The International Monetary Fund (2008) states that the term 'globalisation' refers to:

"The increasing integration of economies around the world, particularly through the movement of goods, services, and capital across borders" as well as to "the movement of people (labor) and knowledge (technology) across international borders".

For the IMF the essence of globalisation is therefore the movement of resources, be it tangible or intangible, across borders which reflect the economic dimension of this phenomenon.

Scholte (2005) claims that there are five main elements to globalisation:

- internationalisation,
- liberalisation,
- universalisation (of products, services and cultures),
- modernisation (or more specifically Westernisation or Americanisation, which suggests that it is the western culture which is being spread)
- respatialisation (which Scholte defines as a "*lack of meaning of territorial boundaries*").

These features mean that businesses have increased opportunities to enter and operate in foreign markets.

King (1997), who studies the concept of globalisation from a cultural perspective, suggests that globalisation could be conceptualised as seeing “*the world as a single place*”. He notes that the process of globalisation is enforced by revolutionary developments in communication and transport and increased developments of world political structures and economies. There are, however, voices in the literature that globalisation does not only mean the process in which the world becomes homogenised, but that it actually follows the Western, and more precisely the Anglo-Saxon model of capitalism (Geppert and Williams 2006). This is driven by internationalisation of businesses and policies and the fact that international firms adapt similar tools to achieve performance goals (Geppert and Williams 2006). These factors, in turn, contribute to a ‘top-down’ process of convergence of business strategies and cultures and the development of ‘global mind-sets’ (Gupta and Govindarajan 2002) and ‘transnational management mentalities’ (Bartlett and Ghoshal 2002). This, as a result, leads to the situation where companies are increasingly ‘stateless’ (Geppert and Williams 2006). This stresses how globalisation and international business reinforce each other.

The concept of globalisation is a very broad one. It has been studied in the past from various angles including culture, sociology, arts, politics, economics and business. It is beyond the reach of this research to discuss the phenomenon of globalisation in much detail, as there are extensive pieces of research analysing the issues concerned with it. It is essential to note, however, that just as the idea of globalisation is interlinked with international business, it also underpins this discussion on multinational companies operating in foreign countries.

2.3.2. Multinational companies

The literature on international business refers to companies operating in multiple markets as MNCs (multinational corporations), MNEs (multinational enterprises) or simply international companies. All these terms refer to firms which operate in more

than one country. Dunning and Lundan (2008: 3) define a multinational or a transnational enterprise as:

“An enterprise that engages in foreign direct investment (FDI) and owns or, in some way, controls value-added activities in more than one country”.

Scholars who study companies from a resource-based perspective highlight that companies expand by utilising their tangible and intangible resources and they internationalise by investing these resources in foreign markets (Wernerfelt 1997, Wach 2014, Cavusgil and Knight 2015).

The exact model of operation of such firms depends on their profile and the industry they operate in. In the case of manufacturing firms various parts of a final product might be produced in different countries and assembled in one location (i.e. car manufacturing). In service firms, such as in the hospitality industry, the complete service is provided in different countries around the world with the possibility of some activities being performed abroad, (i.e. reservations being centralised) or even outsourced. There are also authors such as Kristensen and Zeitlin (2001) who title such firms ‘global’, which reflects the relationship between operating in the international environment with the phenomenon of globalisation. For the sake of consistency this thesis uses the term MNC to refer to a company which operates in multiple countries and markets. Stonehouse et al. (2004) highlight that there is a difference between a global firm which is centralized but operates on the international market and a multinational firm which operates in many countries with its decision-making being decentralized. What, however, characterises both types of MNCs is that their national identities are replaced by *“the commitment to a single unified global mission”* (Geppert and Williams 2006: 50). This is not to say that such a company ignores its roots and country of origin, but that its focus is no longer placed on operations in one country but, instead, involves international operations. MNCs are, thus, companies which operate in the globalised market.

Researchers take various approaches to studying these companies. Some study them as monolithic objects, others as systems where the HQ plays the key role and drives activities of its subsidiaries. Another group, including Coviello and Cox (2006) and Ferraris (2014), consider MNCs as networks whose individual elements are

interrelated. They claim that such a view allows for a better understanding of the transference of resources within the company. Dunning and Lundan (2008) also argue that the network terminology is used to speak of MNCs in order to come to terms with the complexity of the organisations and operations and this terminology will also be adopted in this thesis.

What is characteristic about MNCs is that they pursue the strategy of internationalisation by various forms of foreign direct investment (FDI), or in other words, by engaging in transactions with international partners. Companies internationalise by a number of methods, ranging from exporting, through to joining alliances and joint ventures, to developing wholly owned subsidiaries. Dunning and Lundan (2008) characterise an MNC as a company which is involved in FDI under two main conditions:

- It transfers abroad not only financial capital but also a package of assets including management and organisational expertise, technology, entrepreneurship, incentive structures, values and norms and access to markets across national boundaries
- There is no change of ownership in the process, meaning that the investor has got the power to control decision making over the use of the transferred resources

The essence of this is that in the process of internationalisation the company maintains control over tangible and intangible assets it transfers abroad. Control over these assets is necessary to benefit from internationalisation, or earning rent from assets, as referred to in the resources-based view approach (Mahoney and Pandian 1997).

Dunning and Lundan (2008) further identify four main reasons for MNC's involvement in FDI:

1. Seeking natural resources,
2. Seeking new markets,
3. Seeking efficiency and
4. Seeking strategic assets or capabilities

These are strategic reasons why a company might choose to invest abroad and they are related with the nature of the company (manufacturing or service-based) and with its goals. Scholars also seek to understand the essence of the internationalisation process. For example, Khojastehpour and Johns (2014) consider knowledge and expertise to be the key area in the concept of internationalisation. They believe that the aim of internationalisation of a company is reaching new markets by the transference of corporate knowledge and adaptation of the organisation's processes. Following in this theme Khojastehpour and Johns (2014: 239) add that:

“Internationalisation presents new opportunities for value creation by providing access to new resources, foreign stakeholders, new institutions and especially the transfer of firm-specific knowledge and the accumulation of location-specific knowledge”.

Internationalisation, therefore, is seen as a learning process for a company and knowledge transference plays a key role in this. This concept takes the assumptions of the resource-based view a step further as it assumes that knowledge is not only essential for successful internationalisation, but that companies actually gain new knowledge through the process of internationalisation. Therefore, by internationalisation a company can expand further on its existing resources.

The Uppsala Stage model (Almodóvar and Rugman 2015) asserts that companies gradually intensify their activities in foreign countries, beginning from the ones which are institutionally similar or which are geographically close to the home country (Johanson and Vahlne 1977). By doing so, a company gives itself time to build knowledge and experience necessary to negotiate investment in countries with different institutional settings. The Uppsala model has since been critiqued and updated but its main assumptions are still relevant in the theory of internationalisation (Petersen, Pedersen and Deo Sharma 2003). Abdelzaher (2012) having studied the Uppsala model offered alternative methods of looking at international expansion. She found that companies follow either spider-web or octopus-like processes where the former is comparable with the Uppsala Stage model. The octopus-like process, on the other hand, suggests that companies might 'reach out' to countries which are geographically and institutionally different without having gained much experience in the closer ones. This happens especially in the

case of companies which rely more on capital-based rather than knowledge-based resources.

Dunning and Lundan (2008), alongside academics following the resource-based view including Wach (2014), Prahalad and Hamel (1997) and Kogut and Zander (1997), believe that corporate knowledge, especially its tacit element, is key in the process of international expansion. This underpins the argument that MNCs do not necessarily need to own resources to internalise them. In some cases internalisation can be achieved by having control over resources, even if they are owned by a third party.

The eclectic paradigm, also called OLI paradigm, developed by Dunning and Lundan (2008) is the one which attempts to merge several theories concerned with international business already mentioned in this chapter. It asserts that company's internationalisation depends on three 'OLI' advantages:

- Ownership advantages – company's resources including asset-based resources (i.e. capital) and institutional advantages including image, knowledge, expertise and culture
- Location advantages – resources existing in the country in which the firm invests (host country) directly related to the reason for investment. They include natural resources, favourable conditions, market or specific knowledge
- Internalisation advantages – factors which make it more reasonable for a company to perform certain activities itself (internalise them) rather than enter partnerships with other organisations (this factor is derived from the theory of transaction costs)

These three elements of Dunning's paradigm clearly reflect the three approaches adopted in this study, namely the resource-based view, institutional approach and transaction cost theory. The relationship between these various concepts is depicted in Figure 2-1. They serve as umbrella paradigms and the conceptual framework underpinning this study. However, following Dunning and Lundan (2008), they are not treated as rigid concepts but are used as guidance as to how to look at a company. Dunning and Lundan (2008: 120) highlight that the OLI paradigm should

not serve as a theory of MNC, but that it is merely helpful to “*explain the cross-border value-added activities of firms at an aggregate level*”. This is how it is treated in this research.

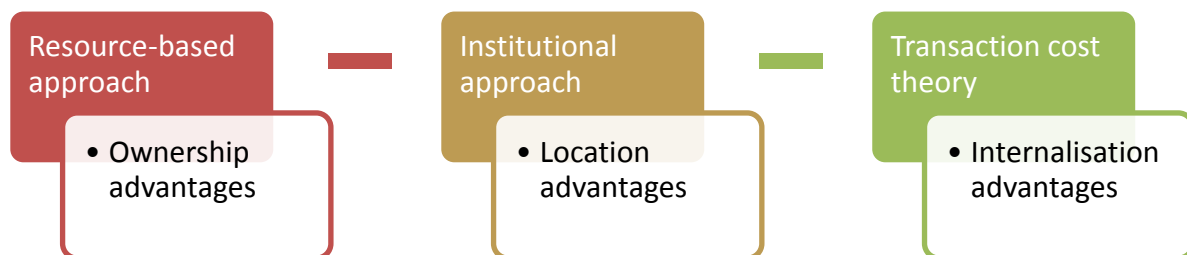


Figure 2-1. The relationship between individual concepts concerned with the internationalisation of a firm.

Source: Author's visualisation based on review of previous literature

The conceptual distinctiveness of MNCs lies, therefore, in the fact that they operate in numerous contexts which creates various pressures on the company, as opposed to domestic firms. These contexts include the home country from which the company originates and the host country in which it operates its subsidiaries. From the perspective of subsidiaries, however, there are more contexts to consider, because they are also set within the context of their parent company. This leads to the notion that MNCs are multiply-embedded and transfer knowledge between various contexts. Such notions are discussed in more detail in section 2.5.

Having presented the various approaches to looking at MNCs and the reasons for their international expansion the discussion will now focus on the key concepts concerned with their internationalisation. It will begin with the explanation of what knowledge is and how it is transferred. In the following section focus will be placed on the multiple-embeddedness of MNCs and negotiation of their legitimacy in foreign settings.

2.4. Knowledge

As previously stated, the internationalisation of MNCs depends greatly on the transference of knowledge and adaptation of practices so that firms can operate in foreign markets. There are examples, however, where knowledge is the very essence of a company, such as in the case of consultancy or marketing companies (Abdelzaher 2012). Dhanaraj, Lyles, Steensma and Tihanyi (2004) divide knowledge into explicit and tacit, also entitled operational information and general 'know-how' respectively (Boh and Nguyen 2013). Simonin (1999) introduces additional terminology dividing knowledge into declarative knowledge (referring to factual information or statements) and procedural knowledge (which means knowledge of how something is done). Although different, both types of knowledge are equally important in any organisation. Dhanaraj et al. (2004) claim that tacit knowledge provides explicit routines with meaning and that *"whereas explicit knowledge provides the building blocks, tacit knowledge provides the glue and integrating mechanism in learning"* (Dhanaraj et al. 2004: 430). Simonin (1999) states that the main difference between tacit and explicit knowledge is the ability to codify it. Tacit knowledge is based on the notion that people know more than they realise they know (Kogut and Zander 1997) and as such it cannot be transmitted into formal language or be documented. Evangelista (2009: 64) studying marketing knowledge states:

"Tacit marketing know-how refers to those particulars which are omitted, to varying degrees, from abstracted theoretical descriptions, yet upon which the successful accomplishment of practical marketing action depends."

This highlights that tacit knowledge, even though more difficult to identify, underpins many areas of declarative knowledge. Declarative (explicit) knowledge, on the other hand, can be codified, communicated and taught; characteristics which make it easier to transfer (Meyer, Skaggs, Nair and Cohen 2015). Procedural (tacit) knowledge cannot be easily learned and, being an accumulation of skills, is best learnt by doing (Simonin 1999). Petersen et al. (2003) add to this debate by stating that codified (explicit) knowledge maintains an element of tacitness, meaning that there is tacit knowledge needed to perform explicit practices. Hence, both types of knowledge complement each other.

Hong and Nguyen (2009) in turn divide knowledge in MNCs into technical, systemic and strategic. Technical knowledge is concerned with task-oriented skills and functional expertise and, as such, is the most explicit of the three types. Systemic knowledge is related to understanding structural relationships among different departmental units while strategic knowledge is concerned with strategic decisions about the firm and is acquired by senior managers throughout the course of leading the company. When compared with the scale of knowledge tacitness and explicitness, technical knowledge is the most explicit and therefore the easiest to communicate and transfer, while strategic knowledge is most tacit and takes a longer and more complicated process to learn and transfer.

The literature often uses the term 'practices' in reference to knowledge. Kostova (1999: 309) defines practices as:

"Particular ways of conducting organisational functions that have evolved over time under the influence of an organisation's history, people, interests, and actions".

They are, simply, firm-specific routines which means that similar patterns of behaviour are used to coordinate various resources (Szulanski 1996). Practices can be in a form of technological solutions and product innovations as well as be embedded in personal skills of employees and collaborative arrangements between them (Szulanski 1996, Kostova 1999). Thus, the term 'practice' does not necessarily relate to explicit elements of knowledge, but could also represent its more tacit nature. Management ideas and ideologies which become dominant in a certain market and which are adopted by many organisations, including MNCs are considered to be 'best practices' (Geppert and Dörrenbächer 2013).

The previously introduced OLI paradigm also utilises the concept of knowledge, mainly to explain the nature of ownership advantages, namely asset-based and institutional advantages. In this it follows the resource-based view which treats knowledge, whether tacit or explicit, as yet another kind of company's resources (Prahalad and Hamel 1997, Kogut and Zander 1997, Wach 2014). Institutional ownership advantages are concerned with a company's knowledge and expertise but also with its culture, motivation and reasons for behaviour. These advantages, Dunning and Lundan (2008) believe, should be of key concern to researchers trying

to understand MNCs' internationalisation, especially in the light of globalisation when asset-based advantages are increasingly available and transferable across borders. This is supported by Geppert and Williams' (2006) point of view which asserts that global integration is dependent not only on economic, technological and institutional factors, but also on what they call 'power resources' and managers' politics.

Kostova (1999) highlights that organisational practices are often internalised to the extent that they are taken for granted and tacit, and are therefore not always visible for outside researchers. This is especially the case in older firms which have been developing throughout the years and through the generations of employees. There are authors, including Nickson (1997), who claim that such deeply-rooted values and behaviours are strongly driven by founders or other key figures in organisations, a reason why business historians often look to gain an insight into the role of founders when building up a historical account of a company. It is difficult to be able to understand certain behaviours without going back in time and without analysing the roots and paths of development of such behaviour. This is the theme which will be addressed in this research and the key role of Conrad Hilton in his company will become clear in the case study.

This chapter has highlighted a number of times that knowledge is the key resource when companies expand either in the same country or across borders. MNCs by definition engage in various transactions across borders. In order to do so they transfer not only capital resources but also knowledge and the process of knowledge transference will now be discussed.

2.4.1. Knowledge transference

The existence and prosperity of every MNC depends on internal communication in the firm and transference of various pieces of information from headquarters to subsidiaries, subsidiaries to headquarters or between subsidiaries (Argote et al. 2000, Chang, Gong and Peng 2012). The phenomenon of this type of communication is called 'transference of knowledge' in the literature on international business (Kogut and Zander 1993). Argote and Ingram (2000), who focus on learning between organisations, explain that knowledge transference takes place

whenever knowledge acquired in one organisation affects another, but this could also be said about individual subsidiaries of a MNC. Fang, Jiang, Makino and Beamish (2010) posit knowledge in the centre of attention by using a knowledge-based view which asserts that MNCs are simply systems of knowledge which can be exploited and transferred. A knowledge-based view affirms that the performance of a firm depends on its ability to create and exploit firm-specific knowledge (Ricart, Enright, Ghemawat, Hart and Khanna 2004), however, Argote et al. (2000) add that if a company is to be successful it needs to be able to efficiently transfer knowledge internally, but at the same time protect it from transferring outside the firm. Dunning and Lundan (2008) also place knowledge in the centre of the study of MNCs. They assert that MNCs generate and transfer knowledge within their networks using formal and informal rules and incentives which, in turn, are underpinned by these companies' institutional frameworks. In other words, transference of knowledge is dependent on company's motivations, beliefs and reasons for operations. As a result, internalisation advantages of one firm will be different from other firm's even if they have access to the same assets. This, once again, illustrates how the concepts of institutionalism and the resource-based view complement each other, as depicted in Figure 2-1.

Knowledge transference plays a key role not only in the activities of individual organisations, but also affects national and international markets (Argote et al. 2000). Argote (2013) and Baum and Ingram (1998) also believe that the majority of organisation's learning process takes place due to interactions between companies and not within an isolated organisation. By such interactions companies cause changes in the wider environment they operate in leading to enhanced learning of the whole organisational field (Argote et al. 2000). Through the internationalisation of practices and continuous learning across organisations and across borders, MNCs contribute to "*global change-management patterns*" (Geppert and Williams 2006: 50). Thus, once again, knowledge transference within MNCs enhances the process of globalisation.

The process of knowledge transference is not a straightforward one, but is complex and not always successful. Kostova (1999) explains that the process of transference does not end at the point of adoption of a certain practice or rule. What is necessary

for the success of transference is the internalisation of this practice by its recipients. Internalisation is ultimately a process in which employees begin to see the practice as their own (Kostova 1999). Employees need to become committed to applying the practice on a daily basis and, more importantly, to defending the practice against others. The deepest form of acceptance, according to Kostova (1999), is psychological ownership when an employee considers the practices as their 'extended self'. When this happens, transference can be claimed as having been successful.

Fang et al. (2010) argue that there are types of knowledge which are geographically-specific, and applicable only in a certain location. Such knowledge cannot be easily transferred and what causes particular difficulty is the application of such knowledge in a new location. Any kind of knowledge which is related to national or cultural values or involves particular practices which are not common elsewhere will not have immediate value to a foreign subsidiary and will either take a long time to be internalised or will never be fully accepted.

Fang et al. (2010) highlight the role of expatriates in the transference of organisational knowledge and practices. They claim that the role of expatriates is particularly important because successful development of subsidiaries is dependent on close social relationships between the parent company and subsidiaries. Expatriates are a link between the two and are seen as knowledge carriers who transfer both explicit and tacit knowledge as well as create social ties at the same time (Delios and Bjorkman 2000, Goerzen and Beamish 2007, Fang et al. 2010). Expatriates, however, are also transfer facilitators because they prepare the subsidiary for the continuous transfer of knowledge by building communication channels, whether formal or informal. Expatriates to a foreign country are themselves subjected to knowledge transfer as well because they have a lot to learn from nationals about the host country. This knowledge is essential to achieve legitimacy (see Section 2.6) and success of the subsidiary. Fang et al. (2010) argue also that the role of expatriates is more influential in the case of less geographically-specific knowledge. When knowledge is of more geographically-specific character, such as in the case of marketing knowledge, local nationals are in a better position to facilitate transfer of knowledge.

The role of expatriates is well explained by the Agency Theory (Eisenhardt 1989a). Applying this theory in the discussion can also bring attention to difficulties connected with sending expatriates abroad because it brings forward the notion of empowerment, lack of direct control and differences in pursued goals. Agency theory asserts that there are often differences between business owners' expectations and employed managers' actions (Douma and Schreuder 2012). This is particularly the case in MNCs which are organisationally complex and which often face the difficulty of geographical distance alongside complexity of external pressures. These issues ought to be considered by a company when choosing their HR strategy.

2.5. The Multiple - embeddedness

Having introduced the concept of MNCs and discussed the role of knowledge and its transference in the process of internationalisation, the focus will now move to the multiple-embeddedness of MNCs. This is where the discussion particularly benefits from the institutional paradigm as an analytical framework. As previously mentioned, the very nature of international firms locates, or embeds them, in multiple contexts. These contexts include the parent company itself with its culture and strategies, as well as both the home and the host countries' environments. Meyer, Mudambi and Narula (2011: 236) assert that multiple embeddedness is a result of:

“Balancing the forces that require local responsiveness of subsidiaries with those that require subsidiaries' global integration within the umbrella of the MNE's overall structure”.

Simply, in order to take advantage of various contexts, a subsidiary needs to be settled in all of them. This notion is closely related to the concept of legitimacy (discussed in the following Section 2.6). Drawing from the institutionalism paradigm, each of these contexts exerts various pressures on the subsidiary and requires different behaviours from it. Such pressures stem from historically developed institutions including financial, educational and industrial relations (Geppert and Williams 2006) which are directly linked with the characteristics of business organisations in that country and consequently have an impact on their strategies, structures and employment relations. This impact also extends to incoming companies originating from other countries. On the other hand, incoming businesses

are influenced by institutions developed in their home countries as well as by institutions specific to their parent companies, including strategy, structure and corporate culture (Noorderhaven and Harzing 2003). There is a wealth of literature on corporate culture (see notable authors such as Denison 1990, O'Reilly, Chatman and Caldwell 1991, Hofstede 2001), which concludes that it involves a wide range of elements including vision, values, norms, habits, symbols and the role of the key figure. A foreign subsidiary, therefore, should be able to fit both in the context of its parent company and the institutional setting of its home country and in the context of the host country. This can be achieved by adapting similar ways of running the business as local companies or by negotiating acceptance of practices which are transferred from the MNC's home country.

Multiple-embeddedness is not, however, always just a liability. Figueiredo (2011) actually sees it as an opportunity because being set in various environments expands a company's access to sources of capabilities as well as to external actors with whom a company might build working relationships (Ferraris 2014). Meyer et al. (2011) state that:

"The ability to create, transfer, recombine and exploit resources across multiple contexts is the rationale for the existence of the MNE".

Ferraris (2014) shares the same viewpoint by stating that it is the essence of internationalisation strategy to transfer "*firm specific advantages*" to MNC's subsidiaries despite differences between home and host countries' contexts. It can, therefore, be concluded that multiple embeddedness is a natural state for international companies and whenever their activities are discussed, the impact of a range of contexts should also be considered.

The literature on IB traditionally considered whole MNCs as units of analysis and therefore, focused on knowledge being transferred from HQ to subsidiaries. In more recent studies MNCs are treated as networks and more attention is given to individual subsidiaries (Dunning and Lundan 2008, Ferraris 2014). Using this approach, scholars begin to discuss reverse knowledge transference (from subsidiary to HQ) and transference between individual subsidiaries, which is better understood when using the network approach. Additionally, Ferraris (2014) highlights that a subsidiary is no longer seen as a passive implementer of knowledge which is

handed down from HQ, but more an active one which gathers or creates knowledge and disseminates it across the network. Most importantly, multiple-embeddedness explains how elements of a MNC's network are interconnected and affect each other.

Multiple-embeddedness is inevitably linked with the concepts of foreignness and legitimacy. As companies are set in diverse environments, they often face the situation of being perceived as foreign or unaccepted. The following section will focus on these issues.

2.6. Legitimacy

Legitimacy of an organisation means its acceptance in an environment (Kostova and Zaheer 1999). Acceptance is necessary to be able to sell a company's products or services and cooperate with other organisations in the same organisational field. Suchman (1995: 574) defines legitimacy as:

“a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions”.

This definition not only highlights the relationships of the legitimacy concept with the institutionalism paradigm, but more importantly clarifies that legitimacy is unique for a given institutional framework and is not transferable across contexts. What is appropriate or desirable in one environment will not be in another which explains why multiple-embeddedness might pose challenges.

DiMaggio and Powell (1991), claim that legitimacy is gained by adapting to the existing environment and making the company similar to the ones operating in the given market. Such a process is known as isomorphism (DiMaggio and Powell 1991). The idea that companies operating in one environment adopt similar practices and are, therefore, subject to isomorphism (also called homogenisation) is central to the institutional paradigm (Kostova and Roth, 2002). DiMaggio and Powell (1991) believe that in order to ensure their survival, organisations need to comply with the expectations of their environment and adopt expected structures and management practices. It is usually the newcomers that have to adapt to the formal or informal

rules which govern the given environment. DiMaggio and Powell (1983) claim that companies are more likely to mimic other firms when they seem to be more successful or when the newcomers do not feel entirely comfortable in the new environment.

There is, however, a growing debate in the literature about whether companies actually seek to become similar or whether they try to differentiate themselves from competitors (Alvarez, Carmelo, Strandgaard Pedersen and Svejenova 2005, Kostova et al. 2008). Kostova et al. (2008) claim that there is less isomorphic pressure on MNCs than on local businesses and, if there is any, it is only in the regulatory and legal domains. Amenta and Ramsey (2010) add that MNCs often originate from economically powerful countries and, as such, have the power to negotiate their own ways of running the business without the need for adopting local practices. Kostova et al. (2008) also claim that legitimacy does not happen by becoming similar to other organisations, but rather by becoming different. Gaining legitimacy depends on the ability to negotiate an organisation's position with legitimating actors in the environment. By such negotiation, Kostova et al. (2008: 1001) refer to:

“A political process of interaction, communications, and exchange, which creates a perception about the organisation without its necessarily having to implement certain models and practices”.

In other words, legitimacy does not always depend on adapting practices which are treated as legitimate in the given environment, but by *making* the practices accepted by this environment. A company, when it is accepted, is recognised holistically with all its practices and knowledge. This also suggests that a company uses its cultural knowledge and experience, in other words institutional ownership advantages, to negotiate legitimacy within the external environment.

Another perspective is offered by Alvarez et al. (2005) who discuss issues of isomorphism and differentiation in the film industry. They focus on the fact that film makers need to adjust to isomorphic pressures to some extent in order to gain resources for their production, but at the same time they need to be different enough to maintain their creativity and offer something innovative to the audience. Companies which want to be competitive in a new environment need to juggle the

same duality, they need to be familiar enough to become legitimised (accepted) in the society, but at the same time they need to be different enough to have comparative and competitive advantage over other local firms. The balance between differentiation and compliance to existing rules is called 'optimal distinctiveness' (Alvarez et al. 2005).

This discussion clearly shows that the process of negotiating legitimacy is not a straightforward one and that companies gain their legitimate positions in a variety of ways. Some adopt local practices and become similar to the local firms while others strive to introduce their own ways of doing things. The particular approach depends on the strategy which the given company pursues and on the environment in which it finds itself (Geppert and Williams 2006). The institutional paradigm which asserts such duality of relationship between an organisation and environment is the one which underpins the discussion on legitimacy and optimal distinctiveness and which assists in understanding its multiple levels.

Kostova and Zaheer (1999) also highlight the fact that legitimacy is not a permanent status achieved at any one point, but that it needs to be constantly re-negotiated by various organisational activities. This suggests that transference of knowledge does not take place only at the stage of introducing the subsidiary to a new market, but that it is constantly transferred within the MNC so that it can respond to changing circumstances. Companies learn not only from their own experiences, but also from experiences of other organisations in the field, including their competitors (Argote et al. 2000). Because every company in the field constantly observes the surrounding environment and adapts its behaviour in order to be able to most effectively operate in it, the whole organisational field is subject to change as well. In other words, it is suggested that an MNC constantly transfers knowledge in order to make emergency changes to their planned strategies and to compete in a global market. Companies which operate in foreign markets evolve over time but, as argued earlier, they do not evolve in a vacuum but are affected by their organisational field and the wider surrounding environment which changes as well. Maintaining legitimacy and optimal distinctiveness is, therefore, an iterative process which requires the ability to effectively transfer knowledge and negotiate company's position with legitimating actors.

2.6.1. The role of learning in internationalisation and negotiation of legitimacy

The Uppsala Stage model (see Chapter 2.3) asserts that companies which want to internationalise begin doing so by investing in countries which are institutionally and culturally similar in order to gradually build experience and later move to other countries. The reason for this is that it is easier to negotiate legitimacy in a country which is institutionally similar to the home country. While Dunning and Lundan (2008) emphasise the weakness of this approach in that it does not explain the behaviour of resource-seeking or so called 'born-global' companies, they admit to the applicability of this model in explaining the concept of corporate learning in the internationalisation process. He also stresses that the network approach to understanding MNCs is a useful one in studying knowledge transference and learning which takes place between the individual elements of a MNC.

Abou-Zeid (2005: 147) states that:

"Knowledge transfer is conceptualized as a multi-stage process in which knowledge created within one organisational context is re-created and utilized effectively in another organisational context".

This citation highlights the reference to the Uppsala model and stresses that the context or external environment in which the subsidiary and the parent firm are embedded plays a crucial role in this company's ability to transfer practices and negotiate legitimacy. The reason for this is that negotiation of legitimacy is a two-way process in which the external environment and the legitimating actors are active players. Inclusion of the institutional context stems from the institutional tradition, but the underpinning idea is not much different from the culturalist tradition which highlights the importance of culture in the process of negotiating legitimacy as well as in the transference of practices (Kostova and Roth 2002). Followers of both of these traditions discuss the issue defined as 'distance' (either institutional or cultural), which was widely studied by Hofstede in the 1960s and 1970s. 'Distance' between two contexts (usually between different countries) refers to various differences which exist between these two contexts and which are believed to be obstacles in efficient knowledge transfer or in the success of negotiation of legitimacy (Kostova 1997; Abdelzaher 2012). Cultural difference poses challenges in terms of mutual understanding between people due to differing values and

orientation as to the future and approach to uncertainty and change (Hofstede 2001). Consequently, MNCs which open their subsidiaries in foreign countries are required to undertake actions to mitigate the differences. Peng (2012), for example believes that a subsidiary can alleviate the difficulties resulting from institutional and cultural differences by employing a higher proportion of local people than of expatriates. He does not, however, discuss how such strategy impacts upon the MNC's ability to control the execution of decisions in the host environment.

Mitra and Golder (2002), on the other hand, take an opposite perspective on the relationships between host and home countries and focus on similarities between them instead of on differences. They introduce the concept of 'near-market' knowledge which is defined as *"a firm's understanding of potential new markets based on knowledge generated from operating in similar markets"* (Mitra and Golder 2002: 351). They divide the near-market knowledge into cultural and economic types. It could be argued however, that the traditional institutional division of regulatory, cognitive and normative pillars, as described by Scott (2005), is applicable as well. Mitchell (2010) and Kostova and Zaheer (1999) note that the regulatory domain is the easiest one to observe because it is the most formalised. The domain which refers to the deepest structures of the society and is the most difficult for an outsider to integrate is the normative domain.

Whether one focuses on similarities or differences between countries, the result of operating in a different context is a learning process. A company learns by gaining experience in negotiation with foreign partners and in addressing foreign formal or informal institutional requirements. Additionally companies also learn from other businesses and the environment at large. Forsgren, Holm and Johanson (2005: 6) state:

"In fact, the firm's knowledge is no longer seen just as a matter of internal knowledge. It embraces knowledge residing in a network of important suppliers and customers and other business partners, an altogether wider knowledge base that the firm can access through its exchange relationships with these network partners".

These relationships, which are created in similar markets, as well as in the home country, expand a MNC's knowledge and experience.

Such understanding of organisational learning is possible when the network theory is applied. This approach allows for placing focus on individual network elements (i.e. subsidiary) within their multiple environments. If a MNC was seen as a monolithic object, one could miss the diverse processes taking place at the subsidiary level.

What becomes clear from this discussion is the notion that, by engaging in transactions and economic exchanges with parties from other institutional contexts, companies learn how to effectively deal with these institutional differences. As a result, they build experience which allows them to enter markets which are even more different than their own. Adopting the resource-based view, MNCs do nothing else, but acquire and develop new knowledge-specific resources which allow them further expansion. At this point companies are in the position to use their foreignness as a resource in its own right. This concept will now be introduced.

2.7. Foreignness as an asset

The discussion so far has been based on the assumption that when a foreign company enters a new market it is faced with various challenges to address. These challenges include institutional and cultural differences between the home and host countries and consequently differences between company's knowledge and practices and local expectations. This suggests that foreignness of a subsidiary in the host environment constitutes a liability and can be considered an obstacle in the negotiation of this company's legitimacy. Joardar, Kostova and Wu (2014) call for the consideration of an opposite perspective, namely that the foreignness of a subsidiary might actually constitute an asset. This notion can be particularly applicable to MNCs who have wide experience of operating in foreign environments because "*more internationalized firms may have greater resources and an ability to spread risks and developmental opportunities*" (Joardar et al. 2014: 1020). This notion is directly related to a company's learning from previous investment experiences and is underpinned by the network theory which asserts that a network becomes stronger as it grows larger (Grewal 2008). It is argued that knowledge gained in foreign environments increases MNC's ability to turn the liability of foreignness into an asset:

“Assets are likely to exceed liabilities for foreign entities that have developed capabilities of dealing with foreign environments and are better able to leverage their distinct strategic competences abroad, whereas the difficulties of being foreign may be insurmountable for entities that lack such capabilities and are unprepared or unfamiliar with the host country” (Joardar et al. 2014: 1020).

This means that MNCs accumulate a specific kind of knowledge by operating in a variety of foreign environments, and that this knowledge refers to skills necessary for the negotiation of legitimacy in foreign contexts. The more experience an MNC has in operating in foreign environments and negotiating legitimacy in them, the easier this process becomes.

Foreignness can also be seen as an asset when one considers that companies should achieve the state of ‘*optimal distinctiveness*’ (Alvarez et al. 2005). Companies should adapt enough to be accepted by the local environment but at the same time should be different enough to develop comparative and competitive advantage. The foreignness of a company can potentially be what makes it more attractive when compared with the local businesses. It is also the element which has the potential to bring differences and developments into the organisational field. Furthermore, without innovativeness and foreignness of incoming companies, the local organisational field would have limited capability of developing and progressing.

2.8. Legitimacy spillover in multiple-embeddedness

Previous research on the negotiation of legitimacy by MNCs’ subsidiaries suggests that they suffer (or benefit, as the case may be) from legitimacy ‘spillover’. This phenomenon takes place when the host country does not have enough information about the entering company and uses stereotypes instead. Kostova and Zaheer (1999: 74) state that:

“The stereotypes used to judge MNCs may arise from long-established, taken for granted assumptions in the host environment regarding MNCs in general, or of MNCs from a particular industry or a particular home country”

They believe that there might be situations where such spillover would result in delays in legitimation and continuous suspicion towards, and scrutiny of, the entering

MNC. This happens when the hosting environment does not hold a favourable image of the country from which the incoming MNC originates.

Kostova and Zaheer (1999: 74) further propose that:

“Larger and more visible MNCs and their subunits will find it a greater challenge than will smaller and less visible MNCs and their subunits to maintain legitimacy, because they are more vulnerable to attacks from interest groups”.

This is because larger and more successful companies tend to be more often spoken about, which is explained by the concept of network visibility (Grewal 2008). The wider public will therefore hold some kind of perception of the MNC before it even enters the foreign market. This perception will be created mainly by media and word of mouth. As a result, a MNC has little influence on it, and can only start to address this problem by direct actions in the host environment.

Legitimacy spillover, or simply the image that members of the host environment hold about the home environment of the entering MNC, has an impact on the process of negotiation of legitimacy. Whether this has a positive or negative effect depends, however, on this image and the MNC's ability to manage it.

2.9. Conclusions

This chapter has reviewed previous research on a range of concepts concerned with MNCs, including transference of knowledge, multiple-embeddedness and negotiation of legitimacy. It introduced the theoretical paradigms of institutionalism, resource-based view and transaction cost theory. What became clear through the literature review was that the theories of knowledge transference, multiple-embeddedness and negotiation of legitimacy are derived from the paradigms of the resource-based view, institutional approach and transaction cost theory. As the conceptual framework in Figure 2-2 however suggests, there is a gap in the literature in that it is not clear whether these concepts reinforce or contradict each other in the process of the internationalisation of a company. This study aims to discuss the relationships between knowledge transference, multiple-embeddedness and negotiation of legitimacy and to, consequently, establish the conceptual link between their

underpinning paradigms. This conceptual framework will be used in this research to analyse the transference of knowledge from Hilton in the US to its London subsidiary.

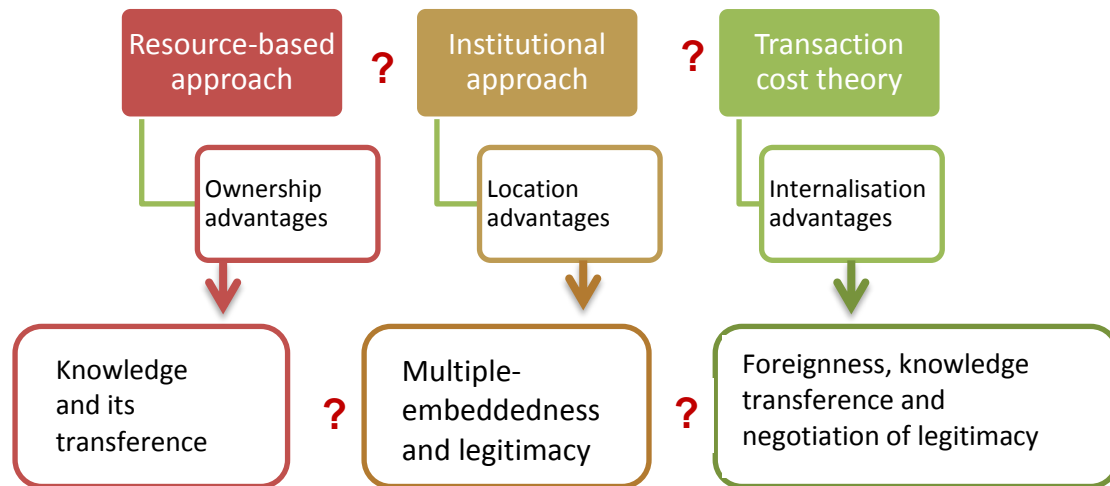


Figure 2-2. Conceptual framework highlighting the relationship between theoretical concepts.
Source: Author's visualisation based on the review of previous research

The review of previous research leads to a number of conclusions:

- It is clear that the transference of practices by the MNC carried out via learning processes form one key mechanism by which legitimacy in the host country is negotiated. Besides the work of Kostova, there is limited focus in research on this linkage. The existing discussion on the relationship between the two, rarely utilizes the concept of multiple-embeddedness to explain this relationship and extend theory.
- There is limited literature exploring the notion that foreignness of a company might constitute an asset when it opens in a new environment. Previous literature suggests that MNCs build their advantages through learning processes in terms of gaining experience on how to enter and operate in foreign contexts. Arguably, by dealing with foreign institutions companies, just like people, learn how to adjust to unknown situations and negotiate challenges resulting from these foreign institutional settings. However, the idea that foreignness can be used as a differentiator against local companies

is not previously explored. This refers to foreignness as an image which is often communicated across borders before the company actually enters the foreign market. Communication of such an image is often subject to word of mouth and the influence of the media which emphasises the role of globalisation in the process.

- There is little research benefitting from both institutionalism paradigm and the resource-based view of a firm. This review of previous research, however, suggests that these two complement each other, especially when research focuses on a company using its resources in an external environment. Furthermore, there are scholars who agree that knowledge is the key type of resource involved in internationalisation. They do not, however, apply the institutional perspective to study how knowledge is shaped by the external context.
- Despite the fact that researchers recognise that MNCs are embedded in multiple contexts, they do not discuss the influence these contexts have on a MNC and its individual subsidiaries. Multiple embeddedness of a MNC is what constitutes its conceptual distinctiveness from domestic companies and should, therefore, be studied in more detail.

There are several reasons why these gaps in research should be investigated. First of all, it is not well understood whether foreign companies entering new markets become legitimate *despite* the foreign practices they bring with them or *because* of them. If the research concludes that foreignness of a company and the knowledge it brings could constitute its competitive advantage, then it opens up the possibility of various streams of future research. It must be stressed that this research does not aim to assess whether the London Hilton achieved the state of legitimacy in its multiple environments. It seeks to explore the relationship between the concepts of transference of practices and negotiation of legitimacy. Secondly, there is little research applying the concept of institutional ownership advantages in studying MNC's internationalisation process. Following Dunning and Lundan (2008) and Geppert and Williams (2006) these kinds of advantages play a key role in the globalised world where there is increased access to asset-based advantages. Understanding a firm's motivation and reasons for certain behaviour can thus explain its strategic choices.

Finally, addressing these gaps in research not only contributes to expanding the literature and building theory, but also can, in the wider perspective, bring measurable benefits to the IB practice. The fact that this research is based on a business history case study does not mean that the concepts and relationships investigated do not have application in the modern industry. On the contrary, the international business environment is constantly changing with cultural and social influences emerging as world economies develop. Understanding how transference of practices influenced negotiation of legitimacy in the past, can greatly enhance understanding of similar mechanisms in the future.

This thesis, therefore, aims to contribute not only to the business history discipline, but also to IB literature which studies current events. It is expected that it will expand existing theory and establish a framework for further research and practical application.

3. Methodology

3.1. Introduction

This chapter discusses and justifies the methodological approach adopted for this study. It first introduces business history as an academic discipline. It is deemed essential to make such an introduction because of some key characteristics of business history in general (Crotty 1998) and because of the recent debates as to methodology applied in this field. This chapter then focuses specifically on the nature of this research, its philosophical underpinning and the case study approach chosen as a method of enquiry in this research. It further discusses data collection process and methods of data analysis. The chapter closes with a discussion on evaluation of authenticity, credibility and transferability of this study and limitations of the chosen research methods.

It ought to be explained why this thesis, unlike others, begins with an introduction to the business history field instead of presenting the researcher's philosophical stance first. Following Crotty (1998), this chapter serves as justification for the choice of approach and methods used. Crotty (1998) believes that researchers always bring various assumptions to their methodologies. These assumptions should be stated and their role in the research process should be discussed, if the research is to be trustworthy. There are certain philosophical beliefs which underpin business history studies and they will be analysed in the subsequent sections.

3.2. Business History

Business and economic history have often been neglected and lack the degree of impact enjoyed by other business-related fields. However, it is clear that this discipline is becoming increasingly more appreciated, both in the academia and in service industries ranging from retail to hospitality. This section presents the current debate on the key issues connected with business history and the methodologies applied in this field.

One of the key scholars who offered his views and criticism of the state and the future of business history as an academic discipline is Geoffrey Jones from the

Harvard Business School, believed to be the cradle of business history (de Jong, Higgins and van Driel 2015). According to Jones, van Leeuwen and Broadberry (2012), one of the key characteristics of business history is its multi-disciplinarity and positioning somewhere between economic history and business administration. Multi-disciplinarity has been more of a challenge over the past few decades as business history has grown significantly in scope. As Jones notes there are various issues (networks, business groups, governance), domains (finance, consulting, advertising, tourism, fashion) and themes (knowledge, identity, culture, gender, ethnicity) being explored which require openness to many more disciplines than only economic and business history. In addition, changes in industry itself have caused the requirement for a more pronounced multi-disciplinary focus. This is due to the growing impact of businesses on global political, economic, social and cultural systems.

The most significant challenge for business history, however, is the general disregard for its methodology (Jones et al. 2012). This has a negative impact not only on the motivation of academics in the field, but more importantly, also on the widely referenced 'Impact Factor' of the discipline. Jones et al. (2012) stress that business history journals are nowhere near as widely read and cited as management or economic journals. He believes that one of the reasons for this situation is a weak (or poorly argued) methodology applied by business historians. Despite being rich in theoretical underpinning, mainly from the areas of transaction costs and institutionalism, the field arguably lacks scholarly quality because it fails to make use of standard methodologies applied in the social sciences. This concern is, however, shared by all qualitative types of research (Crotty 1998; Sarantankos 2005) which are accused of being subjective and lacking reliability or replicability. However, Sarantankos (2005) highlights that qualitative research is simply what quantitative research is not. As such, there is no reason to compare these two methods or seek relationships between them.

Jones highlights that there is no single 'best methodology' in business history but, at the same time, he encourages scholars to experiment with small samples of qualitative data, more critical analysis of archival sources, testing hypotheses or constructing databases. This debate is taken further by de Jong et al. (2015) in the

special edition of 'Business History' dedicated to methodology in the field. They argue that theory developed through business history studies should be confronted with empirical evidence and empirical observations should feed into theory formation. In other words, they suggest that as much as business history in the current state contributes to theory building, it rarely attempts theory testing, so acclaimed by Jones et al. (2012). De Jong et al. (2015) recognise the case study as the key method in business history but they advocate the use of a 'feedback loop' where case study analysis generates feedback into further theory building. They claim that hypothesis can be built and tested, for example, using multiple data observations, to which method archival data lends itself.

In line with these debates around the discipline and its methodological underpinning, this research project does not create hypotheses, but does identify certain themes and gaps in knowledge which an analysis of the case study aims to address (see Chapter 2.9). It also repeatedly returns to the data to explore theoretical concepts of MNC's internationalisation. Decker, Kipping and Wadhwani (2015) criticize de Jong's approach, arguing that there is space for more methodological plurality in this discipline than pure hypothesis testing. They claim that business historians have diverse aims in terms of knowledge generation which require a wide variety of methods. They highlight that the nature of archival data is that it can only be interpreted and not treated objectively and agglomerated into analytical models. It needs to be "*critically understood and interpreted within the context of their creation and storage*" (Decker et al. 2015: 32), which emphasises the relationship between business history and the underpinning philosophies of constructionism and interpretivism which are discussed below. Consequently, while for some kinds of business history research, hypothesis testing can be an important method, for others interpretive rather than analytical claims are more appropriate. Such interpretive methods, according to Decker et al. (2015) include embracing a broader interpretive canvas, systemic engagement with philosophy and narrative theory. Despite the fact that de Jong et al. and Decker et al. disagree in terms of methodologies, they concur in the belief that business history has an important part to play in more broadly understood IB and management studies. These disciplines can learn from each other and enhance each other's achievements.

Hansen (2012), on the other hand, takes a cultural approach to business history and emphasises the role of narrative. He disagrees with Jones et al. (2012) and de Jong et al. (2015) because he, similarly to Decker et al. (2015), does not believe that historians should be looking for objective truth which can be uncovered by specific methods. For this reason, he avoids using the term 'method' and replaces it with 'analytical strategy'. He asserts that this reflects an interpretivist approach to business history research and the fact that history is a culturally – constructed phenomenon. A cultural approach, according to Hansen (2012: 715), focuses on the construction of meanings rather than a single truth. Consequently, business historians are in a position to “*contribute to a better understanding of how informal institutions have historically constrained the choices of entrepreneurs*”, which is not available to scholars representing other disciplines.

One other characteristic of business history which Jones et al. (2012) criticise is the fact that it does not tend to address 'big issues'. In this he supports Chandler (1959) who claims that the only way for business history to gain attention is to seek answers to questions that many people ask. Among such 'big issues' are entrepreneurship, globalisation, the natural environment (in relation to business) and social and political business responsibility. This piece of research addresses the issue of globalisation. Despite the fact that business history has contributed to research on multinational companies (MNC) it fails to explore their role in integrating economies (Jones et al. 2012). Jones asserts that there is scope for business history, especially with the partnership of International Business (IB) to address such issues.

This debate about methodologies applied in the business history discipline is recent and has appeared only at the time of writing up of this thesis. However, this study addresses a range of areas raised by business historians:

- It engages with the concept of globalisation and a wide range of theories concerned with IB. By doing so it addresses Jones' (2012) call for seeking answers to 'big issues' by engagement with IB.
- It applies interpretive research methods whose aim is to fill gaps in the existing knowledge. This is more in line with Hansen's (2012) cultural approach to business history rather than Jones' (2012) appeal for empirical theory testing.

- It uses an in-depth case study which is embedded in a number of contexts, leading to widening the perspective of the whole study and contributing to better understanding of institutional influences on business development (Hansen 2012).
- This research has the potential to be taken further and, therefore, serve as the 'feedback loop' for future hypothesis building and testing (De Jong et al. 2015). These opportunities are discussed in section 9.4 in Recommendations for further research.

3.3. Nature of this research and its philosophical underpinning

The aim of historiography is to find meaningful relationships between events, explore 'cause and effect' relationships and provide a rational explanation for the sequence of these events (Leedy and Ormrod, 2005). Colli (2012) also highlights the fact that historians do not only study events in isolation but create a contextual frame for these events, an assertion also supported by the institutionalism paradigm and the philosophy of constructionism. The goal of an historical study is to interpret the past in order to learn about relationships between events as well as about the socio-cultural, political and economic context which creates the institutional environment in which firms operate. This study requires a universal approach to understand circumstances both within and outside the firm. According to Patton (2002: 59) "*a holistic approach assumes that the whole is understood as a complex system that is greater than the sum of its parts*". In other words, a holistic approach complements the institutional paradigm in that it makes it possible to study the relationships between the firm and its environment within a bigger picture. Munslow (2006: 131) contributes to the discussion by stating that:

"Historical explanation tends to ask three questions about the events, processes and people of the past ... These are what happened, how did it happen and why did it happen in the way the evidence suggests it did".

Therefore, an historical explanation can assist in understanding the process of internationalisation of Hilton and the interactions of various variables in this process,

including ownership and location advantages, multiple-embeddedness and foreignness.

The main source of information for an historical study is secondary material because the researcher rarely has a chance to collect contemporary primary data (i.e. speak to people or observe the studied events). Historians, who cannot see or participate in the world studied, have to rely on someone's account of it. Such a situation, May (2011) highlights, is not uncommon in social sciences. He claims that since people constantly interpret the world, researchers should concentrate on understanding this interpretation rather than on what lies behind it. Following May then, it could be argued that a historian does not really study the past, but only the interpretation of this past. Similarly, Hansen (2012: 709) who uses a cultural approach argues:

"The business historian using a cultural approach will look for how certain meanings were ascribed to events, artefacts and phenomena. The decisions and actions of entrepreneurs, business leaders and consumers depend on the meanings they assign to events, which can be traced in the empirical material".

He therefore stresses that business history does not aim to study the objective truth about past events, but rather the meanings, or in other words people's interpretations of these events.

This brings the discussion on to the philosophical assumptions which are transpiring through this debate about historical research. It becomes clear that, if historians rely on others' accounts of events, they effectively interpret someone else's construction of reality. Therefore, this research relies mainly on the two philosophical concepts of constructionism and interpretivism. These represent two levels of methodology, namely epistemology and theoretical perspective respectively (Crotty 1998). Epistemology is the theory of knowledge; it explains "*how we know what we know*" (Crotty 1998: 8). Maynard (1994: 10) states that:

"Epistemology is concerned with providing a philosophical grounding for deciding what kinds of knowledge are possible and how we can ensure that they are both adequate and legitimate".

Constructionism, therefore, asserts that there is no objective truth and that knowledge does not come through the senses alone (Sarantankos 2005). This

stands in opposition to positivism which asserts that, by using scientific methods, researchers can understand the objective reality and discover the absolute truth.

Constructionism does not claim that there is no reality independent of human's consciousness, it merely proclaims that such reality does not have any meaning, until this meaning is created in the process of interacting with objects. Philosophers often use the example of a tree to explain various approaches. From the constructionism perspective, a tree can exist without people's awareness of it, but everything that people associate with a tree, like its strength or protective attributes, is constructed by humans through their experiences and interpretations (Hall 2003). Such understanding can only be created using qualitative methods.

Consequently, the theoretical perspective guiding such creation of knowledge is interpretivism. Interpretation is the process which facilitates knowledge construction and reconstruction (Sarantankos 2005). Sarantankos (2005: 39) states that interpretation "*involves reflective assessment of the reconstructed impressions of the world, and integration of action processes in a general context, which will constitute a new unit*". The word 'reflective' is key in this statement, as it draws attention to the fact that interpretation cannot be free from individual's preconceptions (Mason 2002) and is often embedded in one's cultural and historical context. It is therefore important to mention the researcher's background at this point in the discussion because, as suggested by Altheide and Johnson (2011), good qualitative research shows the hand of the researcher. As previously stated, the focus of this research derived from its author's interest in the history of grand hotels. Her previous academic experience, however, revolves around the areas of tourism destination management and marketing. While she was familiar with qualitative research methods, conducting this study required the development of skills necessary in archival research. She gained tremendously from the assistance of librarians, subject specialists and archivists in the British Library and Hospitality Industry Archives at the University of Houston and learnt techniques of data searching, storing and analysing. Due to the lack of prior training in archival research it was necessary to expose the research process and methodology to the wider academic community. This was fulfilled by peer debriefing and presenting the methods and findings at business history workshops and conferences (see Section 3.9). Prior to

this research, the author did not have any relationship with Hilton Hotels, neither did she have extensive knowledge on the company's founder or employees. It was inevitable that throughout the research personal opinions or attitudes were formed, but these resulted from uncovering the findings rather than being able to influence them. The author was able to remain relatively detached from cultural preconceptions, because her country of origin is neither the UK nor the US. As a result of this research, the author has entered the business history academic discipline in which she aims to develop further.

The positivist approach considers the element of reflexivity to be one of the weaknesses of qualitative research but taking the constructionist perspective, they allow researchers to study objects and phenomena in specific and realistic contexts. Lynch (2005: 545) adds that "*studies of hospitality that employ subjective and reflexive approaches (...) represent a valuable addition to the exploration of the important intangible elements of hospitality*". Such intangible elements include history and culture whose study can greatly benefit from the reflective approach. Following Hansen (2012), history itself is a culturally-constructed phenomenon and, as such, can only be studied using interpretivist methods. This, as well as other assumptions of qualitative research which influence this study are presented and discussed in Table 3-1. What Sarantankos' statement also highlights is the fact that people can interpret a piece of knowledge, which leads to the creation of another piece. This is the feature which is particularly observed in historical research and which was referred to earlier. This study uses the existing information to build understanding and consequently create new interpretations.

| Aspect | Assumption | Impact on this research |
|---------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Perception of reality | Reality is experienced internally, not through senses, and resides in the minds of the people who construct it | Researcher's understanding, prior knowledge and experiences all have influence on results of this research. Quality of these results is judged by peer review. |
| Inductive approach | Proceeding from the specific to the general and from the concrete to the abstract | This research first aims to construct an in-depth case study which is later discussed and analysed in the given theoretical framework. Understanding of abstract concepts is created through interpretation of concrete findings. |
| The social purpose and context-sensitivity | Research purpose is to understand actions in social context | Actions and phenomena are studied in a very specific time and location context. |
| Science is based on common sense and reason | Only interpretation, not scientific methods, can create meaning | Results are open for discussion, depending on individual's interpretation; research does not aim to discover a 'single truth' but merely offers a viewpoint |
| Informative and detailed nature of research | Information gathered is often presented verbally instead of in a numerical way. Data is presented in a descriptive method. | Case study is considered to be the key element of this research. Unlike in quantitative research, qualitative data is automatically being analysed as the case study is constructed, construction of the case study itself enhances understanding. |
| Holistic nature | Focus is placed on the whole study object in its entirety | Research cannot focus on one element of the case, but should present it in its multiple contexts (multiple-embeddedness). Hence the wide scope of areas discussed. |
| Small scale | Focuses on small numbers of subjects | Research focuses on one (multiply-embedded) case study. |

Table 3-1. Nature of qualitative research underpinned by constructionism and interpretivism.

Source: Author's adaptation from Sarantankos (2005) and Crotty (1998)

Consequently, this research draws mainly from the constructionist and interpretative philosophical stances but this is not to say that it disregards other research philosophies. Other philosophical assumptions also have an impact, and what is more, Bryman (2008: 17) stresses that “*particular epistemological principles and research practices do not necessarily go hand in hand in a neat unambiguous manner*”. Philosophical underpinning cannot be seen as a factor constraining research, but rather should offer a flexible range of points of support. There are, for instance, scholars who advocate following the critical realism (Quek 2007) philosophy in business history research. One of the strengths of critical realism is its ability to explain causality of historical events (Miles and Huberman 1994). Quek (2007) applies this philosophical underpinning in her business history research claiming that the external context of the companies studied constitutes what critical realism terms ‘natural science’. As such, the external environment is independent from business managers’ actions and they have little control over it. This study,

however, approaches this issue from a different perspective. Focus here is placed on the fact that the researcher does not have access to the external or internal environment of the company studied because of the study's historical nature. The researcher can, therefore, only rely on others' interpretations of the environment, or on one's own interpretation of archival data which does not give an opportunity for triangulation.

One issue that scholars seem to agree on is that historical research is related to the concept of institutionalism which refers to formal and informal institutions influencing businesses (Skokic, Lynch and Morrison 2016). Van Leuween (in Jones et al. 2012) asserts that the neo-institutional paradigm, and especially one of its key creators Douglass North, have had a huge impact on the discipline of economics. Similarly, Lipartito (1995: 5) stresses that business history with its focus on culture offers a new way of "*appreciating the relationship between the firm and its environment*", which is clearly the focus of institutional attention. Hansen (2012) agrees with Lipartito by stating that individuals interpret their world through a culturally-constituted frame. This frame is affected by formal and informal institutions which impact on individuals and businesses. Ingram and Silverman (2002) argue that neo-institutionalism has always emphasised historical research, the reason being that the core precepts of the institutional theory are timeless; if institutions are defined as rules constraining the interest-seeking behaviour of actors (Ingram and Silverman, 2002) then the way they operate is the same regardless of the historical time period discussed. Another reason why institutionalism calls for historical research is its longitudinal character; if new institutions are built on the basis of older ones (North, 1991) then "*even [a] forward-looking analyst must understand old institutions*" (Ingram and Silverman, 2002: 5). Hodgson (1998: 175) also advocates for treating institutionalism as "*evolutionary economics*" and it being "*biased toward dynamic rather than equilibrium-oriented modes of theorizing*", meaning that it focuses on change rather than the status quo. Consequently, the institutional paradigm and the interpretative research philosophy complement each other in this research which approaches MNC's internationalisation from a business history perspective. Assertions of the institutional paradigm and its applications in this study are discussed separately in Chapter 2.2.

3.4. The case study method

Yin (2014) asserts that the case study method is a powerful tool when a researcher tries to understand a real-life phenomenon together with the context which is pertinent to this phenomenon. The development of the London Hilton hotel (reasons for selection of this case are discussed in the following section) is discussed in the wider context of its multiple-embeddedness (see Figure 3-1), which is the reason why this subject lends itself to the case study research method. This multiple-embeddedness has an impact on the data collection process and so the conceptualisation of it as presented in Figure 3-1 will be used in the section addressing data collection. The case study method is considered to be the key method in business history, even by the business historians who advocate for using more science-based methods (see Jones et al. 2012, de Jong et al. 2015 and Decker et al. 2015 mentioned previously).

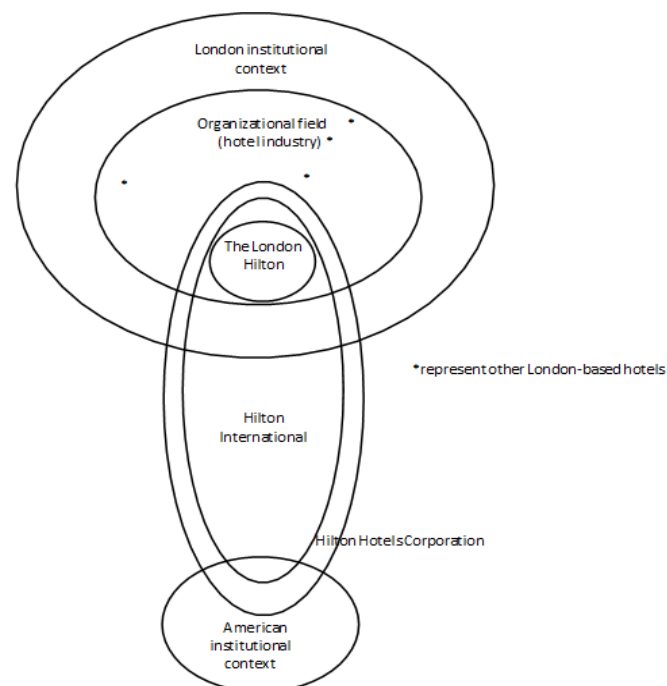


Figure 3-1. Multiple-embeddedness of the London Hilton
Source: Author's visualisation

Stake (2005: 444) argues that for the qualitative research community a "*case study concentrates on experiential knowledge of the case and close attention to the influence of its social, political, and other contexts*". An historical case study used in this way, therefore, expands the researcher's knowledge of the whole historical

context and not the case in isolation, which is essential in business history research (Colli 2012). Such an approach of trying to understand the context of a given subject, especially the social and historical context of a written text is known as hermeneutics (Bryman 2008). The idea behind hermeneutics is to look at a given text (or a case study) from the author's perspective and interpret it holistically. In other words, the development of Hilton in the 1960s cannot be analysed from today's perspective but it should be embedded in the given time period and the socio-economic setting of that period. Stake (2005: 450) suggests that in order to gain such an holistic picture from a case study it is necessary for the researcher to use intellect and "*be committed to pondering the impressions, deliberating on recollections and records*". This, once again, highlights the interpretive and institutional character of business history research, emphasising the relationship between the studied case and its wider environment.

When conducting an embedded case study the researcher needs to remember his/her original unit of analysis. According to Eisenhardt (1989b) many researchers focus too much on the individual elements of a case and consequently miss the larger overview of what they were supposed to study. It ought to be remembered that a case study is only an empirical representation of an abstract concept, but is not the focus of the study itself. Applied to this research, it means that focus needs to be placed on the concept of internationalisation of a MNC as opposed to the Hilton hotel itself as the hotel is only an illustration of IB theories. It is, therefore, a descriptive case study in that it illustrates the theoretical concepts of multiple-embeddedness, transference of knowledge and negotiation of legitimacy in the process of internationalisation of a MNC.

Von Wright (1971) claims that historians, similar to other researchers who refuse positivism as a method of understanding the world, want to grasp the individual and unique features of objects of their study. He quotes Droysen, a German historian and philosopher, who introduced the distinction between explanation and understanding, much highlighted in the constructionist paradigm (Crotty 1998). Droysen claimed that "*the aim of the natural sciences is to explain; the aim of history is to understand the phenomena*" (Droysen cited in von Wright 1971: 5). A historical case study is a method which can help in such an understanding. Business historians highlight that

historical research is often not as concerned with theory as other disciplines. Schumpeter (1954: 815) is quoted as saying:

“There are such things as historical and theoretical temperaments. That is to say, there are types of minds that take delight in all the colours of historical processes and of individual cultural patterns. There are other types that prefer a neat theorem to everything else. We have use for both. But they were not made to appreciate one another.” (Schumpeter 1954: 815)

It needs to be stressed therefore that, as much as this study aims to explore the range of theories concerned with MNCs and their internationalisation, it also aims to explore the history of the London Hilton hotel and its relation with the parent company and with London of the 1960s.

3.5. Case study selection

This research is based on an embedded case study of the London Hilton hotel, representing theoretical concepts concerned with internationalisation of a MNC and the transference of knowledge involved in the process. As argued by Yin (2014) it is the main purpose of a case study to represent an abstract concept, rather than be the focus of the study itself. The case is embedded in a range of contexts, as presented in Figure 3-1. These contexts constitute an integral part of the case study and require extensive data collection and analysis.

As seen in Figure 3-1, the core unit of analysis is considered to be the individual subsidiary, the London Hilton (currently trading under the name ‘Hilton Park Lane’) which is analysed in the context of its parent company, Hilton International, the company’s home country and the host context of London in the 1960s. The reason for this approach is to explore the previously discussed multiple-embeddedness of a subsidiary of a multinational company. Skokic et al. (2016) stress that contextualised research, which adopts the institutional theory and which focuses on the external context of a firm, should be contextualised spatially, institutionally and temporally. Following this suggestion, the spatial context of this research includes England and the US; institutional context includes the socio-economic and cultural situation in England and America in the 1960s; and the temporal context is concerned with the international expansion of Hilton Hotels.

This company was selected from the population of hotel MNCs because of numerous characteristics:

- The London Hilton was the first subsidiary of a multinational American hotel chain to open in London in the decades when there was a considerable influx of American businesses and travellers to London. At the time of opening in 1963, the Hilton brand was an emblem of modernity and American culture (Wharton 2001).
- The independence of the hotel company has been consistent throughout the years (although it has been owned by different corporations) which has contributed to the availability of internal data. For example, the University of Houston holds a dedicated archive with data reaching back to the foundation of the company.
- The development of Hilton Hotels and Hilton International followed a clear, organic path with the company gradually increasing its presence in the United States before expanding internationally.
- Hilton was also selected because of the unique role and vision of its founder, Conrad Hilton who claimed to be committed to equality and democracy and was well known for his anti-communism and religious campaigning. He saw a greater social and political role in the development of his business which was not observed in other hotel MNCs. Nickson (1997: 186) states:

“Arguably, Hilton can be seen as the most representative example of the ‘American model’ of hotel internationalization that drew on the certainties offered by the American chains in their home country and which sought to create an up-market home away from home for American travellers, particularly business travellers”.

This aspect makes Hilton representative of an American hotel MNC which internationalises its operations. Hilton’s distinct corporate culture, derived from the founder’s political and social aims is, in turn, representative of what Dunning and Lundan (2008) define as “*institutional ownership advantages*” which include the company’s motivation for specific corporate behaviours.

The fact that this study focuses on a single case study does not negatively impact upon the depth of the research because of its multiple embeddedness. The case is analysed against the numerous contexts in which it operated, including the socio-

cultural contexts of America and London of the 1960s and the institutional context of its parent company. This research does not aim to generalise from this case study, but rather find the conceptual link between two phenomena – the transference of knowledge and internationalisation which makes a single, embedded case more robust than multiple cases being studied in less detail.

3.6. Data collection

The multiple-embeddedness of this case study has certain implications in relation to the data collection process. As opposed to other single case study research projects, it was necessary to collect data concerned with multiple levels ranging from the subsidiary and its parent company to the socio-economic context of 1960s London (Table 3-2 presents the extent of data collected for each level outlined in Figure 3-1). This requirement added greatly to the multi-disciplinarity of the research and required development of research skills and knowledge in many different areas from MNC strategy to globalisation. Time-wise, data on the individual levels was searched for simultaneously but findings were grouped according to the multiple-embeddedness model. Generally, data on the external context including London during the period and America as the home country of Hilton was investigated through published sources such as newspaper articles and books. Information on the London Hilton and its parent company involved internal documents drawn from the Hilton Collection at the Hospitality Industry Archives, Hilton College, University of Houston and the internal Hilton on Park Lane collection. Table 3-3 presents the extent of archival data collected from these two sources.

| Level of embeddedness | Data type | Main sources | Access |
|---------------------------------------|---------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|
| American institutional context | Books | 'The American Hotel. An anecdotal history' (Williamson 1930), 'The Americans. Vol.2, The national experience' (Boorstin1966), 'Palaces of the People. A Social History of Commercial Hospitality' (White 1968), 'Statler. America's extraordinary hotelman' (Miller 1968), 'Land of desire : merchants, power and the rise of a new American culture' (Leach 1993), 'Living downtown: The history of residential hotels in the United States' (Groth 1994), 'Hotel: An American History' (Sandoval-Strausz 2007), 'Americanization of the European economy' (Schroter 2005), 'The economic ascent of the hotel business' (Slattery 2009), 'Hotel dreams: luxury, technology, and urban ambition in America, 1829-1929' (Berger 2011), 'Turning the Tables: The Aristocratic Restaurant and the Rise of the American Middle Class, 1880-1920' (Haley 2011), 'The Spectre of Americanization: Western Europe in the American Century' (Gassert 2012) | British Library, UWL Library, personal collection |
| | Newspaper and magazine articles | The New York Times, Time Magazine, Vogue, The Journal of Decorative and Propaganda Arts, Wall Street Journal | British Library (hard copies and electronic copies) |
| Hilton International | Internal magazines | Hilton Magazine, Dorchester Magazine, Hiliner | Hard copies stored by BL, Hilton Archives |
| | Internal data | Letters between Hilton employees and customers, internal reports and memorandums, meeting minutes, internal magazine 'Hiltonitems', leaflets, pictures | Hilton Collection at the Hospitality Industry Archives, Hilton College, University of Houston |
| | Books | 'Be my Guest' (Hilton 1957); 'Building the Cold War' (Wharton 2001), 'Conrad N. Hilton, hotelier. A biography' (Comfort 1964), 'Great American Hoteliers. Pioneers of the Hotel Industry' (Tukel 2009) | British Library, UWL Library, personal collection |
| The London Hilton | Internal data | Letters, internal reports and memos, leaflets, pictures | Hilton Collection at the Hospitality Industry Archives, Hilton College, University of Houston; Hilton Park Lane internal archives |

| | | | |
|--------------------------------------------------------|---------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|
| | Industry and Newspaper articles | Caterer and Hotelkeeper, The Daily Telegraph, The Financial Times | British Library (hard copies and electronic copies) |
| London organisational and institutional context | Industry magazines | Caterer and Hotelkeeper, British Hotelier and Restaurateur | Hard copies stored by BL, Caterer and Hotelkeeper archives, Institute of Hospitality library |
| | Newspaper Articles | The Observer, The Independent, London Times, The New York Times, Financial Times, The Economist, London Illustrated News | ProQuest, hard copies stored by BL, British Newspaper Archives, publisher's archives accessed via subscription |
| | Books | 'The British hotel through the ages' (Borer 1972), 'The Golden Age of British Hotels' (Taylor 1974), 'The luxury hotels of London' (Sheppardson 1991), 'A History of London' (Inwood 1998), 'White heat : a history of Britain in the swinging sixties' (Sandbrook 2006), 'London. A Social History' (Porter 2000), 'London. The Biography' (Ackroyd 2001), 'British Tourism: The remarkable story of growth' (Middleton 2005), 'Americanization of the European economy' (Schröter 2005), 'Sociology' (Giddens 2006), 'The economic ascent of the hotel business' (Slattery 2009), 'The Spectre of Americanization: Western Europe in the American Century' (Gassert 2012) | British Library, UWL Library, personal collection |

Table 3-2. Extent of data collected for each level of multiple-embeddedness
Source: Author's review of previous research

| Type of material | Number of pages from the Hilton Collection at the Hospitality Industry Archives | Number of pages from the London Hilton Archive | Number of pages from the British Library |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|------------------------------------------------|------------------------------------------|
| Leaflets, brochures and pictures | 25 | 60 | |
| Magazines and newspapers | 70 | 30 | 175 |
| Letters (between Hilton employees and between customers and employees) | 110 | | |
| Memorandums, internal magazines (including Hiliner and the London Hilton Magazine), news releases, Conrad Hilton's speeches, annual reports and other internal documentation | 275 | | 20 |
| Other material (including Red Book hotel listings) | 40 | Data collected by Grieve (1966), 300 pages | |

Table 3-3. Extent of the analysed archival material
Source: Author's analysis of archival data

The first stage of data collection involved a systematic review of national newspapers from the studied time period. Unfortunately, this stage coincided with the Newspaper Library being moved from Colindale to the main British Library location in central London. Therefore, the review of periodic newspapers had to be divided into a further two stages where the first one involved electronic resources, however, availability of these was limited and inconsistent. Electronic resources had one advantage in that they allowed for key-word searching which was more efficient than manual methods. The British Library e-resources were utilised to search for articles relating to the development of the London Hilton hotel and reference to Hilton Hotels or Conrad Hilton in any other capacity. It was possible to save the searched articles as PDF files which greatly assisted in coding and analysing them in later stages. Another advantage of using electronic resources was in gaining access to some of the archival editions of American titles, including The New York Times and The Wall Street Journal. A total of just under 200 clippings were reviewed.

When the Newsroom re-opened in the British Library in April 2014, British newspapers from the studied time period were searched manually. Key titles including the London Illustrated News, The Times and The Evening Standard were interrogated for items related to either the development of the London Hilton or other references to the company. Editions published in the months preceding the hotel opening were searched, but also a snowballing sampling technique was used where

possible. For example, it was found that Wharton (2001) referred to an article in *The Times* from November 7th 1957. Having this information, it was easy to retrieve the edition in question and follow the subsequent articles. These periodicals were searched on micro-films, therefore it was not possible to save them or take photographs of them. Detailed notes and quotes were taken for later reference.

In order to gain an understanding of the external contexts, including the contexts of America and the UK in the 1960s (see Figure 3-1), a wide range of books including Sandbrook (2006a, 2006b), Slattery (2009), Chandler, Amatori and Hikino (1997), Schröter (2005), Kroes (2007), Bonin and de Goey (2009) and Gassert (2012) were used. It would be beyond the scope of this study to discuss in detail the economic, social, political and cultural situation of these two countries and therefore focus was placed on their mutual relationships and influences. This research on America and the UK was specifically used to gain knowledge on the context in which internationalisation of Hilton Hotels took place. There are examples of extensive research having already been taken on both London in the 1960s and on the influence of America on Britain and Europe over this decade. It needs to be, therefore, stressed that the discussion on both issues is not exhaustive but, at the same time, great effort was placed in presenting a balanced view. It is suggested that readers who wish to gain more detailed historical knowledge on these issues should access the original sources.

Having gathered data on the external context, focus shifted towards Hilton Hotels as the parent company and the London Hilton as its subsidiary. This required access to the Hilton Collection at the Hospitality Industry Archives, Hilton College at University of Houston. Dr Mark Young, the Curator of the collection was contacted and a trip to Houston was undertaken. Documents in the Archive were searched manually but it was possible to take digital pictures of each, which accelerated the research process. The visit lasted 14 days, but extensive preparation work was done beforehand. The author of this research was given access to the Archive's catalogue which lists the overall themes of material held in each archive box. The catalogue was searched manually and a list of potentially relevant boxes was created. This preparation greatly enhanced the quality and the efficiency of work when in the Archive itself. Tremendous assistance was received from the Curator of the

Collection in the Hilton Archive. He was available during the visit and was able to locate additional data when required. On numerous occasions when a significant piece of material was found, he was able to track down other pieces of data related to the theme. A good working relationship with the Curator was maintained during the analysis and writing stages which allowed for clarification of information throughout the course of this research. Due to time constraints, no coding of data was performed while in the Archive. However, this initial review of material began the process of immersion in data which is considered to be the first stage of data analysis (Miles and Huberman 1994). The efficiency of the collection process while in the Archive resulted in exhaustion of this source of information as far as the London Hilton was concerned. A total of over 500 pages of letters, brochures, memorandums and reports was collected and analysed.

Apart from the visit to Houston, thanks to institutional links between the University of West London and Hilton Worldwide, a visit to the London Hilton on Park Lane (current name of the London Hilton) was arranged. The author was given a tour around the hotel which, despite major changes in decoration, brought to life the information about the layout and organisation of the hotel. In the course of the visit it became apparent that the hotel held a small collection of documents and newspaper clippings from around the opening of the hotel in 1963. With the permission of the present General Manager, Michael Shepherd, access to these resources was granted and they are used in this study. In total, over 300 pages of material were available in this collection. The researcher was also given an opportunity of personally meeting the current and longest serving General Manager of the London Hilton as well as having a telephone conversation with a member of the hotel staff from the 1960s. Moreover, the author visited the current EMEA Headquarters of Hilton Worldwide in Watford and discussed her research with senior members of management. All these meetings, presented in Figure 3-2 on a timeline, were extremely useful in maintaining rigour and verifying accuracy of this research. Individual meetings did not present substantial information enough to be included as sources for this study but, nevertheless, they played an important role in confirming the findings and, perhaps more importantly, in enhancing the interest and feeling of authenticity throughout the process.

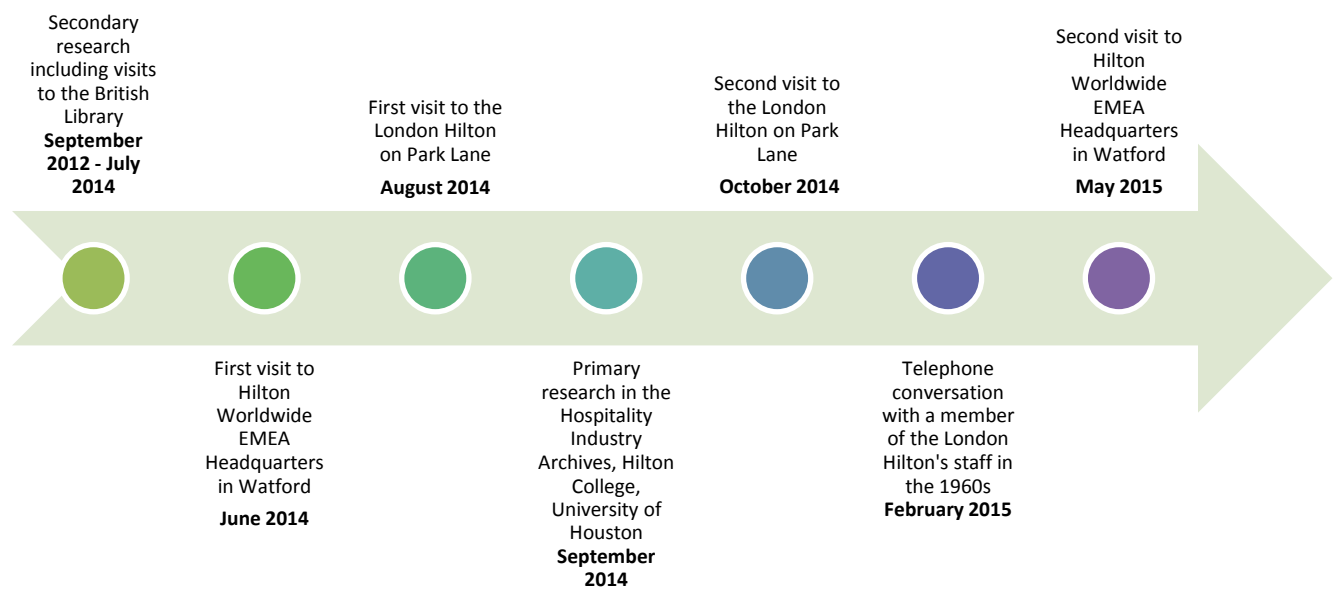


Figure 3-2. Timeline of research visits
Source: Author's visualisation

Data collection did not proceed in a strictly linear way, but it often took an opportunistic character. Additional sources were found throughout the course of the research and even during writing up of the thesis new information was unearthed and included where appropriate. This process highlights the very nature of business history or any archival research which often cannot be entirely planned for. In this kind of process the researcher needs to be flexible and prepared to change the course of his/her work when new pieces of information emerge, or where similarly no data is available. As asserted by Schumpeter (1954), there are “*types of minds that take delight in historical processes*” and they treat historical research as a journey which is guided by the information found rather than by a pre-planned schedule. This has been the experience of the researcher. Data collection reached the point of saturation in that no new information was emerging and individuals who were consulted did not negate any of the findings. To the author’s best knowledge, data on the development and opening of the London Hilton in 1963 has been exhausted but this in no way negates the fact that further material might exist in sources outside her knowledge.

3.7. Referencing style

A note ought to be made on the referencing style this thesis follows. Consistent referencing proved to be a challenge because of the wide variety of sources utilised. Material ranged from published books, through to newspaper articles and unpublished documents such as letters or company memorandums. In order to achieve as much consistency as possible, The Chicago Manual of Style (2003) guidelines were followed. Consequently, footnotes are used throughout the thesis to refer to unpublished sources and archival material. Newspaper and magazine articles are also referenced in footnotes as they are treated as archival sources in this study. In the case of published material, i.e. books, academic journal articles or websites, the Harvard system, which is the most commonly adopted referencing system in British institutions, is adopted. The aim of using footnotes is to give as much information as possible on material which would otherwise be difficult to identify, including internal documents and Hilton's correspondence. For the sake of confidentiality it was decided not to include names of customers appearing in the internal documentation, which it is perceived does not affect the quality of data. The names of employees of Hilton Hotels Corporation or Hilton International are cited, where publicly available. Therefore, a footnote which reads: "*Letter to Conrad Hilton on 23rd July 1974*" refers to communication between a customer and Conrad Hilton, whilst "*Curt Strand to Conrad Hilton on 12th January 1960*" refers to communication between two employees of Hilton Hotels.

3.8. Data analysis

Once data was collected it had to be categorised and analysed. This refers to both newspaper articles and internal documents from the Archive, however, newspaper articles were grouped in themes whilst collected. OneNote and NVivo 10 software were used to assist in grouping and categorising data. It should be stressed that data ranged from accounts of Conrad Hilton and his career to the public response to the development of the London Hilton.

Processing data was divided in two main stages:

1. Writing up of the case study and;
2. The analysis of the case in light of previously reviewed literature and the constructed analytical framework.

Case study scholars (such as Bryman and Burgess 2002, Hartley 2004 and Yin 2014) highlight that in this method, data collection and analysis are simultaneous and iterative. In other words, through the process of writing up of the case study data is automatically analysed. In these two stages of the case study construction and analysis, three kinds of codes were applied. This follows the approach suggested by Miles and Huberman (1994) who advocate the use of descriptive, interpretive and pattern codes for data analysis (see Table 3-4 below). There are other frameworks for coding qualitative data as well. For example, Skokic et al. (2016) use a six-staged coding pattern: familiarization, identifying a thematic framework, indexing, charting, mapping and interpretation. Unlike their study which benefits from creating matrices and data charts from interview transcripts, this research considers the narrative of the case study as the key source for further analysis. It was, therefore, decided that Miles and Huberman's (1994) three-staged coding framework would be more effective in gaining knowledge transmitting through the narrative.

| Codes | Elements |
|--------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Descriptive | Conrad – early life, Conrad – his mission, Conrad – the businessman, Conrad – the celebrity, Hilton's domestic development, Hilton's international development, entry model, American hotels with local flavour, The London Hilton – controversies, the London Hilton – project development, Construction and design, Guest rooms, Food and Beverage facilities, Technological and operational solutions, Staffing decisions, Marketing and public relations, Business market advertising, Acquisition by TWA |
| Interpretive | MNC – key characteristics, Internationalisation strategy, Knowledge and its transference, Multiple – embeddedness internal and external pressures, Foreignness, Legitimacy |
| Pattern | Role of knowledge transference in the negotiation of legitimacy, Foreignness as a differentiating asset, Impact of multiple-embeddedness on MNC's subsidiaries |

Table 3-4. Three-stage coding process

Source: Author's adaptation from Miles and Huberman (1994)

3.8.1. Descriptive codes

First, in order to construct the case study, all the material was reviewed and descriptive themes were identified. Descriptive codes referred to factual elements of the case study, i.e. Conrad Hilton and his career, the separation of domestic and

international divisions or marketing strategy of the London Hilton. NVivo 10 software was found particularly useful at this stage because it allowed for efficient grouping of large amount of data. Even later in the analysis process it made it easy to go back to the original sources and consult them when needed. Based on these descriptive themes, a case study was constructed and individual themes were used as headings in the case study for sake of clarity. Creating too many codes and therefore diluting analysis was avoided. This resulted in some pieces of data being coded at multiple codes which is considered to be an advantage as it assisted in maintaining a holistic approach to the case study.

3.8.2. Interpretive codes

The second stage of coding (interpretive codes) is where this research benefits most from the conceptual framework constructed in Chapter 2. Miles and Huberman (1994) define the conceptual framework simply as the main things to be studied with the presumed relationships between them. Such a framework can be presented either in a graphic or narrative form. They assert that the construction of a conceptual framework involves placing individual elements (i.e. factors, constructs or variables) in intellectual 'bins' which group the existing knowledge in a logical way. In the case of this study, these 'bins' are presented in the form of individual headings and subheadings in the review of previous research and the relationship between them was depicted in

Figure 2-2. Miles and Huberman (1994: 20) stress that conceptual frameworks develop with the progressing research because they are "*the current version of the researcher's map of the territory being investigated*". This is also what happened in this study. The knowledge on MNCs and their internationalisation expanded with time and the conceptual framework was consequently re-worked several times. This experience is shared by other scholars working within the institutional paradigm. Skokic et al. (2016: 5) state that in the process of their research "*the emerging*

thematic framework was constantly compared to theoretical conceptualization, working back and forth between various categorizations of the data". Some knowledge areas developed throughout the process of this research in the direction not initially considered. These are discussed in Chapter 9.2. Such outcomes highlight the interpretive nature of this research which is very different from quantitative methods used in other disciplines. Therefore, concepts and theories discussed in the review of previous research serve as conceptual framework in this study and gaps in the existing knowledge identify possible relationships between individual concepts. Conceptual 'bins' were used as interpretive codes. These, therefore, include elements such as multiple-embeddedness, transference of knowledge or organisational learning process, as shown in Table 3-4. There are scholars who refer to such codes as 'variables' (Quek 2007), but this term is avoided in this thesis, given its association with a measurable element, which can 'vary' in different circumstances. This research asserts that studied theoretical concepts are not quantifiable and it is not the aim to measure them in any way. The aim, on the other hand, is to discuss findings with reference to the theoretical framework. The interpretive codes were applied to the case study being now treated as a narrative and were used as key terms driving Chapter 8.

3.8.3. Pattern codes

The final stage, pattern coding, was applied simultaneously with the writing up process of the discussion. This is where business history research differs significantly from social sciences. The writing up of business history research is more of a 'journey', as opposed to a clear reporting of the findings. In other words, the researcher is learning about the subject while writing his/her work. Some of the relationships between individual elements (i.e. patterns) were realised only when individual sections of the discussion were written. Consequently, the discussion was the most time-consuming element of the whole research. The final chapter included in this thesis has been rewritten many times. This stage is also where the interpretive approach is most evident. The researcher can only interpret the relationships between individual elements and argue their relevance using findings from the case study. There is scope for hypothesis creation and testing, as advocated by de Jong

et al. (2015) and it is suggested that these methods should be adopted in further research on this topic. This is also the stage which directly addresses gaps in the previous literature. It was identified that the concepts of negotiation of legitimacy and transference of practices are rarely discussed in relation to each other. It was also emphasised that scholars do not discuss in detail the impact that multiple-embeddedness has on a MNC's subsidiary. Pattern coding allows for finding relationships between these individual elements and then the discussion of them.

The process of this type of coding can be tracked using the Exhibits 30, 31 and 32 in Chapter 5.3.5. These excerpts from newspapers and internal documentation present the policy of providing in-depth training and promoting senior managers from within the company. These excerpts were descriptively coded as 'staffing decisions'. The discussion which follows from these elements of data is the one in Chapter 8.3 b, focusing on the role of employees in the transference of knowledge, by applying the interpretive code of 'knowledge transference'. Finally, the development of the discussion led to the identification of pattern coding of 'the role of knowledge transference in negotiation of legitimacy' where it is argued that internal training and promoting managers from within greatly contributed to the standardisation of Hilton's practices and the negotiation of legitimacy of these practices in foreign locations. This process consequently led to the conclusion that Hilton was a knowledge-based company and that this knowledge was embedded in its trained employees.

3.9. Evaluation of research

It was noted in the beginning of this chapter that qualitative research and historical research, in particular, is criticized for the lack of methodological rigour. Qualitative researchers, however, respond by highlighting that qualitative research is underpinned by distinctly different philosophical assumptions and, as such, cannot be directly compared to quantitative research (Denzin and Lincoln 1994; Crotty 1998; Sarantankos 2005). The terms such as truth, validity, reliability and generalizability are a legacy of positivism and have tended to be replaced by qualitative researchers with ones which respond better to assumptions and methods adopted in qualitative research. Following Sarantankos (2005) this refers to terms such as authenticity,

credibility and transferability respectively (see Table 3-5 for a comparison of these terms).

| Quantitative research | Qualitative research |
|--------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Validity - the property of a research instrument that measure its relevance, precision and accuracy | Authenticity – methodological excellence ensuring that research performance is professional, accurate and systematic |
| Reliability - the capacity of measurement to produce consistent results | Credibility – following procedures that guarantee that multiple researchers produce comparable results; also increasing the documentation of the results |
| Generalizability – capacity of a study to extrapolate the relevance of its findings beyond the boundaries of the sample | Transferability – ability to transfer findings to another case |

Table 3-5. Terminology applied in the evaluation of research

Source: Author's adaptation from Sarantankos (2005)

It ought to be noted that qualitative research essentially rejects the notion of objectivity, greatly valued in quantitative research. Also this study follows the interpretivist path instead of seeking objective truth. Sarantankos (2005: 94) offers an interesting argument by stating that “*objectivity legitimises beliefs and practices that people take for granted*”. He further adds that abandoning objectivity frees thinking and leads to capturing reality more effectively. Consequently, it is the aim of this research to adopt rigorous methodology which reflects values of authenticity, credibility and transferability, but at the same time it does not seek to be objective but rather be interpretive in nature.

Altheide and Johnson (2011) stress that validity, adequacy and truthfulness of qualitative research can be determined when the research process ensures a high level of transparency. They add that the weakness of qualitative research often lies in the lack of transparency in data collection and analysis and the blurring borderlines between the two. Creswell and Miller (2000) designed an extremely useful framework assisting in choosing procedures which are meant to ensure qualitative research's qualities as described above and the transparency of the research process. The framework divides choices according to the philosophical paradigms and their assumptions as well as research lens, meaning perspective of the researcher, study participants or people external to the study. This tool is

deemed to be very useful because it equips the researcher with a range of methods available in qualitative studies, but at the same time, guides him/her as to which method is most suitable in the adopted philosophical paradigm. Creswell and Miller (2000) emphasise that their discussion refers to the quality of inferences drawn from sources rather than sources themselves. Based on this framework, this research applies the following procedures:

- Disconfirming evidence – procedure in which researcher establishes initial themes or categories and searches for data either confirming or disconfirming these themes. In the course of this research all available data was collected and recorded. Attention was paid not to overlook any disconfirming evidence and, on certain occasions, the research suggests that there is the possibility of alternative explanations, however, not enough evidence was found to confirm them. In order to increase the possibility of finding disconfirming evidence a wide range of sources were consulted; these are discussed in more detail in Section 3.6 of this chapter. Miles and Huberman (1994) stress that the lack of negative evidence should not be treated as confirmatory tactic but that the benefit of this procedure lies in openness to alternative results. Following this notion, this research does not claim to offer indisputable answers but is open for new information emerging and affecting the findings.
- Researcher reflexivity - Creswell and Miller (2000) suggest that this tool applies to research underpinned by the critical paradigm but it can be argued that, to some extent, it is also adaptable in this constructionist study. It involves acknowledging and describing the researcher's beliefs and biases to allow readers their own judgement. This chapter explains the underlying assumptions guiding this research and therefore illuminates the researcher's own beliefs and views. Moreover, Section 3.3 provides details of the author's academic and cultural background, as well as her development in the business history discipline. Such transparency, Altheide and Johnson (2011: 588) state, promotes "*empathic and sympathetic understanding and participation between the author and the audience*". It also enhances authenticity and credibility of this work as it gives the reader accurate and detailed information on the research rigour so that it can be tracked and repeated.

- Prolonged engagement in the field – this tool, in the form described by Creswell and Miller (2000), applies more to ethnographical studies and was not possible to implement in this study. However, the author of this research project had the opportunity to immerse herself in raw data which was captured electronically. In the course of working on this thesis (almost four years) it was possible to return to data and repeatedly analyse it. This, it is argued, provides similar results to prolonged contact with ethnographical data.
- Thick, rich description – as the name suggests this procedure refers to detailed descriptions which aim to transport the reader into a setting or situation (Denzin 1989; Creswell and Miller 2000). For this reason the reader of this thesis will find in-depth description of the case study together with its wide historical context. Moreover, this description is supported with a wide range of pictures whose aim is to create as vivid an image of the discussed company and its activities as possible. In-depth description refers also to methodology and the theoretical underpinning of this study. Yin (2014) stresses that the case study method does not lend itself to generalisability or transferability. However, it is argued here that the analytical framework of this study provides the opportunity for application in future research. Following Sarantankos (2005) the analytic constructs that guide the study are clearly defined (see Section 3.8) and data collection and analysis procedures are meticulously specified. Should another researcher wish to conduct a similar study on a different company, they will be able to adapt similar data collection methods and analytic framework, depending on access to data. Thick description therefore also has application to the transferability of the study because it allows readers comparison and decisions on the applicability of the methods and findings to similar contexts or settings.
- Peer debriefing – this is another procedure which Creswell and Miller (2000) assigned to critical research. Quoting Lincoln and Guba (1985), peer review “*challenges researchers’ assumptions, pushes the researchers to the next step methodologically and asks hard questions about methods and interpretations*”. The role of such peers was played by the supervisors of this study who reviewed and challenged decisions made at each stage. Furthermore, the author ensured dissemination of findings and progress at

least once a year in the course of this research. This was carried out by presenting at subject specific conferences and workshops focused on business history studies (see Table 3-6). During these events the author had the possibility of exposing her methodology to peers and experts who offered invaluable feedback and critique. Dr Mark Young, the Curator of the Hilton Collection at the Hospitality Industry Archives reviewed the analysis of archival data which verified accuracy of its interpretation. Finally, the author maintained a working relationship with the current and past employees of Hilton International. These individuals are not treated as sources of information as such but, nevertheless, through their comments they contributed to maintaining clarity and rigour.

| Date and Location | Event |
|--------------------------|------------------------------------------------------------------------------|
| May 2013, Edinburgh | Council for Hospitality Management Education Annual Conference |
| May 2014, London | University of West London Annual PhD/MPhil Conference |
| March 2015, Oxford | University of Oxford Business History Workshop |
| May 2015, London | University of West London Annual PhD/MPhil Conference (Best Paper Award) |
| July 2015, Birmingham | University College Birmingham Annual Research Conference |
| June 2016, Oxford | University of Oxford Business History Workshop |
| July 2016, Guildford | University of Surrey School of Hospitality and Tourism Management Conference |

Table 3-6. Timeline of events at which progress of this research was presented

- Audit trail – a method which is compared to fiscal audit by Lincoln and Guba (1985). Providing an audit or evidence trail involves documenting each stage of the research process and exposing this documentation to external auditors. A detailed trail was created throughout the process of this research. The key element of the trail is this chapter which discusses all decisions as to data collection and analysis methods, structure of the thesis and the research process itself. Furthermore, the research process was documented by Supervisory Meeting Reports and Annual Progress Reports which were reviewed and approved of by the University Research Degrees Sub-Committee, part of the Graduate School at the University of West London. Finally, apart from peer debriefing and internal review of the audit trail documentation, the thesis was assessed by External Examiners who offered comments and constructive criticism on the methodology.

3.10. Ethical considerations

Ethics is defined as “*a science of morality*” (Homan 1991:1). Silverman (2013) states that the role of ethical concerns is to convince all the concerned individuals and organisations that no risk is involved in conducting research or that the risk of any harm is controlled and minimised. There are two overarching theories in ethical philosophy: deontology and consequentialist theory (Kent 2000). Deontology, following Immanuel Kant, advocates obeying natural laws and rights even if this leads to unfortunate consequences. Consequentialist theory, represented by John Stuart Mill, asserts that individuals should minimize suffering and maximize well-being. Such difficult ethical dilemmas must be considered especially in the case of social research where it is likely that research could harm individuals or influence the society at large. This research is also subject to ethical concerns and, following Doucet and Mauthner (2002) researchers have “*epistemic responsibility*”. In other words, the key responsibility for the researcher is simply to produce good quality research (Miles and Huberman 1994) and contribute to the development of knowledge in the best possible way.

Traditionally ethics in research have been associated with informed consent and the impact of research results on the participants and audience (Ali and Kelly 2012), however, an ethical approach to research is relevant in every stage of the research process from formulating research questions to publishing findings. Kent (2000) devises four key ethical principles to ensure this:

1. Beneficence
2. Non-maleficence
3. Justice
4. Autonomy

There are a number of measures that were undertaken in this study in order to translate these ethical principles into practice. First of all, the purpose and aims of

research were academic and Hilton, despite being the interest of this study, did not play a role in the research process. Current Hilton Worldwide strategies, plans or developments were not the focus of this research and were not reviewed (other than information publicly published and referred to in the 'Epilogue'). Beneficence and non-maleficence were at the core of this research and its underlying aim was to contribute to the wealth of knowledge.

Hilton Worldwide and the London Hilton on Park Lane Hotel are not, in any way, beneficiaries of the study which ensures justice in terms of access to resources and to research findings. Hilton Worldwide provided the researcher with accommodation during her visit to Houston, however, this was offered as part of Hilton Worldwide's ongoing support for the International Centre for Hotel and Resort Management at the University of West London and information was not passed back to Hilton Worldwide in return for this sponsorship.

As part of the commitment to the requirement for autonomy, the researcher ensured that no customer or patron of Hilton can be identified in this thesis. As previously explained, customers' names have been removed from exhibits displayed in this work. Private addresses, Social Security Numbers or any other personal data which could be used to identify individuals remain invisible in the exhibits. The corporate addresses of Hilton Hotels Corporation and Hilton International are at times included to add 'life' to the presented archival data, although this is not regarded as sensitive information as it is publicly available. Names of employees are stated where relevant, the reason being that identifying employees enables the understanding of discussions. However, no private or sensitive matters are discussed in the correspondence reproduced at any point in the study.

The archival data was subject to a number of procedures regarding its use and storage which further ensured participants' right to autonomy. Holders of the Archives both at the University of Houston and the London Hilton on Park Lane were informed about the aims of the study and the researcher was granted permission to use the archival material (see Appendix 1). All sources used in the study are acknowledged, using either footnotes or the Harvard style of referencing and no copyrights have been violated. The main condition for using material from the Hilton Collection at the Hospitality Industry Archives was to use the Archives' watermark

which is visible in exhibits. All data gathered was stored on a password-protected hard drive and was at no point made available to any third party. It was used solely for the purpose of this study and the dissemination of knowledge directly resulting from this study, e.g. related conference presentations.

Finally, the research process was overseen by the academic community at the University of West London and peers concerned with this study.

3.11. Note on limitations of this study

Throughout this chapter it became clear that quantitative and qualitative researchers are driven by distinctly different paradigms and philosophical assumptions. Therefore, what is considered to be a limitation for the former is often seen as an advantage by the latter group. There are, however, some limitations of methodology which transpired in the course of the research. First of all, limited availability of sources is considered to be the key constraint. This is the challenge faced by all business historians because they can only construct their understanding based on what is available to them. It is clear that a historian will never have such in-depth and real-time access to sources of information as an ethnographer would. Historians cannot make observations, cannot experience the events they study or often even speak to people who were involved in such events. This is, however, the very nature of historical study and it cannot be considered its weakness; it simply should not be compared to other types of qualitative research.

There was one limitation connected with using NVivo10. As noted earlier, material from the Hilton Collection at the Hospitality Industry Archives was recorded by digital pictures. This made it impossible to search material by key words (which is possible when using Word or PDF files). It was therefore necessary to manually highlight relevant areas of each picture and code them under individual themes. Nvivo was, nevertheless a useful tool which allowed for efficient categorisation of data.

Finally, another researcher could choose other themes and codes or even construct a different conceptual framework to analyse data. It is possible that they would, as a result, arrive at different conclusions. This is, however, the nature of interpretive study, that it is constructed and presented from the author's perspective. As argued

throughout this chapter, it was not the aim of this research to create an objective and generalizable study. Data collection and analysis are carefully explained so that undertaking a similar study is possible.

Emphasis should be placed on the fact that it is a multidisciplinary study which incorporates knowledge from many different areas. In that it is different from pieces of research which focus on one issue but employ multiple cases to study them. Limitations of this study, including some limitations of its methodology are discussed in more detail in Conclusions in Chapter 9.

3.12. Summary

This is a business history research utilising the method of a single embedded case study to achieve its aim. It derives mainly from the constructionism epistemology and interpretive theoretical perspective which is also associated with the institutional paradigm. It addresses the recent discourse about methodology in business history in that it explores issues concerned with globalisation and in that it applies a broad conceptual framework to analyse findings (Hansen 2012, Jones et al. 2012). It is also hoped that this research can serve as a platform for further investigations which could focus on hypothesis testing, as advocated by de Jong et al. (2015).

The theoretical framework established by concepts concerned with MNC's and their internationalisation predicated data collection and analysis. These follow the framework suggested by Miles and Huberman (1994). The analysis utilises three stages of coding which range from descriptive codes to finding relationships between the individual elements.

Finally, this research adopts a range of tools suggested by Creswell and Miller (2000) and Miles and Huberman (1994) to ensure its quality. The following Chapter 4 constitutes the first stage of data analysis, the case study.

Part 2 – The embedded case

Constructing the case study is a key objective set for this research. This stems from the nature of this study. It is natural that, when using the case study method, qualitative data is being analysed as the narrative is being written. Part 2 of this thesis, consequently, serves not only as the presentation of data, but also as the first stage in its analysis. It begins with contextualising the case in its wider historical and social context, following its multiple-embeddedness model presented in Figure 4-1. Having established the historical and social contexts, the case study focuses on Hilton Hotels Corporation and Hilton International, beginning with the founder, Conrad Hilton. Finally, the case study discusses the opening and early development of the London Hilton, the company's first foray into the UK.

4. The English and American contexts

4.1. Introduction

This chapter aims to set the historical context of the study of Hilton Hotels and its international expansion. It serves as a brief overview of the development of hotel industries in the UK and US throughout the decades. The focus is specifically placed on grand and luxury hotels as in-depth discussion on lodging industries at large would be beyond the scope of this study. The chapter first studies the historical development of grand hotels in London. Moving chronologically, it then discusses the socio-cultural context of London in the 1960s and how it was influenced by the process of Americanisation. After that, following the depiction of Hilton's multiple-embeddedness in Figure 4-1, it then shifts to discussing the development of hotels in America. It also provides a comparison of the early hotel-keeping practices in England and in America to fully understand the similarities and differences between hotel industries in these countries.

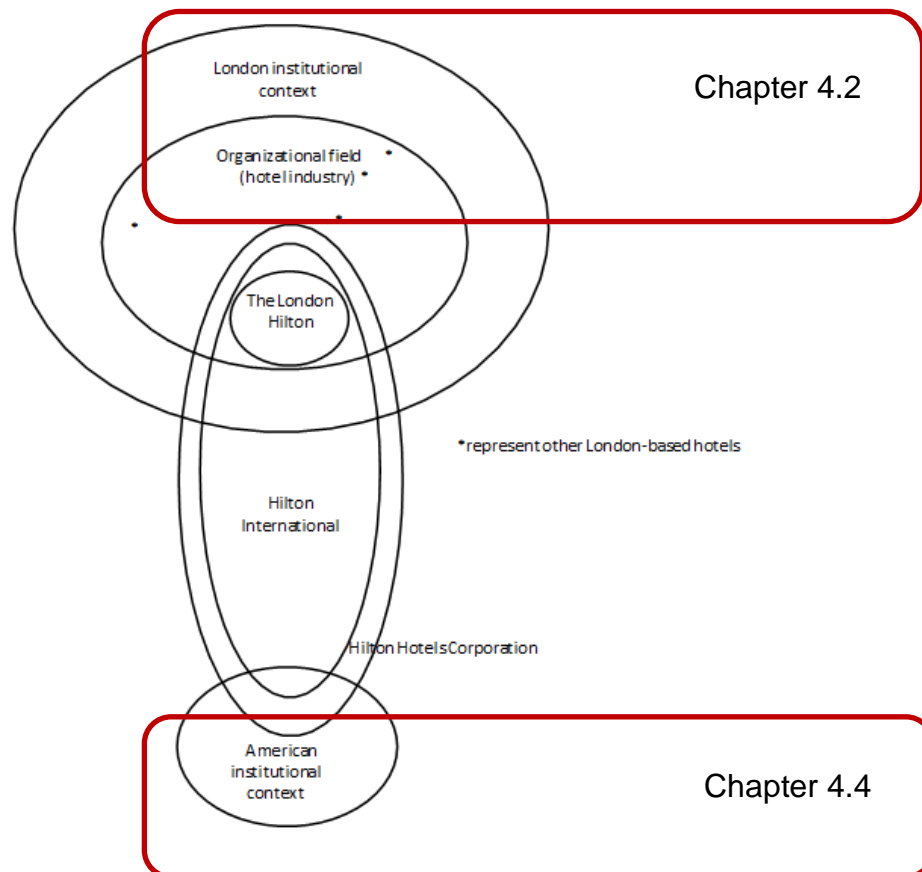


Figure 4-1. Multiple-embeddedness of the London Hilton
Source: Author's visualisation

4.2. English context

4.2.1. Early development of grand hotels in London

The majority of London grand hotels developed from the tradition of gentlemen clubs which flourished around the St James's and Mayfair area from the middle of the 18th century. They remain in operation to this day (Borer 1972, Slattery 2009). These include the Boodles, Brookes, Oxford and Cambridge, Athenaeum, Carlton and Reform clubs. Gentlemen's clubs provided facilities for meeting like-minded people, as well as dining and accommodation facilities and they therefore left their footprint on the style and service offered in grand hotels. Gentlemen's clubs have always been bastions of tradition and have resisted modern changes (Slattery, 2009) which might have had an impact on the traditional feel of London grand hotels.

Early grand hotels, including Grillon's, Gordon's and The Pulteney were established either from transformed gentlemen's clubs or in former mansions of the wealthy members of society located in central London. As a result they were often relatively small and restricted in terms of redevelopment. They were often opened not by the British but by French chefs or butlers who previously served in noble houses, both in the UK and on the Continent and who had fled France in the advent of the French Revolution (Borer 1972, Sheppardson 1991). Their influential relationships with employers and the connections established whilst working for the upper classes were said to have granted them loyal customers (Taylor and Bush 1974). It was, therefore, their servants and not the members of the upper classes themselves who were interested in developing businesses. This reflected the traditional approach of society in which it was not deemed appropriate for the upper classes to engage in commercial business, rather preferring managing their family estates.

The first large hotels in England which were built on a truly grand scale followed the development of railways and were "*geared to the progress of the railways*" (Taylor, 2003: 35). The first of this type was the Victoria at Euston Station which opened in 1839 (Slattery, 2009) and was later followed by the Great Western Royal Hotel (1854), The Grosvenor Hotel (1861), Charing Cross Hotel (1865), The Midland Grand Hotel (1873) and The Great Central Hotel (1899), (see Borer 1972, Taylor and Bush 1974, Inwood 1998 and Trend 2011). The development of the railway brought distinct changes to the size, location and provision of hotels. Trains carried many more people than stage coaches and they significantly reduced the length of journeys (Slattery, 2009). People stayed considerably longer in these hotels than they would in coaching inns, creating demand for additional facilities including laundry, provision of meals, as well as for entertainment in reading rooms and lounges. Borer (1972) states that the difference between service offered by railway hotels and coaching inns can be compared to the comfort provided by rail travel as opposed to the hazards of travelling by coach, and that railway hotels gave the middle-class travellers an opportunity of experiencing luxury for the first time. These mid-market hotels were the first examples of hotel chains in Britain, however, they were not uniformly branded. Slattery (2009) highlights that railway hotels, just like grand hotels, did not invest in any kind of advertising, but they benefited from the relationship with railways which created steady demand. The emergence of railway

hotels changed the landscape of the hotel market in all major cities of the UK, including London. They not only added to the provision of accommodation in the capital but also enhanced competitiveness between hotels. The Midland Railway, one of the railway companies involved in building hotels along their networks, recognised this competition and committed Sir Gilbert Scott to design the Midland Grand Hotel at St. Pancras Station. This was at the time, and still is today, one of the most extravagant and exotic hotel designs to be seen in London (Taylor and Bush 1974). Railway hotels expanded quickly, often at high cost to their parent companies, and by 1900 there were approximately 165 of them country-wide (Borer 1972). Many of these hotels remain still in operation, often under the management of hotel MNCs.

Some of the early hotel chains were developed by Gordon Hotels and the Trust House Company. Gordon Hotels operated four properties in London and another nine in coastal resorts in the UK and France, while Trust House acquired existing coaching inns and mid-market hotels to control 71 properties by 1919 and to grow the portfolio to 222 hotels by the outbreak of the Second World War (Borer 1972, Slattery 2009). Trust House hotels benefited greatly from the popularity of motor cars in the 1920s and provided accommodation for those exploring the English countryside. They gained high reputation for reliability and good value for moderate charges (Borer 1972: 243).

One key aspect which has always differentiated England and other European countries from America is the presence of royalty. London for centuries has been one of the largest and most prosperous capitals in Europe and significant on the political, economic and social map (Porter 2000, Ackroyd 2001). For these reasons it has been regularly visited by the aristocracy from Europe as well as other countries around the world. More importantly, local hotels, restaurants and gentlemen's clubs have frequently been patronised by the English upper classes and royalty. This has influenced the development of a certain type of market and hotels which needed to provide an appropriate standard of service. It also created a 'natural' quality rating system. Hotels thus patronised were automatically assigned a grand and/or luxury status. The popularity of London grand hotels amongst members of the upper classes from across Europe quickly enabled smaller hotels to give way to the larger ones which began to bear more the appearances of palaces rather than gentlemen's

clubs (Taylor 1974). The Langham, opened in 1865, was the first purpose-built hotel of this type (Slattery 2009). Borer (1972: 190) highlights the fact that the latter was the first to correspond to the “*vastness of modern demands*”. Its facilities included large dining and drawing rooms, post, telegraph and parcel offices as well as billiard and smoking rooms. All floors were connected by a lift which was a novelty in London at the time (Borer 1972). The hotel had 300 toilets and 14 public lavatories as well as its own artesian well and steam laundry. Hot and cold running water was available in every room and, since it was targeted at rich customers, the hotel provided separate quarters for customers’ servants (Slattery 2009).

Another hotel which had a significant impact on the hotel market in London was The Savoy, opened by Richard D’Oyly Carte on the Strand in 1889. From its very early days The Savoy brought entertainment to its fashionable patrons, having been planned by D’Oyly Carte as a venue for those frequenting the Savoy Theatre. Inwood (1998: 649) believes that Richard D’Oyly Carte “*brought American standards of comfort to London with the Savoy*”. D’Oyly Carte’s most influential business decision was however the one to employ Cesar Ritz as the general manager. Ritz, together with Auguste Escoffier who became the head chef, changed the way hotel services were provided in London. Cesar Ritz is still considered one of the greatest hotel keepers because of his innovative approach to hotel management (Borer 1972).

The fact that it was often French chefs and butlers who managed early London grand hotels was previously stressed, however, a particular role in the development of the hotel and restaurant scene was played by the influence of French cuisine. Gatley (2012) argues that while French practices of cooking and eating were not heavily impacted by the economic and industrial developments of the Nineteenth Century, British national and regional cooking styles almost vanished. The main reason for this, Gatley (2012) argues, was the rapid industrialisation of Britain. People who previously lived in the countryside and worked in agriculture moved to cities to seek employment in factories. Lack of access to fresh produce and increasing numbers of women in full-time employment contributed to the fact that dry foods and meals sold by street vendors became the core of worker’s diet. As a result of these rapid changes, Britain almost lost its indigenous culinary culture (Lane

2010). French food culture, on the other hand, was disturbed to a much lesser extent and preserved the rural cooking traditions. These differences contributed to the fact that in France cooking was considered to be a prosperous career and many men trained to achieve the chef status (Taylor and Bush 1974). In Britain, on the other hand, cooking was associated with daily chores and was not respected as a career (Gatley 2012). Consequently, with the development of London grand hotels and the influx of French chefs to British capital, it was the French cuisine that was considered to be of high class and was referred to as “*haute cuisine*” (Taylor and Bush 1974). Auguste Escoffier introduced the principles of production line to the Savoy’s kitchen which allowed for the popularisation of à la carte menu (Taylor and Bush 1974). Restaurant menus were written in French which became a standard practice in Britain for many years to come (see Exhibit 77 for the menu from the London Hilton opening Luncheon written in French). Consequently, French cuisine and chefs, including Escoffier, were the ones responsible for making dining out a popular form of entertainment.

Further examples of grand hotels which continue to operate to this day include Claridge’s, the Dorchester and the Ritz. Claridge’s, in its current form was opened in 1897. The operation of its predecessor with the same name began from a small, single house hotel run by William and Marianne Claridge. Following several architectural alterations it was finally bought by Richard D’Oyly Carte and demolished in order to build a more modern Claridge’s (Maybourne Hotel Group 2012). It was said to be one of the most luxurious and expensive hotels in London, but evidence to document this was lost during the demolition of the original hotel (Borer 1972). It is known, however, that Claridge’s, whether in its current or previous form, has always been particularly popular with royalty (Maybourne Hotel Group 2012). This differentiates it from The Savoy which has instead been associated with entertainment and celebrities (Borer 1972).

The youngest of the hotels considered to be the ‘grand dames’ of the London hotel market is The Dorchester on Park Lane which opened to the public in 1931. Despite being opened eight years before the breakout of the Second World War, this hotel celebrated its heyday in the 1950s and 1960s, decades of particular influx of Americans to London. The Dorchester, alongside Claridge’s is believed to have been

popular with the Royal Family, despite the fact that it tended to be more American in style (Sheppardson 1991). Sheppardson comments about this cultural change:

“Finally, there was a shift in the social values of the day that resulted in a sexual and youth revolution that was to culminate in the 1960s. The process began in the 1950s with the emergence of such new ideals as the ‘Sex Kitten’, started by Marilyn Monroe, the ‘rebel’ symbolized by James Dean, the new musical beat, popularized by ‘Elvis’ and the debut of Playboy magazine in 1953.” (Sheppardson 1991: 84)

The Dorchester hotel is said to have been in the centre of this shift (Sheppardson 1991, Dorchester Collection 2014) and together with the Grosvenor House Hotel, opened in 1929, made Park Lane “resemble Fifth Avenue, only without skyscrapers” (Porter 1980: 332). The London Hilton on Park Lane was to add the missing element in 1963.

The history of hotels would not be complete without mentioning the critical events of the World Wars which influenced not only the hotel industry but the overall economic, political and social situation of many countries. The British Isles, as opposed to other European countries were not invaded during either of the World Wars, but many buildings, especially in London, were destroyed during the bombings of the Second World War (Inwood 1998). This War also changed the services offered by the London grand hotels. Naturally, almost all leisure demand ceased and many hotels were taken over by the government to accommodate civil service departments which had to be evacuated from their offices or they were used to shelter refugees. The grand hotels of London became havens for officials, diplomats, officers, journalists and members of foreign royal families (Taylor 1974). Claridge’s, The Savoy, The Langham, The Ritz and The Dorchester all boast on their websites about playing an important role in the War years and hosting prominent guests¹. Famous are the stories of survival in the times of food and fuel rationing, the lack of male staff and the requirement for blackouts. These events, however, stalled any

¹ <http://www.claridges.co.uk/about-the-hotel/history/>; <http://www.fairmont.com/savoy-london/hotelhistory/>; <https://www.dorchestercollection.com/en/london/the-dorchester/history-of-the-dorchester/>; <http://www.theritzlondon.com/history-ritz/>

development of the industry and no new hotels were built in London between 1939 and 1945.

4.2.2. Developments in the British hotel industry after the Second World War

In the decades following the Second World War the tourism and the hotel industries gradually regenerated alongside other industries. When fuel became de-rationed and growing numbers of people could afford a car, day trips became popular. The development of motorways also enabled longer trips to be taken. With the growing proportion of people in full-time employment who had paid holiday allowance, people started to spend summer holidays at seaside resorts. In the 1960s, the majority of British families still spent their holidays in Britain, and the trend for overseas travel only began to develop in the 1970s (Slattery 2009, Taylor 2001). When taking holidays, British people would usually travel to seaside resorts and not to London which was, in turn, the prime destination in Britain for international tourists. An innovative initiative was undertaken by 'Stardust Mini Holidays' which promoted short package breaks in London (Taylor 2001). The package would include rail transportation, accommodation and food. It proved to be very popular (Taylor and Bush 1974) and increased leisure demand for hotel accommodation.

London was, as it always had been, a hub for business which was developing at a fast pace in the decades after the war. The growing public, finance and retail services all contributed to the growth in accommodation demand (Slattery 2009). Slattery (2009) believes that people who worked in these tertiary industries were required to travel around the country for business, hence triggering business demand. In addition, enhanced access to higher education resulted in demand not only for accommodation but also for conference space in hotels (Slattery 2009).

Foreign inbound travel developed rapidly, encouraged by the London Olympic Games in 1948 and the Festival of Britain in 1951 (Inwood 1998). Figure 4-2 presents the increase in international arrivals between 1961 and 1970. 1963 saw the establishment of the London Tourism Board (Middleton and Lickorish 2005) whose aim was to promote the city as a tourist destination. The most significant influence on the number of foreign visitors to Britain and London was, however, the development

of trans-Atlantic flights (by 1970 20% of all UK visitors came from North America, (Slattery 2009)). Flights took a considerably shorter time than traditional sea crossing and were less expensive. Figure 4-3 presents a comparison of the number of arrivals via air and sea.

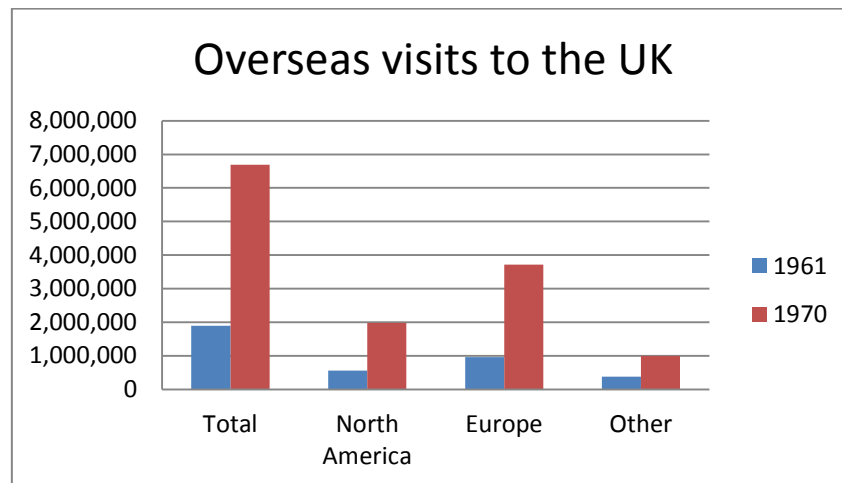


Figure 4-2. Number of international visits to the UK
Source: Author's chart based on data from Office for National Statistics (2010)

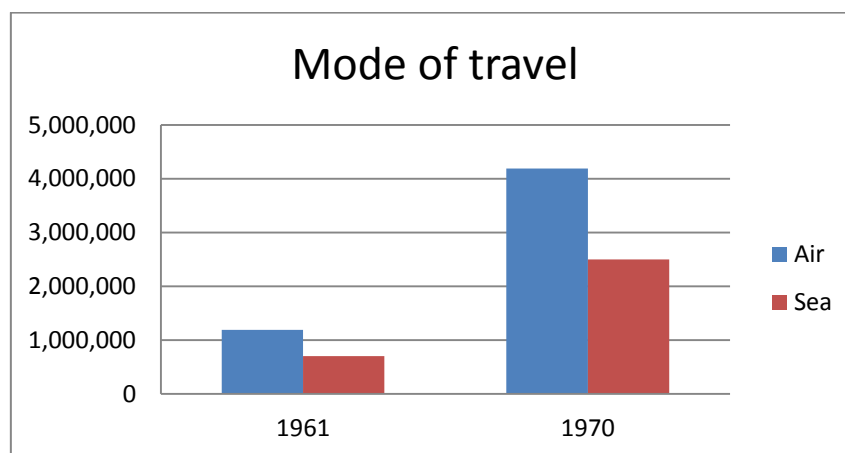


Figure 4-3. Comparison between international arrivals by air and sea
Source: Author's chart based on data from Office for National Statistics (2010)

Slattery (2009) estimates that foreign demand for British hotels in 1950 accounted for 3 million room-nights, this had doubled by 1960 and went on to reach 31million by 1980 (Slattery 2009). Inwood (1998) highlights that many international visits could have been triggered by the gradual devaluation of sterling. Foreign visitors spent £190million in 1964 and £432 million in 1970. The categories which triggered most demand for hotel accommodation were business travellers and holidaymakers.

International customers, as opposed to the domestic market, would often choose London as their destination.

The growing demand for hotel accommodation in London was recognised by investors and local authorities and in 1960 the 'Caterer and Hotelkeeper' reported that London had not experienced such a large hotel building programme since the 1930s and that at least five new hotels were in the pipeline (Caterer and Hotelkeeper 1978 cited in Slattery 2009). The biggest development was seen, however, amongst acquisitions by hotel chains. The main hotel acquisitions in London in the 1960s are presented in Table 4-1.

| Company | Major acquisitions (number of rooms in brackets) |
|--------------------|----------------------------------------------------------------------------------------|
| Grand Metropolitan | Piccadilly Hotel (265), Europa Hotel (300), Mayfair Hotel (290), Britannia Hotel (437) |
| Forte | London Airport Hotel (440), Russell Hotel (370), Kensington Close (500) |
| Trust Houses | Grosvenor House (450) |
| Oddenino's | Royal Garden Hotel (500) |
| Rank Organisation | Royal Lancaster (392) |
| Centre Hotels | Heathrow Airport Hotel (300), Bloomsbury Centre (310), Regent Centre (330) |

Table 4-1. Major hotel acquisitions in the 1960s London
Source: Adaptation of data from Slattery (2009)

The largest increase in hotel provision came in the first years of the 1970s due to the Hotel Development Incentive scheme (HDI), introduced as part of the 1960 Tourism Development Act. The Act was passed to enable the hotel industry to progress and to address growing demand (Middleton and Lickorish 2005). It is estimated that by 1974 there were 20,000 rooms added in London as a result of this scheme, although they were mostly in small hotels (Slattery 2009).

In contrast to the US, there were few hotel chain companies operating in the UK after the Second World War. One of the first was British Transport Hotels (BTH) (Carter 1990) serving railway termini, which was established in 1947 with 57 hotels in its portfolio. 18 had been sold by the mid-1950s due to poor performance. Trust House Company, which was established before the Second World War and which was at its peak with 222 hotels in 1938 (Middleton and Lickorish 2005) was still in operation but focused on restructuring its portfolio instead of acquiring new hotels (Slattery 2009). In 1972 it controlled ten properties in London and another 171 around the country. Similarly to the pre-War years, it catered mainly for the middle-class market (Borer

1972). Another chain which operated primarily in London was Grand Metropolitan Hotels created by Maxwell Joseph in the 1950s (Middleton and Lickorish 2005). Such chains were, however, relatively small and could not benefit greatly from advantages of economies of scale. Hotels in these chains were either owned or leased because the franchise and management contract models were not commonly used at the time (Bell 1993). This heavily limited the investment opportunities of these companies. More importantly, according to Slattery (2009) hotels in these shorter chains did not operate under one brand and could not benefit from brand recognition (this was one of the major features which differentiated Hilton hotels).

4.2.3. Socio-cultural situation of the 1960's Britain

Much is written about the various changes which were taking place in 1960s Britain. Terms including “swinging sixties”, “rock ‘n’ roll”, “Labour Government” and “Carnaby Street” all appear when one researches 1960s Britain or 1960s London. The 1960s saw the change in the British Government from the Conservative to Labour Party as well as many changes in the demographic, racial and cultural profile of society. This section of the chapter discusses the many issues which had an impact on the British society of the 1960s and the changes which took place during this decade. It will look at the demographic conditions and cultural change as well as economic factors which shaped the reality of the 1960s. This thesis focuses on the London context but it would be impossible to discuss the circumstances in London without considering the rest of the UK.

a. Changing demographic, economic and cultural environments

One of the first factors which are mentioned in the literature (Time 1966, Sandbrook 2006b) in respect to the 1960s is the large proportion of young people in society. Many Western nations, including the US and the UK enjoyed what became known as the ‘baby boomer’ period. These are people who were born in the immediate years

following the Second World War (exact years varied between countries) and who in the 1960s were in their late teens or early twenties. It is estimated that in the 1960s nearly 30% of the UK population were between 15 and 34 years old². Such a large proportion of young people had a direct impact on the rapidly changing trends in music and fashion which was noticeable nation-wide, although the literature and press refer mostly to London when discussing the term 'swinging sixties'. The Time Magazine published a special article on 'Swinging London' in 1966 (presented in Exhibit 1). Time claimed that London was the city of the decade, where young people walked the streets in colourful, 'trendy' clothes and listened to British music by the Beatles and The Who. The article stated that "*buildings and skirts went high*". Due to post-War hardship of the late 1940s and early 1950s young people were increasingly moving to London to seek employment. London was also the destination glorified in songs and movies and young people wanted to enjoy a lifestyle they had heard about (Benyahia, White and Gaffney 2008). National Service for men had been abolished in 1960 and young men were undertaking employment straight after leaving school. Shops with fashion for men, or 'boys' as the Time Magazine called them in 1966, opened on and around Carnaby Street (Inwood 1998, Lester 2010), which became a destination in itself for young, fashion-conscious people. Benyahia et al. (2008: 235) argues that 'swinging Britain' is the term which relates to:

"Changes in a whole range of attitudes, behaviours and moralities where Britain finally shook off the bleak, post-War way of living, where caution, practicality, repression and obedience were the norms. (...) With full employment, young people had a greater disposable income, and music and fashion came to dominate the culture. Confident in peace and prosperity, this 'swinging' approach developed across social boundaries, and an 'anything goes' attitude was popularized."

This highlights how people's attitudes were changing, together with new trends in music and fashion and also how one triggered the other.

² Time, 15th April 1966

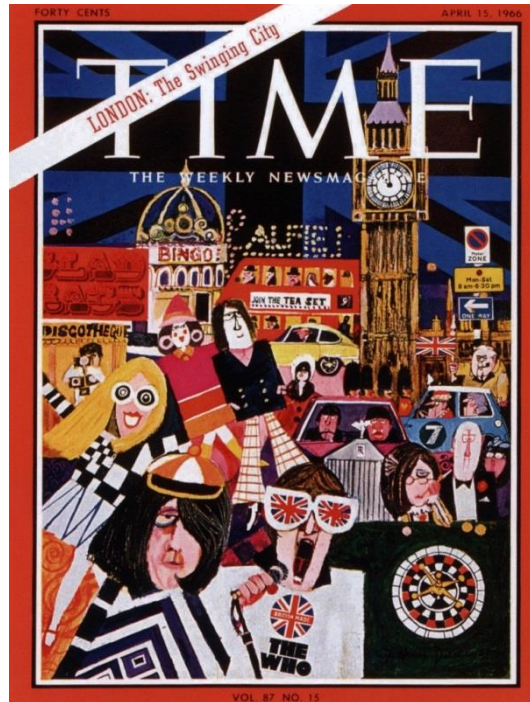


Exhibit 1. Time Magazine, 15th April 1966 cover

The growing numbers of residents in London put pressure on housing (Inwood 1998). What also contributed to the housing problem was the extent of damages caused by the London bombing during the war (Ackroyd 2001). Young people, for the first time, started sharing accommodation and renting individual rooms, which possibly also contributed to the so-called 'sexual revolution' (Porter 2000). People from this generation believed they were fighting against authority and against the establishment which was expressed by their clothes, hairstyles and behaviour. In 1961 the contraceptive pill was made legally available, first to married women, and then in 1967 to everyone (NHS 2013), which is also seen as a factor which made citizens feel more in control of their own lives (Middleton and Lickorish 2005). It is worth noting that although legal, the pill was not widely accepted and made available for another few years.

Despite the initial difficulties with housing, the 1960s are still considered to be the decade of life becoming easier and the society becoming richer. It is also referred to in the literature as 'The Golden Age of Capitalism' (Skidelsky 2009) as the age of rapid increase in prosperity in the post – Second World War decades. The exact dates of this 'economic boom' vary from country to country but it is generally agreed

that it began in the first years of the 1950s (Middleton 2010) and finished between 1971 (the collapse of the Bretton Wood system) and 1973 (the oil crisis) (Skidelsky 2009). It is connected with a number of changes in the economy which had an effect on the whole society. First of all, growing productivity led to an increased number of people in full-time employment and consequently increasing disposable income. Weekly earnings were believed to outstrip the cost of living by 183% nationally (in London this figure was believed to be even higher)³ and an increasing proportion of the society was working in so-called 'white collar' jobs and in services (Giddens 2006). Inwood (1998) states that an important source of new jobs in services sector was the tourism industry. The turn from a manufacturing to a service-based economy had an impact on the retail sector which began to change dramatically in the post-War years. Daily shopping in local groceries was gradually replaced by irregular visits to supermarkets which began to open in the UK in the late 1950s (Alexander, Shaw and Curth 2004). Such a model of shopping was facilitated by increasing access to refrigerators, freezers and cars, which were usually bought on credit, not previously available (Peston 2015). Workers, therefore, could afford more and could, gradually, enjoy a lifestyle similar to the one enjoyed by members of the middle class. This led to the development of an 'affluent worker' and the notion that "*the differences between the middle class and working class are disappearing, with well-paid manual workers merging into the middle class*" (Browne 2011: 35). People could enjoy various forms of entertainment which consequently contributed to the development of restaurants, bars and fashion shops nationwide.

Fordism is yet another concept which helps describe changes in the economic environment. Even though Henry Ford adopted the assembly line and revolutionized the market by providing workers with sufficient income to buy the produced goods in the early Twentieth Century, Fordism refers also to the post – Second World War development of capitalism (Giddens 2006). This period saw the development of trade unions and their increasing power to negotiate working conditions, wages and benefits which all contributed to the further establishment of the 'affluent worker'. The

³ Time, 15th April 1966

increasing confidence of workers had an impact on their consumption of the goods, therefore creating a mass market and promoting greater productivity gains. This cycle is believed to have ended in the 1970s, together with an increased proportion of people working in the service sector, bringing greater flexibility, but at the same time uncertainty as to working conditions (Giddens 2006).

Another aspect which contributed to making people's lives easier was the development of technology and the growing access to this technology. Never before had people access to so many home appliances which made daily chores much less time consuming and gave, especially women, more leisure time. British homes were suddenly equipped with washing machines, vacuum cleaners and freezers. According to Sandbrook (2006a), these appliances, alongside cars, increasingly became symbols of status and welfare. Also, reducing the time spent on household chores went hand in hand with growing numbers of women in full-time employment (Slattery 2009). Being a housewife was no longer the only option a woman could take. Together with various home appliances and with the rising numbers of women in employment came ready-made meals which first appeared in America in 1953. They were advertised as time-saving and convenient and had the additional benefit of being served on trays so that they could be eaten in front of the TV, another new arrival to British homes (Winterman 2013). Sandbrook (2006a: 391) quotes Doris Lessing:

"Before, when the men came back from work, the tea was already on the table, a fire was roaring, the radio emitted words of music softly in a corner, they washed and sat down at their places, with the woman, the child and whoever else in the house could be inveigled downstairs...They all talked..."

And then...television had arrived and sat like a toad in the corner of the kitchen. Soon the big kitchen table had been pushed along the wall chairs were installed in a semi-circle and, on their chair arms, the swivelling supper trays. It was the end of an exuberant verbal culture".

This quotation illustrates how the increasing TV ownership, amongst other developments, influenced family life and contributed to the wider socio-cultural changes in the society. Furthermore, there seemed to be a growing trend of choosing to stay at home to drink alcohol, instead of doing so in a pub (the number

of off-licence shops grew four times faster than the number of pubs between 1966 and 1968) (Slattery 2009), which also had an impact on people's social lives.

The feeling of security of the 1960s was further enhanced by the development of the 'welfare state', which in Britain is connected with the establishment of the NHS in 1948. The NHS for the first time granted free healthcare to all citizens (NHS 2013). Other changes brought by the 'welfare state' included paid holiday, social security system with a portfolio of benefits, council housing and free and compulsory education (Browne 2011) until the age of 16. As a result of all these improvements in economic conditions and the rising feeling of security, Harold Macmillan, the Conservative Prime Minister at the time stated that "*most of our people have never had it so good*" (Sandbrook 2006a), which is also the title of Sandbrook's book about this period.

The changes discussed applied to the whole of UK, but as suggested earlier, were mostly visible in London. This is where access to entertainment was greater and where people had more disposable income to enjoy it. The London bar and restaurant scene was suddenly compared to those of New York and Paris⁴. 'Conspicuous consumption', the phenomenon examined by Thorstein Veblen already in the 19th century (Veblen 1899), was especially visible amongst young people who did not feel the need to worry about the future due to the protection of the 'welfare state' and who could spend their disposable income on leisure. They were the group targeted by the emerging businesses (Slattery 2009). Time (1966) published a map with the key points of 'swinging London' which is presented in Exhibit 2. It is essential to note, that apart from shops, bars and clubs there are only two other locations marked on this map, Buckingham Palace and the London Hilton. There is no explanation in the article as to why the London Hilton is the only hotel marked on this map, but it can be clearly seen that the London Hilton was perceived to be in the very centre of the Swinging London.

⁴ Time, 15th April 1966

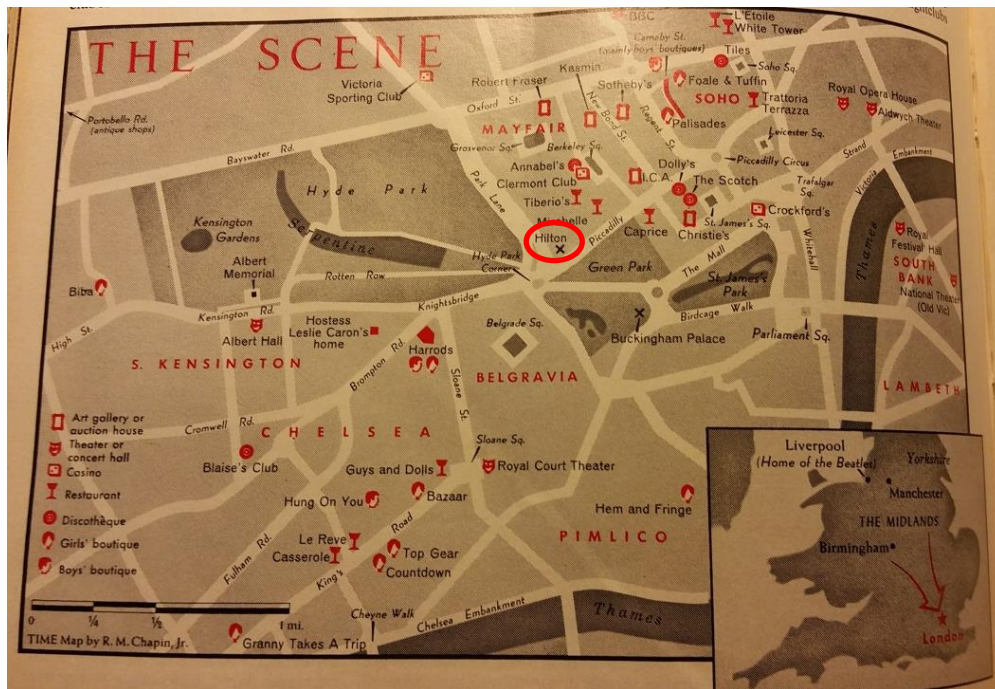


Exhibit 2. Map of the key attraction of the 'Swinging London' according to Time Magazine, 1966⁵

b. Changes in the political scene

The introduction to this chapter mentioned that the 1960s was also a decade of political change in the UK. There was a shift from the ruling Conservative Party to a Labour Government. This came as a result of the increasing influence of the 'affluent worker' and the general national mood of Britain losing its status as the Empire. British colonies gained independence, the Cold War was threatening the whole Western world and the Suez Crisis became known as a factor which "*contributed significantly to Britain's decline as a world power*" (Peden 2012). Various members of the Conservative Government were involved in political scandals including the 'Profumo affair'. As a result of these and other factors, the general election in 1964 was won by the Labour Party led by Harold Wilson. He was, in line with the 'baby boomer' trend, one of the youngest Prime Ministers (he was 47 at the time of taking the Prime Minister's role). He was also determined to highlight his working class background, which was to bring him support from the masses of the working class. He spoke with a strong Yorkshire accent, smoked a pipe in public (despite the fact

⁵ Time, 15th April 1966

that he was believed to have preferred cigars) and claimed to enjoy the popular TV serial 'Coronation Street' at leisure, as opposed to reading classic poetry like his Conservative predecessor Harold Macmillan (Sandbrook 2006a). He had a vision of an 'optimistic new Britain' where citizens could benefit from scientific and technological developments. Most importantly, however, he was very supportive towards the young and was a strong advocate for minimising the disparities between different social classes. He himself stated that he had been raised a Yorkshire boy, but was later educated in Oxford, so he could not see the need for defining his class status. Such an approach was very new to the British society which in the 1950s was believed to be conservative and "class obsessed" (Sandbrook 2006b). This means that people valued stability and order and automatically placed themselves in a certain class and the majority of them did not seek to change this status quo. Sandbrook (2006b), however, believes that what the young and affluent people wanted to see was a "classless" society. It could be suggested that due to the rising disposable income, an increasing number of people working in 'white collar' jobs and their access to consumer goods and leisure activities previously available only to the middle class, the differences between classes became to blend (Browne 2011). The working class could increasingly afford to behave like the middle class, while clerical workers, who were previously associated with the middle class, were gradually beginning to lose status (Giddens 2006). The reason for this was that firstly, with the development of services industry more people worked in clerical jobs and secondly, wider access to higher education made career progression more difficult (according to Browne (2011) managers would often be recruited from university graduates rather than promoted from the existing employees). This is not to suggest that class stratification was suddenly removed, but rather that due to various economic and social changes, visible differences between classes were becoming less obvious.

The 1960s was also a decade of many changes in the racial structure of the British society. After the Second World War citizens of many British colonies were encouraged to come to Britain (Inwood 1998). Many of them came with hopes for better life standards than offered in their home countries. The biggest influx of immigrants from the Caribbean and the Indian Subcontinent came between 1958 and 1962 (Inwood 1998), but by 1961 the number of West Indians in London only exceeded 100,000. This added to the difficulties with housing discussed earlier but

also caused many issues related to racial discrimination, including the Notting Hill Riots in 1958 (Inwood 1998). The race Relations Act was passed in 1965 and it outlawed any acts of race discrimination which was to contribute to London becoming a more multicultural city (without managing to completely eliminate discriminatory incidents).

Despite rising living standards, increasing economic stability, the availability of welfare and credit as well as the generally positive mood, not everyone was so positive about the changes which came about in the 1960s. Time (1966) reported that those who preferred the older and quieter London found its 'swinging' side too vulgar and decadent. Traditionally the upper classes were finding it difficult to accept the trend towards amalgamation between classes and the rising status of 'affluent worker'. Society, which despite all the changes was still relatively conservative (Sandbrook 2006b), was slow in accepting liberalisation of sexual behaviour and social norms. This liberalisation was also heavily criticised in the following decades. According to Sandbrook (2006b) Tony Blair went as far as to say in 2004 that the 1960s were to blame for raising people without parental discipline, proper role models and a sense of responsibility. Peter Hitchens arguably expressed a similar opinion by claiming that traditional tenets like patriotism, sexual restraint and a commitment to religion lost value and as a result, people lost faith in their national pride and identity (Sandbrook 2006a). They began to look abroad for new models of behaviour and day-to-day solutions which were completely mismatched with what Britain used to be like.

Consequently, it seems that the 1960s was the decade of change. People still preferred British products, television programmes and cuisine, but they were increasingly exposed to new ways of life, influenced by the media, supermarkets, access to credit and more leisure time and disposable money. American companies, which were becoming more visible in Britain, gave an impression of being successful while American media and marketing communication circulated images of happy and wealthy people. British people did not have a favourable opinion about Americans, many believing them to be materialistic, with little freedom of thought and putting great pressure on conformity (Sandbrook 2006a). With time, however, British society

began adopting American products, services and practices. The following section discusses this phenomenon and its historical and economic roots.

4.3. Americanisation

It has been shown that London of the 1960s was a dynamic environment with numerous cultural, social and economic changes taking place. The previous section discussed the socio-cultural changes in the British society as well the economic developments which had an impact upon it. To add to these transformations, British economy and business were also influenced by America due to a range of post-War recovery programmes. Americanisation of the European economy and culture has been discussed by a number of scholars ranging from economists to sociologists. The Oxford Handbook of Post-War European History devotes a whole chapter to this issue calling the twentieth century 'The American Century' (Gassert 2012). Schröter (2005) argues that Americanisation of the European economy came in three waves, beginning from the early twentieth century, reaching its pinnacle in the 1950s and coming into the final stage in the 1980s. Americanisation of businesses is discussed in the context of various industries including the automobile (Elger and Smith 2011) and retail (Alexander et al. 2004) industries. There is also a number of works which use individual American companies as reflections of the world-wide economic and social changes including 'The McDonaldization of Society' (Ritzer 2008) and 'The Disneyization of Society' (Bryman 2004). Alexander et. al. (2004: 568) highlight, however, that Americanisation "*refers to changing patterns of behaviour rather than some events frozen in time*" and that it was a process which occurred in both formal and informal ways. This means that it involved not only specific management practices but also the broader cultural impact.

This section discusses the role American capital and culture played in the 1950s and 1960s, the years of the London Hilton development. It begins with the historical outlook on the process of Americanisation and then discusses the nature of this process.

4.3.1. Historical outline

In April 1948, three years after the Second World War was over, the American Government proposed a plan whose aim was to support Europe in recovering its economy by rebuilding the devastated regions, modernising the industry and removing trade barriers. The plan was to be called the European Recovery Program⁶ (ERP) but it became more recognisable by its unofficial name of the Marshall Plan (after George Marshall, the US Secretary of State at the time). European countries which accepted the offer (all the countries of the Eastern Bloc rejected it) were to prepare their national redevelopment plans whose execution would be funded by the US government. This began the expansion of American foreign direct investment (FDI) in Europe. American FDI was spreading quickly but it was not evenly distributed. In the 1950s investment in Europe constituted 14.7% of the world total and rose to 31.4% in the 1970s. Until 1963, however, more than a half of the invested funds went to the UK and then they gradually moved to France and Germany. The Marshall Plan focused on more tangible aspects of the economy and only the European Productivity Agency which was created in 1953 focused more on the intangible resources including the transference of American business proceedings, habits and values. Europeans began to be informed about American methods of running businesses and American businessmen and trade union representatives were sent to Europe to inform their European counterparts about American organisations and methods (Schröter 2005). In Britain, this kind of cooperation began earlier than in the rest of European countries and operated as the Anglo-American Council on Productivity between 1948 and 1952. Its aim was to *“promote economic well-being by a free exchange of knowledge within industrial organisations in terms of methods and techniques”* (Alexander et al. 2004: 568). In order to fulfil this aim, the Council sponsored study visits to the US for British managers and representatives of various industries.

In the course of these development programmes, not only were Americans sharing their business knowledge with the local people, they also opened many subsidiaries

⁶ American spelling is applied when American names are cited

of their own companies. The main scholar who has studied these companies was John Dunning who became known as a 'father' of international business. In 1953, Dunning conducted research to explore the differences between European and American management practices. He studied 205 subsidiaries of American firms in the UK and found that these companies differed significantly from the English ones. He also found that these companies were managed in a typically American way and, as a result, were very similar to each other and to their parent firms back in America (Dunning 1998). What is meant by the 'American way' is what Chandler (1959) understands as the American 'Managerial Revolution' and which includes implementation of a number of innovations including separation of ownership from control, corporate structure, the rise of the professional managerial class and increasing investment in marketing. He believes that these practices shifted the American economy from the 19th century style of management to the 20th century development of big business (Chandler et al. 1997). Dunning concluded that the industrial productivity of the UK was advanced by applying the American managerial methods and philosophies. Much in the same way as the 'Managerial Revolution' advanced the American economy, similar principles helped enhance the British economy in the years after the Second World War. Dunning's research was restricted to the manufacturing sector, similarly to other studies on the importation of the 'American model' (Alexander et al. 2004). Alexander et. al. (2004) found, however, similar patterns of transference in the retail sector so it could be expected that the services industry followed suit.

Bonin and de Goey (2009), on the other hand, argue that the UK was more resistant than other countries to the changes brought from America because it was itself a "*cradle of modern industrialization*". This does not mean that American business management practices or cultural norms had no impact on Britain, but rather that this impact was not so easily discernible, because these two countries were already culturally close due to a common heritage and language traditions (Bonin and de Goey 2009). This was not the type of relationship that could be observed between America and one of the developing countries but one based more on partnership and cooperation. These close ties led to coining the term 'special relationship' between America and Britain, which was founded not only on a common heritage but also on military, political and economic cooperation. Both America and Britain claim to have

maintained the status of the 'special relationship' despite political changes in both countries throughout the years (Dumbrell 2006).

Following the extensive foreign direct investment from America and the exposure to the American business model under the Thatcher government between 1979 and 1990, the UK arguably became "*a standard-bearer for American-style policies as deregulation and privatization*" (Bonin and de Goey 2009) took hold. This would suggest that despite initial resistance and intrinsic cultural similarities, it was Britain who followed in American footsteps and not the other way round.

4.3.2. Americanisation as a two-way transaction

It would be a simplification and a mistake to think of Americanisation as a one-way process where practices and values simply shifted from America to Europe. It was, instead, a long-term two-way transaction involving countries on both sides of the Atlantic. Schröter (2005: 4) believes that Americanisation should be understood as "*a national or even regional adaptation to an American-originated influence*". He adds that in the process of transfer all practices were adapted to local customs and requirements. He compared the American influence on other nations with the Soviet impact and found that "*organisational patterns can be exported by force, but unless they meet with genuine consent they are doomed to break down once the power that forced the export is removed*" (Schröter 2005: 4). Moreover, these patterns and institutions need to be understood by the receiving side before such transfer takes place. Therefore, in order to effectively transfer certain institutions, there should be a degree of similarity between the two countries and a readiness to become involved in the process. The previous research suggests that Europe expressed such readiness in the decades after the Second World War.

Due to the development of media and communication, the British people had access to American music, movies and television programmes (however, as mentioned earlier, British television programmes were believed to be more popular). The 1960s saw the shift from the 'Golden Age of Hollywood' (Maltby 2003) to the so-called 'New Hollywood' (King 2002) or 'post-classical cinema' as well as the Walt Disney Company's most prosperous years (Holliss Sibley 1988). Consumers in Europe were

increasingly gaining access to products of these companies which, with time, blended with the local ones. Kroes (2007) discusses how citizens of European countries were exposed to American products and later to advertising. One of the first products which became synonymous with the American presence was Coca Cola which, arguably, arrived in Europe with the American soldiers (Bonin and de Goey 2009). Amongst the most widely advertised brands in the 1950s and 1960s, however, were PanAm, Hilton Hotels and later McDonalds, Gap and Best Western (Wilkins 2009). Marketing of American goods often used images of happy, wealthy people pictured in attractive locations, often with symbols of status like a car or expensive home appliances. At the same time, the presence of American businesses was becoming more visible on the British market and people started to associate the advertising images with the achievements of the American economy. As a result, the British public was inclined to believe that American ways of managing businesses were the way to gain the glamorous lifestyle represented in advertising. Bonin and de Goey (2009: 13) state that “*looking at the USA was like looking in the future*” and the term ‘*American*’ became for some people the synonym of ‘*modern*’ (Gassert 2012). Consumerism in the form communicated by the media and advertising turned out to be, therefore, a distant dream in the post-War Europe and its arrival on the continent was eagerly anticipated (Kroes 2007). Alexander et al. (2004), on the other hand, seem to treat American advertising as an ‘assault’ on a British customer. They claim that the images portrayed by the media were particularly alluring to people in Europe because it was still “*torn*” after the Second World War (Alexander et al. 2004). This, together with the wide-spread adoption of American management practices, caused by growing American FDI led to what Gassert (2012) calls “*voluntary Americanisation from below*” which reached its pinnacle in the 1950s and 1960s. What he means by this term is that American values and practises were transferred not only on government or business management levels, but they also reached ordinary citizens.

However, even though looking towards America for innovative solutions and for means of achieving a more comfortable lifestyle, Europeans did not accept them without adapting them to local conditions. For example, American companies, according to Bonin and de Goey (2009), began operating by using American

management methods, but these were, with time, blended with the local ones. Kroes (2007: 50) explains this relationship in the following quote:

“Americanization is never a simple zero-sum game where people trade in their European clothes for every pair of blue jeans they acquire. It is more a matter of cultural syncretism, of an interweaving of bits of American culture into European cultural habits, where every borrowing of American cultural ingredients creatively changes their meaning and context. Certainly, Europe’s cultural landscape has changed but never in ways that would lead visiting Americans to mistake Europe for a simple replica of their own culture”.

Additionally, as suggested earlier, there were certain cultural and institutional similarities between the UK and the US which helped the two blend more easily. According to Gassert (2012), in the nineteenth and twentieth centuries, America and the whole of Europe were in such close communication that it is *“impossible to pinpoint the origins of a particular cultural item”*. He adds that *“we should conceive of Americanization as part of a dialogue among the cultures boarding the Atlantic”* (Gassert 2012: 185). Also Dahrendorf (cited in Schröter 2005: 6) understands the process of Americanisation in the similar way and highlights its succeeding nature:

“Americanization in Europe is a process whereby values that originated in Europe were developed and processed in the United States and then re-imported back to Europe. The historical ties of [sic] between the two countries were of great importance in the development of American institutions, and in turn were a helpful conditioning for the Americanization of Europe”.

This statement reflects the process of the development of American and British hotel industries and the ‘special relationship’ between them which stems from a common heritage and which helped shape these countries’ economies and cultures. Nickson (1998: 54) states:

“American multinationals did initially dominate the international hotel industry and provide a ‘best practice’ hotel management model. This transfer of management practices, standardised hotel formulas and modern marketing expertise was achieved as US multinationals followed the flow of American businessmen and tourists to Europe in post-War period”.

This does not mean, however, that these standardised formulas did not, with time, gain local flavour.

4.4. American context

Having discussed the British historical context, the focus now shifts towards America as the home country of Hilton Hotels Corporation and its subsidiary, Hilton International. It is necessary to move back in time from the 1960s to the 19th Century and the origins of American grand hotels. This section of the chapter illustrates the development of American hotels and compares them with the British hotels operating in the same time period. The comparison includes not only architectural and technological characteristics, but also service standards and the social role of these establishments.

4.4.1. The development of hotels in America

Early development of the hotel industry in America followed much the same pattern as in England, beginning with inns and taverns providing accommodation for people travelling by stage coaches. The first recorded inn is believed to have been one in Jamestown, Virginia which was built around 1610 (White 1968). Rather controversially, White (1968) claims that what triggered the steady improvement of inns and hotels erected in America was frequent fires. He further claims that most of the currently operating historical hotels would have been rebuilt at least once or twice within the last century due to the destructive power of fire (White 1968).

The literature concurs that the Tremont house in Boston is considered the first American grand hotel, despite the fact that there were other hotels built before it. White (1968: 129) states:

“It was an American claim that there is as big a difference between the old inn and the modern hotel as between a broom and a vacuum cleaner; that the modern luxury hotel is as much an invention as the sewing machine and that it was an American invention, the first transatlantic development that owed nothing to Europe”.

It is important to highlight the term ‘*invention*’, especially in the context of buildings which, as agreed by a number of researchers (Sandoval-Strausz 2007, Berger 2011) resembled European palaces and grand homes. Even White, who claims that the Tremont was a purely American invention, later refers to the fact that French decorations were used throughout. Americans, however, like to speak of the

Tremont as the predecessor of all modern grand hotels (White 1968, Sandoval-Strausz 2007, Berger 2011). White's (1968: 129) chapter about the Tremont begins with the sentence:

"The first hotel that was ever invented, the Tremont, opened in Boston, Massachusetts, on 16th October, 1829".

Whether one agrees with this statement or not, it is essential to introduce this hotel as one which was seen as an unrivalled example for many years. The Tremont was innovative in many areas (Sandoval-Strausz 2007, Berger 2011): it was one of the first hotels which had a lobby where checking in and out took place (Slattery 2009). It also had a dining hall which could accommodate 200 customers, private dining rooms and separate drawing rooms for gentlemen and ladies. A number of authors agree that the Tremont House in Boston was 'the first world's modern hotel' (White 1968, Sheppardson 1991, Sandoval-Strausz 2007, Berger 2011). Nikolaus Pevsner, a renowned architecture historian, is quoted by Wharton (2001) as claiming that the Tremont was the first hotel to be treated as 'an architectural monument'. Everything in it was said to be innovative: secure door locking, indoor plumbing, steam heating, gaslight, call bell system, fireproof construction and the façade of the hotel which was covered with granite. Berger (2011) believes that the Tremont in Boston was the only one of its kind and something of a tourist attraction, which seems to be an ultimate designation of a hotel being grand. Having been so successful it also set standards for many other hotels. She also highlights that the Tremont was not only modern but also very elegant in its design, residents of Boston often calling it "*one of the proudest achievements of American genius*" (Williamson 1930: 15). White (1968: 130) claims that: "*there is little doubt that the opening of the Tremont was the start of what we now know as the American Way of Life*", which is an important statement in the context of this study focusing on the Americanisation of hotel-keeping practices.

Despite being so modern and innovative, the Tremont remained open for only 66 years. Slattery (2009) claims that it was common for American hotels to close fairly quickly because of the very fast development of hotel keeping standards and new technologies. New, more modern hotels were built at such a fast rate that the older ones lost their appeal very quickly. A key role in the rapid changes in the American hotel market was played by the fact that America was a country of high migration,

both from Europe (Pollack 2011) and within its borders (Sandoval-Strausz 2007, Berger 2011). As new cities were established and expanded, movement of people followed suit. Politicians, merchants and entrepreneurs needed space not only for accommodation, but also for sharing their ideas, discussing plans and establishing connections (Sandoval-Strausz 2007). Hotels were considered as spaces that provided social inclusion and freedom that facilitated advancement of American society and they were expected to progress at an equally fast pace.

Observing the growing success of the Tremont House, John Jacob Astor, one of the first American financial tycoons, concluded that if such a grand hotel could find customers in Boston, it should also be able to do so in New York. This motivated him to build the Astor House in 1836, the design of which he committed to Isaiah Rogers, the constructor of the Tremont (Sandoval-Strausz 2007). As every other new hotel on the market, the Astor House included some innovations, such as its own gas plant and printing facilities and 18 shops located on the ground floor (Slattery 2009). Already in 1897, however, the Astor House was overshadowed by two hotels built by Astor's grandsons, William Waldorf and John Jacob IV. The two neighbouring hotels, The Waldorf and the Astoria, were later connected by the "Peacock Alley" and formed the Waldorf-Astoria, the largest and most complex hotel in the world at the time (Berger 2011). It boasted a ballroom, theatre, banqueting room, a suite for wedding receptions, lecture rooms and rooms for secret meetings, stock broker offices, a photography gallery and a range of services including hairdressing and Russian and Turkish baths (Slattery 2009). Despite its grandeur, the Waldorf-Astoria was affected by the difficult times of prohibition and could not defend itself against technological advancements, the most affecting of which was the technology which allowed for the building of skyscrapers (Slattery 2009, Berger 2011). In the late 1920s the centre of New York's elegant social life moved farther north (Sandoval-Strausz 2007). The original Waldorf-Astoria was demolished in 1929 after only 32 years of operation, giving space to the construction of the Empire State Building. New York was not, however, left without a Waldorf-Astoria and the new one with this name was constructed in 1931. It was twice as large as the original one, more modern and designed in art nouveau style (Wharton 2003, Slattery 2009). The hotel is still in operation and is seen as one of the landmarks of New York. The central place in the lobby is occupied by the clock which was preserved from the original

Waldorf-Astoria and which adds an authentic historical feel to the ambience of the hotel (Wharton 2003). A special area on the ground floor has been arranged as a small museum which illustrates a rich collection of pictures and artefacts from both Waldorf-Astoria hotels. One of the plaques calls the hotel “*The Unofficial Palace of New York*” which illustrates the role that the Waldorf-Astoria plays on the New York grand hotel scene⁷.

Prohibition, the Great Depression and growth in the automobile industry were the key factors which affected the American hotel industry in the first half of the Twentieth Century. The social role of grand hotels amongst the American upper classes led to the situation where a high percentage of revenue was generated by non-rooms demand. When in 1919 all production and sale of alcoholic drinks became banned, hotels lost a great proportion of business coming from restaurants and hotel bars. The situation was worsened by the Great Depression and the Wall Street Crash in 1929 which led many businesses and personal fortunes to bankruptcy. In 1933 the American Hotel and Lodging Association (AHA) recorded the lowest average occupancy rate of 51% to date (AHA 2016). The American hotel industry had to look for new markets and new solutions. One such opportunity came from the automobile industry. When Ford, General Motors and Chrysler all adopted integrated mass production techniques incorporating the use of assembly lines and the car industry became the largest industry in 1930 (Slattery 2009), demand for appropriate infrastructure became evident. Motels were developed as a response to this need, the first one being San Luis Obispo in California which opened in 1925 (Watters 2011). They were located along motorways and offered limited, standardised service (Sandoval-Strausz 2007). Generating up to 75% from renting bedrooms (Slattery 2009), these establishments became immune to challenges connected with prohibition. A similar principle was adopted by so-called ‘apartment

⁷ Conrad Hilton purchased the Waldorf-Astoria in 1949, making it Hilton Hotels’ eastern coast headquarters. The hotel was owned by Hilton until 2015 when it was purchased by Chinese Anbang Insurance Group Ltd. It is still to be managed by Hilton Worldwide, under a new management agreement signed for a 100-year period (<http://news.hiltonworldwide.com/index.cfm/news/hilton-worldwide-closes-sale-of-the-waldorf-astoria-new-york-and-reaches-agreements-to-redeploy-proceeds-to-acquire-five-landmark-hotels>).

hotels' which provided permanent accommodation to their residents. They provided a different kind of product than motels, but the principle of generating revenue from accommodation instead of from bars and restaurants was similar.

The first half of the Twentieth Century saw the rapid expansion of mid-market chain hotels including Western Hotels (now Westin), United Hotels, Sheraton, Marriott, Holiday Inn and Statler (Slattery 2009, AHA 2016). The latter is considered to be the first chain of standardised hotels. Ellsworth Milton Statler was committed to developing a chain of hotels affordable for travelling salesmen and for families. His famous slogan of "*A bed and a bath for a dollar and a half*" summarised his vision (Miller 1968). Statler's methods of hotel keeping are often associated with the management techniques of Henry Ford (Sandoval-Strausz 2007, Berger 2011). Hotel building plans and operations were designed in ways that allowed for maximum efficiency and economies of scale as well as for control over mass production. For example, bathrooms in rooms were built back to back in order to share a single plumbing system, guest and service lifts were grouped together to benefit from one shaft and machinery and bedrooms had connecting doors so that they could be converted into suites. Restaurants adopted bulk purchasing and large-scale food preparation (Sandoval-Strausz 2007). Members of staff were required to memorize prescribed instructions and were often surprised by quality inspections. They were, however, entitled to paid holiday, free health care and profit sharing which further strengthened the similarity between Statler Hotels and Ford's Automobiles' management systems (Miller 1968, Sandoval-Strausz 2007, Berger 2011). Statler Hotels are believed to be the first chain which was recognisable because of this standardised approach to managing hotels; a feature later associated with Hilton Hotels.

The biggest difference between the American and the British hotel industry in the early 20th Century is the fact that the American industry was much less affected by the Second World War. The US entered the War only after the Japanese attack on Pearl Harbour and even then hotels did not cease operations with many of them earning considerable revenues from renting rooms to the Military (Young 2016). As a result, in 1946 AHA (2016) recorded the highest ever average occupancy rate of 93%. Many grand hotels, and especially those in New York, benefitted from the

wealth of their founders such as the Astors and their patrons including the Vanderbilts and the Rothschilds (Berger 2005). Family fortunes allowed for constant redevelopment of hotels and the implementation of technological innovation even when these investments could not generate any considerable profit (Slattery 2009). While development of British hotels almost stalled in the first half of the 20th Century, American hotels, both luxury and mid-market, operated with few interruptions. This gap was not to be closed for many decades.

4.4.2. Comparison of the early grand hotels in London and America

a. Design

It was mentioned earlier that operating a hotel in London was perceived as a lifestyle choice and that often elegant hotels were managed by charismatic individuals, with the support of their families (for example, William and Marianne Claridge and Rosa Lewis, the owner of The Cavendish Hotel, married to butler Chiney Lewis). In America, on the other hand, hotels were a means of developing business and were established by wealthy investors or consortia which explored modern methods of funding including lottery or stock shares (Sandoval-Strausz 2007, Berger 2011). Wharton (2003) highlights that urban hotels in the United States were usually built for the profit of investors, as opposed to European hotels which were built as a vocational activity for families. This reflects the capitalist drive which was visible in the United States from the early days (Boorstin 1966). American entrepreneurs never denied the purpose of their businesses, which was always to generate profit. The literature on European immigration to America concurs that people moved across the Atlantic hoping for better conditions of life and a more prosperous future (Pollack 2011). It is, therefore, hardly surprising that more entrepreneurial individuals quickly set up and developed their own businesses here.

The Langham, being the first London hotel built on a truly grand scale, was enjoyed by American visitors. Watkin and D'Ormesson (1984) claim that they appreciated its grandeur, reminding them of hotels back home. However, even then, it was said that it could not be compared to American hotels which were larger, more modern and significantly more technologically advanced (Borer 1972, Taylor and Bush 1974).

Already in 1861 August Sala considered hotels in America to be at least a century ahead of those in England (Sandoval-Strausz 2007) and this disproportion widened further in the first half of the 20th Century. Boorstin (1966) describes American hotels as mimicking Buckingham Palace, being as roomy and as elaborately decorated and boasting a similar range of drawing rooms, suites and bedchambers. This highlights the fact that American hotels were designed so that they resembled European palaces, as opposed to what White (1968) claims about the Tremont. Haley (2011) suggests that America, being a young nation, had to reflect on European trends in fashion, cuisine and design. The wealthy Americans were usually of English descent, white, Protestant, well-educated and from the upper-class families (Haley 2011). The only way for them to differentiate themselves from others was to enjoy these top-class European ways of entertainment and to live in 'palaces' which reminded them of the grand homes of Europe.

Such an approach to standards depicts how young (in terms of being a relatively new country) Americans moulded various formal and informal rules to their own needs, consequently creating the whole new world of new institutions. It also suggests that people do not necessarily take institutions for granted, but they are restrictive in what they accept and refuse, and that they are willing to adapt institutions which do not suit their ways of life, thus reflecting Oliver's view on institutional change (Oliver 1991).

b. Technological innovations

American hotels were able to adopt new technological advancements because the majority, including the Tremont House and grand hotels in Manhattan, were purpose-built. One such innovation was steel-framing, which made buildings fire-proof (Sandoval-Strausz 2007, Berger 2011). As buildings became taller throughout the years, lifts for both luggage and guests became more common. Modern solutions in plumbing systems were another feature which differentiated American hotels. Private bathrooms, widely available running water hygienically disposed of waste were features enjoyed by American hotel guests (Borer 1972), while in London many hotels did not provide private bathrooms until after the Second World War.

Sheppardson (1991) claims that English hotel patrons resisted such changes for some time suggesting there was no need for private bathrooms. One of the first hotel managers who introduced modern technological solutions to London hotels was Henry Ford, J.J. Ford's son who in 1882 came back from Canada to take over the management of Brown's hotel (Borer 1972). By 1885 he had introduced such novelties as bath tubs, electric lighting and telephones, which were first complained about but later made Brown's one of the most popular hotels in London.

It would be easy to conclude that the technological modernity of American hotels was the factor which increased their appeal. Some might go further in their judgment and argue that people in London resisted change because they were traditionalists (Borer 1972). Such an explanation would, however, be extremely simplistic because evaluating this issue from an institutional point of view offers alternative conclusions. It would be unfair to expect London hotels to adopt technological innovations when they were often established in existing mansions in the centre of a busy (even at that time) city. American hotel constructors did not face this problem as they could freely choose where they wanted their hotels to be built (at least to some extent). Moreover, the London's hotel market was influenced by the political situation in Europe and the two World Wars much more strongly. While London hotels were struggling for survival, American hotels were being constantly invested in and modernised.

c. Dining habits

One of the major differences between the early grand hotels in London and America was the approach to dining. It was not common amongst English society, and especially for women, to dine in public until the 1880s (Borer 1972). In London hotels, food orders would be taken by a butler each morning and meals would be served in private dining rooms. This stemmed from the lifestyle lived by members of the upper classes. They were a closed circle of people and dining, like other forms of entertainment, was to be enjoyed in privacy just by the chosen members (Borer 1972, White 1968). Such an institutional arrangement deeply rooted in English culture was not easy to change. People who were raised in this kind of environment simply could not imagine any other way of social order.

All this changed when Cesar Ritz took over the management of the Savoy. Ritz, who gave up his prominent job as a hotel manager at the Grand Hôtel National in Lucerne to move to London, brought with him the chef Auguste Escoffier. Together they transformed British dining habit and developed eating out as a social event (Ackroyd 2001). What was innovative in their approach was the attention they paid to women's needs. They created dishes which appealed to women's tastes, but they also took care of the layout and design of the dining rooms so that women felt comfortable in them. The restaurant at the Savoy attracted celebrities of the time and customers from America. Borer (1972: 211) states:

"In foggy, lamplit London, where Society was still unashamedly ostentatious, the Savoy quickly became an unqualified success. London at last acquired the restaurant habit and the stars of the stage and the opera, the American and South African millionaires were all to be seen at the Savoy."

This quotation suggests that this new approach had a wider impact, contributing not only to the Savoy's success, but actually influencing trends in society. Brown's was another London hotel which introduced public dining (Borer 1972), however, its Director, Henry Ford, retained private butler services for guests who preferred more traditional ways.

When trying to understand the role of Ritz and Escoffier in making dining out firstly accepted and then fashionable, an institutional-focused researcher should ask whether there were any other conditions which triggered this shift. It can be argued that the world at large was becoming more modern. Nineteenth century was the age of technological development, increased travel and growing wealth (Leach 1993). The Industrial Revolution in Britain was a turning point in history when making money was no longer available solely to the upper classes, but offered growing opportunities for other members of the society as well. These changes in economic and social areas of life would have an impact on people's behaviour and choices. This suggests that one cannot discuss issues like the development of public dining in isolation from the surrounding factors. The role of Ritz and Escoffier is hardly questionable, but one needs to appreciate the wider conditions which allowed the new trends to prosper.

As opposed to London before the times of Ritz and Escoffier, Americans at home, enjoyed public dining and spent their time in large lobbies where they could be seen by other influential members of the society (White 1968, Groth 1994, Slattery 2009). Dining in a hotel restaurant among hundreds of well-dressed people was seen as a highlight of a trip to the city (White 1968, Groth 1994). Dining in public had a kind of symbolical meaning for American citizens. It was supposed to mirror the American ideals of democracy and open market. Americans even claimed that dining in private *“engendered the spread of dangerous blue-blood habits”* (Groth 1994: 30). Americans not only shared the pleasure of dining with others, but also conducted business when dining. This again highlights how American society adapted existing rules to suit their needs. Sandoval-Strausz (2007: 314) states:

“Hotels were part of a larger project that created a new American space. This involved a number of overlapping efforts, all of which were intended to remove barriers to mobility, freeing people to move about the national territory in pursuit of arable land, commercial opportunities, and new forms of social and political association”.

This quotation suggests that changes observed in hotels were only one of the visible changes in the wider society. Similar shifts were evident in other areas of life and American society at large was becoming more open and public than in Europe.

Chapter 4.2.1 discussed the role of French cuisine in the development of restaurants and grand hotels in London. This cuisine also played an important part in the expansion of American hotels and popularisation of restaurants. Haley (2011) believes that it played a crucial role in enforcing class stratification in the evolving American society. He states:

“By consuming the cuisine of Old World elites, society leaders of the late Nineteenth Century believed they were asserting a claim to membership in a European-style aristocracy. If you are what you eat, then eating like the French nobility made you an aristocrat” (Haley 2011: 2).

It was not only the taste for French meals that diversified society, but the habits associated with dining in French restaurants served as a self-selective mechanism. People from the middle-classes, even if they could afford to dine in these establishments, often could not understand menus written in French and for this reason were faced with the hostility of waiters. They would, consequently, avoid

patronising the most elegant restaurants and would seek adequate service elsewhere. Haley believes that this contributed to restaurants becoming, with time, more egalitarian and cosmopolitan and to the fact that service in these restaurants became less formal and offered ethnic and American cuisines. This was, however, a slow process and the restaurants in early American grand hotels were dominated by the French culinary heritage.

d. 'Palaces of the people'

American hotels, in general, were designed with many public spaces so that guests had several opportunities to socialise and interact. It was fashionable to be seen in lobbies, restaurants and drawing rooms. Sandoval-Strausz (2007) even claims that establishing a paradigm for public life in America was the intended purpose of hotels. Europeans, who were not accustomed to such behaviours complained about the lack of privacy in American hotels (Sandoval-Strausz 2007). Boorstin (1966) claims that the boundary between 'private' and 'public' became very blurred in the 19th century. He writes that Americans created the new world of open doors, first names, front lawns and eventually restaurants, bars and hotel lobbies.

This new communal world was, according to Boorstin (1966), neither public nor private. This gave citizens the opportunity to 'consume' hotel services without actually staying in them. People would happily meet and socialise in hotel restaurants and lobbies which gave them the sense of belonging to this privileged world.

A number of authors write about American hotels being '*palaces of the people*' (Boorstin 1966, White 1968, Sandoval-Strausz 2007, Berger 2011). Sandoval-Strausz (2007: 62) explains that this phrase combines two opposing characteristics:

"Palaces recalled the luxury and splendour of European aristocracy but also evoked the exclusionary, antidemocratic character of the Old World social order. By contrast, invoking 'the public' indicated respect for a citizenry whose symbolic ownership of the hotels paralleled the way it controlled its government."

American hotels were supposed to reflect the democratic ideals of this modern society, where people were responsible for their own fate. In America, as opposed to

London, everyone could come to a hotel and expect to be served; the word 'everyone' applied, however, only to white male, Christians (Sandoval-Strausz 2007). This 'equality' was available only to wealthy people. White (1968: 146) writes: "*Every citizen was a king and the hotel was his palace so long as he had the price in his pocket*", which highlights the main difference between English and American society, that wealth was the determinant of social status. Berger (2011) notes that this novelty gave Americans an opportunity not only to live beyond their means but also to live a certain lifestyle despite their political views. Berger (2011: 137) states: "*For a price, any good republican could live like a prince, be treated like royalty, and feel entitled to aristocratic luxuries.*" This suggests, again, how Americans used various institutions for their own benefit.

The creation of public life and making hotels available for the wider public could be treated as a clear example of organisations' impact on existing institutions. On the other hand, there is a dilemma whether it was the organisations that changed the rules, or people's demands for such adaptation to which hotels simply reacted. This question is not simple to answer, especially from the perspective of time. Some authors claim that American hotels did not provide for consumers' needs, but by their luxury and flamboyance they actually created certain needs (Leach 1993). People could not expect particular levels of luxury because they had never experienced it before. A similar argument can be made about access to flamboyant hotel restaurants and lobbies; citizens did not consider public spaces important until they actually tried living the public life. Such an explanation would be a representation of organisational impact on institutions and consequent isomorphism because, as argued by Boorstin (1966) the public life and entertainment spread to other areas of social life, not only hotels. If, however, hotels only reacted to the changing trends and habits of modern society, then it would not be organisations' influence on institutions but rather people's decision to mould and change the existing institutions. This question is relevant especially in light of the discussion about Hilton being one of the first 'modern' hotels in London.

e. Permanent residency

In the early days of grand hotels development in London in the 19th Century it was often necessary to be provided with a personal introduction in order to stay at a grand hotel (Sheppardson 1991). In comparison, Americans paid to live in residential apartments thus living the lives of the upper-classes without the need for actually possessing a grand home (Groth 1994, Dolkart 2005, Slattery 2009, Berger 2011). This trend continued on to the second half of the 20th Century (Slattery 2009). Living in hotels was so common in America that, according to White (1968), it was widely believed in England that home life in a house was virtually unknown, that all Americans lived in hotels. Groth (1994: 30) explains that the reason for using grand hotels for residency was the difficulty in finding well-trained servants who would be as docile as their colleagues in England. However, he also adds that living in a grand hotel in America was a means of buying social status without the need for actually accruing it. This social status of the wealthy was to be seen by others, hence the designs of dining rooms, lounges and flamboyant lobbies.

Another reason why some people chose to live permanently in hotel apartments was the unique combination of privacy and publicity (Groth 1994). Hotels provided a shelter from public interest, which was appreciated especially by politicians and stage personalities. Hotel clerks would notice every person coming in and leaving the hotel which provided security, but they would not ask unnecessary questions enabling residents to feel that their privacy remained intact. On the other hand, public life in dining and drawing rooms as well as lounges and lobbies was available whenever the resident required it.

English visitors to London, on the other hand, did not stay in hotels for very long and they did not consider permanent residency (Taylor and Bush 1974). One of the main reasons for this was that English guests never knew what to expect on their bills as prices were not published and customers were forced to pay for various 'extras', such as candle light (Berger 2011). Taylor and Bush (1974) claim that a gentleman would stay in a hotel only until he found appropriate lodging and he would not bring his family to live in a hotel but preferred a private mansion.

This highlights the differentiated approaches to hotel accommodation in America and London and how, looking from an institutional point of view, different institutional

arrangements shaped people's preferences. Despite originating from the same Anglo-American traditions, consumers had different expectations and different goals in their lives. By making certain choices they also created rules of social behaviour and therefore amended the existing institutional environment. As noted earlier, members of American society originated from Europe so they were accustomed to European rules and standards of behaviour, however, they decided to change them to suit their own purposes. Such behaviour, on the other hand, reflected the circumstances people found themselves in. There was no need to build one's status in England, because upper classes were well established. In America, where the society was essentially created by immigrants, there was an opportunity to shape one's status. This reflects the duality of relationship between actors and institutions; institutions shape actors' behaviour, but at the same time actors have the power to amend institutions by making choices, whether these choices are intended or not.

4.5. Conclusions

It is clear that despite common British and American heritage, there were certain differences in development of the hotel industry in these countries throughout the years. The key conclusions arrive from the discussion of the development of hotel industries in England and in America:

- The comparison of early grand hotels in London with their counterparts in America suggests that there were major differences between them, despite sharing common heritage. What differentiated these hotels, however, were not only technological advancements, but also the role they played in society. While in Europe grand hotels were the 'playground' of the noble, privileged classes, in America customers who frequented the most luxurious hotels were the nouveau-riches and industrialists who wanted to be perceived as upper-class but did not see the need for spending time on accruing this status. Such an approach to using hotels reflected democratic ideals of American society and was an early reflection of the growing commercialised market. As Amatori and Colli (2011: 84) suggest, nineteenth century America was "*about to become the first nation of mass consumption*". As the mass consumption

spread across the western world, so has the American style of service in grand hotels, despite the traditional attitudes of the English society.

- What also becomes evident from the review of the early development of grand hotels is that hotel management practices were transferred from England to America and vice versa in two stages. First, Americans constructed their hotels designing them so that they looked like grand homes and palaces in which the English upper classes lived. They were elaborately decorated to make residents feel they belonged to the privileged few. Relatively quickly, however, Americans re-developed ideas brought over from across the Atlantic and became forerunners of hotel development and management. American standards of hotel keeping became a benchmark for hoteliers around the world (White 1968, Wharton 2001, Sandoval-Strausz 2007).
- The gap between hotel standards in America and in England which was clearly visible in the 1960s was caused by the critical events of the Twentieth Century and mainly by the Second World War. While the English hotel industry almost stalled between 1939 and 1945 and hotels were forced to act as shelters and provisional offices, the American hotel industry was affected to a much lesser extent and financially benefited from accommodating the Military. The Twentieth Century in America saw the development of chain hotel companies, including Statler, Holiday Inn, Marriott and Hilton. At the same time the hotel industry in England was highly fragmented and lacked investment.

Americanisation was not forced on European businesses and citizens. American values, lifestyle and methods of running businesses were eagerly anticipated in Europe which was rebuilding itself after the War. The reason for this anticipation was mainly the fact that America was portrayed as a land of success and profitability which stood in contrast to war-torn Europe. People who were exposed to the marketing of American products and services associated them with a comfortable and prosperous life. In addition, managers of European businesses were persuaded by their American colleagues that businesses run with American methods were successful and could expand worldwide. This led to the acceptance of American business management practices and elements of American lifestyle, despite apparent differences between the two societies.

5. Hilton Hotels Corporation and Hilton International

5.1. Introduction

The first chapter of Part 2 aimed at presenting and analysing the external context in which Hilton Hotels, and later the London Hilton, developed. Further following the multiple-embeddedness model presented in Figure 5-1, this chapter now focuses on Hilton Hotels as the parent company of the London Hilton. This is the section which benefits mainly from archival sources collected in the Hilton Collection at the Hospitality Industry Archives in Houston and in-house Archives of the London Hilton (now Hilton on Park Lane). Before discussing the company, however, its founder will be introduced. Chapter 2 clearly stated that one of the key institutional ownership advantages which allow companies to internationalise is the company's culture. Key figures often have an impact on how such corporate cultures are shaped and consequently how they affect corporate strategy. In order to understand some of the company's decisions, one needs to learn about its founder, his upbringing, beliefs and dreams. Chapter 3 also stated the reasons why Hilton was chosen as the case in this study. The reasons included the fact that for many years Hilton was owned and managed by its founder who had strong beliefs. This study illustrates how these influenced the company and its strategic decisions. In order to fully understand these choices this section begins with a description of Conrad Hilton's early life and his career in the hotel industry.

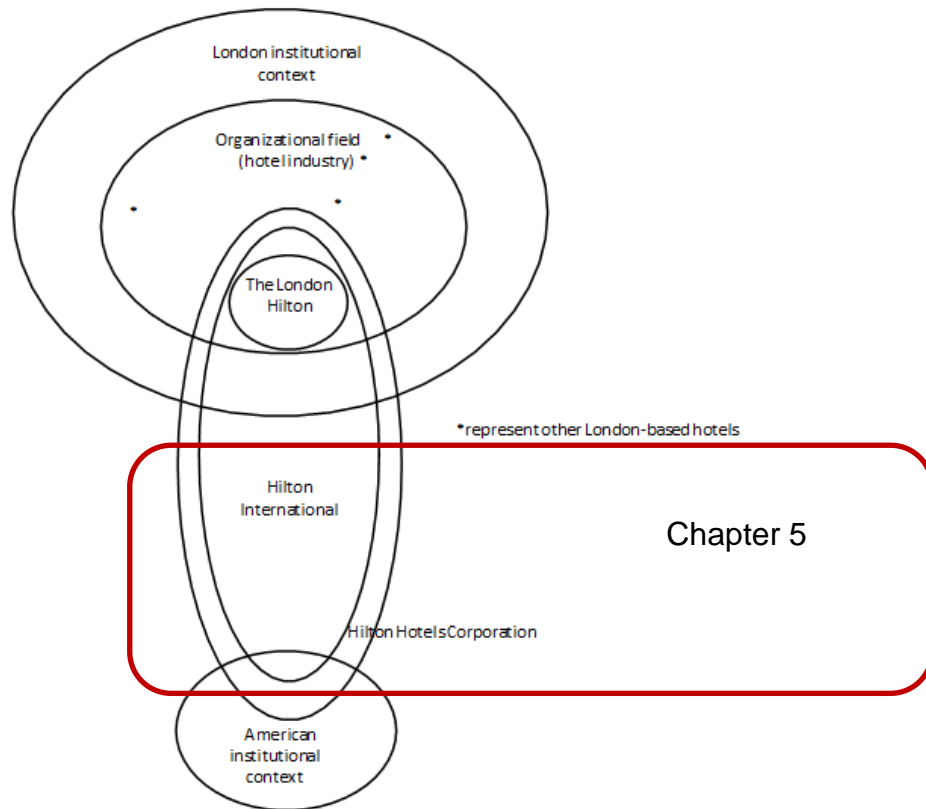


Figure 5-1. Multiple-embeddedness of the London Hilton
Source: Author's visualisation

5.2. Conrad Hilton

5.2.1. The entrepreneur from San Antonio

Conrad⁸ is often associated with Texas, however, born in 1887, he was actually raised in San Antonio in New Mexico. He discusses his childhood and early years of his career in much detail in his autobiography "Be my guest" (Hilton 1957) and states there that in his family home he learnt two values which would guide his whole life: work and faith. Conrad's father, Gus Hilton, an immigrant from Norway was an entrepreneur who opened the first dry goods store in San Antonio and who taught his children to help in the business from their early years (Hilton Worldwide 2012).

⁸ Conrad Hilton is referred to as 'Conrad' from this point onwards in order to distinguish between the company name and the founder.

Conrad's mother was a very religious person and instilled in her son a deep devotion to the Catholic faith and a belief in the power of prayer (Hilton 1957). The store and the family house were located by the main train line and so the family started renting rooms to travellers. This would be the first hotel management experience for Conrad, though he did not expect at the time that this would become his career (Hilton 1957).

Conrad attempted a few different career paths before he became an hotelier. The first opportunity came in 1911 when New Mexico became a State and offered political opportunities. Conrad served two years in the Lower House of New Mexico First State's Legislation, but he found the world of politics too slow and frustrating (Danajo TV 2011) and therefore decided to return to his home town. Upon his return he served as a band manager and agent to his sister's musical band, but this business hardly broke even. Having failed in the entertainment business he turned to the world of finance and decided to establish the first bank in San Antonio (Hilton 1957). The local economy proved, however, to be too small to sustain a bank and Hilton was forced to close it after a year of operation (Danajo TV 2011).

When America entered the First World War in 1917 Conrad travelled to Europe where he served in the army in France. He was discharged from service and returned to San Antonio upon the news of his father's death. In 1919, instead of taking over the family business, in which he could not see prospects for further development, he travelled to Cisco, Texas to buy a bank there. Texas was a rapidly developing state where millionaires were made overnight thanks to the flourishing oil industry. However, the price of the bank was suddenly raised and Hilton never acquired it (Hilton Worldwide 2012). Instead, he purchased the Mobley Hotel where he was coincidentally staying. Over the years Conrad bought numerous other hotels in Texas and in 1925 opened the first hotel to bear his name, the Dallas Hilton.

5.2.2. The hotelman with a mission

Conrad became known for buying hotel properties when they were not profitable and turning them into prosperous businesses. He managed to achieve this by focusing on customers' needs. While hotels in Fort Worth and Dallas served business and transit customers (Young 2016) others, including the Mobley, accommodated oil field

workers. Conrad realised that what they needed the most was a good meal and a comfortable sleep. He therefore changed the balance of the hotel business by limiting the area occupied by lobbies and lounges and adding additional bedrooms, dining rooms and bars⁹. He also turned closets into gift shops and sold counter space to advertisers (Danajo TV 2011). This allowed Conrad to earn revenue from spaces previously only there to improve the aesthetics of hotels but which did not make a profit. He quickly developed his pioneering strategy of 'Mini Max' – minimising cost and maximising service to customers (Hilton 1957). At the time he did not struggle with selling his services because there was a constant demand for accommodation. What he wished to achieve, however, was what he learnt when working for his father: *"The buyer should get a bargain, the seller a profit, somewhere in between is the fair price"* (Hilton 1957). By maximising service and minimising cost he was able to accomplish that. He also placed particular trust in *esprit de corps* (Nickson 1997) and believed that only motivated staff could make the difference between a satisfied and dissatisfied guest.

Hilton's journey through the world of business was not a straightforward one and he faced many difficulties including prohibition and the stock market crash in 1929. He claimed that what helped him survive the difficult years were hard work, deep faith and *"dreaming big"* (Hilton 1957, Wright 1969). Conrad Hilton spoke openly about his faith and anti-communism political views. These views became the backbone of Hilton Hotels' mission statement: *"To achieve world peace through international trade and travel"* (Hilton 1957: 234). During the escalation of the Cold War and the threat of nuclear war Conrad particularly focused on his ambition of promoting peace. According to his son Barron, Conrad felt that the whole world should be aware of the importance of prayer, especially in difficult times (Hilton 2009). To spread this message he wrote a special prayer *"America on its knees"* which was later distributed in hotels around the world and broadcast on TV. A copy of this prayer is available in Exhibit 3.

⁹ Time Magazine, 19th July, 1963

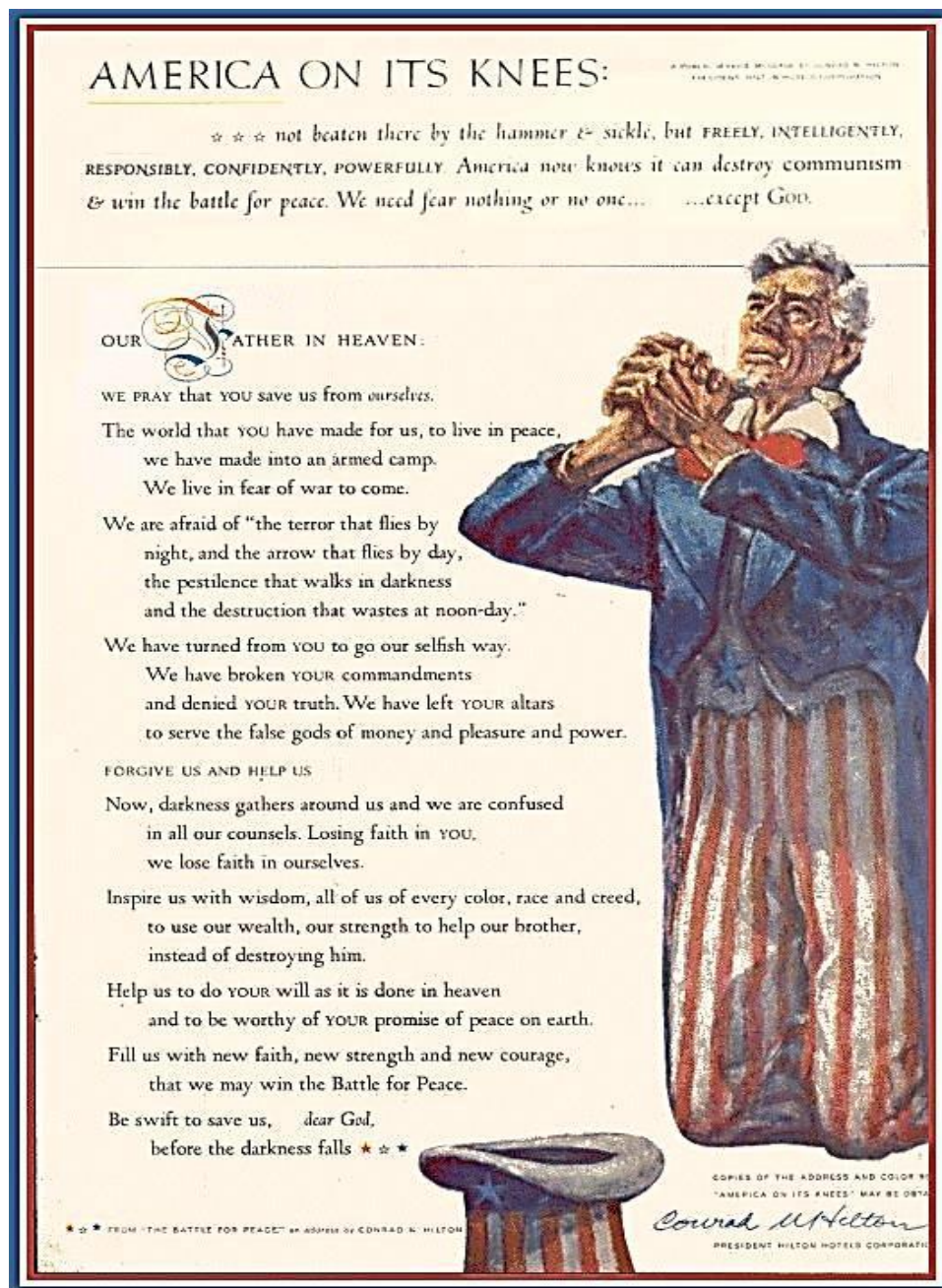


Exhibit 3. "America on its knees" - a prayer written by Conrad¹⁰

Conrad claimed that American hotels played a twofold role, they were to be homes away from home for American travellers, but more importantly they were, as Conrad

¹⁰ Picture from the Hilton Collection at the Hospitality Industry Archives, Hilton College, University of Houston

chose to call them “*little Americas*” (Hilton 1957) located around the world. Conrad described the vision for his business:

“It was the beginning of a dream to manage and build hotels in other countries. There is an old and impressively wise saying in geo-politics: If business does not cross frontiers armies will. I hold with the most sincere conviction that hotels are the best insurance of good neighbourliness and warm international relations”. (Comfort 1964: 99)

He wanted Hilton hotels around the world to be seen as a haven of democracy and freedom, just as America was portrayed at the time on the international political scene (Leach 1993). Conrad stated:

“Each of our hotels is a 'little America', not as a symbol of bristling power, but as a friendly centre where men of many nations and of good will may speak the language of peace”. (Hilton 1957: 265)

Considering these and other statements by him, Nickson (1997: 186) describes Conrad in the following words:

“Hilton arguably saw his role as a benign, paternalistic and anti-Communist figure spreading American expertise, in both the 'hard' and 'soft' aspects of hotel management”.

Correspondence from John Hauser (Executive Vice President of Hilton International) suggests that Conrad also phrased his dream in a less politically-correct way, which was never published but was known amongst people close to him. The dream was to establish “*a Hilton hotel in Red Square Moscow, right across the corner from a crowded church*”¹¹, a statement which comprises all the elements of Conrad’s goal: business, religion and democracy. He believed that Hilton hotels were helping to tackle the issue of unemployment and raising standards of living while at the same time spreading better understanding of different ways of life¹². In fact, in 1960 Conrad Hilton negotiated with Nikita Khrushchev the possibility of opening a large hotel in Moscow, but this project did not come to fruition¹³.

¹¹ John Reagan McCrary to John Houser on 22nd April 1958

¹² Conrad Hilton in “President’s Letter to Stakeholder” on 10th March 1965

¹³ George Christopher to Conrad Hilton on 12th January 1960

In 1949 Conrad achieved one of his most daring dreams, he bought the Waldorf Astoria in New York, later establishing it as the East Coast headquarters. As far back as 1931, when The Waldorf Astoria opened, he had considered it to be the grandest and finest of hotels. In the same year Hilton International division was born with the opening of the first Hilton abroad, the Caribe Hilton in Puerto Rico.

5.2.3. The businessman

Conrad was what scholars refer to as a 'key figure'. He founded the company, but also heavily influenced its development over the years. The memory of Conrad is still alive in the company, despite the fact that the Hilton family no longer has shares in the business (Hilton 2009). This part of the company's heritage is still remembered in current operations (Carter 2014) and the company's vision remains: "*To fill the earth with the light and warmth of hospitality*" (Hilton Worldwide 2014a). Conrad was involved in the business with a very 'hands on' approach. He served as its President and Chairman of the board and after Hilton International's spin off from its parent company in 1964 (discussed in Chapter 5.3) he still held a leading position in both (he remained Chairman of Hilton Hotels Corporation and became Chairman and Chief Executive Officer of Hilton International). He remained very active in both positions despite being 77 years old at the time of this reorganisation.

Throughout the years of both companies' development, Conrad would regularly receive and reply to letters from customers. Documents from the Hilton Collection at the Hospitality Industry Archives at University of Houston suggest that he earned customer's respect and was regularly contacted by them, even on the most personal of matters. Exhibit 4 presents an example of such a communication from a grateful customer.

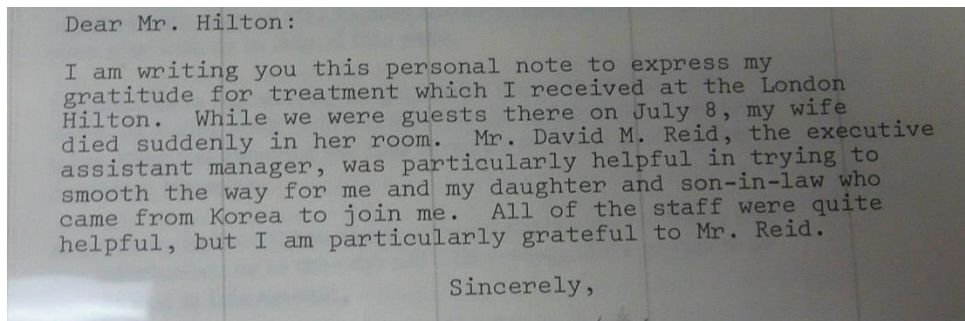


Exhibit 4. An example of a customer's letter to Conrad¹⁴

The press¹⁵ and co-workers glorified Conrad as a very reliable and honest businessman. Despite always trying to make the best deal possible, he was willing to pay a fair price and was believed to keep his promise. For example, in the times of financial difficulty in the 1930s he turned to his hotels' suppliers and asked them to contribute \$5,000 each to the payment of the lease on the El Paso Hilton, which was the only Hilton hotel to survive the depression. In return he promised to buy from these suppliers for as long as he would be in business (Hilton 1957). The company documents appear to highlight that the company was saved and then rebuilt thanks to Conrad's negotiation skills. Ironically, the times of depression put Conrad in a strong position in the years to come because his company was one of very few which did not go through bankruptcy (Hilton 1957). Table 5-1 illustrates the timeline for key events in Conrad's professional life.

¹⁴ Letter to Conrad Hilton on 23rd July 1974

¹⁵ Time Magazine, 19th July 1963

| | |
|-------------|--------------------------------------------------------------------------------------------------|
| 1919 | Conrad buys his first hotel, Mobley in Cisco, Texas |
| 1925 | The Dallas Hilton opens, the first hotel to bear the Hilton name |
| 1943 | Hilton Hotels expands to New York and becomes the first coast-to-coast hotel group |
| 1946 | Hilton Hotels Corporation is listed on the New York Stock Exchange |
| 1949 | The Caribe Hilton opens in Puerto Rico, Hilton International Division is established |
| | Conrad acquires the Waldorf-Astoria in New York |
| | Conrad appears on the cover of Time Magazine (being the first hotelier to achieve this accolade) |
| 1954 | Conrad acquires the Statler Hotel System |
| 1955 | Hilton creates the first centralised reservation system |
| 1958 | Carte Blanche is introduced |
| 1964 | Hilton International is separated from Hilton Hotels Corporation |
| 1967 | Trans World Airlines (TWA) acquires Hilton International |
| 1979 | Conrad passes away at the age of 91 |

Table 5-1. Timeline of key events in Conrad's professional life
Source: Author's analysis of archival data and literature

5.2.4. The celebrity

Conrad was an innovator in a range of business areas, one of them was recognising the value of celebrity endorsement. Over the years he also built strong relationships in political circles and was a close friend of President Eisenhower (Hilton 1957). His connections seemed to be most visible during openings of new hotels which were often considered a major event and were accompanied by lavish celebrations¹⁶. For example, The Istanbul Hilton on its opening in 1955 was celebrated with issuance of its own post stamp and post code (Hilton Worldwide 2014a), as presented in Exhibit 5, and was followed by five days of special events¹⁷.



Exhibit 5. Post stamp celebrating the opening of The Istanbul Hilton, 1955¹⁸

¹⁶ Time Magazine, 19th July 1963

¹⁷ Caterer and Hotelkeeper, 11th June 1955

¹⁸ Picture from the Hilton Collection at the Hospitality Industry Archives, Hilton College, University of Houston

Depending upon the location, local royal families or politicians would be invited to new hotel openings. Journalists and key figures in business were also flown from the US to take part in the celebrations. There would be designated jets chartered to transport Hilton's guests from the US to the new destination on the company's map (for a full list of guests travelling on a chartered jet for the "Around the World" trip see Appendix 2). Each opening would be tailored to local customs, but each of them was meant to be much talked about. For example, Exhibit 6 presents an excerpt from a letter about the expected cultural differences in the Netherlands and adjustments which had to be made to please local patrons. Conrad himself was a man who enjoyed entertainment and he led celebrations by dancing his favourite Varsoviana with one of the celebrity guests (Hilton 1957).

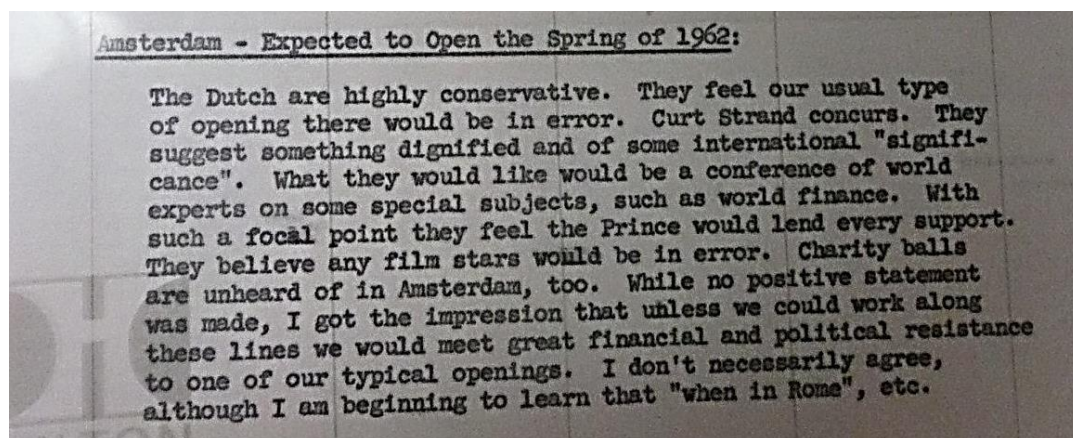


Exhibit 6. Letter discussing the opening of The Amsterdam Hilton in 1962¹⁹

Conrad would appear in newspapers, magazines and popular television programmes including "*What's my line?*" (What's My Line 2013) and "*The Art Linkletter Show*" (Hilton Worldwide 2013). These media often highlighted the political role of Hilton hotels and the fact that they were meant to be 'homes away from home' for Americans. Exhibit 7 presents a page from an in-house magazine "Hiltonitems" depicting publicity about Conrad, which clearly highlights his role in the American hotel industry.

¹⁹ John Joseph to Robert Caverly on 9th November 1960



Exhibit 7. Page from the Hiltonitems Magazine depicting publicity about Conrad, 1963²⁰

Conrad appeared on the cover of Time Magazine twice, in 1949 and 1963, which was considered an achievement. He received numerous congratulation letters on both occasions, including the letter from Howard Johnson, another hotel tycoon of the time (see Exhibit 8 for a copy of this letter). Conrad would also be invited to give speeches at various meetings from the Annual Meeting of the Public Relations

²⁰ Hiltonitems Magazine October 1963, p. 17

Society of America²¹, through to the opening of a Boy's Scout of America Camp²² and the National Conference of Christians and Jews²³.

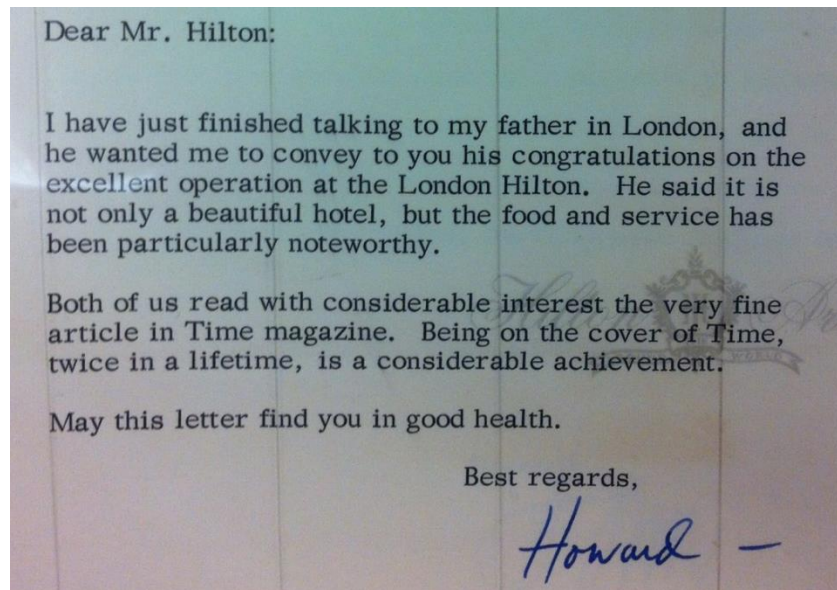


Exhibit 8. Congratulatory letter about being featured in the Time Magazine from Howard Johnson of Howard Johnson's Hotel Company²⁴

The Hilton Collection at the Hospitality Industry Archives holds letters which were received by Conrad and addressed simply to: "The greatest Hotel Man in the world" or "King of Hotels New York". Exhibit 9 illustrates a selection of the letters, which reached Conrad despite the lack of address details on the envelopes. All these qualities appear to have made Conrad a person who, in the language of the modern media, would be called a 'celebrity businessman'.

Analysis of the press and media reports as well as communication with customers indicates that Conrad was a widely glorified individual. It ought to be considered, however, that such findings could also be a result of skilful public relations management by the Hilton Hotels Corporation. The available data implies that he established his respected position by being an honest and fair partner in business.

²¹ "The Face of America" speech delivered on 15th November 1961 in Houston, TX.

²² Dedication of Camp Hilton Arrowhead Springs Hotel in San Bernardino, CA on 16th March 1952.

²³ "The Battle for Freedom" speech delivered on 21st November 1950 in New York.

²⁴ Howard Johnson to Conrad Hilton on 29th July 1963

As suggested by Nickson (1997), internal company data, and especially sources like autobiographies, need to be treated with caution due to their bias. It needs to be noted however, that in the process of this research, no criticism towards Conrad as a person or as a business partner was found.



Exhibit 9. Letters addressed to Conrad Hilton as the "Greatest Hotelman in the World"²⁵

Conrad, who died in 1979 at the age of 91, left 99% of his \$300m fortune to the Hilton Foundation (Hilton 2009, Danajo TV 2011). The theme of Conrad's will was the "*elevation of human suffering*" (Conrad N. Hilton Foundation 2016) and the Foundation aims to achieve that through numerous projects including those concerned with access to water in African countries, access to education and reducing violence (Conrad N. Hilton Foundation 2014). The foundation is also the key sponsor of the Conrad N. Hilton College of Hotel and Restaurant Management at the University of Houston and the Hilton Collection at the Hospitality Industry Archives at the same institution (Young 2014).

²⁵ Picture courtesy of the Hilton Collection at the Hospitality Industry Archives, Hilton College, University of Houston

5.3. Development of Hilton Hotels Corporation and Hilton International

Having introduced the role of Conrad as the company's founder this section of the case study focuses on the early development of Hilton's domestic and international divisions. It discusses the process of development and the business model adopted by Hilton to expand internationally. The focus of the discussion moves from the domestic operations to the international operations in 1949, when Hilton opened the first hotel abroad.

5.3.1. Early development in the US

Hilton Hotels Corporation began its operations in 1919 when Conrad purchased the Mobley Hotel in Cisco, Texas, however it was not listed on the New York Stock Exchange until 1946. The development of Hilton Hotels Corporation did not progress without certain obstacles. During the depression of the 1920s and 1930s Conrad lost control of all of his hotels except for the El Paso Hilton (Hilton 1957, Young 2016). Archival sources suggest a number of stories of how Conrad managed to save the company, which appear typical of autobiographies or internal company sources (Nickson 1997) where stories of crisis and survival are overemphasised to increase appeal to the reading audience. One such story known in the company is the one about a bellboy who lent his life savings to Conrad thus helping his employer save the company (Hilton Worldwide 2012). Conrad's mother is also believed to have invested in the company when Conrad was facing financial difficulties (Hilton 1957). Allegedly, as a result of these interventions the company never went through bankruptcy nor seized operations.

Conrad began the development of the company from one hotel in Texas but by 1943, he was the owner of hotels operating from coast to coast (Young 2016). In 1954 Conrad led the largest real estate transaction since the Louisiana Purchase, acquiring the Statler Hotel system for \$111 million. The system comprised of 10 hotels and was the second largest after the Hilton chain. Following this transaction Conrad owned 28 hotels (Lester 2011). Figure 5-2 illustrates the expansion of the Domestic and International divisions. It highlights the steady growth of the International Division following its rapid expansion from the early 1960s.

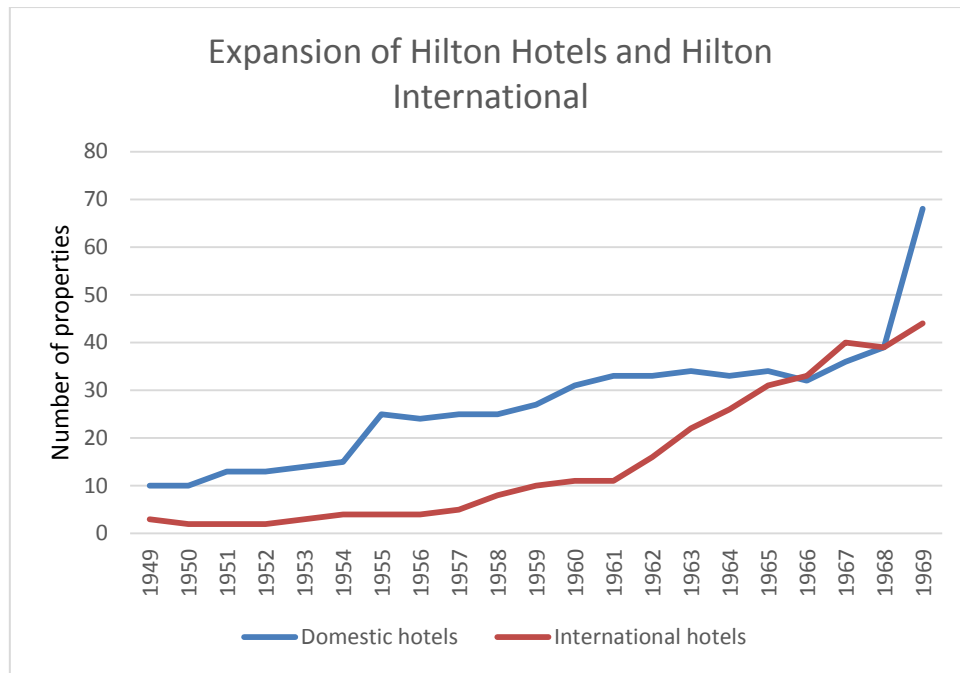


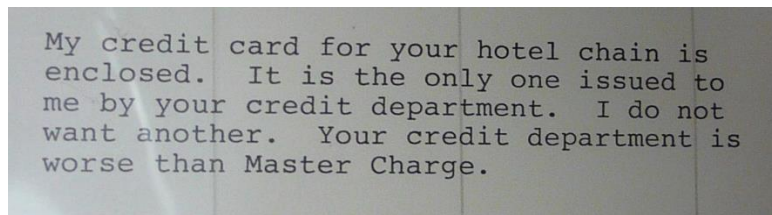
Figure 5-2. Overview of the number of domestic and international hotels between 1949 and 1969
Source: Author's calculation based on data from American 'Red Books' (Appendix 3)

Hilton Hotels were subsequently developed as a recognisable hotel chain. From the mid-1950s increasingly more hotels included 'Hilton' in their names and the company began to introduce innovative practices. For example, in 1955 Hilton launched, what the company believes to have been, the first centralised reservation system (Hilton Worldwide 2014a). The company boasted about customers being able to book a room at any location in the world by contacting any of the Hilton hotels by telephone, telegram or Teletype. Guests would also receive immediate confirmation of their booking which, arguably, was not previously available. This service was believed to be so unique that it was used in the company's promotional material, as presented in Exhibit 10.



Exhibit 10. Promotional material emphasising the newly created centralised reservation system (Hilton Worldwide 2014a)

In 1958 another corporate service was introduced by Barron Hilton, Conrad's son whose presence was becoming more visible in the 1950s and who, eventually, became the President of Hilton Hotels Corporation in 1966 (Forbes 2010). This was Carte Blanche, which served not only as a loyalty card but as a credit card which guests could use to pay their bills in hotels around the world. It is believed that Carte Blanche was the first loyalty credit card in the hotel industry. The correspondence from customers suggests that the card was regularly used and was treated as a sign of loyalty towards the company because when guests were dissatisfied with their experience at Hilton hotels they would return the card. Exhibit 11 presents such a complaint where a customer returned his card as a result of unsatisfactory experience in the London Hilton.



My credit card for your hotel chain is enclosed. It is the only one issued to me by your credit department. I do not want another. Your credit department is worse than Master Charge.

Exhibit 11. An example of complaint which led a customer to return his loyalty card²⁶

It was Conrad's goal to make Hilton Hotels a modern company which would serve Americans travelling for business or leisure and he therefore encouraged innovative thinking and creative problem solving. By 1963 it was identified that because of the development of technology Hilton hotels were no longer competing only with other hotel chains but also with media which allowed for communication without the need for travel²⁷. The development of jet plane travel was also seen as a threat to the company's operations because it was feared that more people could travel to and from meetings in the same day²⁸. Due to declining occupancy in Hilton hotels, a Manager's meeting was called in 1963 with the aim of finding methods of increasing occupancy and raising earnings to the targeted \$10million²⁹. Exhibit 12 illustrates that Conrad referred to this meeting as the most important in the company's history. The guest speaker was Professor John D. Glover of the Harvard Business School who stated that Hilton Hotels needed to compete against communication media and should do it by focusing on group bookings. He believed that the company was not capitalising enough on groups which needed space for meetings (whether formal or informal). He suggested a shift in business focus which until then had concentrated on providing accommodation and food only to individual travellers. Professor Glover also suggested that the company should consult social scientists to conduct more robust market research giving detailed information on consumer's expectations and buying behaviour. He argued that Hilton hotels operated in an 'experience business' and that hoteliers served as showmen in this business. This can be perceived as a

²⁶ Letter to Barron Hilton on 26th April 1976

²⁷ "Summary of Managers' Meeting" held at Conrad Hilton, Chicago, Ill on 22-24 August 1963

²⁸ "Annual Shareholders' Report" 1964

²⁹ Manager's Meeting minutes, 22-24 August 1963, Chicago, Illinois

very innovative approach as the term 'experience economy' did not appear in the business studies literature for another three decades (Pine and Gilmore 1999). This was an example of Hilton's innovative thinking and problem-solving as well as flexibility of approach in its management.

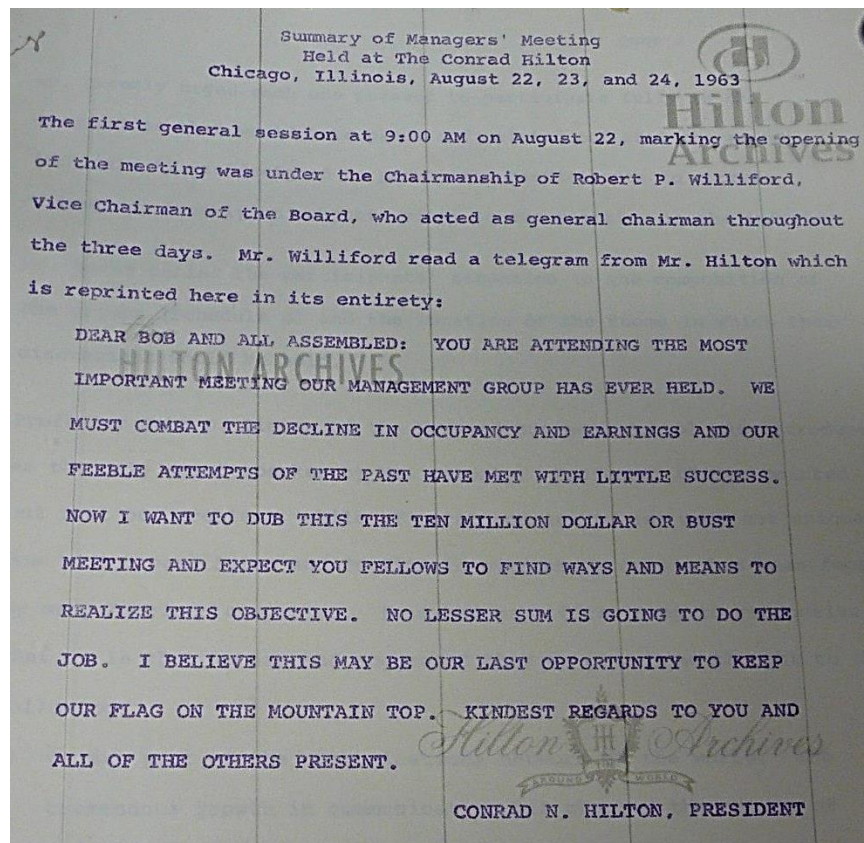


Exhibit 12. Conrad's address to the delegates to the Manager's Meeting on 22-24 August 1963³⁰

As a result of these discussions Hilton Hotels commissioned a specialised market research company³¹ to carry out consumer research. The company then introduced a completely new marketing strategy in 1964³² which separated the division responsible for events from the rest of the business. Consequently the functions (events) division became more specialised at creating a targeted product and selling it to specific groups including Government employees. More emphasis was placed

³⁰ Manager's Meeting minutes, 22-24 August 1963, Chicago, Illinois

³¹ "Annual Shareholders' Report" 1964

³² Conrad Hilton and Robert Williford in "President's Letter to Shareholders" on 15th March 1965

on corporate advertising (published in major business magazines and newspapers) and highlighting features appealing to business travellers. In addition, a number of special programmes were created, including Christmas shoppers' promotions, a family plan and bridal promotion programme. Special programmes for corporate groups included an 'American plan' and a five-year booking programme. The position of 'banquet specialist' was also introduced whose responsibility was to: *"improve the efficiency and enhance the image of hospitality accorded to those who attend banquets and Hilton facilities"*³³. The idea behind these changes was to increase room occupancy which, if successful, would increase net income and improve the company's financial situation in the years of depressed occupancy caused by overbuilding.

An analysis of the Hilton Hotels portfolio (available in Appendix 3) suggests that Hilton acquired large hotels, with a minimum of 400 rooms and ranging up to 3,000 rooms in the case of The Conrad Hilton in Chicago. It is clearly visible in Figure 5-3 that domestic hotels were always larger than those developed abroad.

³³ "Annual Shareholders' Report" 1964, p. 4

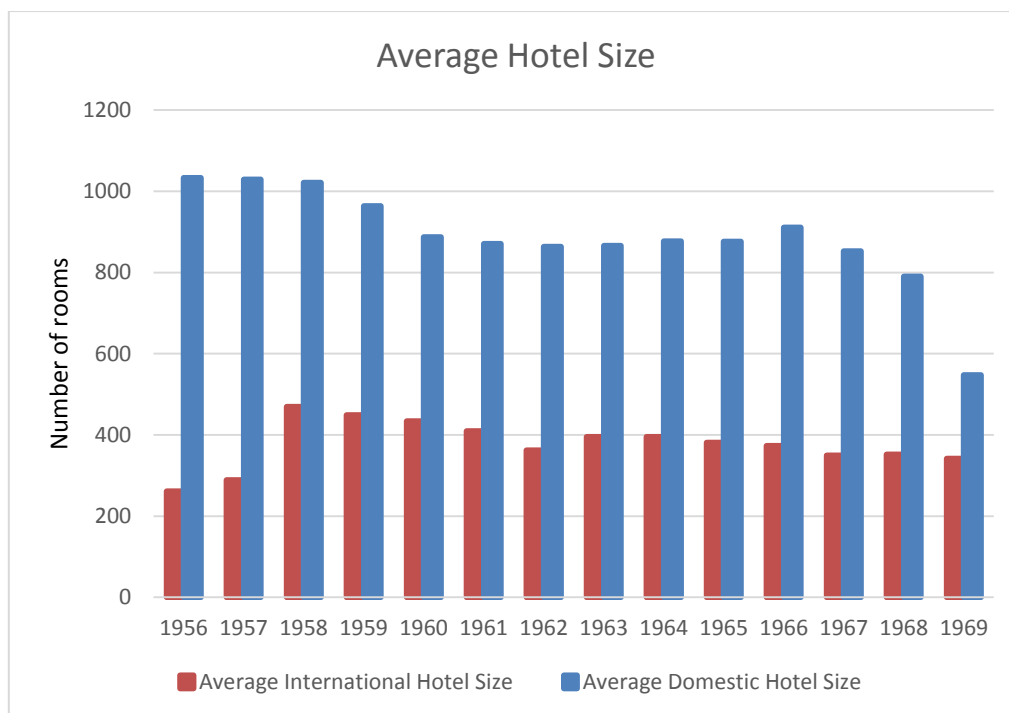


Figure 5-3. Average hotel sizes between 1956 and 1969³⁴
Source: Author's calculation based on data from American 'Red Books' (Appendix 3)

Until the late 1960s the hotels were located either in city centres or at key airports (Young 2016). It was not until 1970 that Hilton entered the gaming industry, when it purchased the Flamingo Hotel in Las Vegas (Hilton Worldwide 2014a). The first brand focusing on holiday resorts, as opposed to urban hotels was the 'Conrad' brand, which was established in 1982. For the timeline of key developments in the company see Table 5-2. The great majority of hotels operated under the umbrella of 'Hilton' (the documentation does not refer to 'Hilton' as a brand at that time) or Statler (after the purchase of the Statler group). It was Hilton Hotels' policy to own the domestic hotels but many of them, especially in the early years of development were not built but established in existing properties because of the lack of credit in the years after the War (Bell 1993). There is little data on the exact portfolio of Hilton Hotels before 1949, but what is known is that by 1949 Hilton operated 10 hotels in the United States.

³⁴ There is no data available on hotel sizes prior to 1956

| | |
|-------------|----------------------------------------------------------------------------------------|
| 1946 | Hilton Hotels Corporation is established and listed on New York Stock Exchange |
| 1949 | Hilton International division is established |
| 1964 | Hilton International is Separated from Hilton Hotels Corporation |
| 1967 | Hilton International is acquired by Trans World Airlines (TWA) |
| 1969 | The first Double Tree brand hotel opens in Scottsdale |
| 1970 | Hilton enters the gaming sector by purchasing the Flamingo Hotel in Las Vegas |
| 1982 | Conrad as a luxury hotels and resorts brand is established |
| 1984 | First Embassy Suites opens in Kansas City |
| 1984 | First Hampton Inn opens in Memphis |
| 1987 | Hilton introduces its loyalty programme, Hilton HHonors |
| 1987 | Hilton International is acquired by a British company, Ladbroke plc. |
| 1989 | First Homewood Suites opens in Omaha |
| 1990 | Hilton Garden Inn is established as a brand |
| 2002 | Hilton Worldwide Resorts is established as a brand |
| 2006 | Hilton Hotels Corporation reacquires Hilton International after 40 years of separation |
| 2007 | Hilton Hotels Corporation is acquired the Blackstone Group |
| 2009 | Hilton Hotels Corporation changes name to Hilton Worldwide |
| 2013 | Hilton returns to the New York Stock exchange under the same HLT symbol as before |

Table 5-2. Timeline of key events in the history of Hilton Hotels Corporation

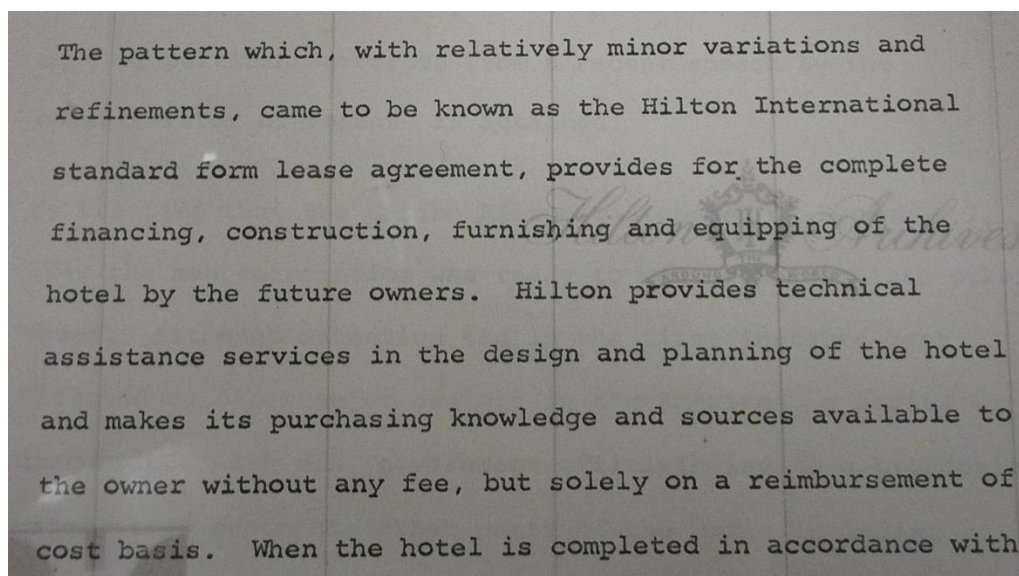
Source: Author's analysis of archival data

Since this research focuses on the London Hilton, which was a subsidiary of the international division of Hilton Hotels, the development of this division will now be discussed. For further information on the domestic operations see Epilogue in Chapter 7.

5.3.2. Early developments abroad

In 1949 Hilton opened his first hotel abroad, the Caribe Hilton in Puerto Rico, which led to the creation of the Hilton International division of the company. The government of Puerto Rico was looking for businesses to invest in its infrastructure and to develop tourism and trade and therefore contacted a number of companies in the US. Some sources repeat the legend that members of the Puerto Rican government were impressed with Conrad who responded to a letter from them in Spanish. However, Curt Strand, a long term employee of Conrad and President of Hilton International between 1968 and 1986, claims that Conrad was granted the business due to his ground-breaking idea which involved the Puerto Rican

Government financing the hotel via bonds and then leasing it to Hilton for a rent. As shown in Exhibit 13, the Government agreed to build, furnish and equip the hotel³⁵ while Hilton was expected to pay back two thirds of the gross operating profit (Bell 1993).



The pattern which, with relatively minor variations and refinements, came to be known as the Hilton International standard form lease agreement, provides for the complete financing, construction, furnishing and equipping of the hotel by the future owners. Hilton provides technical assistance services in the design and planning of the hotel and makes its purchasing knowledge and sources available to the owner without any fee, but solely on a reimbursement of cost basis. When the hotel is completed in accordance with

Exhibit 13. Description of the operating lease model applied in the Caribe Hilton in San Juan³⁶

This method of expansion was later to be termed an 'operating lease', or 'profit sharing lease', according to Bell (1993) and would allow Hilton International to expand worldwide. The operating lease model allowed for international hotels to achieve higher return on investment than domestic hotels because the mode involved no investment in real estate³⁷. Strand (1996) believed that by applying and popularizing the operating lease model Conrad was able to open hotels from Havana to Berlin and therefore to globalise his hotel business. The steady growth of Hilton International is clearly visible in Figure 5-2 while Exhibit 14 presents a selection of Hilton's international locations between 1949 and 1969.

³⁵ "History" brief from 14th October 1964

³⁶ "History" brief from 14th October 1964

³⁷ Conrad Hilton in "President's Letter to Shareholders" on 16th March 1964



Exhibit 14. Selection of Hilton International's locations between 1949 and 1969
Source: Author's visualisation based on data from American 'Red Books' (Appendix 3)

Beginning to face competition from the expanding InterContinental Hotels Group (a subsidiary of Pan American Airlines), the management of Hilton International decided to expand its operations to other countries. Strand (1996) states that the main Hilton International's development goal was to operate in Europe as this was where they saw the greatest potential in terms of both business and leisure travel. The busiest year in terms of new hotel openings was 1963 when eight hotels were opened in eight different countries, London Hilton on Park Lane being one of them. Table 5-3 presents a portfolio of those hotels opened in 1963.

| Hotel | Country | Number of rooms |
|---------------------------------------------------------|--------------------------|-----------------|
| The London Hilton | United Kingdom | 512 |
| The Athens Hilton | Greece | 480 |
| The Rotterdam Hilton | Holland | 263 |
| The Cavalieri Hilton, Rome | Italy | 400 |
| The Hong Kong Hilton | British Colony (in 1963) | 867 |
| The Royal Tehran Hilton | Iran | 261 |
| The Tokyo Hilton | Japan | 478 |
| The New York Hilton of Rockefeller Center ³⁸ | United States | 2153 |
| Total | | 5414 |

Table 5-3. Portfolio of eight hotels opened in 1963
Source: Author's calculation based on data from American 'Red Books' (Appendix 3)

³⁸ Original spelling maintained

By the time when the London hotel opened in 1963, Hilton operated 34 hotels in the US and a further 21 hotels abroad (see Table 5-4 for details) and by 1966 there were more international hotels than domestic. This remained the case until 1969 when a rapid increase in hotels in the US meant domestic hotels dominated once again (see Figure 5-2). By then there were a further seven hotels in Europe, in addition to London: Berlin, Athens, Istanbul, Rotterdam, Rome, Madrid and Amsterdam.

| | Hotels | % of hotels | Rooms | % of rooms |
|------------------------------------------------------------------------------|---------------|--------------------|--------------|-------------------|
| 1963 (the year of the London Hilton opening) | | | | |
| US | 34 | 62% | 29,430 | 77% |
| Europe | 8 | 14% | 2,922 | 8% |
| Rest of the World | 13 | 24% | 5,561 | 15% |
| Total | 55 | 100% | 37,913 | 100% |
| 1966 (the year when international hotels outnumbered domestic hotels) | | | | |
| US | 32 | 49% | 29,147 | 71% |
| Europe | 10 | 16% | 3,041 | 8% |
| Rest of the World | 23 | 35% | 8,527 | 21% |
| Total | 65 | 100% | 40,715 | 100% |

Table 5-4. Comparison of numbers of rooms worldwide in 1963 and 1966
Source: Author's calculation based on data from American 'Red Books' (Appendix 3)

However, generally speaking, hotels outside the US were much smaller than the domestic ones, ranging from 227 rooms in Istanbul to 480 rooms in Athens (there were 512 rooms in the London Hilton). Consequently, as clearly shown in Figure 5-4, in terms of room provision, the domestic offering of Hilton Hotels was always much larger than Hilton International's.

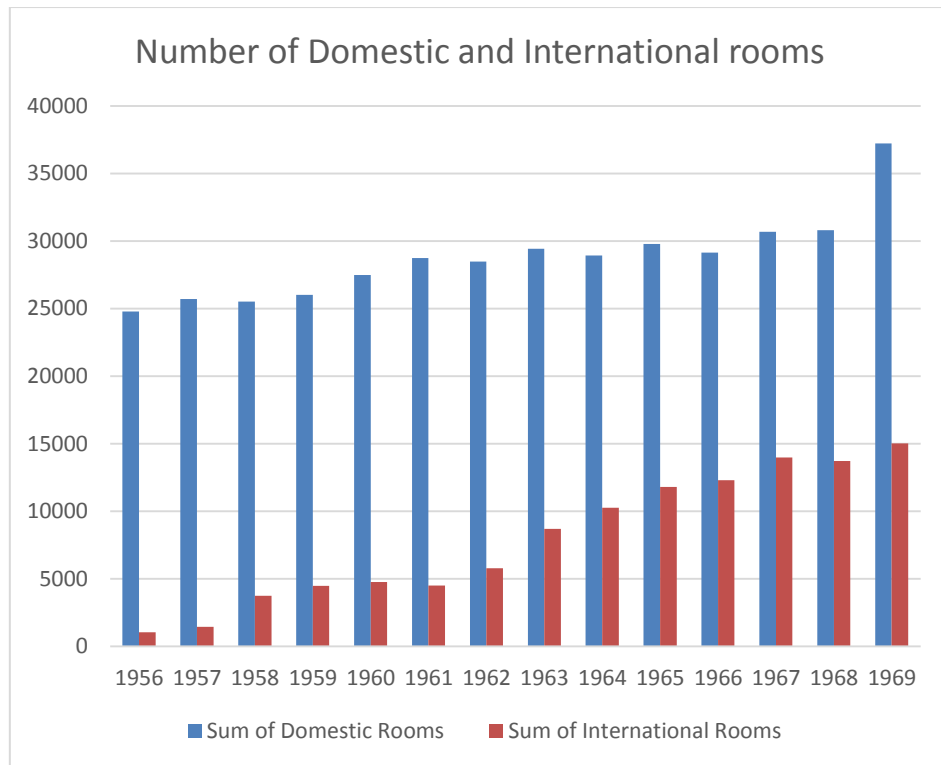


Figure 5-4. Comparison between domestic and international room provision³⁹
Source: Author's calculation based on data from American 'Red Books' (Appendix 3)

There is, therefore, clear evidence of international expansion in terms of the extent of locations, rather than the size of the hotels. Figure 5-5 clearly shows that from the early 1960s internationalisation grew in importance and by 1965 international hotels constituted 50% of the whole of Hilton's offering (with room numbers constituting 30% due to the smaller sizes of international hotels).

³⁹ There is no data available on hotel sizes prior to 1956

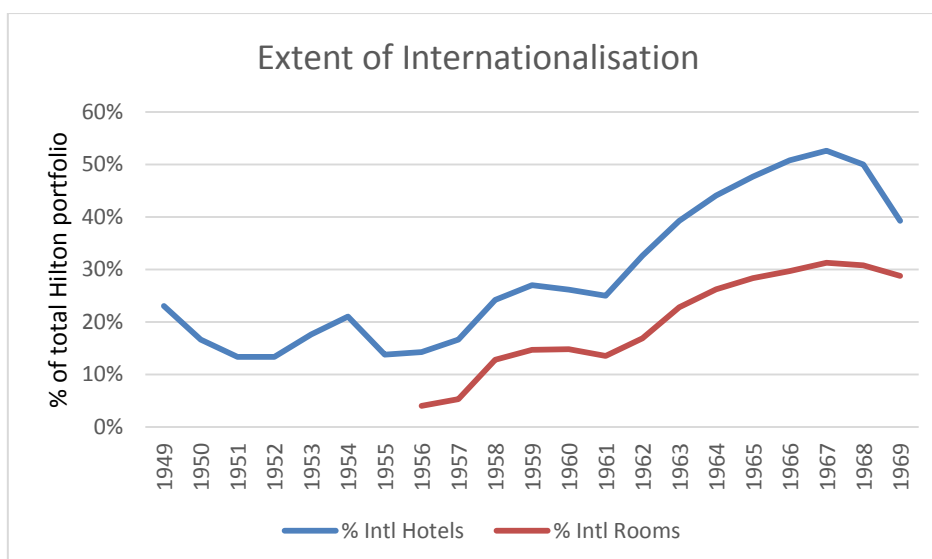


Figure 5-5. Extent of Hilton's internationalisation
Source: Author's calculation based on data from American 'Red Books' (Appendix 3)

It was the company's management expectation that the International Division would target its existing domestic market with the international offerings⁴⁰. Barron Hilton in a letter to his father explained that since the majority of Hilton's guests abroad were Americans, they would be aware of the brand from the domestic operations, which constituted an advantage over InterContinental Hotels as they only operated abroad at the time (see Exhibit 15 for an excerpt of this letter). Customers would, therefore, expect abroad what they were accustomed to at home. It was also noted that American tourists when travelling abroad tended to choose hotels with a familiar brand and predictable standards⁴¹.

It is still my belief that we in Hilton Hotels Corporation, through our International Division, have as much to offer as Pan American. More, in fact, when you consider that the majority of the tourists are Americans who we can influence here in the United States by our existing hotels and our 850,000 credit card holders.

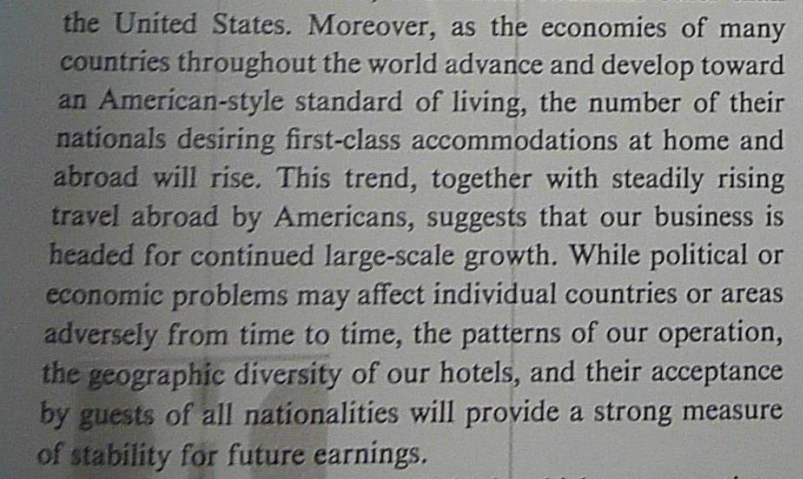
Exhibit 15. Excerpt from a letter arguing the competitive advantage of operating a domestic division⁴²

⁴⁰ Barron Hilton to Conrad Hilton on 8th January 1958

⁴¹ Speech by Conrad Hilton delivered at the Hilton International Co. Investment Luncheon on 12th January 1965 in New York

⁴² Barron Hilton to Conrad Hilton on 8th January 1958

In 1965 Conrad Hilton expressed his belief that the majority of economies around the world were advancing to the American model and that living standards followed these changes (see Exhibit 16).

A photograph of a document page with a dark background and light-colored text. The text is an excerpt from a letter, discussing the growth of the hotel industry and the company's future prospects. The text is centered and occupies most of the page area.

the United States. Moreover, as the economies of many countries throughout the world advance and develop toward an American-style standard of living, the number of their nationals desiring first-class accommodations at home and abroad will rise. This trend, together with steadily rising travel abroad by Americans, suggests that our business is headed for continued large-scale growth. While political or economic problems may affect individual countries or areas adversely from time to time, the patterns of our operation, the geographic diversity of our hotels, and their acceptance by guests of all nationalities will provide a strong measure of stability for future earnings.

Exhibit 16. Excerpt from Conrad's "President's Letter to Stakeholders" on 10th March 1965

He expected that this trend would secure the future operations of his company, even in the case of political problems in some of the locations, because of geographical disparity of the customers. He was therefore willing to penetrate more markets, capitalising on these changes and he believed that the company had the momentum, the reputation, the personnel and the financial base to do so⁴³. He was also confident that the type of hospitality which was to become synonymous with the name 'Hilton' in the US would be successful in other locations as well. The aim of Hilton International was to generate profit but also, like all of Conrad's undertakings, it was to serve a better good. Exhibit 17 presents the statement of Hilton International's philosophy as published in an internal memo from 1959.

⁴³ Conrad Hilton in "President's Letter to Shareholders" on 10th March 1965

"The philosophy behind the growth of Hilton International is, of course, to develop a world-wide group of hotels that can operate successfully and return a satisfactory profit to those having a financial interest in the hotels. In addition, Hilton International has been organised to help provide first-class hotel accommodations in locations where such facilities are urgently needed to further economic development.

In many instances, Hilton International Hotels have become important centres of social and business activity in their respective areas – meeting places where persons of different creeds and cultures meet and become acquainted with one another in comfortable, modern surroundings.

These are true international hotels, combining the best features of modern hotel design, construction and operation with the atmosphere, traditions, and cultures of the cities and areas where they are located. Hilton International Hotels make maximum use of local personnel in their staffing, but at the same time call upon key people with outstanding hotel experience and abilities from other countries of the world to insure a truly international calibre of operation."

Exhibit 17. Philosophy of Hilton International from an internal memo dated 1959⁴⁴

5.3.3. Creation of Hilton International

Hilton International was initially a division of its parent company, Hilton Hotels Corporation. However, in 1964 the management recognised that the two would generate more profit if operated as separate companies. Conrad believed that an international company could not be operated by people focused only on domestic operations (Strand 1996). It is also believed that Hilton International was formed at the suggestion of some US government officials and that it was supported by American ambassadors abroad⁴⁵. It was therefore decided that Hilton International would be separated from Hilton Hotels Corporation and shareholders would be given one share in Hilton International to two shares in Hilton Hotels Corporation⁴⁶. The two companies jointly owned Hilton Credit Corporation (trading as Carte Blanche)⁴⁷ and Hilton Reservations Services. Hilton Hotels Corporation kept the exclusive right

⁴⁴ "Information on Hilton Hotels International" memo, 1959

⁴⁵ Fred Joyce (Publicity Director), "Hilton's International Report", 10th May 1961

⁴⁶ "Proposed Plan of Reorganisation" memo, 1964

⁴⁷ "Proposed Plan of Reorganisation" memo, 1964

to use the Hilton name in America, while Hilton International had the same right internationally (Lester 2011). Separation of the two companies was widely reported by the American press, as seen from headlines from Star Bulletin, Wall Street Journal, Chicago Tribune and Chicago Sun-Times in Exhibit 18. All articles emphasised that the international division was separated because of its excellent financial performance. Wall Street Journal reported that in the year preceding the spin-off Hilton International had contributed \$1,738,888 of net income to the parent company's net of \$4,770,356. It further added that Hilton International's gross revenue had been \$60,293,972 against a total of \$224,577,381 for the parent company⁴⁸. In another edition the Wall Street Journal stressed that Hilton International's assets constituted approximately 10% of the corporation's total assets with value of over \$30 million⁴⁹. The key difference in strategies of the separated companies was the fact that Hilton International was not to own real estate but to operate using 'lease agreements'⁵⁰.



Exhibit 18. Headlines reporting on the separation of Hilton Hotels Corporation and Hilton International, 1964⁵¹

⁴⁸ "Wall Street Journal", Pacific Coast Edition, 2nd November 1964

⁴⁹ "Wall Street Journal", Pacific Coast Edition, 16th October 1964

⁵⁰ "Star Bulletin", Honolulu Hawaii, 19th October 1964

⁵¹ "Star Bulletin", Honolulu Hawaii, 19th October 1964; "Wall Street Journal", Pacific Coast Edition, 2nd November 1964; "Chicago Tribune", 6th November 1964; "Chicago Sunday Times", 7th November 1964

Not only did the press recognise the International Division's positive performance but it was also noted in Hilton's internal documentation. Exhibit 19 presents a graph included in an internal report from 1964 clearly illustrating the growing importance of this division.



Exhibit 19. Hilton International's Net Profit as presented in an internal report on 14th October 1964

This structural change proved to be very successful for the Domestic and International divisions as well as for shareholders. As Pearson reported in "Hotel Management Review and Innkeeping" in 1966, Hilton International was the "*shooting star of the entire hotel world*". Exhibit 20 presents a clipping from this article praising the performance of both Hilton companies. Allegedly, after a brief fall, Hilton International's shares brought a healthy return on investment. Pearson credited such performance to a number of attributes including:

- investing in destinations which needed modern hotel facilities and could provide cheaper labour than that in the US
- avoiding presenting an image of an American hotel chain
- minimising capital risk and cost

- attracting young, talented managers.

The \$1,800 you put into Hilton a year and a half ago would be worth \$3,400.

The Hilton Corporation's strong comeback notwithstanding, Hilton International is the shooting star of the entire hotel world. Last year, the Corporation took in \$186 million and kept \$4 million; the International took in \$94 million and kept \$3.7 million.

Most American chains have fixed

Exhibit 20. Clipping from an article complimenting Hilton's performance⁵²

In the beginning, there were only three people working in the New York headquarters of Hilton International, and even when the company grew to 35,000 employees around the world the headquarters still employed only approximately 200 people. The aim was to centralise decision making and prevent the multiplication of layers of authority (Strand 1996). It was stated that the company always aimed to place the main focus on front-line operations, as opposed to corporate operations, because the management came to the conclusion that the headquarters was the only area in the business without guests⁵³.

The ideological objective of the company was and remains “*to spread the warmth of hospitality*” as well as its political goal to serve as a platform against communist ruling, both goals resulted in gaining differentiation from other hotel MNCs. Conrad did not deny that profit was the key focus of the company, but at the same time he insisted on the company having an ideological role. This is expressed in Conrad's comment about the Nile Hilton in 1955:

“As businessmen, we in the Hilton organisation do not attempt to portray that this splendid hotel will be an idealistic operation with no thought for financial return. At the same time, to deny any concern for

⁵² Pearson, J. (1966) for “Hotel Management Review and Innkeeping”, August 1966

⁵³ “Background on Hilton International” memo, November 1973

its good-will impact would be equally misleading. (...) In our current expansion, Hilton Hotels International views itself as a medium for bettering the understanding of peoples by extending the best we have to offer in the American enterprise system to other countries."⁵⁴

The literature on Hilton's history (Wharton 2001) suggests that there were hotels which, to some extent, fulfilled Conrad's ideology. In 1967 Business Week reported:

*"The Berlin Hilton, for example, is owned by the West Berlin and West German governments, which decided on a Hilton in the mid-1950s as a good way of shoring up the city's economy and demonstrating the Western presence to the surrounding Communist area"*⁵⁵.

In his cooperation with local investors, Conrad was trying to lead to the achievement of his aim. Similarly, in Istanbul, Conrad highlighted the proximity of the Soviet Union. Wharton (2001: 35) states:

"The Istanbul Hilton was part of the bulwark of the Free World against the threatened encroachments of communism. It did its work through spectacle – not only the panoramic spectacle that it packaged but also the cultural spectacle that the hotel itself enacted".

The transference of ideology and elements of a 'special' corporate culture based on religious and political beliefs was at the very heart and focus of the company's international expansion.

The company successfully established hotels in San Juan, Istanbul, Mexico City and Madrid using the 'operating lease' model and decided to use the same business mode in Havana. However, after the Cuban revolution Fidel Castro took over the Habana Hilton leaving the company without the opportunity for negotiation⁵⁶. Bell (1993) believes that this was when Conrad Hilton, John Hauser and Bob Caverly, who run Hilton International in 1960, converted the 'operating lease' into the 'management contract' model, which was expected to carry less risk. Bell (1993: 28) explains that a management contract was an agreement under which *"the owners took the full risk of operating losses, as well as debt service, and had the ongoing responsibility of supplying working capital"*. Hilton International was to be paid a base

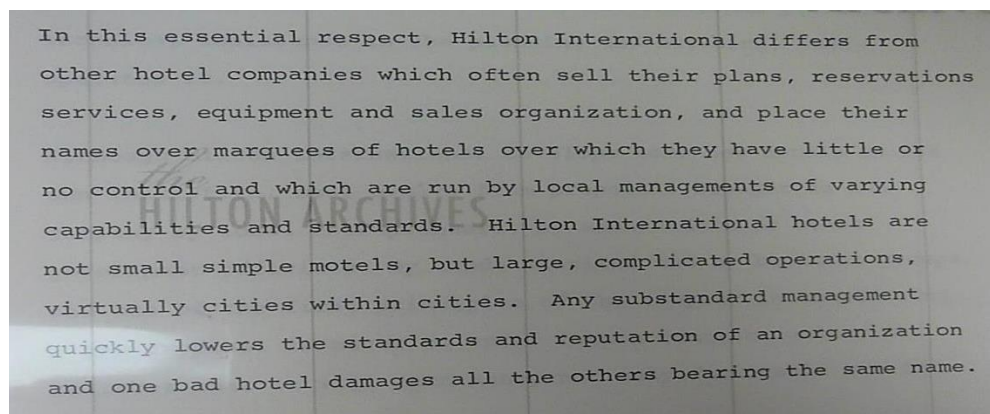
⁵⁴ Hiltonitems, October 1955, p. 2

⁵⁵ Business Week, 1st July 1967, p. 54

⁵⁶ "History" brief from 14th October 1964

fee of 5% of gross revenues and an incentive fee of 10% of the gross operating profit for the use of its name, operations and expertise. It was also reimbursed for all the group services, which included the centralised reservation system, marketing and the cost of operating regional support offices. Nickson (1997: 187) believes that by adopting management contracts Hilton International “*attempted to diffuse best practice techniques of modern hotel management*”. The company was certainly in the position to do so because it supplied managerial controls and techniques, extensive worldwide advertising, sales promotion and publicity programmes.

What Hilton International never compromised on was the complete control over operations, including the operating budget and its personnel. For this same reason, the company held back from using the franchise model⁵⁷ (with exception of one hotel in Hungary) for as long as possible, not adopting this mode until 1965. The management believed that it would be impossible to maintain close control of the level of service and the standards valued by Hilton around the globe without being responsible for the operations themselves (Strand 1996). The company always treated the name ‘Hilton’ as, what is now understood as, a ‘brand’ and a valuable intangible asset, not wanting to lose control of this at any price. As the internal memo presented in Exhibit 21 states, the management knew that one poorly managed hotel would have a bad impact on all the other hotels bearing the same name.



In this essential respect, Hilton International differs from other hotel companies which often sell their plans, reservations services, equipment and sales organization, and place their names over marquees of hotels over which they have little or no control and which are run by local managements of varying capabilities and standards. Hilton International hotels are not small simple motels, but large, complicated operations, virtually cities within cities. Any substandard management quickly lowers the standards and reputation of an organization and one bad hotel damages all the others bearing the same name.

Exhibit 21. Example of communication conveying the importance of maintaining the brand standards⁵⁸

⁵⁷ Curt Strand in “Letter from the President of Hilton International” in 1973

⁵⁸ “Background on Hilton International” memo, November 1973

When a franchise programme was introduced to the domestic division in September 1965, under the Statler-Hilton name and logo⁵⁹ (see Exhibit 22) applications from potential franchisees were carefully considered in order to maintain the high quality of service provision. Successful franchisees were to gain instant access to the Hilton Reservations Service and the Hilton's expert's guidance if so they wished⁶⁰.



Exhibit 22. Logo of the Statler-Hilton franchise properties, 1966⁶¹

Whilst Hilton Hotels Corporation either purchased or built properties in the US, Hilton International never invested in real estate abroad. The only method of operation accepted by Hilton International was either a long-term operating lease or management contract, with the building being developed and owned by the local government, private investor or a combination of the two. This was believed to be the key to Hilton International's success because it allowed for rapid expansion with limited requirement for capital investment⁶². The company would also only become involved in business when large hotels (preferably comprising 500 rooms or more) were developed in capital or gateway cities (including hotel adjacent to busy airports). The headquarters of Hilton International or Conrad himself would regularly receive letters from abroad suggesting investments in various countries, including

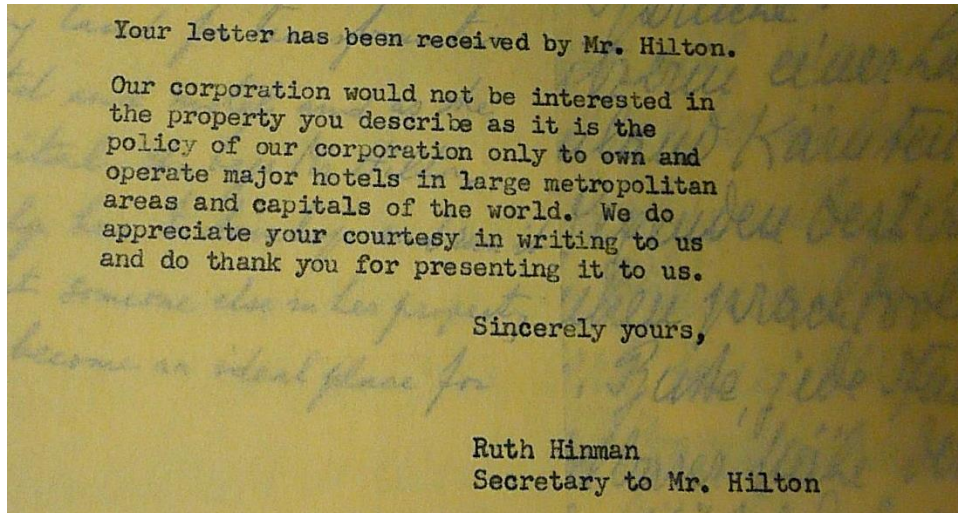
⁵⁹ Hilton Hotels Corporation Annual Report, March 1966

⁶⁰ Hilton Hotels Corporation Annual Report, March 1966

⁶¹ Hilton Hotels Corporation Annual Report, March 1966

⁶² Pearson, J. (1966) for "Hotel Management Review and Innkeeping", August 1966

countries which were under communist government at the time (i.e. Poland and USSR). However, all the propositions which required Hilton's investment in real estate or were not located in major cities were always politely rejected⁶³. Exhibit 23 displays an example of a letter explaining this policy.



Your letter has been received by Mr. Hilton.

Our corporation would not be interested in the property you describe as it is the policy of our corporation only to own and operate major hotels in large metropolitan areas and capitals of the world. We do appreciate your courtesy in writing to us and do thank you for presenting it to us.

Sincerely yours,

Ruth Hinman
Secretary to Mr. Hilton

Exhibit 23. Response to a hotel investment proposition from 29th February 1956

What Strand (1996) believes to have been the strength of the Hilton organisation was the fact that the development division did not constitute a separate entity but was geographically dispersed, working closely with people responsible for operations. This gave it exceptional product knowledge which only served to improve negotiation skills. Being located closer to everyday operations also provided advantages of flexibility and the ability to react to opportunities quickly. Hilton International developed with speed and, as clearly visible in Figure 5-6, by 1966 there were more international than domestic hotels in its portfolio. As stated previously, because domestic hotels were much larger than those operated internationally, the former continued to be the larger division (see Figure 5-4 and Figure 5-6).

⁶³ "Background on Hilton International" memo, November 1973

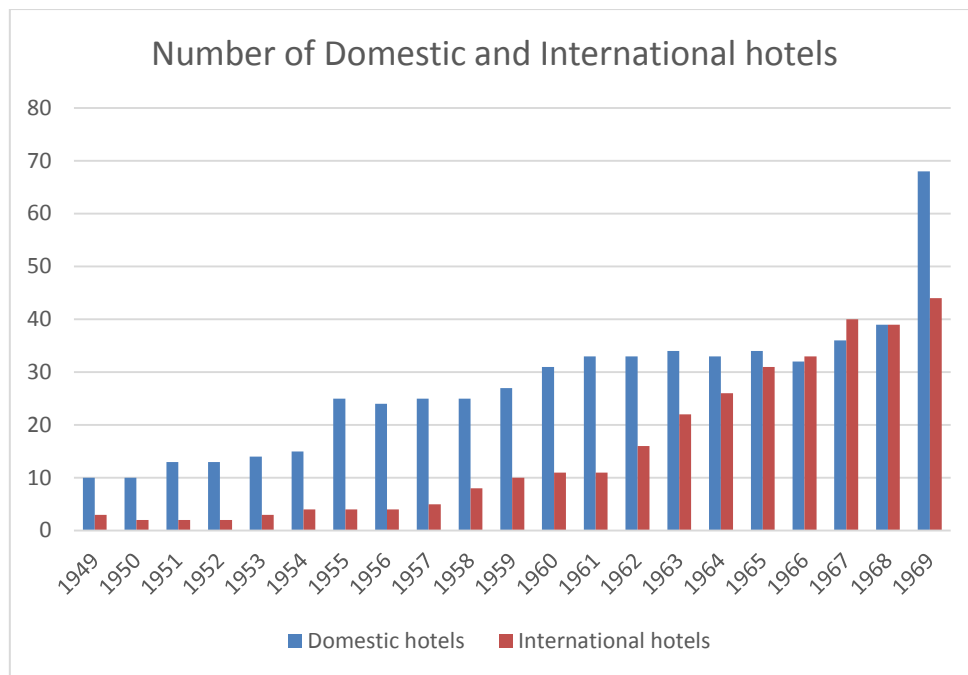


Figure 5-6. Comparison between numbers of Domestic and International hotels
Source: Author's calculation based on data from American 'Red Books' (Appendix 3)

All international hotels were closely monitored from the company's headquarters in Beverly Hills, with hotel managers required to submit monthly performance reports. Allegedly, the aim of this method of communication was to motivate general managers by making the results public. The report divided hotels into four divisions: honor⁶⁴, excellent, good and unsatisfactory ranking them in terms of their performance. Exhibit 24 presents an excerpt from a report from February 1966 ranking the London Hilton in the Honor division. The monthly reports submitted from subsidiaries to the headquarters were very detailed, Young (2014) stated that they even included weather information because in some locations it could have had an impact on revenue (Young 2014).

⁶⁴ Original spelling maintained

Enclosed are the standings for the month of December and for the Year Ending December 31, 1965.

Last month we had eight hotels in the HONOR DIVISION, whereas we have only seven this month.

In first position for December we find the ACAPULCO HILTON, with a percentage of 47.06. ACAPULCO was also in the HONOR DIVISION last month, but it gained six positions to hold the number one position.

In second position, with a percentage of 44.42, is the CONTINENTAL HILTON. Last month they were in the Excellent, but have made a come-back to the HONOR DIVISION again.

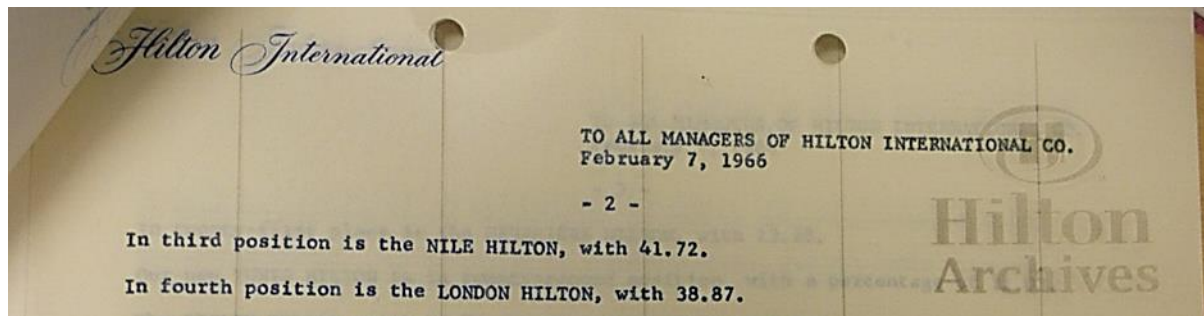


Exhibit 24. Excerpt from Hilton International Monthly Report, February 1966

The centralised management was also supposed to enhance communication across the Hilton network. For instance, it was highlighted that when one subsidiary of Hilton developed a practice which was proved efficient and beneficial to the rest of the chain, this practice would also be distributed to other subsidiaries. The excerpt from the "*Information on Hilton Hotels International*" memo from 1960 is presented in Exhibit 25 for reference. Decisions as to the communication of such practices were taken in the headquarters.

New techniques of operation and new concepts of facilities and services are constantly studied and tried throughout the Hilton Organization. When proven successful, they are applied to other Hilton Hotels - as deemed suitable for each particular operation.

Exhibit 25. Hilton International's statement on organisational learning⁶⁵

⁶⁵ "Information on Hilton Hotels International" memo, 1960

5.3.4. American hotels with local flavour

Hilton International always claimed that it was its aim and policy to create the 'local feel' in its hotels around the world. This characteristic was also highlighted in the company's promotional material⁶⁶. Exhibit 26 presents an excerpt from a letter discussing the 'Around the World with Hilton' promotional campaign planned in 1960.

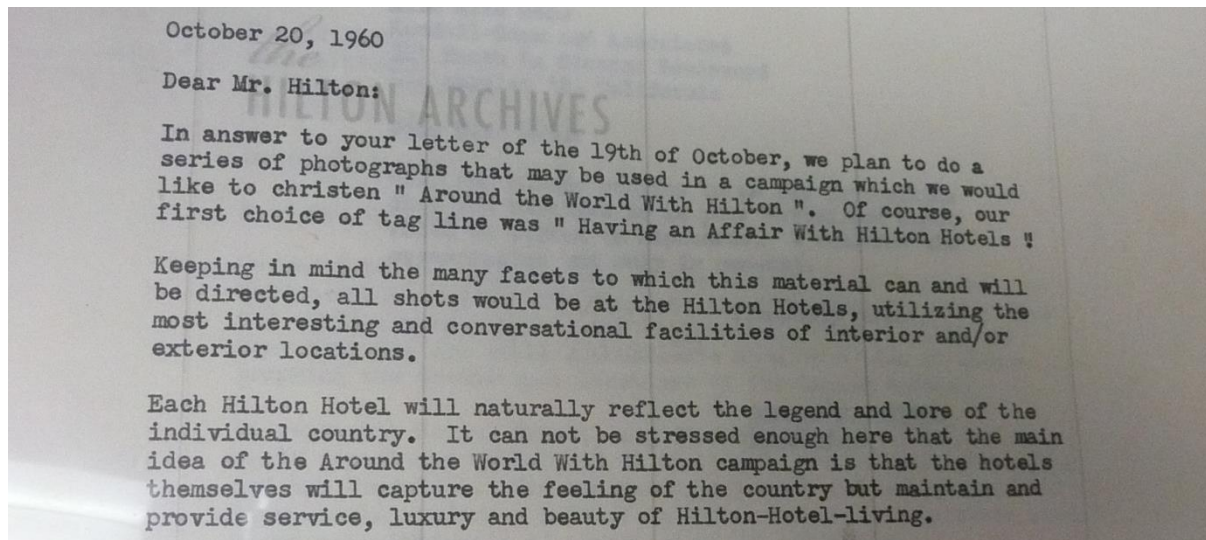


Exhibit 26. Excerpt from the letter from Kendall-Odom and Associates marketing company discussing the 'Around the World with Hilton' promotional campaign

The reason why local ambience was emphasised was partly due to the fact that Hilton aimed to encourage local patronage of hotels and restaurants⁶⁷, despite initially focusing mainly on the American traveller. To support this, Exhibit 27 presents a letter in which Louis del Coma assures one of the London Hilton's guests of the company's appreciation of local patronage. According to the Hilton International's Shareholders annual report, by 1964 half of the guests at its international hotels (excluding Puerto Rico and Hawaii) were said to be non-

⁶⁶ Rita Odom to Conrad Hilton on 20th October 1960

⁶⁷ Speech by Conrad Hilton delivered at the Hilton International Co. Investment Luncheon on 12th January 1965 in New York; Louis del Coma to a customer on 29 August 1963

Americans⁶⁸. As a result of focusing on the local market 40% of Hilton International's revenues in 1973 came from food and beverage operations⁶⁹.

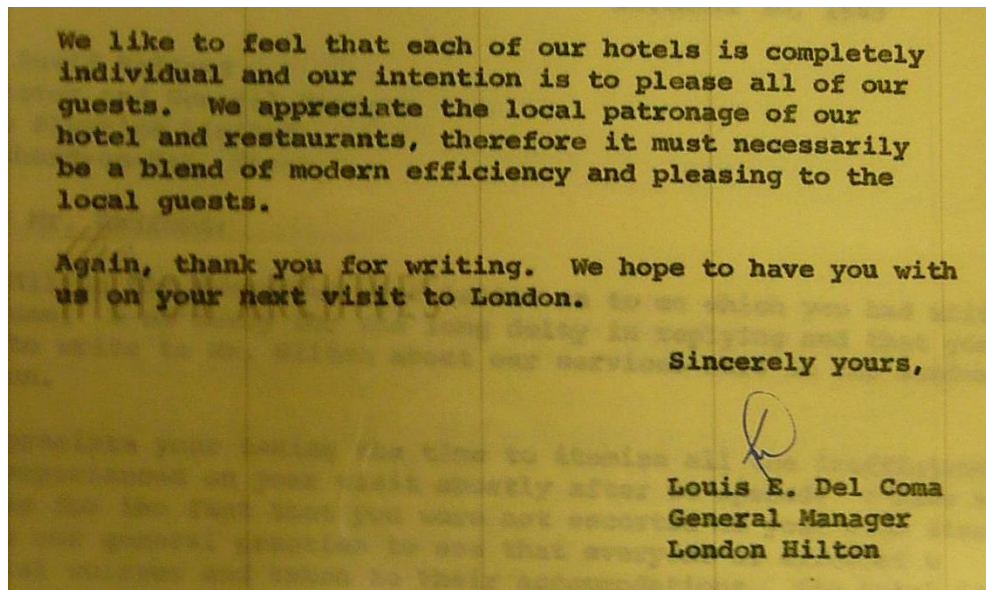


Exhibit 27. A letter to customer highlighting the appreciation for local patronage⁷⁰

Hilton always attempted to include local design, decoration and materials, while at the same time providing the comfort of a modern American hotel with the most 'up to date' facilities. For example, in Istanbul traditionally designed carpets and other decorations were used to convey the feel of the Orient. As argued in Time Magazine presented in Exhibit 28, Conrad saw his hotels as a better version of home, which one never needed to leave because all services were readily provided. Apart from the most modern facilities customers were to receive the highest standards of service wherever they went around the world⁷¹.

⁶⁸ Hilton International Co. Shareholder's Annual Report, 1964

⁶⁹ "Background on Hilton International" memo, November 1973

⁷⁰ Louis del Coma to a customer on 29th August 1963

⁷¹ Conrad Hilton To Charles Clore on 21st September 1959

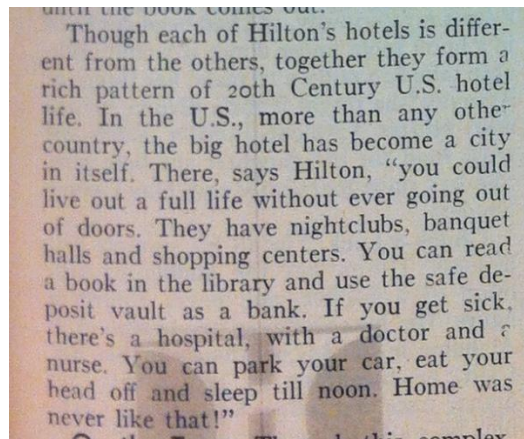


Exhibit 28. Clipping from Time Magazine, 12th December 1949 highlighting the range of services available in Hilton hotels

The model of adapting local features while providing standardised service is, according to the current General Manager of the London Hilton, the one Hilton Worldwide applies to this day (Shepherd 2014). The difference now, however, is that Hilton Worldwide operates 12 different brands (including full service, luxury, 'lifestyle', focused service and vacation ownership brands (Hilton Worldwide 2014a)), as opposed to the 1960s when all international hotels operated under a single brand (see Exhibit 29 for a current Hilton Worldwide's brand portfolio).

| | | HOTELS | COUNTRIES & TERRITORIES |
|-------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|-------------------------|
|  | The stylish, forward-thinking global leader in hospitality. | 572 | 84 |
|  | Offers unforgettable experiences at iconic destinations around the world. | 25 | 12 |
|  | Offers smart luxury travelers inspiring connections and intuitive service in a world of style. | 24 | 19 |
|  | Canopy by Hilton is designed as a natural extension of the neighborhood – with local design, food & drink, culture, guest-directed service, and surprisingly comfortable spaces. | Just Launched | Just Launched |
|  | A global collection of unique upscale and luxury hotels hand-picked for their distinctive character, appealing to passionate travelers seeking local discovery. | 21 | 4 |
|  | Fast-growing, global collection of upscale hotels in gateway cities, metropolitan areas and vacation destinations. | 461 | 39 |
|  | Full service, upscale hotels offering two-room suites, free, cooked-to-order breakfasts and complimentary evening receptions with snacks and drinks. | 228 | 6 |
|  | Offers the amenities and services that allow guests to discover and connect while on the road. | 678 | 28 |
|  | Quality experience, great value and friendly service in its signature Hamptonality style. | 2,123 | 20 |
|  | A simplified, spirited brand grounded in value, offering a back-to-basics experience with soul, consistently delivered in a surprisingly affordable way. | Just Launched | Just Launched |
|  | For guests seeking home-like accommodations when traveling for an extended stay. | 394 | 3 |
|  | Offering flexible guest room configurations and inspired amenities for the cost-conscious guest. | 83 | 3 |
|  | High-quality vacation ownership resorts in celebrated destinations. | 46 | 4 |

Exhibit 29. Hilton Worldwide's brand portfolio as of March 2016 (Hilton Worldwide 2016)

Despite the attempts to make hotels feel as local as possible, both customers and the press felt that Hiltons around the world were highly standardised and that one could not tell which city one was in, if not for the view outside the window⁷². An American guest at the Tehran Hilton was reported as saying: “*Except for a few oriental rugs and the Persian chandeliers, the place could just as easily have been Phoenix as Iran*”⁷³. Controversially, for some customers this constituted a benefit. For example, the predictability of service standards supposedly had a soothing effect on a stressed, modern and mainly American traveller, as can be witnessed in this piece by Bradshaw for Vogue Magazine in 1965:

⁷² “Business Week” 1st July 1967

⁷³ “Business Week” 1st July 1967

*“We are all the same: the new, the unexpected, the unfamiliar have a way of upsetting our stomachs. We blame it on the water. But it’s not the water, it’s us. Here is where the network of Hiltons acts as a balm, a salve, a glass of Alka-Seltzer.”*⁷⁴

American travellers were said to be weary of foreign cultures, languages and traditions. Hilton hotels served as a protective bubble in which they could be sure they would be understood and served products they knew in the manner they were familiar with. Even in a popular television programme *“What’s my line?”* screened in 1955 it was joked that when one travels to exotic locations like Puerto Rico or Madrid, thanks to Hilton one can be certain to be given the same towel as they would get in America (What’s My Line 2013).

Moreover, as Time magazine (1963) notes, efforts to create a local feel sometimes “misfired”. This magazine reported for instance:

*“Spaniards laughed at the peasant-garbed waiters and Madrid’s Castellana Hilton right back into tie and tails, and Hilton had to change the name of the Opium Den bar in his Hong Kong hotel after the Chinese took offence (it is now simply The Den).”*⁷⁵

Hilton, therefore, had to find the balance between adding local flavour and being too patronising or simply misunderstood.

5.3.5. Hilton’s people

Another aspect which was, arguably, to make the international hotels feel more ‘local’ was to employ as many indigenous people as possible. Hilton International claimed that on average 90% of hotel staff were nationals of the country where the hotel was located. On the other hand, every manager, regardless of nationality was comprehensively trained on all areas of hotel operation either in the US or in Canada⁷⁶ and there was little room for national diversification at this operational

⁷⁴ Vogue, July 1965, p. 126

⁷⁵ Time, 19th July 1963, p. 70

⁷⁶ Speech by Conrad Hilton delivered at the Hilton International Co. Investment Luncheon on 12th January 1965 in New York; Caterer and Hotelkeeper, 11th June 1955

level. It was argued that nationality actually played a secondary role to the 'Hilton identity' that was inflicted on managers through the comprehensive training. Exhibit 30 presents Pearson's commentary on Hilton's HR practices. The biography of Colonel Frank M. Brandstetter provides an example of a hotelman who despite his previous experience in managing hotels, had to be trained on Hilton's own procedures before undertaking the management of The Berlin Hilton, and later the Havana Hilton (Carlisle and Monetta 1999).

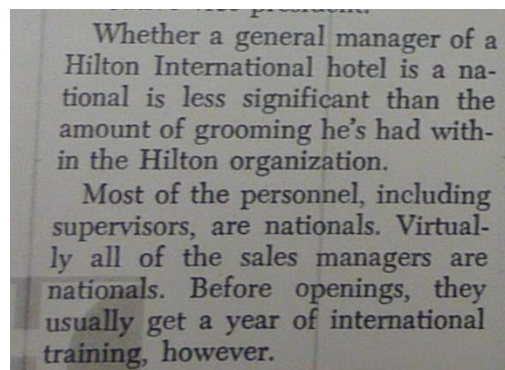


Exhibit 30. Clipping from Pearson's article commenting on Hilton's HR management practices⁷⁷

Senior management were usually selected internally from existing Hilton's employees rather than bringing someone new into the organisation⁷⁸. In order to ensure that company's standards were maintained in every Hilton hotel, a prospective General Manager would have had a minimum of 12 years' experience in Hilton International⁷⁹. Exhibit 31 and Exhibit 32 present the company's statements on this matter. Area Vice Presidents and Directors who travelled between hotels were another measure ensuring consistency of standards⁸⁰. This practice worked well with Conrad's relaxed way of delegating responsibilities. He was well known for presenting only general visionary directions and leaving the delivery entirely to hotel managers⁸¹.

⁷⁷ Pearson, J. (1966) for "Hotel Management Review and Innkeeping", August 1966

⁷⁸ "Hotel Management-Review and Innkeeping", August 1966

⁷⁹ "Background on Hilton International" November 1973

⁸⁰ "Background on Hilton International" November 1973

⁸¹ Time Magazine, 12th December 1949

Strong emphasis is placed on career development and promoting from within. Seldom, if ever, does the company look outside the organization for a person to fill a management position. This is the company's way of ensuring that its standards are maintained in all hotels, as most general managers have a minimum of twelve years Hilton International experience.

Exhibit 31. Excerpt from the "Background on Hilton International" stating company's policy of "*promoting from within*", November 1973

This policy of promoting from within has helped Hilton to keep the size of its staff consistent with the swift pace of its growth. "We'll move a man up," says Willner, "and if he proves out, the world is his oyster. In the process, we're developing a cadre of trained internationals available for reassignment anywhere in the world."

Exhibit 32. Excerpt from the article in Business Week, 1967 discussing implications of the "*promoting from within*" policy⁸²

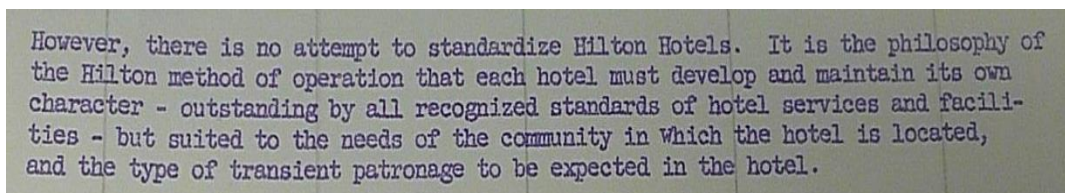
General Managers would relocate to new hotels approximately a year before the planned opening in order to oversee the development, familiarise themselves (at the time all General Managers were male) with the local situation and to recruit and train staff⁸³. The majority of General Managers of international hotels were not Americans (Young 2016) but they were comprehensively trained to represent the company in the specific host country. Hilton considered this function to be key and to this extent often spouses of perspective General Managers were interviewed alongside their husbands to ensure that they both "*have poise enough to be gracious in the limelight*"⁸⁴. Once the hotel was fully operational, general managers were given a

⁸² "Hilton's Fortunes Ride on the Jets", Business Week, 1st July 1967

⁸³ "Hilton's Fortunes Ride on the Jets", Business Week, 1st July 1967

⁸⁴ "Hotel Management-Review and Innkeeping", August 1966

great deal of freedom over running hotels⁸⁵, assuming they operated within the company guidelines. The latter were prescribed in an Operations Manual which included all areas of operation⁸⁶ and to which employees referred to as “*The Bible*”⁸⁷. On the other hand, the company claimed that it did not wish to standardise its properties around the world, each hotel was supposed to develop its own character suited to the local community and to the guests patronising it⁸⁸. Each hotel was expected to meet company standards, but achieve these in their own way⁸⁹. Exhibit 33 illustrates the company’s statement on how individual subsidiaries were expected to deliver Hilton standards. Individual hotels were, at the same time, encouraged to share their experiences with the whole chain to improve on the company’s performance as a whole.



However, there is no attempt to standardize Hilton Hotels. It is the philosophy of the Hilton method of operation that each hotel must develop and maintain its own character - outstanding by all recognized standards of hotel services and facilities - but suited to the needs of the community in which the hotel is located, and the type of transient patronage to be expected in the hotel.

Exhibit 33. Excerpt from an internal memo explaining the expected individuality of Hilton hotels⁹⁰

Data so far suggests that while Hilton boasted about employing local people to make its hotels adjust to the local culture more easily, the management positions were filled by people who were comprehensively trained in Hilton’s corporate culture. Moreover, local employees were not given much freedom in performance of their tasks, but were expected to strictly follow procedure prescribed by the headquarters.

⁸⁵ “Background on Hilton International” November 1973

⁸⁶ “Hilton’s Fortunes Ride on the Jets”, Business Week, 1st July 1967

⁸⁷ “Hilton’s Fortunes Ride on the Jets”, Business Week, 1st July 1967, p. 55

⁸⁸ “Information on Hilton Hotels International” memo, 1960

⁸⁹ “Information on Hilton Hotels International” memo, 1960

⁹⁰ “Information on Hilton Hotels International” memo, 1960

5.4. Conclusions

Chapter 5 introduced the Hilton Hotels Corporation and Hilton International as parent companies of the London Hilton and, as depicted in Figure 5-1 as one of the contexts in which the London subsidiary was embedded. It is clear that the two divisions used different models for expansion. While both primarily adopted organic means of growth (with the exception of the take-over of Statler Hotels in 1954), Hilton International benefitted from the fact that it did not invest in real estate. Hilton's domestic hotels were owned by the Corporation, but the international properties were managed based on lease agreements or management contracts. Such a business model was, at the time, considered very innovative. Despite these differences and despite the fact that in 1964 the two companies were separated, the properties in America and abroad shared great similarities in design, product and service style. The company claimed that it avoided standardisation and aimed at making each international hotel unique but an analysis of archival data suggests otherwise. Not only did hotels abroad visually resemble the properties in America, but the majority of Hilton's practices seemed to be designed so that they ensured complete standardisation of hotel services delivery. This particularly applies to the selection of staff who managed hotel properties, as well as the close supervision of development, operation and performance of each hotel abroad by the American headquarters.

It is clear that Conrad played the key role in the development of his company and in shaping its corporate culture. He was considered to be a 'maverick' who made daring business decisions and who stood strongly by his personal political and religious beliefs. Wherever Conrad opened a new hotel, he always highlighted its social mission and referred to the values he most believed in, namely faith and democracy. He aimed at making his company different despite the threat of not being accepted. Conrad not only influenced the strategy of Hilton's expansion, but also helped create its unique heritage which is still cherished by the company today. The original mission of "*spreading the light and warmth of hospitality*" is still the official aim of Hilton Worldwide and is visibly displayed in the company's headquarters next to Conrad's portrait. The company continues to refer to its rich heritage and its famous founder in marketing material (Hilton Worldwide 2014b) and

promotes its unique legacy through the new history-dedicated website (Hilton Worldwide 2015).

6. The London Hilton

6.1. Introduction

The final section of the case study focuses on the development and early operations of the London Hilton. While the previous chapters of this part of thesis discussed the context in which the London Hilton was embedded, this focuses on the London subsidiary itself (see Figure 6-1). It begins with a review of press reports preceding the opening of this property and then moves on to evaluate details of Hilton's decisions concerning its development. The case then focuses on the construction and design, operations and marketing strategy of the hotel.

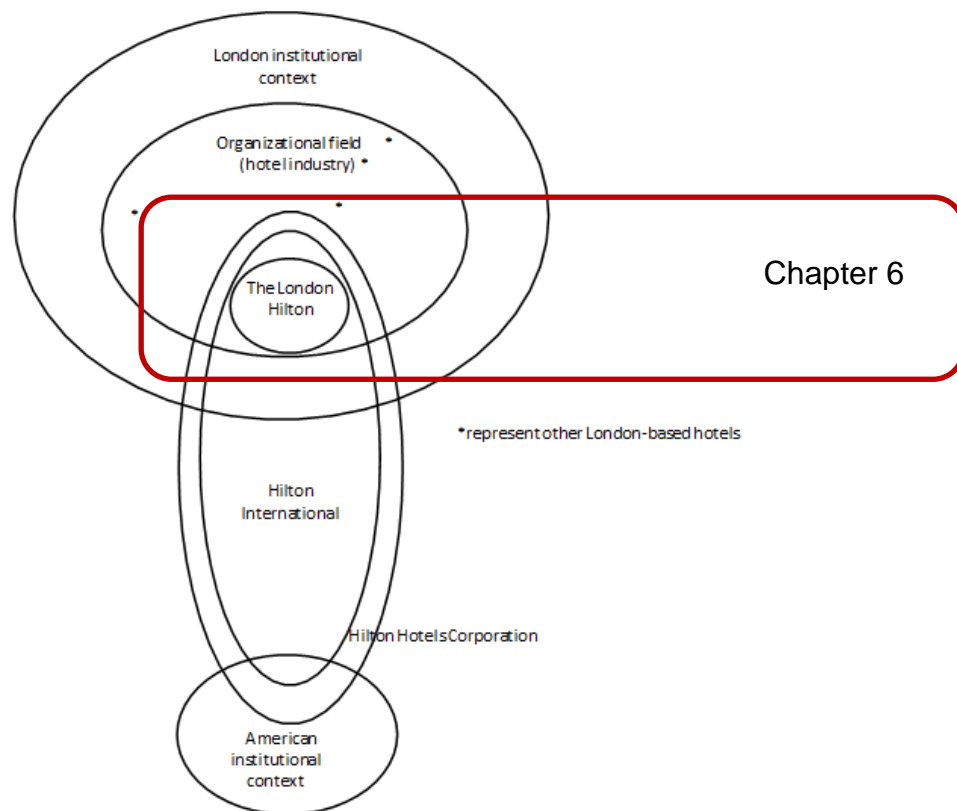


Figure 6-1. Multiple-embeddedness of the London Hilton
Source: Author's visualisation

6.2. Controversies surrounding the development project

The first newspaper article to mention the plans to build a Hilton hotel in London, found in the process of this research, dates back to 1951⁹¹. The Dundee Courier and Advertiser announced that the company was planning to develop its London subsidiary in partnership with New City Properties, owned by Charles Clore. However, it was not until 1957 that regular reports began appearing in the British press when the public inquiry into the proposal to build a 35-storey hotel in Park Lane opened. The announcement opened a public debate widely reported by press including The Times, Manchester Guardian, Daily Mail, Financial Times, Daily Telegraph, Evening Standard, The Economist and the New York Times. Exhibit 34 provides examples of newspaper headlines from 1957 while Exhibit 35 shows a clipping from the New York Times referring to the fact that this luxury hotel had drawn unprecedented attention to its development. It should be stressed that particularly emotive words, such as “*utterly inappropriate*”, were used by the press to describe the hotel.

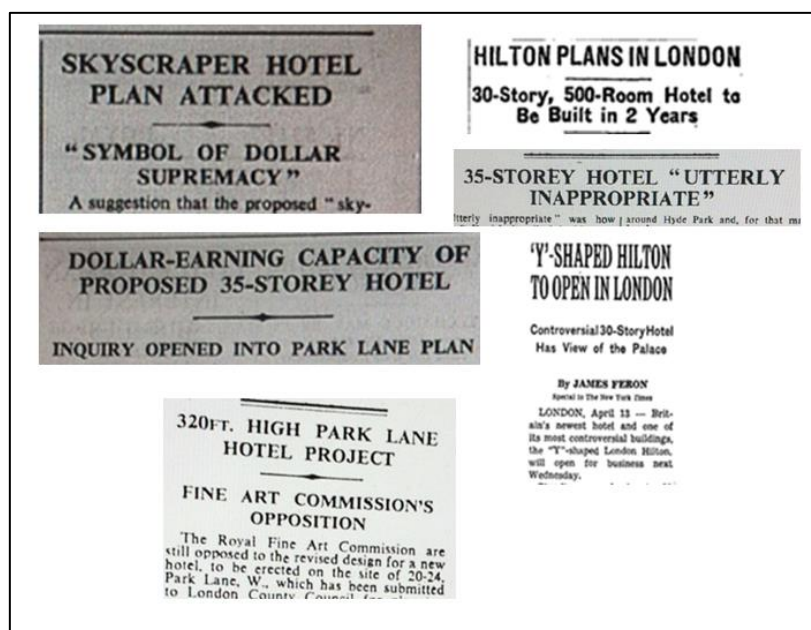


Exhibit 34. Selection of newspaper clippings commenting on the planned development of the London Hilton in November 1957⁹²

⁹¹ The Dundee Courier and Advertiser, Wednesday, May 30th 1951, p. 3

⁹² The Times, 7th November 1957 – 13th November 1957

By JAMES FERON

LONDON—The 30-story London Hilton, which opened for business last week has become something that Londoners cannot ignore not even the Queen. No Hilton hotel has ever escaped notice, of course, and, with nine others scheduled to be opened around the world this year, the traffic in glitter should be considerable.

But the advent of this latest luxury hotel in London, where first-class hotels are not unknown, has been something special. It has attracted more comment and stirred up more argument than any other hotel opening in recent memory, certainly since the 1930's.

Exhibit 35. Commentary of the newly-opened London Hilton⁹³

The debate about the development of this hotel mainly centred upon the proposed height of the tower. The London County Council, following the recommendation of the Royal Fine Art Commission, banned the building from being raised as tall as the proposed 35-storeys⁹⁴, one of the controversies being that at this height it would be taller than St Paul's Cathedral. Lord Blackford was reported as saying:

"To the east we have a lovely structure symbolising the Almighty God, to the west a massive structure symbolising the almighty dollar" (Wharton 2001: 102).

A representative of the owner of one of the neighbouring houses commented:

*"If this building is allowed it will represent hereafter a symbol of the supremacy in 1957 of a dollar-earning machine over values of greater importance and lasting quality".*⁹⁵

Another representative of the local community argued that: *"Progress did not necessarily consist of following the United States in all its actions"*⁹⁶ and that Park Lane was not the right location for such a modern hotel. These comments suggest

⁹³ New York Times, 21 April 1963

⁹⁴ The Times, 29th April 1959, p. 8

⁹⁵ The Times, 13th November 1957, p. 2

⁹⁶ The Times, 13th November 1957, p. 2

that people feared that Hilton would become a symbol of American influence over traditional society and that the height of the building would only make this symbol more visible and unforgettable.

Even the American press noted that traditional British hospitality was, arguably, threatened by the modernity brought from America. An example of such an account is presented in Exhibit 36 in a clipping from the New York Times.



Exhibit 36. New York Times reporting on the development of American hotels in London, 1953⁹⁷

One of the most controversial aspects of the design and location of the proposed hotel was the fact that it would allow people to look into the Royal Gardens. Allegedly, The Queen ordered additional trees to be planted so that American tourists could not look down upon her from the top floor restaurant. Exhibit 37 presents the commentary on this intrusion on privacy which appeared in the press.

⁹⁷ New York Times, 4th October 1953, p. 29



Exhibit 37. New York Times and The Daily Telegraph reporting on the intrusion on the Queen's privacy⁹⁸

All these fears were, however, rather inexplicable, because Hilton was by no means the first American business in London or even the first American hotel. The latter was in fact the Westbury which opened just off Old Bond Street in 1955. Before this, the Waldorf Hotel was opened in 1908 by an American, William Waldorf Astor (who had accepted British Citizenship in 1899⁹⁹). In 1963 there were also a range of other American companies conducting business in London and many of these were located in Mayfair or in close proximity to this area. American banks¹⁰⁰ were located here and were one of the reasons why the American Embassy was built in Grosvenor Square in 1960. The embassy was designed and constructed in such a manner that it made a statement in this traditionally English square. It was meant to be large, heavy and overwhelming. The most striking element of its design was (and still is) the American eagle which appears to have the ability to watch over the square from the top of the building. Locating the Hilton on Park Lane was, therefore more than justifiable and placed it directly in the centre of its target market.

Correspondence between different members of Hilton senior management suggests that Park Lane was not the only location considered for the development of its first hotel in the city. The other location discussed within the company was the South Bank. However, it was considered that Englishmen on business were often

⁹⁸ Daily Telegraph and Morning Post, 29th October 1962; New York Times, 21 April 1963

⁹⁹ The Westbury was part of a hotel chain managed by the Knott Hotels Corporation, however the hotels in this chain were not consistently branded.

¹⁰⁰ New York Times, 20th June 1966, p. 47

accompanied by their wives and that if the hotel was developed on here it would be relatively far away from the entertainment and attractions of central London (Young 2014).

After many debates, two years of public enquiry and one building permission refusal, the London County Council finally approved the plans for the Hilton hotel on 16th June 1959. As presented in Exhibit 38, American, as well as British press reported on this announcement.



Exhibit 38. New York Times announcing approval of the plans for the first Hilton hotel in London, 1959¹⁰¹

6.3. Development of the London Hilton

The opening of a hotel in London was seen as a great opportunity for Hilton International. Numerous studies conducted before the final decision concluded that the economies of Western European countries were very strong and as a result attracted much investment from America, which in turn would lead to very favourable returns¹⁰². London played such an important role amongst these economies that opening a hotel in London would mean as much to the International Division, as opening a hotel in New York would for the Domestic Division¹⁰³. A similar comparison was made by William Irvin, the Vice President of Hilton International and a long-time friend of Conrad's, who in 1958 recognised the Waldorf Astoria, the Plaza and the Palmer House as the most prominent properties for the Hilton Hotels Corporation. He then commented that Hilton International needed similarly

¹⁰¹ New York Times, 17th June 1959, p. 58

¹⁰² Curt Strand to Conrad Hilton on 12th January 1960

¹⁰³ Curt Strand to Conrad Hilton on 12th January 1960

outstanding hotels in locations such as London and Rome¹⁰⁴. Strand expected a very high return on investment from a hotel in London (even up to 25%) and equally high profits¹⁰⁵.

The business model adopted for the London Hilton was the lease agreement used for the majority of Hilton International's investments abroad at the time. The agreement was signed by Conrad Hilton and Charles Clore, President of New City Properties Ltd. on 23rd March 1960. The building itself was funded and owned by the New City Properties Ltd and rented to Hilton International for 25 years with an option to renew for another 25 years at a fair market rent. The exact financial arrangements of the lease agreement are presented in Exhibit 39. Hilton was responsible for providing all furnishings, equipment and furniture, as well as various consumables and working capital. In addition, Hilton was to pay the taxes imposed on the occupier. This was a revenue-based lease which would equate to a 'variable lease' today.

| | |
|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| PAYMENT TO OWNER | For original 25-year term a basic rent of 8% of the total cost of acquiring and developing the site plus additional rent of 10% of gross room receipts in excess of one million pounds plus 5% of such receipts in excess of 1,100,000 pounds provided that total additional rent is limited to 25% of the basic rent. |
| OPERATING LOSSES | By reason of nature of lease, automatically borne by Hilton. |
| INVESTMENT BY HILTON | Hilton provides all furniture, furnishings and equipment and Operating Equipment as well as, by nature of the agreement, consumables and working capital. |

Exhibit 39. Financial arrangements between Hilton Hotels and New City Properties for the development of the London Hilton¹⁰⁶

Apart from managing the hotel, Hilton played a consultancy role in the development and opening of the hotel. The company offered a range of services including:

¹⁰⁴ William R. Irvin to Conrad Hilton on 6th November, 1958

¹⁰⁵ Curt Strand to Conrad Hilton on 12th January 1960

¹⁰⁶ 'London Hilton' memo, 15th May 1963

- Economic studies of potential profitability
- Site selection, choice of design
- Choice of facilities
- Schematic plans, interior design and decorations
- Assistance in selecting architects, designers and other key personnel
- Schematic layout of hotel-specific facilities (laundry, kitchens, air conditioning etc.)
- Choice of specialized equipment
- Preparation of budget
- Development project management
- Training of key personnel
- Local and international promotion and publicity
- Organisation of pre-opening events and the opening ceremony¹⁰⁷

The main reason why the company was involved in so many different areas was that it wanted to maintain the standards associated with Hilton Hotels around the world¹⁰⁸. Hilton International also secured complete discretion in terms of operating policies (including the use of space and facilities), prices, entertainment policies, labour policies, wage rates, human resources management and all phases of promotion, publicity and advertising¹⁰⁹.

It appears that this agreement involved considerable responsibility on Hilton's side compared with agreements used for other international hotels. In 1960, when the agreement was signed, Hilton operated 11 hotels abroad (including three in Europe: Madrid, Berlin and Istanbul) (see Appendix 3) and was a relatively skilled international operator. Also London, unlike many other locations, was financially and politically stable. Such level of involvement on Hilton's part confirms that the

¹⁰⁷ "Information of Hilton Hotels International", 1960

¹⁰⁸ "Information of Hilton Hotels International", 1960

¹⁰⁹ "Memorandum of Preliminary Understanding for the Development of a Hotel Project in Hyde Park, London, England" 25th November 1953

company's management expected the London Hilton to be a safe and promising investment¹¹⁰, a fact which seems to transmit through the corporate correspondence discussed earlier. Wharton (2001) argues that unlike the case of other European Hilton hotels, in London the company was dealing with an experienced negotiator. It was clear that for Charles Clore return on investment was the key concern, while in Istanbul or Berlin governments invested in Hiltons for political and status-related reasons. Wharton asserts that the London project was strictly focused on profit. Indeed, in May 1963, Barron Hilton, in a letter to his father stated that the London Hilton was capable of earning as much as \$250,000 a month¹¹¹. Exhibit 40 presents a copy of this letter.

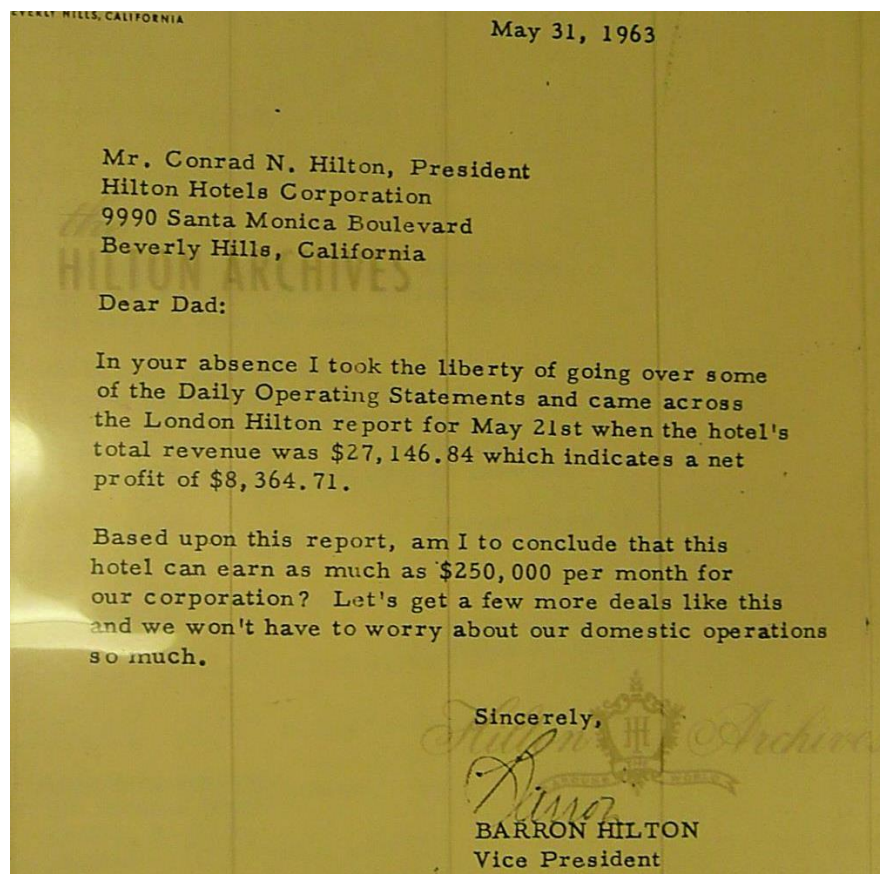


Exhibit 40. Letter from Barron Hilton to Conrad discussing performance of the London Hilton

¹¹⁰ Hilton International Annual Report, March 1965

¹¹¹ Barron Hilton to Conrad Hilton on 31st May 1963

Profitability of the London property in its initial years of operation was a result of excellent performance as well as income tax benefits. Exhibit 41 displays an excerpt from the company's annual report discussing the key factors leading to the London Hilton's superior performance.

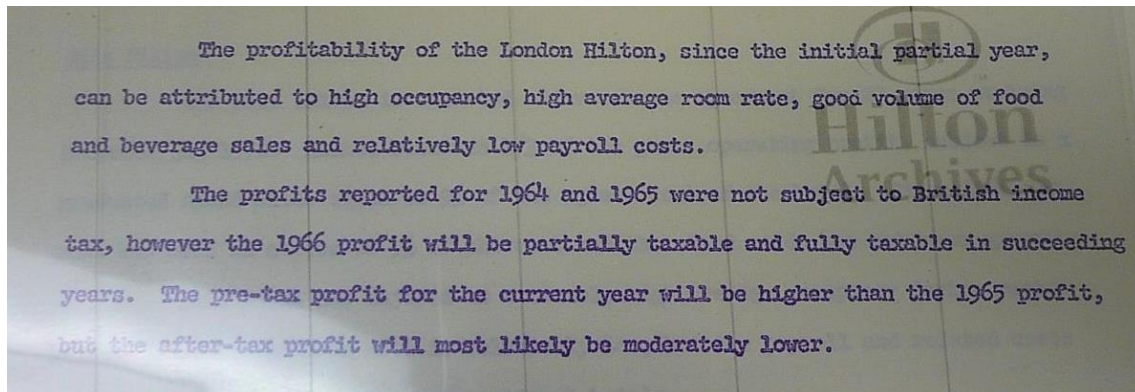


Exhibit 41. Hilton International 1965 Annual Report analysing the London Hilton's performance¹¹²

Favourable tax regulations were one of the reasons why it was expected that a hotel in London would provide Hilton International with prestige from a financial point of view because at that time corporate income tax was approximately 50% lower in Britain than in the US. Exhibit 42 presents William Irvin's predictions as to the profitability of the London Hilton project.

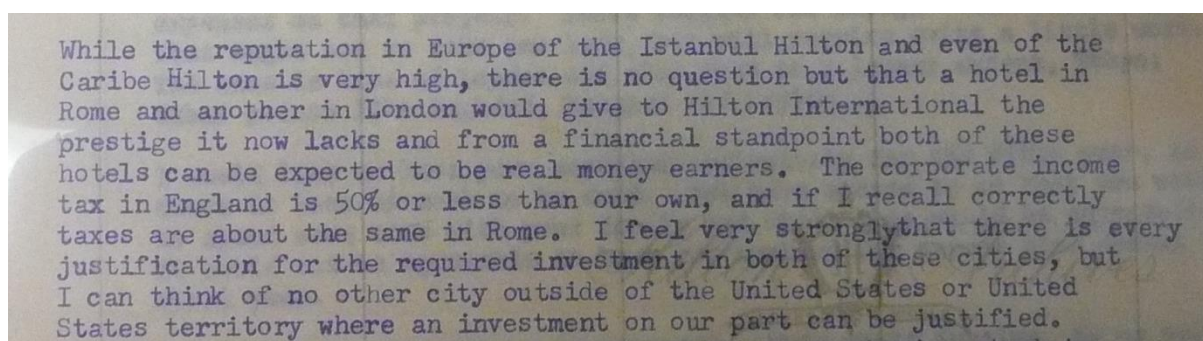


Exhibit 42. William Irvin commenting on the favourable tax regulations in Britain¹¹³

¹¹² Hilton Division Annual Report (International), 1965

¹¹³ William R. Irvin to Conrad Hilton on 6th November, 1958

6.4. Construction and design

Before the opening of the London Hilton the company carried out extensive research on local customs and consumer expectations. Some customers who patronised Hilton hotels in different locations even took a proactive approach and contacted the company with a number of suggestions:

- A regular customer wrote to Conrad Hilton to inform him about the English tradition of having a doorman to open the door to customers in hotels of good reputation¹¹⁴.
- The same customer also suggested that Englishmen liked to conduct business over a drink before dinner, which was the reason why Hilton should have a separate bar dispensing drinks.
- On another occasion, when plans for the ballroom were being developed, it was suggested that escalators would not be glamorous enough an entrance to the ballroom and that stairs and lifts should be utilised instead.

All these suggestions were taken into consideration and the appropriate arrangements were put into place to respond positively to these.

The controversial tower was designed by an American architect, William B. Tabler (serving as a consultant to the Lewis Solomon, Kaye & Partners Company). He had worked with Hilton Hotels for many years and had designed the Dallas Hilton and the iconic New York Hilton at the Rockefeller Center. The Y-shaped tower rests on a rectangular podium which accommodates the lobby, two restaurants, the grand ballroom and other public spaces. As a result of its unique shape, the hotel offers views over Hyde Park and central London from all of its bedrooms and suites located in the tower. The Y-shape also shortens the distance guests have to walk from the lifts to their bedrooms¹¹⁵. Exhibit 43 illustrates the original floor plan of the London Hilton.

¹¹⁴ Letter to Conrad Hilton on 8th May 1962

¹¹⁵ The Economist, 20th April 1963

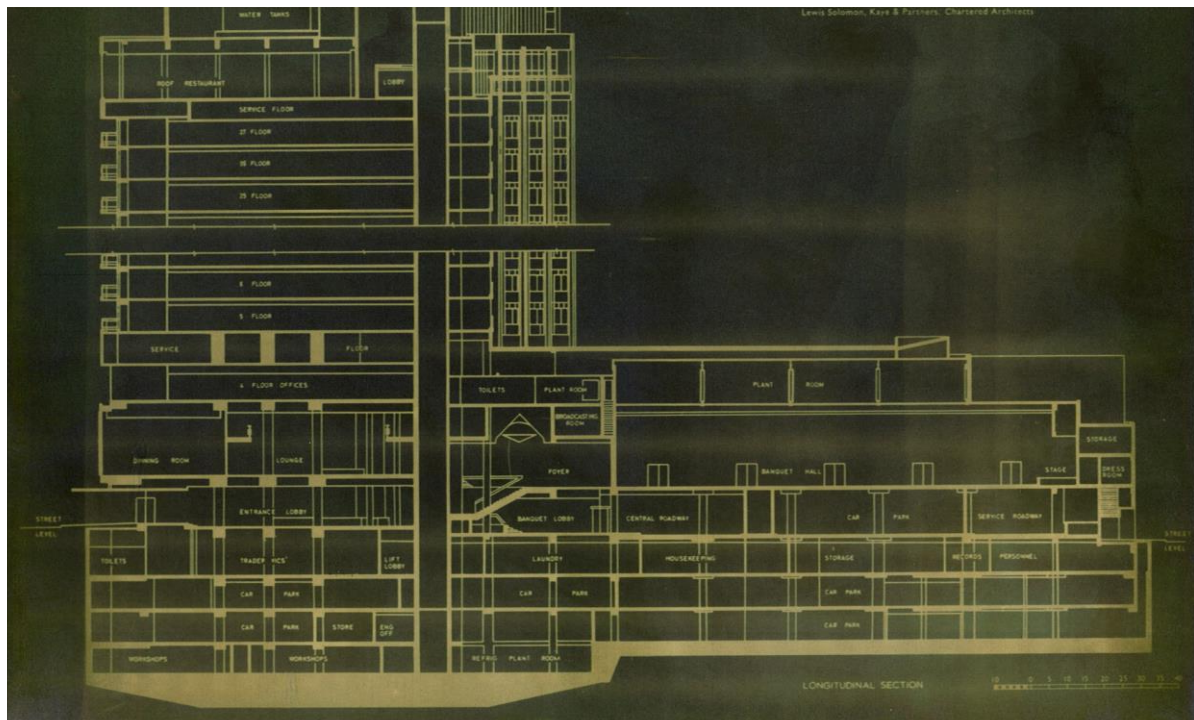


Exhibit 43. Original floor plan of the London Hilton from 1963¹¹⁶

The plan indicates that the tower was divided into clear sections with guest rooms being located on floors 5 to 25 and luxury suites on floors 26 and 27. For the complete floor guide see Table 6-1.

| | |
|---------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 29-30 | Plant room for plumbing, mechanical equipment, lift machines, water tanks |
| 28 | Roof restaurant |
| 26-27 | Luxury suites |
| 5-25 | Guest Rooms |
| 4 | Executive offices including General Manager, Banqueting and Food and Beverage offices |
| 3 | Banqueting suites |
| 2 | International Restaurant, Patio, 007 Bar, Ballroom |
| Mezzanine | Accounts and other offices |
| Lobby | Main entrance and foyer, London Tavern, St. George's Bar, Scandinavian Sandwich Shop, International Arcade |
| Lower ground | Trader Vic's Restaurant, barber and beauty shop, staff cafeteria, staff locker rooms, Personnel Office, Housekeeping Office, linen room, laundry, general stores, service lifts, cellars, print shop, medical suite |
| Basement | Parking space for 350 cars, air-conditioning plant, workshops, engineers office |

Table 6-1. The London Hilton floor guide as of 1963¹¹⁷

¹¹⁶ Picture from the London Hilton on Park Lane collection

¹¹⁷ Grieve, R. D. (1966) "The London Hilton Hotel", internal document from the London Hilton On Park Lane collection

Access to the higher floors was provided by four fully-automated 800ft per minute guest lifts, three service lifts and a large-goods lift which could carry up to 6,000lbs¹¹⁸. Despite the lifts being automatic attendants operated them, surprising some of the guests¹¹⁹. Louis del Coma, the first General Manager of the London Hilton, explained that lift attendants were there to assist when traffic was particularly heavy and they also familiarised customers with this automated service. Exhibit 44 presents excerpts from a customer's letter and Louis del Coma's reply concerning the lift attendants.

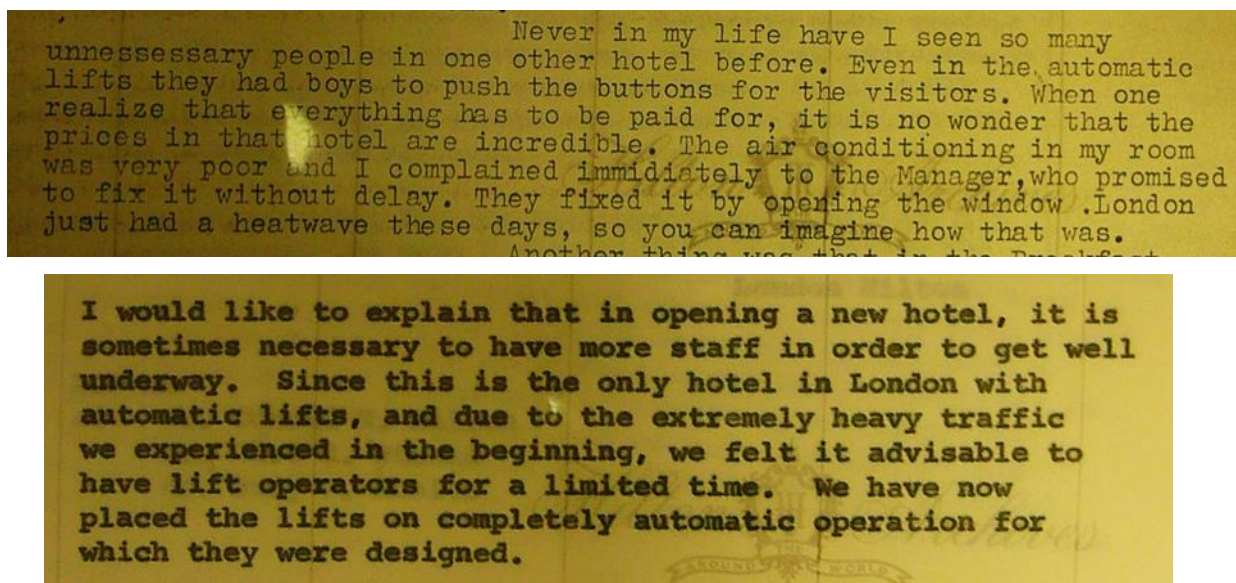


Exhibit 44. Correspondence discussing automatic lifts and staffing arrangements¹²⁰

There were customers, on the other hand, who were not surprised by seeing a lift attendant¹²¹ and actually suggested that lift attendants should be equipped with more knowledge in order to answer customers' questions. As the first property managed by the already famous Hilton company the hotel was considered to be an attraction in the London hotel market. Correspondence from early guests to the London Hilton suggests that many regular customers of grand hotels stayed in the Hilton simply to

¹¹⁸ "The Ambassador – British Export Magazine", No. 3, 1963

¹¹⁹ Letter to Conrad Hilton on 6th July 1963

¹²⁰ Letter to Conrad Hilton on 6th July 1963; Louis del Coma on 29th August 1963 (reply comes from Louis del Coma because all correspondence regarding the London Hilton was forwarded to him and replied to by both Conrad and Louis del Coma)

¹²¹ Letter to Conrad Hilton on 10th May 1963

'try it out'. Exhibit 45 presents an example of a letter suggesting that the technological advancements of the London Hilton could be used as a marketing advantage against local hotels.

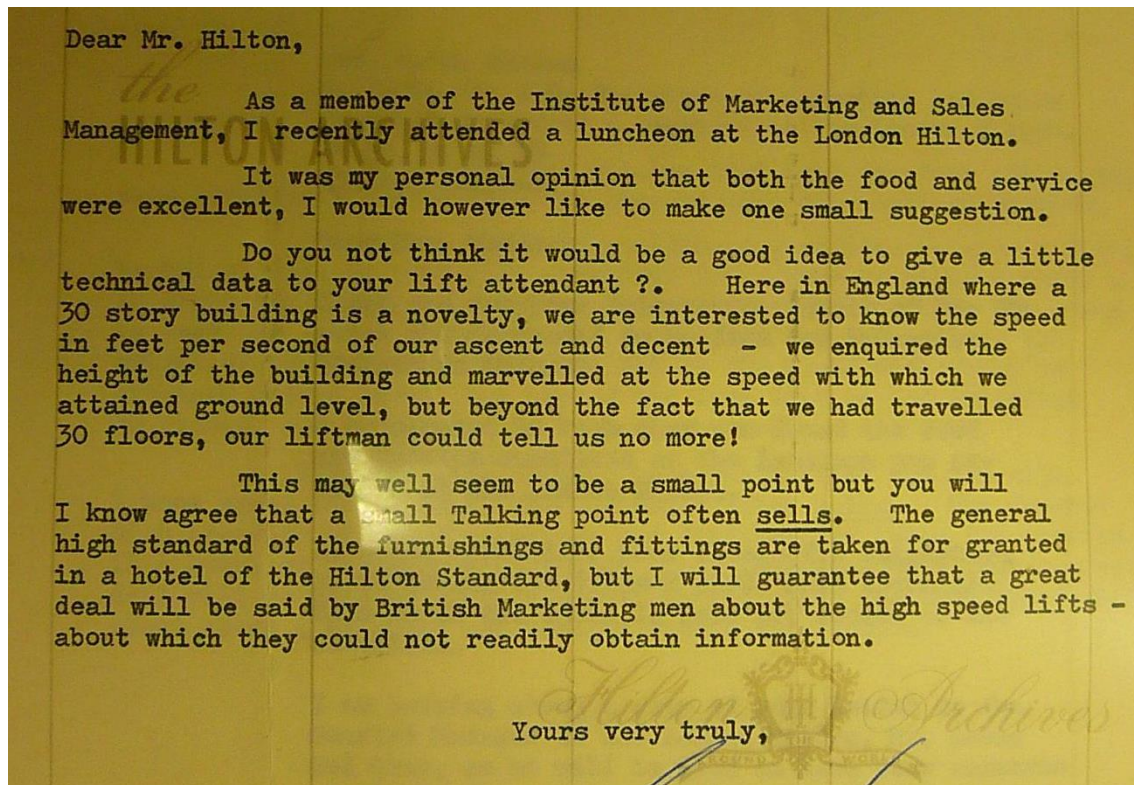


Exhibit 45. Example of a letter suggesting using technological advancements as marketing differentiator¹²²

6.5. Guest rooms

On floors 5 to 25 there were a range of single, twin and double bedrooms (see Exhibit 46 for a floor plan). Most of the rooms were interconnecting allowing for maximum flexibility. There were also two lounge rooms (behind and opposite the lifts) so that suites could be easily created by connecting them with bedrooms.

¹²² Letter to Conrad Hilton on 10th May 1963



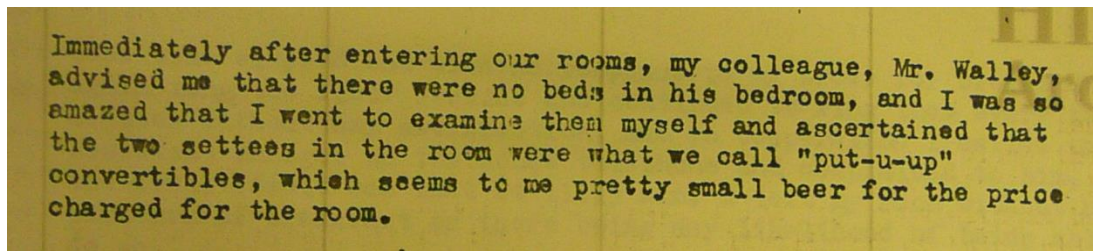
Exhibit 46. Plans of floors 5-25 and floors 26-27 as of 1963¹²³

An innovative type of bedroom introduced by Hilton was a 'studio room', both in single and double bed sizes. This type of room was without a bed, instead a convertible sofa could be converted and served as a bed at night¹²⁴. The idea behind a studio room was that business people could work in a more office-like environment. However, some customers complained that such an arrangement was not appropriate for the standard represented by Hilton and for the price charged for the room¹²⁵. Exhibit 47 illustrates an extract from such a letter.

¹²³ Pictures from the London Hilton on Park Lane collection (picture incomplete in original)

¹²⁴ Grieve, R. D. (1966) "The London Hilton Hotel", internal document from the London Hilton On Park Lane collection

¹²⁵ Letter to Conrad Hilton on 26th June 1963



Immediately after entering our rooms, my colleague, Mr. Walley, advised me that there were no beds in his bedroom, and I was so amazed that I went to examine them myself and ascertained that the two settees in the room were what we call "put-u-up" convertibles, which seems to me pretty small beer for the price charged for the room.

Exhibit 47. Complaint about the inadequate standard of 'studio rooms'¹²⁶

Floors 26 and 27 were occupied by luxury suites, as seen in the original floor plan in Exhibit 46. These rooms were also interconnecting so that suites could be tailored according to guest's requirements. All luxury suites were equipped with king-sized beds, living rooms and kitchen appliances.

The great majority of furnishing, decorations and textiles were British-made and were often designed specifically for Hilton¹²⁷. David Williams, the Decorating Consultant and Inge Bech, the Director of Interior Decoration for Hilton International, commented in an interview with the 'The Ambassador' magazine that: "*the colours at the London Hilton are the colours of the English countryside. These are what the visitor looks for and loves about England*"¹²⁸. As discussed earlier, it was important for Conrad to create a local feel in his hotels. The fact that so much British workmanship and materials were used in the London Hilton was highlighted in the opening speech delivered by him on 17th April 1963¹²⁹ (see Exhibit 48).

¹²⁶ Letter to Conrad Hilton on 26th June 1963

¹²⁷ Grieve, R. D. (1966) "The London Hilton Hotel", internal document from the London Hilton On Park Lane collection, "The Ambassador – British Export Magazine", No. 3, 1963

¹²⁸ "The Ambassador – British Export Magazine", No. 3, 1963

¹²⁹ Conrad Hilton's opening speech, 17th April 1963, London

NEW YORK AND WASHINGTON D. C. ARE UNDER CONSTRUCTION. HOWEVER, I DO WANT TO
STRESS THE INTERNATIONAL SCOPE OF OUR HILTON HOTELS, AND LEAVE WITH YOU THE
FACT THAT THIS BEAUTIFUL HOTEL THAT IS YOURS IN LONDON IS A CITIZEN OF THE
WORLD FOR ALL THE PEOPLES OF THE WORLD. MANY BRITONS AND COMMONWEALTH
SUBJECTS ARE IN EXECUTIVE POSITIONS. THE MAGNIFICENT TAPESTRY ON THE GRAND
STAIRWAY WAS DESIGNED BY A ^{WELCH} ~~SCOTS~~-WOMAN AND MADE IN SCOTLAND. THOSE ARE DON
POTTINGER ENGRAVED GLASS PANELS IN THE ST. GEORGE BAR. WE SHALL SEE THAT
THIS HOTEL IS INTERNATIONAL IN EVERY SENSE OF THE WORD. THE INTERNATIONAL

Exhibit 48. A passage from Conrad's speech opening the London Hilton on 17th April 1963

There is evidence suggesting that Hilton's representatives in London carried out research on design and décor in other London hotels and compared them with Hilton's plans. Conrad was personally involved in discussions with the consultancy team and expected regular reports on progress. In Hilton's employees' correspondence comparison between the London Hilton and other properties was often concluded with a statement that Hilton would represent higher standards than its competitors. Exhibit 49 presents an excerpt from one such exchange of correspondence between Conrad and David Williams.

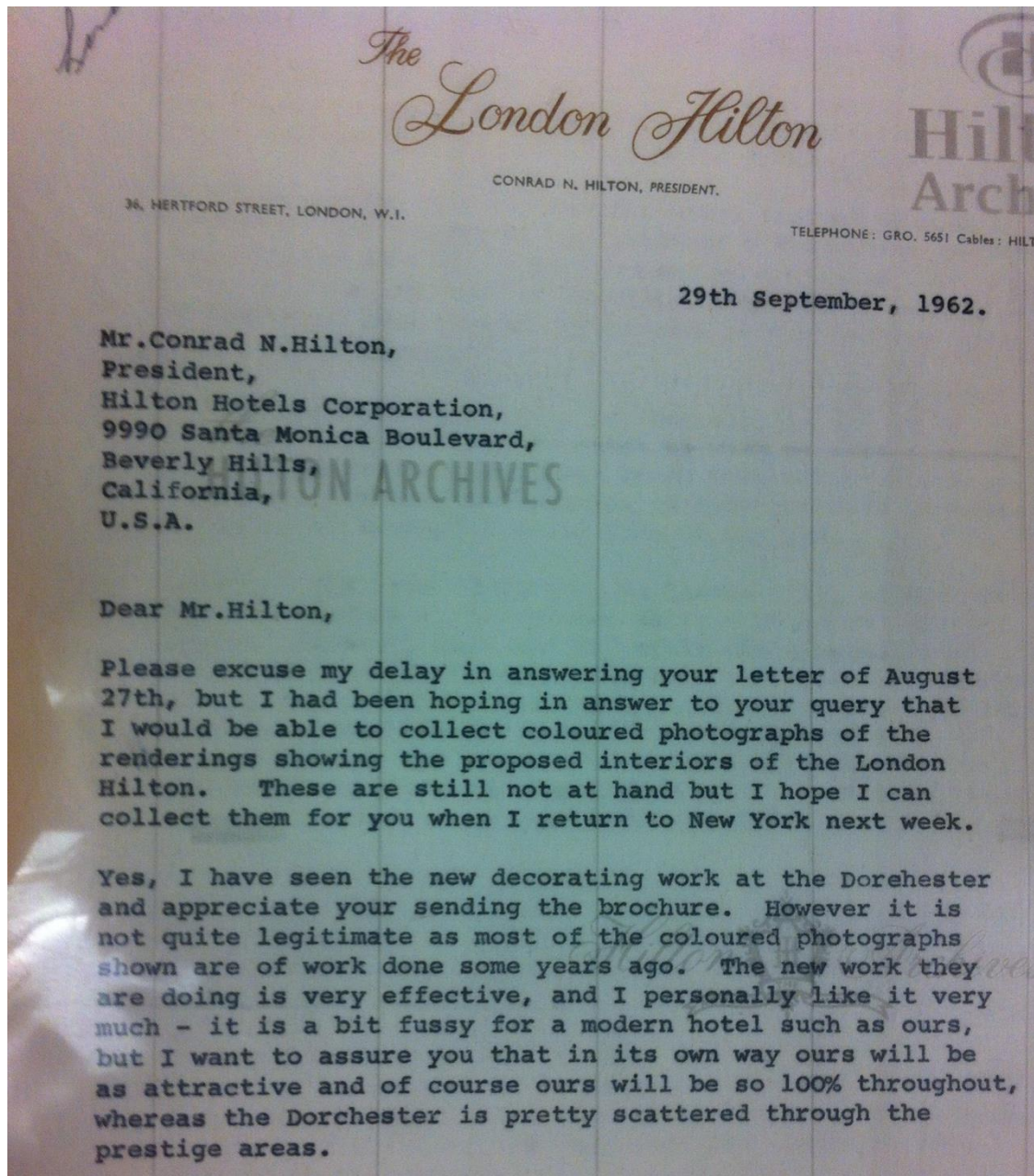


Exhibit 49. Correspondence about London Hilton's décor¹³⁰

6.6. Food and beverage facilities

Restaurants and bars located in the newly-opened London Hilton were an essential part of the business because, as discussed in Chapter 5.3, Hilton wanted to attract local patronage. These outlets were advertised with the local market in mind and

¹³⁰ David Williams to Conrad Hilton on 29th September 1962

were somewhat separated from the room accommodation offering, as seen in Exhibit 50.



Exhibit 50. Advertisement highlighting food and beverage facilities in the London Hilton¹³¹

The facility which brought media's and guests attention the most was the rooftop restaurant. This restaurant, located on the 28th floor, offered panoramic views over London due to the floor-to-ceiling glass windows. In the year of opening, a fireplace was installed as a central island designed to add to the feeling of warmth, as shown in Exhibit 51. The main bar was located in front of one of the windows, but in order not to obstruct the unique view it was lowered relative to the main floor.

¹³¹ Picture from the London Hilton on Park Lane collection



Exhibit 51. Rooftop Restaurant with the centrally-located fire place in 1963¹³²

The bar and restaurant, or rather the view they offered, were widely talked about. Exhibit 52 demonstrates the two-page panoramic photograph published by the Illustrated London News. This view over London was considered to be one of the unique selling points of the property.



Exhibit 52. Pictures of the Rooftop Restaurant published by the Illustrated London News¹³³

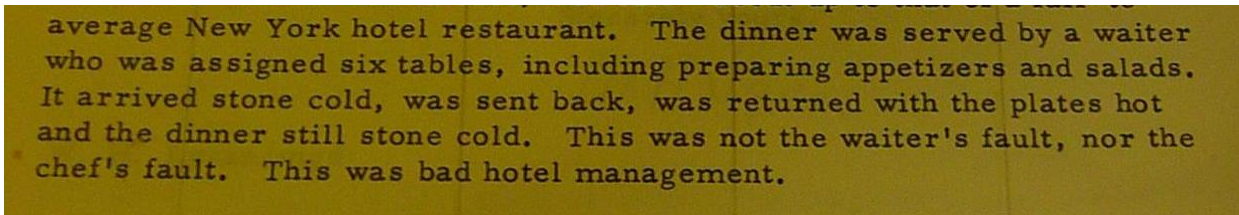
The décor of the restaurant, however, was quickly deemed 'outdated'. In 1967 Hilton management conducted a survey amongst customers because they were

¹³² Picture from the London Hilton on Park Lane collection

¹³³ "London at your feet", Illustrated London News 27th July 1963, p. 131

dissatisfied with the level of patronage. The results of the survey indicated that the décor was found to be “*too cold and formal*”¹³⁴. The decision to change the restaurant came as a surprise to Sir Hugh Casson, the designer responsible for the first stage of decoration; he had also decorated rooms at Buckingham Palace, the Royal Yacht Britannia and was the Architectural Director for the Festival of Britain¹³⁵. The new interior was designed by the Head of the Hilton Design Team, David Williams. He chose a warmer colour scheme for the restaurant and used an apricot, aubergine and ruby red colour palette. The main feature of the restaurant became a multi-coloured glass screen which when illuminated looked like a jewelled mural¹³⁶. Interestingly, the press reported that Casson had designed the restaurant with Americans in mind, while Williams, although being American, had created a space which pleased British guests¹³⁷.

In the early days of operation, the rooftop restaurant was often a source of guest complaints, which could have been one of the reasons for its poor performance in the first few years of operation. There is a range of letters in which customers complain about staff being disorganised¹³⁸ and at times even rude¹³⁹. They also complained about service being slow and the fact that food was often served cold. They, however, did not blame the individual employees but rather the ineffective operations management. Exhibit 53 shows an example of comments received from a customer who had an unsatisfactory experience in the Rooftop Restaurant.



average New York hotel restaurant. The dinner was served by a waiter who was assigned six tables, including preparing appetizers and salads. It arrived stone cold, was sent back, was returned with the plates hot and the dinner still stone cold. This was not the waiter's fault, nor the chef's fault. This was bad hotel management.

Exhibit 53. Example of a complaint regarding unsatisfactory service in the Rooftop Restaurant¹⁴⁰

¹³⁴ “Caterer and Hotelkeeper” 18th May 1967

¹³⁵ Clipping from an unknown newspaper from 2nd March 1967

¹³⁶ “Furnishing World” 4th May 1967

¹³⁷ Clipping from an unknown newspaper from 2nd March 1967

¹³⁸ Letter to Conrad Hilton on 9th June 1964

¹³⁹ Letter to Conrad Hilton on 28th October 1963

¹⁴⁰ Letter to Conrad Hilton on 9th June 1964

The International Restaurant on the second floor, depicted in Exhibit 54, was considered the main restaurant of the hotel. It was equipped with furnishing and decorations which could be changed on a regular basis to reflect the atmosphere of different countries. The idea behind the design was that menus, table decoration and staff uniforms could also be altered. However, this operational style was too troublesome and was soon changed.



Exhibit 54. International Restaurant in the early 1960s¹⁴¹

It was the International Restaurant's purpose to reflect Hilton International's experience from around the world. Exhibit 55 presents text transcribed from the promotional material of The International Restaurant. This highlights the company's aim to be perceived as a chain. By visiting the restaurant in London, guests were made to be aware of other Hilton properties.

¹⁴¹ Picture from the London Hilton on Park Lane collection

"Hilton Hotels International now operates twenty-one hotels in sixteen countries on five continents of the world. Within the next two years twelve more hotels in seven more countries will be added to our world-wide group.

In all these countries we have studied and become familiar with the foods and food customer, indeed with their 'Culinary Heritage'. As we have been exposed to these heritages our knowledge and interest in this fascinating world of food has grown, and we have become increasingly aware of the terminology and recipes of the French classical kitchen. With this in mind we felt there was a distinct need in our 'jet age', the era of world travel and exchanges between countries and cultures at every level, for a restaurant which would reflect the many interesting cuisines which exist around the world. The direct result of these thought is the 'International Restaurant' of the London Hilton.

The International Restaurant will periodically transform itself by changing its décor, foods, colors, and music, into a restaurant typical of one of the five major culinary regions of the world. Geographically these will represent Europe, North America, Central and Latin America, the Orient, and the Mediterranean. Each of these regions by reason of history, climate, geography and exposure to unifying colonial or other political influences, can logically be said to have a recognizable culinary heritage. In order to most effectively present each region we will offer not only an authentic menu of its foods, but do so against a mood and background that is representative of the character and flavour of each. The color, music, arts and crafts, and utensils and accessories of the region will be suggested by a change in the murals, lighting, color schemes, and table setting of the Restaurant.

Enjoy this adventure in dining and open our 'menu' to the world's cuisines and the heritages from which they arise."

Exhibit 55. Text from the International Restaurant's promotional material¹⁴²

Correspondence to Conrad suggests that guests enjoyed the food served in the restaurant and its décor. One customer wrote that "*The International Restaurant puts everything else in London to shame*"¹⁴³. This hand-written note is presented in Exhibit 56 to convey the enthusiasm that some customers expressed towards the London Hilton.

¹⁴² Original material from the London Hilton on Park Lane collection (the original cannot be included due to poor quality; original spelling is maintained)

¹⁴³ Letter to Conrad Hilton on 30th July 1963

the hotel is magnificent
and your International
Dining Room puts

everything else in
London to shame.
Bless you, and
thank you for
having money enough
and foresight enough
to make the world
a nicer place for
those of us who

live to travel.
Sincerely,

Exhibit 56. Example of a letter praising the London Hilton and the International Restaurant

The two stand-alone bars were designed to add to the local feel of London: The London Tavern and St. George's Bar. The latter was designed to resemble a traditional Victorian pub, whereas the London Tavern drew inspiration from the old architecture of the City of London, but with some modern elements added¹⁴⁴. They both served traditional English ales and lagers¹⁴⁵ and their menus were designed to reflect the ambience of traditional English pubs. Exhibit 57 presents the menus from these bars.

¹⁴⁴ "The Ambassador – British Export Magazine", No. 3, 1963

¹⁴⁵ The London Hilton promotional leaflet, from the London Hilton on Park Lane collection

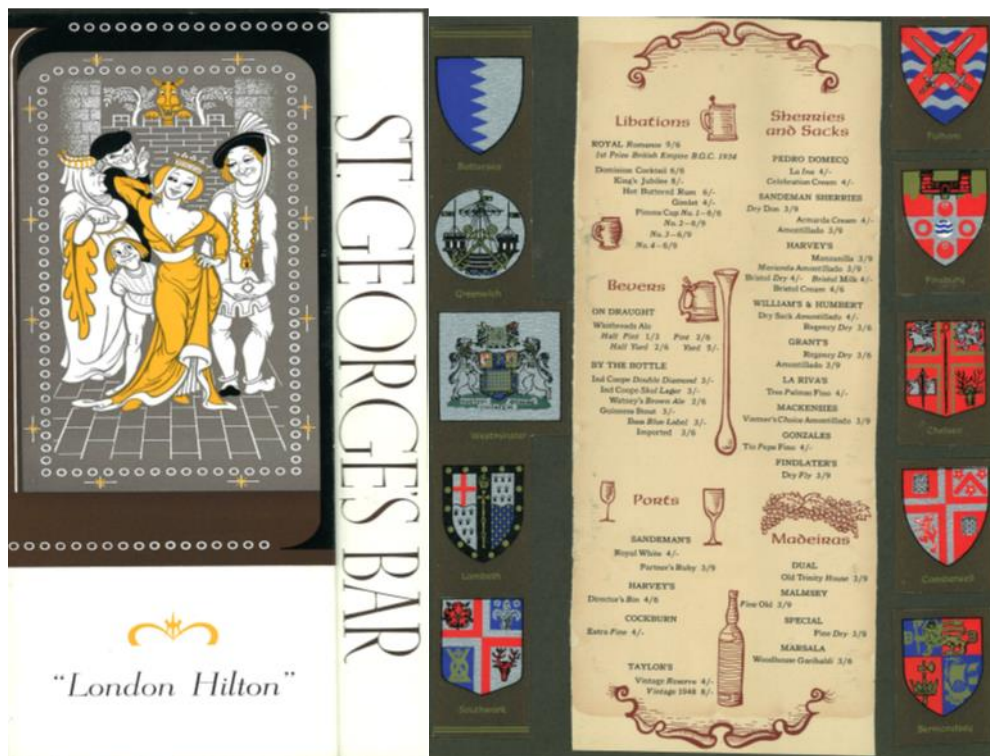


Exhibit 57. Design of menus from St. George's Bar and the London Tavern, 1963¹⁴⁶

Apart from reflecting the local English atmosphere in the restaurant and other public spaces, an exotic feel was added to the hotel by the Trader Vic's restaurant on the ground floor. This is the only restaurant which still operates in the hotel today and in an almost unchanged format. The Trader Vic's chain was very popular in the US already in the late 1940s but it was considered innovative in London in 1963. It was the first Trader Vic's to open outside the US (Augustin 2013). Designed in French-Polynesian style utilising authentic material from the South Sea Island, it serves French-Polynesian food. Its main attraction is the traditional Chinese barbecue oven which is used to grill meats.

Hotel guests also had access to 24-hour room service which proved particularly popular amongst American customers. Hilton introduced a new system of a key – shaped card on which a guest would mark their order for breakfast and place it outside the door. This 'key' is presented in Exhibit 58.

¹⁴⁶ Picture from the London Hilton on Park Lane collection

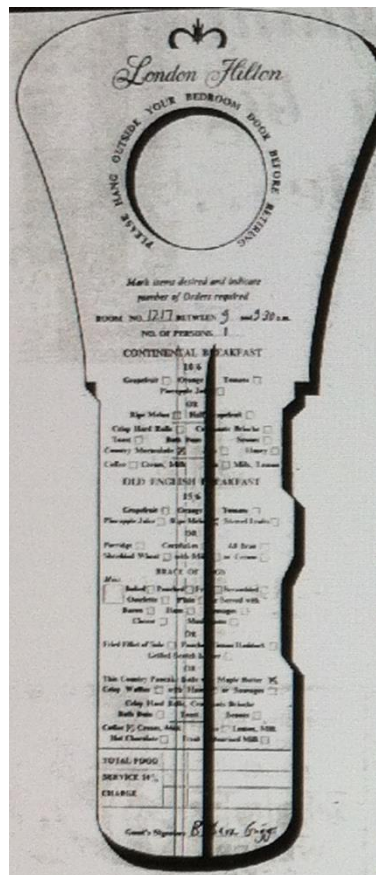


Exhibit 58. Breakfast 'key'¹⁴⁷

Room service, however, was heavily criticised by customers in their feedback letters to Conrad and the management of the hotel. They often complained that it was inefficient and that they had to wait for their meals (and especially breakfasts) an unusually long time¹⁴⁸. Exhibit 59 presents one example of such complaints. A number of customers also complained about being served cold food or receiving items which they had not ordered. They claimed that such a bad service experience added to the London Hilton's bad reputation in the first few years after opening¹⁴⁹. One guest thought that it was very "un-British" that a guest had to open the door to room service to obtain early morning tea¹⁵⁰.

¹⁴⁷ Evening Standard, 17th April 1963, p. 9

¹⁴⁸ Letter to Conrad Hilton on 28th October 1963 and a letter to Conrad Hilton on 21st July 1965

¹⁴⁹ Letter to Conrad Hilton on 28th October 1963

¹⁵⁰ Letter to Conrad Hilton on 7th May 1964

The following morning, Saturday, 15th June, at about 8.30 a.m. I rang the floor service and asked for early morning tea for myself and my wife. In spite of repeated telephone conversations with the floor service office it was not until 10 a.m. that a tray of tea was served, and at that time I informed the floor waiter that I would like to order breakfast to be served in my sitting room. The waiter - who was unshaven, a fact which surprised me - appeared to speak very poor English so I wrote the entire breakfast down on his order pad so that there should be no mistake.

Exhibit 59. Example of a complaint about the room service¹⁵¹

As previously discussed, the company was very open towards suggestions from guests or other members of the local community. Conrad was also often personally involved in decisions on the hotels' offering. An example of his involvement is a debate with Mr Tetley about the type of tea served in the hotel. Upon its opening Mr Tetley wrote to Conrad to persuade him to serve tea made of teabags rather than loose tea in a pot. He highlighted that he was an Englishman and insisted that a teabag was the most convenient and hygienic way of having a cup of tea. He posted a sample of teabags to Conrad and the latter, treating every area of his business extremely seriously, delegated three of his employees (two of them being Englishmen) to sample the tea and advise him on the matter. They jointly reached the conclusion that the beverage made from a teabag was not as good as would be expected from a luxury hotel and made the decision to continue serving loose tea in a teapot¹⁵². This story reflects how much consideration went into the smallest elements of service provision by Conrad himself. An excerpt from this communication between Conrad and T.I. Tetley-Jones is presented in Exhibit 60.

¹⁵¹ Letter to Conrad Hilton on 26th June 1963

¹⁵² Conrad Hilton to T.I Tetley-Jones on 17th May 1963

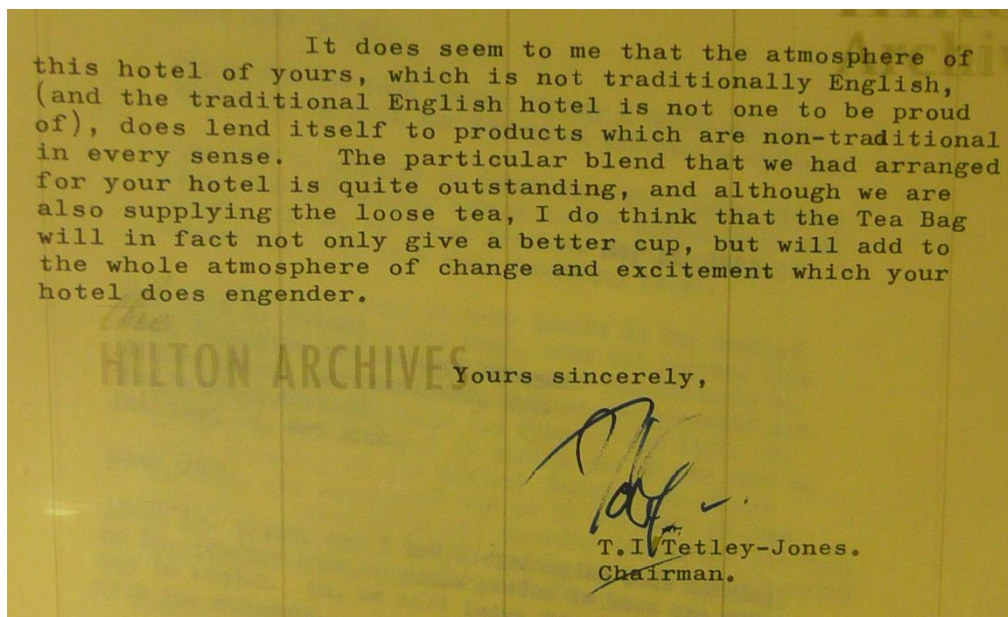


Exhibit 60. Excerpt from communication between Conrad and T.I. Tetley-Jones concerning tea served in the London Hilton

6.7. Technological and operational solutions

When the London Hilton finally opened, after more than eight years of development, one building permission refusal and having been reduced to 28 floors, it introduced a number of innovative technological and operational solutions. The evidence from Hilton's correspondence and from archival press suggests that some of these innovations proved so successful that they were implemented industry-wide, whilst others were not easily accepted by the hotel market in London and subsequently had to be altered.

Among those which had an industry-wide impact were the following:

- The London Hilton was the first fully air-conditioned hotel in London and this was highlighted in hotel promotion and publicity. In the 1960s air-conditioning was considered as standard in the US, but there was no hotel in London providing air-conditioning in all public spaces and bedrooms. Despite being something novel to the London market, the system was heavily criticized by customers for being inefficient. Customers usually complained that it was impossible to turn the air conditioning off because there were no individual

room regulators. Exhibit 61 presents an example of customer's complaint about air conditioning.

Sunday, August 23, 1964

Mr. Conrad Hilton
Hilton Hotels
301 Park Avenue
New York, New York

Hilton
Archives

Dear Sir:

There is a situation at the London Hilton, Park Lane, London, that requires immediate attention of the top echelon. This is the airconditioning system there.

I checked in on Friday, August 14. That evening when I came back from the Theatre, the room was very cold. I thought nothing of it, but turned the dial at the window to "minimum". Along about 4:00 A.M. I was awakened by the severe cold in the room, and found myself "frozen". I called the desk and asked if there was some way to turn the airconditioning off, and they said that there was not but that they would send someone. A man from the "engineers" came and said it could not be turned off by that he could stuff a lot of towels in the grooves in the window. This he did, and I piled all of my clothing on top of me to try to get warm again. The room did not get warm.

In the morning, I went down to see the manager and said that I wanted to move out if he did not have a warmer room. He said that he would give me an electric heater which he did. The only trouble with it was that by this time I had a heavy cold and had to cancel my arrangements for the day. In the lobby I heard other people talking about the severe cold in the rooms. On the floor I heard the maids talking about someone who was going to stay in bed all day because it was so cold, and that they had offered an electric heater. My friends who were in another room had also had their window "vents" stuffed with towels. While I was in the lobby, one man said that he had to leave his friend in bed because he was "frozen". There was quite a bit of talk all around about this air-conditioning system and the inability to regulate it. As you know there are no individual room regulators. The dial in the window does not seem to make much difference whether it is at "maximum" or at "minimum".

My cold persisted and I spent most of the time in the room. On Monday when I awoke the room was completely stuffy and I took out all of the towels from the vents but could not cool it off.

The cold is still with me, and the sad memories of a Battle with an Airconditioning System still persists in me. Being in London was wasted for me, and resulted only in discomfort.

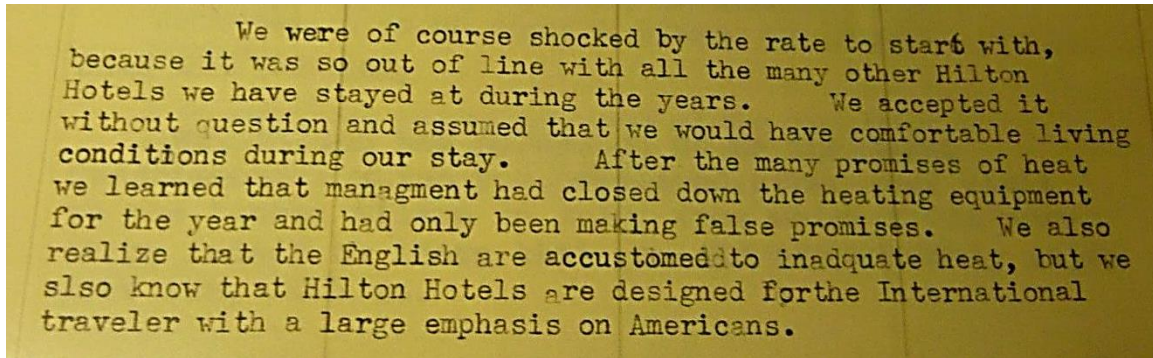
You ought to know about this personally because the talk is too amazing. Even on Monday, there was a young man of about 18 standing and waiting for the elevator, and he started talking about the "cold".

Exhibit 61. Complaint about the air conditioning system¹⁵³

Some guests claimed in their letters that hotel staff were helpless when facing air conditioning faults and offered little assistance. One American guest, whose letter is shown in Exhibit 62, made a comment that, seemingly, English people were more accustomed to inadequate heating, but that Hilton hotels were designed for international travellers, with a strong focus on Americans who had different

¹⁵³ Letter to Conrad Hilton on 23rd August 1964

expectations¹⁵⁴. In a few cases customers complained about rooms being too hot (mainly during the summer), but that the reaction from staff members was similar; one letter states that the manager “fixed [the] air conditioning by opening the window”.



We were of course shocked by the rate to start with, because it was so out of line with all the many other Hilton Hotels we have stayed at during the years. We accepted it without question and assumed that we would have comfortable living conditions during our stay. After the many promises of heat we learned that managment had closed down the heating equipment for the year and had only been making false promises. We also realize that the English are accustomed to inadequate heat, but we also know that Hilton Hotels are designed for the International traveler with a large emphasis on Americans.

Exhibit 62. Excerpt from customer's complaint highlighting differences between English and American guests' expectations¹⁵⁵

- Guests could dial their own outside telephone calls (previously customers had to use a switchboard). The automatic exchange system had a separate charging meter for each room which simplified billing at the end of the guest's stay¹⁵⁶.
- The press praised a range of smaller elements which made the hotel feel more modern and advanced. Amongst them were separate iced-water taps in bathrooms and TV and radio sets controlled from the bed¹⁵⁷. All bathrooms were equipped with sockets compatible with English, Continental and American plugs¹⁵⁸.
- There were also a number of solutions which were expected to make service more efficient. For example, a special shaft was installed through which guests could post their letters from any floor without the need for going to the

¹⁵⁴ Letter to Conrad Hilton on 13th August 1964

¹⁵⁵ Letter to Conrad Hilton on 13th August 1964

¹⁵⁶ Griggs, B. (1963) "A Day at the Hilton" in The Evening Standard 17th April 1963, p. 9; The Manchester Guardian 11th April 1963, p. 10

¹⁵⁷ Griggs, B. (1963) "A Day at the Hilton" in The Evening Standard 17th April 1963, p. 9; The Manchester Guardian 11th April 1963, p. 10

¹⁵⁸ Louis del Coma on 29th May 1962

concierge desk (Wharton 2001). The shaft was located next to the lift and run across all the floors. A similar solution was implemented to ensure the secure disposal of shaver razors (a special container in each bathroom was connected with a centralised shaft) and the efficient delivery of laundry¹⁵⁹. Hilton introduced special shoe cupboards located in the bedroom wardrobes as well. A customer would place his or her shoes in the cupboard, these would then be retrieved from the outside by a member of staff and cleaned by the next morning.

These are examples of features which might not seem extraordinary today. However, in 1963 such technological solutions were highly innovative, hence the press writing about them. Not all the practices were so successful and some of the criticised elements included:

- Taped music being played in the lifts and other public spaces¹⁶⁰. The press, including the Manchester Guardian, (as presented in Exhibit 63), reported that it was inappropriate and annoying.

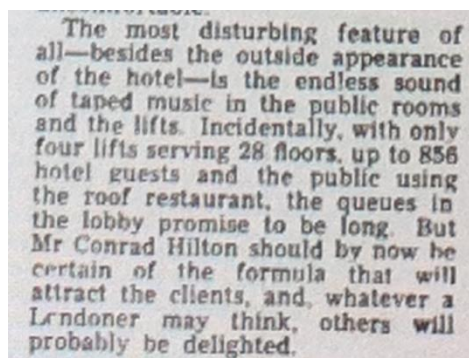


Exhibit 63. Article criticising the London Hilton music system¹⁶¹

- The numbering system for floors illustrated how small cultural differences mattered in an international business. The American system numbered the

¹⁵⁹ Grieve, R. D. (1966) "The London Hilton Hotel", internal document from the London Hilton On Park Lane collection

¹⁶⁰ The Manchester Guardian 11th April 1963, p. 10

¹⁶¹ The Guardian Manchester 11th April 1963, p. 10

ground floor as '1', opposed to it being numbered '0' or 'ground' in the UK. This feature was quickly adjusted in the London Hilton in order to avoid misunderstandings (Wharton 2001).

- The press also reported on the company's misinterpretation of local dining culture¹⁶². For example, it was noted that Hilton International assumed that English people drank aperitifs before their meal and iced water with their food, much like Americans were known to. However, in reality, English customers required the service of alcoholic drinks with their meals, which meant that the small dispensing bar inside the kitchen was not able to cope with this demand. As a result, the layout of the kitchen and location of the dispensing bar had to be adjusted to cater for local preferences (Wharton 2001).
- There was one element in the recruitment system which, according to Augustin (2013), was transferred from America and which had to be adjusted to local customs. He claims that it was a standard procedure in America to ask job applicants about their position on Communism. In England, where political views were seen as something of a more personal nature, this question had to be removed.

Hilton on Park Lane, like all other Hilton – operated domestic and international hotels benefitted from the centralised reservation system which, as discussed in Chapter 5.3, was treated as highly innovative by the company. Other centralised services, as presented in Exhibit 64, included inter-hotel promotion and advertising, services of the specialised convention and other promotion departments, training programmes, credit card service, guest history system and departmental supervision and guidance¹⁶³. Despite their efforts, the management of the London Hilton as well as its headquarters relatively regularly received complaints regarding the reservation system. On numerous occasions guests would arrive at the hotel to check in, having previously received confirmation of their bookings, but only to find that rooms were unavailable.

¹⁶² The Manchester Guardian 11th April 1963, p. 10

¹⁶³ "Memorandum of Preliminary Understanding for the Development of a Hotel Project in Hyde Park, London, England" 25th November 1953

The new hotel, upon completion, will be included with the other HILTON HOTELS and will be given the benefit of all services and facilities supplied to the other hotels, including the inter-hotel reservation system, inter-hotel promotion and advertising, services of the specialized convention and other promotion departments, personnel training programs, credit card service and guest histories, and departmental supervision and guidance.

Exhibit 64. "Preliminary Understanding for the Development of a Hotel Project in Hyde Park, London" from 1953 discussing centralised services available to the London hotel

As the example in Exhibit 65 shows, customers were likely to build their opinion on the whole Hilton chain based upon the experience in one of its hotels.

Dear Mr. Hilton:

I feel it necessary to advise you of my feelings. In good faith, I made reservations to stay in London May 9, 1975. We arrived and were told that no rooms were available as there was a Rugby game that weekend.

Needless to say, it's a bit difficult for me to say many nice things about Hilton Hotels yet.

Please find the confirmation sent to me.

Sincerely,

Exhibit 65. Example of a complaint where a customer expresses negative attitude towards the whole Hilton chain, having unsatisfactory experience in the London Hilton¹⁶⁴

Conrad, as presented previously, was perceived to be a great hotelier who knew how to please customers and who had wide experience of developing hotels both in the US and abroad. The implementation of new practices and innovations, however, suggests that even the most experienced company needs time and the criticism provided by customers in order to adjust to local expectations. Conrad welcomed every opinion received from his guests and for this reason developed a feedback

¹⁶⁴ Letter to Conrad Hilton on 1st July 1975

form which was placed in every room for guests to complete. Guests were asked to rate every stage of their experience from booking the room to the service they received during their stay. The form ensured customers of the company's mission of spreading the warmth of hospitality. As shown in Exhibit 66 it aimed to encourage a more personal approach with the last question reading: "*Between you and me*" which was supposed to give the impression that Conrad himself was addressing each guest.

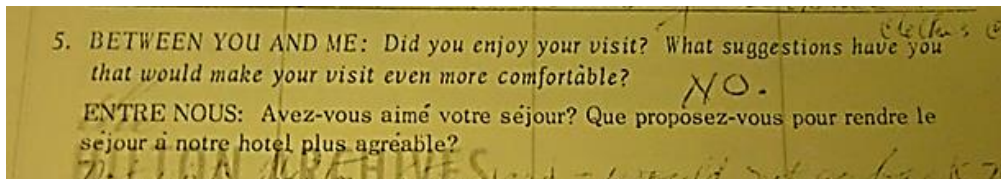


Exhibit 66. Last question of the customer feedback form from 1964

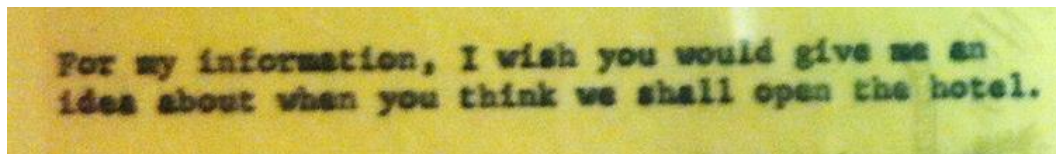
6.8. Human Resources

Hilton International's HR strategies were discussed briefly Chapter 5.3 of the case study. As a reminder, internal documentation and correspondence suggest that the company preferred to appoint senior managers from the existing cadre rather than bring someone from outside of the company. Employees were moved between hotels but often stayed with the company throughout their whole career. Such a practice was not unique to Hilton as it was not uncommon in the 1960s to work one's whole life for the same company. As discussed earlier, Hilton would send the general manager at an early stage of development of a new hotel, so that he could supervise the construction, assist with a range of decisions and have enough time before the opening to recruit staff.

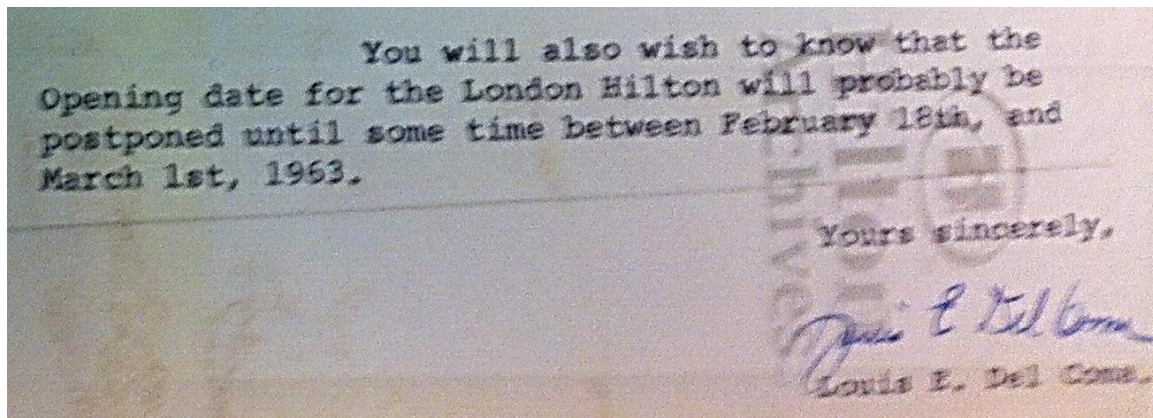
The process was no different in the case of the London Hilton. Louis del Coma, the first General Manager of the property moved to London in December 1961¹⁶⁵. He was responsible for overseeing the whole process of the hotel opening. As presented in letter excerpts in Exhibit 67, Conrad asked Louis del Coma when he

¹⁶⁵ "Del Coma named London Hilton General Manager" News Release, 9th November 1961

thought the hotel would be ready to open, which suggests the General Manager was considerably independent in his role.



For my information, I wish you would give me an idea about when you think we shall open the hotel.



You will also wish to know that the opening date for the London Hilton will probably be postponed until some time between February 18th, and March 1st, 1963.

Yours sincerely,
Louis E. Del Coma
Louis E. Del Coma.

Exhibit 67. Exchange of information between Conrad and Louis del Coma about the expected opening date of the London Hilton¹⁶⁶

Louis Del Coma, prior to overtaking the management of the London Hilton, served as General Manager of two Hilton hotels in Cincinnati, Ohio. He had also served as Resident Manager in the Palmer House in Chicago, Illinois, the Mayflower in Washington, DC and the Roosevelt Hotel in New York City, all under Hilton¹⁶⁷. Although a long-term employee of Hilton Hotels, all his previous assignments were located in the US. The company's press release about his appointment (presented in Exhibit 68) highlighted that he had served with the US Air Force and fought in Africa, Sicily, England, France and Belgium during the war.

¹⁶⁶ Conrad Hilton to Louis del Coma on 25th August 1962; Louis del Coma to Conrad Hilton on 27th August 2015

¹⁶⁷ "Del Coma named London Hilton General Manager" News Release, 9th November 1961

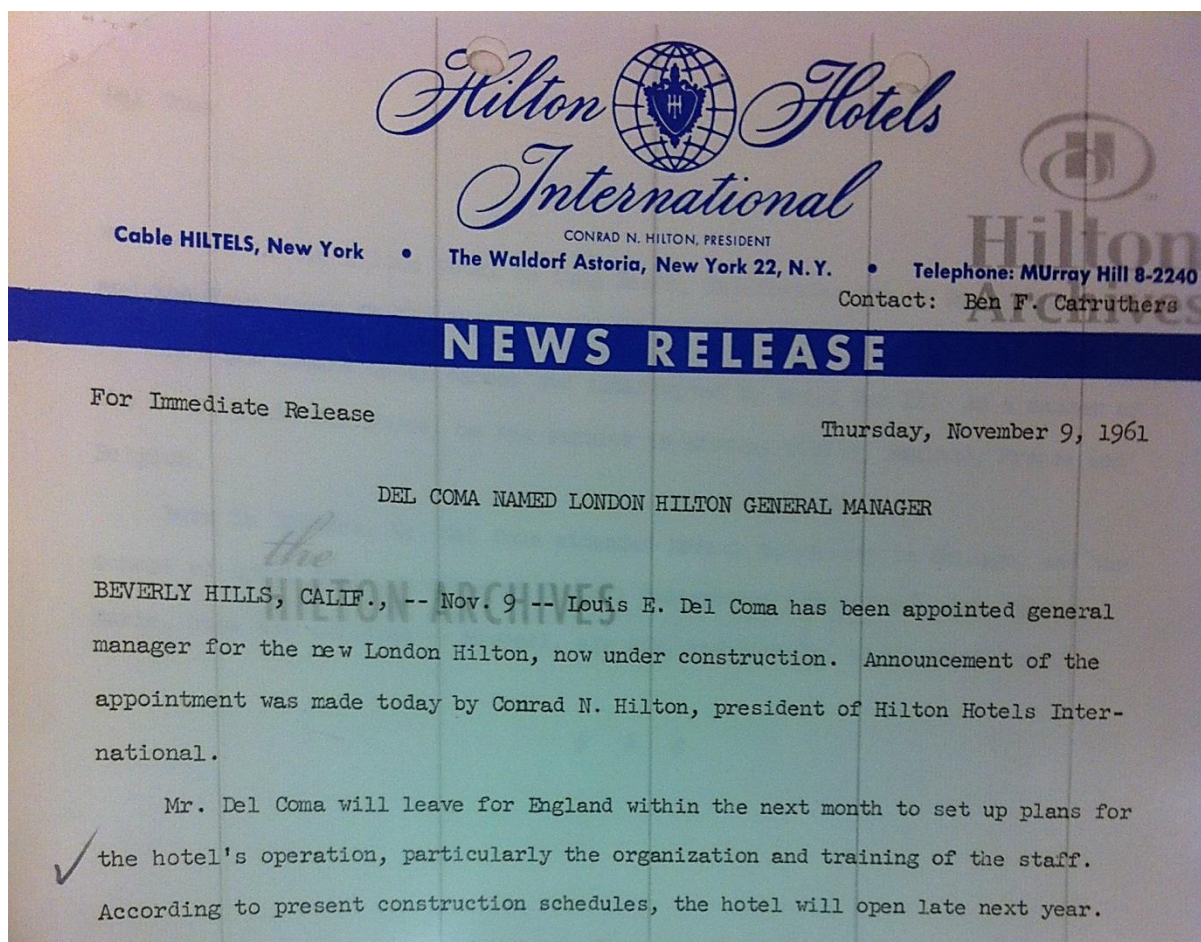


Exhibit 68. Hilton International's press release announcing the appointment of Louis del Coma as the first General Manager of the London Hilton

Louis del Coma remained the General Manager of the London Hilton until 1968 when his position was overtaken by Louis Blouet. The complete list of all London Hilton's general managers is available in Table 6-2. Other senior managers were also long-term employees of Hilton, a great majority of them having worked in North America prior to moving to London. Table 6-3 provides details of the other senior managers and their backgrounds¹⁶⁸.

¹⁶⁸ "London Hilton Personalities" News Release on 10th April 1963

| Year of appointment | General Manager |
|------------------------------------------------|------------------------|
| 1963 – 1968 | Louis Del Coma |
| 1968 – 1977 | Louis Blouet |
| 1977 – 1983 | Jean-Pierre Piquet |
| 1983 – 1987 | Rupert E Huber |
| 1987 – 1988 | Manfred G Matysik |
| 1988 – 1990 | Tony Potter |
| 1990 – 1991 | Jean Loyer |
| 1991 – 1993 | Michael Schutzendorf |
| 1993 – 2000 | Rudi Jagersbacher |
| 2000 – 2003 | Gianni Riatsch |
| 2003 – in office at the time of writing (2016) | Michael C Shepherd |

Table 6-2. The London Hilton's General Managers
Source: Author's analysis of archival data

| Name (age in 1963) | Position in the London Hilton | Nationality | Education | Career before the London Hilton appointment | Year of joining Hilton |
|----------------------------|-------------------------------------------------|-----------------------------|----------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|
| Louis del Coma (51) | General Manager | American | De Paul University in Chicago; School of Hotel Administration at Cornell University | Long Beach Hilton, Hilton hotels in Texas, Los Angeles, New York, Washington and Chicago, The Netherland and Terrace Hilton in Cincinnati, | 1939 |
| H. Ewe-Hin Lim (33) | Executive Assistant Manager (Food and Beverage) | British (Singapore) | St. Nicholas Trade School in Amsterdam; School of Hotel Administration at Cornell University | Cathay Hotel in Singapore, Hilton hotels in New York, Montreal, Sidney and Istanbul | 1958 |
| Douglas S.J. Gordon (32) | Executive Assistant Manager | British | Westminster School in London; Cornell University | Mount Royal Hotel and Grosvenor House in London, Royal Hotel Scarborough, | Probably 1963 |
| Louis Finamore (38) | Banquet Manager | Canadian (born in Italy) | Unknown | Queen Elizabeth Hotel in Montreal , other hotels throughout US and Canada (no details available) | 1957 |
| Giuseppe Bazzani (unknown) | Executive chef | Swiss | Lucerne Hotel School | Hotels in Switzerland and Europe (no details available), Caribe Hilton in Puerto Rico, Hilton hotels in Istanbul, Berlin and Amsterdam | 1955 |
| Paul Archambault (31) | Sales manager | Canadian | Montreal University | Bank of Montreal, Queen Elizabeth Hotel in Montreal | 1957 |
| Stuart C. Rae-Brown (34) | Purchasing manager | Canadian (born in Portugal) | Old Buckenham Hall School, Haileybury and Imperial Service College; L'Ecole Hoteliere in Lausanne; McGill University in Montreal | Hotels in North America including Montreal, Cleveland and Quebec (no details available) | Probably 1963 |

Table 6-3. The senior management of the London Hilton in 1963 and their backgrounds
Source: Author's analysis of archival data

The management structure in the London Hilton followed a standard Hilton pattern with clear levels of responsibility, as shown in Exhibit 69. It was, however, suggested that the large numbers of heads of departments was a typically American structure, not commonly seen in England¹⁶⁹. Arguably, a flat structure with more managers responsible for individual business areas, it aimed to minimise layers of decision-making which was favoured by Hilton Hotels Corporation and Hilton International.

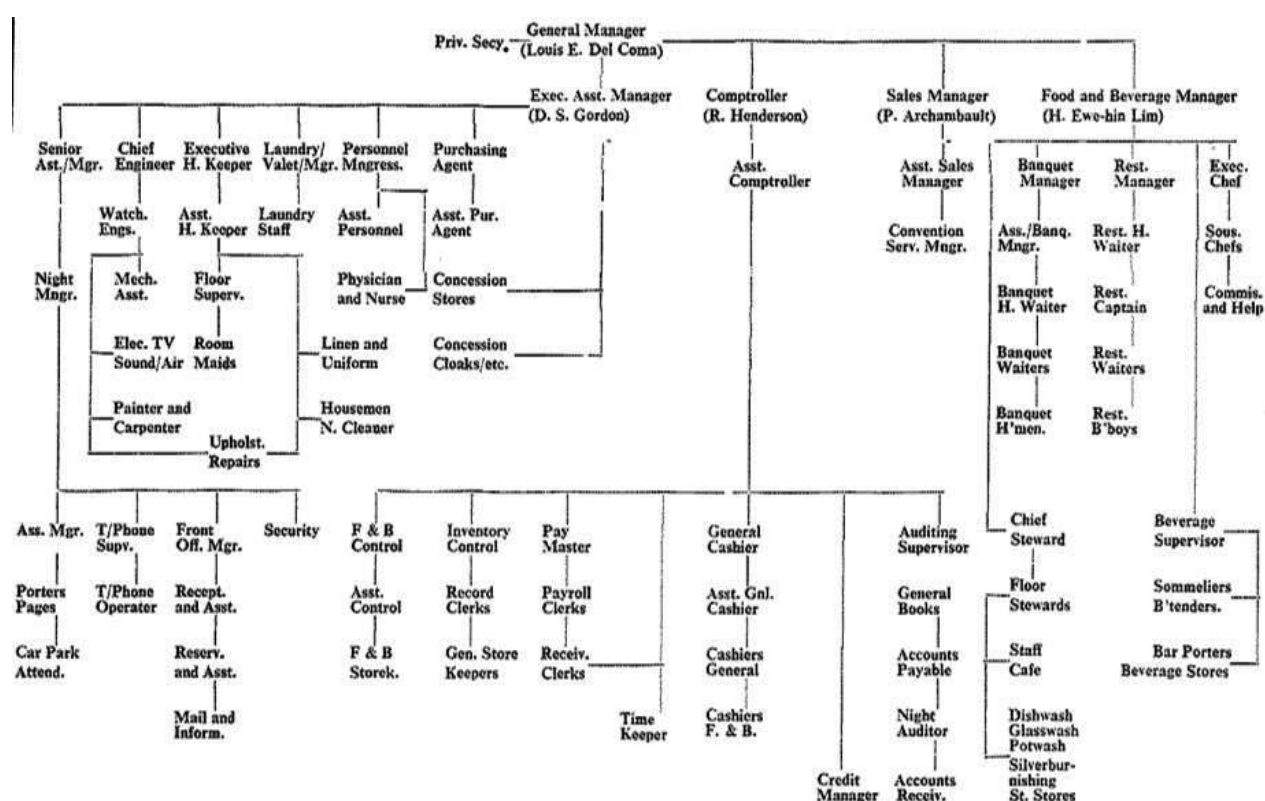


Exhibit 69. Management structure at the London Hilton as of 1963¹⁷⁰

The hotel employed a wide range of nationalities, which reflected the demographic structure of English society after the Second World War. An example of a letter in which a guest complained about inadequate language skills of some of the London

¹⁶⁹ Grieve, R. D. (1966) "The London Hilton Hotel", internal document from the London Hilton On Park Lane collection

¹⁷⁰ Figure from the London Hilton on Park Lane collection

Hilton's employees was presented earlier.¹⁷¹ However, there are also examples of letters in which guests appreciated foreign employee's efforts, Exhibit 70 presents such a letter.

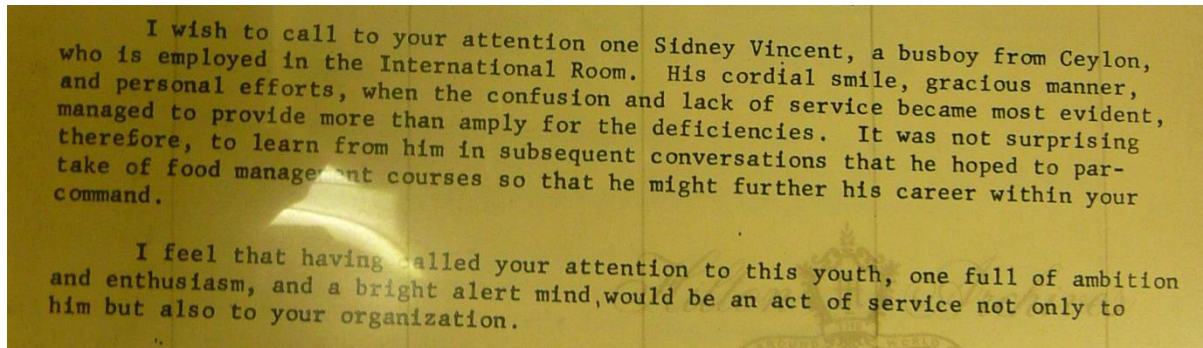


Exhibit 70. Excerpt from a letter to Conrad praising one of the London Hilton's employees¹⁷²

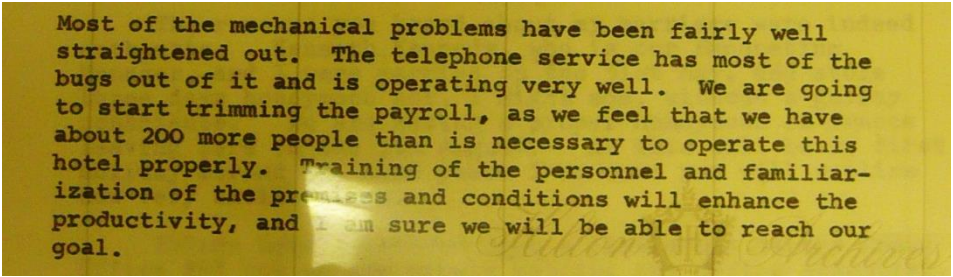
As presented previously in Exhibit 44, within a few months of opening, Conrad received letters from customers suggesting that there were too many members of staff working in the hotel and that limiting their number could actually reduce the cost and consequently lower the room rate¹⁷³. The replies from both Conrad and Louis del Coma suggested more employees were needed in order to familiarise themselves with the new hotel building and system of operation. They claimed that, with time, the number of employees would be reduced. Indeed, as shown in Exhibit 71, by June 1963 del Coma in his letter to Conrad reported that he wished to reduce the number of employees by approximately 200 people¹⁷⁴. He believed that training and further familiarisation with the property would enhance productivity enough to allow for this reduction.

¹⁷¹ Letter to Conrad Hilton on 21st July 1965, Letter to Conrad Hilton on 26th June 1963

¹⁷² Letter to Conrad Hilton on 2nd August 1963

¹⁷³ Letter to Conrad Hilton on 6th July 1963

¹⁷⁴ Louis del Coma to Conrad Hilton on 24th July 1963

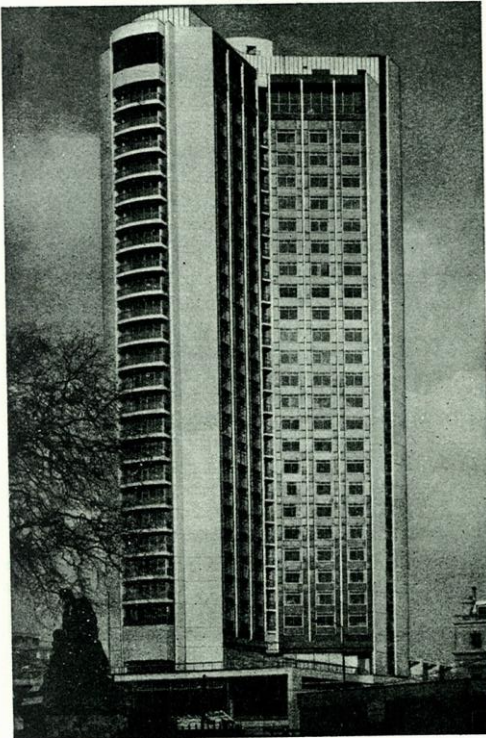


Most of the mechanical problems have been fairly well straightened out. The telephone service has most of the bugs out of it and is operating very well. We are going to start trimming the payroll, as we feel that we have about 200 more people than is necessary to operate this hotel properly. Training of the personnel and familiarization of the premises and conditions will enhance the productivity, and I am sure we will be able to reach our goal.

Exhibit 71. Letter from Louis del Coma to Conrad reporting on the developments in the London Hilton and plans to reduce staff numbers

Every new employee was given a leaflet, displayed in Exhibit 72, which welcomed them to the London Hilton and which stressed that Hilton International was regarded as an institution that they should be proud of joining. In the introduction the brochure stated that employees could progress in their careers within the company and that many senior managers had started out in the same way. Employees were advised that they held responsibility for the jobs they were given. Staff were informed to only walk on the left-hand side when in the hotel.

Telephone HYDe Park 8000



LONDON HILTON - SOME FACTS

The London Hilton was opened on 17th April, 1963. It cost six million pounds to build and covers a one acre site at the South end of Park Lane. The building is thirty stories high and has 512 guest rooms. There are five restaurants: the International Restaurant, the Rooftop Restaurant, the London Tavern, Trader Vic's and the Scandinavian Sandwich Bar. In addition to these public rooms there are a number of private dining rooms and a grand ballroom seating 1,000. Five bars and cocktail lounges are open to the general public during licensing hours. Four basements below street level accommodate nearly all the hotel services, including parking space for 350 vehicles.

The London Hilton is the most modern and up-to-date hotel in Great Britain. It is wholly owned by Hilton Hotel International, a world-wide organisation which combines all that is best in continental hotelier tradition with matchless experience in management, experience gained in all the world's great capitals. The London Hilton will always be in the limelight - will always be news. You are joining an organisation which is already an institution. It's something to be proud of.



PAGE 3

WELCOME TO THE LONDON HILTON

As an employee of the hotel you will be interested to know as much about it and the people associated with you as possible. This leaflet will tell you. In it you will also find details of the principal conditions and policies regarding all employees of the hotel. If you have any queries regarding the hotel, its organisation and its administration, you are always welcome to ask your Department Supervisor or the Personnel Department.

The Hilton Organisation is proud of its long tradition of service to world-wide travellers. This tradition could not exist without the co-operation and loyalty of its employees. Therefore, a sympathetic ear is always available to listen to your problems and queries.

Don't forget, finally, that it's up to you how far you get on at a Hilton Hotel. Nearly all the senior

Hilton executives and administrators started like you. There's a marvellous career and innumerable opportunities for advancement for every employee at the London Hilton. That includes you! Good luck, and we hope that you will be very happy working for us here.



PAGE 4

WHAT IS A GUEST

A GUEST is the most important person in the hotel industry.

A GUEST does not depend on us - we depend on him.

A GUEST can never interrupt our work because he is the most important part of it.

A GUEST is someone who is never discussed, and never argued with.

A GUEST is always someone special. everything we do for him must be entirely to his satisfaction because his custom is our livelihood.

A GUEST expects and should get the very best from us and of us.



PAGE 5

1. EMPLOYMENT AGREEMENT

You will already have read this carefully and should know its terms. Please be certain that you understand them completely. Remember, if in doubt, ask your Department Head, or the Personnel Office!

2. UNIFORMS

Your uniform is the only way a guest can tell that you work at the London Hilton. Always wear it inside the Hotel. Never wear it outside. Make sure that it is clean and well pressed by using the facilities provided. Male employees - please be clean-shaven, wear a clean shirt and shoes, and make sure that your personal appearance is beyond reproach. Female employees - remember, moderation in make-up is more effective than excess and for your own protection use no jewelry. Your uniform belongs to the London Hilton and must be returned if you leave.



PAGE 6

3. SECURITY.

You will be allotted a locker, with key, for your personal belongings. Use it at all times to avoid possible loss. All packages brought into the Hotel must be checked with the Timekeeper. No packages, (nor Hotel Property,) may be taken out without the appropriate pass signed by your dept head.

4. GRATUITIES

Tips and gratuities of any sort belong to the person to whom they were given - unless there is a mutually agreed ruling to the contrary in force amongst a group of employees. (A tip is a personal expression of gratitude, there is no reason why it should belong to anyone else.)

5. ABSENCE FROM DUTY

Please notify your Department Head immediately if you have to be away from work for ANY REASON.

6. FIRE

ANY FIRE, NO MATTER HOW SMALL, MUST BE REPORTED AT ONCE.

Read the fire safety precautions and make sure that you know them. Never tamper with fire-fighting equipment, which is regularly serviced and in working order.



7. A FEW "DON'TS"

Please don't smoke or chew gum anywhere in the hotel, except in the locker rooms and staff cafeteria.

PAGE 7

DON'T drink, don't gamble, don't fight, anywhere in the hotel. These offences make you liable to instant dismissal, as will readily be appreciated. The organisation of sweepstakes is also forbidden. Don't loiter in areas of the hotel where your duties don't take you.

Please don't receive visitors at the hotel.

And please DON'T HESITATE to ask where you are allowed and what you may do inside the Hotel. There is always someone to advise you.

Don't forget to read and memorise the safety rules for your Department. They are for your protection.

8. AND SOME "DO'S"

Do escort a guest to a superior if you are unable to help him.

Do use the service lift and employees entrance. They're yours.



PAGE 8

Do take lost and found articles immediately to the Lost and Found Office, in the Housekeepers Dept.

Do go to the Sister in the Medical Suite if you ever feel unwell on duty, after first advising your Dept Head, except in the case of an accident when you should of course go immediately to Sister.

Do let your Dept Head know well in advance when you wish to take your annual holiday.

Do have a complete break on your day off, so that you can return to work thoroughly refreshed.

Do use the coin operated telephone boxes allotted to you - and at a sensible time. You may not use the official hotel telephones for personal calls, or receive calls on duty except in a real emergency.

Do advise the Personnel Department immediately if you change your address - this is for your own benefit particularly.

Do always keep to the left when walking in the Hotel.

Do remember courtesy and helpfulness at all times, to your fellow employees as well as your guests.

9. YOUR POSITION.

Your position is one of trust. You and you only are responsible for doing the job you have been given. If you are not suited to it Management may transfer you to other work. If you do it well there is every chance for promotion.



PAGE 9

Particular focus was placed on staff's courtesy because the company believed that this was "the key to hospitality". As explained in the staff leaflet in Exhibit 73, this applied to both courtesy shown towards guests and to other members of staff and was expressed through "*The Hilton smile*". There were even special awards for the most courteous members of staff. Conrad's 'hands-on' philosophy of treating all employees as one big family was transmitted in a picture of his smiling face on the cover of the Staff Welcome Book.

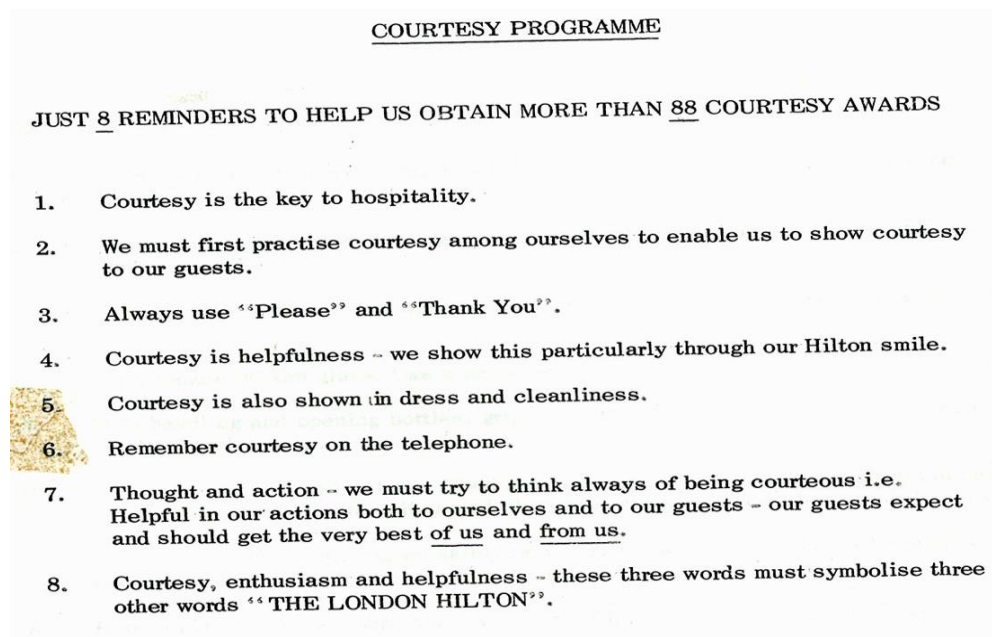


Exhibit 73. A note from the London Hilton's courtesy programme, 1963¹⁷⁶

Every member of staff was entitled to two weeks of paid holiday and one week's sick pay per year upon completion of one year of employment¹⁷⁷. Everyone was also provided with an appropriate uniform and a locker for personal belongings. The design of staff uniforms was, arguably, to resemble those traditionally worn in grand English homes¹⁷⁸ and they were tailored by a Saville Row fashion icon, Hardy Amies. The hotel was equipped with a large staff cafeteria, seen by some as being

¹⁷⁶ Picture from the London Hilton on Park Lane's collection

¹⁷⁷ Copy of an employment agreement from the London Hilton on Park Lane's collection

¹⁷⁸ "The Ambassador - British Export Magazine", No. 3, 1963

very much an American feature¹⁷⁹. The walls of the cafeteria were decorated with pictures of rural North America¹⁸⁰. This might suggest that the image presented to guests was meant to be traditionally English, while the company itself remained American in character.

6.9. Marketing and public relations

Chapter 5.2 discussed Conrad's communication and interpersonal skills. It argued that Conrad gained the status of a 'celebrity' because of his ability to generate interest in himself and his company. It could be suggested that these skills contributed to the overall success of Hilton Hotels as a business. It appears that Conrad also embedded these skills in his company even when it grew to such a size that he could no longer personally manage individual properties. All Hilton hotels' openings became major cultural events, attended by personalities from the world of film, business and politics. In correspondence to Conrad in 1961 (presented in Exhibit 74) Dean Carpenter (Vice President of Hilton International) argued that Hilton openings could be considered key events and that it was a chance for the promotion of Hilton International.

¹⁷⁹ Grieve, R.D. (1966) "The London Hilton Hotel", internal document from the London Hilton On Park Lane collection

¹⁸⁰ Grieve, R.D. (1966) "The London Hilton Hotel", internal document from the London Hilton On Park Lane collection

June 21, 1961

Mr. Conrad N. Hilton
President
Hilton Hotels Corporation
9990 Santa Monica Boulevard
Beverly Hills, California

Dear Connie:

The June 17th issue of Business Week magazine has an interesting article on travel and "Where vacation money is going". It speculates on the causes of the great increase in U.S.A. vacationing, and also the Orient, and on the decrease in European travel.

To me there is a very pregnant thought in one line about the last, which says "The reason most often mentioned is that nothing is going on this year". No Olympics, no Eucharistic Year, no Passion Play.

The idea this gives me is that next year there will be a lot going on, and let us play it up as our keynote. What is going on is some new Hilton Hotels opening, - Athens, Amsterdam, Rome, London, Rotterdam. A chance for some great mass promoting. And with them we will have a package with which International can really go to town like never before.

Exhibit 74. Letter from Dean Carpenter to Conrad about hotel openings being a promotional opportunity¹⁸¹

Openings were reported on by the press and sometimes celebrated with special publications, such as the issuance of a stamp for the Istanbul Hilton (see Chapter 5.3). It was no different in the case of the London Hilton. The opening of this property formed part of the larger 'Around the World' tour organised by Hilton on the occasion of the opening of eight Hilton hotels stretching from Amsterdam to Tokyo. Each of these events was tailored to local customs and traditions. The 'Around the World' party included over 100 guests who were flown from America on a chartered jet to attend the openings in different cities. They included movie stars, journalists and television presenters (see Appendix 2 for a list of this trip's participants). A review of the archival press indicates that it was, on many occasions a successful public relations technique. The trip was followed by an extensive article¹⁸² in the American Vogue which detailed the operations of the journey starting in New York's Waldorf Astoria and included coverage of the amenities in the London Hilton and the personalities who attended the celebrations. In 1965, Vogue published another

¹⁸¹ Dean Carpenter to Conrad Hilton on 21st June 1961

¹⁸² Messinesi, D. (1963) The amusing logistics of a double Hilton opening. *Vogue*, 142, p.108, 112, 134.

article¹⁸³ about Hilton hotels around the world (including London), where Hilton hotels were considered to be “*tall glass oases*” for American travellers because of the familiarity they offered to guests in a foreign environment. Similarly, all major English daily newspapers, including the Illustrated London News, The Times, The Manchester Guardian, the Daily Mail, The Financial Times, The Daily Telegraph and The Evening Standard, reported on the opening of the London Hilton. The Evening Standard commissioned the most space and published five different articles on the hotel in one edition, including a report by Barbara Griggs who, among other journalists, was invited to stay overnight in the newly-opened Hilton hotel¹⁸⁴. Exhibit 75 presents a selection of headings from these accounts.



Exhibit 75. Selection of headings from newspaper and magazine articles published between 1963 and 1965

According to the Daily Telegraph, the opening of the London Hilton was attended by nearly 800 people¹⁸⁵ and was widely reported on by the national and international press. This event was said to be an occasion for the world’s millionaires to meet and the guest list included oil tycoons, politicians and several dukes and duchesses¹⁸⁶. As shown in Exhibit 76, the black silk ribbon opening the hotel was cut with solid

¹⁸³ Bradshaw, G. (1965) The view from a tall glass oasis: The Subliminal Pleasures of Hilton Hotels. *Vogue*, 146, p.82, 126-128.

¹⁸⁴ Griggs, B. (17 April, 1963) A day at the Hilton. *Evening Standard*

¹⁸⁵ *Daily Telegraph*, 18th April 1963, p. 17

¹⁸⁶ Unknown newspaper clipping from the collection of the London Hilton on Park Lane

silver scissors by Mrs Maudling, the wife of the Chancellor of Exchequer and guests were led to the ballroom to the tune of “*Who wants to be a millionaire?*”¹⁸⁷.



Exhibit 76. Conrad and Mrs Maudling opening the London Hilton hotel on 17th April 1963¹⁸⁸

A lavish luncheon followed with a menu traditionally written in French, as seen in Exhibit 77. The first toast, raised by Conrad, was in honour of Her Majesty the Queen and, according to local tradition, guests were asked not to smoke before this toast (the Queen was not present at the opening).

¹⁸⁷ Evening Standard, 17th April 1963, p. 17

¹⁸⁸ Picture from the London Hilton on Park Lane's collection

London Hilton HYDe Park 8000

A REMINDER THAT TRADITION
DEMANDS THAT YOU SHOULD
PLEASE REFRAIN FROM SMOKING
AT THE INAUGURAL LUNCHEON
UNTIL AFTER THE TOAST TO
HER MAJESTY THE QUEEN

Toasts

"THE QUEEN"

*

"HILTON HOTELS INTERNATIONAL"

Proposed by CHARLES CLORE, Esq.
Chairman of Directors, New City Properties Ltd.

Response by CONRAD N. HILTON, Esq.
President, Hilton Hotels Corporation

who will also propose . . .

"THE GUESTS"

Response by
THE RIGHT HON. REGINALD MAUDLING, M.P.
Chancellor of the Exchequer

Le Menu

Le Homard d'Heligoland en Poire d'Avocat

*

Le Fumet de Boeuf Britannia

*

*Champagne—
Hilton Private Cellar*

Le Poussin des Cornouailles

Anthelme Brillat Savarin

Le Riz Sauvage du Canada

Le Coulis de Truffes

Le Bouquet Princesse

La Petite Pomme Cloutée d'Epices

*

Le Sourire Inaugural

*

Le Café

*

GRANDE FINE — Liqueurs

*

Cigars

Exhibit 77. Menu and reminder from the Opening Luncheon on 17th April 1963¹⁸⁹

The opening event was by no means the first marketing activity undertaken by the newly-opened hotel. As presented in Exhibit 78, the company had advertised the hotel using the image of an hour-glass counting down to the time of the opening. In the 1960s, a campaign which made the public *anticipate* the opening of the hotel was rather novel. Such promotion was pioneering because it did not actually promote the hotel itself but only created an opportunity for the hotel to be talked about.

¹⁸⁹ Pictures from the London Hilton on Park Lane's collection

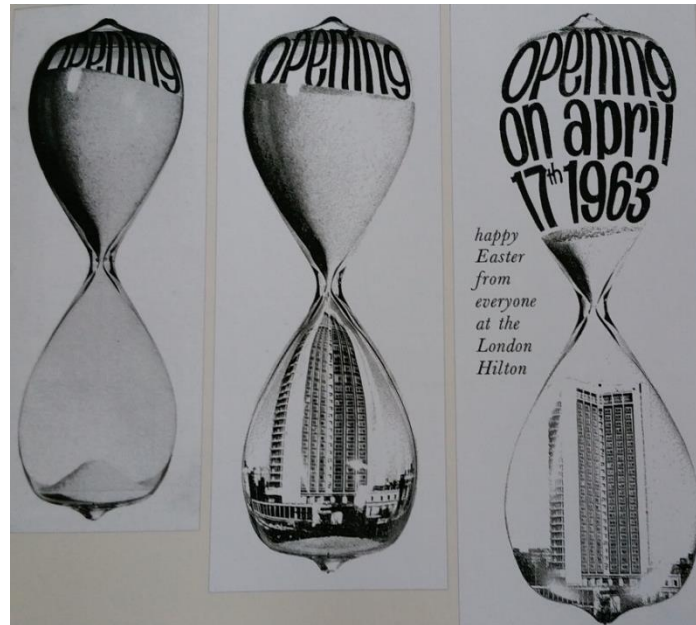


Exhibit 78. The London Hilton's promotion prior to the opening in 1963¹⁹⁰

There were numerous events held at the London Hilton which brought extensive media coverage. For example, as shown in Exhibit 79, the very first event after the opening was the International Reception and Ball for the benefit of UNICEF on the 18th April 1963. It was attended by Hilton senior managers, their wives, politicians, millionaires and other celebrities. Food from all corners of the world was served and entertainment was provided by eight different groups and performers. It was Hilton's tradition to involve charity events as part of opening ceremonies (Young 2016), whether in the US or abroad.

¹⁹⁰ Picture from the London Hilton on Park Lane's collection

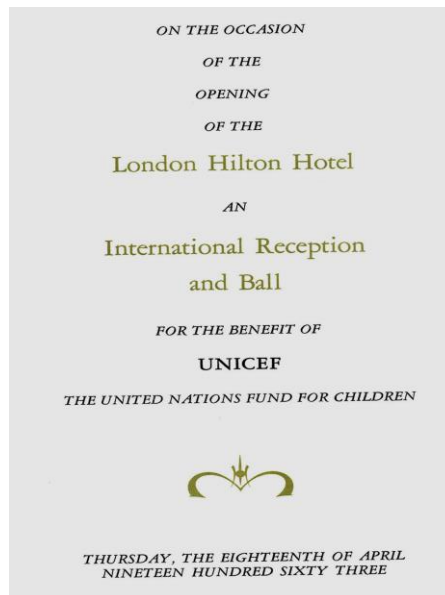


Exhibit 79. Announcement of the International Reception and Ball for UNICEF on 18th April 1963¹⁹¹

In the years following the opening the hotel attracted a range of extraordinary events:

- The Rolling Stones visited the hotel in 1965 and it is believed that this is where Keith Richards wrote the famous riff to the song 'Satisfaction' (Augustin 2013). These bands were in the peak of their careers in the 1960s so their visits would undoubtedly bring considerable attention to the hotel
- A lecture by the Indian guru Maharish Mahesh Yogi which was attended by the Beatles in 1967
- Throughout the years the London Hilton has regularly been visited by famous individuals including Princess Diana, Dalai Lama, Muhammad Ali and Ray Charles as well as heads of states and members of royal families from around the world

Apart from a good relationship with the media, which the London Hilton clearly had, it also issued its own in-house magazine. 'The London Hilton Magazine' included information on shopping, dining and entertainment as well as tourist information.

¹⁹¹ Picture from the London Hilton on Park Lane's collection

Additionally, it regularly published business – related articles, advice on financial investments and commentary on current affairs. This can be seen as a ploy to appeal to business customers. The May 1963 edition¹⁹² of the Magazine published congratulation cables from The Chancellor of Exchequer, Reginald Maudling, the Ambassadors of Spain, the Netherlands and the US as well as a welcome message from Conrad. In this note Conrad highlights how essential the London Hilton is to the whole organisation and how British craftsmanship and workmanship contributed to the development of the property. He also referred to London as “*one of the truly great cities of the world*”, but it is worth noting that he used the same term to describe Rotterdam during the hotel opening ceremony there and added that “*Rotterdam is a key city in Europe*”¹⁹³. In August 1963 the London Hilton Magazine added another column, “Last month at the London Hilton”, which presented pictures from various events taking place at the hotel and photographs of famous guests (the title of the column was changed in November 1963 to “Hilton Notebook”). The Magazine also published news on “Hilton happenings around the world” which promoted other hotels in the chain.

6.10. Business travel advertising

Between 1963 and 1964 Hilton Hotels introduced a new marketing strategy which also involved new forms of advertising (see Chapter 5.3 for a discussion on this change). Until that point advertising of Hilton hotels highlighted superior facilities, services and locations of properties in the chain, such as in the examples of the ‘Hilton Hospitality’ campaign from the late 1940s and 1950s presented in Exhibit 80.

¹⁹² The London Hilton Magazine, May 1963

¹⁹³ Hiltonitems Magazine, July 1963



Exhibit 80. Examples of 'Hilton Hospitality' campaign from the late 1940s and 1950s¹⁹⁴

Following the new strategy, advertising became much more focused and was more directly targeted at business travellers. Promotional material now presented facilities appealing to business visitors, including the centralised reservation system. It was

¹⁹⁴ Pictures from the Hilton Collection at the Hospitality Industry Archives, Hilton College, University of Houston

also more strategically placed in business magazines and newspapers¹⁹⁵. Despite the fact that the domestic and international divisions were now separate companies, Hilton International's Annual Report¹⁹⁶ stated that it was part of the company's strategy to encourage business executives to use Hilton hotels as locations for meetings and conferences. It stated that the company's PR was geared to the objective of maximizing the business potential which would suggest more of a focus on business visitors as well as hosting conferences and other related events. This suggests that similar marketing strategies were undertaken despite the separation of the two divisions.

The campaign followed the results of a dedicated market research study on preferences and requirements of business travellers¹⁹⁷. The findings revealed that there were two key factors essential for business travellers when choosing accommodation: facilitating the conduct of business and replacing the home. The features that businessmen were found to appreciate most were:

- Convenience of location
- Good telephone services
- Cleanliness
- Comfortable room
- Good service
- Recreation facilities
- Good food

It was highlighted that business people had to rely heavily on hotel staff in terms of communication because all information was passed by desk clerks, telephone operators and bell boys. The report concluded that what business travellers actually required from hotels was not glamour and luxury but reliability of basic services like laundry, switchboard operators, room service and a reservations centre.

¹⁹⁵ Hilton International Annual Report, March 1965

¹⁹⁶ Hilton International Annual Report, March 1965

¹⁹⁷ Pilot Study of Business Travellers' Hotel Selection, Prepared for Market Planning Department, 1962

The implications of this research, and the resulting marketing strategy, were clearly visible in the promotional material of the London Hilton. The promotional leaflet in Exhibit 81 can be seen to directly address business executives and highlights the availability of all the facilities deemed essential by business travellers, including multilingual switchboard, secretarial staff and “*suites which can be used for living as well as business purposes*”.

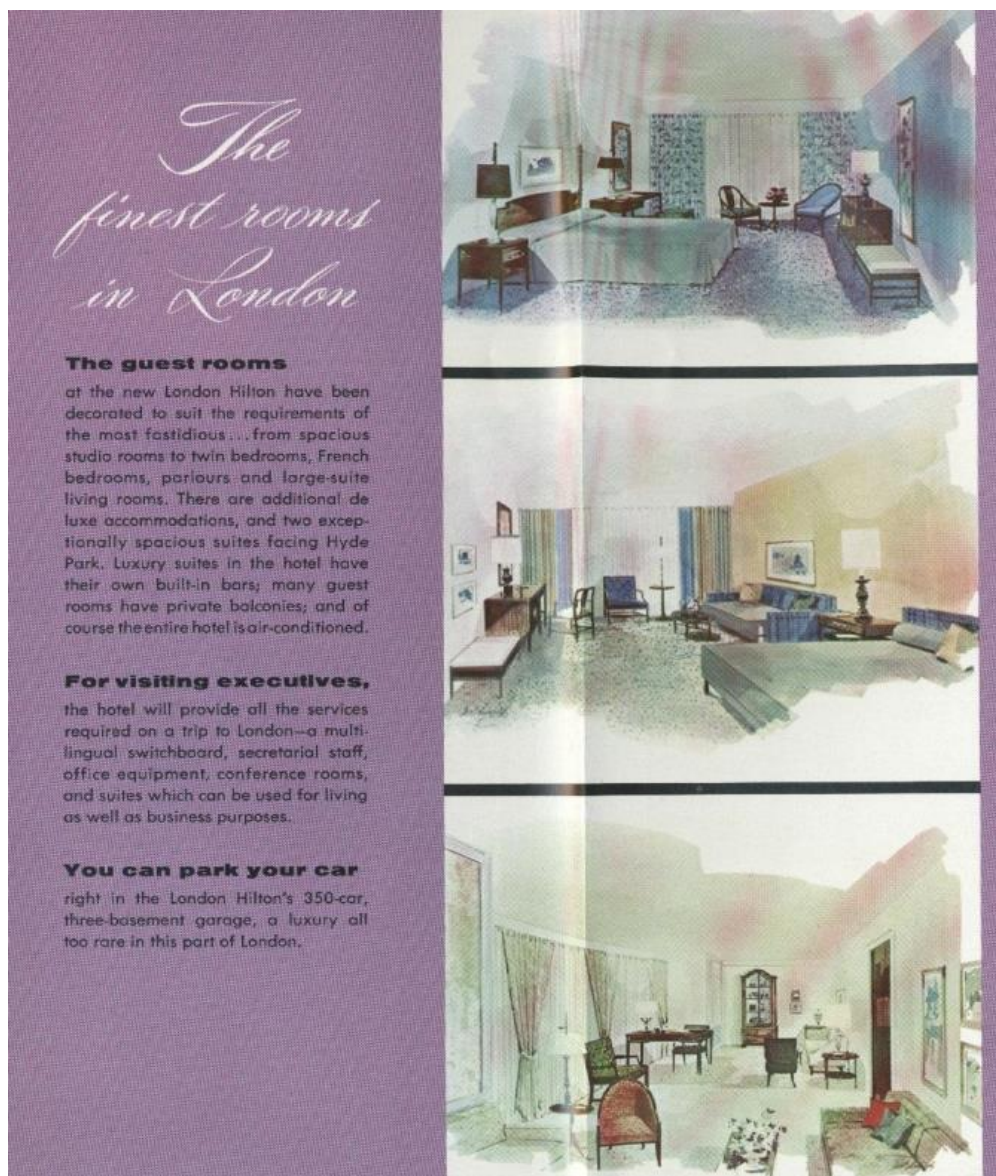



Exhibit 81. The London Hilton's marketing targeted at business travellers, 1963¹⁹⁸

¹⁹⁸ Picture from the London Hilton on Park Lane's collection

Hilton provided conference and banqueting space which was, at the time, unmatched by the London hotel market. It boasted the largest ball room of 126 feet by 80 feet, which could accommodate 1,000 dinner covers. The ballroom could also be divided into three smaller sections with “disappearing walls”. It was equipped with a stage, television facilities, simultaneous translation equipment and a VIP lift connecting the ballroom with the garage directly¹⁹⁹. Apart from the ballroom, the hotel also offered seven rooms which could be booked for private dining or conference meetings. Feron (1963) stated in his article that at the time of opening Hilton had 500 functions bookings for the first year of operation. Exhibit 82 presents an example of an event booking form from 1966.

| | |
|---------------------------------------------------------------------------------------------------------|------------------------------------------|
|  Event Order | HYDe Park 8000 FILE No. <u>L-1556</u> |
|---------------------------------------------------------------------------------------------------------|------------------------------------------|

Anglo-AMERICAN SPORTING CLUB

FOR NEW YEAR'S EVE DINNER/BALL DAY/DATE SATURDAY 31st DECEMBER 1966

ORGANIZER Mr. M. DUFF BILLING ADDRESS 118 WARDOUR STREET, LONDON, W.1.

FUNCTION DINNER/DANCE EXPECTED NUMBERS 600+ PRICE per COVER 71/- + 12½%
or RENTAL

RECEPTION AT 7.0 IN FOYER/DOME/PATIO

DINNER AT 8.0 IN BALLROOM

CABARET AT 10.15 IN "

BREAKFAST AT 1.30 IN "

BAR CASH LOCATION FOYER/DOME/PATIO

CASHIERS 6

FLORAL DECORATIONS 1 EACH CHARGE CLUB 10/- CANDLEBRAS WITH FLOWERS LICENCE EXTENSION 3.00 am

MENU PRINTING DOUBLE CHARGE N/C CLOAKROOM OPEN AT 6.30 pm

LINEN CORAL CANDLEBRAS SEE FLOWERS

ELECTRICIAN MIC TOP & BAND (2), 2 MANNED SPOT LIGHTS - 6gns house, 6gns club.

PHOTOGRAPHER OWN ARRANGEMENTS TOASTMASTER A. WHITEHEAD

ORCHESTRA SEE BELOW

ARTISTES SEE BELOW

PRESS COVERAGE YES CONTACT " TEL NO. GER 0922

FUNCTION FINISHES AT 3.30 am GRATUITIES 12½%

CIGARS/CIGARETTES CASH

| MENU PRICE 71/- + 12½% including breakfast | WINE INSTRUCTIONS CASH |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Saumon fumé d'Ecosse <i>*Touche Claire au persil</i> Filet de Sole Richelieu * Tournedos Chasseur : Pommes Lorette Epinard en Branche Céleri au Jus * Surprise St. Sylvestre * Petits Fours Café</p> | <p>Meals for band & Artists: 1) Bob Sharples & his Band 2) Robb Storme and the Whispers 3) String Orchestra of the Grenadier Guards 4) Cabaret Artists Dinner @ 20/-, Drinks @ 6/- + 12½% Others - sandwiches 7/6, drinks 6/-</p> <p>Big Ben Chimes - through our sound system Use Platform for Rear tables. Net required for Balloons. 25% discount for Committee.</p> <p>3 Double rooms: (already reserved for:) Mr. M. Duff Mr. P. East,</p> |

Exhibit 82. The London Hilton's event order form²⁰⁰

¹⁹⁹ Feron, J. (1963) New hotel in London town. New York Times, 21 April.

²⁰⁰ Picture from the London Hilton on Park Lane's collection

It is clear, therefore, that Hilton was aiming to attract the business sector. Chapter 4, which discusses the socio-cultural and economic environment of the 1960s London as well as the American influence on it, demonstrates how timely this marketing strategy was.

6.11. The state of the London hotel scene in the 1960s

When the London Hilton opened in 1963 it had to face a number of established London hotels. The actual competitors for Hilton are, however, open to discussion because of the modern style of the hotel and its then target market. The Economist²⁰¹ divided London hotels in 1963 into three categories:

- Luxury
- First class
- Second class

The 'luxury' category included the Savoy, Claridge's, Dorchester, Grosvenor House and Ritz. These were the traditional grand hotels which had been operating since as far as the 19th century (the Savoy), had survived the Second World War and were well established on the London hotel scene. Their 'luxury' status came not only from the extravagant décor but also from the standard of service they provided. The standard of service was, however, a direct result of the staff to guest ratio, which in these hotels was believed to be 3-1²⁰². The traditional approach to hotel-keeping in these institutions determined also the style of service and, for example, forbade them from having retail units in their lobbies. Wharton (2001: 102) comments on the unique style of the traditional luxury hotels:

"Though hotels like the Savoy and the Dorchester still suffered in the 1950s from shortages of material for refurbishing and still resisted such modernizations as showers and in-room radios (much less ice-water spigots in every bathroom), they still offered unsurpassable personal service, generously scaled rooms and English tradition".

²⁰¹ The Economist, 3rd December 1960

²⁰² The Economist, 3rd December 1960

This quotation suggests that the traditional setting was treated as equally important as technological innovations.

On the day of the opening of the London Hilton, the Financial Times published an article on the hotel and its potential impact on other hotels in London²⁰³. It stated that managers of other luxury hotels appeared ‘unconcerned’ about this new arrival because they could not imagine their guests choosing to stay in the utterly modern Hilton instead of their carefully crafted and traditional establishments. It appears that the Financial Times positioned Hilton in the same competitive grouping as these luxury hotels, at least according to the price range it operated. The Hilton was cheaper than Claridge’s, the Savoy and the Dorchester, but more expensive than the Hyde Park and the Ritz. However, all these hotels operated in the same upper-class range. Hilton, according to Financial Times (1963), was different from these hotels due to certain aspects including the usage of space, smaller bedrooms, more space dedicated to selling goods, and its centralised operations system. In comparison, in the Dorchester there was a team of staff dedicated to each floor, while in the Hilton a guest “*may never see the same waiter’s face twice*”²⁰⁴. The article concluded that the success of the Hilton hotel would purely depend on customers’ preference as to whether to stay in a traditional hotel environment or a modern setting.

The Economist²⁰⁵, on the other hand, placed Hilton in the same group as the Carlton Tower, which it labelled ‘first class’ hotels. These were the hotels which targeted the “upper middle class market”, but represented a different style compared to luxury, traditional hotels. The Carlton Tower, for example, was the first skyscraper hotel in London (although this status was subsequently granted to Hilton). It was 18 storeys high and was modern in design and décor. It was another hotel, after the Westbury, managed by American operators; owned by Edgar Investments Ltd, it was leased from 1961 for 90 years to the Hotel Corporation of America (Sheppardson 1991). Sheppardson (1991) believes that the Carlton Tower was the first hotel to install American management methods and clearly targeted American travellers. He does

²⁰³ Financial Times, 17th April 1963

²⁰⁴ Financial Times, 17th April 1963

²⁰⁵ The Economist, 3rd December 1960

not, however, discuss the exact methods applied by the Hotel Corporation of America to manage this property. The difference between the Carlton Tower and the Hilton lies mainly in the fact that the former was not a recognisable member of a branded chain, similar to other chain hotels operating in London at the time. The 'Hilton' brand was, on the other hand, already widely recognisable in America and Europe. The Economist noted that, as opposed to luxury hotels, the Hilton dedicated much space in the lobby to retail units. It stated that 'first class' hotels generated the majority of profit from selling bedrooms while a large proportion of luxury hotels' income came from banqueting and the hiring of ballrooms. In a later edition of the Economist (1963) it was, however, claimed that the Hilton put particular focus on functions and meetings facilities because "*private guests are not the way to keep expensive hotels running these days*"²⁰⁶. Some analysts feared that, with the expansion of hotel provision, London would follow America in being oversupplied²⁰⁷. Most importantly, however, the Financial Times highlighted the fact that the Hilton supplied incomparable business and conference facilities which were not available in any other hotel in London at the time. These facilities could accommodate as many as 1,000 delegates and the Hilton's sales team was in contact with 1,500 international trade and professional associations all of which were potential customers²⁰⁸. This appears to be in line with Hilton's strategy which was transformed in 1963 and 1964 in order to attract more local custom and to appeal to the conference or event market (see Chapter 5.3). The Financial Times, moreover, argued that by doing this Hilton could potentially generate more business to other London hotels because such large events would require more accommodation than Hilton could offer alone. This, and the analysis of the case study suggest that Hilton placed more focus on conferences and functions than other hotels from the 'first class' category, in which it followed the example of luxury hotels. The London Hilton was yet another example of making the most of available space, a skill which allowed Conrad to develop his business in the first place.

²⁰⁶ The Economist, 20th April 1963, p. 241

²⁰⁷ Financial Times, 17th April 1963

²⁰⁸ Financial Times, 17th April 1963

When discussing the hotels belonging to the ‘first class’ category (as categorised by the Economist 1963), one cannot omit the Westbury, which was essentially the first American hotel to open in London. Upon its opening in 1955, the ‘Caterer and Hotelkeeper’ dedicated a special report to its design and the services provided. Exhibit 83 presents the first page of this report. Besides this article there seemed to be little publicity on the Westbury and it rarely appears in the literature about London hotels. Sheppardson (1991: 84) claims that the Westbury “*never fulfilled its potential*”, and indeed, despite its high standard of service it is rarely listed along other London hotels. The building on the corner of Old Bond and Conduit Street was owned by the Pearl Assurance Co. and was leased to Knott Hotels Company for a period of 90 years. Its design was meant to resemble its counterpart in America with the Polo Bar directly modelled on the bar at the New York Westbury. It consisted of 220 en-suite bedrooms, all equipped with radios and wired for television. All public spaces including restaurants were air-conditioned. The hotel was clearly aimed at the American market. The ‘Caterer and Hotelkeeper’ notes that bathrooms were equipped with adapters for American shavers, but it does not mention any provision for continental equipment²⁰⁹.

²⁰⁹ Caterer and Hotelkeeper, 5th March 1955



Exhibit 83. Special report on the opening of the Westbury Hotel in 'Caterer and Hotelkeeper' (1955)²¹⁰

The third type of hotels discussed by the Economist were so-called 'second class' hotels and included boarding houses whose prices and service standards were considerably lower and which did not seemingly constitute competition to the hotels discussed above.

6.12. London hotels' reactions to the London Hilton opening

Despite the fact that the Economist (1963) claimed that managers of the London hotels appeared 'unconcerned' about the London Hilton opening, some of the existing hotels went through a range of redecorations and changes around that time. There is no evidence, however, to suggest that these redevelopments were a direct

²¹⁰ Caterer and Hotelkeeper, 19th March 1955, p. 42

result of the threat from the newly-opened Hilton and more focused archival data is needed to comment on this. All that can be stated is that New York Times²¹¹ reported the following in 1963:

- the Dorchester was redecorating its front hall and main lounge,
- the Westbury was redesigning its bedrooms,
- the Carlton Tower was extending the ballroom and
- the Mayfair was planning to add another 30 bedrooms.

Earlier, in 1955, the Waldorf and the Grosvenor House also underwent refurbishment and opened additional bars²¹².

The New York Times²¹³ commented that the Savoy, the Connaught, the Ritz and the Claridge's seemed undisturbed by the opening of the Hilton because they were confident about their own status on the London market and the fact that an American tourist coming to London "*should stay in a good English hotel*"²¹⁴. They appeared not to consider that guests would want to stay in the Hilton because of its novelty and simply to experience the brand. It appeared unaware of the modern type of traveller the Hilton aimed to attract: the wealthy American businessman felt uneasy in the extravagant interiors of 'luxury' hotels and instead appreciated the familiarity of Hilton (Wharton 2001).

The discussion on the London hotel scene in the 1960s suggests that when the London Hilton opened, it found itself in competition not only with specific hotels, but actually with the hotel-keeping style which was well established and widely practiced in London. The hotels which were considered to be in the 'luxury' category represented the traditional English style both in décor and in service provision. Decades of heritage constituted their competitive advantage. As a result of this, Hilton had to find its own niche and convince customers that an utterly modern hotel like the Hilton could be a substitute for traditional grand hotels such as the Savoy or

²¹¹ Feron, J. (1963) New hotel in london town. New York Times, 21 April.

²¹² Caterer and Hotelkeeper, 8th January 1955; Caterer and Hotelkeeper, 13th January 1955

²¹³ Feron, J. (1963) New hotel in london town. *New York Times*, 21 April.

²¹⁴ Feron, J. (1963) New hotel in London town. New York Times, 21 April, p. 23.

Dorchester. On the other hand, when entering London, Hilton already had its established hotel management concept which was developed through the experience in the international hotel market. Therefore, it could be suggested that the London Hilton positioned itself between the traditional 'luxury' hotels and the modern 'first' class hotels, such as the Carlton Tower.

6.13. Conclusions

Analysis of archival data suggests that the development of the London Hilton followed the same pathway as other Hilton International's hotels. Despite the claims of adjusting the hotel to local culture and the expectations of the local clientele, the hotel closely resembled other hotels in the chain. It was built and decorated using British material and workmanship but the overall feel and style of the building followed the Hilton pattern. The standardised operational practices were also prescribed by the headquarters in America and their delivery was ensured by the strict training of staff and the involvement of an expatriate management team. Furthermore, Conrad personally supervised the development of the property and was actively involved in monitoring its performance in the first few years of operation.

The London Hilton was not expected to play any major political role compared to the Istanbul or the Berlin hotels, nevertheless, its construction was a reason for many disputes in London's society. The London Hilton was initially unwelcome and after the opening was often compared to some of the London grand hotels. In this comparison Hilton stood out as a modern, standardised hotel which aimed to attract business travellers and tourists who were not looking for grandness and flamboyant décor but rather for efficiency and comfort. It was expected by the parent company that Hilton's recognisable brand would be the key appealing factor. Indeed, the analysis of correspondence from customers illustrates that many customers were familiar with this chain and were holders of its loyalty card.

Despite being different from the existing hotels, it appears that the Hilton was not perceived to be a threat to the existing London hotel market in 1963. A number of hotels updated their offering, but they did not change the décor or style of service delivery. It was suggested that the London Hilton, by offering exceptionally large

conference facilities actually contributed to creating more demand for other hotels and the two decades after the opening of this property saw rapid influx of similar modern, mid-market hotels.

Since its opening, the London Hilton has operated with few alterations to the core design. Restaurants have changed management and décor, but have remained largely in the same form as initially designed (with Trader Vic's not changing at all). With the development of technology, various solutions including lifts and air conditioning have also been improving. The ownership of the building has changed a number of times but since 1963 the hotel has remained under the operation of the Hilton brand. The ownership of Hilton International has gone through a number of transformations, but this has arguably had little effect on the London Hilton because of the long-term lease agreement signed back in 1960 and because of the relative independence of Hilton International even when owned by other companies.

Together with the increasing internationalisation of many industries, more American branded hotels have appeared on the London hotel market, with the InterContinental opening in very close proximity in 1975. In 1986 Hilton International took over the management of the Langham²¹⁵ (although it has since lost this management contract) and, as of 2015, it operates 38 properties²¹⁶ in London. The first time Her Majesty the Queen visited the Hilton on Park Lane was in 2002 (Augustin 2013) when she participated in a charity event.

²¹⁵ The Langham Hotel is now owned by the Langham Hospitality Group

²¹⁶ Hilton Worldwide London Map brochure, 2014. From the collection of the London Hilton on Park Lane

7. Epilogue

In 1967, three years after the international operations were separated from Hilton Hotels Corporation and four years after the opening of the London Hilton, Hilton International was bought for \$85 million by Trans World Airlines (TWA). Table 7-1 presents the timeline of key events in which the International division has been involved.

| | |
|-------------|-------------------------------------------------------------------------------------|
| 1967 | TWA acquires Hilton International |
| 1985 | Allegis buys Hilton International from TWA |
| 1987 | Hilton International is acquired by the Ladbroke Group Plc. |
| 1999 | The Ladbroke Group changes its name to Hilton Group Plc. |
| 2006 | Hilton Hotels Corporation reacquires hotel interests from Hilton Group Plc. |
| 2007 | Hilton Hotels Corporation is acquired by the Blackstone Group |
| 2009 | Hilton Hotels Corporation changes its name and logo to Hilton Worldwide |
| 2013 | Hilton Worldwide returns to the New York Stock Exchange under the HLT ticker symbol |

Table 7-1. Timeline of key changes in Hilton International's ownership (Hilton Worldwide 2014a)
Source: Author's analysis of archival data

Hilton International was to become a subsidiary of TWA but at the same time it was to operate as a separate entity, under essentially the same management and the same operating policies²¹⁷. As presented in Exhibit 84, Conrad referred to this transaction as a merger and not an acquisition. As shown in Exhibit 85, at the time of this transaction there were 40 properties in the Hilton International's portfolio.

Shareholders have been advised, the Boards of Directors of Hilton International Co. and Trans World Airlines, Inc. have approved plans for a merger of the two companies. The merger agreement is subject to the approval of shareholders of both companies and compliance with certain other conditions. It will be submitted to Hilton shareholders at the special meeting scheduled to be held on April 27, 1967. Detailed information with respect

Exhibit 84. Conrad's announcement of the planned merger with TWA in his letter to shareholders²¹⁸

²¹⁷ Conrad Hilton in "President's Letter to Shareholders" on 27th March 1967

²¹⁸ Conrad Hilton in "President's Letter to Shareholders" on 27th March 1967

TWA was not the only airline to have invested in a hotel division. Pan American Airlines had launched InterContinental hotels in 1946. The idea behind such investments was the integration between the hotel and the airline businesses²¹⁹, however Strand (1996) heavily criticises this justification. He states that there were some mutual advantages to this acquisition but the idea of benefitting from the synergies between markets was overestimated. He argues that the markets of the two companies overlapped only slightly, because economy-class fliers, who constituted 95% of all TWA's passengers, would not stay in five-star Hilton International's hotels. Moreover, he claims that the geographical distribution of Hilton's hotels and TWA's flight destinations did not complement each other enough to benefit from a shared network.

| HOTELS IN HILTON INTERNATIONAL AT TIME OF MERGER 5/1/67 | |
|---------------------------------------------------------|--|
| AMSTERDAM | |
| ATHENS | |
| BARBADOS | |
| BERLIN | |
| BRUSSELS | |
| CAIRO | |
| GURACAO | |
| CYPRUS | |
| HONG KONG | |
| HAWAII - KAHALA | |
| ISTANBUL | |
| JAMAICA | |
| LONDON | |
| MALTA | |
| MANILA | |
| MAYAGUEZ | |
| MONTREAL - THE QUEEN ELIZABETH | |
| MONTREAL - AIRPORT | |
| PARIS | |
| PARIS - ORLY AIRPORT | |
| RABAT | |
| ROME | |
| ROTTERDAM | |
| SAN JUAN - CARIBE | |
| TEHRAN | |
| TEL AVIV | |
| TOKYO | |
| TRINIDAD | |
| TUNIS | |
| VANCOUVER | |
| ACAPULCO | |
| GUADALAJARA | |
| CONTINENTAL - MEXICO | |
| CARRERA | |
| RAMA - BANGKOK | |
| CASTELLANA - MADRID | |
| NEW STANLEY - AUSTRALIA | |
| VIRGIN ISLE | |
| SAN JERONIMO - PUERTO RICO | |
| DORADO - PUERTO RICO | |

Exhibit 85. Hotels under Hilton International's management at the time of merger with TWA

Lester (2011) believes that it was Barron Hilton who encouraged his father, the holder of the majority of shares in Hilton International, to sell out to TWA. Instead of

²¹⁹ "Business Week" 1st July 1967

gaining value, however, the TWA shares halved in value (Grant 2004) and Hilton International was sold to TWA the same year. The \$85 million paid by TWA for the company constituted a very good return on the \$300,000 invested into the company 20 years earlier (Strand 1996). However, both Curt Strand and Conrad later claimed that selling out was a mistake. A year after the acquisition TWA began suffering substantial losses whilst Hilton International performed well. As a result, Hilton International's earnings covered the airline's losses (Strand 1996). It is believed that Conrad admitted in conversation with Curt Strand to having made three major mistakes in his life: "*selling Hilton International, not acquiring the Plaza Hotel in New York permanently and marrying Zsa Zsa Gabor*" Turkel (2009: 147). This is clearly an anecdotal quote and one can possibly never know the truth about Conrad's feelings on these matters. It, nevertheless, highlights that selling Hilton International was an important moment both for the business and for Conrad personally.

18 years after the acquisition, TWA was broken into four holding companies and Hilton International, as the most attractive of these companies, was bought by United Airlines (operating as Allegis at the time). United Airlines was, however, itself broken up shortly afterwards and in 1987 Hilton International was acquired by the British betting conglomerate, Ladbrokes (Ladbrokes 2015). Quek (2007) states that the internationally known Hilton's brand was one of the main motives for this acquisition. Ladbroke hoped that Hilton International would help it transform the image of being a betting shop chain to a hotel conglomerate group. Consequently in 1999 the Ladbroke Group changed its name to Hilton Group Plc. It is important to note that the rights to use the name 'Hilton' were still divided between Hilton Hotels Corporation in America and Hilton Group Plc in Europe (see Chapter 5.3 for discussion on separation of Hilton International from Hilton Hotels Corporation). Hilton Group Plc had the right to use the 'Hilton' name in the international (non-American) market while Hilton Hotels Corporation had the same right in the US.

Back in America in the late 1970s and through the 1980s, Barron Hilton, now the President of Hilton Hotels Corporation, focused on the gaming industry, which in 1985 provided 40% of the company's operating income (Grant 2004). Meanwhile other hotel groups such as Marriott and Hyatt were investing in luxury hotels which

encouraged Barron to pledge \$1.4 billion to renovate the older properties in order to keep pace with competitors.

Hilton Hotels Corporation (the American arm of the company) entered the international market with the Conrad Hotels brand in 1982 and later with Hilton Garden Inn in 1996. Finally, in 2005 Hilton Hotels Corporation reunited the company by purchasing the hotel interests of Hilton Group Plc. All Hilton brands operated, again, under the same management and Hilton Hotels Corporation became one of the most geographically dispersed hospitality groups in the world. Two years later, Hilton Hotels Corporation was acquired by a private equity investment bank, Blackstone, renaming it Hilton Worldwide in 2009 (Hilton Worldwide 2014a). This transaction made Blackstone, at the time, the largest hotel owner in the world (Lester 2011)²²⁰. In May 2015 Blackstone sold 90 million shares of Hilton Worldwide through Initial Public Offering, reducing its stake to less than 50% (Bloomberg Business 2015) and consequently transforming Hilton Worldwide into a public company. The company boasts 4,661 hotels offering 764,748 rooms across 102 countries and territories (Hilton Worldwide 2016) and continues to expand.

²²⁰ At the time of writing, in 2016, Marriott International and Starwood Hotels and Resorts Worldwide merged to become the largest hotel management company.

Part 3 – Contributions of the research to international business

The third and final part of the thesis analyses the case constructed in Part 2. It draws on the review of previous research and the conceptual framework designed in Part 1. This part synthesises historical data with theories of international business, offers a discussion of findings and forwards the conclusions derived from the study.

8. Internationalisation through knowledge transference

8.1. Introduction

The review of previous research arrived at the framework whose aim is to drive the analysis of the process of internationalisation and the transference of knowledge from the Hilton's headquarters to its London subsidiary. Following the model suggested by Miles and Huberman (1994) and the procedure explained in the Methodology, interpretive coding was applied to the case study in order to discuss findings in reference to the study's theoretical underpinning. Figure 8-1 depicts the elements of the framework together with the umbrella concepts from which these elements conceptually originate. This framework also presents the relationships between the individual concepts observed by this study. This chapter discusses how the relationships were derived.

The chapter follows the themes identified through the interpretive coding and discusses the processes of Hilton's internationalisation and knowledge transference. It considers the three key groups of players involved in this transference, namely its founder, employees and customers. It then discusses the consequences of multiple-embeddedness and the range of pressures resulting from multiple-embeddedness. Finally, the chapter focuses on liability of foreignness faced by the London Hilton hotel.

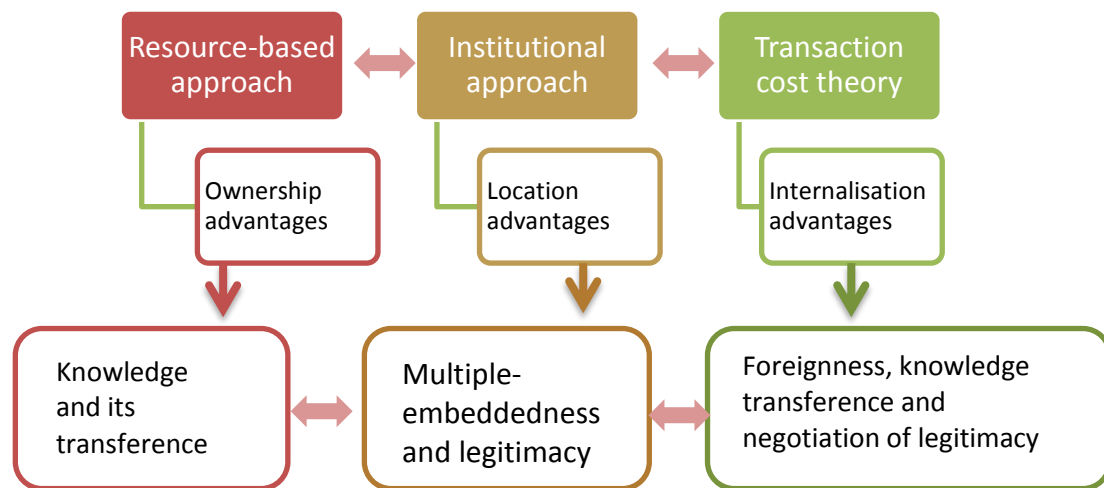


Figure 8-1. Framework highlighting the relationship between theoretical concepts
Source: Author's visualisation base of review of previous research

8.2. The process of internationalisation

MNCs are companies which operate in multiple countries by transferring abroad their asset-based and institutional ownership advantages while maintaining control over these advantages (Dunning and Lundan 2008). MNCs decide to undertake an internationalisation strategy for a variety of reasons (i.e. seeking natural resources, market, efficiency or strategic capabilities) and adopt various modes in order to do so. An analysis of the process of Hilton's development abroad indicates that Hilton is representative of the concept of a MNC with its key elements of transferring knowledge and expertise and maintaining control over invested resources. It is evident that Hilton used its experience and knowledge to control assets which it did not own, such as local decoration material, workmanship and design. This allowed for fast and successful organic growth facilitated by the transference of knowledge instead of the movement of tangible resources. The network perspective seems to be best suited to explain the structure and nature of the company (Johanson and Vahlne 2009). Hilton International, being essentially a management company (with a high degree of consultancy services provided), can therefore be considered a knowledge-based network (Dunning and Lundan 2008, Ferraris 2014).

MNCs are largely motivated to increase their extent of internationalisation in the interest of their shareholders, as opposed to the interest of the wider community of which they are a part (Dunning and Lundan 2008). This is supported by Hilton's stated intentions:

*"The philosophy behind the growth of Hilton International is, of course, to develop a world-wide group of hotels that can operate successfully and return a satisfactory profit to those having a financial interest in the hotels. In addition Hilton International has been organised to help provide first-class hotel accommodation in locations where such facilities are urgently needed to further economic development".*²²¹

This statement suggests that while Conrad had ambitious political and economic aims to develop his company, the utmost priority was to satisfy Hilton's owners and shareholders²²² and ensure sustainable growth for the company.

The most desirable hotel FDI arrangements from the perspective of both the investor and the host nation are believed to be lease agreements and management contracts (Dave 1984). The reason for the popularity of these two methods is that they create balance between risk and control for the investor and between skills transference and controlling power for the host nation. An analysis of the internationalisation process of Hilton hotels suggests that Hilton wanted to have a high level of control over its investments, which is evident in its involvement in all decisions from building design to staff training. On the other hand, it was committed to lowering the risk of investment, especially after losing the Havana Hilton in 1959. Due to the adoption of the operating lease model in Havana *"the loss to the corporation was a limited one, the absorption of which did not impair its financial health or impede its continued growth"*²²³. Following this incident, in the early 1960s Hilton diversified its business model and used the operating lease only in established major cities including London and Paris, while in less established locations it applied the management contract agreements (Strand 1996). Under this type of agreement it was the owner of the hotel rather than Hilton who was responsible for any potential operating losses. The

²²¹ Information of Hilton Hotels International report, 1959

²²² At the time of this publication in 1959 Hilton Hotels Corporation was listed on New York Stock Exchange

²²³ "History" brief from 14th October 1964

company was also committed to maintaining close control over its subsidiaries, a reason why it refused to adopt the franchise model in both its domestic and international operations (at least until 1965). The practice of applying such business models was developed through continuous experience in the US and abroad and was a practice directly transferred from headquarters to new subsidiaries. Hilton maintained responsibility for delivering all the services connected with running a hotel and additionally offered consultancy advice to investors in terms of building design and construction. Essentially, the contract between Hilton Hotels and New City Properties gave Hilton complete control over the London hotel's design and ambience.

When analysing the case of the London Hilton from the perspective of current hotel management practices, it is clear that the 50-year lease agreement cannot be treated as an asset-light model. Even at the time of its opening, this agreement required more financial commitment, responsibility and risk from Hilton than its other hotels operated under management contracts. However, the expectation was that London was a relatively secure destination in terms of investment. The operating lease gave Hilton the required level of control with relatively low level of risk. Indeed, shortly after the opening of the London subsidiary it became the best performing hotel in Hilton's international portfolio²²⁴.

Despite the divided structure of Hilton Hotels and Hilton International, for customers there was no difference between the two divisions as hotels in the US and elsewhere were branded and operated in exactly the same way. Conrad remained the 'face' of both divisions and people associated Hilton hotels with him, which is reflected by the number of letters sent to him. Using this model Hilton International became a company which operated as a network and a system of knowledge. The essence of Hilton's internationalisation became the transference of knowledge and expertise gained through previous operations, as opposed to the transference of material resources. This is consistent with findings by Meyer et al. (2011), Johanson and

²²⁴ Barron Hilton to Conrad Hilton on 31st May 1963

Vahlne (2009) and Ferraris (2014) who found that it is the very essence of MNCs to transfer knowledge across their networks.

There is a case to be made that the operating lease model adopted by the London Hilton gave the company an optimal level of knowledge transference. Whilst the operating lease was a method of gaining insidership (Johanson and Vahlne 2009, Almodovar and Rugman 2015) it allowed for a high level of control over key resources (Mahoney and Pandian 1997, Dunning and Lundan 2008). All this was done on a corporate level so that the image presented to customers was seamlessly consistent. It seems to have been Hilton's strategic choice to transfer its business model to international locations while maintaining its American image. This contradicts Hilton's claims that it adjusted to local settings and suggests that Hilton adopted an ethnocentric approach (Perlmutter 1969) to knowledge transference. It is necessary to stress that the term 'ethnocentric' refers to the fact that Hilton did not appear to intend to adapt to local hotel-keeping practices but, instead, transferred its practices from the home country in an almost unchanged format. This is consistent with Bartlett and Ghoshal's (2002) description of the international model of organisations in which headquarters play a central controlling and decision-making role. The case of the London Hilton particularly represents Bartlett and Ghoshal's (2002) finding that organisations adopting the international model imply a willingness to delegate responsibility, while in reality maintaining close control through sophisticated management systems. In such an organisation, a local subsidiary is free to make minor local adaptations, but the overall ideology and knowledge is transferred from the headquarters. Entering partnerships with local investors was, consequently, not only the technique of securing capital but also creating a channel through which Hilton's strategic and operational knowledge could be transferred. This confirms Khojastehpour and Johns' (2014) claim that internationalisation offers opportunities for knowledge transference through access to foreign stakeholders, institutions and resources.

The modern hotel business environment is radically different from the one investigated in this study. From the mid-1940s international hotel companies have been gradually turning to asset-light business models moving from operating leases, through management contracts to franchising (Roper 2015). Real estate is currently

rarely owned by the global hotel management companies and individual operational areas, such as catering or security, are often outsourced from third parties. However, despite such “*vertical disintegration*” (Roper 2015), these hotels boast high levels of brand recognition. Effective knowledge transference, clearly, plays a crucial role in such a business model where numerous organisations are involved in delivering branded services. The case study of Hilton illustrates the early signs of the shift towards the knowledge-based approach to the hotel-keeping business. It also emphasises the role of knowledge transference in the development of an internationally recognisable brand

8.3. Knowledge transference

The majority of previous research focuses on technical knowledge being transferred within a company and not on knowledge embedded in people and their experience and expertise. However, tacit knowledge is also subject to transference in the process of internationalisation, particularly when Hilton is considered to be a ‘*pool of resources*’, a perspective advocated by Penrose (1959). It appears that three key groups of actors contributed to the transference of knowledge in Hilton International: its founder, employees and customers.

a. The role of the founder

It is clear that in terms of seeking strategic assets, Hilton International did not own the real estate assets abroad, but by signing lease agreements with local owners it expanded the company’s portfolio and increased its presence and visibility in international markets. In such a case, Dunning and Lundan (2008) claim that investment in knowledge capital and management expertise plays as important a role as financial investment. Furthermore, it is important to focus on understanding the transference of tacit knowledge, which Dunning and Lundan (2008) refer to as institutional ownership advantage, in order to understand the evolution of the global economy. Amongst these institutional ownership advantages they list goals and motivations underlying firm’s behaviour. The theory of MNC’s internationalisation does not specifically list founder’s personal goals as one of the institutional ownership advantages but the case study clearly suggests that this was one of the factors driving the company’s expansion. The theory on IB (Nickson 1997) is clear on

the fact that founders and other key figures play an essential role in shaping the corporate culture which ultimately drives its strategic decisions. The case of Conrad and his company indicates that corporate strategy and decision making cannot be purely limited to theoretically-based analytics. Transaction cost economics theory highlights that companies are influenced by the bounded rationality of their employees. What this means is that humans cannot always be entirely rational in their decisions even if they wish to be (Douma and Schreuder 2013). The reason for this, what some academics consider to be a limitation, is that they can never have complete and unbiased knowledge of their business's situation. The example of Conrad takes this argument a stage further and illustrates that some decisions are based on entrepreneur's beliefs, preferences or even dreams, rather than on analytical and rational calculations. Some of Conrad's decisions, including the purchase of Waldorf Astoria, appear to have been made purely because of Conrad's own will. Furthermore, especially the decisions taken in the early days of Conrad's career depended on chance and Conrad's desire to develop own business. It would be difficult and probably unnecessary to try to analyse all Conrad's decisions in a theoretical way. As the case study has shown, he was known as a maverick driving his company the way he wanted it to go. Anecdotally, a popular American TV series 'Mad Men' which is believed to be one of the most historically accurate TV shows ever created, portrays Conrad as a 'Hilton mission'-driven eccentric (Mad Men 2009).

Conrad's clear sense of a mission was reflected in the notion to "*spread the light and warmth of hospitality*". Being a founder and an active member of the management team until his death in 1979, he was responsible not only for setting the culture of his company but also for enforcing its values on daily operations. His influence was characteristic of the mechanism observed by Nickson (1997) and Kostova (1999), namely that the strong influence of founders or other key figures results in internalisation of behaviours to the extent that they become tacit. Considering the nature of Conrad's mission, to provide homes away from home for American travellers and to spread American values of democracy internationally, it is hardly surprising that Hilton expanded with low level of local adaptation. Adjusting to each host country's institutional settings simply would not meet Conrad's requirements for development. On the contrary, Conrad specifically wanted his hotels to stand out

from the local settings, something most visibly reflected in the design of hotels in Istanbul, Athens and London.

There is lack of research into the process of internationalisation driven by leaders or founders. However, it is clear that 'top to bottom' enforcement of decisions is also an example of tacit knowledge transference. Conrad claimed that his general managers enjoyed a high level of autonomy in their appointments, but an analysis of correspondence between himself and other employees, as well as customers, suggests that he monitored closely the standards delivered across the chain. More importantly, members of the management team were so familiar with Conrad and his vision that they acted in line with it even without consulting him. Consequently, there is a case to be made that Conrad's vision, which is considered to be tacit knowledge (Kogut and Zander 1997) and an institutional ownership advantage (Dunning and Lundan 2008) was effectively transferred across the chain in the process of Hilton's internationalisation. This is not to say that his vision made the company successful, but to highlight the observation that the early international hotels followed Conrad's vision for the expansion of his company. The following section focuses on the role of employees in the transference of tacit knowledge.

b. The role of employees

Kostova (1999), when discussing transference of corporate practices, highlights that in order to be successfully transferred, practices need to be internalised by the receiving party to the extent that these seem to be their own. This was the case observed in Hilton in that its employees delivered Conrad's vision in various locations around the world. It appears that the company applied two key methods of ensuring that employees would internalise tacit knowledge; comprehensive training and the employment of expatriates to manage international hotels.

Hilton invested greatly in tutoring ensuring that all employees behaved and conducted their work in 'the Hilton style'. Foreign employees were trained in hotels in the US and Canada and were provided with operation manuals, referred to by staff as '*the Bible*', which prescribed all operation procedures from advertising to the treatment of guests with dogs. This resulted in Hilton being perceived as a chain of

standardised hotels where guest could expect the same kind of service regardless of location. However, it appears that comprehensive training was not only a way of ensuring that individual practices followed specific guidelines but, more importantly, it communicated tacit knowledge in the form of Conrad's vision and Hilton's corporate culture. This is particularly visible in the case of senior management who were encouraged to progress within the company and were delegated to international assignments. Interestingly enough, amongst all the heads of London hotel's departments only Louis del Coma was American. There is no data to explain whether employing an international cadre of management was Hilton's policy, but the case study suggests that the company was open towards cultural diversity. It is therefore, questionable whether the London Hilton hotel could be representative of American culture in general. It seems more appropriate to conclude that it was representative of the unique Hilton culture instead. Similar results were found by Roper, Doherty, Brookes and Hampton (2001) in their study on a large hotel MNC in the 1990s. They observed that general managers of hotels in this chain were usually 'company men' whose national cultures were secondary to their acquired corporate cultures. These managers were often required to travel abroad and to easily adjust to new conditions. Being influenced by their company they also became cultural 'products' of it. As a result, when they took new posts they transferred characteristics of corporate culture rather than their national cultures. In the same way, despite the fact that senior managers in the London Hilton came from Singapore, Switzerland, Britain and Canada, they were expected to contribute to the standardised Hilton culture. Such employees who become 'company men' could, therefore, be considered to be the key carriers of tacit knowledge because they have internalised that knowledge. Such point, where people begin treating corporate values and beliefs as their own is the point where knowledge transference is considered to have been successful (Kostova 1999). It is also the stage when studying tacit knowledge becomes most challenging, because it is often taken for granted and not realised by individuals.

Expatriates can be seen as a link between individual contexts in multiply-embedded companies. They are the ones who communicate knowledge from the HQ to the subsidiary and vice versa and are, to a large extent, responsible for effective communication between the two (Fang et al. 2010). Their ability to detect institutional

and cultural differences and consequently suggest appropriate amendments in the overall strategy plays a major role in the subsidiary's negotiation of legitimacy. This was particularly visible in the process of design and construction of the London Hilton when members of the senior management team debated over individual elements of the hotel and their suitability for the local cultural context. Expatriates are also the ones who directly communicate with local people employed in the hotel. They are therefore facilitators for the transference of knowledge in a MNC despite the fact that they are subject to influence from both home and host countries alike (Delios and Bjorkman 2000, Goerzen and Beamish 2007, Fang et al. 2010). Consequently, the deeper they internalise corporate knowledge, the more likely they are to faithfully communicate that knowledge in host locations and to contribute to the ethnocentric approach to knowledge transference discussed above. Hilton's managers worked in subsidiaries around the world learning not only about the company's strategy and operations but also about how it can best fit in foreign environments and in which areas it was required to adapt in order to better fit local conditions. In other words, expatriates are the communicators of knowledge gained through the previous experience of operating internationally (Delios and Bjorkman 2000, Goerzen and Beamish 2007, Fang et al. 2010). This is what is observed in the case of the London Hilton hotel. As Table 6-3 (Chapter 6.8) illustrated, the General Manager and the majority of heads of departments had previously worked in other Hilton properties. Other members of staff had a wide experience gained from other hotels around the world. They carried a wealth of expertise with them and had experience in working in and adapting to foreign countries, which could be transferred to the London subsidiary.

Complex and centralised training implemented by Hilton in its hotels worldwide as well as the enforcement of standard operating procedures were clearly means of mitigating the issue explained by agency theory, namely the threat of opportunism. A great deal of trust was placed in local general managers' decisions, including Louis del Coma. Hilton stated that "*Once the hotel is up on its feet, the local manager is*

*pretty much on his own, so long as it operates within company guidelines*²²⁵. Following agency theory (Hoenen and Kostova 2015), one could expect that by doing so Hilton HQ might lose control over their performance, the reason being that local managers could pursue their personal goals instead of genuinely contributing to the corporate objectives. As internationalisation of the company depended strongly on tacit knowledge, any loss of that knowledge would be detrimental to the process. However, comprehensive training seems to have been utilised as a measure to mitigate this challenge and ensure effective transference of knowledge abroad. The expected result of the training was that it would make employees internalise corporate values so that they became aligned with their personal ones.

This discussion clearly suggests that Hilton's employees were the means of communicating knowledge from the parent company to its subsidiary in London with few adjustments, which represented an ethnocentric approach (Perlmutter 1969), or international model of organisation (Bartlett and Ghoshal 2002). The fact that Hilton managers were trained to be 'company men' demonstrates that the 'Hilton' culture was to be transferred abroad and replace the dominance of employees' national cultures. Furthermore, it appears that people are at the very core of company's ability to internationalise because they are the carriers of tacit knowledge. While specific procedures and regulations can be easily communicated, institutional ownership advantages, such as corporate culture or vision, can only be transferred through people who have internalised these values and for whom, as advocated by Kostova (1999) they became an 'extended self'. This study does not have the tools to investigate whether Hilton's employees actually internalised company's values to such an extent. A focused research utilising oral histories could endeavour to explore this area. What this research does is develop the theoretical linkage between the process of internationalisation and the transference of tacit knowledge.

²²⁵ Business Week, 1st July 1967, p. 55

c. The role of customers

While Hilton sought new markets it also followed the movement of existing customers, this becoming a further motivation for FDI involvement. This concept, discussed in the light of the development of international banks who follow their corporate and individual customers abroad (Seth, Nolle and Mohanty 1998) is less evaluated in relation to hotel companies. A prime example of 'following existing customers' in the hotel industry is InterContinental which was developed by Pan American airlines specifically with the aim to operate hotels in destinations served by the airline (Potter 1996). There is a degree of 'following customers' in the case of Hilton International also. For example, in his letter to Conrad, Barron Hilton stated that the 'Hilton' brand which was well known in the US would be a great advantage in the development of hotels abroad, due to customers instantly recognising it. This suggests that the company was targeting American customers who travelled abroad, or customers of other nationalities who were familiar with the American hotel market. Also Conrad's numerous suggestions that he wanted to create 'homes away from home' for American travellers leads one to conclude that Hilton sought not only new markets, but also moved to destinations to follow its existing US customers. Indeed, the number of American travellers visiting Britain in the 1960s considerably increased, both in terms of business and leisure visits (Slattery 2009). Figure 4-2, presented in Chapter 4.2.3 illustrates that the number of all visits to the UK rose between 1961 and 1970, with visits from North America doubling in numbers over this period. This was a result of technological advancements and the development of transatlantic flights as well as by the increased ease of obtaining visas to Britain (Slattery 2009). A strong contributor to this trend was also the increased American FDI connected with the implementation of the Marshall Plan.

Already the early developments of hotel industries in the US and the UK suggested that customers played a crucial role in the transference of practices and expectations. The discussion in Chapter 4 suggested that the early American grand hotels mirrored English stately homes and palaces visited by the wealthy travellers. Similarly, London hotels updated their level of service under the pressures from American customers who were disappointed with standards of the English hotels. It is, therefore, clear that customers play a crucial role in the development of hotel

industries as well as individual companies because they carry certain expectations wherever they travel.

Investigating the process of internationalisation from the perspective of following customers can effectively explore the role played by knowledge transference. Hilton was familiar with its domestic customers' requirements and the management team clearly expected that Americans would be willing to patronise Hilton hotels during their international travels. This supports Shane's (2000) and Johanson and Vahlne's (2009) observations that when looking for development opportunities, companies actually focus on their internal resources rather than on the conditions of the external environment (knowledge of customer's preferences is considered to be an internal resource). This results from the resource-based point of view, in that a company's knowledge of external conditions cannot be as comprehensive as the knowledge of its internal resources (Johanson and Vahlne 2009). However, it seems understandable that if Hilton was to attract American customers abroad, it had to reproduce the services known from America in foreign countries. Consequently, Hilton offered local adjustments to make its hotels seem more attractive and interesting, but it had to transfer the core of its hotel keeping practices in order to provide the level of comfort so valued in American hotels. However, Hilton did not aim to cater solely for American travellers, the expectation being that other nations would also welcome the American style of hotel-keeping. This was certainly Conrad's belief but the historical discussion of social trends in Europe in the 1950s and 1960s suggests that Europe was indeed enthusiastic towards modernity coming from across the Atlantic. Consequently, it appears that following Hilton's customers abroad contributed greatly to the fact that this company transferred its operational model with few adjustments.

Finally, the 'following customers' motivation for internationalisation adds a further dimension to Johanson and Vahlne's (2009) Uppsala model. It highlights the distinctive nature of hotel companies in that they do not primarily aim to serve the local clientele but mainly the incoming travellers. Institutional distance in this case is therefore not as restrictive a factor as in other industries, as long as customers are familiar with the institutional dynamics driving the particular hotel company. The popularity of Hilton's Carte Blanche suggests that its customers were not only

familiar but also accustomed to this company's practices of hotel-keeping. Hotel MNCs are thus more likely to adopt the 'octopus-like' process of expansion (Abdelzaher 2012) where they do not necessarily progress in a linear way starting from the most institutionally similar countries. Furthermore, hotel companies are different from firms operating in other industries in that they have to be physically located where their customers are in order to provide services. Following from this, it can be concluded that existing customers are a means of knowledge transference and, thus, make an important contribution to the expansion of hotel companies. This is reflected in modern hotel-management where a strong brand with an established and loyal clientele is highlighted as one of the greatest advantages of branded hotel-management companies.

8.4. The role of multiple-embeddedness

What is characteristic for MNCs when they enter foreign countries is their multiple-embeddedness (Figueiredo 2011, Peng and Meyer 2011, Ferraris 2014): the result of a range of forces or pressures which are inflicted on a MNC's subsidiary from various contexts (Meyer et al. 2011). Such a way of perceiving a company and its environment is underpinned by the institutional paradigm whose main assumption is that institutions affect businesses and individuals in various ways. Such pressures, which a subsidiary needs to balance, come from both its internal and external environments, hence the term 'institutional duality' used in reference to multiple-embeddedness (Morgan and Kristensen 2006). Internal pressures in Hilton came through the requirement for faithful transference of practices and consequently the standardisation of services. As discussed so far, it was the company's decision to provide consistent service and project a uniform image of the company around the world. Individual subsidiaries had to adhere to this centrally-made decision, which is representative of international organisations in Bartlett and Ghoshal's (2002) framework.

The main pressure from the external environment, on the other hand, is the pressure to become legitimate (DiMaggio and Powell 1991). Institutionalists traditionally asserted that legitimacy is negotiated by becoming similar to the local companies (DiMaggio and Powell 1991) but this study supports Roth and Kostova's (2008) claim

that this is not always necessarily the case. MNCs can use their ownership advantages, previous international experience and political relationships to counterbalance the external pressure for legitimacy. These MNCs still need to adjust in some areas, especially in terms of regulative forces (i.e. legal requirements) but can negotiate their position in others (Roth and Kostova 2008). This is also supported by the findings from the study of the London Hilton. While the company had to adjust in some areas including adapting to the building restriction placed on them from The London County Council and the entry mode choice negotiated with Charles Clore, it maintained control over service standards and the types of products offered. The hotel addressed some local cultural requirements, but in the great majority it enforced its own methods of hotel-keeping.

Another kind of pressure which a company such as Hilton ought to consider is that originating from customers. Without achieving legitimacy amongst customers businesses cannot perform. However, Roper et al. (2001: 28) found that because of the fact that hotels often serve foreign rather than local customers, they are likely to “*do things in the way that the rest of the world does them*”, rather than in the locally accepted way. By doing so, they expand their networks of practices and consequently their brand visibility. This mechanism, it can be argued, leads to isomorphism but through a different path than asserted by DiMaggio and Powell (1991). Companies become similar to one another not because they imitate their predecessors but because the environment becomes convinced and attracted by the innovative practices. Consequently, it is the more established or the local businesses that begin to imitate the newcomers and their ways of doing business rather than the other way round. Today, even the oldest grand hotels including the Savoy and The Langham are managed by international hotel companies and are subject to a range of standardised procedures.

Finally, the pressure for legitimacy comes from the wider public. The case study clearly illustrates that hotel industries in the US and UK developed from a similar starting point but, due to contrasting historical conditions, were at different levels in the middle of the Twentieth Century. The countries' institutional contexts were similar because both the US and the UK used the same language and shared at an extent a similar cultural heritage. The hotel industry in the US, however, was far more

advanced and provided modern services on the level which was not matched in London. At the time of opening Hilton provided the kind of service that neither resembled the offering of London grand hotels, nor fitted amongst the mid-class hotels. It seems that Hilton benefitted from the opportunity of bridging this gap when visitors to 'Swinging London' most required it. Hilton entered the London market at the time when people had learnt about American ways of life from the media and advertising. Its arrival also coincided with the influx of other American brands and companies, which contributed to the greater receptiveness of American standards. It appears, therefore, that Hilton benefitted from being a 'first mover' but also faced the challenge of liability of foreignness, discussed in more detail in the following section.

The analysis of the case within its wider historical context confirms Kostova et al.'s (2008) notion that legitimacy can be negotiated, rather than gained. Such negotiation depends on the exchange of knowledge and interaction between the foreign company and its host institutional context. This suggests that subsidiaries of multinational companies can, with time, establish such affiliations which enhance acceptance of practices which are initially seen as foreign. This is supported not only by the findings from the analysis of the internationalisation of Hilton, but also from the review of early developments of American and English hotel industries and the relationships between them.

As analysis from the case study and the discussion on the external context suggest, knowledge gained in the US and in Britain could be considered "*near market knowledge*" (Mitra and Golder 2002). It has been noted before, that there were considerable similarities between these countries in regulatory, normative and cognitive domains. There were therefore elements of knowledge which could be directly transferred based on these similarities. One of the most visible elements was the language spoken in the company. This is often one of the major obstacles in communication and understanding between a parent company and a subsidiary (Evangelista 2009). Even when a company employs expatriates and bilingual staff, there is a risk that some messages may be miscommunicated. This has an influence not only on explicit practices, rules and information but also has a destructive impact on trust and commitment. Using the same language was a great benefit for Hilton when opening its hotel in London. Similarly, other institutions including legal, political

and economic systems contributed to a better understanding between offices in the US and Britain and between the executive and management staff. It should be stressed, however, that despite the fact that IB theory, particularly the Uppsala Stage model (Petersen et al. 2003), suggests that MNCs often begin the process of internationalisation by expanding into the most similar countries, this was not the case of Hilton. The first hotel overseas was in Puerto Rico, and before investing in the property in London, it had developed in Istanbul, Cairo, Madrid and Berlin. It appears that Hilton was not discouraged by institutional differences in host locations and did not seek to use the location advantages of countries with similar institutional settings. This can be explained by the strength of company's ownership advantages and its strategy of following existing customers. The case study suggests that the company felt strongly about its development goals and had confidence in its institutional advantages. The theory of internationalisation of firms asserts that the stronger the ownership advantages of a firm, the more likely it is to engage in foreign production especially if there are considerable location advantages in the host country (Dunning and Lundan 2008). There is evidence to suggest that there were some tax advantages for Hilton in Britain because income tax was not collected until 1967²²⁶. This eased the early development of the hotel but did not have a substantial influence on its overall success. It appears that the cost of wages could not be considered an incentive either, because wages in London were higher than those in Cairo or Istanbul. The main advantage of London as an investment location seems to be its favourable market conditions. This involved not only American customers travelling abroad but also favourable developments in the British economy and the rise of service industries in the decades after the War. In these conditions Hilton was able to exploit its firm-specific knowledge and its ownership advantages. These included its knowledge of the target market, expertise in managing hotels around the world and, perhaps most importantly, its recognisable brand. This shows that the London Hilton utilised the company's ownership advantages to balance the range of pressures resulting from its multiple-embeddedness and to negotiate its legitimacy.

²²⁶ Hilton Division Reports (International), 1965

8.5. The liability of foreignness

Hilton offered standardised service in its domestic and international hotels. Whether in terms of practices adopted, staff training or the management structure, the essence driving Hilton's internationalisation was one of standardisation. Wharton (2001) found in her research that in the early years of Hilton's expansion (1950s and 1960s) the company was responsible for exporting broadly understood 'modernity'. By this she does not only mean modern architectural forms but also the political and social role of this American company in the time of the Cold War. Whether in Istanbul, Athens or London, Hilton hotels occupied prime locations in city centres and were structured in a way to stand out from these cities' traditional architecture. They were all designed in a similar way, despite the claims that the buildings aimed to reflect the local cultures. Hilton also claimed that its aim was to include local elements of decoration or service. This could be pieces of art, staff uniforms or, as in the case of London, the English style of bars as well as local decoration material and workmanship. However, despite Hilton's claims of differentiation, it actually applied more standardisation in its international expansion. This was as a result to a large extent of Conrad's vision. Similar conclusions were reached by Roper et al. (2001) in their research on another hotel MNC, finding that despite the claims to "*provide international standards together with local flavour*" and to follow a geocentric approach to internationalisation, the company was actually mainly ethnocentric in its approach. This company, similarly to Hilton, made adjustments to marginal elements of their services, with the more crucial ones remaining centrally directed. Ironically, all Hilton subsidiaries were meant to be 'different' in exactly the same way: visible from afar; clearly branded as American hotels. It was concluded that they had to be 'consistently different' if they were to appeal to Americans away from home. There are sources indicating that standardisation was Hilton's advantage because its guests enjoyed predictability and familiarity (Bradshaw for Vogue 1965). The fact that the company transferred its American model abroad suggests that Hilton felt strongly about its ownership advantages, especially institutional ownership advantages. It appears that Hilton did not look at the host environment to mimic practices used there, but rather preserved its character and methods of operation regardless of the level of location advantages. These findings tend to contradict theory which asserts that MNCs must adjust to new environments (Di Maggio and

Powell 1991) and confirm Kostova's observation that legitimacy can be negotiated without mimicking local practices.

There is an argument to be made that in the 1960s the London Hilton was representative of the gap between hotel industries in America and Britain. Chapter 4 concluded that despite the apparent similarities between American and British heritage and culture, these industries developed in different directions. The American hotel market was familiar with chains, including Hilton Hotels, Statler and Holiday Inn while in London practices of standardisation and uniformity had not previously been adopted. The London grand hotels were traditionally meant to for the upper classes while American hotel market offered, alongside grand iconic hotels, a modern style of service which would today be referred to as 'affordable luxury'. The London Hilton was meant to represent the democratic approach to hotel-keeping which evolved from the concept of 'palaces of the people'. Furthermore, Hilton with its centralised training and operation manuals seems to have imported the industrialised approach to hotel-keeping.

What becomes clear is that Hilton managed to propagate its branded, standardised hotel services through the effective transference of knowledge. All elements discussed in this chapter including design, human resource management practices and centrally-planned operations were essentially the means of knowledge transference. This suggests that despite the fact that hotel companies are not usually considered to be knowledge-based firms, as opposed to consultancy or insurance specialists, the key to their internationalisation is the transference of knowledge. Hilton appears to be one of the hotel companies which focused on investing expertise and experience rather than capital. This supports the assumptions of the resource-based view of the firm inasmuch that internationalisation depends on the ability to transfer resources without losing control over them (Dunning and Lundan 2008). In the case of hotel MNCs such as Hilton, these resources are mainly knowledge-based.

Consequently, transference of Hilton's corporate culture and its standardised hotel-keeping practices were the factors which were most foreign on the London hotel market in 1963. International business theory asserts that foreignness poses a challenge when entering new markets however this research suggests that under

certain circumstances it can become an asset and this is observed in case of the London Hilton.

The discussion so far has concluded that Hilton approached internationalisation in mostly an ethnocentric way, despite claims that it wanted to adjust to local standards. This approach was mainly observable in that Hilton did not seek to achieve legitimacy in its host countries, but rather aimed to transfer its corporate culture with the hope that it would positively influence local economies and societies. By doing so, Hilton developed the image of being an American company and its subsidiaries being symbols of American modernity (this was mainly applicable in the years of the Cold War in the 1950s and 1960s when America was on the forefront of capitalism and when there was much less international hotel presence than after the collapse of the Iron Curtain). Behaving in this way Hilton highlighted its foreignness. Being foreign in a new market is traditionally seen as an obstacle for MNCs' subsidiaries and as a feature which makes achieving legitimacy more difficult (Kostova and Zaheer 1999). This is mainly caused by the differences between MNC's, the host and corporate cultures as well as by its practices which might not match the local expectations.

The London Hilton, when it opened in 1963 was distinctly different from other London hotels. Analysis of the case however suggests that it did not seek to become legitimate in the sense of becoming similar to local hotels. It advertised itself as a luxury hotel, but it did not provide the grandness of traditional London luxury hotels. Luxury in Hilton was carefully measured and operationalised and was provided in the same way as in all other Hilton hotels. Such an approach was highly innovative at the time and in order to understand why it became accepted in London one should consider London's institutional location advantages. These include social, cultural and economic factors rather than asset-based advantages such as a favourable tax system. The 1960s was clearly a decade of change, particularly visible in London. British society moved from the harsh post-War years to the times of much greater prosperity. Chapter 4 clearly discussed how the transition into the 'welfare state' contributed to the feeling of security and affluence. Access to free healthcare, education and credit made people more inclined to explore various possibilities and live beyond their means. The new tastes and desires were increasingly driven by the

media and advertising. British people were exposed to lifestyles not previously available in their country (Kroes 2007, Bonin and de Goey 2009, Gassert 2012). Furthermore, the social landscape of Britain and particularly London was affected by the trend towards less social class division than previously known. The blurring boundaries between members of the working and middle classes made people experiment with leisure and entertainment possibilities. In an environment such as this, Hilton's goal to make hotel services available to all, regardless of their social background, was timely. Standardised service was a method of ensuring potential guests that they would not be unpleasantly surprised or challenged in their interactions with the hotel and its staff.

Similarly, Hilton's objective to create space for people to meet worked well in light of the development of the service economy in Britain at the time. There was increasing demand for conference and event space as a result of increased business travel (Slattery 2009). Hilton not only met this demand by providing the largest conference space in London at the time but also addressed this need by employing a marketing strategy which focused specifically on business travellers. The business-targeted advertising highlighted services required by business visitors and was consistent with the marketing strategy used in the US around the same period. Hilton differentiated itself from the grand London hotels which were not traditionally perceived as spaces for conducting business. These hotels still had a level of 'royal feel' about them which did not complement the social changes of the 'Swinging Sixties'. The London Hilton, on the other hand, was modern, welcoming and brought the flavour of American success with it. These characteristics would explain why the London Hilton was the only hotel marked on the Time Magazine's 'Swinging London' map.

It was the underlying aim to internationalise Hilton in the form it operated in the US rather than mould it according to local standards. Also, Hilton's political power developed through previous expansion and through links with members of the American government and their international representatives put the company in a position where it could negotiate its preferred form of FDI even in countries with different national cultures and institutional settings. Finally, one cannot omit the influence of Conrad on making the decisions about business expansion. It was

previously suggested that his decisions could often be considered as daring and brave and this potentially played an important role in the company's ability to negotiate legitimacy in foreign locations.

The key differentiator of Hilton's image was the application of centralised operations and a standardised brand. Employees were not assigned to particular rooms or floors as responsibilities were all delegated from one central point. Guests could be served by various employees and it was possible not to see the same member of staff twice. Furthermore, the team followed the standardised operating procedures so there was little individualisation in encounters with guests. These elements greatly added to the feeling of automation and anonymity in the hotel. Those guests anticipating a more personalised service complained because they expected to be escorted to their room by a member of staff or were not prepared to open doors for room service attendants. Such personalisation was the epitome of service at Claridge's or the Savoy at the time. However, such automated and depersonalised services were well suited for the customers who were not necessarily comfortable with the grand style of hotel-keeping. It was Hilton's aim to cater for the needs of business travellers, mainly Americans, and to provide standardised, efficient service to people from across social classes and backgrounds. Hilton provided comfort and efficiency but not 'grandness' and individualisation. This was consistent with the company's culture and marketing strategy and was meant to communicate a clearly differentiated image amongst local people and travellers having not yet stayed at a Hilton hotel. It is clear that by transferring knowledge in such a way that Hilton offered standardised service across the chain, the company distinguished itself from the traditional London hotel market.

Initially, the image conveyed by Hilton did not appear to be accepted in the London hotel market. It was suggested that "*Hilton would be the symbol of dollar supremacy*" or a "*symbol of almighty dollar*"²²⁷. Further analysis of the case study, however, suggests that the points which were initially treated as curiosity often became the differentiating factors. Correspondence to Conrad shows that some customers

²²⁷ The Times, 13th November 1957, p. 2

stayed at the London Hilton just to 'see what it was like'. People who were familiar with the brand came to London to experience the newest hotel in the Hilton chain. Clearly this hotel was present on the cultural and social map of 'Swinging London' and the company's marketing strategy was suited to the evolving pop culture. Conrad's strategy of transforming opening ceremonies into social events was a precursory approach to marketing and public relations. The guests he flew from the US and who included movie stars, businessmen as well as fashion icons provided what is termed today as 'celebrity endorsement'. In the decade where people admired, or in certain cases worshiped, idols such as the Beatles, this celebrity endorsement certainly enhanced the company's legitimacy in the London market.

It appears that the Hilton brand was well known in London even before the opening on Park Lane and its modern character was hugely anticipated. Hilton withstood the initial criticism and used publicity to spread the news about its brand. It educated its customers so that they began to appreciate the standardised service and hotel ambience. It provided services to business customers whose needs were neglected by grand hotels. All these features, which made Hilton foreign in the environment of 1960s London, constructed the image of Hilton as it is known today, over 50 years later. It should be stressed that the early 1960s was probably the most optimal time to open a subsidiary in London. If it had opened earlier, it could have struggled with cultural differences between America and post-War Britain. Similarly, if it opened a few years later, there is a possibility that American modernism would no longer appear as exciting as it did in 1963. Finally, the London Hilton was built a few years before the introduction of the Hotel Development Incentive Scheme which almost saturated the London hotel market with new supply.

Hilton's activities represent the mechanism of negotiation of legitimacy discussed by Kostova et al. (2008) and Amenta and Ramsey (2010). Its extensive marketing and public relations campaigns were an example of *"a political process of interaction, communication and exchange, which creates a perception about the organisation without it necessarily having to implement certain models and practices"* (Kostova et al. 2008: 1001). In other words, Hilton not only transferred its knowledge in the form of practices but also applied it in communication with the external environment to promote its recognisable brand. This knowledge was enriched by the fact that Hilton

had already 'tested' its model of hotel-keeping in America and found loyal customers for it. This balanced knowledge and confidence in its own institutional ownership advantages led to the situation where the foreignness of Hilton's practices became to be seen as a differentiator. This finding extends Joardar's et al. (2014) observation that foreignness is an asset because it develops organisational capabilities. It contributes to Alvarez's et al. (2005) theory of '*optimal distinctiveness*' which asserts that companies need to be different enough to compete against their rivals. An accurate level of distinctiveness does not prevent a company from becoming legitimate, but actually makes it interesting and noteworthy, which is particularly crucial in customer-facing firms. Despite the fact that the term '*optimal distinctiveness*' was coined by Alvarez et al. (2005) in reference to the film industry, it seems to accurately describe the state achieved by the London Hilton.

8.6. Summary of key findings

The discussion focused on four key conceptual areas: the internationalisation of an MNC, transference of knowledge, subsidiary's multiple-embeddedness and its foreignness. It benefitted from the review of previous literature in Chapter 2 and used the case study in Chapters 4, 5 and 6 as narrative for analysis. As depicted in Figure 8-1 it employed the framework which revealed relationships between the individual theoretical areas. This discussion has concluded that Hilton utilised its knowledge to balance the pressures resulting from multiple-embeddedness and to negotiate legitimacy in a foreign environment. By doing so, it maintained control over its network and internationalised with a relatively low level of local adaptation. A number of factors contributed to this type of internationalisation:

- The process of Hilton's internationalisation was heavily influenced by its founder's sense of mission which envisaged transference of beliefs that Conrad valued the most. Whilst companies' international expansion is often analysed from a strategic point of view, this case suggests that there might be other forces driving such processes as well.
- The company adopted the operating lease model which gave it an ultimate balance between control over its operations and the requirement for

investment. There is a case to be made that this choice of entry modes contributed to the rapid internationalisation of Hilton.

- Hilton may be seen as a knowledge-based company whose rapid expansion is attributed to effective knowledge transference. Such knowledge transference was ensured by a number of practices, including centralised training and relaying on expatriates for the management of international subsidiaries.
- Hilton followed its existing customers abroad. Such a strategy has previously been discussed in reference to banking but not the hotel industry. It was Hilton's aim to provide 'homes away from home' for American travellers which makes it imminent that the international hotels had to provide similar service to those at home.
- The London Hilton achieved the level of 'optimal distinctiveness' by negotiating legitimacy of its foreign practices. This was, however, facilitated by the favourable location advantages in London of the 1960s and the match between the company's institutional ownership advantages and the expectations of its multiple external environments. It is argued that the London Hilton's foreignness has, with time, become its differentiator.

The implications of these findings on the development of theory and consequently this research's contribution to knowledge are examined in the Conclusions in the following chapter.

9. Conclusions

9.1. Introduction

This research set out to explore the link between the transference of knowledge within Hilton and the process of its internationalisation, using the case of the London Hilton in 1963. It sought to achieve the aim by constructing, and later analysing, an in-depth embedded case study on the London Hilton hotel and its parent company. The case was analysed from the perspectives of transference of knowledge and multiple-embeddedness, using the theoretical framework constructed through the review of previous research. A three-staged coding was adopted in order to find relationships between individual elements of data. The third stage of pattern coding, applied simultaneously with writing up of the discussion is the one which revealed the nuanced relationships between angles of the theoretical underpinning, as presented in the revised framework in Figure 8-1. These very relationships constitute the key findings of this research as well as its contributions to knowledge. The final chapter discusses how objectives of this research were achieved and led to the contributions to knowledge. It evaluates the research process and comments on its limitations and, lastly, makes recommendations as to potential future research.

9.2. Contributions to knowledge through the achievement of objectives

The Discussion chapter concluded with the key themes emerging from the analysis of the London Hilton case study. They are mainly concerned with the internationalisation process, transference of knowledge, foreignness and multiple-embeddedness. As emphasised in the Methodology chapter, knowledge development in business history research does not necessarily follow a linear path, and so it was realised in the process of this research that an investigation into the transference of knowledge in the process of MNC's internationalisation bridges the boundaries between the concepts of institutionalism, the resource-based view and transaction cost theory. Extended research into these theoretical areas proved very much necessary.

The first two objectives of this study referred to the review of previous research and the construction of the case study. In order to achieve the third objective of analysing the case study from the perspective of knowledge transference within a MNC, concepts underpinning the transference of knowledge were explored. Corporate knowledge itself had to be defined and Dunning and Lundan's (2008) concept of institutional ownership advantage appeared to be the one which described the tacit knowledge observed in Hilton. It focused the research on institutional advantages as opposed to asset-based advantages and found that knowledge is the critical factor in the internationalisation of service-focused companies such as Hilton. What facilitated such development of argument was the choice of the London Hilton as the case for this research. Studies in the fields of international business and business history traditionally focus on companies as a whole. This study, on the other hand, was subsidiary-driven and worked from the micro-level to explore the macro-processes taking place in the company. Such an approach required in-depth understanding of the institutional contexts surrounding the case, hence rich descriptions of historical and social settings as well as details as to the early developments of the company and career progression of its founder. This approach, consequently, serves as a methodological contribution because it proved to be an effective way of studying knowledge transference.

The ability of MNCs to internationalise depends upon their ability to transfer knowledge. Hotel MNCs are not traditionally considered to be knowledge-based companies, as opposed to consultancy or insurance firms, probably stemming from the fact that they have been associated more with a real estate or property business. However, the shift towards the asset-light model of hotel-keeping, evident since the 1960s and which has a stronger presence in the industry today (Roper 2015) inevitably implies that the core ownership advantages of these MNCs are in fact knowledge, expertise and experience. This has considerable theoretical and managerial implications. There is currently a lack of research into the transference of tacit knowledge within MNCs. Whilst scholars have investigated the transference of explicit knowledge, in the light of findings from this research, hotel MNCs' managers should be more concerned with how elements of organisational culture are transferred across borders and how they eventually influence local subsidiaries. This is particularly crucial to multinationals operating in the globalised world where there

is little to differentiate companies. In the era where companies around the world have access to similar resources or asset-based advantages, effective transference of tacit knowledge is the factor distinguishing companies in the international marketplace.

The study found that the key role in tacit knowledge transference is played by participating actors. It is common to consider employees when discussing knowledge transference in companies, however, this research concluded that a similarly important role was played by customers and key influencers, in this case its founder. This is the area of knowledge which was not evident through the review of previous research but only emerged in the process of analysing the case study. The discussion concluded that the London Hilton achieved an optimal level of control over its institutional ownership advantages. In other words, it was in a position to implement decisions made in the headquarters with little adaptation at the subsidiary level. This ultimately means that barriers to knowledge transference were minimised so that knowledge could freely flow from the headquarters to the subsidiary and back. This is an important managerial contribution because it draws attention to the fact that hotel MNCs rely on tacit knowledge embedded in its people. This, arguably, applies even more so to the modern hotel MNCs which tend to be asset-light and depend purely on expertise and knowledge of their people. Such a finding should be considered from two perspectives: transference of knowledge within a company and outside of it. It is characteristic of the modern hotel-keeping industry that employees move extensively between companies, taking the embedded knowledge with them. Also customers, who often show limited loyalty towards hotel brands, transfer their expectations and experiences across organisations and borders. As such, this conclusion offers a range of opportunities for further research discussed in the following section.

A similar development of knowledge took place in the achievement of the fourth objective; to assess the role of multiple-embeddedness in the development of the London Hilton. From the outset this study sought to analyse the process of internationalisation in the multiple contexts surrounding the Hilton's London subsidiary, but it appeared that the concept of globalisation played a crucial role in understanding this process. Because of globalisation, firms which operate in

international markets find themselves surrounded by multiple settings. This study emphasised that this relationship is of a dual nature and that MNCs, by the very nature of their international activities, reinforce the process of globalisation. This directly addresses Jones' (2012) call for more business history research into the concept of globalisation.

This study is a confirmation of Johanson and Vahlne's (2009) suggestion that multiple-embeddedness should be studied as an enabling, rather than restricting factor. It appears that multiple-embeddedness is a natural state for MNCs and offers an opportunity for learning and consequently maximising MNC's network expansion. It allows knowledge transference and differentiation of services in foreign markets. Multiple embeddedness results from the institutional pressures on the company and it depends on company's ownership advantages how it will react to these pressures. This emphasises the relationship between institutional and resource-based views and suggests that businesses should treat institutionalism as the '*third leg of strategy*' as advocated by Peng (2002).

The constructed model of the London subsidiary's multiple-embeddedness proved to be an invaluable tool in guiding the process of this research. It depicted the various levels of institutional influence on this subsidiary but also guided the research process itself. Composing the model allowed for methodological collection and analysis of data, and was particularly useful in the construction of the case study. The model does not aim to represent multiple-embeddedness of subsidiaries in general but it can serve as a template for future adaptations and applications to other companies. The greatest contribution of the multiple-embeddedness model in this study lies in the fact that it revealed how the London Hilton utilised its knowledge to balance the wide range of pressures coming from the internal and external contexts. Consequently, it also assisted in creating the conceptual link between the paradigms of institutionalism and the resource-based view, in that it showed how institutional ownership advantages are utilised in negotiation of legitimacy in foreign environments.

The study of internationalisation, knowledge transference and multiple-embeddedness led to the exploration of another area; the concept of foreignness as a differentiator. It was clear from the beginning that the negotiation of legitimacy

meant overcoming the liability of foreignness, but only in the course of the case study analysis did it appear that foreignness could constitute a differentiating asset for the incoming company. Such a notion was previously discussed by Joardar et al. (2014) who argued that foreignness can be an asset when it means overcoming entry barriers and negotiating legitimacy in other countries. This research found that foreignness can also offer benefits of appeal and differentiation. Not only is this caused by legitimacy spillover of a well-known brand, but even more so by the image of foreign practices which attract attention or even curiosity. This study revealed that the London Hilton was representative of a case of using foreignness as differentiator. This is not to say that it was the company's strategic aim to do so, but it is clear that such mechanism can be observed in the case of this subsidiary. Further research could explore whether such processes are also present in other companies.

It is not the aim of this research to generalise from the case study of the London Hilton, because it is strongly set in the specific historical setting of London and the US of the 1960s. Investigation of this historical context revealed that Hilton faced favourable conditions for its preferred form of expansion, but such a finding cannot be extended to other locations, times or companies. It can, however be stressed that there is lack of business history research which includes corporate or national culture as a variable in the study (Lipartito 1995, Hansen 2012, Jones et al. 2012). According to Hansen (2012) this stems from the fact that culture is a difficult concept to encapsulate, but it is nevertheless essential in the understanding of MNC's internationalisation processes, especially in the globalised world.

The relationship between knowledge transference and negotiation of legitimacy of standardised practices emerged as a theme addressing the fifth objective of this study. Hilton appears to have achieved its goal of providing standardised service as a result of the effective management of knowledge transference and control over its institutional ownership advantages. This emerges conceptually from both the resource-based view and the institutional paradigm and implies that knowledge played a fundamental role in negotiation of legitimacy of the London Hilton. Establishing the relationships between the individual concepts, as presented in Figure 8-1, is considered to be a significant contribution to knowledge because such linkage was not explored in previous literature.

Finally, this research serves as a contribution to the increasing pool of business history inquiries. This area of research has been marginalised by businesses for many years. However, there is a growing trend amongst companies to draw attention to their heritage. Hilton Worldwide and InterContinental Hotel Group both use archival images in their marketing and invest in commemorative books and exhibitions. Retailers including Marks and Spencer and WH Smith cooperate with research institutions (University of Leeds and University of Reading respectively) to make their archives available to researchers and the general public. Observation of the current hotel market suggests that heritage strengthens companies' brands especially where these brands are associated with a family name. Descendants of Conrad Hilton are generally considered to be heirs to the Hilton's legacy even though the family is not involved in its management and Marriott is still perceived to be a 'family business' (Marriott 2013). Business history is clearly significant in maintaining such an image. Following from Dunning and Lundan's (2008) suggestion that in the globalised world where companies have access to similar assets, the institutional advantages can be the ones which will create competitive advantage, a strong historical legacy is certainly one such advantage which is not easy to imitate. Business history research is crucial for analysing this competitive positioning.

In conclusion, the objectives established for this study sought to evaluate the relationship between the concepts of knowledge transference and the process of MNC's internationalisation. The process of this research, however, revealed that there are more issues concerned with these theories which need to be explored. Consequently, the five objectives set for this study have been achieved, but also the wider selection of theories related to international business was expanded. Summarising, the key contributions made by this research remain to be the following:

- The establishment of the conceptual link between knowledge transference, multiple-embeddedness and negotiation of legitimacy. This connection illustrates how the paradigms of institutionalism, resource-based view and transaction costs economy reinforce each other in the study of internationalisation.

- The finding that despite the changing models of hotel MNCs' operations and expansions, effective hotel management relies on the social fabric of people and their knowledge.
- Extension of the theory of foreignness and negotiation of legitimacy inasmuch that foreignness can be considered as a differentiator.
- Methodological contribution of a subsidiary-driven embedded case study research.
- Engagement in business history research through the subject area of hospitality management.

9.3. Limitations of the research

There are researchers who include the discussion on limitations of research in their methodology, focusing on the methodological weaknesses. It seems reasonable, however, to reflect on the process of research and its results at the end, when all the limitations are clearly apparent. This is also because methodological faults are usually revealed when the chosen methods fail to bring the expected results in terms of addressing the specific research objectives. Consequently, Chapter 3 explored a range of limitations associated with a qualitative and historical enquiry, commenting on the methods adopted to ensure maximum possible authenticity, credibility and transferability. The following paragraphs, on the other hand, serve as a reflection on the entire research process and comment on challenges encountered in the course of the study.

This research reveals limitations in a number of areas:

- Being a single case study, the research was restricted in terms of the access to data. Naturally, the majority of material was available from the company itself, specifically, in the Hilton Collection at the Hospitality Industry Archives at University of Houston. It needs to therefore be considered that the company itself made the decision as to what data was available to researchers and the wider interested public. This challenge reflects Hansen's (2012: 701) argument that history is a very powerful tool, because "*an organisation's history can be reframed by remembering some things and*

forgetting others". This is not to say that business history research is unreliable, but only to emphasise that business historians can hardly rely on any 'facts' and has to depend on the material available as well as on the selection and interpretation of this material. Hansen (2012) is sceptical of the idea of bias altogether because he does not agree with the assumption that objectivity is a legitimate concept. He argues that business history, especially when concerned with culture, is focused on the construction of meanings rather than on the truth. It is therefore not the aim to generalise from this case study and it is suggested that further research, including the evaluation of multiple cases, should be conducted before any generalisations are made. Similarly, it is not the aim of business history research to offer managerial recommendation because findings from historical research are not always directly transferable to modern companies. However, the development of knowledge allows for making certain recommendations as to the areas of potential managerial interest and these are highlighted.

- This research utilised archival documentation press to create the case study. Previous research (see example: Earl, Martin, McCarthy and Soule 2004, Quek 2007) advocates caution when using such sources because of their bias. This bias lies mainly in the editor's selection as to what to report as well as in the description of the reported events. Newspapers are also recognised as having certain political preconceptions (Oliver 2013). It is admitted by Earl et al. (2004) that usually "*hard news*" (i.e. the facts surrounding the events such as 'who' and 'when') are not subject to prejudice but only possible omissions. The "*soft news*", on the other hand, includes impressions and comments, and as such is subject to multiple sources of bias including personal views and goals as well as a political outlook. The nature of this study, however, allows for mitigation of the influence of these kinds of bias. As argued in the Methodology, newspaper accounts were only used to outline the external context in which Hilton Hotels internationalised. They were analysed using the hermeneutics approach, which means that they were studied holistically (Bryman 2008). In other words, newspaper articles were used to illustrate and represent the attitude of the press, or the wider society, towards the company and/or towards Conrad. For example, when the press reported

negatively on the plans for the development of the London Hilton and its design, the conclusion made was not that the design of the hotel was inadequate, but only that the society seemed to be hostile towards the proposition. Similarly, when the American press praised Conrad as an entrepreneur, it was concluded that Conrad seemed to hold a favourable position and be a well-known figure in America at the time, rather than the fact that he was a successful businessman.

- This study aimed to interpret the available material in a particular historical context. It used empirical data to represent theoretical concepts (Yin 2014) but it did not construct and test hypothesis which is advocated by de Jong et al. (2015). However, following Hansen (2012) it is assumed that the research method depends greatly on the question being asked. Having reviewed the research process, its limitations and achievements it is concluded that the methods chosen were the appropriate ones.
- Finally, Bello and Kostova (2012) argue that the multidisciplinary of international business is one of its greatest challenges. Theoretical concepts concerned with IB are so broad and interlinked that it is difficult to study one of them without reference to the others. As a result, according to these authors, researchers often skim the surface of theory, without analysing it in greater depth. This is consistent with Jones' (2012) critique of business history stating that the discipline fails to study particular theoretical concepts in detail. Multidisciplinary is considered to be both a strength and a limitation of this research because it made it difficult to focus on any one of the elements of the MNC's internationalisation. The overall aim of the study was to explore the conceptual link between the process of internationalisation and knowledge transference. However, in the process, it occurred that this relationship cannot be explored without the inclusion of the concepts of institutionalism, the resource-based view and transaction cost theory. To some extent, this study produced more questions than it originally set to answer but this is why it also offers recommendations for further research. The review of previous research was concluded by the statement that this study seeks to become the basis for further investigations, and this aim was achieved.

9.4. Recommendations for further research

The areas which are subject to further research have to some extent already been signalled. However, it is essential to also address the methodological discourse present in the business history circles in the past few years. Chapter 3.2 emphasised the fact that despite being rich in theoretical underpinning, business history as a discipline has a low 'impact factor' due to the general disregard for its methodology. Consequently, Jones et al (2012) advocate for more critical analysis of historical data. He sees the greatest opportunity in hypothesis testing, whilst maintaining the view that the case study is still the key analytical tool in business history. This study did not aim to test hypothesis because it took an exploratory approach rather than seeking to create and test theory. As such, it created the background for future research which should apply the suggested quantitative analysis methods. This study can be considered the first "*feedback loop*" (de Jong et al. 2015) which can be utilised in further theory building and testing. Therefore, it is concluded that the following areas have the potential to be studied further:

- This research found that effective knowledge transference plays a fundamental role in the internationalisation of knowledge-based companies, such as Hilton International. Moreover, it is the tacit knowledge which particularly influences a company's ability to standardise its offering. It was previously suggested that this makes a managerial contribution as it draws the managers' attention to the transference of elements which are least visible and most difficult to communicate within a company. However, more robust empirical testing is needed to provide decision-makers with concrete advice on how to transfer tacit knowledge in an accurate manner. Such an empirical study could explore the methods of knowledge transference as well as factors which restrain it. It is suggested that such a study focuses particularly on multinational hotel companies due to the unique nature of their offering.
- The area of tacit knowledge lends itself particularly to the adaptation of oral histories. If knowledge responsible for negotiation of legitimacy is embedded in people, then it is clearly these individuals that research should focus on. This applies equally to founders, employees and customers involved in knowledge transference. Such oral history research could effectively explore

the relationships between these groups of people and seek to understand the mechanisms driving knowledge transference.

- This study extended Joardar's et al. (2014) research on foreignness potentially being an asset in the process of internationalisation. It suggested that foreignness can have a marketing value in that it serves as a differentiator from local companies. Further research should explore the extent of factors which contribute to the overall foreignness, evaluating those elements which play a negative role and become a liability as well as those acting beneficially to the entering company. This area lends itself to the hypothesis testing method using multiple case studies which will allow for wider generalisation. Interestingly, this is one of the few areas which business historians can particularly contribute to, the reason being that the impact of foreignness on the process of internationalisation and on the ability to negotiate legitimacy can only be judged from the perspective of time.
- Findings from this research have suggested that approaching MNCs from a network perspective allows understanding how knowledge flows across the network and impacts learning of the whole organisation. It is also likely that network analysis could assist in testing hypotheses relating to corporate learning. Such analysis would require large, and more importantly consistent, sets of data on each of the subsidiaries. Access to historical data is not always available but, nevertheless, this lies in the realms of possible future research.
- Research on the role of knowledge transference in the process of internationalisation, as well as impact of foreignness on a company's ability to negotiate legitimacy should be studied in the context of modern companies. Clearly, the institutional setting of the 1960s cannot be compared with current markets and so findings from this research cannot be directly transferred to contemporary business environment. Modern hotel companies are vertically disintegrated and becoming increasingly specialised thanks to the adoption of franchising and outsourcing (Roper 2015). The requirement for knowledge transference, however, remains crucial or possibly is even more relevant in these more disintegrated business structures.

- Finally, it seems vital that in the current competitive hotel market, companies protect tacit knowledge from spillover. Customers and employees can easily transfer knowledge to competitors and thus diminish the value of institutional ownership advantages. Knowledge must also be protected from being transferred to hotel owners who enter management contracts and franchise agreements with branded multinationals. Future research should thus consider not only internal transference of knowledge but also mechanisms of preventing the unwanted outward transference. It is anticipated that this study can serve as a framework for further exploration of these research areas.

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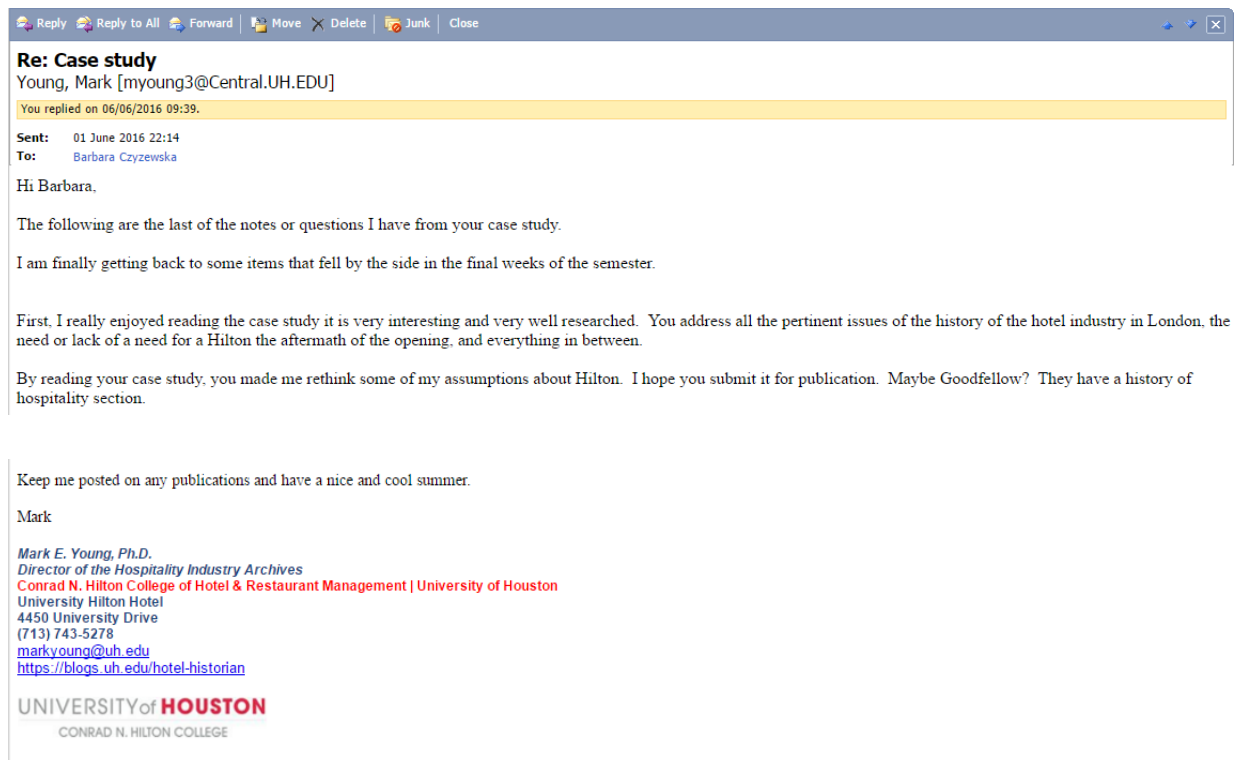
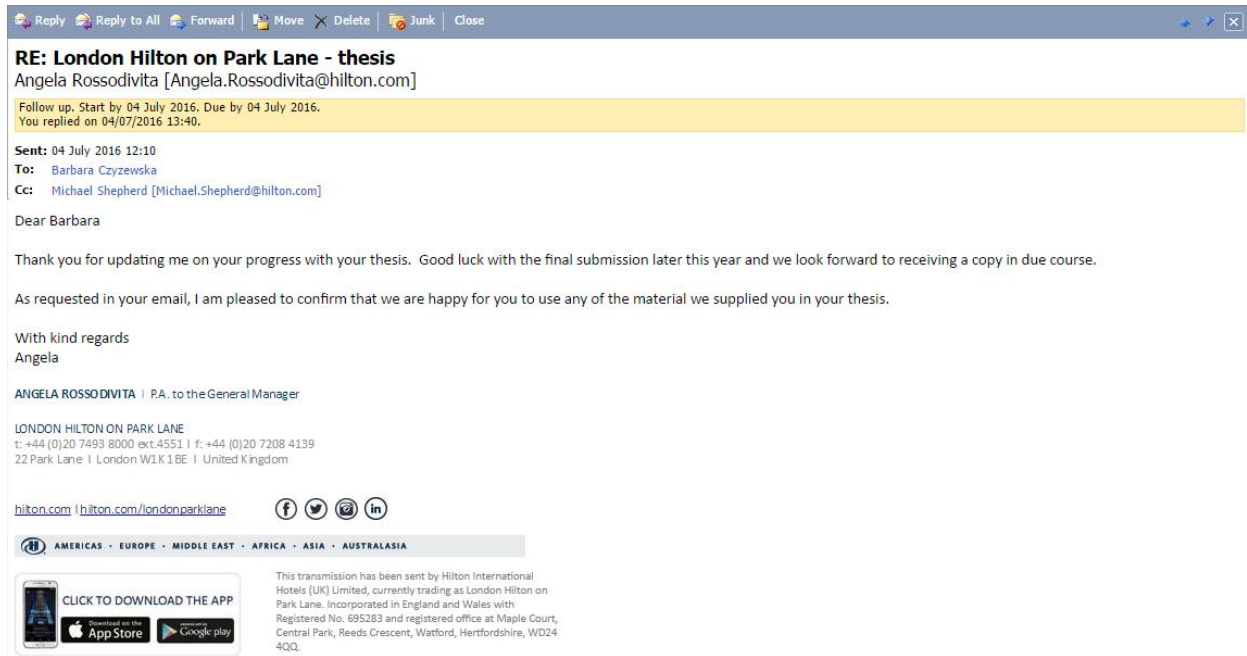
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Appendices:

Appendix 1: Copy of communication confirming the permission to use archival material in this PhD Thesis.



Appendix 2: List of guest travelling on a hired jet for the London Hilton Opening accessed in the Hilton Collection at the Hospitality Industry Archives, Hilton College, University of Houston.

| Guests for London Hilton Opening on BOAC Charter Flight, April 15, 1963. | |
|--------------------------------------------------------------------------|-------------------------------------------------|
| Anderson, Mr. Harry | Editor, Interior Design |
| Atherton, Mr. Robert | Cosmopolitan Magazine, Editor in Chief |
| Bartlett, Mr. E. H. | Travel Editor, Toronto Telegraph |
| Bergeron, Mr. L. | Trader Vics |
| Binns, Mr. Joseph P. | Senior vice president, Hilton Hotels Corp. |
| Binns, Mrs. Joseph P. | |
| Bolger, Mr. Ray | Star - Stage, Screen and Television |
| Bolger, Mrs. Ray | |
| Bomar, Mr. Miguel | Worldwide Broadcasting Foundation |
| Carpenter, Mr. Dean | General Manager, Savoy Hilton |
| Carpenter, Mrs. Dean | |
| Carroll, Mr. Luke P. | Managing Editor, Chicago American |
| Carter, Mr. Gilbert | BOAC Director of Public Relations U.S.A. |
| Caverly, Mr. Robert J. | Executive vice president, Hilton Hotels Corp. |
| Caverly, Mrs. Robert J. | |
| Christopher, The Hon. G. | Mayor of San Francisco |
| Christopher, Mrs. G. | |
| Considine, Mr. Robert | Columnist Hearst Headline Service |
| Considine, Mrs. Robert | |
| Consoli, Mr. Adrian | Photographer |
| Croll, Mr. Bruce | News Editor, Montreal Gazette |
| Crown, Col. Henry | Vice President and Director Hilton Hotels Corp. |
| Crown, Mrs. Henry | |
| Delaplane, Mr. Stan | San Francisco Chronicle |
| Delaplane, Mrs. Stan | |
| Dillon, Mr. Gregory | Assistant to the president, Hilton Hotels Corp. |
| Fishman, Mrs. Katherine D. | Mademoiselle Magazine, Asst. Travel Editor |
| Franklin, Mr. Wade | Travel Editor, Chicago Sun-Times |
| Friedman, Mrs. William | |
| Goto, Mr. Leo | Trader Vics |
| Hicks, Miss Ida Belle | Travel Editor, Fort Worth Star Telegram |
| Hilton, Mr. Conrad N. | President, Hilton Hotels Corporation |
| Hilton, Mr. Conrad N. Jr. | Vice President, Hilton Hotels Corporation |
| Hilton, Mrs. Conrad N. Jr. | |
| Hoffman, Mr. Harry | Travel Editor, Philadelphia Enquirer |
| Howard, Mr. Peter | Co-ordinator - New York Hilton |
| Hulse, Mr. Jerry | Travel Editor, Los Angeles Times |
| Irwin, Mr. William | Vice President, Hilton Hotels International |
| Jasper, Miss Doris | |
| Javits, Mrs. Jacob K. | |
| Joseph, Mrs. John | Travel Editor, Esquire Magazine |
| Joseph, Mr. Richard | |
| Joseph, Mrs. Richard | |
| Kennedy, Mr. David M. | Chairman of Board, Continental Ill. Nat. Bank |
| Kennedy, Mrs. David M. | Chicago |

Appendix 3: List of Hilton hotels, domestic and international, between 1949 and 1969 (number of rooms available from 1956).

Source: based on analysis of archival editions of 'Red Books' available in the Hilton Collection at the Hospitality Industry Archives, Hilton College, University of Houston

| Year | Hilton Hotels (Domestic) | Hilton Hotels (International) |
|-------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| 1949-1950 (year of opening of first international hotel) | The Town House, Los Angeles The Mayflower, Washington Palmer House, Chicago The Stevens, Chicago Hilton Hotel, Albuquerque The Plaza, New York Roosevelt Hotel, New York Dayton-Biltmore Hotel, Dayton Hilton Hotel, El Paso Hilton Hotel, Lubbock | The Bermudiana, Hamilton St George Hotel, St George's The Palacio Hilton Hotel, Chihuahua |
| 1950-1951 | The Town House, Los Angeles The Mayflower, Washington Palmer House, Chicago The Stevens, Chicago Hilton Hotel, Albuquerque The Plaza, New York Roosevelt Hotel, New York Dayton-Biltmore Hotel, Dayton Hilton Hotel, El Paso Hilton Hotel, Lubbock | The Palacio Hilton Hotel, Chihuahua The Caribe Hilton, San Juan |
| 1951-1952 | The Town House, Los Angeles Arrowhead Springs Hotel, San Bernardino The Mayflower, Washington Palmer House, Chicago The Stevens, Chicago The Jefferson, St Louis Hilton Hotel, Albuquerque The Plaza, New York Roosevelt Hotel, New York The Waldorf Astoria, New York Dayton-Biltmore Hotel, Dayton Hilton Hotel, El Paso Hilton Hotel, Lubbock | The Palacio Hilton Hotel, Chihuahua The Caribe Hilton, San Juan |
| 1952-1953 | The Town House, Los Angeles Arrowhead Springs Hotel, San Bernardino The Mayflower, Washington Palmer House, Chicago The Conrad Hilton, Chicago The Jefferson, St Louis Hilton Hotel, Albuquerque The Plaza, New York Roosevelt Hotel, New York The Waldorf Astoria, New York Dayton-Biltmore Hotel, Dayton Hilton Hotel, El Paso Hilton Hotel, Lubbock | The Palacio Hilton Hotel, Chihuahua The Caribe Hilton, San Juan |
| 1953-1954 | The Town House, Los Angeles Arrowhead Springs Hotel, San Bernardino The Mayflower, Washington Palmer House, Chicago The Conrad Hilton, Chicago The Jefferson, St Louis Hilton Hotel, Albuquerque | The Palacio Hilton Hotel, Chihuahua The Caribe Hilton, San Juan The Castellana Hilton, Madrid |

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|-----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|
| | The Plaza, New York Roosevelt Hotel, New York The Waldorf Astoria, New York Deshler Hilton Hotel, Columbus Dayton-Biltmore Hotel, Dayton Hilton Hotel, El Paso Hilton Hotel, Fort Worth | |
| 1954-1955 | The Town House, Los Angeles Arrowhead Springs Hotel, San Bernardino The Mayflower, Washington Palmer House, Chicago The Conrad Hilton, Chicago The Jefferson, St Louis Hilton Hotel, Albuquerque The New Yorker, New York The Plaza, New York Roosevelt Hotel, New York The Waldorf Astoria, New York Deshler Hilton Hotel, Columbus Dayton-Biltmore Hotel, Dayton Hilton Hotel, El Paso Hilton Hotel, Fort Worth | The Palacio Hilton Hotel, Chihuahua The Caribe Hilton, San Juan The Castellana Hilton, Madrid The Istanbul Hilton, Istanbul |
| 1955-1956 | The Beverly Hilton, Beverly Hills The Statler, Los Angeles The Statler, Hartford The Mayflower, Washington The Statler, Washington The Conrad Hilton, Chicago The Palmer House, Chicago The Statler, Boston The Statler, Detroit The Jefferson, St. Louis The Statler, St. Louis Hilton Hotel, Albuquerque The Statler, Buffalo The New Yorker, New York The Plaza, New York The Roosevelt, New York The Statler, New York The Waldorf-Astoria, New York The Statler, Cleveland The Deshler Hilton, Columbus The Dayton Biltmore, Dayton The Statler Hilton, Dallas Hilton Hotel, El Paso Hilton Hotel, Fort Worth The Shamrock Hilton, Houston | The Palacio Hilton Hotel, Chihuahua The Caribe Hilton, San Juan The Castellana Hilton, Madrid The Istanbul Hilton, Istanbul |
| 1956 | The Beverly Hilton, Beverly Hills (450) The Statler, Los Angeles, (1300) The Statler, Hartford (455) The Statler, Washington, (850) The Conrad Hilton, Chicago (3000) The Palmer House, Chicago (2268) The Statler, Boston (1300) The Statler, Ditroit (1000) The Statler, St. Louis (650) Hilton Hotel, Albuquerque (200) The Statler, Buffalo (1100) The Plaza, New York (1060) The Statler, New York (2200) The Waldorf-Astoria, New York (2000) The Netherland Hilton, Cincinnati (800) | The Palacio Hilton, Chihuahua (126) The Caribe Hilton, San Juan (300) The Castellana Hilton, Madrid (320) The Istanbul Hilton, Istanbul (300) |

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| | The Terrace Hilton, Cincinnati (400) The Statler, Cleveland (1000) The Deshler Hilton, Columbus (1000) The Dayton-Biltmore, Dayton (500) The Statler Hilton, Dallas (1001) Hilton Hotel, El Paso (350) Hilton Hotel, Fort Worth (300) The Shamrock Hilton, Houston (1100) Hilton Hotel, San Antonio (500) | |
| 1957 | The Beverly Hilton, Beverly Hills (450) The Statler, Los Angeles, (1300) The Statler, Hartford (455) The Statler, Washington, (850) The Conrad Hilton, Chicago (3000) The Palmer House, Chicago (2268) The Statler, Boston (1300) The Statler, Detroit (1000) The Statler, St. Louis (650) Hilton Hotel, Albuquerque (200) The Statler, Buffalo (1100) The Plaza, New York (1000) The Savoy-Plaza, New York (1000) The Statler, New York (2200) The Waldorf-Astoria, New York (2000) The Netherland Hilton, Cincinnati (800) The Terrace Hilton, Cincinnati (400) The Statler, Cleveland (1000) The Deshler Hilton, Columbus (1000) The Dayton-Biltmore, Dayton (500) The Statler Hilton, Dallas (1001) Hilton Hotel, El Paso (350) Hilton Hotel, Fort Worth (300) The Shamrock Hilton, Houston (1100) Hilton Hotel, San Antonio (500) | The Palacio Hilton, Chihuahua (126) The Continental Hilton, Mexico City (400) The Caribe Hilton, San Juan (300) The Castellana Hilton, Madrid (320) The Istanbul Hilton, Istanbul (300) |
| 1958 | The Beverly Hilton, Beverly Hills (450) The Statler Hilton, Los Angeles (1275) The Statler Hilton, Hartford (455) The Statler Hilton, Washington (850) The Conrad Hilton, Chicago (3000) The Palmer House, Chicago (2268) The Statler Hilton, Boston (1300) The Statler Hilton, Detroit (1000) The Statler Hilton, St. Louis (650) Hilton Hotel, Albuquerque (167) The Statler Hilton, Buffalo (1100) The Plaza, New York (1017) The Savoy Hilton, New York (1000) The Statler Hilton, New York (2200) The Waldorf-Astoria, New York (2000) The Netherland Hilton, Cincinnati (800) The Terrace Hilton, Cincinnati (400) The Statler Hilton, Cleveland (1000) The Deshler Hilton, Columbus (889) The Dayton-Biltmore, Dayton (500) The Statler Hilton, Dallas (1001) Hilton Hotel, El Paso (300) Hilton Hotel, Fort Worth (300) The Shamrock Hilton, Houston (1100) Hilton Hotel, San Antonio (500) | The Queen Elizabeth, Montreal (1216) The Habana Hilton, Havana (630) The Palacio Hilton, Chihuahua (126) The Continental Hilton, Mexico City (400) El Panama Hilton, Panama City (300) The Caribe Hilton, San Juan (450) The Castellana Hilton, Madrid (330) The Istanbul Hilton, Istanbul (300) |
| 1959 | The Beverly Hilton, Beverly Hills (450) The Statler Hilton, Los Angeles (1275) The Statler Hilton, Hartford (455) The Statler Hilton, Washington (850) | The Queen Elizabeth, Montreal (1200) The Habana Hilton, Havana (630) The Palacio Hilton, Chihuahua (126) The Continental Hilton, Mexico City (400) |

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| | <p>The Conrad Hilton, Chicago (3000) The Palmer House, Chicago (2268) Hilton Inn, New Orleans (300) The Statler Hilton, Boston (1300) The Statler Hilton, Detroit (1000) The Statler Hilton, St. Louis (650) Hilton Hotel, Albuquerque (200) The Statler Hilton, Buffalo (1100) The Plaza, New York (1000) The Savoy Hilton, New York (1000) The Statler Hilton, New York (2200) The Waldorf-Astoria, New York (2000) The Netherland Hilton, Cincinnati (800) The Terrace Hilton, Cincinnati (400) The Statler Hilton, Cleveland (1000) The Deshler Hilton, Columbus (1000) The Dayton Biltmore, Dayton (500) The Statler Hilton, Dallas (1001) Hilton Hotel, El Paso (350) Hilton Hotel, Fort Worth (268) The Shamrock Hilton, Houston (1100) Hilton Hotel, San Antonio (500) Hilton Inn, San Antonio (50)</p> | <p>El Panama Hilton, Panama City (300) The Caribe Hilton, San Juan (450) Berlin Hilton Hotel, Berlin (350) The Castellana Hilton, Madrid (330) The Istanbul Hilton, Istanbul (300) Nile Hilton Hotel, Cairo (400)</p> |
| 1960 | <p>The Beverly Hilton, Beverly Hills (450) The Statler Hilton, Los Angeles (1300) Hilton Inn, San Francisco (302) The Denver Hilton, Denver (884) The Statler Hilton, Hartford (455) The Statler Hilton, Washington (850) Hilton Inn, Atlanta (310) The Conrad Hilton, Chicago (3000) The Palmer House, Chicago (2268) Hilton Inn, New Orleans (300) The Statler Hilton, Boston (1300) The Statler Hilton, Detroit (1000) The Statler Hilton, St. Louis (650) Hilton Hotel, Albuquerque (200) The Statler Hilton, Buffalo (1100) The Savoy Hilton, New York (1000) The Statler Hilton, New York (2200) The Waldorf-Astoria, New York (2000) The Netherland Hilton, Cincinnati (800) The Terrace Hilton, Cincinnati (400) The Statler Hilton, Cleveland (1000) The Deshler Hilton, Columbus (1000) The Dayton Biltmore, Dayton (500) The Pittsburgh Hilton, Pittsburgh (804) The Statler Hilton, Dallas (1001) Hilton Hotel, El Paso (350) Hilton Inn, El Paso (150) Hilton Hotel, Fort Worth (268) The Shamrock Hilton, Houston (1100) Hilton Hotel, San Antonio (500) Hilton Inn, San Antonio (50)</p> | <p>The Queen Elizabeth, Montreal (1200) The Habana Hilton, Havana (630) Las Brisas, Acapulco (150) The Palacio Hilton, Chihuahua (126) The Continental Hilton, Mexico City (400) El Panama Hilton, Panama City (300) The Caribe Hilton, San Juan (450) Berlin Hilton Hotel, Berlin (350) The Castellana Hilton, Madrid (330) The Istanbul Hilton, Istanbul (440) Nile Hilton Hotel, Cairo (400)</p> |
| 1961 | <p>The Beverly Hilton, Beverly Hills (500) The Statler Hilton, Los Angeles (1275) Hilton Inn, San Francisco (302) The Denver Hilton, Denver (884) The Statler Hilton, Hartford (455) The Statler Hilton, Washington (1000) Hilton Inn, Atlanta (308) The Hilton Hawaiian Village, Honolulu (1100) Hilton Inn, Aurora (300)</p> | <p>The Queen Elizabeth, Montreal (1200) Las Brisas Hilton, Acapulco (156) The Continental Hilton, Mexico City (407) El Panama Hilton, Panama City (300) The Caribe Hilton, San Juan (450) Virgin Isle Hilton, San Thomas (200) Hotel Carrera, Santiago (400) Berlin Hilton Hotel, Berlin (350) The Castellana Hilton, Madrid (340)</p> |

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| | <p>The Conrad Hilton, Chicago (3000) The Palmer House, Chicago (2250) Hilton Inn, New Orleans (310) The Statler Hilton, Boston (1300) The Statler Hilton, Detroit (1000) The Statler Hilton, St. Louis (650) Hilton Hotel, Albuquerque (167) The Statler Hilton, Buffalo (1100) The Savoy Hilton, New York (1000) The Statler Hilton, New York (2200) The Waldorf-Astoria, New York (2000) Hilton Inn, Tarrytown (200) The Netherland Hilton, Cincinnati (800) The Terrace Hilton, Cincinnati (400) The Statler Hilton, Cleveland (1000) The Deshler Hilton, Columbus (889) The Dayton Biltmore, Dayton (500) The Pittsburgh Hilton, Pittsburgh (800) The Statler Hilton, Dallas (1001) Hilton Hotel, El Paso (350) Hilton Inn, El Paso (150) Hilton Hotel, Fort Worth (300) The Shamrock Hilton, Houston (1100) Hilton Inn, Seattle (150)</p> | <p>The Istanbul Hilton, Istanbul (300) Nile Hilton Hotel, Cairo (400)</p> |
| 1962 | <p>The Beverly Hilton, Beverly Hills (500) The Statler Hilton, Los Angeles (1275) Hilton Inn, San Francisco (302) The Denver Hilton, Denver (884) The Statler Hilton, Hartford (455) The Statler Hilton, Washington (825) Hilton Inn, Atlanta (308) The Hilton Hawaiian Village, Honolulu (1015) Hilton Inn, Aurora (275) The Conrad Hilton, Chicago (3000) The Palmer House, Chicago (2250) Hilton Inn, New Orleans (310) The Statler Hilton, Boston (1300) The Statler Hilton, Detroit (1000) Hilton Inn, Kansas (189) The Statler Hilton, St. Louis (650) Hilton Hotel, Albuquerque (200) The Statler Hilton, Buffalo (1100) The Savoy Hilton, New York (1000) The Statler Hilton, New York (2200) The Waldorf-Astoria, New York (2000) Hilton Inn, Tarrytown (204) The Netherland Hilton, Cincinnati (800) The Terrace Hilton, Cincinnati (400) The Statler Hilton, Cleveland (1000) The Deshler Hilton, Columbus (1000) The Dayton Biltmore, Dayton (500) The Pittsburgh Hilton, Pittsburgh (800) The Statler Hilton, Dallas (1001) Hilton Hotel, El Paso (350) Hilton Inn, El Paso (150) The Shamrock Hilton, Houston (1100) Hilton Inn, Seattle (150)</p> | <p>The Queen Elizabeth, Montreal (1216) Acapulco Hilton, Acapulco (156) Las Brisas Hilton, Acapulco (156) The Continental Hilton, Mexico City (410) El Panama Hilton, Panama City (300) The Caribe Hilton, San Juan (450) Virgin Isle Hilton, San Thomas (200) Trinidad Hilton, Port-of-Spain (260) Hotel Carrera, Santiago (400) Berlin Hilton Hotel, Berlin (350) Amsterdam Hilton, Amsterdam (300) The Castellana Hilton, Madrid (340) The Istanbul Hilton, Istanbul (440) Nile Hilton Hotel, Cairo (400)</p> <p>Associated hotels in Australia:</p> <p>Chevron Hilton, Melbourne (200) Chevron Hilton, Sydney (220)</p> |
| 1963 | <p>The Beverly Hilton, Beverly Hills (449) The Statler Hilton, Los Angeles (1300) Hilton Inn, San Francisco (300) The Denver Hilton, Denver (880) The Statler Hilton, Hartford (455) The Statler Hilton, Washington (825)</p> | <p>The Queen Elizabeth, Montreal (1216) The Acapulco Hilton, Acapulco (250) Las Brisas Hilton, Acapulco (151) The Continental Hilton, Mexico City (400) El Panama Hilton, Panama City (269) The Caribe Hilton, San Juan (460)</p> |

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| | <p> Hilton Inn, Atlanta (308) The Hilton Hawaiian Village, Honolulu (1020) Hilton Inn, Aurora (278) The Conrad Hilton, Chicago (2500) The Palmer House, Chicago (2230) Hilton Inn, New Orleans (300) The Statler Hilton, Boston (1214) The Statler Hilton, Detroit (933) Hilton Inn, Kansas (189) The Statler Hilton, St. Louis (603) The Statler Hilton Buffalo (1100) The New York Hilton of Rockefeller Center, New York (2153) The Savoy Hilton, New York (886) The Statler Hilton, New York (2200) The Waldorf-Astoria, New York (1900) Hilton Inn, Tarrytown (204) The Netherland Hilton, Cincinnati (800) The Terrace Hilton, Cincinnati (400) The Statler Hilton, Cleveland (1000) The Deshler Hilton, Columbus (880) The Dayton Biltmore, Dayton (435) The Portland Hilton, Portland (500) The Pittsburgh Hilton, Pittsburgh (800) The Statler Hilton, Dallas (1001) Hilton Hotel, El Paso (300) Hilton Inn, El Paso (150) The Shamrock Hilton, Houston (787) Hilton Inn, Seattle (150) </p> | <p> Virgin Isle Hilton, San Thomas (184) Trinidad Hilton, Port-of-Spain (260) Hotel Carrera, Santiago (365) The London Hilton, London (512) Berlin Hilton, Berlin (350) The Athens Hilton, Athens (480) Amsterdam Hilton, Amsterdam (300) The Rotterdam Hilton, Rotterdam (263) The Cavalieri Hilton, Rome (400) The Castellana Hilton, Madrid (340) The Istanbul Hilton, Istanbul (277) The Hong Kong Hilton, Hong Kong (867) The Royal Tehran Hilton, Tehran (261) The Tokyo Hilton, Tokyo (478) Nile Hilton Hobntel, Cairo (400) </p> <p>Associated hotels in Australia:</p> <p>Chevron Hilton, Sydney (220)</p> |
| 1964 | <p> The Beverly Hilton, Beverly Hills (449) The Statler Hilton, Los Angeles (1258) Hilton Inn, San Francisco (299) The San Francisco Hilton, San Francisco (1200) The Denver Hilton, Denver (874) The Statler Hilton, Hartford (455) The Statler Hilton, Washington (825) Hilton Inn, Atlanta (301) The Hilton Hawaiian Village, Honolulu (1021) The Kahala Hilton, Honolulu (300) The Conrad Hilton, Chicago (3000) The Palmer House, Chicago (2230) Hilton Inn, New Orleans (307) The Statler Hilton, Boston (1222) The Statler Hilton, Detroit (933) Hilton Inn, Kansas City (189) The Statler Hilton, St. Louis (603) The Statler Hilton, Buffalo (1065) The New York Hilton of Rockefeller Center, New York (2150) The Statler Hilton, New York (2033) The Waldorf-Astoria, New York (1779) Hilton Inn, Tarrytown (204) The Terrace Hilton, Cincinnati (350) The Statler Hilton, Cleveland (1000) The Deshler Hilton, Columbus (897) The Dayton Biltmore, Dayton (435) The Portland Hilton, Portland (500) The Pittsburgh Hilton, Pittsburgh (803) The Statler Hilton, Dallas (984) Hilton Inn, El Paso (150) The Shamrock Hilton, Houston (789) Hilton Inn, Seattle (150) Hilton Inn, Milwaukee (181) </p> | <p> Vancouver Hotel, Vancouver (560) Montreal Aeroport Hilton, Dorval (288) The Queen Elizabeth, Montreal (1216) The Acapulco Hilton, Acapulco (250) The Guadalajara Hilton, Guadalajara (220) The Continental Hilton, Mexico City (407) The Jamaica Hilton, Ocho Rios (176) El Panama Hilton, Panama City (300) The Dorada Hilton, Dorada (222) The Mayaguez Hilton, Mayaguez (150) The Caribe Hilton, San Juan (450) The Virgin Isle Hilton, San Thomas (200) The Trinidad Hilton, Port-of-Spain (261) Hotel Carrera, Santiago (400) The London Hilton, London (512) The Berlin Hilton, Berlin (350) The Athens Hilton, Athens (480) The Amsterdam Hilton, Amsterdam (275) The Rotterdam Hilton, Rotterdam (275) The Cavalieri Hilton, Rome (400) The Castellana Hilton, Madrid (338) The Istanbul Hilton, Istanbul (440) The Hong Kong Hilton, Hong Kong (900) The Royal Tehran Hilton, Tehran (300) The Tokyo Hilton, Tokyo (506) The Nile Hilton, Cairo (400) </p> |

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| 1965 | <p>The Beverly Hills Hilton, Los Angeles (449) The Statler Hilton, Los Angeles (1258) Hilton Inn, San Francisco (299) San Francisco Hilton, San Francisco (1200) The Denver Hilton, Denver (874) The Statler Hilton, Hartford (455) The Statler Hilton, Washington (825) Washington Hilton, Washington (1200) Hilton Inn, Atlanta (301) Hilton Hawaiian, Honolulu (1021) The Conrad Hilton, Chicago (3000) The Palmer House, Chicago (2230) Hilton Inn, New Orleans (307) The Statler Hilton, Boston (1222) The Statler Hilton, Detroit (933) Hilton Inn, Kansas City (189) The Statler Hilton, St Louis (603) The Statler Hilton, Buffalo (1065) New York Hilton at Rockefeller Center, New York (2150) The Statler Hilton, New York (2033) The Waldorf-Astoria, New York (1779) Hilton Inn, Tarrytown (204) The Netherland Hotel, Cincinnati (800) (operated by HHC but not under the Hilton name) The Terrace Hilton, Cincinnati (350) The Statler Hilton, Cleveland (1000) The Portland Hilton, Portland (500) The Pittsburgh Hilton, Pittsburgh (803) The Statler Hilton, Dallas (984) Hilton Inn, El Paso (150) The Shamrock Hilton, Houston (789) The Granada Hotel, San Antonio (430) (operated by HHC but not under the Hilton name) The Granada Inn, San Antonio (50) (operated by HHC but not under the Hilton name) Hilton Inn, Seattle (150) Hilton Inn, Milwaukee (181)</p> | <p>Listed in Red Book as Hilton International Co for the first time</p> <p>All hotels appear without 'The'</p> <p>Vancouver Hotel, Vancouver (560) Montreal Aeroport Hilton, Dorval (288) The Queen Elizabeth, Montreal (1216) Hotel Carrera, Santiago (400) Nile Hilton, Cairo (400) London Hilton, London (512) Orly Hilton, Paris (266) Berlin Hilton, Berlin (350) Athens Hilton, Athens (480) The Kahala Hilton, Honolulu (300) Amsterdam Hilton, Amsterdam (275) Rotterdam Hilton, Rotterdam (270) Hong Kong Hilton, Hong Kong (850) Royal Tehran Hotel, Tehran (300) Tel Aviv Hilton, Tel Aviv (424) Cavalieri Hilton, Rome (400) Tokyo Hilton, Tokyo (506) Acapulco Hilton, Acapulco (250) Guadalajara Hilton, Guadalajara (220) Continental Hilton, Mexico City (400) Dorado Hilton, Dorado (222) Mayaguez Hilton, Mayaguez (150) Caribe Hilton, San Juan (450) San Jeronimo Hilton, San Juan (350) El Panama Hilton, Panama (300) Castellana Hilton, Madrid (338) Tunis Hilton, Tunis (250) Istanbul Hilton, Istanbul (440) Virgin Isle Hilton, St Thomas (200) Jamaica Hilton, Ocho Rios (176) Trinidad Hilton, Port-of-Spain (261)</p> |
| 1966 | <p>The Beverly Hilton, Los Angeles (449) The Statler Hilton, Los Angeles (1258) Hilton Inn, San Francisco (410) San Francisco Hilton, San Francisco (1200) The Denver Hilton, Denver (874) The Statler Hilton, Hartford (455) The Statler Hilton, Washington (825) Washington Hilton, Washington (1200) Hilton Inn, Atlanta (301) Hilton Hawaiian Village, Honolulu (1064) The Conrad Hilton, Chicago (3000) The Palmer House, Chicago (2230) Hilton Inn, New Orleans (300) The Statler Hilton, Boston (1222) The Statler Hilton, Detroit (933) Hilton Inn, Kansas City (189) The Statler Hilton, Buffalo (1065) New York Hilton at Rockefeller Center, New York (2150) The Statler Hilton, New York (2033) The Waldorf-Astoria, New York (1779) Hilton Inn, Tarrytown (204) The Netherland Hilton, Cincinnati (800) The Terrace Hilton, Cincinnati (350) The Statler Hilton, Cleveland (1000) The Portland Hilton, Portland (500) The Pittsburgh Hilton, Pittsburgh (803)</p> | <p>Vancouver Hotel, Vancouver (562) Montreal Aeroport Hilton, Dorval (288) The Queen Elizabeth, Montreal (1200) Hotel Carrera, Santiago (364) Nile Hilton, Cairo (400) London Hilton, London (510) Orly Hilton, Paris (274) Paris Hilton, Paris (493) Berlin Hilton, Berlin (347) Athens Hilton, Athens (480) Kahala Hilton, Honolulu (300) Amsterdam Hilton, Amsterdam (276) Rotterdam Hilton, Rotterdam (263) Hong Kong Hilton, Hong Kong (836) Royal Tehran Hilton, Tehran (261) Tel Aviv Hilton, Tel Aviv (428) Cavalieri Hilton, Rome (398) Tokyo Hilton, Tokyo (478) Acapulco Hilton, Acapulco (260) Guadalajara Hilton, Guadalajara (222) Continental Hilton, Mexico City (403) Dorado Hilton, Dorado (222) Mayaguez Hilton, Mayaguez (150) Caribe Hilton, San Juan (461) San Jeronimo Hilton, San Juan (350) El Panama Hilton, Panama (269) Castellana Hilton, Madrid (322)</p> |

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| | <p>The Statler Hilton, Dallas (984) Hilton Inn, El Paso (150) The Shamrock Hilton, Houston (789) The Granada Hotel, San Antonio (430) The Granada Inn, San Antonio (50) Hilton Inn, Seattle (150)</p> | <p>Rama Hotel, Bangkok (180) Tunis Hilton, Tunis (245) Istanbul Hilton, Istanbul (417) Virgin Isle Hilton, San Thomas (211) Jamaica Hilton, Ocho Rios (176) Trinidad Hilton, Port-of-Spain (261)</p> |
| 1967 | <p>The Beverly Hilton, Los Angeles (700) The Statler Hilton, Los Angeles (1258) Hilton Inn, San Diego (200) Hilton Inn, San Francisco (410) San Francisco Hilton, San Francisco (1200) The Denver Hilton, Denver (874) The Statler Hilton, Hartford (455) The Statler Hilton, Washington (825) The Washington Hilton, Washington (1200) Cape Kennedy Hilton, Cape Canaveral (200) Hilton Inn, Atlanta (301) Hilton Hawaiian Village, Honolulu (1064) Hilton Hale Kaanapali, Maui (252) The Conrad Hilton, Chicago (3000) The Palmer House, Chicago (2230) Hilton Inn, New Orleans (300) The Statler Hilton, Boston (1222) The Statler Hilton, Detroit (933) Saint Paul Hilton, St Paul (500) Hilton Inn, Kansas City (189) Hilton Inn, St Louis (219) The Statler Hilton, Buffalo (1065) New York Hilton at Rockefeller Center, New York (2150) The Statler Hilton, New York (2033) The Waldorf-Astoria, New York (1779) Hilton Inn, Tarrytown (204) The Netherland Hilton, Cincinnati (800) The Terrace Hilton, Cincinnati (350) The Statler Hilton, Cleveland (1000) The Portland Hilton, Portland (500) The Pittsburgh Hilton, Pittsburgh (803) Hilton Inn, Dallas (406) The Statler Hilton, Dallas (984) Hilton Inn, El Paso (150) The Shamrock Hilton, Houston (789) Hilton Inn, Seattle (150)</p> | <p>Barbados Hilton, Bridge Town (158) Brussels Hilton, Brussels (301) Hotel Vancouver, Vancouver (562) Montreal Aeroport Hilton, Dorval (288) The Queen Elizabeth, Montreal (1200) Hotel Carrera, Santiago (364) Cyprus Hilton, Nicosia (150) Nile Hilton, Cairo (400) London Hilton, London (510) Orly Hilton, Paris (274) Paris Hilton, Paris (493) Berlin Hilton, Berlin (347) Athens Hilton, Athens (480) Kahala Hilton, Honolulu (300) Amsterdam Hilton, Amsterdam (276) Rotterdam Hilton, Rotterdam (263) Hong Kong Hilton, Hong Kong (836) Royal Tehran Hilton, Tehran (261) Tel Aviv Hilton, Tel Aviv (428) Cavalieri Hilton, Rome (398) Tokyo Hilton, Tokyo (478) Malta Hilton, St. Julians (200) Acapulco Hilton, Acapulco (260) Guadalajara Hilton, Guadalajara (222) Continental Hilton, Mexico City (403) Rabat Hilton, Rabat (259) Manila Hilton, Manila (390) Dorado Hilton, Dorado (222) Mayaguez Hilton, Mayaguez (150) Caribe Hilton, San Juan (474) San Jeronimo Hilton, San Juan (338) El Panama Hilton, Panama (269) Castellana Hilton, Madrid (322) Rama Hotel, Bangkok (180) Tunis Hilton, Tunis (245) Istanbul Hilton, Istanbul (417) Virgin Isle Hilton, St Thomas (211) Curacao Hilton, Willemstad (224) Jamaica Hilton, Ocho Rios (176) Trinidad Hilton, Port-of-Spain (261)</p> |
| 1968 | <p>The Beverly Hilton, Los Angeles (700) The Statler Hilton, Los Angeles (1258) Hilton Inn, San Diego (200) Hilton Inn, San Francisco (410) San Francisco Hilton, San Francisco (1200) The Denver Hilton, Denver (874) The Hartford Hilton, Hartford (455) The Statler Hilton, Washington (825) The Washington Hilton, Washington (1200) Cape Kennedy Hilton, Cape Canaveral (200) Hilton Inn, Atlanta (301) DeSoto Hilton, Savannah (250) Hilton Hawaiian Village, Honolulu (1064) The Kona Hilton, Kona (200) Maui Hilton, Maui (Kaanapali) (252) The Conrad Hilton, Chicago (3000) The Palmer House, Chicago (2230) Hilton Inn, New Orleans (300)</p> | <p>Barbados Hilton, Bridge Town (158) Brussels Hilton, Brussels (301) Hotel Vancouver, Vancouver (562) Montreal Aeroport Hilton, Dorval (288) The Queen Elizabeth, Montreal (1200) Hotel Carrera, Santiago (364) Cyprus Hilton, Nicosia (150) Nile Hilton, Cairo (400) London Hilton, London (510) Orly Hilton, Paris (274) Paris Hilton, Paris (493) Berlin Hilton, Berlin (347) Athens Hilton, Athens (480) Kahala Hilton, Honolulu (300) Amsterdam Hilton, Amsterdam (276) Rotterdam Hilton, Rotterdam (263) Hong Kong Hilton, Hong Kong (836) Royal Tehran Hilton, Tehran (261)</p> |

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| | <p>The Statler Hilton, Boston (1222) The Statler Hilton, Detroit (933) The Saint Paul Hilton, St Paul (500) Hilton Inn, Kansas City (189) Hilton Inn, St Louis (219) Hilton Hotel, Albuquerque (164) The Statler Hilton, Buffalo (1065) New York Hilton at Rockefeller Center, New York (2150) The Statler Hilton, New York (2033) The Waldorf-Astoria, New York (1779) Hilton Inn, Tarrytown (204) The Netherland Hilton, Cincinnati (800) The Terrace Hilton, Cincinnati (350) The Portland Hilton, Portland (500) The Pittsburgh Hilton, Pittsburgh (803) Hilton Inn, Dallas (406) The Statler Hilton, Dallas (984) Hilton Inn, El Paso (150) The Shamrock Hilton, Houston (789) Hilton Palacio del Rio, San Antonio (500) Hilton Inn, Seattle (150)</p> | <p>Tel Aviv Hilton, Tel Aviv (428) Cavalieri Hilton, Rome (398) Tokyo Hilton, Tokyo (478) Malta Hilton, St. Julians (200) Acapulco Hilton, Acapulco (260) Guadalajara Hilton, Guadalajara (222) Continental Hilton, Mexico City (403) Rabat Hilton, Rabat (259) Manila Hilton, Manila (390) Dorado Hilton, Dorado (222) Mayaguez Hilton, Mayaguez (150) Caribe Hilton, San Juan (474) San Jeronimo Hilton, San Juan (338) Castellana Hilton, Madrid (322) Rama Hotel, Bangkok (180) Tunis Hilton, Tunis (245) Istanbul Hilton, Istanbul (417) Virgin Isle Hilton, St Thomas (211) Curacao Hilton, Willemstad (224) Jamaica Hilton, Ocho Rios (176) Trinidad Hilton, Port-of-Spain (261)</p> |
| 1969 | <p>Hilton North Inn, Akron (230) Hilton West Inn, Akron (153) Hilton Hotel Albuquerque (162) Hilton Inn, Ann Arbor (120) Hilton Inn, Annapolis (142) Hilton Inn, Atlanta (344) The Baltimore Hilton, Baltimore (350) Hilton Inn, Benton Harbor (120) The Statler Hilton, Boston (1144) Colonial Hilton Inn, Boston (130) The Statler Hilton Buffalo (1028) Cape Kennedy Hilton, Cape Canaveral (200) The Palmer House, Chicago (2160) The Conrad Hilton, Chicago (2341) The Netherland Hilton, Cincinnati (701) The Terrace Hilton, Cincinnati (350) Hilton Inn, Clearwater (120) The Statler Hilton, Cleveland (900) The Statler Hilton, Dallas (968) Hilton Inn, Dallas (400) Hilton Inn, Dayton (250) The Denver Hilton, Denver (868) The Detroit Hilton, Detroit (905) Hilton Inn, Durham (145) Hilton Inn, El Paso (150) The Hilton, Fort Lauderdale (226) Hilton Inn, Greensboro (232) The Hartford Hilton, Hartford (443) Hilton Hawaiian Village, Honolulu (1761) The Shamrock Hilton, Houston (784) Hilton Inn, Indianapolis (110) Indianapolis Hilton, Indianapolis (430) (under construction) Hilton Inn, Kansas City (189) Kona Hilton, Kona (318) The Los Angeles Hilton, Los Angeles (1236) The Beverly Hilton, Los Angeles (634) Maui Hilton, Maui (239) Hilton Plaza, Miami Beach (500) Hilton Inn, Nashville (160) Hilton Inn, New Orleans (294) The New York Hilton, New York (2139) The Waldorf-Astoria, New York (1798)</p> | <p>Barbados Hilton, Bridge Town (158) Brussels Hilton, Brussels (301) Hotel Vancouver, Vancouver (562) Montreal Aeroport Hilton, Dorval (288) The Queen Elizabeth, Montreal (1200) Cyprus Hilton, Nicosia (150) Nile Hilton, Cairo (400) London Hilton, London (510) Addis Ababa Hilton, Addis Ababa (250) Orly Hilton, Paris (274) Paris Hilton, Paris (493) Berlin Hilton, Berlin (347) Mainz Hilton, Mainz (251) Athens Hilton, Athens (480) Kahala Hilton, Honolulu (300) Amsterdam Hilton, Amsterdam (276) Rotterdam Hilton, Rotterdam (263) Hong Kong Hilton, Hong Kong (836) Royal Tehran Hilton, Tehran (261) Tel Aviv Hilton, Tel Aviv (428) Cavalieri Hilton, Rome (398) Tokyo Hilton, Tokyo (478) New Stanley Hotel, Nairobi (231) Kuwait Hilton, Kuwait (250) Malta Hilton, St. Julians (200) Acapulco Hilton, Acapulco (260) Guadalajara Hilton, Guadalajara (222) Continental Hilton, Mexico City (403) Rabat Hilton, Rabat (259) Manila Hilton, Manila (390) Dorado Hilton, Dorado (222) Mayaguez Hilton, Mayaguez (150) Caribe Hilton, San Juan (474) San Jeronimo Hilton, San Juan (338) Castellana Hilton, Madrid (322) Marbella Hilton, Marbella (270) Rama Hotel, Bangkok (180) Tunis Hilton, Tunis (245) Istanbul Hilton, Istanbul (417) Caracas Hilton, Caracas (430) Virgin Isle Hilton, St Thomas (211) Curacao Hilton, Willemstad (224) Jamaica Hilton, Ocho Rios (176)</p> |

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| | <p> The Statler Hilton, New York (1909) Hilton Inn, New York (Kennedy Airport) (112) Colonial Hilton Inn, Northampton (131) Hilton Inn , Oakland (300) (under construction) Omaha Hilton, Omaha (465) (under construction) Hilton Inn, Orlando (250) El Mirador Hilton, Palm Springs (283) Pittsburgh Hilton, Pittsburgh (806) The Portland Hilton, Portland (466) Hilton Inn, Raleigh (195) Saint Paul Hilton, Saint Paul (494) Hilton Inn, Salina (150) Hilton Palacio del Rio, San Antonio (491) Hilton Inn, San Diego (318) Hilton Inn, San Francisco (408) San Francisco Hilton, San Francisco (1141) Hilton Inn, Sarasota (103) The DeSoto Hilton, Savannah (252) Hilton Inn, Seattle (146) Hilton Inn, St Louis (216) Hilton Inn, Tarrytown (204) Hilton Inn, Tucson (210) The Statler Hilton, Washington (815) The Washington Hilton, Washington (1179) Hilton Inn, Williamsburg (136) Hilton Inn, Winston-Salem (175) </p> | <p>Trinidad Hilton, Port-of-Spain (261)</p> |
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