Strategic Responses to Digital Disruption in Incumbent Firms – A Strategy-as-Practice Perspective

Karin Högberg & Sara Willermark

To cite this article: Karin Högberg & Sara Willermark (2023) Strategic Responses to Digital Disruption in Incumbent Firms – A Strategy-as-Practice Perspective, Journal of Computer Information Systems, 63:2, 281-292, DOI: 10.1080/08874417.2022.2057373

To link to this article: https://doi.org/10.1080/08874417.2022.2057373

© 2022 The Author(s). Published with license by Taylor & Francis Group, LLC.

Published online: 03 May 2022.

Submit your article to this journal

Article views: 4843

View related articles

View Crossmark data

Citing articles: 1 View citing articles
Strategic Responses to Digital Disruption in Incumbent Firms – A Strategy-as-Practice Perspective

Karin Högberg and Sara Willermark

University West, Trollhättan, Sweden

ABSTRACT
Hardly any organization remains unaffected by the digitalization of society and the whole global economy is shaken by disruptive digital innovations (DDI). This calls for strategic responses from incumbent firms to remain relevant in a changing environment. This study explores the phenomenon of digital transformation and the development of digital business strategy in the context of incumbent firms, in this case, the hotel industry. We address the following research questions: 1) How are hotel organizations disrupted by digital innovations? and 2) How do they respond strategically to these disruptions? The research approach consists of multiple longitudinal case studies of two international hotel chains, offering a rich dataset. “Strategy-as-practice” is used as a theoretical lens. The results show three overall organizational responses due to DDI including: 1) relating to a new digital business environment; 2) translating strategy to practices 3) renegotiating value. Contributions include extending the existing literature on digital strategies and responses to digital disruptions in incumbent firms as well as providing implications to practice.

1. Introduction

In recent decades, businesses around the world have faced challenges by the persistent stream of disruptive digital innovations (DDI). These digital innovations are changing both business operations and business models. DDI represents innovations that enable significant developments in capabilities to the extent that traditional skills are reduced, irrelevant, or trivial. In other words, the innovations disrupt existing rules of competition. Many researchers have stressed the importance of adapting to a changing environment to stay relevant on the market and those businesses that cannot respond appropriately to DDI risk becoming outdated or even nonexistent. To cope with these disruptions, there is a need for strategic responses from organizations. Many incumbent firms have been outdone by new digital firms that disrupt the existing market, and therefore suffered competitive advantage. Hardly any industry has been left unaffected by DDI. A wide range of researchers has studied what causes digital disruption and the strategizing processes, and outcomes of strategies in digital firms’ innovation. However, less is known about the digital transformation strategy of incumbent firms in established industries. Recent research suggests that digital transformation and finding a digital strategy is a greater challenge for incumbent firms than in firms that had a digital strategy from the start, such as Google or Airbnb. New digital technologies have put incumbent firms in a range of traditional industries such as banking, retail, and manufacturing under pressure to keep up with the ongoing wave of digital transformation. This involves the renewal and transformation of business models as well as organizational structures and knowledge. As a result, incumbent firms find themselves at an even greater speed of uncertainty, complexity, and change. Incumbent firms need to both exploit the traditional strategy and combine it with a digital one. In the present study, we use the hotel industry as a context for studying digital transformation and digital strategies in incumbent firms. While DDI has affected organizations in general, its implication on hospitality organizations is especially prevalent. Industry participants have faced nontraditional, digital competitors such as Airbnb, online travel agencies such as Booking.com, and online review platforms such as TripAdvisor, that have disrupted and rearranged the traditional hotel industry. Against this background, this exploratory study attempts to answer the research questions of 1) How are hotel organizations disrupted by digital innovations? and 2) How do they respond strategically to these disruptions?
In addressing these questions, this paper offers a response to the call for more research on the impacts of digital transformation and digital strategies on organizations in general\textsuperscript{10} and incumbent firms in particular.\textsuperscript{17} Particularly, previous research shows little awareness of the consequences on specific, traditional industries\textsuperscript{11} such as the hospitality industry.\textsuperscript{18} Hence, the present paper offers insights into ways of responding to the difficulty of integrating digital strategies in incumbent firms, functioning in digitally disrupted industries.\textsuperscript{19}

To answer these questions, the theoretical framework of “strategy-as-practice,”\textsuperscript{20,21} is used as a theoretical lens. This was chosen because it offers the opportunity to highlight the interactions between the context (praxis), the involved actors (practitioners), and their decision-making (practices) to illustrate and explain how digital transformation and strategies evolve over time. The concept has gained a strong position within both Information Systems research\textsuperscript{22} and organizational research\textsuperscript{23} by analyzing activities concerning how organizational members “do strategy.” An interpretative, longitudinal, multiple case study\textsuperscript{24} was conducted on two international hotel chains over a period of eight and five years respectively. The study makes a theoretical contribution by providing an understanding of the emergence and development of a digital transformation strategy and the implications on organizational structures and processes.

This paper is structured as follows: First, the study’s theoretical background is explained followed by the theoretical framework. Thereafter, the research method, the case selection, and the data collection and analysis process are described. This is followed by the findings. In the final section the discussion, conclusions, and limitations are presented.

2. Theoretical background

This section addresses previous research concerning disruptive digital innovation, digital transformation, and strategic responses in general and hospitality in particular.

2.1. Disruptive digital innovations and digital transformation

In an IT context, innovations are often distinguished in terms of being disruptive or non-disruptive. While non-disruptive IT does pose organizational challenges, the technology itself is not inherently alien. However, disruptive technology sweeps away the systems or habits it replaces, and users do not act predictably. It might have implications in the industry, the marketplace, and the workplace.\textsuperscript{7}

In the case of digital transformation, researchers suggest that digital transformation differs from earlier organizational changes in several ways. The technologies involved in the transformations such as big data and social media platforms differ substantially from the earlier IT.\textsuperscript{25,26} The difference between traditional IT and digital innovations is explained by Kallinikos et al.,\textsuperscript{27} by the fact that they are “generative, malleable and combinatorial,”\textsuperscript{27} which affects assumptions that their consequences for organizations might no longer be relevant.\textsuperscript{28} Also, recent research proposes\textsuperscript{28,29,30} that digital transformation in organizations redefines the value proposition, in contrast to IT-enabled transformation where the new IT supports existing value propositions.\textsuperscript{31}

2.2. Digital business strategies

The strategic responses to DDI often resulting in a digital transformation process are usually described as a digital business strategy or digital transformation strategies.\textsuperscript{1} Bharadwaj et al.,\textsuperscript{25} (p. 472) define a digital business strategy as an “organizational strategy formulated and executed by leveraging digital resources to create differential value.” Chanias et al.,\textsuperscript{4} (p. 18) emphasize that a digital strategy is one that encompasses a “fusion” view, in which both the IS and business strategy are equated. Hence, they emphasize that there is no longer a clear difference between business strategy and IS strategy. Furthermore, researchers have discussed that digital strategies are equally business-centric and technology-driven,\textsuperscript{19} and therefore differ from the understanding of the more traditional IS strategy. Furthermore, the responses to DDI often create changes in a firm’s internal activities, communications, internal and external relationships, and not least the business model.\textsuperscript{32} Recent research suggests that most “big old companies”\textsuperscript{33} still rely on their traditional products or services and found in their study that the case organizations found it easier to formulate a digital strategy than to implement it and turn it into practice. Sebastian et al.\textsuperscript{19} found two strategic responses to disruptive digital innovations. First, there is the digitized solutions strategy that aims to rephrase a firm’s value chain by integrating a combination of products, services, and data. Hence such a strategy focuses on better understanding varying customer demands in a disrupted market. The second strategy, the customer engagement strategy, seeks to anticipate – rather than respond to – customer needs. Vial\textsuperscript{1} argues that digital disruptions change value creation paths which can also lead to organizational changes to remain competitive. Digital technologies alone offer little organizational value,\textsuperscript{34} and it is the use in a specific context that empowers the organization to develop new ways of
creating value, e.g. by creating new ways of providing service. This process also involves a change in business models. To do so, recent research argues that structural changes are necessary. Furthermore, Vial found in his literature review that new consumer behavior and expectations are an effect of DDI. This relates to the fact that digital technologies have an intense impact on the behavior of consumers who have ubiquitous access to information and communication capabilities, for example by using social media or tablets, making them active participants in communicating with the organization.

2.3. Disruptive digital innovations in hospitality

Disruptive digital innovations in the hospitality industry have manifested themselves in several ways. When reviewing the research field, four main streams of disruptions can be found. First is disruption of guest behavior and expectations. Interestingly, not so long ago, hospitality had a large amount of information for guests, such as brochures. With the use of digital technologies, guests can manage their booking and information search on their smart devices. As a result, guest expectations are heavily disrupted and are today much broader and higher. Second, the hospitality industry has been heavily disrupted by new, digital competitions which have rearranged the competitive arena. For example, with the introduction of non-traditional actors such as Airbnb or Online Travel Agents (OTA) such as Booking.com, TripAdvisor and Expedia have created a complex digital hospitality ecosystem based on their digital platforms. This has resulted in a complex distribution environment. Third, digital innovations have disrupted data availability from the hotels, guests, and competitors such as third-party platforms. Fourth, when managing a traveler’s journey, the hotel staff in the hotel is accountable for taking care of the guest during the stay. However, with the introduction of e.g. OTAs, a traveler’s journey has become more complex. Today, the episode of staying at the hotel is just one stage in a “seven-stage customer journey consisting of Dream, Select, Book, Prepare, Stay, Share, and Come Back,”. Many of these steps are beyond the hotels’ control, e.g., due to the loss of data and relationships with the guests.

3. Theoretical framework: Strategy-as-Practice

The theoretical framework of strategy-as-practice offers three general parameters: 1) the practitioners who are the main strategizing actors; 2) the processes that guide their activities; and 3) the praxis which relates to the structure by which activities unfold in situ, including contextual characteristics (see Table 1). Hence, this theoretical framework sheds light on “the doing” of strategy, as “situated, socially accomplished activity created through the interactions of actors.” Recently, Burgelman et al. have emphasized a combinatorial view that considers processes and activities in the process of creating a digital business strategy as closely related. The concept of “strategy process” describes several events that explain how strategies are shaped and implemented over time. This is concerning “practice” that illustrates the ongoing strategizing activity (i.e., praxis), by the organizational actors involved in strategy making. By using the combinatorial view of Burgelman et al., we can study the interplay between the strategy and strategizing practices (see Table 1).

Recent research argue that strategy-as-practice can help IS strategy researchers gain a new understanding of how digital strategies emerge and develop. Arvidsson and Holmström emphasize that digital strategies often involve building a new IT capacity in incumbent firms. Huang et al. have shown the strategy-of-practice framework to be suitable for IS strategy research by directing attention toward the strategy site. By distinguishing the strategy site Huang et al. uncovered how the employees who perform and engage in strategy practices promoted a digitalization outcome by using IT resources as means for ambidexterity. They also discuss the digital strategy sites as the environment where “organizational practices and IT resources are bundled together as part of a strategy,” (p. 5) (see Table 1). In line with several calls made over the years concerning the challenges of digitalization transformation processes undertaken by organizations and its essential strategies, the strategy-as-practice lens in the IS domain proposes a perspective that moves attention from IT use and management from a techno-centric approach to a more holistic approach.

| Table 1. Key conceptual components of the strategy-as-practice literature. |
|---------------------------|---------------------------------------------------------------|
| **Key theoretical concepts** | **Meaning**                                                   |
| IS strategy practices     | Institutionalized routines and processes that drive strategic activities. |
| Strategy practitioners    | Individual actors who shape and actualize IS strategy.        |
| IS strategy praxis        | The actual activity of creating and enacting an IS strategy.   |
| Strategy site/Combinatory view | The social and relational space where IT-enabled practices are bundled together by activities practitioners by organizational members. |


4. Research methodology

4.1. Research setting and business context

This study focuses on hotel organizations that are challenged by disruptive digital innovations, as their traditional strategy does not line up with digitally enhanced physical components. Given access to rich data about two international hotel chains, an exploratory qualitative case study design was adopted. This was because it provides tools to understand a contemporary phenomenon in a real-life context and how and why the responses and digital transformation process emerged and unfolded as they did. Two large, international hotel chains were chosen because the sites offered an opportunity to investigate digital transformation and digital strategies in situ in an incumbent firm in a traditional sector surrounded by a complex digital ecosystem. Case 1, describes the digital transformation of 14 hotels within an international hotel chain with hotels all over the world between 2013–2021 and Case 2, similarly describes the digital transformation of seven hotels in a European hotel chain between 2017–2022. In terms of the research interests in the present paper, the responses to digital disruptive innovations from the two case studies are described. Hence, the focus is to describe the digital transformation and strategic responses over time, not to offer a complete account of either effectiveness or success. Rather, the purpose of the multiple case description is to describe variations in strategic responses to disruptive digital disruption and how to deal with digital strategies in practice.

4.2. Data collection

An interpretive case study approach is applied to observe and collect data. In Case 1, data collection took place over seven years (2013–2021), and in Case 2 over five years. (2017–2022). Multiple sources of data were used including interviews, observations (at the workplace and online), and written materials (see Table 2 for an overview of the amount of data). The multiple data sources created a triangulation of the collected data and hence developed a comprehensive understanding of the studied phenomenon and validity of the study as illustrated in Table 2.

In total, 112 interviews were conducted, including 57 follow-up interviews (see Table 2). In Case 1 the initial interviews were conducted during 2013–2014 and thereafter the follow-up interviews were conducted continuously during 2015–2021. In Case 2 the initial interviews were conducted during 2017–2018 and the follow-up interviews were conducted continuously during 2019–2022. All respondents are employees who work at different positions within the organizations, such as hotel manager, marketing manager, e-commerce manager, and innovation manager. Hence, the crucial characteristic of the sample of respondents was their role in the hotel organizations concerning strategy work (Tong et al., 2007). The interviews were conducted by the first author during 2013–2018 and were of that time part of an ongoing Ph.D. project. From 2018 and forward, the interviews were a part of a new research project managed by the first author. The ongoing process of responding to the digitalization of the hospitality industry constituted the focus of the initial interviews. The interviews lasted between 45–90 minutes and were recorded and transcribed verbatim. Initially, the interviews were guided by open-ended questions about the digital transformation of the hotels in general and proceeded to more tailored questions for each respondent concerning the use of specific digital technologies and the digital strategy. Additionally, workplace observations were conducted (see Table 2). The observations were carried out between 2013–2021 and focused on the work related to the digitalization of the hospitality industry. During the observations field notes were taken that were transcribed. Furthermore, online observations of work tasks related to digital platforms were also conducted to identify how the transformation emerged over time. Print screens over the app and of online reviews were taken in order to gain more understanding of how the digital technologies were connected and used.

Table 2. Overview of empirical data.

<table>
<thead>
<tr>
<th>Data sources</th>
<th>Purpose</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interviews</td>
<td>Obtain insight into the responses to disruptive digital transformation</td>
<td>• Case 1, a total of 65 interviews including 22 follow-up interviews.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Case 2, a total of 47 interviews, including 12 follow-up interviews.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• In total, 112 semi-structured interviews.</td>
</tr>
<tr>
<td>Written material</td>
<td>Gain insight into hotel chain policy, work practices and description of tasks.</td>
<td>Policy documents. Hotels’ own work flow charts of digital strategy.</td>
</tr>
<tr>
<td>Online observations</td>
<td>Follow changes over time through online observations.</td>
<td>Observations of activities in OTAs, digital platforms such as TripAdvisor and the hotel’s app and website.</td>
</tr>
<tr>
<td>Workplace observations</td>
<td>Obtain insight about work tasks, routines and processes related to digital transformation</td>
<td>70 hours of observation at individual hotels and hotel chains management head office.</td>
</tr>
</tbody>
</table>
4.3. Data analysis

The analysis was carried out through an iterative process where the authors moved back and forth between theoretical conceptions and the empirical material. In total, three major steps were conducted in the analytical process (see Table 3). The first step of the analysis was guided by an exploratory approach and was thus not initially guided by any theoretical lens. Instead, the authors focused on getting an overview of the large amount of data and creating a timeline, which is crucial in process research, as it is a prerequisite for becoming aware of why and how different events are structured and cause certain outcomes. In this step, the analysis was guided by an open coding process, which resulted in numerous empirical codes and also “descriptive surface structure coding” which is suitable to identify and categorize important events, decisions, activities, and announcements, and link these to certain periods. The coding process was continually conducted manually in a Microsoft Word document and the process ended up in 30 themes describing both digital disruption as well as strategic responses. Here, the interview data were linked to the workplace observations, written material, and online observations. Hence, the iterative analytical process was not linear. In the second phase, we moved between the strategy-as-practice theory and the data. This resulted in an increased understanding of the contextual conditions in which the strategy-in-practice emerged. This included summarizing, cutting down the themes, and comparing the data to uncover the strategy practices, practitioners, and praxis, the strategy site, and the combinatory view. At this stage, a total of eight responses were identified including disruptive digitalization, strategies, digital technologies used, value, organizational structures, and need for new knowledge. The third step involved evaluating the eight codes focused on selecting relevant episodes and quotes representing the digital transformation and strategy. In this step the codes were structured based on their similar meanings, resulting in the three categories that focused on the hotel organization’s responses. Here we also connected the theoretical concepts from the strategy-in-practice theory to illustrative quotes (see Table 4). This step also involved a detailed write-up of the two case studies, which were compared to avoid overlaps. This resulted in a final categorization of three overall responses that dominated and shaped the digital transformation process of the studied cases, presented in the next section.

5. Findings

We have identified three types of responses that the hotel industry provides to cope with digital disruption: 1) Relating to a new digital business environment; 2) Translating strategy to practices, and; 3) Renegotiating value (see Figure 1), which we elaborate on below (see Figure 2).

Table 3. Overview of analytical process.

<table>
<thead>
<tr>
<th>Steps</th>
<th>Tasks</th>
<th>Output</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Overview and open coding</td>
<td>• Create a timeline and identify crucial events&lt;br&gt;• Develop descriptive themes of the entire data material&lt;br&gt;• Removing similar and equal themes&lt;br&gt;• Link interview data with online and workplace observations</td>
<td>About 30 themes describing digital disruptions, strategies, and practices</td>
</tr>
<tr>
<td>(2) Iterative analytical process</td>
<td>• Moving between the data and increasing our knowledge&lt;br&gt;• Understanding of the strategy-in-practice theory&lt;br&gt;• Summarizing the themes and uncover strategy-practices&lt;br&gt;through key theoretical concepts: practices, practitioners and praxis (Whittington, 2000), the strategy site (Huang et al., 2014) and the combinatory view (Burgelman, 2018).</td>
<td>8 codes (digital disruptions, value creation, structure, organizing, strategy vs. practice, digital technologies, infrastructure, and knowledge)</td>
</tr>
<tr>
<td>(3) Creating response categories</td>
<td>• Evaluating the eight codes and summarizing them into strategic responses.&lt;br&gt;• Connect codes and responses to illustrative quotes&lt;br&gt;• Detailed write-up about Case 1 and Case 2</td>
<td>Contextualize the understanding of the strategic responses</td>
</tr>
</tbody>
</table>

Table 4. Theoretical concepts and illustrative quotes.

<table>
<thead>
<tr>
<th>Key theoretical concepts</th>
<th>Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>IS strategy practices</td>
<td>Institutionalized routines and processes that drive strategic activities (Jarzabkowski &amp; Whittington, 2008; Huang et al., 2014)</td>
</tr>
<tr>
<td>Strategy practitioners</td>
<td>Individual actors who shape and actualize IS strategy (Jarzabkowski &amp; Whittington, 2008; Huang et al., 2014).</td>
</tr>
<tr>
<td>IS strategy praxis</td>
<td>The actual activity of creating and enacting an IS strategy. (Huang et al., 2014)</td>
</tr>
<tr>
<td>Strategy site</td>
<td>The social and relational space where IT-enabled practices are bundled together by activities practitioners by organizational members (Huang et al., 2014, p. 12)</td>
</tr>
</tbody>
</table>
5.1. **Response 1: Relating to a new digital business environment**

The two case organizations both have head offices from which strategic decisions are made and thereafter distributed to the local hotel organizations. The data illustrates that the hotel industry is “very conservative,” “extremely slow” and “love routines and traditions” particularly in terms of technology adoption and use. One of the sales managers in Case 1 describes a conservative and traditional industry: “We are a hotel chain that historically has been very restrictive when it comes to the use of other communication platforms outside of our control, especially with social media. This has made us fall behind and now we are struggling to get into the game.” The narratives illustrate that the digital transformation is driven, not from inside the hotel organizations, but as a response to

---

**Figure 1.** Illustration of the responses to digital disruptions.

**Figure 2.** Summary of findings.
the changing business environment and its intensified digitalization. For example, data from both cases illustrate that the hotels’ business practices have been drastically changed due to the emergence of digital enterprises such as Airbnb, and the increasing influence of Online Travel Agencies (OTAs) but also the widespread use of social media and digital platforms among guests. One of the managers in Case 2 says: “They have changed the entire industry and it’s not on equal terms. We pay them a huge percentage of each room we sell and it is just not fair.” Given the changes in guest behavior and the new competitors, both case organizations describe that they have been forced to create strategic responses to stay competitive in the hospitality industry. That is, the hotels are forced to respond to the digital disruption and the digital transformation is not driven by an effort to make things more effective or better. The respondents’ narratives as well as the online observations and the workplace observations reveals that Case 2 has been more aggressive in their strategic responses to the new digital business environment. One way of doing this is has been to create a “price war” e.g. by promising the guest that they always give the lowest prices on their website. This response is all about creating long-lasting relationships with customers, or “focusing on the second booking,” as one of the managers in Case 2 explains.

5.2. Response 2 – Translating strategy to practices

The narratives reveal that both cases can be viewed as a quite hierarchical organization where decisions and strategies move from the top down to the local hotels. That is, strategic decisions are implemented in the local hotels, and employees (practitioners) are both interpreting and executing them in their daily practices. The two hotel chains needed to respond both to new ways of outward-facing communication with stakeholders and booking systems. But how stakeholders such as guests communicate with them has also been disrupted due to digital innovations. Over time, the narratives reveal that in both cases organizational routines were heavily disrupted by the steadily increasing number of external platforms such as social media platforms like Facebook and Instagram, or online review platforms. The respondents in both Case 1 and Case 2 describe that they have had a somewhat naive mind-set to these new digital channels. Case 1 had a digital strategy that was quite restrictive and focused on managing third-party platforms rather than developing new digital tools. One of the social media managers (Case 1) describes the development over the years by saying: “When we started to use social media channels and answer reviews on TripAdvisor we implemented a social media manager in Europe to be responsible for the entire European market. Can you imagine? That is an enormous amount of work! Today we have social media offices in three European countries with several social media managers in each country, it is huge.” This resulted in the hotels concluding that they needed to re-organize their digital interactions to manage the communication and interaction coming from “outside,” which are mainly digital platforms. Hence, Case 1 focused more on centralizing their digital interactions. The disruptiveness of third-party platforms led to the creation of new organizational departments, e.g., e-business and innovation offices in Europe where the focus was to develop a strategy to transform the old business strategy of booking to a new, digital one. The data illustrates that the cases had different approaches concerning how to organize for a digital strategy that embraced both the external and internal interactions. Interestingly, the re-organization and strategy concerning the digital presence that was done in both cases created a distance between the guests and the individual hotel employees. That is, the interactions do not always take place at the hotel the questions or complaints are related to and are managed by employees located in places other than the actual hotel. This also sheds light on how the theoretical strategic work created the need for new knowledge and skills as it was practiced at the local hotels. Case 2 went further in its strategy to organize a digital presence. Their approach toward third-party platforms is described by the managers as “frustrating” and “provoking.” A first step in the digital strategy was to start an affiliate company focusing on digital innovation and strategy. By doing so, they could control their own IT applications such as their app, but also combine their digital artifacts with their digital strategy. The company app is one example of this. Hence, digital technologies and innovation became the center of the digital business strategy. By developing the app internally, they made the app the spine of their digital strategy and as illustrated by one of the managers: “the cornerstone in our vision to create the best digital journey for our guests.” The core of this strategy was to combine digital presence but also to gather information about the guest. The app hence provided the hotel chain (Case 2) with valuable information about hotel guests’ behaviors and preferences, for example, how their guests used their app. By interacting with guests through the app, the hotel chain could communicate directly with “second stay guests,” offering the lowest price on their hotel
rooms. This new way of interacting with guests digitally called for a connection between the hotel website and the app and hence a new internal digital platform was developed and implemented in-house, creating a new digital infrastructure.

The transition toward organizing the digital strategy was described as an extremely challenging task as it involved both strategic renewals e.g., in the form of business model development, as well as organizational rearrangements, e.g., innovation offices and digital headquarters with responsibilities for digital innovation and digital interactions. Respondents in both cases discuss that the new departments and the separation of “technology” from the rest of the organizations created gaps between departments and functions, e.g., the individual hotels and headquarters. One of the hotel managers in Case 2 said in 2019: “It feels like they are up there, and we have no idea what they are doing. Sometimes we get an email about something new that is going to be implemented but that is it.” The resistance and gaps between the headquarters and the individual hotels and their employees were discussed by many respondents in both cases. They illustrate tensions between the theoretical strategy and the actual “doing” or performance of the strategy. The narratives describe obvious paradoxes related to the effort to create a fusion of technology and the “traditional” incumbent hotel organization. The need for a complex digital and analogue organization demanded new departments (Case 1) and even a new affiliate corporation (Case 2), to create and sustain a digital strategy.

5.3. Response 3: Renegotiating value

As stated earlier, a main concern for the hotel industry, which is also illustrated in Case 1, Case 2, and the independent hotels, is that disruptive digital innovations such as third-party platforms have rearranged the guests’ behavior and hence also disrupted what is interpreted by the guest as value. That is, it is extremely easy for the hotel guest to access information about hotels on OTAs or online review platforms, compare prices and location and book a room online, without having any interaction with the hotel itself. One of the innovation managers (Case 2) explains: “When a guest books a hotel at TripAdvisor, we get an email. That’s it. We don’t know if the guest has stayed at our hotels thirty times or if it’s the first time.[…] So if anything goes wrong with this booking on TripAdvisor, we can’t manage it, because we do not own the booking. Try to explain this to the guest. They are convinced that they have made the booking with us, the hotel, not some platform on the other side of the world.” However, to respond to these new behaviors, the data illustrated that the hotels were forced to both reframe and renegotiate what they interpreted as value. The narratives illustrate that the hotels interpret good service and value creation as closely related to physical service encounters and human-to-human interactions. One manager says: "We love a high human touch on everything we do." The narratives illustrate that the hotel guests’ digital mind-set is far ahead of the hotels and hence the hotels have struggled to keep up with and understand what the guests value. As a response to these disruptive changes, both cases have created loyalty programs for their customers, and developed apps where the guests can book, cancel, and interact with the hotel. This was a strategic choice to create value for the guests, but also an effort to collect strategic information about guests and to create a relationship with the guests. Both cases illustrate that the amount of interaction is so hard to grasp that both hotel chains have implemented digital technologies in the form of apps to manage interactions. For example, the employees get notifications whenever the hotel gets a new review or a question, e.g. on Facebook. Hence, new organizational structures have emerged, to manage digital service encounters and interactions. Interestingly, this has created the need for new competencies among the employees. One of the social media managers in Case 2 says: "It’s like it’s two completely different things to answer a guest that is in front of you and one that is on Facebook. I can wake up a receptionist at night and she or he will know what to answer when they have the customer in front of them, but if I ask them to answer a complaint on Facebook they get insecure, and don’t know what or how to write." In both cases, the adaption to the new digital strategy also illustrates the need for a new mind-set with new skills and competencies among employees and managers. It also illustrates that the workplace of hotels is changing from focus on the actual stay and the physical presence of employees e.g., at the front desk, to a large focus on the presence on digital platforms as the hotel guest journey (from booking to check-out) has been rearranged and become more digital.

6. Discussion

The present study has focused on the overall process of creating strategic responses to survive, as an incumbent firm, in a market disrupted by digital innovations, but also on the organizational activities and practices related to these strategic responses. By building on theoretical concepts from DDI literature, digital transformation strategy literature, and the strategy-as-practice framework, the study makes theoretical contributions to the literature on digital transformation and
strategy in incumbent firms. More specifically, the
study takes the analytical stance of “combinatory view,” which gives an opportunity to consider both
processes and activities in the process of creating a
digital business strategy as closely related and also
contributes to theory as it contribute to a more holistic
understanding of digital strategies in incumbent firms.
The present study illustrates how the strategic site, hotel
organizations, has been disrupted by digital innova-
tions such as new competitors and new ways of com-
municating and interacting with guests. Hence, the
results confirm earlier studies of digital disruptive inno-
vations in the hospitality industry.

Furthermore, the study reveals how the two case orga-
nizations developed two quite different strategies and how
their strategic praxis evolved over time. Case 1 had
a more responsive approach and used what Sebastian
et al. (2017) define as a digitized solutions strategy.
Hence Case 1 focused on responding to the changes in
the market and changed customer demands. This also had
effects on their strategy praxis, which also became more
responsive. In contrast, Case 2 had a more offensive,
or one may argue aggressive, approach and wanted to take
control over the market and its digitalization by enhan-
cing their own innovation (see Figure 1) Hence Case 2
focused on anticipating rather than responding to cus-
tomer needs. Furthermore, the degree of “fusion view”
and combinatory view differed between the two cases.

Case 2 put more emphasis on creating a fusion between
their traditional business strategy and their digital
strategy. In practice, this meant that the organizational
structure, as well as work practices, were rearranged. In
contrast, Case 1 had a more cautious approach, and
their business transformation was also slowed down by
the fact that they are a world-wide organization and
they did not fully take the step to rearrange their organi-
zational strategy praxis in order to enhance their digital
transformation process. Instead, traditional IT depart-
ments were still a part of the organization and “new”
departments such as “E-commerce” departments were
put on top of the traditional organizational structure. As
a result, there was little intertwine between the strat-
 egy practitioners and the strategy site, resulting in
different interpretations of how to strategize in practice.
In both cases, massive efforts were put into winning back
the guest relationship and hence being able to create
value. To do so, both cases needed to renegotiate their
definition of value and expand their view on where the
actual encounter and value was created. That is, as the site
shifted, the practitioners at the hotels as well as the
strategists on a management level needed to reconsider
some of their existing assumptions and norms of practice,
such as where the guest values interactions and when.

Interestingly, in both cases there were paradoxes
and resistance toward the digital transformation
among the practitioners. In this case, represented
by the employees at the individual hotels. These
employees are the main strategizing actors and hence
they are in the practice of creating a digital strategy.
That is, they are crucial in the digital transformation
in situ. Their resistance toward the digital
transformation was mainly concerned with the con-
textual characteristics, which is the physical presence
and interaction in the traditional service encounters
that in many ways identify the hospitality industry.
This also explains why the strategic responses to digi-
tal disruptions unfolded in unwanted ways, or not as
fast as the hotel management in both cases was hoping
for. One reason for this is the praxis in which the
digital strategy was supposed to rely heavily on tradi-
tional organizational routines and processes that were
difficult to change. Furthermore, in both cases, man-
agement relied heavily on the changes in the context
in which they operate, which had implications for
their digital strategy. In both cases, the data illustrates
a need for extreme flexibility, learning and fast adap-
tation in order to grasp and understand the changes in
digital innovations and their effects on the industry.
This can be understood through the concept of a
combinatory view, which involves understanding
and using old strategies to create new ones (see
Figure 2). At an operative level at the individual hotels
as well as at headquarters, there is a need for ongoing
interplay between the digital strategy and the physical
or traditional strategy to strengthen the overall strat-
y and survive. In both cases, the digital business
model and IS strategy involved an attempt to create an
alignment between the existing business strategy and
the digital one. This new way of organizing shed light
on the fact that the hotels (in both cases) have oper-
ated as isolated Islands, for example often buying IT
services. The disrupted industry called for a re-
formation of the IT infrastructure not least when it
comes to being able to create value for the guests, who
have become used to quickly finding information,
booking, comparing, and gaining value through inter-
action. Interestingly, overlooking the importance of the
digital infrastructure is one of the most common
reasons why digital strategies fail. Both cases illus-
strate that strategic responses call for new competencies
in digital technology, data analysis and human-centric
design as suggested by Vial. This leads to the the role
of humans in the digital transformation process. As
argued by Kane, digital transformation is not just
about technology, but about people. This involves, for
example, renegotiating value, creating a digital culture
at the individual, team, and organizational level which is discussed as included in strategy practices in earlier research.\textsuperscript{21,41} Evidently, a new set of skills was also required, for example, data analysts that could analyze the massive amount of big data that is collected daily through digital platforms, but also a new mind-set among the managers, both in the head offices and at the hotels. That is, understanding big data analysis, but also new expectations and values among the guests, deriving from digitalization.\textsuperscript{19} Hence, the role of the strategic practitioners\textsuperscript{21} has become vital in the incumbent firm, as value creation has transcended to a digital arena. Interestingly, there is evidently a gap between the strategic practitioner’s knowledge of the existing routines and processes at the physical hotels, which creates difficulties in conducting digital strategies in practice. This confirms earlier research on the development of digital business strategies where incumbent firms have found it easier to formulate a strategy than to actually use it in situ in their daily practices.\textsuperscript{19}

7. Conclusion

Like many other incumbent firms, the hotel industry has faced heavy disruptive digitalization that has changed the industry due to new customer demands and expectations, new actors, and new digital platforms. To survive these disruptions, hotel organizations have responded in different ways. The present study has identified three overall organizational responses: 1) relating to a new digital business environment; 2) translating strategy to practice and, 3) renegotiating value. This finding illustrates that incumbent firms cannot depend solely on a digital business strategy but must find ways to intertwine the old, physical one with the new, digital one.

7.1. Implications to practice

The research contribution is of interest for managers and (hotel) organizers striving to implement and advance digital business strategies in incumbent firms. As it sheds light on the fact that new knowledge and skills might be necessary both to create strategies as well as practice them, this can be useful to both management and employees. The empirical illustration of the responses to digital disruption and the emergence and development of a digital strategy can serve as a reference for other industries and managers in strategizing and structuring their operations in the face of a stream of disruptions in other industries.

7.2. Limitations and future directions

The present study has limitations that should be noted, and that can serve as future research. First, the empirical context is limited to two cases in one industry and hence information system researchers are encouraged to direct research into this area and make their contribution toward other industries. Second, the present study has focused on contributing by illustrating the rich data of a digital transformation process. Third, the study have not taken the perspective of the COVID-19 pandemic into consideration as we have chosen to focus on DDI. Future studies should also focus on developing appropriate theoretical models to analyze digital transformation processes and use theoretical lenses from other disciplines.

Disclosure statement

No potential conflict of interest was reported by the author(s).

ORCID

Sara Willermark (\textsuperscript{b} http://orcid.org/0000-0003-1390-8379

References


