

# 国有饭店产业重组与集团化管理

Industrial Reorganization & Group  
Management of State-Owned Hotels 英文

戴斌 著



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# Chapter 1 Introduction

## Section I Background and Significance of the Research

### I. Principal Concepts

#### 1. Hotel

The basic meaning of a hotel is a facility which provides accommodations for tour groups and travelers. This meaning, through different time periods, in various geographical locations, and because of different internal functions and management, led to a variety of names for “hotel”. In Chinese history, there were “inns”, “relay stations”, “official buildings”, “guest houses”, “hotels”, “taverns”, “feudal lord halls”, “everywhere buildings”, “welcome guest houses”, etc.<sup>①</sup> In the national standard (GB/T14308-2003), the concept “traveling hotel” is defined this way: “According to different customs, it could be called a hotel, motel, guesthouse, resort, club, building, center, etc.”<sup>②</sup> Even in English speaking countries, in addition to the general word “hotel”, there are inns, taverns, guest houses, resorts, motels, youth hostels, tourist hotels, and airport hotels, etc. A hotel in the modern sense is a corporation which provides a lodging facility, and services such as dining, entertainment and business affairs for the consumers (mainly tourists) in one or several connected buildings.<sup>③</sup> In this book, “hotel” refers to a broad concept which includes commercial travel accommodations, state-owned hotels without commercial goals, large-scale reception organizations like Diaoyutai, and motels and guest houses. According to

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① 王人兴:《中国旅游史话》,北京:中国旅游出版社,1984:130~140

② 中华人民共和国国家标准《旅行社饭店星级的划分与评定 (GB/T14308-2003)》。北京:中国标准出版社,2003

③ 戴斌:《现代饭店集团研究》。北京:中国致公出版社,1989:7

statistics from the National Tourism Administration, by the end of 2002 China had 287, 500 accommodations and tour reception organizations, including 8880 star-rated hotels. ①

## 2. State-Owned Hotel

The reference to the state-owned hotel is mainly from the perspective of property rights. In this sense, either a commercial institution handling the tourism market or a reception organization for the government, any facility owned by the country is called a state-owned hotel. In order to clearly delineate this, we will call hotels with state-owned assets on holding status (including direct and indirect holding) “state-owned hotels”, while hotels with shareholding status will be excluded from discussion as they are in the domain of private capital hotels. In this book, the term state-owned hotels refers specifically to corporations whose investors are national and regional governments and which are operated in the form of sole proprietorship or holding (including relative holdings).

## 3. Hotel Group

Foreign scholars usually refer to “hotel chain” or “hotel company” to distinguish a “hotel group” from an independent hotel. In this book, “hotel group” refers to interrelated corporate groups whose core is hotel corporation, whose principal component is the hotel product and whose activities are restricted by systems such as property transactions, integration of capital, management model output, manager dispatch, marketing network, etc.

## 4. Industry Reorganization

Industry reorganization can also be called corporation reorganization and be explained by transaction cost theory (Coase, 1995), property theory, also known as residual right theory (Sandford J Grossman and Oliver D. Hart, 1986), management center theory (Michael Di Cookie, 1999), and competitive advantage theory (M. Porter), etc. The term “state-owned hotel industry reorganization” specifically refers to, without changing the state-owned nature of the hotel assets, reorganization and restructuring of hotels belonging to state government departments in charge of hotel assets for commercial aims such as strengthening state-owned hotel market competitiveness, increasing the value of state assets, etc. Theoretically speaking, the extent of state-owned hotel reorganization is smaller than state-owned hotel transition and

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① 国家标准《旅游饭店星级的划分及评定》3.1.3 款之定义。

transformation. The former is limited to investment and strategic management problems, such as goals, components, methods of reorganization, headquarters management models and group development strategies, etc. The latter is related to the possibility of changing the nature of state-owned hotel assets and operations of independent state-owned hotels in the micro-environment.

## **II . Background and Practical Significance**

For a long time, hotels in China played a supporting role. In the early days of the PRC there were hotels for administrative and business reception, internal staff training, convalescence, and with the development of the tourism market, for accommodations and dining for tourists. In the eyes of investors and the public, they seemed like indispensable but unappealing groups of agencies. After the mid-1990s, especially since 2003, the situation has changed. Whether operators of state-owned assets or owners of foreign and private capital, whether traditional tourism companies or enterprises in civil aviation, railways, energy, or the food industry, these groups all embraced hotels and developed important strategic plans for promoting the Chinese hotel industry as a whole to gradually transform from supporting institutions to an operational industry cluster. During this period, state-owned hotel industry reorganization and grouping development has played a crucial role.

In the year 2004 on April 17th, the most influential administrative merger was that of the Beijing Tourism Group, Xin Yansha Holding (Group) Co. , Ltd. with Quanjude Ltd. , which had been operated by the Beijing National Capital Committee. This merger increased the assets and the business volume of the Beijing tourism group to 15 billion and 10 billion RMB respectively, and brought a new opportunity for the integration of assets of the state-owned hotels under the Beijing tourism group. In November, the vice-director of the National Tourism Administration, Zhang Rungang, was appointed vice-president of the Beijing Tourism Group, as well as the president of Jianguo Hotel Management Corporation which includes hotel chains like Jianguo International, Kay Hotels, Hualong, Shindom Hotels, etc. This event showed that hotels in Beijing were seeking to be more closely integrated under the guidance of a unified strategic plan. Meanwhile, the Beijing Tourism Group increased investments to “Ru Jia”, a promising budget hotel chain in relative holdings and aspired to acquire other budget hotels, showing its confidence in this new industry and its desire to expand influence in the



hotel industry through budget hotels. Since 2003, along with Xinya, Jin Jiang focused more attention on the hotel industry as its major business. In the year 2004, the Jin Jiang International Hotel Management Corporation had more than 130 hotels scattered in over 20 provinces and cities, and the total number of its rooms was the third largest in the Asian hotel industry. Led by the Guangzhou provincial government, more than 20 hotels including the Huayuan Hotel and the China Grand Hotel were combined to form the Ling Nan International Corporation Group on March 29th, 2005. This showed that the industry reorganization and re-grouping of state-owned hotels in southern China should not be overlooked in the structural changes in the Chinese hotel industry. This influence was amplified by the addition of other groups: the Yuehai Hotel Group of Guangdong province, Shanxi Tourism Ltd. of Shanxi province, the Tianjin Tourism Group of Tianjin, the Huangshan Tourism Group of Huangshan city, the Jinling Hotel Group of Jiangsu province, Huatian International of Hunan province and the Henan Tourism Group of Henan province; the era of hotel industry centralization initiated by regional governments had arrived.

Reorganization practices regarding hotel assets belonging to large enterprise groups of the central government, were accomplished according to the request “separate the major from the minor, and strengthen the major” from the State Council National Capital Committee. Corporations supervised by the SCNCC integrated the scattered hotel assets in succession. The China Aviation Group founded the Tourism Business Ltd., the Dongfang Aviation Group founded their own hotel group, the Daqing Petroleum Administration Bureau established the Daqing Petroleum Development Group, and central corporations with tourism as their major business, such as Hong Kong China Travel International Ltd., the China Travel Service Group, and the Huaqiao City Group, highlighted their leading status in the hotel industry by combining assets and forming special companies. In addition, central corporations like COFCO, China Poly Group Corporation, and the Hua Run Group reorganized their own hotel assets in an effort to make the hotel business their major focus, seeking greater development, more independent operation and wider impact in the tourism market.

Regardless of how we judge the intentions and goals of the state-owned hotel industry reorganization and group operation, it is evident that there are more and more government state-owned hotel groups leading reorganization in the industry. Not only is this a fact, but it has practical significance for the China hotel industry framework and the tourism market. We can agree or disagree with it, but we cannot ignore it. Therefore

we must discover patterns and common laws from state-owned hotel reorganization practices, summarize the experiences, mistakes and lessons occurring during the development and reorganization of state-owned hotels, grasp the overall background of state-owned hotel reform and development, predict trends of the tourism market and hotel industry, and provide a guide for this process. These are the challenges facing the Chinese hotel industry development, and comprise the practical setting for this book. Consequently, this book employs applied research with a clear orientation towards current reality.

### III. Theoretical Background and Academic Significance

In the process of Chinese economic and social restructuring, why are there so many case-studies about government-led state-owned hotel reorganization? If our investigation only remains in the stage of collecting cases, without deep and systematic assessment, the study of Chinese hotel management will lose its opportunity to develop with the hotel industry.

In fact, the transformation from a planned economy to a market economy is directed by the central and regional governments. In a planned economy, no matter how bad the economic situation is or how loud the appeals for reform are, it cannot transform to a market economy as long as the government objects. The character of the economy being restructured decides its macroeconomic control measures differently from countries with a market economy. Because corporations were not independent legal entities with decision-making power, the effects of the market in resource allocation were limited, the government (still having ultimate control over the planned economy) had considerable power, and the common control measures in a market economy, like fiscal policy and monetary policy, played a very limited role. In other words, the restructured economy lacked the prerequisite of being regulated by usual economic measures. In addition, decision makers in the government were trained under the planned economy and lacked the ability to choose and implement fiscal and monetary policy. Because the market economy is imperfect and the effect of economic measures is limited, the need for a stable economy demanded political measures, there was no alternative choice. <sup>①</sup>

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① 梁小民:《转型经济中的宏观调控》,载《21 世纪经济报道》,2005 年 2 月 24 日,第 3 版。

State-owned hotels formed hotel groups by reorganizing in an enterprise market-oriented process, which demonstrated a balanced choice of progress and withdrawal by the government during the transition period. For example, the state-owned hotel enterprise reform showed a kind of progress. At the same time, state-owned assets (as the holding party of hotel groups) showed a kind of withdrawal, a natural selection in the process of socialist market economy establishment and completion, and a result of a specific historical stage. From a positive perspective, state-owned hotels are the formation by the main micro-operators of the tourist accommodation industry, and the development base for national brands in the process of economic globalization. From a negative perspective, if the state-owned hotel reorganization remains only in the stage of “similar items merger”, and does not accomplish genuine modern enterprise operation, it will be a barrier to the development of civilian operators.

We have noticed that, during the process of state-owned hotel reorganization, regional governments played a stronger role than the central government and usually served as direct promoters and managers. This is the result of “decentralization and interest transfer” reform strategy and adoption of a fiscal system of delineating income and expenditure, which gave the regional government internal motivation to reorganize regional state-owned hotels and develop hotel groups for maximum economic benefits. Now regional governments within the existing system have developed relatively independent budgets and strengthened control functions in the regional economy.<sup>①</sup> The unbalanced development strategy of the Chinese economic system reform intensified competition in different locations and state-owned hotels/tourism groups usually took the opportunity to make the central city in their region stronger and more influential in the industry. This is why hotel corporations belonging to regional governments established more and more hotel groups through the intervention of executive power. Reforms in the management grading system of state-owned assets and in the establishment and operation of local state assets provided support and supervision to local state-owned hotel reorganization.

The purpose for the study of state-owned hotel reorganization is not only to describe the current situation and give instruction for industry practice, but also to foster innovation in theory of Chinese hotel management. By systematically studying cases of state-owned hotel reorganization, we can assuredly inaugurate a new era in hotel

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① 项怀诚:《中国财政体制改革》,中国财政经济出版社,1994。

management study and provide new paradigms for graduate education in tourism management.

## **Section II Literature Review**

In related research abroad and at home, there are few articles about this subject. Developed countries represented by Europe and the United States have mature market-economy systems. The hotel business in these countries is a competitive industry which was invested in and operated by the private sector, without the problems of adjusting state-owned hotel assets. Socialist countries represented by the Soviet Union and Eastern Europe once held many state-owned hotels, but these hotels have generally been privatizing in the process of social transformation. Therefore on an international scope, only socialist countries and countries undergoing economic restructuring have a need for academic research and theoretical innovation in this field. Regarding research results in China, major state-owned hotel reorganization happened after the 16th CPC National Congress, therefore theoretical research results have not yet been included in the mainstream of academics. Thus, this section basically provides commentary on corresponding literature about “state-owned hotels”, “assets reorganization” and “hotel group”.

### **I . Review of Relevant Studies from Abroad**

#### **1. The International Hotel Industry Market Structure and Its Strategic Adjustment**

The study of hotel industry reorganization by the international academic community has concentrated on analysis of the hotel industry by the related theory of industry economy to determine the history and current status of that reorganization. A study by C. P. Cooper and A. Lockwood (1994) showed that in the high-end hotel market, the North American market was controlled by hotel chains and the European market was dominated by independent hotels. Asia-Pacific, Africa and the Middle East region were similar to Europe; international hotel brands were common. At the lower end of the hotel market, hotel chains in North America and Europe were in the majority.

**Table 1-1 The Market Structure of International High-End Hotels  
in Mid-1990s**

area	proportion of hotel chains in total hotel enterprises			proportion of independent hotels within all hotel enterprises
	international brands	domestic brands	summation	
North America	8%	77%	85%	15%
Europe	11%	19%	30%	70%
Asia-Pacific	20%	14%	34%	66%
Africa and Middle East	36%	11%	47%	53%

Source: C. P. Cooper, A. Lockwood. *Progress in Tourism Recreation and Hospitality Management*. John Wiley & Sons, New York. Volume (6), 1994; pp. 283-295.

Larry Yu (1999) focused his study on international hotel industry restructuring and the motivation of hotel group development. He theorized that the process of many hotels pursuing limited capital would consequently result in hotel owners reorganizing assets for more effective management of those assets. Various kinds of hotel groups are the inevitable result of the reorganization.

A. Lockwood and S. Medlik (2001) studied the strategic direction of the hotel industry in Asia-Pacific after the Asian financial crisis. The Asian financial crisis showed us that small businesses suffered the most. What we learned from the crisis was “Do not act alone”, that is, operate various types of enterprise alliances and groups. By comparison, Ricardo Roberts (2003) considered that after the large-scale mergers and acquisitions in the 1990s, the hotel industry in America underwent a fundamental restructuring. These years, because of the economic downturn and the impact of terrorist activities, the hotel industry has slowed down its speed of integration.

## 2. Restructuring of State-Owned Hotels and Group Operations

Peter Wilson (1994) reviewed cases of the privatization of the state-owned hotel in Venezuela. The government in Venezuela pushed two state-owned hotel privatization reforms; the first one sold 14 governmental hotels as a whole, without obvious effect. The second reform sold the hotels separately with Venezuela investment funds as its backing. The reform faced objection from the tourism association which thought those profitable state-owned hotels should be controlled by the public.

Estrin (1994) studied the relevant cases of state-owned hotel restructuring and

reorganization during the transition process from a planned economy to market economy in Eastern Europe. Privatization in Eastern Europe allowed powerful capitalists to build their hotel groups very quickly. <sup>①</sup>Allan William and Vladimir Balaz noted in their paper that there was another form of state-owned hotel reorganization whose nature is a public company somewhere between traditional state-owned enterprises and private enterprises. The Czech Republic and Slovakia dispensed state-owned assets mainly by transferring central governmental assets to regional government departments. Today tourism enterprises in the Czech Republic and Slovakia are basically controlled by the national trade and tourism ministry, trade union organizations, large state-owned enterprises and other government organizations. The reform of those enterprises included two stages: one was a small-scale privatization stage with auction as its main form; the other was a large-scale privatization stage which transformed state-owned enterprises to joint-stock companies. The latter stage was pushed mainly by government, banks and industry institutions. They used their leverage to obtain holdings with less funds. For example, after the reform of 11 large-scale state-owned hotels in the Czech Republic, banks and large-scale private funds became major shareholders using the bank capital to accelerate the renovation of hotels and the development of hotel groups.

## II . Review of Relevant Domestic Studies

### 1. Restructuring of State-owned Enterprises and Development of the Hotel Groups

The degree of permanence within enterprise groups relies mainly on the determination of group members, existing conditions of management, current levels of enterprise groups, the degree of market competition, etc. Many enterprises uniting without the attraction of profit will not last long (Wang Tie, 1997). In the period of development of state-owned enterprise groups, there were some mistaken concepts: the first was administrative intervention, the second was blind expansion and the third was enterprise groups being regarded as the same as integrated large companies (Chen Yuanhua, 2002).

Many domestic papers discuss enterprise reorganization. Jiang Lin (1998) considered enterprise reorganization as property right reorganization, including

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<sup>①</sup> State-owned enterprises privatization has two forms: One is distributive privatization, which is redistribution of existing assets; the other is created privatization, which is creating new private assets.

separation and combination of property rights, changes of ownership, and adjustment of the structure of property rights. Property rights should include multiple owners. Enterprises should be multi-beneficiary, and these beneficiaries should be independent in property rights. Xu Huilan (1998) considered enterprise reorganization and assets reorganization as two different concepts. Enterprise reorganization should combine and promote the reorganization of assets, organizations and business, restructuring as a whole. Among the reorganizations of the various essential elements of production, the reorganization of assets is the core which provides the economic conditions and material basis for recombination of other production elements. As a complement, other reorganizations in the enterprise boost the effective operation of the assets and create a good internal environment to preserve and increase the value of assets. Regarding internal constraints and key elements of state-owned enterprises reorganization, existing research results tend to be in agreement (Zheng Yuhua, 1998; Zhu Fangming, Zhong Wu, 1998). Constraints include excessive debt, redundant staff, heavy social burden, etc. The kinds of internal reorganization include split, integration, and restructuring; exterior reorganization includes acquisition, merger, consolidation, sale, leasing, trust, and asset replacement, etc.

## 2. The Development Process of Chinese Hotel Groups

The study and practice of Chinese hotel groups began in the mid-1980s, and became a focus of interest for scholars and entrepreneurs in the mid-1990s (Dai Bin, 1998, 1999, 2001, 2003; Chen Qiuping, Zheng Xiangmin, 2002; Gao Tianming, 2004; Zhang Rungang, 2004). The universal point of view is: the direction, speed and form of development for overseas hotel groups depend on the market demand, while those of domestic hotel groups depend on executive order. Dai Bin (2004) believed that because of the drive of policies, in 2003 the Chinese hotel industry was offered a clearly extraordinary new opportunity for industry reorganization and collectivization. Specific features that emerged were: non-traditional travel groups (especially aviation systems) occupied an absolutely dominant position; merger of local governments for building a framework to gain a regional competitive advantage; integration of capital market with emerging industry; and also high-level integration and interaction between governmental and civilian development concepts. Qin Yu (2003) believed that lagging research on basic theories and inadequate theoretical innovation seriously affected standardized operation of Chinese hotel groups.

Many other scholars recognized obstacles for hotel enterprise groups in China.

These included unclear property rights (Zhang Xiaoming, 1999), underdeveloped capital markets (Zou Tongqian, 1999; Chen Qiuping, Zheng Xiangmin, 2002), market barriers coming from existing enterprises (Dai Bin, 2003; Chen Zhixiong, 2003), local protectionism (Zou Tongqian, 1999; Chen Qiuping, Zheng Xiangmin, 2002), undeveloped brand names, experience and human resources (Zhang Rungang, 2004), etc.

### 3. Development Model and Course of Chinese Hotel Group Formation

On the subject of the model and course of Chinese hotel group development, scholars discussed driving force, integration, membership composition, assets relationship and operation model, etc.

Most scholars agree with the intervention of administrative power in the restructuring of state-owned hotel industries and hotel group development. For example, industries that lead in number of hotels establish large-scale hotel groups, which are later recombined by market competition (Chen Qiuping, Zheng Xiangmin, 2002). As China's political system reform continues to deepen, national hotel groups will be established by administrative measures according to actual management authority of state-owned assets (Zhang Hui, 2004). Leading enterprise groups in the hotel industry will be constructed with state-owned assets, following the principle: "administration promotion, market development, large group dominance, small and medium enterprises (SMEs) scattered distribution" (Dai Bin, 2003, 2004). Of course, when observing the predominance of the local government-led development role, some scholars noticed limitations. Using the administrative divisions as borders, the market interests and behaviors of local governments strengthened economic segmentation of the state and created a batch of "mud foot giants" (Zou Tongqian, Xie Yongjian, 2000). The nonstandard development of state-owned hotel groups resulted in a lack of clarity of property rights, an inability to create real interest group and difficulty keeping balance and consistency in the market (Sun Ping, 2002). In the process of expanding, hotel groups should pay attention to controlling their scale; greater expansion of the group is not better; hotel groups should decide to expand or shrink according to the specific circumstances and the external environment during various periods of time (Song Fujuan, 2004).

Still more scholars discussed the different growth patterns of national hotel groups, and emphasized that at this stage, national hotel groups can coexist with different models and complement and promote each other (Zhu Yuedong, 1995; Chen Xiao, 2003;



Chen Zhixiong, 2003).

#### 4. Reorganization Mode of State-Owned Hotels and Group Development Strategies

Papers on these aspects concentrate on property-rights reform, management mode, brand development and professional manager cultivation, etc.

Chen Xiaojing (2004) discussed specific measures regarding the reform of property rights of state-owned hotel groups: accelerate the process of diversification of national hotel property by reducing state-owned economy in hotel groups, thus removing the obstacles in the process of collectivizing; reform state-owned hotels and build a modern enterprise system, establishing a rational structure of corporate governance; reactivate the stock assets through intangible advantages, building hotel groups by management contract, leasing, franchising, etc; and create a good internal growth mechanism. Zou Tongqian (1999) pointed out some methods of ordering property right relations: investment, purchase and merger; authorized shareholders management; asset allocation; horizontal loyalty; revenue conversion; debt conversion; and asset stripping.

Reports from the media (Wu Hongbin, 2004; Lü Ju, 2004) and studies from scholars provide a direct theoretical starting point for this book.

On the topic of market choice in reorganized state-owned hotels, many scholars considered the potential for growth of national state-owned hotel groups as very bright, as well as in the low-end budget hotel market (Mao Lijun, 2002; Dai Bin, 2003; Gao Tianming, 2004). Papers regarding state-owned hotel brand creation focused on the micro-level operations (Wang Dawu, 2003; Song Fujuan, 2004; Wu Xiaomei, 2004). Some other scholars intensely studied the service, management system construction and human resources support of hotel groups (Gu Huimin, 1994; Zhang Weiya, 2003; Chen Xiao, 2003).

### III. Comments on State-Owned Hotel Reorganization and Group Research

From the results of existing studies, it is evident that there are substantial differences between domestic and international research in this area of inquiry. Because the hotel industry in foreign countries, especially in developed countries, is more mature, industry reorganizing and collectivizing are the natural results of the promotion of market competition. Therefore, most of the studies about hotel groups focus on