Part 1 Case Study: Strategy

Organizational Profile

Mountain Resorts Inc. is a privately held company that operates 5 ski resorts in the northwest of the United States. Management has adopted a strategy that will sustain its current operations but will also include opportunities for growth. The organization plans to incorporate a three-horizon approach to this strategy.

* The first horizon is its current base of operations. Mountain Resorts is a dominant player in its current market. It produces value as a result of a good use of technology, clever marketing, quality in execution and control of costs. Although the market growth rate has plateaued, profit is sufficient to sustain operations at their current level, provide an acceptable return to investors and fund horizon 2 and 3 initiatives.
* The second horizon initiative is based on acquiring resorts outside the company's primary market area as they become available. (Developing new resorts would be very capital-intensive and also intensive in terms of management time, considering possible regulatory and land use issues. The acquisition of even an under-performing resort would include management who could be trained to implement the company's strategy, policies and processes.) Attractive acquisition targets would be located near major metropolitan areas. With these additional resorts, the company might achieve greater economies of scale. It might also insulate itself against inevitable periods of poor snow conditions. Being near large metropolitan areas could support revenue if airfares increased enough to discourage vacation travel. Moreover, by integrating all of its properties in reward programs, it could entice skiers from these new markets into visiting its original properties—thus improving its core businesses.

To support this second horizon in its strategy, management commits to investments in its real estate and IT functions and begins to document its best practices so that acquired resorts can become more efficient and more representative of the brand as quickly as possible.
* The third horizon recognizes the possibility that a changing climate and changing patterns in global development could limit its opportunities for growth. Management therefore begins to study a number of initiatives that will take time to develop:
	+ The company begins to discuss potential partnerships with companies with the goal of increasing the efficiency of snow-making machinery (from the perspective of both fuel and water consumption) and lengthening the ski season—perhaps by developing new skiing surfaces. Specific initiatives will be carefully managed to assess at each stage whether the return on invested capital is still attractive before proceeding.
	+ Another path to profit may lie in expanding the use of properties beyond vacations and conferences and beyond traditional boundaries of the resort industry. This will take considerable research and an analysis of return on investments.
	+ Management will leverage its expertise by studying the requirements for successful resort operation in other countries, possible sites, the challenges and the advantages. Funding will be sufficient to support research, but the decision to proceed will depend on a full financial analysis at some point in the future.