

Impacts of Globalisation on Hotel Companies' Internal Operation Environment

IMPACT DE LA GLOBALISATION SUR L'ENVIRONNEMENT D'OPERATION INTERNE DE L'HOTELLERIE

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Abstract: In the 21st century, with the increasing levels of globalisation in hotel industry, hotel companies will need to learn different management approaches to survive and develop in environmental circumstances with high levels of uncertainty as well as understand the implication of future impacts, both positive and negative, of the changing environment in which they operate. As international trade and business expand, there is no question that international linkage will become more important for the hotel industry. This essay focuses on globalisation in the hotel industry and explains how the increasing levels of globalisation, in this particular industry may affect the internal operating environment (e.g. organisational culture, structure, management styles etc.) of hotel companies.

Key words: Globalisation, Impact, Hotel, Internal-operating environment

Résumé : Dans le 21^{er} Siècle, avec l'accroissement de niveau de globalisation dans l'hôtellerie, les compagnies d'hôtels auront besoin d'étudier les approches du différent management à survivre et de développer dans les circonstances environnementales avec un haut niveau incertain ainsi que comprendre l'implication des futures impacts, positive à la fois négative, de changement environnemental. Avec l'expansion des affaires internationales et du commerce, il n'y a pas de problème que la liaison internationale deviendra plus importante pour l'hôtellerie. Cette essaie met une importance sur la globalisation dans l'hôtellerie et explique comment, au fur et à mesure la globalisation, cette industrie particulière peut influencer l'Environnement d'Opération Interne de l'hôtellerie (e.g. culture organisationnelle, structure, styles de management etc.).

Mots clés: Globalisation, Impact, Hôtel, Environnement d'Opération Interne

1. INTRODUCTION

Globalisation has become part of everyday vocabulary. Every day people hear the term globalisation on the news, read it in the papers, and overhear people talking about it. What is globalisation? Globalisation refers to the shift toward a more integrated and interdependent world economy (Charles, 2003). This essay focuses on globalisation in the hotel industry and explains how the increasing levels of globalisation, in this particular industry may affect the internal operating environment of hotel companies.

2. INCREASING LEVELS OF GLOBALISATION IN HOTEL INDUSTRY

As international trade and business expand, there is no question that international linkage will become more important for the hotel industry. In the early stages, most hotels have received foreign guests at one time or another. Then, as the industry evolved, and with the development of technology and transportation systems, the industry's structure has become increasingly more complex with respect to scope, ownership, management and affiliation. There are many models including: independently owned and operated properties; Chain-owned and -operated properties; independently owned, chain-operated properties; franchised properties;

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referral group properties and others. However, in terms of the number of rooms, chain hotels are the dominant sector. There were two main reasons why hotel chains began looking for opportunities to enter into the global marketplace. They are comparative advantages, especially in developing countries, and the overcapacity or saturation in their home markets.

Unfortunately, hotel investment outside one's home country incurs high risks with a wide range of environmental influences affecting organisational strategies and performance. Those environmental factors include: political factors, such as foreign trade regulations, taxation policy; economic factors, such as business cycles and inflation; socio-cultural factors like social mobility and lifestyle changes; technological factors like new discoveries; environmental factors, such as environmental protection laws and legal factors, such as employment law, monopolies legislation and cultural factors. How those factors are likely to impact on the internal operating environment of hotel companies will be discussed in the following paragraphs.

3. IMPACTS ON ORGANIZATIONAL CULTURES

There is an oft-told story of a person, new to a company, asking an experienced worker what an employee should do when a customer calls. The old-timer responds: "There are three ways to do any job—the right way, the wrong way, and the company way. Around here, we always do things the company way." In most organizations, the "company way" is derived from the corporation's culture. Corporate culture is the collection of beliefs, expectations, and values learned and shared by a corporation's members and transmitted from one generation of employees to another (Wheelen & Hunger, 1998). A strong culture can create the basis for a superior competitive position. When a hotel company makes a decision to invest outside its home country, it has to adjust more or less of its company's culture to adapt to the cultural diversity in the new work environment. This new work environment thus becomes enriched by the multiple cultures. Hotels are, therefore, better able to meet the needs of a diverse group of customers and employees. However such cultural diversity can also bring some negative effects, which can generally be attributed to individuals, and how they relate to difficulties arising from departmental concentration of minority ethnic groups, especially from language and cultural differences. But this kind of adjustment is not an easy task to fulfil. Even for a domestic hotel, when businesspeople are all from the same culture and speak the same language, the actual construction of the facility can be difficult. The many interdependent players sometimes have conflicting objectives and a number of timetables to coordinate. An international hotel is even more complex because the

developers and employees come from different cultures with different business practices.

"Guanxi", for example, is the cultural imperative of doing business in China. Indeed, "guanxi" is rooted in a culture characterized by interdependence and reciprocity. People exchange favours to develop extensive networks of interpersonal relationships to share scarce resources and cope with uncertainties. Therefore, "guanxi" can be viewed as the Chinese way of doing business, based on friendship and trust (Su, Sirgy & Littlefield, 2003) Intercontinental Hotels Group, the number one hotel group in Asia, operates more than 30 hotels around China. Since the majority group employees in the organization is Chinese, the managers managing those hotels in China also have to broaden their "guanxi" network not only with employees, but also with other commercial partners, as well as with the officials in the People's Republic of China's government. Good communication between the regional office and the individual hotel's sales department helps produce more business for the individual property. Additionally, the policy of Equality Of Opportunity is also an essential part of its organization's culture. This policy ensures that there shall be no unfair discrimination, in respect of gender, marital status, sexual orientation, colour, religion, race, nationality, ethnic origins, disability or age, and that equal opportunity shall be given to all employees.

4. IMPACTS ON MANAGEMENT STYLE

An organization's culture is translated into practice largely as a result of actions taken by managers. Thus, the quality and style of managerial leadership is crucial in shaping perceptions that will support cultural values and hence, the organization's strategy. Managers have been classified by their decision-making style: authoritarian, democratic (the leader actively involves subordinates in the decision-making process, sharing problems, soliciting input and sharing authority) and laissez-faire. Sometimes, a hotel company operating around the whole world may focus on democratic management style rather than an authoritarian style since it has to relate to different employees from different cultures or social backgrounds. For example, Six-Continents PLC, the second largest hotel group by the number of rooms, has a "Disclosure Procedure" to ensure such a democratic management environment. If in doubt, in this organization, employees are encouraged to discuss the matter with the person to whom they report or to the company's secretary. They also all have a responsibility to draw attention to issues that come to their attentions or that comes to their knowledge. They are also responsible for helping to maintain a safe and healthy workplace for their employees. Thus employees can enjoy the work in a

pleasant and comfortable environment.

Moreover, despite the increasing levels of globalisation, the management style in the hotel industry tends to be localization, which can meet the specific needs of local employees. While labour supply is not a problem in most developing countries, skilled personnel are sometimes difficult to find, due to a shortage of training facilities and trainers. However, local labours usually have quite different needs from those of imported labourers or immigrants. Facing such an issue, a multinational hotel company has to set up some new management approaches or adjust its management style. For example, the reward system will be different in China and in Australia. Recently, Australian employees have been required to reduce their working hours each week, although most of them have been promised overtime payments. The situation is quite different in China. Two of the greatest ways to show appreciation to a Chinese employees is through giving higher salaries and promotions instead of through giving them vocations or leave to spend with their families.

At the same time, training and education has become more important for transnational's hotel companies. Such training is provided from within their own organizations (Rutherford, 2002). They understand that, as they truly play host to the world in a meaningful sense, multilingual staff will become increasingly necessary. Communications and cultural sensitivity may become an escalating problem, especially where there is a large pool of immigrant labour or a large numbers of foreign guests. Solutions to the labour problems are as varied as the causes, for the various and different locations around the world. Ultimately, it will be up to the hotels to make themselves more attractive employers and to improve in the recruitment, retention, training and rewarding of staff.

However the sense of localization also brings some negative impacts on management style of a multinational hotel company. "Guanxi", mentioned above, is an ancient system based on personal relationships, which sometimes is lacking in management efficiency. In contrast, the traditional western management paradigm is centered on discrete transactions and formal agreements. Now, the major disadvantage of the "guanxi" system is that juniors are only allowed to do some business on the peripheries of a close-net workgroup; the seniors must have time to observe the juniors and decide whether they can be trusted; later those new members who prove to be trustworthy or otherwise acceptable to the senior members, are allowed to engage in larger and more significant aspects of the group's business (Lovett, Simmons & Kali, 1999). This constraint is actually a very realistic depiction of the way the "guanxi" systems work.

5. IMPACTS ON ORGANISATIONAL STRUCTURE

Every organization depends on its environment to some degree. The evidence demonstrates that a dynamic environment has more influence on a structure than does a static environment. However what is organisational structure? Generally, organizational structure means three things: (1) the formal division of the organization into subunits; (2) the location of the decision-making responsibilities within that structure; and (3) the establishment of integrating mechanism. In the volatile world of transnational corporations, there is no such thing as a "universal" global manager. Rather, there are three groups of specialists: business managers, country managers and functional managers. There are also top executives at corporate headquarters who manage the complex interactions between the three specialists and can also identify and develop the talented executives a successful transnational requires. This kind of organizational structure characterizes a transnational rather than an old-line multinational, international or global company. A multidivisional structure is built up of separate divisions on the basis of products, services or geographical areas. For example, Six Continents PLC is the leading hotel group in the world with over 3,300 hotels across nearly 100 countries and territories. Its organizational structure is described as follows. In the board, Chairman is backed by a finance executive and a CEO. The business of Six Continents PLC is divided into three main regions: America, Asia and pacific, and Europe, Middle East & Africa. In each area, there is a head office, which is supported by two management teams: a management committee and senior managers who manage different brands of the group in specific areas. This kind of organizational structure has its disadvantages. The two main disadvantages are that it is costly and the divisions grow too large. The Six Continents PLC, established itself in a similar structure with head offices, management committees and senior managers in every three-business region, which increased management costs. If there are too many divisions, the complexity of co-operation increases. There is a fact that a global hotel company may prefer geographically defined divisions as the operating units for local marketing (because of their specialist local knowledge of customers). However at the same time, they may still want global product divisions responsible for the worldwide co-ordination of product development, manufacturing and distribution to these geographical divisions (because of their specialist knowledge in these issues). To conclude, complexity and environmental uncertainty are directly related, with the more complex the environment, the greater the decentralisation (Robbins & Barnwell, 1998). Different organisations face different degrees of environmental uncertainty and their structural design is a major tool that managers can use to eliminate or minimise the impact of environmental uncertainty.

6. CONCLUSION

In the 21st century, with the increasing levels of globalisation in hotel industry, hotel companies will need to learn different management approaches to survive and develop in environmental circumstances with high levels of uncertainty as well as understand the implication of future impacts, both positive and negative, of the changing environment in which they operate. The only certainty about today's hotel industry

is that only those who plan for uncertainty and change, and who are able and willing to respond to global events with speed and decisiveness, will reap the full rewards of success. Successful hoteliers will be those who are able to anticipate, determine and solve problems of a varied nature in the context of their organization's goals and in the environment of an increasingly globalized and complex society.

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