HRM and Hospitality: Contemporary Issues

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Organizing human resources

The preceding chapters have concentrated largely on the various management techniques that are concerned with obtaining, training, motivating and administering staff. In addition to these various processes, however, managers also have to organize staff, i.e. to create groups of people who will meet the organization's objectives. This is normally one of the major responsibilities of line management who organize their work people into groups in the manner they think best, basing their organization usually on what they have observed or experienced elsewhere. Nowadays, however, there is a growing recognition that organizing people into the most appropriate work groups is a highly skilled and complex task, often referred to as 'organization development', which is concerned with 'improving an organization's ability to achieve its goals by using people more effectively' (French and Saward, 1977). A great deal has been written about organizing people at work. Major ideas on the subject range from the Scientific School of Management through the Human Relations School to current ideas on systems and contingency. Some of the relevant key writers' ideas are summarized in Figure 2.5.

The object of this chapter is not to give a history of the evolution of thinking on organization structures but to highlight some key issues and the factors that influence choice about the nature of an organization. Organizations exist principally to achieve certain goals. In the modern commercial world, put very simply, this is usually to achieve some form of competitive advantage. This usually means market share and sometimes even market domination. In the public sector the goal is to provide service.

In order to achieve these goals an organization will manage its work according to certain principles, including planning, organizing, commanding, coordinating and controlling (after Fayol, see Figure 2.5). In addition, work will be specialized (after Taylor, see Figure 2.5) in a number of different ways, for example, at the technical level and also at a hierarchical level, i.e. there are both horizontal and vertical divisions of work.

Lynda Gratton, of the London Business School, writing in 'Mastering Management' (*Financial Times*, 1995), states that an 'important issue for companies is to identify HR activities which link business strategy to performance. Key processes ... include: reflecting business goals in individual and team objectives, and in performance measures; rewards and training; visualising the future; and identifying and encouraging individual talent.' As discussed previously in Chapters 2 and 7 the linking of human resource management and business strategy is a fundamental aspect of the developing concept of HRM and is particularly well articulated by Linda Holbeche (2001) in her book, *Aligning Human Resources and Business Strategy*.

Traditionally, the organizing of employees required that a structure exists in which lines of authority, responsibility and communication exist. Ideas about how these principles are achieved have evolved over time, but are summarized simply by Mullins (1996):

- *The Scientific School* – strict division of labour, formal hierarchy.
- *Human Relations School* – recognition of workers' social needs and the informal organization.
- *Systems* – recognition of the sociotechnical system, i.e. the need to integrate the benefits of both the Scientific School and the Human Relations School.
- *Contingency* – recognition that there is no one 'best' system for all management situations, e.g. managing the delivery of a fast food operation is very different from managing the planning of a new fast food restaurant.

Burns and Stalker (1961) identified two extreme types of organization – the 'mechanistic' and the 'organic'. The 'mechanistic' reflects the 'scientific school of management' in that it is very bureaucratic and has a hierarchical structure. The manufacturing sector of the mid-twentieth century particularly typified this approach with its emphasis on work specialization, the degree to which the organization's tasks are subdivided into separate jobs (see Robbins, 2005). The 'organic' organization, on the other hand, reflects the 'contingency' approach in that it is flexible and able to adopt new structures easily, where multi-skilled employees, for example, are more able to change their roles as situations demand. Most organizations come somewhere between the two extremes.

Handy (1989) writes of the 'shamrock' organization, which consists of the professional core, the flexible labour force and the contractual fringe. This closely reflects the reality of the modern labour force, which in many cases consists of managers, core workers and peripheral workers – in the hospitality industry examples would

include the management team, full-time employed key workers such as chefs and receptionists, casual workers such as casual waiters, and a range of subcontracted functions such as cleaners, security personnel, musicians and drivers. Indeed, contemporary service sector organizations of all types consider outsourcing activities very carefully, with the underpinning philosophy being that the business should be concentrating on its prime purpose; many larger hotels, as an instance, are outsourcing their payroll administration rather than tie up the time and energy of the HRM department within the business.

Organization development (OD) is an all-encompassing term for planning organizational structures, relationships and change in order for maximum efficiency and well-being to be achieved for both the organization and the human resource. It must be based on a sense of involvement and collaboration between management and employees, and Robbins (2005: 558) points to the need for values such as respect for people, trust and support, the equalization of power (as in less hierarchical structures), confrontation (rather than problem-avoidance) and participation. The most common aims of OD are

- improvement in organizational performance, e.g. profits, cost reductions or service levels
- improvement in decision-making processes
- improvement in group or team work
- responding to change
- changing value systems and attitudes.

A whole range of factors influence organization structures, each factor having some effect on the final type of structure, which may be either the result of careful design, the result of evolutionary development or merely expedient.

The main options open to organizations are as follows.

Functional   Where different individuals attend to the main management functions, i.e. finance, marketing, human resources, operations, research and development.

Product/Brand   Where different managers manage different products or brands, e.g. hotels, licensed retail or quick service outlets.

Geographical   Where management attend to everything within a geographic region, e.g. Europe, Scotland, Manchester, the M1.

Project   Where groups are set up for specific projects and disperse upon completion, usually relying upon existing hierarchical roles.

Matrix   A loose form of the above where individuals may be members of a number of different groups, with leadership roles depending more on expertise than on hierarchical roles.

In the larger organizations it is possible to find a combination of the above. For example, some brewery companies are organized on both product and geographical bases. In recent years, companies have tended to flatten formerly hierarchical structures, reviewing the span of control (see below) of managers and supervisors, with the aim of developing a more responsive, effective organization where communication is more effective, and where perhaps the prevailing management style of the business, such as empowerment, may be more readily reinforced (Goss-Turner, 1999).

Power and the decision-making process

Driving the process of organization should be an overall philosophy of the senior management towards their workforce (see Chapter 2) and the principles of job design (see Chapter 3). Unitarist (or autocratic) managers will tend towards concentrating decision-making upon themselves, whereas a pluralist (or democratic) manager will be prepared to share decision-making and to empower the workforce. Public sector organizations tend to require committee decisions, made within a legislative or bureaucratic framework, whereas private sector organizations tend to have far fewer legislative or bureaucratic restraints and decision-making can be a simpler process, requiring fewer participants. Such differences in types of organization can influence quite considerably the formal and informal approaches to organizations.

Increasingly we hear of various approaches to management which are enabling or passing responsibility down the organization for a whole range of functions and decisions.

Organizational objectives

Each type of organization has particular objectives. In some cases the objective is, first and foremost, to make a profit, whereas in others it is to provide a service. These objectives obviously influence staffing levels because where profit is the main motive, staffing levels will normally be kept close to the most economic level, with attendant risks of occasional understaffing. Where service is paramount (e.g. on oil rigs), manning levels will normally be kept at safer levels because the cost of short staffing could be tremendous.

The market

The single most important factor is probably the type of market being catered for. Obviously not only consumer demands determine the type of staff required but also the degree of seasonal fluctuation influences organization structure. A hospital with predictable and stable levels of demand, where the catering service is ancillary to other services, will have staffing needs very different from those required by a highly seasonal resort hotel or holiday/leisure park where the accommodation and catering services themselves are the end product. The hospital will need a relatively stable and permanent labour force, whereas the seasonal hotel will probably need a small nucleus of permanent, key staff which is boosted by seasonal and casual labour as demand increases. The importance of the product market in the hotel sector of the hospitality industry in its impact on human resource management, in policy and practices, is well explored by Hoque (2000).

Technology

The technology of a particular sector is also important. One simple example is airline catering. In this sector of the industry, space is at a premium, weight carries penalties, and constant supervision is not possible. These factors obviously influence the product offered, the equipment used and the staff selected.

The role of technology in shaping organizations is consequently vital. One way to look at technology in the organization is to look at the 'tec-touch' matrix (Figure 19.1).
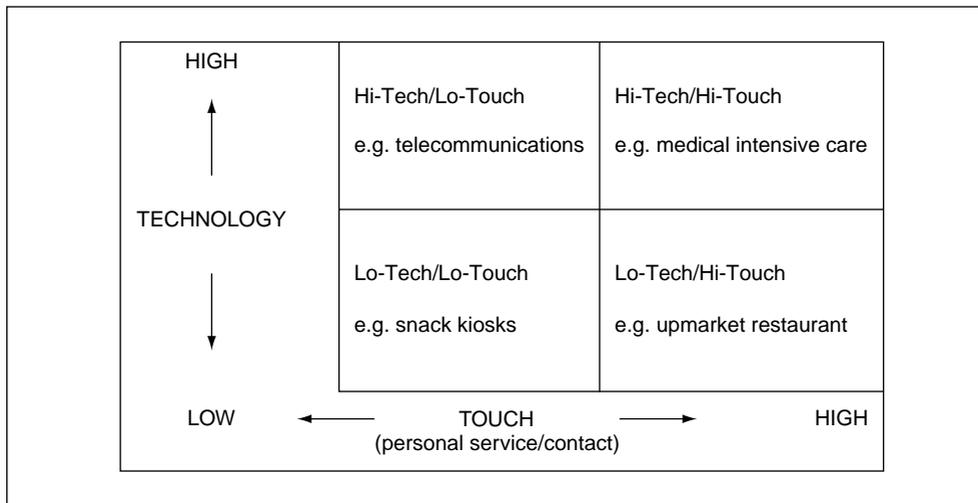
Figure 19.1 The tec-touch matrix

This diagram sets out to illustrate major approaches to the use of technology in industry. In some industries heavy investment in advanced technology is essential, such as in the information technology industries. Such technologies influence the hospitality industry mainly in an indirect way, for example through improved advance reservation systems. This influence may be known as the 'process' effect, i.e. the effect is mainly concerned with the process by which the customer receives or acquires the 'service' offering. Such advanced technologies may also enable a hospitality operator to offer enhanced 'service' products or offerings such as teleconferencing via satellite. This is known as the 'product' effect.

In other cases most reliance is based on the human touch elements of service. Where the human element is high this may be known as a 'hi-touch' offering. In some cases there is a combination of hi-tech and hi-touch – an example is intensive care hospital treatment. In many instances of hospitality offerings the technology used is relatively or very lo-tech and the human element of service is very low also – snack kiosks are examples of such lo-tech, lo-touch offerings. However, some developments in technology have seen a niche area of hi-tech infiltration, such as highly automated sushi bars with 'robotic' drinks trolleys, and almost employee-free hotels where credit cards rule, as in the capsule concept and other budget-hotel offerings.

Centralization and decentralization

The question of centralization and decentralization is at the heart of many organizational issues. In the hospitality industry this may focus on whether or not to centralize functions such as marketing and sales, reservations, financial management, purchasing, human resources, payroll and property management. In some cases, such as marketing or reservations, it is generally accepted that centralization can make good sense. In other cases, however, such as sales or personnel, unit managers often argue that they are better able to manage the activity.

Centralization of certain activities or functions has to address a number of different questions. Does centralization create opportunities to employ specialist skills, such as purchasing or marketing, which can bring significant benefits to the enterprise? Does it, on the other hand, create opportunities to reduce line management? A number of leading retail companies and hospitality companies have been developing 'cluster' management systems, by which one general manager is required to manage a number of outlets which were previously managed by their own managers. Arguably the increased expertise and skills of functional managers, supported by improved information technology systems, make this possible. It has to be seen, however, whether such approaches can work in those situations where the customer still expects to be received by a member of the senior management team, i.e. someone performing the role of 'mine host'.

The effect on employees also has to be considered. Centralization, whilst increasing some people's responsibility, may reduce another person's responsibility and hence job satisfaction. Decentralization, on the other hand, may well empower someone and hence give greater job satisfaction.

Size and diversity

Two other major influences on structure are the size of the organization and its diversity. However, there does seem to be some agreement among the largest organizations that they need to devolve responsibility to smaller, readily accountable units. This may be done on a geographic basis. An example is the way in which licensed retailers organize their pub outlet areas. Their management may be responsible for all activities in an area, such as managed houses, tenanted houses, catering and entertainment. Alternatively, an organization may prefer to make its management responsible for particular types of products or services. An example is how some companies may concentrate their restaurants into one division, their licensed houses into another and leisure into yet another. For the largest companies both 'regional' and 'product' organization structures will be necessary.

At the individual unit level the degree of specialization is an important question and of particular importance is the degree to which certain specialists such as sales executives and financial controllers may be responsible to the unit manager and to the head office specialist manager. Revenue control managers in hotels, for example, may be responsible for developing (and even imposing) capacity management (yield management) systems. This is a constant problem in hotels in particular, where revenue control managers and sales executives may see themselves as part of a head office team rather than part of the unit management. A consequence is that the sales staff often sell products the unit has difficulty providing.

Span of control

Something else discussed in the organizational context is the question of 'span of control', i.e. how many subordinates can each manager or supervisor successfully supervise. While most will agree that 'one over one' is rarely, if ever, justified, beyond this all the factors listed above play their part in resolving the question of how many subordinates one person can control. There are situations where one

supervisor can quite successfully control a hundred or more subordinates. Likewise, however, there are many other situations where one person can successfully supervise, at most, a handful of subordinates. One very successful hotel executive who created at least three large, public hotel companies was reported to have over 20 executives reporting directly to him. One aspect of the hospitality sector where research has shown that the spans of control have steadily increased is that of area management or multi-unit management (Chapter 22), where, for example, some high-street, branded restaurant offerings have seen the area manager's responsibility level rise from about 8 units to around 15–20, with the consequent impact on levels of management (see below), unit management authority levels, management style and technology-enhanced control systems (Goss-Turner and Jones, 2000).

Levels of management

The number of levels of management (sometimes referred to as the 'scalar' chain) is another crucial element in any organization. Usually, this is a function of the size and diversity of the organization. Recent trends, however, have been to delayer, i.e. to reduce the number of levels of management, giving more authority to those who remain. Improved information technology makes such measures more practicable. One such example is Harvester Restaurants, who went through this process in the mid-1990s. The process was described as 'an approach to employee empowerment which is based on a flat organization and autonomous work groups at unit level' (Ashness and Lashley, 1995).

Outsourcing

'Outsourcing', as referred to earlier, is another influence. Outsourcing is the process by which an enterprise acquires products and services from outside suppliers rather than providing them internally using one's own employees. In the 1950s and earlier, many of the larger hotels were like small towns, employing many different trades, including upholsterers and silversmiths. Such practices have largely disappeared, it being thought more economic to buy in such expertise. Such outsourcing is now being extended into what may be described as pure management areas such as HR. One argument for outsourcing is that an enterprise should concentrate its management expertise on its core business. Examples include the purchase of many food and drink items and extend also to services such as maintenance, cleaning, vending, payroll and security.

The products and services

Obviously shaping all these factors is the product being provided. At one extreme there is the *haute cuisine* meal experience involving an extensive range of technical, social and organizational skills which have taken many years of experience and training to acquire. At the other extreme, nowadays we have fast food concepts and airline meals which involve very little craft skill but call upon management organization skills of a high order, exemplified by blueprinted service delivery systems in which every detail of operational design is considered. In between these two extremes are numerous types and styles of product and

service which make differing demands on capital, craft skill, social skill, training and organization ability. Each combination creates a particular set of organizational needs and constraints which should be reflected in the consequent organization structure.

Age, size and culture

As successful organizations get older, so they have tended to become larger both through the natural or organic growth of their business and often also through mergers and acquisitions. Acquisition will bring problems both of managing the larger business and of integrating the differing cultures. One such case was the merger of Trust Houses with the Forte empire, which at the time created one of the world's leading hospitality companies. The merger was almost as famous, so it was reported, for the clash of cultures that emerged. Much later, in 1997, the then Trusthouse Forte was involved in an ultimately successful hostile takeover bid by Granada, the giant leisure and broadcasting firm, with much publicized culture clashes and personal acrimony between the Chief Executives of both companies. The subsequent organization was so large and disparate that it was eventually 'de-merged' into two, a hospitality company under the Compass banner, whilst Granada stuck to its original broadcasting expertise. Increasing size also creates subdivisions and problems of coordination. Large size consequently creates conflicting effects. On the one hand, size creates opportunities for economies of scale; on the other hand, increasing problems of coordination and control can add to the administrative burden – the law of diminishing returns?

Line managers and specialist managers

Once an enterprise reaches a certain size there will be a tendency for it to need to have specialist advice readily available. In the smallest organizations many specialist tasks will be performed by the owners or their managers. As the enterprise grows, the need for specialist advice grows and either this can be bought in from time to time – e.g. accountants or architects – or specialists may be engaged full-time. Human resource or personnel specialists are typical examples of the latter. Others include marketing, information technology and purchasing specialists.

The role of such specialists, usually referred to as 'staff' or 'functional' managers, varies considerably from one organization to the next. In some it will be, as the Human Resources Director of British Airways said, 'more strategic and less operational' (quoted from Goss-Turner, 1995). In any event, most believe that the role should be to advise and guide the line or operational managers, not to remove authority or responsibilities from them. In the larger organizations, distinguishing the roles and relationships of line and functional managers becomes quite difficult in some situations. This is particularly so where a hotel, for example, has a revenue management team that is responsible (or perceives itself to be) to the head office marketing department as much as to the hotel general management. There follow a number of sample organization charts of various different sizes of hospitality organization (Figures 19.2–19.6).
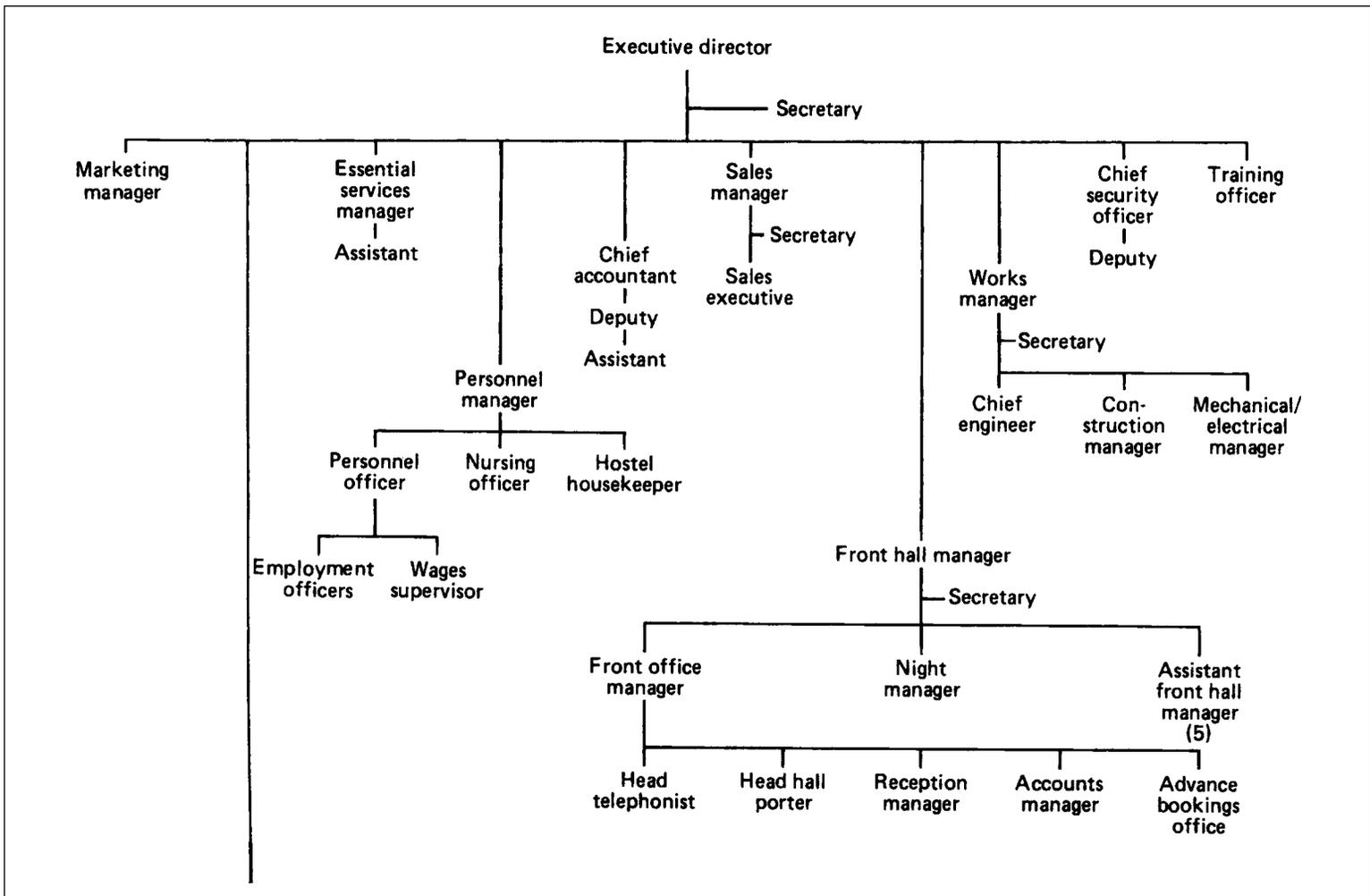
Figure 19.2 Organization chart for a large hotel

Catering manager

— Secretary

| Banquet-ing manager | Floor services manager | | Wyvern manager | Coffee shop manager | Marble Arch manager | Carvery manager | Plate rooms manager | Staff restaurants manager | Executive chef |

— Secretary

Assistant

Assistant | Assistants (2) | Assistant | Assistant | Assistant | Assistant

| Banqueting head chef | Wyvern head chef | Coffee shop sous chef | Marble Arch head chef | Preparation sous chef |

Sous chefs (2)

Number of rooms 910.

Figure 19.2 *continued*

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┌────────────────────────────────────────┐
│        Hilton Glasgow – Organizational chart        │
└────────────────────────────────────────┘


    ┌──────────────────┐                    ┌──────────────────┐
    │ General manager  │────────────────────│   Head office    │
    └──────────────────┘                    └──────────────────┘


         ┌──────────────────┐        ┌──────────────────────────────┐   ┌──────────────────┐
         │ Executive secretary │     │ Area personnel and training manager │   │ Director of sales │
         └──────────────────┘        │       for central Scotland         │   └──────────────────┘
                                      └──────────────────────────────┘


┌──────────────────┐ ┌──────────────┐ ┌──────────────┐ ┌──────────────┐ ┌──────────────────────────┐
│ Financial controller │ │ ISN (Scotland) │ │ Executive chef │ │ Chief engineer │ │ Human resources manager │
└──────────────────┘ └──────────────┘ └──────────────┘ └──────────────┘ └──────────────────────────┘


┌──────────────┐ ┌──────────────┐ ┌──────────────────────┐ ┌──────────────────┐ ┌──────────────────────┐
│ F & B manager │ │ Director of C & B │ │ Executive housekeeper │ │ Chief of security │ │ Front office manager │
└──────────────┘ └──────────────┘ └──────────────────────┘ └──────────────────┘ └──────────────────────┘

319 Rooms.
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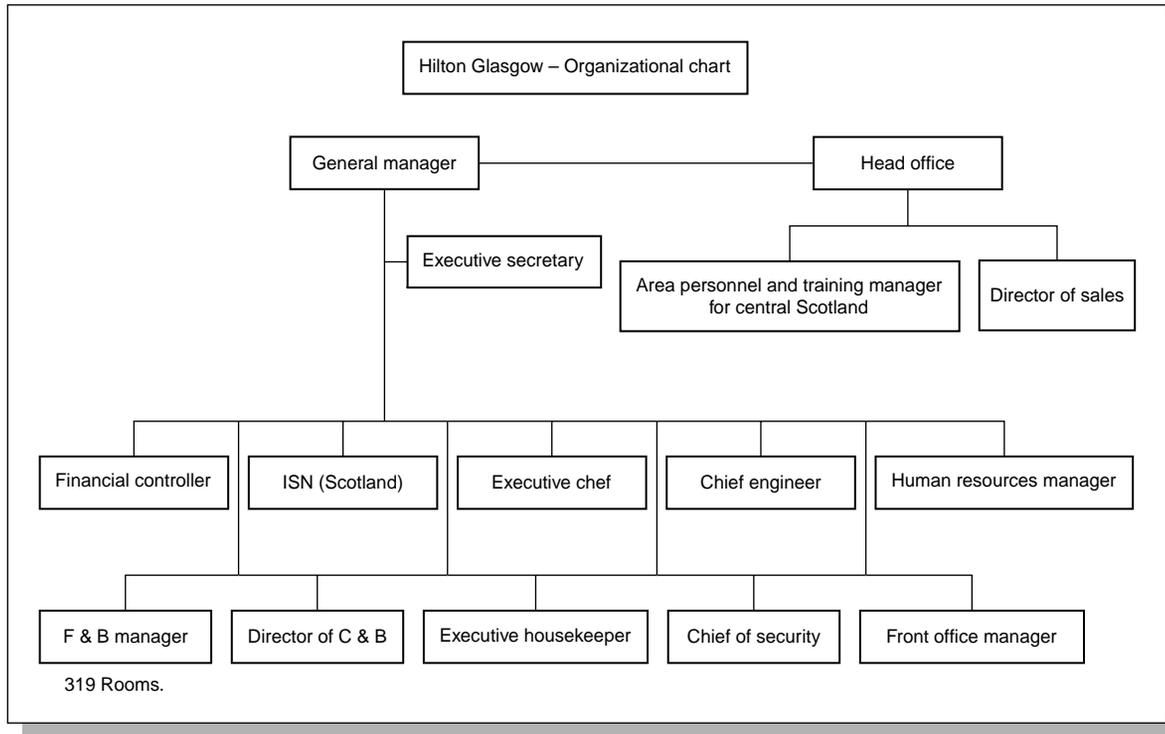
Figure 19.3 Organization chart for a medium-sized hotel
Source: Courtesy of Hilton Hotels.

Manager
|
Assistant————Trainee
manager   manager (1)
(1)

| Head chef | Housekeeper | Head receptionist | Head waiter | Bar operatives (4) |

Head chef
Second chef (1)

Housekeeper
Room attendants (4)
Cleaners (1)

Head receptionist
Receptionists (3)
Day and evening porters (2)
Night porter (1)

Head waiter
Second waiter (1)
Crest pantry operative (1)
Station waiters (4)
Part-time and trainee waiters (2)

Room attendants
Trainee chef (2)
Platewash stillroom (3)
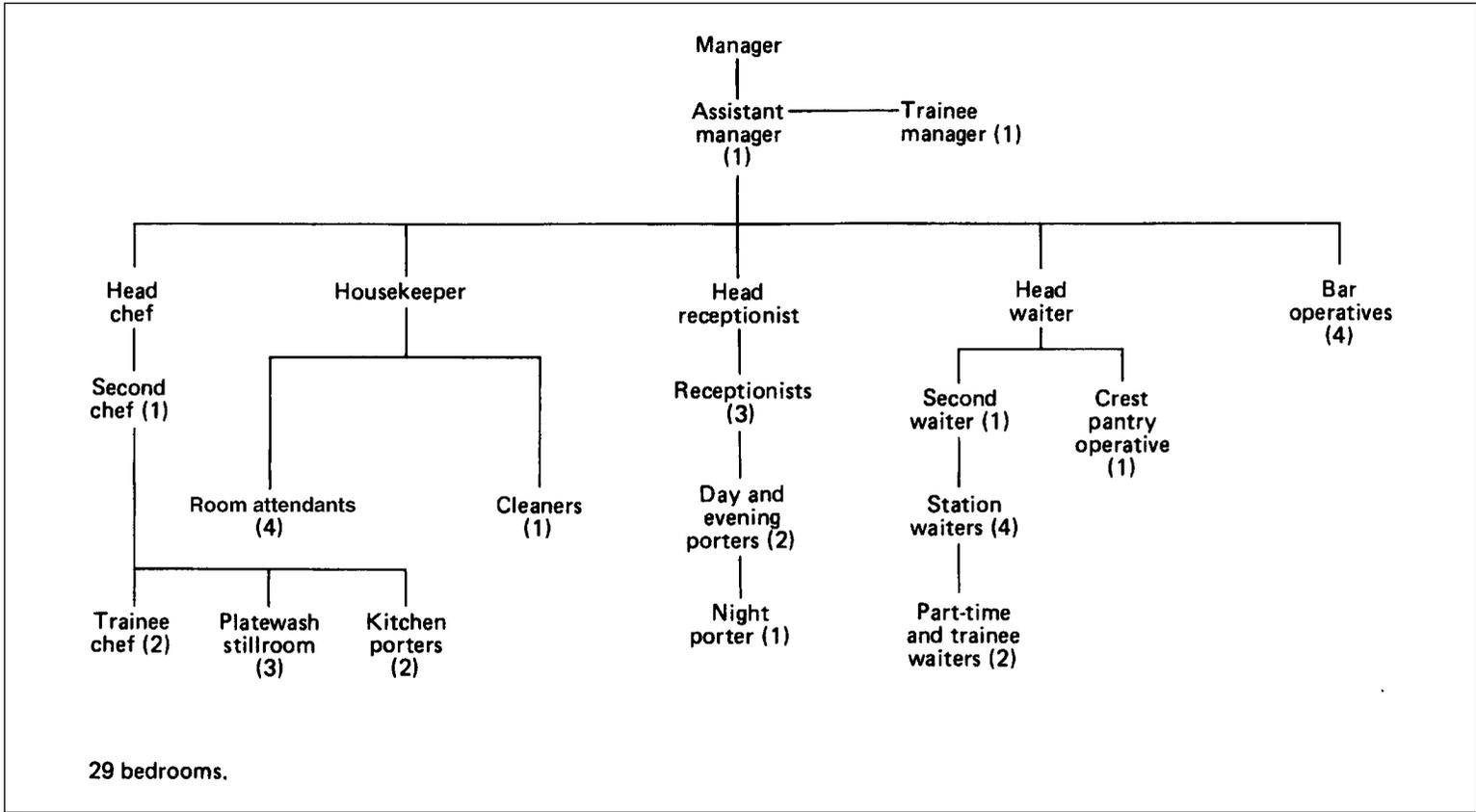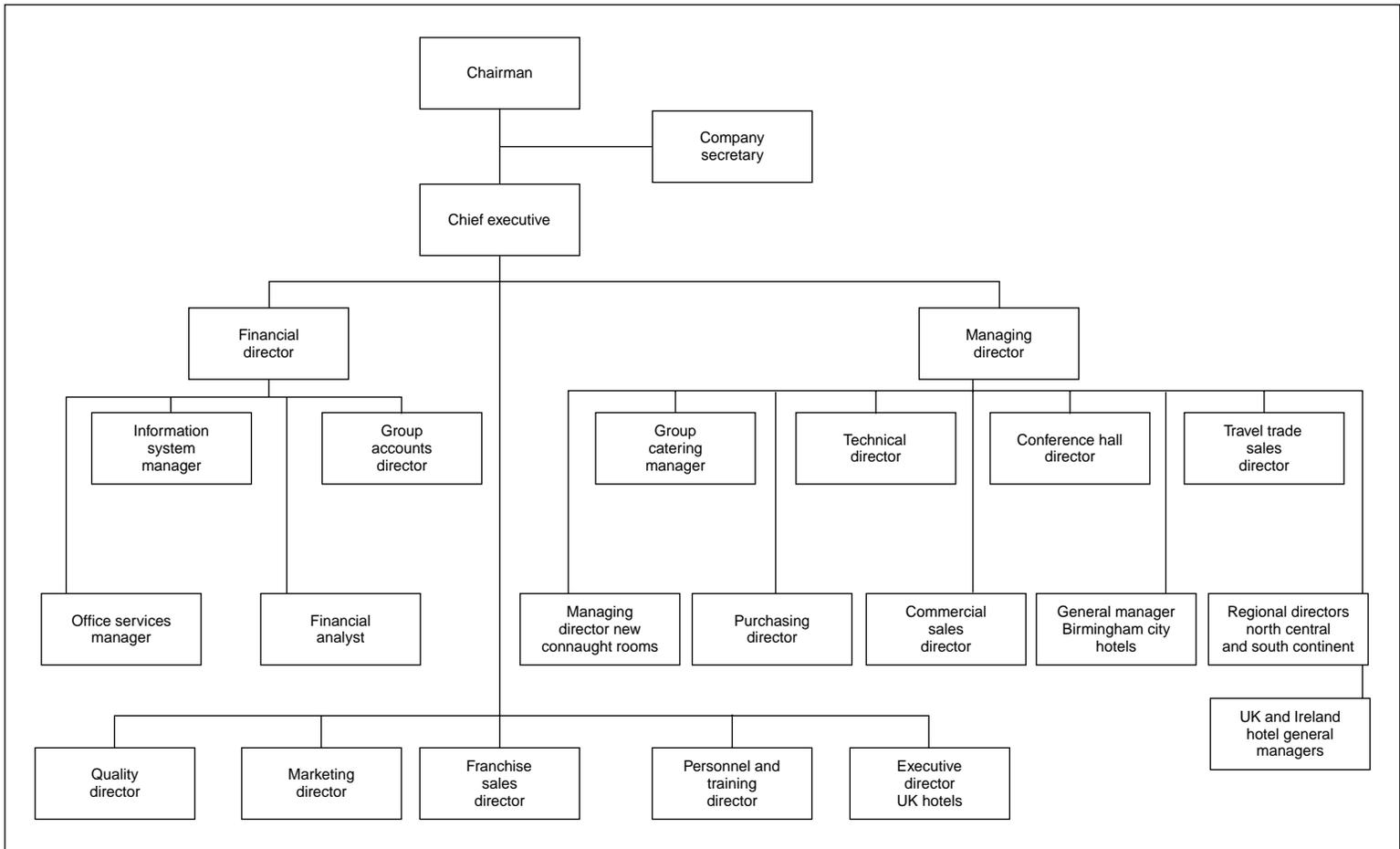Kitchen porters (2)

29 bedrooms.

Figure 19.4 Organization chart for a small hotel

Figure 19.5 Organization structure for a large hotel company

Source: Reproduced by courtesy of Choice Hotels.

Figure 19.6 Organization chart for a university catering department
Source: Reproduced by permission of Sussex University.

Further Reading and References

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Questions

1 Describe the objectives of organization development and the various alternative approaches to organization structure.

2 Discuss the factors that influence organization structure.

3 Evaluate the approach to organization structure and development used by an employer you know well.