

CHAPTER 8

International human resources management: managing diversity

Chapter objectives

After working through this chapter, you should be able to:

- Understand the background to different approaches to international management
- Define key management concerns for the hospitality industry
- Evaluate the actions taken to manage diversity in the hospitality industry both internally and externally

■ Introduction

The employment issues involved in international hospitality are considerable. There are a huge number of multinational enterprises within the hospitality industry around the world and the hospitality industry has been increasingly subjected to and contributed to the process of globalization in the last two decades. As Yu (1999) notes the big brand names of Hilton, Sheraton, Hyatt, Holiday Inn, McDonald's, KFC and Pizza Hut figure prominently in the landscapes of many countries. Due to this massive growth, there has been a greater demand for managers to take into consideration strategies that need to be appropriate within different countries. In many countries a business which is developed domestically will differ significantly from businesses in other countries as they strive to take into account the varying business and cultural environments from one country to another.

We have witnessed increased demands for standardized, globalized products and services within the worldwide market. With large corporations expanding throughout the world, they have had to respond to a challenge to ensure that they adapt to the requirements of international business and to a lesser extent local customs and practices. There are a variety of issues that international companies should be aware of, including the way global issues are presented within the specific countries they operate in, and the companies in the international hospitality industry need to adopt strategies that will meet the social, environmental and economical needs of the countries and locations.

Managers perform various roles depending on the circumstances, which can include:

- leading,
- acting as a figurehead,
- communicating information,
- negotiating,
- allocating resources,
- handling disturbances,
- planning,
- overseeing implementation of plans,
- evaluating.

There are many factors that influence the role played by managers and it must be remembered that national culture is one of those factors. National culture within the working environment influences people and their responses to systems and management. Therefore, a workforce within one culture may respond differently to a workforce within another. Hence it is important for international managers to respond differently and adapt themselves in different circumstances in order to achieve the same outcome.

We have already established that we believe international businesses are heavily influenced by the cultural values of different societies. As Yu (1999) observed international hospitality managers operate in an international context and have to perform their functions of managing, interacting, negotiating and compromising with people of different cultural backgrounds. How a company reacts to changes in culture will contribute to the success or failure of that business. A company that wishes to do business abroad should firstly determine how practices vary in different countries and then decide if any adjustments need to be made, to ensure their business operates in an efficient manner. International human resource management is the process of selecting, training, developing and compensating personnel in overseas positions and here we want to focus on the challenge of managing diversity.

It is of vital importance that companies within the hospitality industry can do this effectively to ensure that they succeed as a profitable company. According to Lockwood *et al.* Teare and Olsen (1992: 319) "Human Resource strategies need to be developed that will reinforce the drive toward quality. These strategies will start with recruitment and selection, but must also include conditions of service, communication, training and reward strategies". As this statement suggests, companies must not only select an excellent workforce, but also be able to retain it. One of the weaknesses the hospitality industry has is its reliance on an unskilled workforce as it is well known that this industry does not pay well, leading to high staff turnover.

Within international human resource management there are four different processes that a company could choose to adopt. These are as follows.

Ethnocentric

This is where management positions are filled entirely by people from the company's country of origin. For example, managers would be appointed from the domestic market. It is often felt that they understand the company better and are more familiar with their goals, policies and procedures. There are disadvantages, managers may not fully understand the country that they are operating in and the culture and language will be different to what they are used to. This could cause some problems as managers try to adapt their ways to fit in with the local culture.

Polycentric

Here the company hires local managers from the host country. They would know the area and understand the culture and therefore would be able to manage their staff more effectively. However one problem with this approach

is the fact that they may have difficulty dealing with the international company and may find it difficult to handle some of the company's core values.

Geocentric

Here the best managers are recruited within or outside the company, regardless of their nationality. For example, if the company feel that the best managers for their business are people from China then they will recruit them, however if they feel that managers from America will do a better job then they will recruit staff from America.

One big advantage with this approach is the fact that the company will get the best staff, having hired them based on their experience and knowledge.

Regiocentric

This is for regional businesses and would involve recruiting managers from within the wider geographic region of operation. This has benefits of transferability but may also gloss over the needs for local knowledge in particular areas.

Approaches to internationalization

ACTIVITY

Think back to the ideas about market entry we introduced in Chapter 6 and try to work through the implications for the different entry modes with these different approaches to international HRM. Do different entry modes require a particular strategy? For instance how would the policies that a joint venture might pursue compare to those of a sole investor?

The selection of any one of these approaches creates the context in which the managers must operate and communicate within the organization. Managers communicate both through action and inaction. To keep open lines of communication, managers must follow through with action on what has been discussed and then agreed upon, such as a contract. The management of cross-cultural communication depends largely on a manager's personal abilities and behaviours. The behaviours associated through research with cross-cultural communication effectiveness are: respect, empathy, tolerance for ambiguity, orientation to knowledge, interaction posture and other oriented role behaviours.

■ The formal and the informal organization

Defining the organization can only be undertaken when there are clearly stated objectives. According to the classical schools of management thinking,

there is a clear need to establish a framework of order and command by which the activities of the organization can be achieved. The centrality of the objective to the organization means that the structure will be defined to effectively deliver that objective. We believe that this is what we have seen in the examples from the industry where there has been a clear attempt to clarify and structure the companies' positions in relation to diversity. This has many advantages and often simplifies the complexity of international management.

Coherence, coordination and clarity are the guiding principles of formal organizational design. The structure has to be designed irrespective of the people of the organization, as the people may change but the organization will still seek to achieve its objectives. This allows us to utilize some of the principles from the classical approach and also to look at the way this would be interpreted by systems theory, where structure must be designed to maintain the socio-technical system, holding both the structural and technological requirements in balance (Schaffer, 1990).

Woodward (1980) identified that alongside task functions (the things that organizations must do to ensure their continuation), there were also element functions (these are functions that are not directly related to task but facilitate the achievement of the task such as planning). Woodward suggested that there should be a clear definition between the two types of task and element function, otherwise she argued that managers would begin to take responsibility for things that should have been dealt with by directly task-related personnel.

■ Centralization and decentralization

We can also see that the division of work arises at two levels within the organization:

- 1 The authority of individual managers within a chain or group.
- 2 Specific delegation.

There are seen to be advantages and disadvantages to both. The advocates of centralization argue for better decision-making, easier implementation, shared policy, improved coordination, economies of scale and lower overheads. It may also further specialization within the organization.

However, it may also create a more bureaucratic organization, creating a longer chain of command. Decision-making may be cumbersome if everything needs to be referred to the top. Too much centralization can be seen to stifle creativity and innovation.

Decentralization allows decisions to be made closer to the operational level. It also offers opportunities for empowerment and more effective support of staff.

Formal structures have clearly defined spans of control. In practice organizations need to look at how many vertical levels of control are introduced as well as looking at the horizontal span of control of individual

managers. This is true within local operations as well as looking at the relations between the head office structures and those operating in the field.

Managers in formal organizations should have clearly defined authority for certain tasks and responsibility for results. These line relationships can be presented in schematic form to draw a picture of the organization – we have all seen examples of these organizational charts in hotels.

In complex organizations line relationships are matched by staff relationships where staff with similar interests from different lines or functional areas come together (for instance maintenance staff, accounting, etc.). These cross-cutting interests will complicate the lines of definition, communication and decision-making.

One of the most active companies internationally has been McDonald's and they have adopted a formal approach towards their operations that believes that centralized control and training is the best way forward.

Example: McDonald's are structured along functional lines. Their chief executive oversees five major areas of activity:

- 1 Operations (equipment and franchising).
 - 2 Development (property and construction).
 - 3 Finance (supply chain and new product development).
 - 4 Marketing (sales marketing).
 - 5 Human resources (customer services, personnel, hygiene and safety).
- www.bized.ac.uk/compact/mcdonalds/mc7.htm

■ The informal organization

The position we have outlined above has taken the principles from the classical approach to management but we would stress that these guidelines may not fully describe the organization, nor capture its true sense of cultural dynamic. The formally defined organization has to operate in the real world with real people in the positions in the hierarchy and thus will also function as a social organization. Within the social organization, there is less – sometimes almost no – definition of the relationships involved and the informal organization will develop spontaneously. People will be involved to greater or lesser extents at different periods in the history of the company and of their involvement with the company (Gray and Starke, 1988). The informal organization is another aspect of management thinking which is often presented as an iceberg, where the visible top of the iceberg is the officially recognized part of the system and the unseen, majority of the iceberg represents the informal system. For adherents to the classical school, such informal complications should have been addressed, controlled, policed and effectively managed.

However, it is now widely recognized that the informal organization can serve a number of important functions:

- Satisfying social needs at work, creating avenues for the expression of personal identity and generating a focus for a sense of belonging.

- Motivation: Status (earned rather than prescribed), social interaction with colleagues who might even become friends, variety and informal methods of work.
- Extra communication: The importance of informal communications, gossip even, should not be underestimated as it carries great weight in organizations. I heard it through the grapevine messages may have greater significance attached to them than formal messages from the management.
- Stability and security through informal network and norms: The informal groups reinforce and support themselves, helping to develop and nurture the individuals in the group.
- Criticizing the formal structure: The informal networks can operate as a safety valve for the formal organization, perhaps also serving as early warning systems of potential problems and unrest.

Example: The smokers' ghetto

With the introduction of smoking bans in more and more places, it has become common for people to meet in the car parks, outside the main entrance and anywhere else that seems convenient to top up their nicotine levels. The traditional workplace boundaries, for instance between management and staff, between accommodation and catering, between marketing and finance, do not appear in these new spaces.



Plate 12 The nicotine gathering.
Source: Vonzerö 2005 bt.

The people gathered together have a common interest in smoking and this is what brings them together. We can perhaps see the possibilities of a democratization of the workspace here as the highest and the lowest employees come together to smoke. It has created a new informal space which has led to new unpredictable patterns of communications in organizations.

Mullins (2001) takes the informal structure as a way for managers to influence the workforce, but what is missing from his account is the way that the informal system can actually undermine the formal one. The informal system can be a source of dissent and resistance to the official management, especially in centralized organizations.

Human resource strategy

McDonald's human resource strategy emphasize the training and development of its employees. They claim to provide career opportunities for people to achieve their potential. The firm offers both full- and part-time career opportunities, which can help staff to combine work with family or educational commitments. Job progression is used to encourage employees who got their first job in the company to progress to management positions. This is based on the performance of the staff member, but they can demonstrate that over 40% of McDonald's managers started as hourly paid staff members in the restaurants. They also claim that over half of the company's middle and senior managers have moved up from restaurant-based positions. All employees receive a structured development programme as well as externally recognized qualifications in health and safety, food safety and first aid. Moreover, the company's hourly paid staff receive benefits such as: free life assurance (value dependent on service), private health care (for employees aged 19+ with 3 years of service), sponsorship programme, as well as service awards (at 3, 5, 10, 15, 20 and 25 years service).

McDonald's have a promise to their customers and employees which is that "we aspire to Be the Best Employer in Each Community Around the World". They are highly focused on their staff and also try to ensure that constant communication is available from the management to the employees, using tools such as McNews, a franchisee newsletter and their "bright idea's" employee suggestion scheme. They claim that these all contribute to treating their staff as equals and allowing their staff to contribute their views, ideas and opinions to the overall running of the company. McDonald's and its franchisees are among the nation's largest employers of working parents, older workers, individuals with disabilities and teenagers – many of whom are women and from minorities.

Job satisfaction, turnover and absenteeism

The issues of turnover and absenteeism in the tourism industry often mean that studies begin from the point of alienation and frustration at

work. Blauner (1964) suggested that there were four dimensions along which alienation could be expressed. These were:

- 1 Powerlessness: The experience of a lack of control.
- 2 Meaninglessness: Standardization and division of labour produce a situation where workers cannot see where they fit into the whole operation.
- 3 Isolation: A feeling of not belonging to or being involved with the integral work group or important people.
- 4 Self-estrangement: Especially where work is seen solely as a means to an end.

Management responses must seek to develop a sense of attachment to both the work situation and the organization. This can be affected by the formal structure, managerial style, technology and the organization of the work itself. Within hospitality, many opportunities can be created for joining in with the delivery of the offer.

The HCITB 40 (the Hotel and Catering Industry Training Board) report recorded the negative perceptions of employees feeling that jobs in the industry were low status, low paid, servile, had little variety and lacked job satisfaction. A later report by the HCTC 41 (the Hotel and Catering Training Council replaced the HCITB) found that there were many opportunities for satisfaction through customer contact, frequent contact with the management that could offset the negative feelings. Attempts to retain staff and minimize turnover have addressed these issues (Table 8.1).

Table 8.1 Likes and dislikes in hospitality jobs

Likes

1. Challenge, direct involvement, autonomy, independence and rewarding work.
2. People, the public and professional contacts.
3. Working environment and opportunity for growth and development.
4. Fast pace, change.
5. Benefits and prestige.

Dislikes

1. Long hours, nights and weekend schedules.
2. Low pay.
3. Stress, demanding supervisors and duties, no personal time, quality of life.
4. Routine, no advancement or growth, no importance or recognition.
5. Company politics, management.
6. Labour shortages, poor staff, lack of employee motivation, employees' and co-workers attitudes.

Source: Pavesic and Brymer (1990).

Motivations and attitudes to work become a core concern here and we must recognize that these are constructed differently in different places at different times. Individuals are working for a variety of reasons and respond to incentives in different ways. Their circumstances outside work

may change and impact on their attitudes to work. These must also be understood in the context of the local cultural attitudes. The areas of resistance and support can be underpinned by elements of the local cultures. It is not clear that all workforces respond the same way to management initiatives irrespective of where they are or where they come from.

Case: An Overview of the Hilton

Human resource strategy

Despite the recessions following the terrorist attacks of September 11th, where most hotel companies started retrenching staff to keep labour costs under control, Hilton has maintained its staff base over the last couple of years. Most notable is the fact that despite the increase in the number of hotels over the last few years, their total staff count remains the same if not lower than the previous years. This is primarily through substantial investments in developing self-check in kiosks at large hotels like Hilton New York, Chicago (with over 1,500 rooms each) attributing to overall reduction in manpower between the years 2002 and 2003. Therefore an investment in technology as an alternate to manpower seems to be their strategy for profit maximization. However, their hotels run the risk of becoming too “impersonal” lacking any human touch due to the widespread usage of technology. Also a closer look at the 2001 and 2002 annual reports indicate the company’s commitment to its people welfare through benefits (medical insurance, stock options plans, etc.). However, the 2003 report does not indicate such interests. This may be a result of the company tightening their belts for overall profit maximization.

In addition to the awareness and demand for diversity in the workforce, Hilton hotels have been trying to maintain a delicate balance with its manpower resources. As per their 2003 annual report, they have been named as “50 Best Companies for Minorities” by the Fortune magazine. Hence, it seems that with the recent expansion plans in emerging markets within the European Union and South Asia, the company has adopted a focused approach towards quality in terms of human resource.

Source: From the Hilton website.

The idea of technologizing the solution works in specific areas but there are a large number of touch points in hotels, where human interaction is necessary or desirable, and these cannot easily be replaced by technology. Hilton’s recognition that despite its investment in technology it will also have to invest in people is a proper recognition of the dynamics of the industry, where people remain central both as customers and hosts.

The incessant high staff turnover within the hospitality industry means that the human resources department is central to the success of any business. McDonald’s in particular have recognized this as being crucial in maintaining both customer and staff loyalty.

McDonald’s pride themselves on providing fast food with a smile, but, in order for them to carry this out effectively, McDonald’s have to ensure their staff experience a high level of job satisfaction. They believe this will help to prevent high staff turnover, which is beneficial to the company as high turnover in any company always results in high recruitment and training costs. McDonald’s employ over 1.5 million people in over 119 countries around the world, providing many job opportunities to local residents

in many under-developed countries who may otherwise not had the opportunity to work. Many of these are younger people, with 64.55% of the company's employees being aged between 16 and 20 years old. In addition McDonald's have an equal opportunities employer with a crew ratio between male and female of 52:48 (www.mcspotlight.org/issues/intro.html).

So, with these generous conditions, why was it that in the Spring of 2007, the company found itself battling with the compilers of the Oxford English Dictionary to have the term 'Mcjob' removed because of its negative and perjorative definition as a boring and meaningless job? (HVG 2007).

"The basis for our entire business is that we are ethical, truthful and dependable. It takes time to build a reputation. We are not promoters. We are business people with a solid, permanent, constructive ethical programme that will be in style years from now even more than it is today." (Ray Kroc, 1958 from www.mcdonalds.com/corp/invest/gov.html).

McDonald's International and United Kingdom offer a wide range of training programmes and incentives to ensure a low staff turnover. Benefits for hourly employees include free meals, paid holidays, free life insurance, education programmes (Hamburger University) and the stock purchase scheme. They also offer competitive salaries for management positions, including intensive training, which all assist in maintaining staff. Some salaries are given in Table 8.2.

Table 8.2 McDonald's pay structures

| | |
|---------------------------|-----------------------|
| Operations Manager | £30,000–40,000 |
| Supervisor | £20,000–28,000 |
| Restaurant Manager | £15,000–23,000 |
| First Assistant Manager | £13,000–18,000 |
| Second Assistant. Manager | £11,500–14,000 |
| Trainee manager | £11,000 |
| Junior Business Manager | £9,000 |

Source: www.mcspotlight.org/company/publications/mcfact_section3.html#S3e.

These rates have varying attraction. In low wage economies they become very attractive, whereas in other high wage economies they may be perceived as low wage rates and therefore deter entrants to the labour market.

There are various other ways, apart from the salaries, in which jobs can be made to appear more rewarding. These include:

- Job rotations: Changing roles within the organization to gain greater experience of the operation and finding a different routine.
- Job enrichment: Adding elements to the responsibilities within the post that enhance its character and status.
- Job enlargement: Finding additional elements that can be added to the existing portfolio to give greater interest.

Analysis of workplaces has identified five core job dimensions, which can be adjusted to find a more satisfying work balance. They are:

- 1 Skill variety
- 2 Task identity
- 3 Task significance
- 4 Autonomy
- 5 Feedback.

These core job dimensions contribute to three psychological states:

- 1 Experienced meaningfulness of the work.
- 2 Experienced responsibility for outcomes of work.
- 3 Knowledge of the actual results of the work activities.

It was observed that the higher the employee's perception of belonging in any of these three categories, then the greater the likelihood was that they will experience job satisfaction. However when you are analysing work perceptions, it is worth noting that it is possible to be dissatisfied with a low score on only one dimension. These indices have to be interpreted locally to ensure that local cultural differences are taken into consideration.

Managing change

Many cultural differences if not managed appropriately will lead to misunderstandings and can hinder a manager's effective operation. Mullins (2001) observes that change is a pervasive influence on organizations but as we observed with Hofstede's work different countries demonstrate different willingness to accept change. When you are studying the international hospitality industry you have to consider both the product and service issues which are identified in the management literature, as both can impact on the total offer. Hellriegel *et al.* (1992) suggest five factors that influence the direction and the rate of change:

- 1 Changing technology
- 2 Knowledge explosion
- 3 Rapid product obsolescence
- 4 Changing nature of the workforce
- 5 Quality of working life.

We have seen these before as factors in the operational environment. Management responses will differ depending on whether the change is foreseen by management. In these circumstances, strategic responses can be organized and prioritized. Other changes are unforeseen and have to be dealt with reactively rather than proactively. Stasis in the hospitality industry may be impossible given the number of elements involved in the operation and the pace of change which the industry has consistently demonstrated. This means that change will be an ongoing and an inherent part of the management of hospitality organizations.

Change management has to operate at a number of levels within the organization to be successful (although you should remember that all these levels operate at the same time in the real world) (Figure 8.1).

Figure 8.1
Managing levels of change.

- Symbolic: This refers to both the tangible and intangible symbols of an organization.
- Peripheral: Minor amendments that do not seem to effect the strategy of objectives of the organization.
- Core: Major changes to objectives and/or structures that significantly alter the direction of the organization.

The workforce sometimes has a strong attachment to the symbolic which is not always recognized by the management, but again underlines the need to understand the cultural dynamics in the organization.

There are a number of factors that inhibits change, both from the management and the employee perspective (Figure 8.2).

Figure 8.2
Resistances to change.

| Managerial resistance to change | Individual resistance to change |
|--|--|
| <ul style="list-style-type: none"> ● Necessity of large resources ● Disturbance to stability and predictability ● Comfort zone lost ● Threat to power or influence | <ul style="list-style-type: none"> ● Fear of the unknown ● Habit ● Inconvenience or loss of freedom ● Economic implications ● Security in the past ● Threat to status or symbols ● Selective perception |

Successful change management seems to involve the recognition of a wide range of human and social factors, especially where we are concerned with change in an international context. Where these can be addressed within the organization within an acceptable framework for the organization and for the employees, the proposed changes are likely to be embraced positively. It is worth noting that every one of these factors is subject to local interpretation and therefore constitutes a double challenge for an international business which must carry the change both within the domestic operation and also the international parts of the organization.

Human and social factors of change underpin any attempt to successfully manage change. We would suggest that change is most likely to be implemented effectively where the following conditions exist:

- An environment of trust and shared commitment.
- Full and open communications.
- Benefits of change and potential opportunities.
- Encourage team management and cooperative spirit.
- Work on job design, methods of work organization and creating cohesive groups.
- Suitable economic incentives schemes.
- Review of recruitment and selection, training and re-training.

Hotel management in Cuba and the transfer of best practices

ACTIVITY

We would stress that these conditions are culturally defined and interpreted. Cerviño and Bonache (2005) analysed the management challenges faced by international hotel operators when applying universally accepted management principles within the Cuban hospitality market. The article presented a scenario where the state's role in the protection of the socialist revolutionary principles, combined with the need to adopt some market-based management practices, constitutes a singular case in the world of hotel management. In the current Cuban institutional context, the implementation of some western best management practices can produce significant results, while others produce negative outcomes, and therefore should be held back until the institutional context is changed. The argument has implications for managers in suggesting that from a hotel perspective, the application of universally accepted best management practices must be carried out practice by practice and country by country.

This should make you think about the dilemmas of managing hotels in a still highly centralized socialist country but with an increasingly market-based economy. Review the arguments in this chapter and think through the principles which would be difficult to fit into a highly centralized state system.

Managing cultural diversity: 1

This demonstrates once again how important culture is within any global industry as it needs to be understood before a company can adopt changes in other markets (Alvesson, 2002). McDonald's offer an interesting example. The more diverse their customers have become, the more McDonald's have placed a greater importance on the diversity of their suppliers and believe that this more diverse supply chain helps them to meet the needs of their target markets. This can actually help to put wealth back into countries as McDonald's use locally supplied ingredients to support their operations. After McDonald's had expanded to other countries, they were aware they had to change their products to suit the culture they were going into, for example the offer and sourcing of Halal chicken nuggets in Sri Lanka.

"McDonald's have been featured in 'The Best Companies for Minorities', and was honoured with the Catalyst Award for its commitment to women's progress, and was recognized by Black Enterprise and Hispanic magazines as one of the 100 best employers for African Americans and Hispanics" (www.media.mcdonalds.com/secured/company/diversity/).

McDonald's also claim to employ a greater proportion of women and minorities than any other company in the world, representing over 50% of its total workforce. Additionally in the United States, McDonald's hold diversity appreciation education seminars for managers and executives, with over 14,000 managers participating in these culturally informative sessions. These seminar groups encourage the employment of a various selection of staff members, allowing McDonald's to diversify into other

countries and cultures and give the best service possible in those new markets. The programmes are:

- MCW – (managing the changing workforce). All managers attend these sessions to help explore attitudes and the impact of cultural assumptions and gender.
- WCD – (women’s career development). Allowing women at corporate and regional levels to be more assertive, building professional relationships, helping them to grow within the company.
- BCD – (black career development). This is for entry level managers helping participants understand and manage professional relationships of various backgrounds. Also helping with career development, understanding the dynamics of leadership.
- MCD – (managing cultural differences). All franchisees and employees at restaurant level attend these sessions to avoid stereotyping, preventing cultural and gender assumptions.

McDonald’s real influence have been in establishing organizational systems of complete control at every stage from raw product to process factory, from worker to consumer. Although they did not invent such processes, McDonald’s have probably been the most successful transnational food corporation at refining, coordinating, standardizing and developing them into a total system. They have established these pioneering practices and diversified in every country they have moved into (www.aworldconnected.org/article.php/486.html).

Diversity therefore has to be seen as a multifaceted concept, applying to the working conditions within the company and without. An organization can claim to be diversified if it recruits staff with different demographic profiles (age, gender, ethnicity) but it should also look to its supply chain to ensure that diversity is found there. The operations may be in a single country or international and the diversity questions would still need to be answered. Local sourcing becomes even more important in international hospitality. Finally there is a question of diversity in demand: Does the organization cater for a diversity of customers or does it provide a standardized offer to a single group? Diversity within the organization is likely to translate into a diversity externally, with suppliers and customers recognizing the opportunities that such diversity may offer them to develop a satisfying relationship with the company. This echoes a point we made in Chapter 2 about the way the touristic culture was developing, as we suggested there that was a greater sense of value being given to the different and authentic. This is the expectation that organizations can match with a highly developed diversity policy.

Marriott have recognized that culture characterizes national groups and influences the behaviour of individual members. They have also noted that it is not the only influence on individuals’ values. Other factors that they have identified as being able to shape an individual’s reaction to the organization include:

- Genetic transmission
- Family

- Gender stereotypes
- Age.

The application of this in Marriott means that within the working environment it is important to understand individuals and where they are coming from, as it helps to resolve problems or realize opportunities for growth and development. Managers on most occasions, however, make decisions and direct through judgements of groups, units, departments or the entire company as it is more practical to do so but even these need to be informed by a cultural understanding of the conditions of the decision.

When dealing with cross-cultural management, communication skills are of the utmost importance, as managers need to adapt to other cultures to lead their members. However the diversity in culture can provide both opportunities and difficulties. Competitive advantage can be gained through the ability to attract, retain and motivate people from different cultures thus helping in cost reduction, maximizing creativity and problem solving.

Marriott International have engaged in cultural diversity successfully by working under strict central control with local flexibility in different cities all round the world. Managing the cultural diversity of all of their staff has been given a top priority within the organization as the senior management believes their employees are the company's greatest assets. In the words of J.W. Marriott Jr., "Culture is the life-thread and glue that links our past, present and future" (Source: www.marriott.com).

Marriott International developed the policy of treating all of their employees fairly and provides training and advancement opportunities to all their members of staff. They feel it is the best and possibly the only way to attract, develop and retain the very best of their talent. Thus adaptation has allowed business relations to develop and continued growth has been achieved.

With Marriott seeking to retain their position as a leading player in the hospitality industry, they have adopted strategies to try to ensure that their commitment to the benefits of diversity is encompassed in every one of their hotel locations in the world, as they believe this helps growth and profit opportunities within the ever-changing markets. Marriott's commitment is business focused as the diversity of the global workforce is seen as helping to create greater opportunities for the business through an increasingly diverse group of suppliers, customers, owners and franchisees.

The dedication shown by Marriott International and their workforce has been a highlighted success. This year according to DiversityInc magazine, Marriott have been ranked 12th out of 50 companies for their handling of a diverse workforce. The survey is the only national ranking of its kind in America and is the most in-depth empirical analysis of corporate diversity management. J.W. Marriott Jr., Chairman and CEO, proudly added: "Our determination to provide opportunities for our associates and customers is one of the main reasons people want to work and do business with us. It gives our company strength and a competitive edge. We're proud that we've set the standard for the entire hospitality industry" (Source: marriott.com/news/detail.mi?marrArticle=89393).

Due to the organization's commitment to global cultural diversity, Marriott point to a dedicated workforce in many countries and in many cultures, which in turn have enabled them to become a successful international organization.

McDonald's real influence have been in establishing organizational systems of complete control at every stage from raw product to process factory, from worker to consumer. Although they did not invent such processes, McDonald's have probably been the most successful transnational food corporation at refining, coordinating, standardizing and developing them into a total system. They have set up these pioneering practices and diversified in every country they've moved into (www.aworldconnected.org/article.php/486.html).

However despite these strict internal controls, McDonald's may not be viable in every country as there may be resistance from external cultural forces. France, for example, is widely recognized as the gastronomic capital of the world, and McDonald's attempt to promote the most commercialized, standardized type of food did not go as planned in that country. Kincheloe (2002) demonstrates the way that McDonald's are perceived differently in different countries, being seen in many places as a sign of affluence, whereas in many developed countries such as United States and United Kingdom the perception has shifted. The French, in particular, did not take well to the proposal of the commercialized restaurants being built in traditional villages such as the Roquefort cheese village in which protestors actually knocked down the half built McDonald's which they thought had ruined their village.

Managing cultural diversity: 2

Another example of a formal approach to managing cultural diversity comes from the Hyatt Corporation. The Hyatt Corporation has hotels and resorts located across the world and Mintel (October, 2003) noted that 27% of the hotels were located outside of their main markets in North America, Europe and the Middle East (Figure 8.3).

Hyatt's cultural detail

Hyatt recognizes the importance of the symbolic level of change and development and as a result pays close attention to the smallest detail in every hotel they operate worldwide. Each hotel is distinct to the country it is situated in. They take artwork from the specific country to accentuate design and interior of the hotel. They aim to follow local tradition when it comes to decor around hotels. They offer local cuisine style restaurants as well as international style restaurants. They do this not only to create a sense of atmosphere, but also to blend in with the location and the local culture by showing the depth of the appreciation they have for these issues. After considering the Hyatt operations and their websites, it is clear that they see themselves as a culturally diverse company.



Figure 8.3
Hyatt hotel locations
across the world

Managing Cultural Diversity, Hyatt

The central concern of the Hyatt human resource strategy is the successful attempt to “assemble a workforce of happy, loyal employees whose diverse perspectives combine to spark innovation and who can market to the spectrum of customer niches from which they hail” (www.chiefexecutive.net, 2005).

The majority of multinational companies, including Hyatt, tend to use their own individual “best practice” methods to successfully implement measurable goals for their strategies, most of which involve incentives of some form. Serious commitment and clear objectives for policies are required for any form of strategy to be successful. Managing diversity in a multinational organization is an incredibly difficult task, but needs to be defined in an achievable way and have strong policies to support it. The framework will need to be used in each and every country but with the sensitivity to recognize that differing cultures need to be understood locally and this means that each property has to adapt to the environment in which it is set.

Hyatt and diversity

Diversity is one of Hyatt’s greatest values and is a company core value. Hyatt’s goal for diversity is “To lead our industry by being an employer and hospitality company of choice for an increasingly diverse population” (www.hyatt.com/corporate/hyatt/diversity/index.jhtml).

One of the most intriguing aspects of Hyatt’s approach is the way it has sought to formalize the importance that the company gives to diversity. Hyatt has instituted a “Diversity Council” consisting of 24 employees/managers representing various sections of the company. They meet three times a year to discuss issues related to diversity to establish how well the company is recognizing the subject along with an assessment of the strategies that are set out to assist in the full inclusion of all minorities. The council aims to increase awareness of diversity issues including such issues as respect to women and minorities. Due to the success of the council Hyatt plan to create a larger external board consisting of national minority representatives, meeting planners and convention bureau representatives from within the Hyatt Corporation. They claim that expense is no object for the diversity strategies pointing out that

“Hyatt’s vice president of diversity for example has a \$400,000 annual budget ...” (www.chiefexecutive.net, 2005) but they also note that this is “... just a piece of Hyatt’s multimillion-dollar commitment to diversity. And that’s even in bad times. It’s the one area we have constantly underwritten” (www.chiefexecutive.net, 2005).

By looking into issues around cultural diversity, Hyatt has devised a number of ways to implement awareness through its staff:

- Hyatt uses mandatory diversity training for all members of staff. Training covers awareness of valuing differences, by treating others with respect regardless of race or gender.
- They also implement training, which helps to emphasize the special needs of peers or Hyatt customers.
- “Spanish – Hyatt Style, Management is cross-cultural communications training to improve communications and relationships among employees and guests” (www.hyatt.com/corporate/hyatt/diversity/diversity_employer_of_choice_training.jhtml?ssnav=3).
- Hyatt also has communication training for non-English-speaking employees, which is called “**English as a second language**” (ESL), aiming to improve communication relationships among Hyatt employees and their guests.

Hyatt has been recognized by a number of magazines and diversity related businesses for their efforts in creating and effectively managing diversity throughout the company. The company has strived to ensure that they can do whatever they can to introduce diversity knowledge to all employees in their organization around the world.

It is a core value within Hyatt culture to implement a diverse workforce no matter where in the world a hotel is. This shows that they value employee’s and customer beliefs, cultures and needs. In America they can claim that “(Hyatt) has a diverse workforce but, unlike some others in its industry, has a good representation of African Americans, Latinos and Asian Americans in its management and among its highest-paid employees” (Hyatt Corporation, 2004: 1).

It is Hyatt’s belief that if cultural diversity management is implemented and its staff at all levels educated to appreciate the benefits, then they will use this to the company’s advantage and this will lead to greater levels of customer service and benefit to their customers. This demonstrates that within cultural diversity, Hyatt takes into account and appreciates their customers.

The website offers an example of where the good intentions are compromised by practicalities. The website hotel pages are standardized in English, but they also offer the page in the local language for people. Hyatt could consider encouraging greater diversity by adding a selection of languages to every hotel page they have, rather than just the home language of that hotel and English. This would recognize the true diversity of their guests but would generate an enormous amount of work!

Importance of diversity management

To Hyatt, diversity is a “serious business”. Specific programmes have been incorporated and 15% of potential employee bonuses depend on the achievement of diversity goals set by these programmes. They state unequivocally that “Establishing diversity as one of Hyatt’s core goals is a primary and an integral part of our corporate culture” (www.hyatt.com, 2004).

Hyatt has sponsored many students with a variety of backgrounds and cultures, all of whom have studied within the hospitality sector. The students become interns for Hyatt, which the company use to help assess the ever-changing levels of diversity and to assist with the understanding and teaching of different cultures.

Multinational organizations are ranked throughout the world for their practice of diversity management and the level of diversity they have within their company overall. Marriott International are thought to have the most diverse workforce worldwide, however they rank only 41st with regards to the ranking of the best company for diversity management. Hyatt have ranked far better than this. "Hyatt, ranked 18th was cited as the second most diverse workforce ..." (www.hotelexecutive.com, date unknown).

Types of diversity management

Hyatt, as a large international corporation, can be seen as demonstrating an extremely high level of cultural awareness and as a rule has diversity management at the forefront of each decision and strategy they implement. The management of diversity can be looked at in two main ways that parallel our thinking about the development of globalization:

- **Convergent:** The thought that every individual will one day be exactly the same in relation to thinking, ideas and culture with society.
- **Divergent:** The thought that every individual is becoming more and more different in every sense.

From our research it could be assumed that Hyatt International are very "divergent" in their approach to diversity. They tailor each property to suit its surrounding and encourage their employees to use the differing cultures and forms of diversity to aid the corporation in expanding their knowledge and understanding. This will inform both current practice and the company's plans for expansion.

Knowledge and understanding of different cultures and values is of major importance when recruiting and employing staff for an international corporation. The process involves selecting, training and developing employees for a vast variety of jobs not only in the home country, but also overseas.

Chapter Case Study: Starbucks: Managing Cultural Diversity

The management of food and beverage operations must be especially aware of the changing trends, as the industry is facing a chronic skills shortage and an ever-increasing number of foreign workers are being used to fill these gaps, thereby increasing the diversity in the workplace. The organizations working towards the globalization of many food and beverage operations must also be aware of the diversity of the different countries in which they operate.

Diversity management must become a part of company policy, however in order for it to be effective it must be embedded within the culture of the company, from senior management through to front-line staff.

Effective diversity management can have numerous positive effects on business performance, such as greater understanding of customer needs, higher employee retention rate and increased sales. Ineffective diversity management however can bring added problems to the workplace such as demoralization of employees, reverse discrimination, hostility and high staff turnover.

Part of Starbucks' mission statement is to embrace diversity as an essential component in the way they do business. (The full mission statement was discussed in the previous chapter.)

Starbucks believe that to operate successfully in the global marketplace diversity needs to be embraced within every aspect of the business. This includes:

- the Workplace,
- training,
- suppliers,
- communities in which they operate.

The workplace

Starbucks commitment to diversity begins with attracting and retaining a dynamic and diverse work team. They try to mirror the customers and communities they serve, which creates an environment where all of the customers and partners feel comfortable and welcome. To attract a diverse representation of qualified candidates, Starbucks link with a number of local and national community-based organizations. For example in America they make links with the National Black MBA and the National Hispanic MBA and the women in foodservice forum.

On a quarterly basis, Starbucks monitor the demographics of their workforce to determine whether they reflect the communities in which they operate. They also look at representation within specific positions and evaluate whether there are pathways to higher-level positions. Based on available data they have from partners who voluntarily disclose their race and gender, at the end of fiscal 2003:

- Starbucks US workforce is comprised of 63% women and 24% people of colour.
- Of Starbucks executive team – vice presidents and above – 32% are women and 9% are people of colour.

Figures taken from Fiscal annual report (2003).

Training

Diversity content is woven through Starbucks general training and development modules, as well as management training courses.

Diversity courses are also offered at Starbucks to address partners' relevant business needs. These include:

- Diversity Learning Journey.
- Bias-free Interviewing Workshops, which prepare managers and recruiters for the hiring process.

Starbucks take the hiring and recruiting process very seriously they are very careful whom they employ as it costs £2,300–3,000 to recruit and train each employee

- Within 2 weeks of commencing employment all employees will have undergone training that includes diversity training, learning about the diversity amongst the employees and also amongst the customer base (DDA training also provided).
- Training is ongoing throughout employment.

- The company claims to spend so much time and money on training in order to retain its staff and as a result has a very low staff turnover rate.
- Training is consistent throughout Starbucks, therefore once an employee has been trained they can work in any store and the company is happy to transfer staff between stores.
- Terms and conditions are discussed and agreed before employment commences.
- Starbucks partners are also informed about their anti-discrimination policies and anti-harassment policies, which are put in place to protect employees against gender, ethnicity, religion, age, sexual orientation and other forms of discrimination.

Suppliers

Starbucks have developed a supplier diversity initiative, which ensures that each supplier selected shares the company's core values to meet key requirements, which include:

- Quality
- Service
- Value
- Stability and sound business practices.

A diverse supplier must meet certain criteria for example, the company must be 51% owned, operated and managed by women, minorities or socially disadvantaged individuals.

Diversity in communities in which Starbucks operate

In 1998, Starbucks formed a joint venture with Johnson Development Corporation (JDC), which is owned by Earvin "Magic" Johnson. They created Urban Coffee Opportunities, LLC (UCO), bringing Starbucks stores to diverse communities. At the end of fiscal 2003, there were 52 UCO locations in the United States. Starbucks UCO stores offer communities an inviting, comfortable place for neighbours to gather.

While customers are assured a consistent *Starbucks Experience* at the stores, they may find the music is tailored to local tastes, subtle differences in the food offerings and mural art that is unique to the stores. A UCO store can be a catalyst for creating jobs and encouraging business development in the communities where the stores are located. At the end of fiscal 2003, the locations employed 971 Starbucks partners.

The Starbucks Foundation and Starbucks community and giving programmes provide support to non-profit organizations that serve diverse communities. They also partner with various community organizations to provide employment opportunities to their constituents.

Developments in diversity

During 2003 diversity included the hiring of a vice president of global diversity. Starbucks spent more with diverse suppliers compared to last year. And UCO opened 17 stores in diverse communities.

Here are some of their plans for 2004:

- Implement a global strategic diversity plan that will effectively increase diversity at all levels within the company, including an emphasis on succession planning.
- Increase the number of UCO stores in diverse neighbourhoods.

- Create a stronger business and communications strategy for Supplier Diversity to increase the amount of business Starbucks do with diverse suppliers.
- Increase the amount we spend with diverse suppliers to \$95 million by identifying new certified diverse suppliers for future business with Starbucks, as well as encourage more of our existing diverse suppliers to become certified.
- Create a new position at Starbucks to oversee the Supplier Diversity Program.
- Develop strategic alliances with national organizations that serve diverse constituents, such as the National Association for the Advancement of Coloured People (NAACP) and the National Council of La Raza.

■ The management challenge

Mullins (2001) draws attention to the complexity of managing in the hospitality industry and we have noted that the international field is even more complex. The challenges facing the managers have been highlighted through the chapter, firstly by locating the theoretical traditions which have been developed to explore management and then by examining various themes which can be found in the operation of management within the international hospitality industry.

We have questioned our understanding of the purpose of management but in this review we will focus on the issue of quality within international hospitality organizations. We need to differentiate between the challenge of ensuring quality – defining our standards, moving beyond fitness for purpose and finding ways of assuring that quality – and of seeking continuous quality improvement or heading for excellence.

The seminal management book, *In Search of Excellence* (Peters and Waterman, 1982), remains one of the biggest selling business books ever. The platform for Peters and Waterman's work was the McKinsey 7-S model (Figure 8.4).

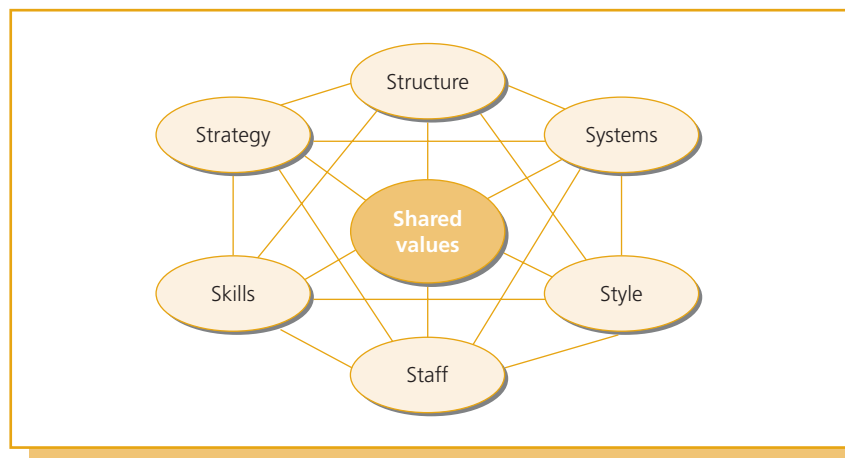


Figure 8.4
McKinsey 7-S model
elements.

The essential message of *In Search of Excellence* became the recognition of:

- People
- Customers
- Action.

These “soft” factors were treated in the same way as hard ones, when previously the only “hard factors” were considered to be the “numbers”. Peters and Waterman found eight common themes which they argued were responsible for the success of the corporations, which have become pointers for managers ever since. Here is a summary of the eight themes (Figure 8.5).

1. **A bias for action**, active decision-making – “getting on with it”.
2. **Close to the customer** – learning from the people served by the business.
3. **Autonomy and entrepreneurship** – fostering innovation and nurturing “champions”.
4. **Productivity through people** – treating rank and file employees as a source of quality.
5. **Hands-on, value-driven** – management philosophy that guides everyday practice – management showing its commitment.
6. **Stick to the knitting** – stay with the business that you know.
7. **Simple form, lean staff** – some of the best companies have minimal HQ staff.
8. **Simultaneous loose-tight properties** – autonomy in shop-floor activities plus centralized values.

Figure 8.5
In Search of Excellence – the eight themes.

However the authors have subsequently argued that the book’s central flaw was in suggesting that these points would apply for ever, when they most certainly have not. If they were to rewrite now, they would not tamper with any of the eight themes, but add to them: capabilities concerning ideas, liberation and speed.

This rehearses and represents many of the principles we have covered in the chapter where we have looked at the differences between the classical approaches and more human focused approaches. The contextual understanding of the situations and the ability to develop appropriate managerial responses are crucial to the effective management of any hospitality or tourism organization. As we have shown the cultural diversity issues involved in international hospitality only serve to reinforce the need for sound human resource strategies. We would also argue that the cultural contexts of operations require adjustments to many conventional management approaches and that such solutions cannot be adopted without careful adaptation to the local cultures of everyday life and work.

■ Review questions

- 1 Do organizations need to manage cultural difference both within and without the business?
- 2 What are the factors that shape the way that resistance will be constructed in different locations within an international market?
- 3 Does internationalization argue against corporate systems?
- 4 Can local conditions affect the motivations of employees?