

# HOSPITALITY MANAGEMENT AND ORGANISATIONAL BEHAVIOUR

Fifth Edition

Laurie J. Mullins & Penny Dossor



# **Hospitality Management and Organisational Behaviour**

right to abide by their social mores and laws. It's not like they made you build a hotel there.

I just think it's an interesting ethical dilemma. Could you run your business in a manner counter to

your own ethics? Are there even alternatives since the government says there will be punishment for non-compliance? Am I making too big of a deal out of this?<sup>15</sup>

### Critical review and reflection

Consider the above situation.

*Is this an ethical dilemma or purely cultural difference? Do you feel that the organisations should help the authorities monitor the guests or not?*

*What are the arguments for, and against, your recommendation?*

## The profit motive

The hospitality industry involves an economic activity and its aims and objectives are of a commercial nature. To be successful the primary objectives may be seen as: to survive as a business and continue in existence, to maintain growth and development, and to make a profit. If we accept survival as the ultimate objective of the hospitality establishment, this involves the need for a steady and continuous profit. The establishment must be prepared to accept the possibility of a reduction in short-term profitability in order to provide for future investments.

## Other considerations and motivations

Although the objective of profit maximisation is undoubtedly of great importance, it is not, by itself, a sufficient criterion for the effective day-to-day management of hospitality operations. This view is supported by Fearn, who suggests a somewhat different interpretation of the role of profit in the objectives of hospitality management.

Why are we in business?' The favourite answer to this question, and one often thought to be the correct one, is 'to make a profit'. This is indeed important, but it is hardly an adequate basic approach to the administration of a business. To consider profit as the sole reason for the existence of a company is certainly an attractive idea, but it is more logical to consider profit as the reward for serving others well. It is therefore the things that are done to obtain profit which are the subject of objectives.<sup>16</sup>

In practice, there are many other considerations and motivations which affect the desire for the greatest profit or maximum economic efficiency. Attention needs to be given to multiple areas of objective-setting, including the importance of social responsibilities.

## Multiple performance objectives

Any business organisation has a number of important areas of performance and results which require the setting of objectives. Drucker has referred to the 'fallacy of the single objective' of a business. The search for the one, right objective is not only unlikely to be productive, but is certain to harm and misdirect the business enterprise.

To emphasise only profit, for instance, misdirects managers to the point where they may endanger the survival of the business. To obtain profit today they tend to undermine the future . . . To manage a business is to balance a variety of needs and goals . . . the very nature of business enterprise requires multiple objectives which are needed in every area where performance and results directly and vitally affect the survival and prosperity of the business.<sup>17</sup>

Drucker lists eight key areas in which objectives should be set in terms of performance and results. This list provides a useful framework in which to review objectives of hospitality organisation.<sup>18</sup>

- *Market standing* – for example, type of customers and their requirements as the principal source of business, nature of facilities and services offered, distinctions from main competitors.
- *Innovation* – for example, need for flexibility in a dynamic environment, opportunities to reach new customers, developments arising from technological advances, new processes and procedures.
- *Productivity* – higher productivity distinguished from higher production or output; for example, more advanced equipment, optimum use of resources, decision-making techniques, improved methods, systems and procedures.
- *Physical and financial resources* – for example, location, size and nature of premises; equipment and facilities; supply of capital and budgeting; financial planning; provision of supplies.
- *Profitability* – for example, capital investment policy, profitability forecasts and planning, sales objectives such as for accommodation, food and beverages, measurements of profitability such as return on capital employed and food costs to sales.
- *Manager performance and development* – for example, the direction of managers' work, areas of responsibility, results achieved by subordinate staff, achievement of objectives, staff relationships, strengthening the management team, management succession planning.
- *Worker performance and attitudes* – for example, organisation and execution of work, standards of performance, control systems, staff appraisals, customer relations, personnel policies, employee relations, respect for authority, loyalty.
- *Public responsibility* (commonly referred to as social responsibilities) – demands made upon the organisation internally and by the external environment, for example by customers and staff, by law or public opinion, or by responsibilities to society and the public interest. The importance of the social responsibilities of management is considered more fully in a separate section below.

### ■ Constraints and limitations

We can see, therefore, that although the profit objective is clearly of importance, it is not, by itself, a sufficient criterion for the effective management of hospitality operations. Individuals in the hotel are not necessarily guided at all times by the profit objective. This is only one of a number of constraints.

Profit may not enter directly into the decision-making of most members of a business organisation. Again, this does not mean that it is improper or meaningless to regard profit as a principal goal of a business. It simply means that the decision-making mechanism is a loosely coupled system in which the profit constraint is only one among a number of constraints and enters into most sub-systems only in indirect ways.<sup>19</sup>

The key areas of performance and results draw attention to the many constraints which may affect the satisfactory attainment of objectives, for example the failure to innovate, low productivity, lack of physical and financial resources, poor management development or staff training. Other limiting factors may arise as a result of general policy decisions or environmental pressures.

### ■ Realistic level of objectives

It is important, therefore, to take account of constraints and to set limitations and objectives at a realistically attainable level. Objectives set at too low a level do not stretch staff or provide a sufficient challenge or sense of achievement. This can result in a lost opportunity for higher performance and results.

However, if objectives are set at too high a level this will be counter-productive. Staff may feel that undue pressure is put upon them and will again fail to gain a sense of achievement or personal satisfaction. If objectives are not seen to be in reasonable reach this is likely to result in the loss of positive motivation and a lower-than-possible level of performance.

## Corporate social responsibility

In striving to satisfy their goals and achieve their objectives, hospitality organisations cannot operate in isolation from the environment of which they are part. Such organisations require the use of factors of production and other facilities of society. Economic efficiency is affected by governmental, social, technical and cultural variables. In return, society is in need of the products and services supplied by the organisation, including the creation and distribution of wealth.

Economic survival and performance are dependent upon a series of activities between the hospitality organisation and its environment. These exchanges and the continual interaction with the environment give rise to a number of broader obligations to society in general. These broader obligations are both internal and external and are usually referred to as social responsibilities. In recent years there has been a growing awareness of the social and environmental consequences of human activity, particularly in business operations, the hospitality industry included.

**Exhibit 4.3 Corporate responsibility: Compass Catering**

'Compass Group is a people business and we cultivate an environment of mutual respect, where everyone is highly motivated by their work.'

The Board of Compass Group PLC is fully engaged in delivering a holistic approach to corporate responsibility and has a sub-committee to oversee the implementation of a global strategy and regularly review key performance indicators and targets.

Within our UK & Ireland business the Executive Committee as a whole is responsible for corporate responsibility. The directors are responsible for ensuring compliance with Compass Group's corporate values and standards. Going forward, we will be setting up a forum to consider and review environmental, ethical and social issues relevant to our business and this will report regularly to the Executive Committee. Its role will be to promote awareness of this Framework across the business, including training and communication. I will chair the forum and will have specific responsibility for our corporate responsibility policies and leading the development of new initiatives and targets.

All employees have a responsibility to abide by our policies and procedures which have been developed to guide colleagues and, therefore, monitor and regulate the conduct of the day-to-day operations of the business. These policies and procedures include our health, safety and environmental policy and are available to all employees through a web-based information system. Everyone is encouraged to make suggestions to improve the way we work.'

(Ian Sarson, Group Managing Director, Compass Group UK & Ireland)<sup>20</sup>

## Broad range of responsibilities

The potential range of social responsibilities is very broad and concerns different groups of people. Social responsibilities may be considered under a number of different headings such as, for example, employees, shareholders, customers, community, the government, and suppliers, business associates and competitors.

- *Employees and employment quality* – responsibilities extend beyond formal treatment, consultation and participation, effective personnel and employee relations policies, equal opportunities employment, good working conditions and live-in accommodation, training in new skills and technologies, job satisfaction, observance of the psychological contract and, more recently, work–life balance issues and providing employee assistance programmes.
- *Shareholders or other providers of capital* – shareholders are drawn from a wide range of the population, including private individuals. Many people also subscribe indirectly as shareholders through pension funds and insurance companies. Responsibilities to shareholders extend beyond a purely financial reward for risk-taking and include the safeguarding of investments, the opportunity to exercise rights as owners, participation in policy decisions, the opportunity to question top management on the affairs of the company and the provision of full information in a clearly understood format.
- *Customers* – responsibilities to customers may arguably be seen as no more than a natural outcome of good business, especially in the hospitality industry. There are, however, broader social responsibilities including fair standards of advertising and promotions, good value for money, a positive approach to customer satisfaction, honesty and full information on all costs and charges, prompt and courteous attention to queries or complaints, safety and security.

- *Community* – it is in the area of concern for the community at large that social responsibilities can usually be seen most clearly. The hospitality organisation has a responsibility to society and to take care of amenities. Examples under this heading include: the effects and potential nuisance of the siting and appearance of new buildings, noise, and disposal of waste, the use of biodegradable materials and aerosol sprays which do not contain chlorofluorocarbons (CFCs), concern for the welfare of the local community. Some larger organisations extend the range of social responsibilities further, for example by donations to, or sponsorship of, the arts, educational or sporting organisations, or charities.
- *Environment* – an area of increasing awareness and concern is that of environmental considerations such as mitigation of climate change, energy conservation, renewable energy use and clean energy production, water conservation, waste reduction and recycling water, and soil pollution reduction.<sup>21</sup>
- *Government* – hospitality management should, of course, respect and obey the law relating to the conduct of business operations even if it is not regarded as in their best interests. What is debatable is the extent to which top management should also cooperate voluntarily with actions requested by the government, for example attempts to avoid inflation, acceptance of controls over imports, employment of staff under government training schemes, control of potential social problems such as the sale of tobacco, alcohol or accidents at work. More recently issues such as obesity have been subject to debate with pressure on fast-food restaurants to offer healthy options.
- *Suppliers, business associates and competitors* – examples under this heading include: fair standards of trading, honouring terms and conditions of purchase and settlement dates for payment of accounts, assistance to small organisations, engaging in only fair competition and not disparaging competitors. The use of Fair Trade<sup>22</sup> products is an increasingly popular approach.

### A question of balance

The distinction between the exercise of social responsibilities for genuine philanthropic reasons, and actions taken in pursuit of what is seen as no more than good business practice and enlightened self-interest, is not always easy to determine. In practice it is a question of degree and balance, of combining sound economic operations with an appropriate concern for broader responsibilities to society.

The recognition of social responsibilities should form part of strategic planning, and the formulation of objectives and policy. It is up to top management to determine the extent to which, and the manner in which, the hospitality organisation will attempt to satisfy its social responsibilities.

#### **Exhibit 4.4** Community service award

The cast of the **Walt Disney World Swan and Dolphin Resort** recently received the Community Service Award from Starwood Hotels and Resorts for the tremendous amount of support and charity they have given to the community. Hearts for Humanity,

the resort's humanitarian committee, comprised of caring associates from various departments throughout the property, organizes, coordinates, and participates in all the charitable work done on behalf of the **Walt Disney World Swan and Dolphin**. This includes



both charity drives and volunteer events. Below is a sample of what our Disney hotel accomplished with Hearts for Humanity in 2007:

- Approximately 200 cell phones were donated to Secure the Call
- Quarterly blood drive
- Over 400 books were collected and donated for Head Start
- Over 600 pounds of clothes donated to Mustard Seed
- School Supplies collected and delivered to an 'adopted' school
- Over 190 Thanksgiving Day Food Baskets donated
- Over 125 'Christmas Angels' adopted and given gifts for the holidays
- Over 500 duvets donated to many different organizations
- *Disney resort* room nights to over 20 charitable organizations
- High Chairs donated to Shepherd's Promise
- Invited workers from Children's Home Society to eat at one of the resort's signature restaurants for the good work they do
- Organized Fins & Feathers Fun Run – all money went to Hearts for Humanity
- Participated in the Charity Challenge to benefit local charities
- Invited families staying at the Shepherd's Promise Transitional Home to the Hotel Children's Party
- Had holiday party for children at Children's Home Society where they received gifts from Santa and entertainment from a magician, a DJ and craft station
- Sent Volunteers from our Disney hotel to work at Give Kids the World
- Approximately 103,000 pounds of food donated to The Orlando Bridge
- Donated approximately \$28,000 this year to United Way
- Donated over \$2,000 worth of new clothes and toiletries to Children's Home Society<sup>23</sup>

## Corporate social responsibility and the hospitality industry

In a study evaluating corporate social responsibility reporting practice among the largest hotel companies in the world, de Grosbois<sup>24</sup> found that the most popular environmental concerns were waste reduction, recycling, reduction of water consumption and the mitigation of climate change.

Tsai,<sup>25</sup> in a study of hotels in Hong Kong, discussed the importance of staff commitment to corporate social responsibility. It was found that staff had a relatively low awareness of environmental influences.

### Critical review and reflection

'An organisation that shows a positive concern for the environment will be an employer of preferred choice.'

*Why might that be and to what extent would you believe the statement to be true?*

According to Reeves a few well-chosen aims in goal-setting can sharpen focus and boost productivity but too many can lead to stress and even disaster. Clear objectives expressed as specific goals should improve performance, but measurement should not be confused with