



When cosmopolitan corporations meet local environments: The impact on managerial structure in international luxury hotels

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ABSTRACT

With the rapid growth of global business and travel, many international hotel companies have expanded their operations to China. Effective staff strategy becomes a key issue when corporations face a paradox between their strategic mission in the global context and their daily operations in local environments. Through in-depth interviews with executives and senior managers from hotel associations, international hotel groups and hotel owners, this paper explores the current managerial structure of international luxury hotels and how it is shaped by this paradox. The findings indicate that international hotel companies prefer to assign cosmopolitan general managers to run their properties and maintain company policies and standards, while using local medium managers or seconds-in-command to assist the key executives in dealing with local issues. By rethinking this phenomenon under the wider contexts of globalization and cosmopolitanism, we argue that the current managerial structure represents a cosmopolitan elite culture developed in the context of Western modernity. The influences of the hotel industry's features and the outstanding characteristics of the Chinese context on the talent localization process are also discussed, and some implications are provided.

1. Introduction

With the intensification of globalization as well as the rapid growth in global business and travel, many large international hotel companies, usually from North American and European countries, have recently expanded their operations into developing countries and emerging markets. Their rapid expansion has led to an issue over talent recruitment, since the hotel industry is labor-intensive and its customer service is greatly based on hotel staff. Previous research has well recognized the talent recruitment issue of multinational companies with a focus on expatriates (Hardill and MacDonald, 1998; Jasawalla et al., 2004). A wide range of topics on expatriate (or international) managers, often referring to executives in a leadership position that involves international assignments across countries and cultures (Pucik and Saba, 1998) has been discussed, such as their required competencies and capacities (Gertsen, 1990; Jordan and Cartwright, 1998), expatriates' performance (Lee and Sukoco, 2010), culture shock and adjustment issues (Andreason, 2003; Shaffer et al., 1999; Takeuchi, 2010), and HR practices that help organizations select, develop and retain competent expatriate managers (Anderson, 2005; Mendenhall et al., 1987). Expatriates are usually assigned to maintain the policies and culture of the parent firm as well as control and manage its subsidiaries when Western multinational companies enter a new overseas market; however,

expatriates are costly and often encounter high failure rates in Asia due to the cultural differences and different business environments (Miao et al., 2011; Seak and Enderwick, 2008). Therefore, some research has proposed replacing expatriates with competent locals who are familiar with the local context in order to ensure successful strategy implementation and sustainable development in emerging markets (Fryxell et al., 2004; Selmer, 2003; Wong and Law, 1999).

The conventional classification of “expatriates” and “locals” is often done on the basis of nationality differences, as expatriates are usually from the parent country while locals refer to people of the host country, but this does not reveal the tension between globalized hotel management and the localized context. Many multinational companies face a paradoxical need to focus on worldwide integration and central control (to build a global image and network) as well as local adaption to customers and culture (based on good local knowledge) (Levy et al., 2007; Mejia et al., 2016). This tension is rooted in the globalization process, and cannot be well reflected by the issue of expatriate adaption. In contrast, the ideas of cosmopolitanism and localism may provide a better perspective to explain this tension, which could be even more complex when it comes to labor-sensitive and service-based international hotel chains. More recently, global managers characterized by a cosmopolitan identity are being increasingly discussed, as they are expected to have “a flexible and open mind, with a well-rounded

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understanding of international business and an ability to work across cross-cultural and cross-functional boundaries” (Pucik and Saba, 1998). They are regarded as ideal executives who are capable of handling the demands of global integration and local responsiveness simultaneously (Bartlett and Ghoshal, 2003; Townsend and Cairns, 2003; Wu and Lee, 2007). Apart from their knowledge and skill, their individual orientation and way of thinking are significantly emphasized, including global mindset, openness to and understanding of other cultures, and ability to recognize and deal with complex interconnections and unexpected dynamics (Levy et al., 2007). In other words, for multinational corporations, a cosmopolitan identity, rather than where the manager comes from, is the desired feature of a global manager.

In recent years, China has experienced a dramatic increase in international hotels; in particular, the recent boom in new high-end hotels. For example, the five large hotel groups InterContinental, Marriot, Hilton, Wyndham and Accor plan to operate 741 new hotels in China during the period 2014–2019,¹ and by the end of 2016, there were over 800 five-star hotels in mainland China (CNTA, 2017). This rapid expansion has precipitated an increased demand for hospitality-related talent. Moreover, the different business environment and socio-cultural conditions in China make the daily business of operation and management more complex (Selmer, 2003). Previous studies have demonstrated that cultural conflict has been one of the main obstacles for international companies doing business in relationship-based Chinese society (Feng and Pearson, 1999; Miao et al., 2011). As a result, the recruitment of qualified managers has become a critical activity for these international hotel companies to successfully expand and operate in the Chinese market.

Through the case of international luxury hotels in China, this paper will adopt a “cosmopolitan-local” framework to re-examine the talent issue of multinational companies. It will explore the current managerial structure and explain the reasons behind it. Recent studies conducted by Chan et al. (2016a, 2016b) have examined the current situation around talent localization in international luxury hotels in China, and they found that: 1) the localization process is relatively low-level; and 2) cultural differences/conflicts are perceived as important barriers. However, these two papers have not really explained the existing pattern of managerial structuring. This study will advance the previous research on the talent development and management of multinational companies, which is an important issue but one which has received less concern in the hospitality context. Moreover, previous discussion on expatriate/local has mostly been driven by management practices, and the cosmopolitanism perspective could further reveal the underlying structure of international hotel chains between their local operations and global presence. It will also stress the importance of both the Chinese and hospitality industry contexts, which have recently been recognized by researchers as needing more attention (Wong and Chan, 2010).

2. Literature review

2.1. Cosmopolitanism and the rise of the professional global manager

The cosmopolitan-local framework first became popular in social science when Merton studied individual attitudes in a small American town in the 1940s (Merton, 1957). According to his research, cosmopolitan-minded people are oriented towards the outside world and are influential because of their specialized knowledge and professional status and resources, whereas local-minded people are strongly oriented towards their home towns, and their influence is mostly derived from long-lasting social relationships and networks rooted in the local

community. Merton’s student Gouldner (1957, 1958) further developed this concept as two latent social identities within an organizational context. Cosmopolitan people are “low on loyalty to the employing organization, high on commitment to specialized role skills, and likely to use an outer reference group orientation”, while locals are the inverse: “high on loyalty to the employing organization, low on commitment to specialized role skills, and likely to use an inner reference group orientation” (Gouldner, 1957: 290). In other words, “cosmopolitans” tend to be more open-minded and think highly of professionalism, while “locals” are more parochial and attach greater importance to relationships.

With the growth and proliferation of global systems and transnational cultures, the meanings of cosmopolitan and local have evolved and shifted. Cosmopolitanism has become embedded in a wider discourse going beyond national borders and adopting a universal perspective (Beck, 2000; Gustafson, 2009). In the world of global business, there is an increasing discourse that emphasizes the necessity for corporations and managers to adopt a “cosmopolitan” identity (Halsall, 2009), and conducting business now tends to become a global activity characterized by increased travel, rapid and extensive global communications, rapid transfer of new technology, growing trade, the emigration of large numbers of people, and exposure to foreign competition (Briscoe & Schuler, 2006: 12). Numerous corporations have developed global strategies to go transnational, and as a result, they face more complex and dynamic environments involving different countries and cultures. A major issue for multinational companies nowadays is the balance between globalization, to integrate diverse business across geographic areas and cultures, and localization, to respond to local conditions (De Martino et al., 2006; Lu and Bjorkman, 1997; Mejia et al., 2016). In order to effectively manage business operations in different markets and societies, corporations need to reorient and are required to be cosmopolitan, adopting a universal perspective to implement their global strategy as well as having an open mindset to understand diverse cultures.

Large-scale globalization has also produced a new group of business leaders and managers who are expected to have a universal perspective and global mindset with an orientation towards the outside world, and they are preferred by corporations in the global era. They keep an open mind toward divergent cultural experiences and are characterized by their cultural competence, willing to meet and interact with people from other places and cultures (Hannerz, 1990). They are perceived as being able to integrate and coordinate geographically dispersed operations with culturally diverse workforces, and simultaneously respond effectively to local customers (Levy et al., 2007). Their orientation towards professionalism instead of individual commitment to an organization now receives more emphasis in the context of globalization.

One outstanding characteristic is their high mobility and international experience. Most of them speak fluent English and come from Western developed countries with a high degree of internationalization. Living in different countries and being exposed to diverse cultures provide a very significant foundation for individuals to develop a cosmopolitan orientation characterized by cultural competence and a global mindset. Things like easy access to visas, international credit cards, memberships in airline clubs, and frequent international travel seem to provide a sense of connection to the world as a whole, and in turn result in the absence of strong local bonds (Calhoun, 2003; Gustafson, 2009). In contrast, locals are seen to lack such qualities, and are hence left behind by globalism or stuck in inferior positions (Kanter and Pittinsky, 1995).

2.2. Global and local talent management by international hotel companies

The hotel industry is often perceived as being one of the most ‘global’ in the service sector, with many hotel brands seeking to attain wide geographical coverage in order to grow beyond the confines of

¹ The detailed list can be viewed at: https://mp.weixin.qq.com/s?_biz=MzA3Mjc3NzUxOA==&mid=200358788&idx=1&sn=fc9d790c2a5034d16c933396e4ffaff0 (Accessed on 20 December 2016)

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