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## ORGANISATIONAL LEADERSHIP AND STRATEGY IN THE HOSPITALITY INDUSTRY

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*Organisational leadership is considered as a key to success of firms. Although several authors of the likes of Drucker and Lewitt have talked about this concept; by and large, firms within the hospitality industry have yet to put this concept to practice in the global as well as the local market domains. Understanding this concept in terms of how it is put to use is essential for firms' success, especially for those firms that are still in the process of striving to become industry leaders. This paper delves into the concept of organisational leadership, both from a micro and a macro perspective, while highlighting the steps taken by one such firm in the hospitality industry. The leadership perspective is discussed in the context of the Indian hospitality industry to highlight how the concept can be applied to developing markets.*

### INTRODUCTION

Researchers have stressed the importance of organisational leadership as being fundamental to the success of firms, even more so for industries that are global and dynamic. The hospitality industry is complex, dynamic, and global; as a result it becomes challenging for the firms of the industry to sustain their competitiveness on a continuous basis. The key to being a leader lies in the firm's ability to manage change as suggested by Olsen, West and Tse (1998). Given the forces of change that have impact on businesses within the hospitality industry, it is essential to identify firms' leadership characteristics that help in sustaining competitive advantage in a dynamic global/local environment. This paper is an attempt to highlight the organisational leadership characteristics of one such successful firm in the hospitality industry, which will help in identifying and setting the standards of organisational leadership globally. The objective is to pinpoint the specific actions taken by such a firm to manage change and set standards for leadership.

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Although the concept of leadership has been predominantly studied from a micro perspective, vis-à-vis the role of the employee/manager, the focus here is to study the relationship between the micro and macro perspective of leadership. By macro perspective, we mean the overall orientation of the organisation in terms of its position in the context of local and/or global markets. It is the authors' intention to show a relationship between the macro and micro perspectives of the firms' leadership through a case study approach, and hence providing evidence to the proposition that overall organisational leadership is a function of how firms strategically manage change. Furthermore, this orientation depends on how strong the organisational culture of the firm is in terms of successfully communicating and initiating leadership orientation at various levels of company hierarchy. This is reflected in the policies adopted by such firms in establishing systems and processes that adapt to change at various levels of the organisational hierarchy, especially at the top management level.

The importance of studying the concept of leadership is exemplified by using the hotel industry in India. The Indian hotel industry is facing turbulence, as a result of uncertainty and complexity of the environment that has affected the industry as a whole. In order to sustain the growth of organisations within the industry, firms will have to take leadership positions both at the macro level and at the micro level. This means that organisations would need to orient themselves to the environment and manage change strategically at the macro level, while at the same time emphasise on the notion of managing their human resources through effective leadership at the micro level.

The paper is divided into the following sections, (1) literature on leadership, at the macro and micro level, (2) the hotel industry in India, which analyses the recent developments in the hotel industry in India, and hence, providing evidence as to why the concept of leadership is essential, (3) methodology and findings, (4) discussion, and (5) implications and conclusion.

### **DEFINITION AND CHARACTERISTICS OF LEADERSHIP**

The notion of leadership has been developed at the micro level, i.e. in context of employees and managers; however, it is important to note that the same concept can be extended to the organisation as a whole in terms of

its posture with respect to the environment. For instance, the top management of a firm may seek to be proactive with respect to the environment and therefore emphasise on attaining a leadership position in a given local/global market. As a result, the top management team (TMT) may set policies and guidelines for management to pursue leadership at the functional level. This process is the result of a well conceived and structured plan on the part of the top management to improve overall organisational effectiveness. In the context of how organisations can achieve leadership in a given industry, Olsen et al (1998) define leadership as the “process that ensures that the firm is constantly moving forward through the continuous assessment of its business environment, seeking new opportunities to lead the industry” (p. 230). The authors further point out that “leadership in today’s dynamic and complex environment is different than it has ever been before” (p. 229). Furthermore, “leaders seek to continuously evaluate their strengths and competencies to be sure that they meet the constantly changing array of competitive methods” (p. 230).

The changes in the external environment have caused many companies to engage in better ways of doing business. These changes include “increasing globalisation of the economy, the need to reduce costs and the pressure to be competitive in a market where there are more global competitors” (Taborda, 2000; p. 41). The reasons why firms have struggled to anticipate the pace of change and associated levels of uncertainty according to him stems from “a conjunction of factors such as the rapid globalisation of markets, the volatility of currency movements, the diffusion of information and communication technologies, government policies and a widespread emphasis on quality improvements and attentiveness to added value” (p. 41).

We define this as the macro level analysis of leadership as the firm’s leadership will have to orient itself strategically to the environment. This in turn will assist in the formulation of leadership measures at the micro level. In other words, the effective management of employees and other firm resources results from effective overall leadership orientation of the firm with respect to its business environment and vice versa. Olsen et al (1998) stress the concept of service quality leadership at the strategic business unit level, suggesting that firms that are service quality leaders typically orient themselves towards maintaining consistent levels of high quality products and/or service. Moreover, this will lead to effective management at the

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micro level, as such firms will be inclined towards training employees in order to develop their communication, interpersonal and service orientation skills. The essence of being leader is a function of not only how service quality goals are set, but also how management constantly demonstrates their orientation towards service quality both at the organisational level and at the functional and transaction levels. Other leadership characteristics as described by Olsen et al (1998) are detailed in Table-1.

Table 1: Service Quality Leadership

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| <ul style="list-style-type: none"><li>• Maintaining consistently high quality product and/or service</li><li>• Sing training and development to raise service quality standards</li><li>• Improving the service orientation of employee behaviour (especially those in guest contact positions)</li><li>• Training guest contact employees about their customers' expectations</li><li>• Setting service quality goals that are designed to meet customer expectations</li><li>• Settings service quality goals that are challenging yet realistic, are accepted by the employees, and are measured and reviewed regularly</li><li>• Constantly and visibly expressing/demonstrating management's commitment to product/service quality</li><li>• Training employees in communication skills</li><li>• Encouraging free upward communication between guest contact employees and management</li><li>• Carefully choosing personnel who interact with customers</li><li>• Setting specific service quality goals for employees which emphasise critical service tasks</li><li>• Training employees in interpersonal skills</li><li>• Achieving high operational efficiency.</li></ul> |
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Source: Olsen, M.D., West, J., Tse, E.C. 1998, Strategic Management in the Hospitality Industry

Campbell (2000) refers to the organisation's external environment as being the determinant factor in terms of the actions taken by managers and supervisors while setting standards of performance. These standards of performance are the expectations the management has of its employees. While expectations are a direct outcome of the influence of the external environment on the firm that will align the firm with its local/global markets, it is the "alignment of expectations around a small set of core values and ideals that define the organisation's culture, such as service, innovation, teamwork, and achievement" (Campbell, 2000; p. 63). This will help

employees orient themselves to the expectations of the management through the core values identified, which will also help in the integration of those core values with that of the culture of the organisation. The concept of aligning the core values of the firm with the organisational mission is confirmed by Taborda (2000), who suggests that “employees absorb the core values of their organization, which should not be seen as inflexible and quickly-outdated regulations, but as guides to form and re-form collaborative and interfunctional teamwork through which the mission of the organisation will be realised” (p. 42).

The notion of firm leadership orientation at the micro level is purported by Quigley (2000), who suggests that effective leaders within organisations are guided by a holistic understanding of their entities, which is accomplished by “keeping one’s eye on the future, reviewing and monitoring the commitment to purpose and direction, and ensuring this purpose is shared through effective communication” (p. 17). Thus, the notion that the success of leaders within an organisation is an outcome of how well they are able to align the localised goals within the various functions of the organisation with that of the overall orientation of the firm holds good. Furthermore, Quigley points out that “if looking inward requires a holistic understanding of how the components fit together, looking outward likewise requires an ecological view of understanding the ever-changing external world in which the organization must survive and prosper” (p. 17).

Therefore, in order to succeed as a leader within an organisational context or at the micro level, it becomes imperative that the leader be focused on issues that transcend functional boundaries. The importance of viewing the organisations’ ability to adapt to change becomes an important issue that leaders will have to address, which raises the issue of vision and its influence on the leadership process. In this regard, “leaders who succeed are those who have vision, or have an image of the organisation’s future. Vision is as important, if not essential component of leadership because it gives direction and helps people to know where they fit in, which enhances motivation and feelings of empowerment” (Taborda, 2000; p. 43). The characteristics of firms that are leaders entail orientation towards employee commitment instead of imposing control measures on them. The TMT of such firms will emphasise on learning, empowerment and teamwork as compared to the TMT of non-leaders who rely on goal seeking and command and control measures to achieve their vision. The characteristics of traditional

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and leader firms as described by Taborda (2000) are given in Table 2. According to him, the transformational leader has the following characteristics:

- The goals of the organization must be communicated and embodied in the culture of the organization.
- Communication is especially important and should be performed through leaders who are instrumental in permeating the vision through the various levels of organisational hierarchy. The decisions and actions of leaders must reinforce the need to transform.
- Changes must be made in the organisation's structure and processes; these changes must be consistent with the values and objectives contained in the vision. There is no point in communicating a vision of an effective organization if a bureaucracy resistant to change is left intact.
- There is no point in communicating a vision of an effective organization if leaders do not demonstrate a commitment to these values by their own behaviour and by the way they reinforce the behaviour of others. Leaders who shift positions frequently and express contradictory values undermine the trust and confidence of their followers.
- The leader's role has changed and has become more complex and even more critical to success. The new managerial style requires leaders to handle complexity and ambiguity, and to enjoy leading the change process.
- They must ensure that people within the organization are motivated, developed, and rewarded to produce outstanding results. These are demanding skills that require commitment, investment and a willingness to learn, but this kind of leadership contributes to teamwork and empowerment, which result in organisational success.

Taborda (2000) points out some of the future developments in management that will influence organisations across various industries, as detailed in Table 2. Note that the changes in leadership style are a function of how managers are able to successfully manage their resources and produce results. Clearly, the future trends move towards more participative styles of management emphasising on team work, empowerment and employee commitment that lead to the overall attainment of company goals and objectives.

Table 2: Traditional Management versus Future Trends

Characteristics	Traditional	Future Trends
Control	Hierarchical	Organic Commitment
Discipline	Imposed	Self Discipline
Problem-solving	Mechanistic	Participative
Decision-makers	Managers	Employees
Tasks	Responsibilities	Assignments
Management	Command and Control	Facilitate and empowerment
Functions	Specialist-groups	Teamwork
Emphasis	Goal-seeking	Learning

Source: Taborda, C. 2000, "Leadership, Teamwork, and Empowerment: Future Management Trends," Cost Engineering.

It is important to note that the micro-level perspective of leadership, which is a function of how the relationship between the manager and the employee is managed on a day to day basis, impacts the overall orientation of the firm to its external environment. It would be appropriate to state that better the leadership skills of the managers to lead the team at the micro level, the better off will the organisation be in managing the changes in the external environment. This will influence the organisation's position and posture with respect to the domain it operates in. Once this is determined, what becomes an essential factor to manage is the change itself or transformation of the system from one state to the other. The notion of change of the system from one state to the other is described by Ackoff (1999), who states that "a system is transformed when the type of system it is thought to be is changed. Therefore, a transformational leader is one who can produce or encourage and facilitate the production of a mobilising vision of a transformed system. Equally important, the leader must be able to inspire and organize an effective pursuit of that vision and maintain it even when sacrifices are required" (p.25). The factors that influence the transformation process include:

- Leaders should educate and train their employees so that they are able to realise their potential in managing change.

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- Leaders should provide good working conditions to their subordinates to enable them perform better on the job. Typically, employees are better at the functions they carry out day in and day out and it becomes the responsibility of the manager to provide the right working conditions that facilitate productive work.
- Managers should encourage the interactions among the various subunits within the organisation.
- The organisational structure of the firm should be flexible while being able to adapt to change. Tall structures with various levels of hierarchy are more rigid, whereas flexibility is accomplished through smaller and flatter organisational structures.

The paper has focused on the literature on leadership until this point. However, it is important to identify the need as to why such a concept should be explored or researched in the first place. It therefore becomes essential to pinpoint the context in which the concept of leadership explained in this paper can be applied. The following section delves into the Indian hotel industry to provide evidence as to why it is essential to study the concept of transformational leadership, while highlighting the recent trends in the industry in India.

### **THE HOTEL INDUSTRY IN INDIA**

The demand for hotel products and services in India is dependent on socio-cultural and political factors that have a direct impact on the consumption of these products and services. The primary reason for this is that most of the revenues generated by the hotel industry are dependent upon the international tourist inflow to the country. And because of the increased turbulence in the socio-cultural and political environments, the hotel industry has been on the receiving end as far as profitability and cash flows are concerned. This is indicated in the following quote: “falling room occupancy rates and depressed room rentals continue to plague the industry in the wake of events that has had an adverse affect on the tourist arrivals. This has been the main reason for the weak performance. Tourist arrivals declined by 0.5% in the first quarter of 2000 due to a sharp fall of 5% in April, compared to the previous year. Arrivals showed a marginal growth of 1.7% and 2.9% in May and June respectively. Furthermore, The hotel industry’s

operating income declined by 7.1% on a year to year basis in the first quarter of 2000, whereas the net profits declined by a higher margin of 19.5%. Operating margin of the industry fell from 26% in the first quarter of 1999 to 22% in the first quarter of 200<sup>5</sup>.”

Figure-1 and 2 illustrate the recent trends vis-à-vis income and cash flows in the Indian hotel industry. The sample of firms included in the analysis comprises of five firms<sup>6</sup> that account for approximately 15% of the total room inventory in the country.

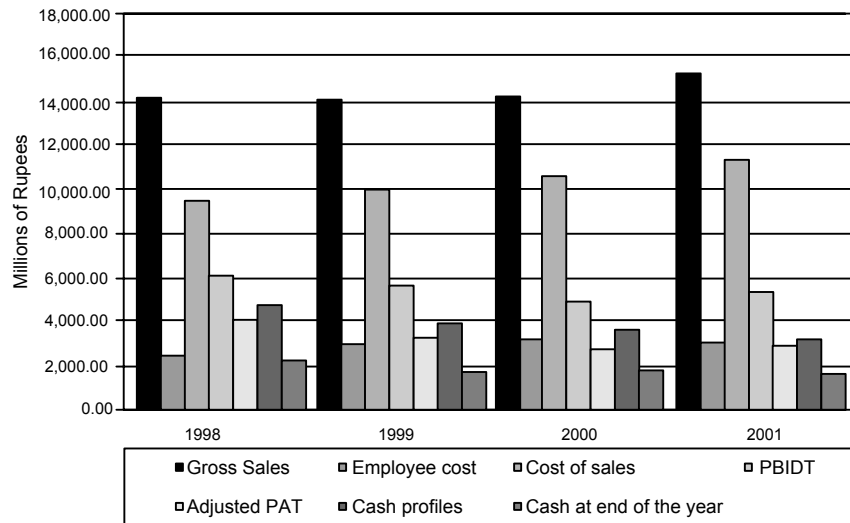


Figure 1: Aggregate Income and Cash Flow Trends for the Indian Hotel Industry (Sample of Five Key Industry Players)

Source: Indianfoline.com

Data: from March 1998 to March 2001

As illustrated in Figure-1, although the aggregate gross sales have gone up marginally over the past four years, the aggregate employee costs have also gone up. The cost of sales, which is dependent on firm management, has also increased. The aggregate profitability of the industry with respect to the sample of firms included in the analysis has decreased, indicated by the variables such as Profit before Interest, Taxes, and Depreciation (PBIDT) and Adjusted Profit After Taxes (APAT). These variables further indicate how the top and middle management of the leading hotel companies in India are unable to sustain their profitability, as illustrated in the growth

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trend analysis in Figure-2.

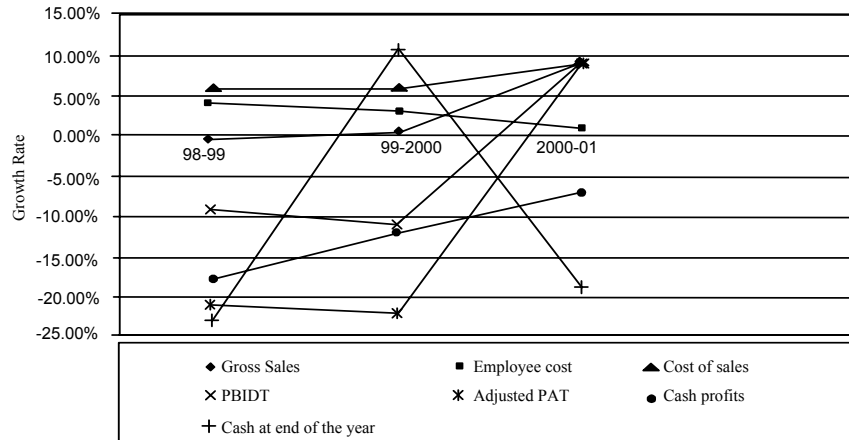


Figure 2: Growth Rate of Key Variables of Sample Firms Indicating Income and Cash Flow Statement Effects

Source: indianinfo.com

The net profit and cash flow variability illustrated in Figure-2 clearly is a source of concern not only to industry incumbents but also to the investors, government and other stakeholders. Although gross sales have gone up marginally in the past four years, the firms have been unsuccessful in maintaining a positive growth rate in cash flows, which apply to both operational (cash profits) and firm cash flows.

Most of the industry incumbents attribute the external environment as the source of the problem. Whereas the external environment has a direct/indirect impact on the profitability of a firm, it is important to note that it becomes the sole responsibility of the management to orient the firm with its external environment and further balance the internal environment in conjunction with the external environment in order to sustain its profitability. The management needs to anticipate change in the external environment especially in countries such as India that largely depend on international tourist arrivals for its revenues, which is affected because of varying socio-cultural and political conditions within and outside the country. Furthermore, the management will need to use effective leadership and management techniques to manage the company from within to be able to

ensure that the firm succeeds even with the varying external environmental factors. This calls for effective macro and micro level leadership as highlighted in the previous section on 'Definition and Characteristics of Leadership'. The question that needs to be answered at this point is one that pertains to the steps that firms need to take to become leaders in the global/local market domain.

Given the concept of leadership, in how the management of such firms defines their orientation with the firms' environment in adapting to change, and the need for effective leadership as seen in the case of the Indian hotel industry, it is imperative to verify these findings in the context of a hospitality organisation. This will be instrumental in identifying the steps that firms within the hotel industry in countries such as India need to take to be more successful in managing change through effective leadership. The following section reports the methodology that was used to test whether firms that are leaders purport the notion of leadership characteristics identified in this paper and the findings of the study.

## **METHODOLOGY AND FINDINGS**

The company identified for testing the proposition was the Pan Pacific Hotels and Resorts based in Singapore. The company was founded a quarter of a century ago as an overseas international hotel company of the Tokyo Corporation, Tokyo, Japan. It had its roots for many years in Japan and in the 80's moved to California, and subsequently in 1995 moved to Singapore. The company has a total of 19 properties in South East Asia and North America. The personal interview method was used to gather information on the company. This method allows an in-depth investigation of company actions, and thereby validate/invalidate the underpinnings of the concept being investigated. The TMT of the hotel company was interviewed that comprised of the President, the Director of Operations and Development of Pan Pacific Hotels and Resorts, and the General Manager of the Pan Pacific, Singapore who is also the Assistant to the President of the hotel company. Although the President was relatively new to the company, the Director of Operations and Development and the General Manager had a combined experience of over 30 years with the company. The findings reported in this section are drawn from the personal interview conducted with the TMT of the Pan Pacific Hotels and Resorts<sup>7</sup> in early 1997 when

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the firm was experiencing one of several consistent years of success. These findings highlight the key concepts of leadership as purported in the section that describes leadership characteristics. This section highlights the concept and elucidates it with direct quotes<sup>8</sup> from the interview.

One of the interesting concepts of leadership that the company implemented was the concept of the Chief Disorganizer. The company's President is also known as the Chief Disorganizer, and carries this designation on his business card, which according to him reflects his job description. The reason for incorporating this designation is justified from the following quote.

“Everything in business is changing, therefore we need to adapt to the change in the business environment. In other words, the past experience cannot apply to the future; this is fundamental to business strategy formulation. So, if everybody takes the past experience to the future, usually they stick to the past. A small company like us has to consider how to start from scratch. So my approach is to confuse everybody in the first instance, and then lead him or her to create a new system. Therefore, my primary role is in confusing my colleagues by incorporating the environmental changes into the strategy formulation framework in order to drive them to think about the future. So, confusion is the first thing, which is followed by analysing the issues that brings about the confusion and then creating a new system that incorporates those issues. That's my intention and hence, have designated myself as Chief Disorganizer.”

When asked about the concept of adapting to changes, the importance of this concept being part of the company's culture was highlighted. The interviewees emphasised that this notion has to be reinforced into the day to day functioning of the organisation, which is further explained by the General Manager, who stated that:

“The key factor is to have the right people in the leadership roles and once those people understand the vision and strategy, then it becomes their challenge to move that down layer by layer. And as part of disorganisation, we are removing these layers because in a traditional model hotel like Pan Pacific, Singapore, a little over 2 years ago we had something like 200 different layers if you analyse all the different positions from a captain here and a sub-captain there and this just went on and on. So, when we brought this change under the President's direction and leadership, we bought into it. The biggest challenge we had was to disseminate that culture to the

layers. So, what we did was to decide that we are not going to go down those 200 layers. First of all, we are going to become a multi-function organisation, make everything flat, start with a white piece of paper and kind of restart again.”

To achieve the goal of incorporating change into the business strategy and the organisational structure of the company, the TMT of the Pan Pacific hotels and resorts identified vision as the key, which according to the President gives future directions to the company. Furthermore, the President stated that “vision helps us organise our systems in a better way,” which forms the foundation to decisions that are made in terms of what direction the company takes in the future. The value statement of the company vis-à-vis employee orientation, commitment, and service to the community is highlighted in Tables 3, 4, and 5 respectively.

Table 3: The Pan Pacific Hotels and Resorts  
Our Vision and Our Values-Commitment to People and Team

<p>Vision Providing a preferred hospitality experience by exceeding expectations and caring without compromise.</p> <p>Caring We recognise the well being of guests, associates and their families as the key to our success.</p> <p>Diversity We value the diversity of personal interests, cultures, races, creeds, colours and sexes and will always provide equality of opportunity.</p> <p>Fairness We reward people based upon merit and expect everyone to accept personal responsibility for their actions. We are willing to forgive honest mistakes.</p> <p>Growth Our commitment to manage growth creates opportunities for our people to develop.</p>
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### Investment in People

We will hire the best people who share our values. We are committed to helping people achieve their full potential through education, training and skills development in a work environment which encourages feedback, advancement, reward and recognition.

### Integrity

We generate mutual respect for each other through honesty, truthfulness, maintaining our honour and keeping our word.

### Empowerment

Our people will be empowered with the skills, tools and authority to ensure that guest expectations are exceeded.

### Openness In Communication

We will listen intently to understand, clearly state our expectations, provide appropriate and timely feedback and share information and ideas. It is okay to say "I don't know", or "I don't agree".

### Openness of Mind

We will be receptive to new ideas and value the freedom of one's mind and thoughts.

### Respect

We have mutual respect for each other's talents and value dearly the contribution of all our associates.

### Teamwork

We believe in the strength and value of working together and cooperating for a common purpose.

Source: [http://www.panpac.com/vision\\_values.html](http://www.panpac.com/vision_values.html)

Table 4: The Pan Pacific Hotels and Resorts  
Our Values - Commitment to Business Excellence

<p><b>Creativity</b> We value originality and being in the forefront of new ideas. We don't play catch up. Instead of copying our competitor's ideas, we improve on them.</p>
<p><b>Excellence/Quality</b> We will constantly strive to achieve the highest level of quality given the existing environment.</p>
<p><b>Flexibility</b> Flexibility in management style enables our company to diversify beyond the confines of the hospitality industry and to adapt to changes.</p>
<p><b>Fun at Work</b> We encourage the belief that work should be enjoyable and seek to provide a happy, fulfilling and stimulating work environment.</p>
<p><b>Guest and Customer Driven</b> We will strive to consistently understand our customers' needs whilst meeting and exceeding their expectations.</p>
<p><b>Global Mind Set</b> There are no boundaries or borders as we operate on a global scale, setting a world standard of quality and understanding that each hotel's success affects Pan Pacific Hotels and Resorts worldwide.</p>
<p><b>Pride</b> We take pride in becoming a leader and making a significant difference in the field of hospitality as we pursue our Vision to provide the preferred hospitality experience.</p>
<p><b>Profit Oriented</b> We seek to ensure a healthy profit, which enables growth and furthers the well being of the staff, the company, the community, our shareholders and owners.</p>

Source: [http://www.panpac.com/vision\\_values.html](http://www.panpac.com/vision_values.html)

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Table 5: The Pan Pacific Hotels and Resorts  
Our Values - Commitment to the Community

Community Involvement We value our relationships, our involvement and our respected standing within the community.
Environmental Sensitivity We will work toward being environmentally responsible in all aspects of our business.
Heritage We value the local culture, traditions and customs.
Safe Environment We strive to provide a safe environment for our guests and our associates.

Source: [http://www.panpac.com/vision\\_values.html](http://www.panpac.com/vision_values.html)

When asked about the concept of scanning the business environment to search for new opportunities to provide competitive advantage to the firm on a continuous basis, the TMT of the company identified using the creative capabilities of all the people in the organisation. By getting the employees of the firm to share their view of where the opportunities for business are in the future not only provides the firm with information regarding the developments in the environment from various levels of the hierarchy of the firm, but also allows the company to view the environment through the minds of several 'boundary spanners'.

At the hotel level, the General Manager of the Pan Pacific Hotels and Resorts iterated on the concept of involving the employees from the lowest cadre of the hotel to the highest level in gathering information on the environment. The employee participation in the management process is considered as one of the essential ingredients to organisational leadership. Table 6 highlights some of the firm's cultural characteristics that emphasise on employee participation and development. This is further highlighted in the following quote extracted from the interview:

"Well, scanning the business environment is what we do each and every day of our lives. I mean the hotel business like other businesses is so people-driven and really what we are doing every day is inviting people into our house to extend hospitality. And so to accomplish our vision, our

ultimate goal in this business is to allow the room attendant to know as much as I do or as much as the President does or the Operations and Development person does within reason that they can take the initiative to satisfy the customer no matter what the customer is doing or what the mood of the customer is. In order to achieve this, we have to train and educate the employees and get rid of the layers so they have a scanning voice themselves because in organisation models the front-line employee never gets a chance to talk to the President and so they get frustrated, which makes them go into their little boxes. What we are trying to do is to allow them to come out of their little boxes and be creative.”

Table 6: Pan Pacific Hotels and Resorts - The Company’s Culture Characteristics

OUR CULTURE EVOLUTION <i>Our Guiding Principles with Supporting Value Define Our Spirit and Personality</i>					
Respecting Individuals	Genuine	Empowering Caring	Balancing Global and Local	Achieving	Uplifting our Communities
Fairness Integrity Trust Openness Equality	Warmth Family Enjoyment Comfort Excellence Teamwork	Creativity Responsibility Accountability	Diversity Flexibility	Pride Success Growth Profitability Motivating	Heritage Environment

Source: [http://www.panpac.com/vision\\_values.html](http://www.panpac.com/vision_values.html)

The concept of creativity was emphasised by the TMT, which according to them pertains not only to getting the ideas from front-line employees but also in getting the employees to be multifunctional in their approach to operations. Multifunctionality helps in the interaction among the sub-units within the organisation while developing the skills and competencies of the employees. Furthermore, it also improves the level of service as the employees are able to take care of customers’ needs by themselves without creating discontinuities while providing the service. This was identified as the key to the organisation’s success in the future, which is highlighted in the General Manager’s comment:

“It’s a billion-dollar business, but firms fail to realise that creativity

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is harnessed right within the organisation. But because of the hierarchy and the autocratic way of management in the past and even today there are hotels that are very hierarchical. This doesn't work. Our way of doing business is to be very different. The front-line employees have started to appreciate their multifunctional roles. For instance, the Hostess of the past is now not just a Hostess but a Cashier, they are Bartenders, they are serving the customer and if need be they will open the door and help the customer find a taxi. And they are becoming more involved, which excites them because they are learning more."

The concept of viewing the system as static versus dynamic is essential in determining the orientation of firms towards the external environment and is important while addressing the forces emanating from the environment. Since the orientation of the firm towards its external environment is a function of how the TMT views the environment, the notion of static versus dynamic systems will define how the firm will respond to the forces. This was emphasised by a member of the TMT in the statement made by the Director of Operations and Development, who stated that:

"The notion of a static versus a dynamic system stems from the fact that the concept has been adapted from the outside, that is, it has been done before, thus it is a static environment. Our whole idea is to be dynamic and not static. So, the person who is empowered to serve the customer will create the idea on the spot rather than creating systems and formulas, gimmicks and accessories and all these things that exist in the market."

The concept of employee and customer orientation was highlighted by the TMT as the key to the success of the company. According to the team, the organisation's success lies in the philosophy of taking care of its primary stakeholders, i.e. employees, customers, and the community<sup>9</sup>. This notion although engrained as one of the key principles of conducting business is perhaps not carried out in day to day functioning of the average firm. And this attribute is what separates the Pan Pacific from its competitors in that they constantly engage in reinforcing this concept in their day to day work practices. This is exemplified in the statement made by the General Manager:

"It is almost like having 800 individual business people under your roof, they actually are entrepreneurs if you could say that, that's a dream, a dream come true, and we are trying to make it that way. Somebody would say that it is impossible but we have systems in place through which it is

possible; and if you can think of it as each individual person as a business person who is responsible for the overall business, and their success monetarily and education wise is directly reflected upon how they react in their business environment.”

## DISCUSSION

The literature on effective leadership stress on the notion that firms, in order to be able to maintain a leadership position in their environmental domain need to: (a) communicate the goals and the vision effectively to the various hierarchy levels within the organisation, (b) incorporate change in the organisation's structure and processes, which must be consistent with the values and objectives contained in the vision, (c) the organisational structure of the firm should be flexible while being able to adapt to change. Tall structures with various levels of hierarchy are more rigid, whereas flexibility is accomplished through smaller and flatter organisational structures. (d) train and educate the employees, and provide good working conditions so that they are better off managing change themselves, (e) encourage interactions among the various sub-units within the organisation. The Pan Pacific Hotels and Resorts serve as an example for effective leadership in the hospitality industry as it upholds the points put forth above. The dynamic nature of the industry requires effective firm management so that they are able to manage change efficiently and continuously. As depicted in the section on findings, the strategic leadership posture of the Pan Pacific is such that it upholds the theories purported by several authors who have put forth theories on managing change through transformational leadership at the organisational (macro) and the manager-employee (micro) level. This is summarised in the following paragraphs.

The TMT at the Pan Pacific Hotels and Resorts believes in managing change through effective leadership. The evidence is seen in the actions taken by the organisation to manage the evolution of the system from one state to the other. For instance, the notion of the “Chief Disorganiser” is one that suggests that the organisation does not believe in the status quo, rather they view the environment as dynamic and its effect on the organisation as instrumental in formulating business and functional strategies both in the short and long run. The Disorganiser's role of raising questions on the way the organisation operates creates a system that is open to changes

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constantly. Furthermore, this enables the organisation to start from scratch and build the foundations to manage change. The TMT of the company believes in the notion of starting from scratch as essential to effective firm leadership because firms have a tendency to stick to their past and carry it forward into the future, which inhibits the organisations' ability to adapt to the environmental changes. The concept of "starting from scratch" is in line with the suggestions of Olsen et al (2001), who in context of the Indian hospitality industry stated that the firm should be able to scan the environment and incorporate the information into the organisation decision making framework on a consistent basis. The concept of "starting from scratch" allows the firm to incorporate the information into the organisational decision making framework in a more systematic and comprehensive manner. This supports the concept of leadership at the macro level as seen in the case of the Pan Pacific Hotels in the way they orient the firm to the external environment. The role of the "Chief Disorganiser" is to prepare the firm to adapt to the external environment, which is in line with the concept of leadership at the macro level as defined earlier.

The notion of effective communication as essential to managing change is reflected in the actions taken by Pan Pacific Hotels and Resorts. Measures such as maintaining a communication channel between the frontline employees and the President of the company, reducing the levels of hierarchy in the organisation, and to educate and train the employees to help them process information in a better way are measures that enhance communication within the organisation as well as provide superior services to its customers. Employee morale and satisfaction lead to customer satisfaction (Schneider, Parkington, and Buxton, 1980), which is what organisations with leadership orientation try to attain consistently.

The concept of a flexible organisational structure is reflected in the actions taken by the Pan Pacific Hotels and Resorts to reduce the levels of hierarchy in the organisational structure. This is typical of firms that are leaders, as they see flatter organisational structures as favourable to not only faster means of communication but also a way of better serving the customer through employees who are multifunctional. This also helps the organisation to increase productivity of the employees and of the assets, as employees become more trained and educated to handle challenges.

Training the employees and providing them with opportunities to further their knowledge through higher education is perhaps the most

important measure that distinguishes firms that are leaders from others. Although researchers have stressed the importance of human resource development through training and education, few firms really put this concept to full use to better their competencies. The Pan Pacific Hotels and Resorts have shown full commitment to furthering the employee competencies, which is reflected in the organisational structure. Management positions such as “Director of Education” and “Director of People Innovation” reflect the commitment and orientation of the organisation in achieving employee excellence through personal growth. This orientation gives the cutting edge to firms such as the Pan Pacific, which is defined by Olsen et al (1998) as the concept of “core competencies as competitive methods.” This concept iterates on how firms can use their resources and competencies to achieve competitive advantage in their competitive domain, which is visible in the actions taken by the Pan Pacific Hotels and Resorts in their quest to attain overall market leadership position. While the average firm looks at minimising the bureaucratic costs associated with training and development at the time of economic downturn, firms such as the Pan Pacific that assume leadership positions typically invest in their employees that lead to long term organisational success.

The above clearly supports the notion of effective organisational leadership at the micro level. Through effective communication channels between employees and management, leader firms are able to manage change effectively through transformation of the system from one state to the other within a given time frame that is essential for firm long term survival and profitability. Furthermore, by decreasing the levels of hierarchy, the management of the firm is not only able to keep track of developments only at various levels of the organisational hierarchy but also get the employees recognise their role in the organisation’s growth and development. Training and development of employees through on-the-job training as well as providing them with opportunities to seek higher education further proves the notion of effective leadership at the micro level. The importance leaders place on the employees’ knowledge and capability is reflected in how much they are willing to provide them with opportunities to grow through training and development.

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### IMPLICATIONS AND CONCLUSION

The case on the Pan Pacific Hotels and Resorts has several implications, especially to those firms in the global hospitality industry that are constantly aspiring to be leaders. Firms within the Indian hospitality industry have followed operating procedures that have been carried forward over the past two to three decades. Although incremental changes have been made to these procedures over a period of time, the industry needs to surge ahead in terms of leadership, a lack of which has restricted the development of the industry to a large extent. According to Dave<sup>10</sup>, “there must be a paradigm shift towards a value proposition to the consumer and the industry must re-invent itself in terms of product, service and pricing.<sup>11</sup>”. Moreover, the firms within the industry according to Dave should “reduce staff strength, re-deploy, downsize, and cut labour, wage and energy costs.<sup>12</sup>”. For the revival of the industry to take place, leadership will be of the essence that will allow industry incumbents to break loose from the policies and procedures followed in the past, which will further help in the introduction of concepts that fortify the notion of customer orientation, employee orientation, service productivity, and service quality.

This paper helps in evaluating the actions of firms by drawing comparisons with firms that are considered leaders in the global hospitality industry. This provides a basis to evaluate actions that firms have considered as normal practice within the industry, which will help address the present status of the hospitality industry in India. For instance, employee expenses in the industry has risen, which according to Ghosh (2000) “have amounted to 25.2 percent of the total operating cost in 1999-2000, up from 23.1 percent in 1992-93.” As the employee costs go up, it becomes more and more important to have systems in place that help employees grow on the job and provide them with opportunities to improve their competencies. The marginal costs associated with hiring and training new employees or even hiring qualified employees is far greater than improving the morale of employees and providing them with the opportunity to grow on the job. Providing a work atmosphere that is conducive to employee growth and development is clearly the first step towards attaining organisational leadership at the micro level. Although the labour costs in India are inexpensive as compared to developed countries, issues such as productivity of employees need to be addressed. For instance, “the hotel industry in India is heavily staffed, in that while Indian hotel companies have a staff to room ratio of 3:1, this ratio is 1:1 for international hotel companies.”<sup>13</sup>. As labour costs increase, the firms will find it more and more difficult to sustain their competitiveness, especially when the culture of the firms do not support the concept of multifunctional labour.

The concept of employing such measures is still in its infancy stage in the hospitality industry in India because of excess supply of labour. However, trends in the past few years suggest that in order to compete effectively and assume leadership position in the market, firms have improved the salaries and benefits offered to their employees. This is influenced by factors such as the opening of the market to global competition, which has increased the standards set for salaries and wages that have driven domestic firms to recruit qualified labour to compete with global firms. Moreover, the international firms that enter the Indian market pay higher wages and salaries to their employees to attract and retain the best within the labour markets in India. The effect this has had on the industry is significant, as domestic firms have had to fall in line to sustain their competitive position. Yet not many firms have taken positive measures to improve working conditions and thereby increase employee loyalty. Issues such as training, education, and development of human resources have yet to emerge as critical success factors for organisational survival in India, which are key to organisational leadership at the micro level.

Since the challenge firms in the Indian hotel industry face is the decreasing occupancy and increasing costs, firms have been threatened in terms of their value adding capabilities. The results of a survey indicated that hotel firms in India would need to identify measures to address the problems faced by them. Furthermore, “in the changing market environment in India, unless the industry demonstrates ability to drastically cut costs and improve productivity, many hotels will soon find their existence threatened<sup>14</sup>”. Other remedial measures that firms may need to employ include more frequent interaction and communication among the top and lower hierarchies of the organisational structure. “The more the senior executives come to interact with their juniors, the more they become aware of their problems and challenges. The seniors can help the juniors handle situations better and make the task easier for them. The human aspect plays a very vital role in the industry” (Mishra, 2000)<sup>15</sup>. This is in tandem with the actions leader firms such as Pan Pacific Hotels emphasise on as reported in the section on findings. To revive the situation will call for leadership on part of these firms to pro-act rather than react to environmental uncertainty and complexity.

To conclude, it is apt to state that leadership is the key to the growth of industries and nations. For the hospitality industry to grow, it is essential that firms within the industry strive towards being leaders. The Pan Pacific Hotels and Resorts has shown leadership through actions that are reflected in the responses obtained from the interview reported in this paper. Measures identified in this paper would need to be initiated by firms in the hospitality industry in countries such as India in order to sustain the growth of the industry globally.

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### NOTES

- 1 For definition of organisational leadership, see section on “Definition and Characteristics of Leadership.”
- 2 Transaction level indicates transactions between the firm and its customers.
- 3 Extracted from Tarboda (2000) titled, “ Leadership, teamwork, and empowerment: Future management trends,” *Cost Engineering*, p. 43.
- 4 Extracted from Ackoff (1999) titled, “ Transformational leadership,” *Strategy & Leadership*, p. 25
- 5 Extracted from [www.indiainfoline.com](http://www.indiainfoline.com)-India Infoline Sector Reports: Hotels
- 6 The five firms include the Indian Hotels Company Ltd., Indian Tobacco Company Ltd., The East India Hotels Ltd., Hotel Leela Venture Ltd., and Asian Hotels. Note that these firms account for a major share of the industry revenues, especially in the five star segment. They are considered as a benchmark of hotel industry performance in India by industry professionals and analysts.
- 7 The interviewers were Dr. Michael D. Olsen, Dr. Roberta Wong Leung, and Dr. Bvsan Murthy, and the interviewees were Mr. Ichigo Umehara (President & Chief Disorganizer), Mr. Roger Koch (Director of Operations & Development), and Mr. Steve Halliday (General Manager, The Pan Pacific Hotel, Singapore & Vice President, Pan Pacific Hotels & Resorts)
- 8 Some of the statements made by the interviewees have been modified to suit the format of this paper without changing the actual meaning of the statements.
- 9 See Tables 3, 4, and 5 for a description of these philosophies.
- 10 Mr. Uttam Dave is the CEO of PKF in India.
- 11 Extracted from the *Economic Times*, obtained via LEXIS-NEXIS
- 12 Extracted from the *Financial Times Information*, February 5, 2001, obtained via LEXIS-NEXIS.
- 13 Extracted from the report on Hotel Industry in India from [indiainfoline.com](http://indiainfoline.com)
- 14 Extracted from *Asia Pulse* (2000), obtained via LEXIS-NEXIS.
- 15 Obtained via LEXIS-NEXIS.

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