



An operational audit for a change model in the hospitality industry

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ABSTRACT

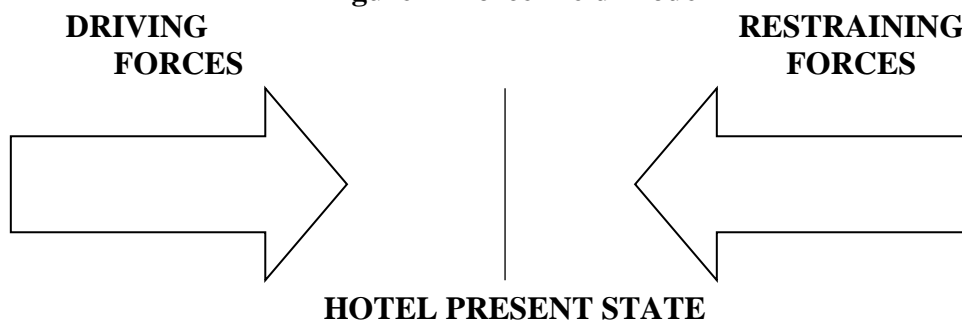
Various models are adopted in the change process for a hotel group: Lewin’s Force Field model, Handy’s Shamrock structure, Hiatt change model, Classic Change Curve, Kotter’s model, Gap Analysis model and McKinsey Seven “S” model. The change model aims to strengthen the hotel’s profitability. Traditional orthodoxies are challenged, new paradigms of change and operational audits are implemented.

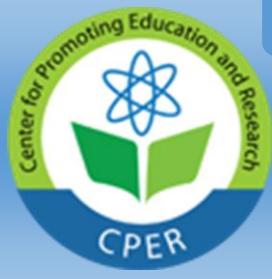
1. Introduction

The AX Hotel is a five-star hotel located in Macau It has been in the hotel industry for more than ten years. The hotel customers are mainly from China, Taiwan, and Hong Kong. The majority of the hotel staff could not understand and speak English to the tourists. The staffs mainly speak Cantonese and Mandarin. Due to the competition with the other hotels in the region and the recession of the economy, it experienced a downturn in the profit. Management thus decides to initiate and implement the strategies for change in the hotel to remain competitive in business. With the gradual growth in the economy, management believes the change program can help to break the orthodoxies in the hotel. There is a strong sense of urgency for the needs of change in the hotel (Kotter,1995). The management would need to break the orthodoxies and drive people out of their comfort zones (Lewin,1939). There are two main types of forces that make there is a need for changes in the hotel. The external forces (Lewin,1939) include decreasing room occupancies from foreign tourists in America, Canada, Europe and Australia to choose the hotel as their choice and general recession in the economy. Internal Forces include bureaucratic and hierarchical management, decreasing service and product quality to the customers and inefficient use of resources in

the hotel. As a result of these two forces, it establishes a strong sense of urgency for the change. The present shared mental model (Walsh, 1995) in the hotel represents the old paradigm which can be bad for organizational learning and hinders the organization's success. The shared mental model in the hotel may be the staffs’ general beliefs, basic assumptions, and perceptions about the present hotel. The paradigm effect in the hotel may also “blind the hotel staff and management to new opportunities” from the outside environments the old “rules” fail to promote the hotel staffs’ behavior and understanding of the current situation of the hotel. Handy (1989) argues that management should adopt an “upside-down thinking” which challenges the existing to cope with new situations. Thus, the hotel management needs to “break the mode” and encourage management to “think outside the box” to ensure its competitiveness. Daft and Weick (1984) describe the organization as an “open social system” which seeks information from the outside changing environment. Therefore, the hotel change management team needs to understand its paradigm and the current hotel culture (Schein, 1990) to get ready for the change. Lewin (1939) Force Field analysis is used by the hotel management to analyze the situation. Figure 1 below illustrates the model.

Figure 1- Force Field Model



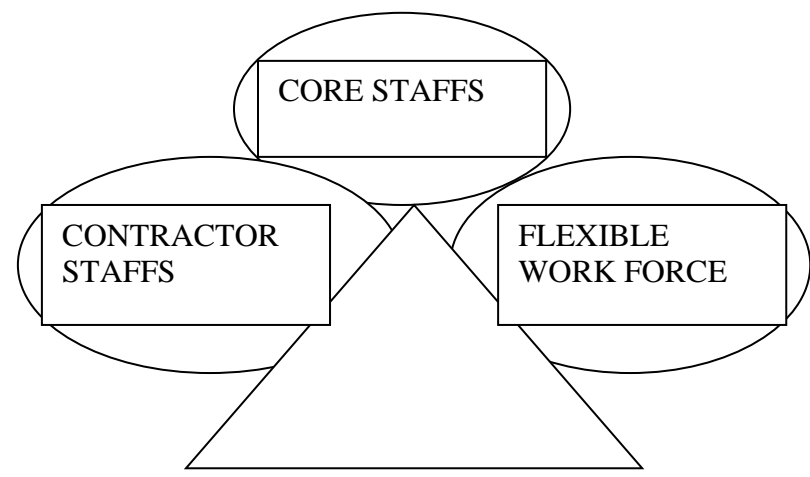


1.1 Understand the current situation and the proposed structure

As the hotel is now experiencing a decline in profit and there are signs that the hotel seems losing its competitiveness in the market, management decides to plan and implement the change program. Charles Handy (1989) in his innovative book "The Age of Unreason", Handy argues that profound changes are taking place in organizational life. The hotel change management team needs to understand the future structure will be more flexible, less hierarchical and less bureaucratic (Handy, 1989). The hotel will need to treat the people as assets to be developed and motivated rather

than just as a machine. The hotel change team can use an "upside-down thinking" and be flexible in the change process. In generic types of organization, hotel management can borrow Handy's (1989) Shamrock structure (Figure 2) for the proposed desired structure. It consists 1) the core workers such as professional management staffs in the hotel, 2) the contractors such as employing some Tourist Ambassador to promote the hotel, the international chefs from Hong Kong, contracting out the cleaning and maintenance service and 3) the flexible labor force such as employing some part-time students to work in the restaurant, artists to play some piano and music in the lobby area.

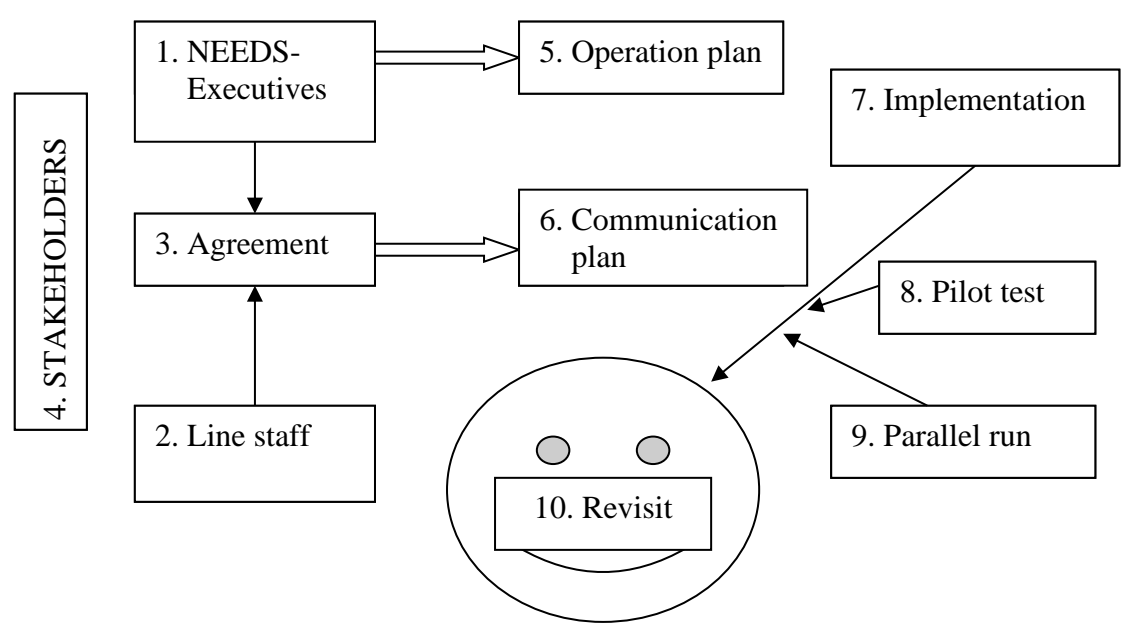
FIGURE 2- Proposed Shamrock structure in the Hotel

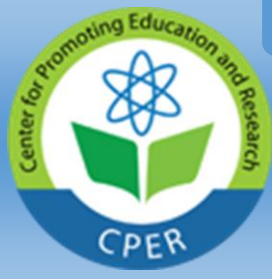


2. The model

In a change model, the following phases would be used.

Figure 3 Change phases

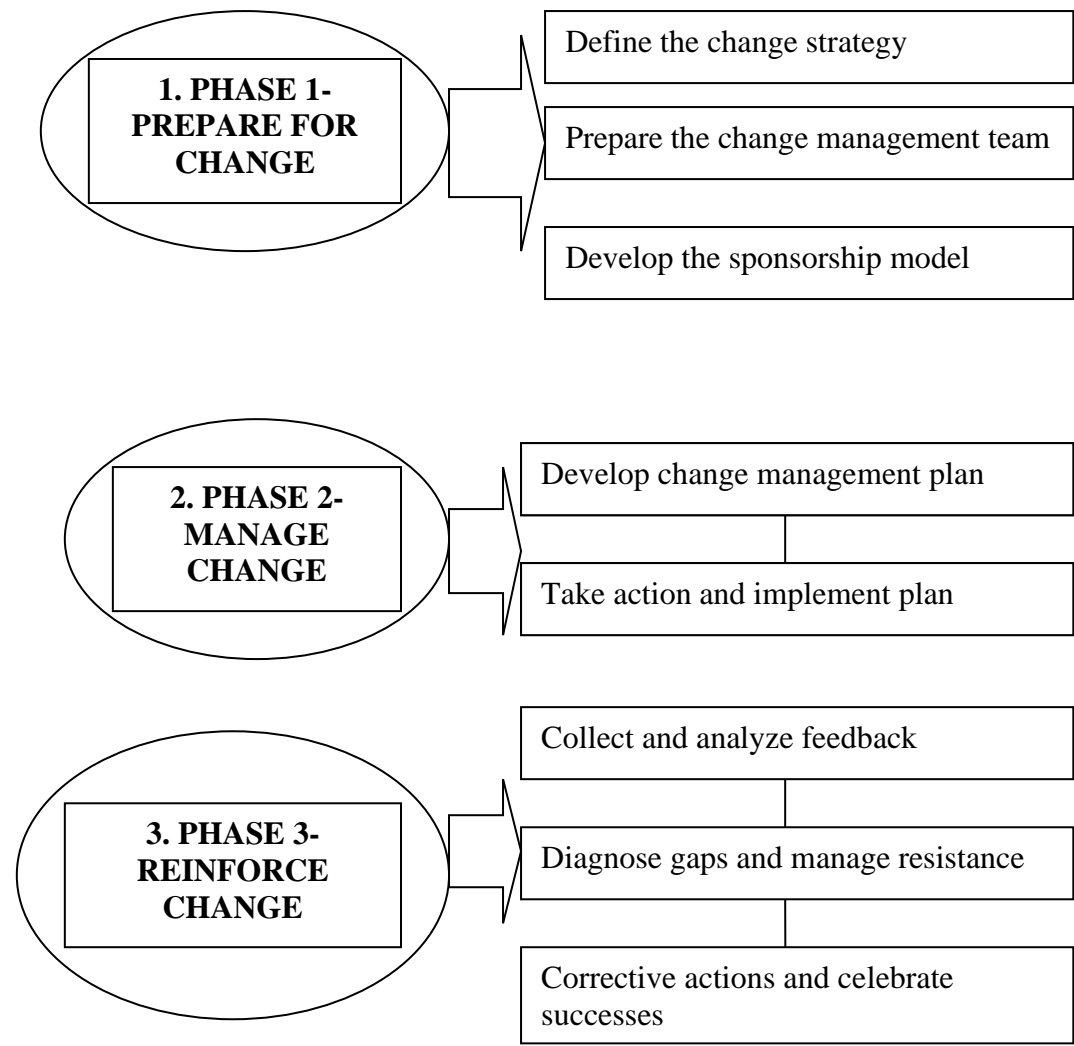




Before management prepares for the change in Phase 1, the management needs to reach an agreement (Figure 3) between the executives and line staff so that all of them will not worry about the change plan. In a change process, Butts (1997) found that employees will face certain psychiatric symptoms such as stress, pain, and exhaustion. Butts (1997) suggests an evolutionary paradigm for the 21st Century such as social responsibility and sustainable work. The hotel should listen to the “voice” of the employees and assure everybody will

be better off after the change to minimize the psychiatric effects. The development of employee trust and commitment is important for successful change efforts (Simons, 1999). The level of change is a deductive change, from top to down. Thus, in this change management process, the hotel will adopt the following change model (Hiatt and Creasey, 2003) and there are detailed discussions of each phase in the following paragraphs. Figure 4 below presents the framework of the change model.

Figure 4 Change model



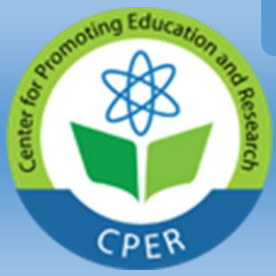
2.1 Define the change strategy

Kotter’s (1995) eight steps for leading organizational change are followed throughout the change process. As the profit in the hotel is decreasing, there is a great enough sense of urgency to implement the change. In the past, there was a lack of responsiveness to change due to the inefficiencies and paralyzed senior management. Unfreezing the existing structure (Lewin, 1937) and create a *new vision* for the existing staff is essential. Although the staffs especially the older one is in this comfort zone for a long time, the management must give compelling reasons to convince why the change is needed. The management can divide the

change strategy into two broad developments: 1. market development change strategy: to attract more tourists from America, Canada, Europe, and Australia to choose the Hotel to stay, 2. product development change strategy- to improve and differentiate the hotel restaurant food and catering services to attract more customers. Thus, Ansoff (1957) product-market expansion grid model can be applied to the hotel change process.

2.2 Prepare the change management team

The hotel will then appoint a line manager who has the authority to lead the change. This will be the General Manager who has the authority. Thus by forming a powerful



guiding coalition with the General Manager as the leader and cross-level group of staffs from different departments, Kotter (1995) believes in terms of titles, information, experience, reputations, and contacts, these can show a real *commitment to change* which is regarded as an important asset of a learning organization (Nijhof et al., 1998).

2.3 Develop the sponsorship model

A sponsorship model is the desired support structure of the leaders to charter, authorize and lead the change (Hiatt and Creasey, 2003). A membership steering committee is formed to oversee the whole change process. It may consist of the CEO, General Manager and key representative staff from different departments. The feedback collected from the change and the corrective actions can be reinforced back to the change process (De Falco and Macchiaroli, 1998) and be continuously monitored by the steering committee.

2.4 Develop change management plans

2.4.1 Communicate the change vision

In terms of communicating the vision, all the staffs including the hotel staff and restaurant staffs need to receive the message repeatedly and consistently. This can be through internal memos and hotel news update to be circulated to all the employees. Kotter (1995) asserts that in many change strategies, the vision is often under-communicated. Various researchers (Kotter and Schlesinger, 1979; Ford et al., 2002; Jackson and Harris, 2003) agreed that there are resistances to change in any process. Therefore, by consistently maintain a smooth communication channel to facilitate interaction and feedback, it can help reduce the resistance. The hotel can frequently broadcast the change vision through announcements in the morning, lunchtime and after work. It is important that they 'walk the talk' and communicate the vision by example.

2.4.2 Empower broad-based action

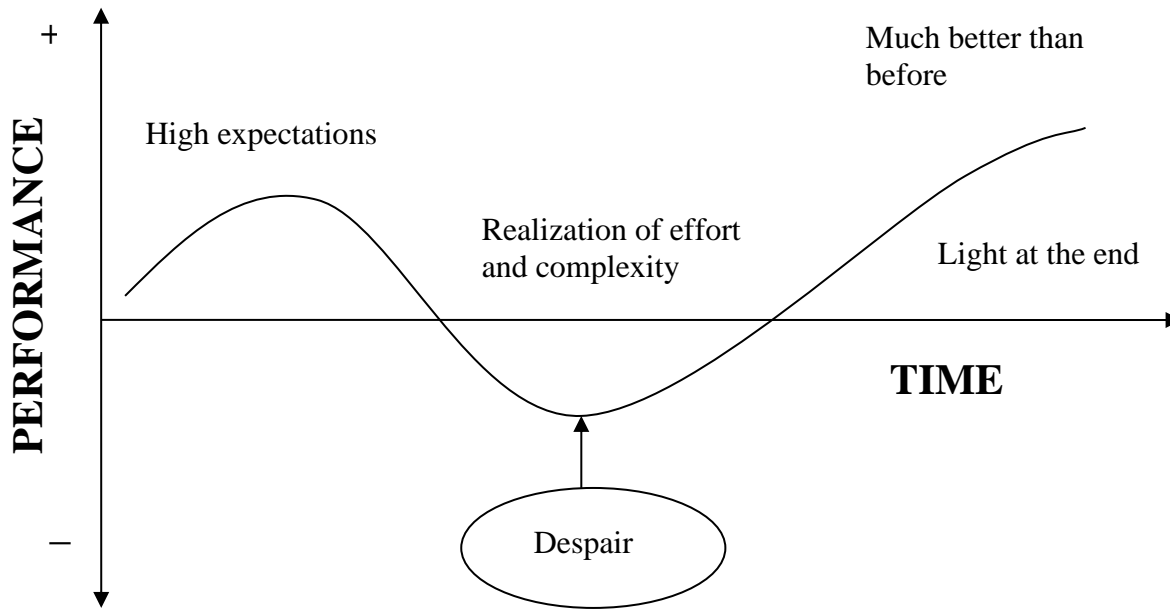
The hotel needs to identify, remove obstacles and resistances that stop the staffs to implement the vision. The management steering committee must assure no staff will be laid off and develop a trust between them (Brockner et al., 1992). Empowering others to act includes creating a hotel climate in which the staffs have the courage of risk-taking

(Furnham, 2002) and confidence in the problem-solving process. Thus, the change aims to eliminate any fear and barriers staff may encounter. Research performed by Schein (1997) agreed that a co-operative psychological contract formed in the organization can encourage staff to participate in the change process. If the Hotel can develop their side of the psychological contract such as perceptions of fairness, trust, job security and coaching to the staffs, staffs are likely to participate in the change process with a high level of commitment to the hotel (Kotter, 1973; Arnold, 1996; Herriot et al., 1997). Moreover, Brownell (1981) found there is a positive link between participation and job performance in the organization. Thus, the hotel management should be more responsive to change and allows more participation from line staff.

2.4.3 Resistance management plan

According to the Force Field model (Lewin, 1937) in Fig 1, there are resisting forces acting against for the change. Newton (1993) identifies that there are two types of forces resisting the change. On the individual level, the forces against the change may be fear of the change, lack of skills for a new change, loss of power, etc. On the organizational level, the forces may be lack resources, the threat of stakeholders' interests, inertial forces from the systemic nature of the organization, etc. Kotter and Schlesinger (1979) identified four main reasons why people resist change: self-interest, lack of trust, different assessment and low tolerance. Therefore, the change team headed by the General Manager will assure every staff that the change in the hotel is considered advantageous to both the staff and the hotel. The aim is to develop trust towards the management and job security is assured to staff for improving work effort (Brockner et al., 1992). Research by Elrod and Tippett (2002) found to be an effective change manager, the leader must recognize that the true cost of change must include the inevitable initial decline in performance. They concluded most of the change models follow this shape characteristic. Therefore, understanding the staffs' psychological behavior is important. It is depicted in Figure 5.

Figure 5-Classic Change Curve



Thus, the hotel change team should use the following approaches to deal with the resistance to change by the hotel staff (Kotter and Schlesinger, 1979), namely 1) education and communication, 2) participation and involvement, 3) facilitation and support, 4) negotiation and agreement.

2.4.4. Coaching and training plan

The general manager will arrange two main types of coaching and training plans to the staffs. Firstly, basic English language training will be provided to the hotel staffs to improve their hospitality to the tourists from overseas. The aim is to explore the market development strategy concept. Secondly, food catering training to the chefs and waiters will be provided to improve and differentiate the food varieties and menus in the buffets and restaurants. The aim is to improve the product development strategy concept. To expand the customer base, different varieties of cultural food festivals are introduced in the hotel restaurant monthly for promotion. More varieties of food menus in the restaurant such as Portuguese styles, American styles, French styles, and Chinese styles are offered each month. The change management team of the hotel must understand the national culture where the hotel is operating (Hofstede, 1983) and develop cultural varieties of food menus to attract more

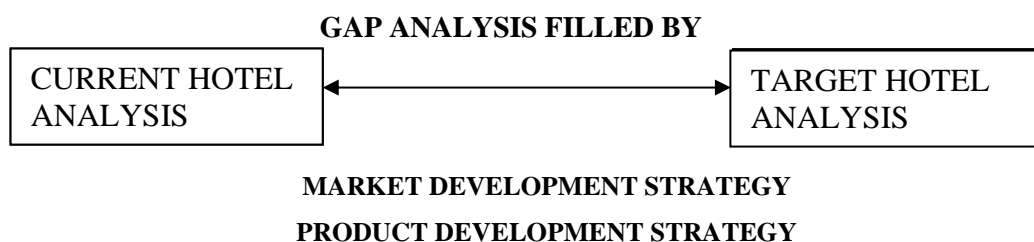
customers. Research carried out by Saka (2003) found that it is essential to understand the organizational culture in a change process and it differs across organizations. Thus, the hotel change management team should communicate with the department heads to obtain more understanding of the existing culture. Teare (1997) found that more organizations are establishing a culture of learning and coaching in the workplace which effectively helps for team development. Because of this, the hotel can arrange more in house training and seminars conducted by university professors such as from the University of Hawaii and the University of Nevada, Las Vegas, the USA to provide leading hotel training to the staff.

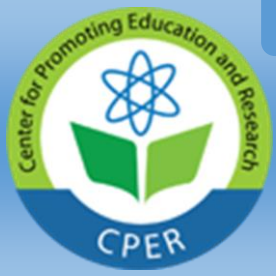
2.5 Take action and implement plans

2.5.1 Operation plans

The operation plan will target two areas: market development and product development. The general manager of the change management team understands there are gaps in the current hotel business and the target new strategy, the Gap Analysis model is applied in the change process. Research performed by Sizer (1977) found that the sales or turnover gap in the organization can be filled by the new product and market growth strategies.

Figure 6- Gap Analysis Model





Therefore, the hotel change management team will develop the following operation plan (Table 1) and group the operational issues into main themes (Mitchell et al., 1997) to facilitate implementation. The timeframe is included to help

staff to know the stages in the change process (Drucker, 1959). Kotter (1995) eight steps model is used throughout in all the three phases.

Table 1-Summary of the operational audit plan

New vision	Change strategy	Operational Tactics/plan	Timeframe to implement	Short term wins	Feedback and Corrective actions
1. To expand the hotel market in Macau	By market development	1. To offer promotional room cut prices to tourists especially for weekends. Bargain price for weekdays. 2. To provide English language training to hotel staffs so that they can communicate effectively to tourists and make the tourists feel “homely” when staying in the hotel.	1. Pilot test is introduced now to get the results. 2. Immediate English language training courses are provided. After considered the pilot test result, fully implementation in the coming summer holiday.	Reward the hotel staffs such as merit pay for interim change improvement.	Weekly change management meetings with the line staffs to get feedback.
2. To improve and differentiate the food catering services in the hotel restaurant.	By product development	1. To offer different varieties of food menus in the restaurants each month to attract tourists from different cultural background. 2. To offer economy set lunch to attract students and bargain customers	1. Pilot test is introduced now to get the results from tourists and students from the University of Macau. 2. After considered the pilot test result, fully implementation in the coming summer holiday.	1. Recognize the short-term wins by announcing the best chef and waiter for the month, making early promotions to chief chef and manager for chefs and waiters respectively.	Daily change management meetings with the line staffs to get feedback from the customers’ taste and suggestions from the evaluation system.

The change management team will consistently convey the new vision to all the line staff so that the vision is not under-communicated. Continuous training and coaching are provided to all the hotel and restaurant staff for their manner and hospitality to customers (Teare,1997). Furnham (2002) research found that change is a psychological issue and managers should use *managerial courage* to support the change process. Thus, the hotel change management team must encourage the key line staff to use the courage to initiate and maintain the change. By keeping the momentum to change, every staff can get a sense of urgency for the changes (Kotter, 1995; Wright, 2004). A performance evaluation system may be introduced in the change program to monitor the progress and get feedback. There are widely held researches that support the

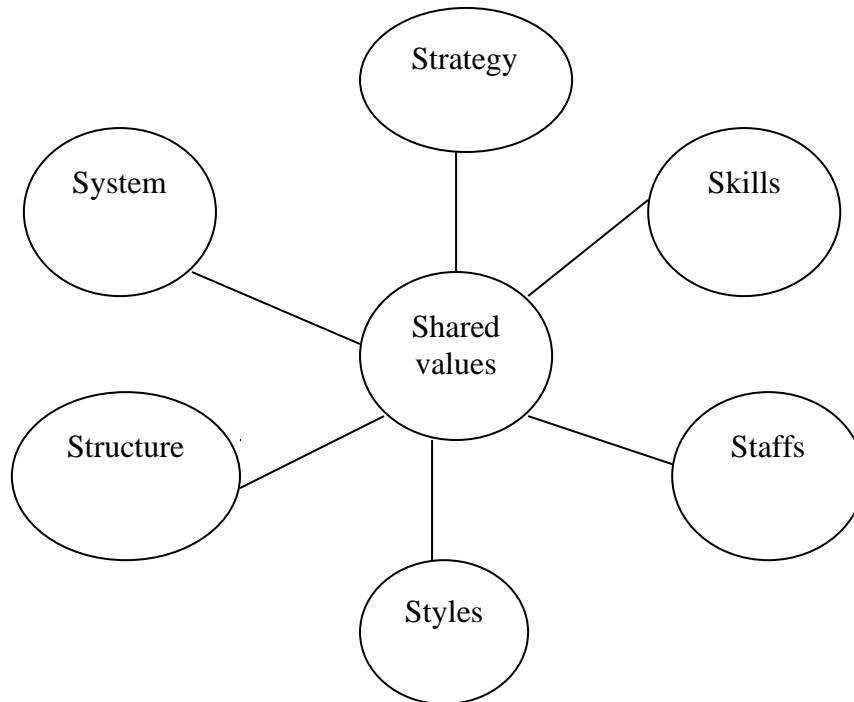
performance evaluation system that can increase staff efforts, motivation and performance (Hackman and Oldham, 1975; Churchill et al.,1985; Mowen et al.,1985). Besides, Waldman (1994) found that the performance management system can improve the quality of an organization’s process, products, and services. The hotel can initiate evaluation forms for customers to rank their satisfaction with the hotel services and food caterings in the restaurants. Further research by Pettijorn et al. (2001) also indicated that the evaluation has a positive impact and brings potential benefits to both the organization and staff. Therefore, the hotel can use the evaluation system to see the improvements and progress of change (Bretz et al., 1992).

2.5.2 Implementation plans and Organizational Development

The implementation plan will include all the elements in the three phases of the change model. The Hotel

change team will carefully monitor the whole change process. In McKinsey Seven S model (Fig 7), the strategy, structure, system, styles, skills, staff, and shared values will all be changed to a certain extent.

Figure 7- McKinsey Seven S model



In the organizational development context, the hotel change management team could focus on the techniques of changing the human side such as the interpersonal work relationships, stereotypes and attitudes to boost morale and performance. Worren et al., (1999) found in a change program, all the components in the organization should be acted together in coordination with the change. Thus, the hotel management needs to coordinate the interaction of each component in the hotel to make the change successful.

2.6. Reinforce the change

2.6.1 Generate short term wins

During phase 3, Kotter (1995) eight-step model is used throughout the change. Kotter (1995) argues that achieving major change can take time and it is essential to create short term wins and recognize and reward the staff who made the contributions. As shown in Table1, the hotel can reward the contribution staffs with *merit pay* (Anderson and Oliver, 1987; Thomas and Bretz, 1994) or other organization rewards such as *promotions* (Thomas and Bretz,1994). Thus, by creating short term wins, it can minimize the risk that the staff loses the initial sense of urgency (Kotter, 1995) and avoid their attention drifts away.

2.6.2 Consolidate gains and produce more change

At this stage, the hotel change management team can consolidate the improvements by bringing additional expert people into the change process and increase the diversity of

the workforce (Kossek et al., 2003). Kotter (1995) advocates that further changes to *systems* and *structures* are suggested to align with the transformation vision. Tourist ambassadors from the Macau Tourist Board can be recruited outside on a contractual basis to promote the superb environment in the Hotel. Also, more international chefs can be recruited from overseas such as America and Europe to further differentiate the restaurant menus such as American food, French food or European food. For the improvement of the hospitality services and skills of the hotel staff, the change team can invite speakers from the Macau Tourism Institute and professors from the University of Macau to deliver some advanced training as well. The change management team needs to ensure the changes are consolidated. This can be achieved by showing to the hotel staff that the changes have produced new approaches, behavior, and attitudes that have improved performance. For example, the increased hotel rooms' occupancy rate and the increased sales turnover in the hotel restaurants are the good performance indicators in the hotel for the result of the change (Harris and Mongiello, 2001). Kotter (1995) argues that the change leader should take every opportunity to reinforce these changes until they become an accepted part of the culture in the organization (Saka, 2003). The aim is to break the traditional orthodoxies and make the new change cultivated and anchored in the hotel solidly.



2.7 Corrective actions and audit the feedback.

This final step in the change process is very important as the hotel change team should analyze the feedback. As the environments are changing and the change projects are dynamic, the generation of the feedback and corrective actions are essential to the management process (De Falco and Macchiaroli, 1998). The change team can weekly collect and audit the feedback from staff and suggestions collected from the customers in the line service areas such as the lobby area, reception counter, and restaurant dining area. Furthermore, Hiatt and Creasey(2002) suggest the continuous improvement and audit the corrective actions in the change program can ultimately lead to change competency.

3. Conclusion

As a result of the external and internal forces the hotel is experiencing, the AX hotel recognizes there is a sense of urgency for the need of the change (Kotter, 1995). The gradual decline in the profit in the hotel is attributable to the lack of responsiveness of the hotel management from the changing environments and competition. The purpose of implementing a change program in the hotel is to break the traditional orthodoxies and at the same time to strengthen the operations and internal controls. The hotel change management team should have an “upside-down thinking” (Handy,1989) and think “outside the box”. With the continuous monitoring and audit of the change program, the hotel can ultimately search for excellence in the hotel industry (Peters and Waterman, 1982) and sustain a competitive advantage in the market of Macau (Porters, 1982).

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