Diversity as a strategic competitive advantage: The impact of cultural diversity on hotel employees' satisfaction and retention.

Abstract

This research paper, as part of one of the authors' doctoral thesis, reviews the existing diversity management literature and aims to investigate the impact of diversity on hotel employees' satisfaction and retention in Cyprus. It aims to identify the method by which the hotel will be able to effectively manage the inevitable presence of diversity and convert it into a strategic competitive advantage. The inquiry will be based on a survey questionnaire which was distributed to 100 employees of the hotel. The outcome of the above would eventually lead us to new research resolutions for efficiently managing diversity so as to increase the performance, motivation as well as the retention rate of the employees in the hotel.

Introduction

Literature review

Diversity in hotel industry

In today's competitive environment, an increasing number of organisations invest in promoting diversity in the workplace. Therefore, it is very important to understand "how diversity impacts individual and team processes and outcomes in the workplace" (Harrison and Sin, 2006: 191).

The role of diversity in work units has been widely discussed in the organisational science. Diversity appears to affect team effectiveness (Harrison and Sin, 2006), whilst diverse work teams were found to attain high value to organisations. This study aims to investigate the impact of diversity on hotel employees' satisfaction and retention in Cyprus.

Literature highlights that diversity provides benefits that increase success. The hospitality industry in particular has great dimensions with cultural diversity (Korjala, 2012), since its

effective management is a significant tool in order to meet and achieve corporate goals due to its nature as global customer related.

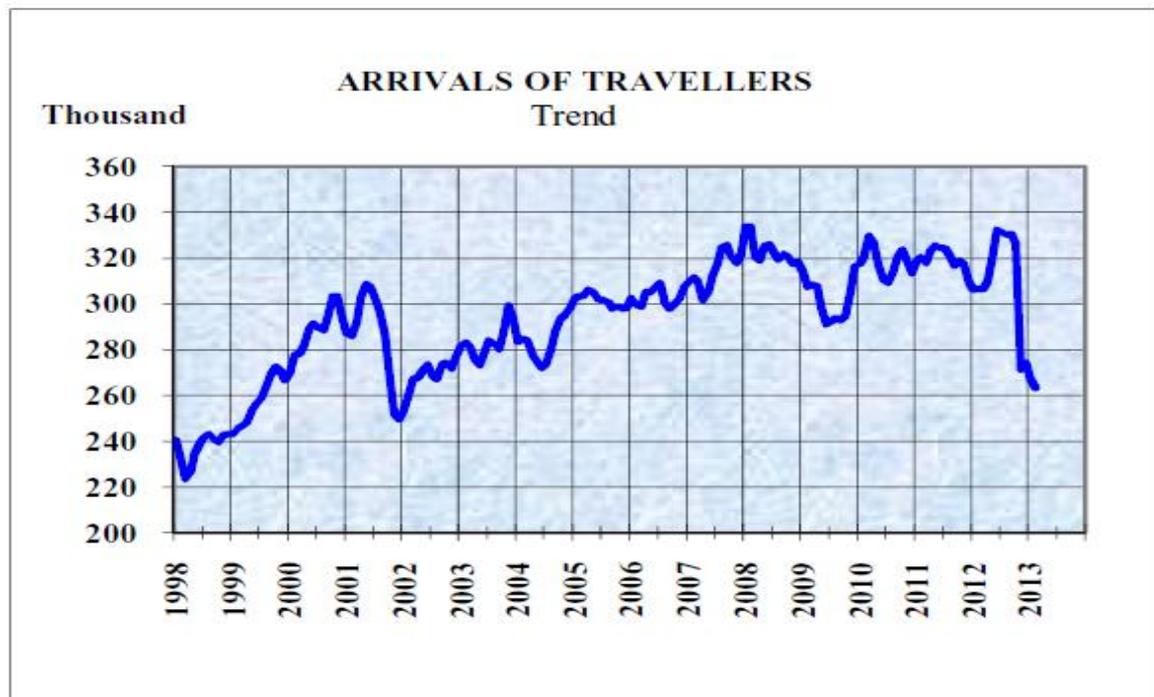In Cyprus the hospitality sector is considered as the backbone of the country's economy.

Figure 1: Arrivals of travellers in Cyprus (Cyprus Statistical Service)

Hospitality plays an important role in the economy of a country; it is the major player in the growth and development of the economy. According to Reisinger (2009), tourism and hospitality organisations operate in a very complex multicultural tourism environment and thus they cannot afford to neglect understanding and capturing individuals' perception on culture nor underestimate the role of the national culture.

Hotel managers who understand and implement cross cultural behaviour are an asset for any company being able to bring the best out of employees and thus create a coherent, consistent and successful organisation (Minkov and Hofstede, 2012). In general, the organisational competitiveness and success lies merely on the ability to effectively manage cultural diversity in a workplace and communicate effectively across cultures (Okoro and Washington, 2012:58).

Carbery, Garavan, O'Brien and McDonnell (2003), state that a combination of demographic, human capital and psychological attributes contributes to employees' job satisfaction and retention. Nevertheless changes in workplace demographics have played a major role within the interests on addressing diversity within the hotel industry. As Franek and Vecera (2008) state, the employees' satisfaction becomes diversified when one group of people starts to desire differently from what another group is seeking.

Diversity management as a competitive advantage

Diversity management in general benefits associates by creating a fair but also safe environment where everyone has access to opportunities and challenges. Managing the diversity therefore, is a key component of effective people management which at the end can improve workplace productivity (Black enterprise, 2001).Consequently, personnel must be effectively utilized to improve performance and achieve the organisation's mission and objectives (Arthur, 1995). In the hospitality industry people must recognise and understand the importance and significance of cultural differences in meeting diverse co-workers' and tourists' needs in order to avoid cultural tensions and frustration in the workplace. In difficult and challenging economic time using the talents of the whole workforce is more important than ever. Considering the diversity of the workforce and fostering an inclusive working environment can bring business benefits and provide a market advantage in economically straightened times.

Managing equality and diversity offers an opportunity for the hotel's management team to make better use of their employees, at all organisational levels. At the same time, managing diversity creates certain challenges, as this approach includes not just matters of discrimination and harassment in the workplace, but also "ensures that all people make best use of their potential and their contribution to the organisation" (Shakhray, 2009: 5). Managing diversity and equality is focused on the organisational culture, the issues of

progress and on meeting the established organisational goals aimed at achieving business success on the competitive market (Kirton, G. and Greene, 2012).

As mentioned above, the notion of corporate culture has received enormous attention from researchers and scholars in the last two decades. However, most research efforts have focused on understanding and defining the business culture (Allaire and Firsirotou, 1984) giving secondary importance to the relationship between culture and business performance. Additionally, a similar phenomenon occurs with respect to appropriate methods for studying and better understanding of business culture (Hofstede, 2012). Namely, although there were several studies on the relationship of organisational culture and performance, there were all based on qualitative methods which do not offer the ability to make detailed comparisons between companies, as the use of quantitative methods does. There was no empirical investigation of the relationship between culture and effectiveness of the company.

This gap in the literature was covered by Quinn who expanded the competing values framework in order to examine the business culture. The "Competing Values Framework" can be used to investigate the underlying structure of the operational culture and the key assumptions that are formed on issues such as compliance, motivation, decision making and values (Quinn and Kimberly, 1984). It interlinks the strategic, political, interpersonal and institutional aspects of business life, as it organises the different models of shared values, assumptions and interpretations that determine a company's culture (Denison and Spreitzer, 1991). The dimensions underlying the "Competing Values Framework" form the basis for a typology of culture, leading ultimately to produce a model of culture types, which is known as the "Competing Values Culture Model".

The "Competing Values Culture Model" is based on two dimensions (axes). The first dimension (vertical axis) reflects the competing demands of change and stability. It essentially represents a familiar in the organisational theory distinction between organic and mechanistic procedures followed by companies. The second dimension (horizontal axis)

reflects the conflicting demands arising from the internal and the external environment of the firm. The right side of the axis represents a short-term orientation, a focus on competition and interaction with the environment, while the left edge, a long-term orientation, a focus on conservation, coordination and balance. Figure 2 reproduced below shows this model.
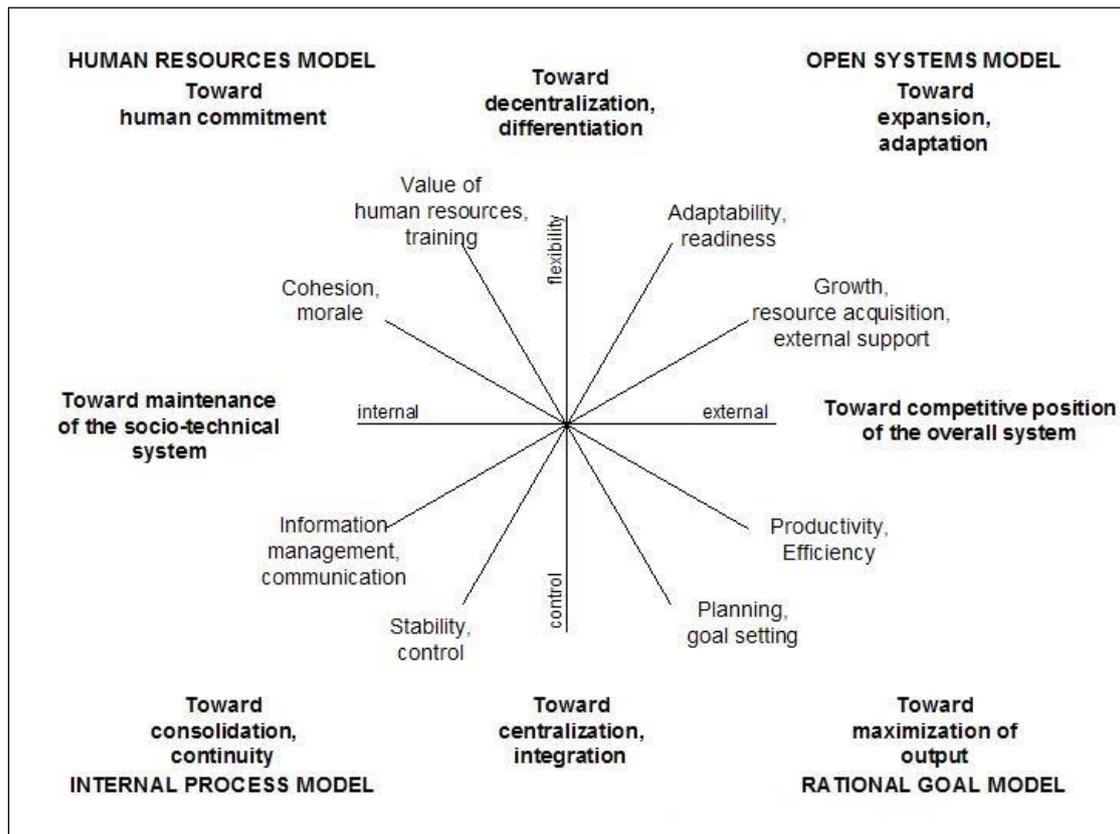

Figure 2: Competing values framework (Quinn, 1988: 48)

The significance of the "Competing Values Framework" is peculiar because it serves a large number of important functions. In particular, it organises the literature on the effectiveness of businesses and organisations, it identifies the central concepts of the 'idea's' effectiveness, it makes explicit the values on which the concepts are incorporated, it suggests that the literature regarding the efficacy and literature on organisational analysis are similar to each other and provides an initial framework to guide future efforts in organisational assessment (Quinn και Rohrbaugh, 1983).

Significance of the study

As globalisation has generally elicited diversity and unambiguously cultural diversity as an integral part the daily business functions and operations, none organisation can be justified if ignoring it (Smiers, 2003). The gap that could be noticed among the customs, perceptions and ways of communicating the feelings of the hotel's employees, could have an impact on the performance, the establishment of effective communication channels and the team's coherence. Therefore, we are interested in examining and hence identifying the method by which the hotel will be able to manage the inevitable presence of diversity, in order for the workforce to remain united and in total alignment with the core values of the cooperation and coherence (Shapiro, Young Von Glinow and Cheng, 2005).

Our hitherto experience has stimulated our interest to examine and propose the following interventions, the study of which will lead us to provide specific suggestions for suggestions and restructurings in the organisations, while in the meantime the whole process will arise different elements and perspectives.

In light of this, the main purpose of this research will be to finally test the following hypotheses:

H1a: The diverse cultural orientation of the manager will be negatively related to high motivation.

H1b: The diverse cultural orientation of the manager will not be related to high retention.

H2a: Motivation will be lower for local employees than for foreign employees.

H2b: Retention will be higher for local employees than for foreign employees.

The results hopefully would facilitate new research outcomes and resolutions for efficiently managing diversity so as to increase the performance, motivation as well as the retention rate of the employees.

Methodology

Sample

The experimental design and the considerable heterogeneity (diverse range of characteristics) of the target population render a large sample size essential (Robson, 2005). Nonetheless, the population consists of approximately 100 employees. Hence it would be feasible to distribute questionnaires to all, thus avoiding likely over-depiction of one category and thereby eliminating serious sampling bias (Coolican, 2004). Moreover, generalizability and accuracy of the results, due to the large sample, would render the procedure of examining the whole target population cost-effective (Robson, 2005).

Design

The measurements will be analysed through a research experiment and according to the principles of a factorial design, since this will provide me as researcher with the adequate flexibility to enhance the appropriate "treatment". Moreover, as a design it is efficient and it consists the only way to examine interaction effects (Robson, 2005).

The independent variables would be:

- "motivation" (questionnaire score)

- "retention" (recorded resignations from the HR department).

In addition likely differences between gender and age groups would be examined. However social desirability could be a problem since the participants might try to provide socially acceptable answers. As a matter of fact standardised procedures would be used so as to reduce confounding variables and to promote an unbiased research (Coolican, 2004).

Research tools

Cross-sectional designs typically come together with the survey method (Robson, 2005). The suitable questionnaire would be self-completion, validated and simple, in order to elicit

accurate information and a high-response rate, and easy to analyse as having closed questions (Coolican, 2004; Robson, 2005). Clarity and applicability would be checked by piloting on a small sample of employees (Lewin, 2005). Actually the questionnaire would consist of:

Part 1: demographics, such as age, gender and nationality (for analysing group differences and forming appropriate groups for H2a-c).

Part 2: Work Extrinsic and Intrinsic Motivation Scale, as presented by Tremblay et al. (2009), for measuring "motivation".

After taking permission from the line manager, we will conduct an email survey since through it most likely social desirability would be avoided.

Results

Analysis

Since H1a and H1b presuppose a correlational study with more than two variables, multiple regression would be used to assess the extent that the independent variables (or predictors) would predict the dependant variable (or criterion), based on their correlations. Although causality cannot be inferred, data will be analysed with SPSS in order to indicate relationships and collinearity. The selected output would include: descriptive statistics (mean and standard deviation), R and R2 (correlation coefficients), and Beta (how strongly each predictor influences the criterion).

Finally, so as to test H3a and H3b a 2*2 (Motivation* Retention) ANOVA design would be employed (two independent variables).

The overall pattern of the data will be summarized through figures (Coolican, 2004).

Discussion

Companies committed to diversity, identify many opportunities for expanding their services and products network (Richard, 2000; Richard, McMillian, Chadwick and Dwyer, 2003; Watson, Kumar and Michaelson, 1993). Literature review has revealed a number of examples of targeted development marketing and products designed to increase revenues through covering new market segments and traditionally excluded groups. Some of these developments were designed to enable more people to gain access to existing products and services. Regarding the socially progressive companies, such initiatives are not only motivated by a desire to increase income, but there is also a commitment to address social exclusion and disadvantage experienced by specific groups (Deeter-Shmelz and Kennedy, 2003). They also contribute towards improving the image of the company and make it more appealing to society in general.

The model that is being developed in this inquiry supports the research view that in order for a positive diversity climate to be developed (Cox, 1993; Kossek and Zonia, 1993), there must be rational demographic diversity on the upper management level of the organisation. Considering also the demographic diversity as an important factor of implementing change, different conceptual approaches on the growth and development of the existing employees are considered.

The behaviour of upper management plays a key role in shaping this culture. Thereafter, employees set priorities as separate entities which lead to creating a diversity climate. Both researchers of the organisational culture and of climate seem to share the same perspective that both are strongly influenced by the behaviour and attitudes of senior management. The hierarchical classification of the administration priorities lead to an analogous understanding and interpretation of the culture and climate on behalf of the workers. The difference is that culture tends to be personalised through some anthropological and social criteria, whilst the climate is based on psychological criteria. Culture indicators are primarily interpreted through

qualitative data such as field observation and interviews while the climate using quantitative methods such as attitudes scales.

The effectiveness of the upper management team plays a strategic role in the planning and design of the organisational change as it reflects the ability to successfully manage and implement change, maintaining flexibility and the provision of the appropriate resources and power to third parties as a means to create strategic change where applicable.

Carmeli and Schaubroeck (2006) concluded that the company's performance depends heavily on the role of the upper management team in developing and implementing corporate strategy. The upper management team is the basic source of knowledge and thus the hotel is a reflection of its strategic decisions and actions.

In practice, the value of diversity lays in the fact that it will help the hotel to leverage talent, to exploit employees' skills and to develop a positive climate between the managers and the employees. Thus, they will increase productivity and consequently their economic benefits. However, although most of us agree "on paper" on the value of diversity, the organisation is facing problems in its implementation in practice. Unfortunately there are still stereotypes regarding the profile of people who run companies or generally possess momentous hierarchical positions. For example women, though they are normally included in the business arena, they still face problems to climb at the top managerial level. These are all issues that must be faced by the organisation in order to deliver improved balance in the workplace.

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