



MANAGING FOR INNOVATION IN HOSPITALTY

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Conscious Hospitality



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PART I:

STRATEGIC OVERVIEW OF HOSPITALITY MANAGEMENT





CHAPTER 1: Hospitality industry situation in Spain: Challenges faced today and tomorrow. Why is it more difficult to compete in a hyper competitive business?

7 facts

We should take certain facts into consideration in order to explain why the hotel business is more complex than not long ago. These facts are new business issues and complicate more things. Some of these business issues are uniquely happening in Spain, but others also happen everywhere in our hospitality industry. However, all of these facts might perfectly happen in other countries as well in near future. For example, in China.

1-Over supply situation.

During the economic boom –from 1998 to 2007 Spain developed a real estate bubble, which reduced significantly, the entry barriers to the hospitality markets. The banks opened up financing and credits and the investors –especially construction and real estate companies- found a new business opportunity: hotel development. However, business for these new players wouldn't stop there; they also wanted to run the hotels.

It was an easy business to enter and very positive for investors. The hotel project was profitable in itself, because the bubble would generate secure gains over the real estate and building property. This fact attracted

many new hotel developers and investors. Though hotels were constructed everywhere to a point of oversupply. That is, supply grew at a higher rate than demand.

2-Quantity not Quality.

These new players –real estate owners and construction companies, found hotel management as an easy business in which to operate. So they wanted to become hotel managers too. In fact, the professional and traditional hotel operators – NH, AC hotels... did not have any business competitive advantage, such as brand loyalty differentiation or operational know-how advantage in running their hotels. Under these traditional premises, hotel management and hotel operations were not a very complicated issue, nor a question of expertise.

Most of the hotel companies had a common strategy –if we can properly call it a strategy. Which was (1) hotel expansion –hotel boom- in order to make their brands grow. And, (2) maximization of profits. Shareholders were the first priority along with profits, and profit growth over the years as the first management objective. These two priorities made the following facts: (I) a development fever; organic development brought more debt –and financial risk- together with brand depreciation; yet management contracts or property rentals, often impoverished the brand since these hotel companies added older properties to their portfolios. (II) Economic performance despite being a very important business priority was achieved by mismanaging work and workers. Management focused only on the short term and did not focus priorities on staff. Instead, hotel operators created rigid bureaucratic systems –working processes. As service and operations became more mechanic –no



thinking or delighting guests by the service worker was required. Yet a well execution from operational work of the designed processes from the top was the main premise. Therefore, a kind of more radical cost savings in order to maximize profits was also a main objective.

3-Hotels are in a Commodity market.

The new hospitality scenario turned into a hyper competitive market, that is, a market with oversupply and very strong competition, without any competitive advantage between brands. Thus, hotel business become a Commoditized market. Spain developed a very new hotel infrastructure and products, in which every new hotel was stronger in



architecture, decoration and comfort. So the tangible part –product- would not make significant difference among customers. Commoditization occurs as a goods or a services market loses differentiation across its supply base. In the eyes of the customer there is no significant value differentiation among brands, or even stylish hotels; so the lower is price the main consideration for the customers when making their decision. In fact, price turned out to be very important, because in the commodity market prices went down. In a commodity market the one whose prices are lowest is better positioned to attract guests. The million-dollar question is: what do you do when your competitors keep dropping prices? There is not an easy

solution to this dilemma.

4-Hyper-competition.

Let's first define what a hyper-competitive market is. Hyper-competition is definitely the opposite situation to London, Rome or Paris. In between, there are many other markets with decent ADR and Revpar, since demand is strong enough. Nevertheless, in Spain there are many markets such as in secondary cities, even major cities or tourism areas in which demand has dramatically decreased –e.g. national tourism and corporate business segments because of the economic crisis. On the other hand, supply has increased significantly, not only in quantity but also in quality. We can find a very strong competitive situation in which many hotels –brand new and stylish upscale and upper upscale hotels- compete for a more reduced demand. Among this competition, there are no significant competitive advantages (good hotel location may still be a significant advantage). In a hyper-competitive market it's very difficult to drive demand to hotels; even through increasing online advertising or web optimization. In such situation, marketing and sales (off-line and on-line) efforts are futile.

Since hyper-competition means a very commoditized market, price drives customer purchase decision. The lower the price the better for the customer. Very competitive hotels still providing good quality and service are competing each other lowering their prices. In contrast to price reduction, cost increases. Although most of these hotels have decreased labour costs, there is a minimum of labour costs to maintain –structured labour costs cannot be further reduced in order to maintain a proper level of service. Indeed, the hospitality business is a labour intensive industry. Unions and labour



politics were not flexible either, and increased the payrolls annually. But also, other costs such as energy cost skyrocketed. The conclusion is that lowering prices -to a point- is not a proper strategy, if demand does not increase in order to compensate this price reduction and hotel profitability would suffer to death.

5-Bargaining Power.

Do you know what bargaining power is? It is concept brought by Michael Porter in the 80` -A Harvard Business School teacher. It means the ability from distributors or customer to put the firm –business- under pressure to reduce prices. Bargaining power used to be on the side of distribution channel: TTOO. Nowadays, is also on the side of the online distribution channels... and customers.

6-Hotel Transparency –value vs. price.

There is another important new business issue, common to our hospitality market, as a consequence of technology evolution: Internet, but especially the Social Media has wide-open hotel visibility. Not long time ago, it was very easy to camouflage any hotel shortcomings by having a good department of marketing or public relations. It was very easy to sell, maybe old-fashion and decadent hotel, as an elegant, comfortable and beautiful property. In the present is impossible: guest comments and pictures are very clear. Also price is very clear. So price versus quality, -real quality not the quality the hotel says is giving- is crystal clear.

7-Customer evolution.

Guests have evolved. As an important

French sociologist -Gilles Lipovetsky, wrote: “Guests, at the present are more unpredictable, variable, and, of course, have less loyalty to brands”. We will be listening or reading about the simple cause and effect that, by providing good service and good product we should keep our guests loyalty. But this fact is no longer very real. It’s not that simple.



As a conclusion we can say that a Differentiation of services or better product is a taught strategy, since guests’ wouldn’t accept easily to pay more for better quality or service. Excellent hotels providing good services are everywhere in a hyper-competitive market. Even the hotel higher category or classification system is not anymore a differentiator. We can see many five star hotels in hyper-competitive markets, selling rooms at 69€ to 76€ (taxes included) in certain low yield periods. Exceptions to hyper-competitive markets are there such as in Barcelona, Palma or Ibiza. But even these prolific markets today, may become hyper-competitive markets tomorrow.



In Spain -as it might be the case in other markets- due to the hotel development boom and oversupply and because of new innovative business models (e.g. Chic & Basic such as Room Mate hotels), hotel Star Classification System is no longer a good value guide to customers.

How is the business reacting?

How are hotels reacting? Doing the common things is no longer a solution, since hyper-competition is a new problem that has dramatically affected profitability. As Albert Einstein said: "we cannot solve our problems with the same thinking we used when we created them". New problems, like the ones we see, need different reasoning to solve them.

But it seems most of hotel operators and managers are reacting as they usually did, and thus doing the common things. Most hotel operators are very concerned with cost reductions. Guests take for granted good quality and good service and these two management objectives, are no longer a differentiator; hence the common strategy consists of balancing the best possible quality with a lower cost structure.

During this crisis hotel top management have reorganized organizational structures into -an even more- centralized system. If in the past the common organizational structure was towards a more mechanical bureaucracy, nowadays it is even more centralized. Top Management in corporate offices had no choice to reduce costs but lay off employees, re-think hotel procedures and simplify hotel operations. Because the hotel classification system is so ambiguous and obsoleted, even a 5 star hotels could maintain a lower level of services and not loose its category.

This common management practice of cutting costs by centralizing decisions and management, and mechanizing operations, lead down to a vicious circle impoverishing business strengths by putting service and operational employees at the bottom of their priorities list. Yet hotels, still "produce" service as a core business product. Hotel Management, by acting in this way thus commoditized more hotel services and operational knowledge. By limiting operational knowledge management is also limiting the role of innovation as a possible solution to differentiation.

Hotel Management competences and profiles were limited too. Inasmuch as management and decisions were centralized, the common profile of the hotel director was also lower in professional education, experience and, of course, salary.

The result of this conventional wisdom is, that companies' know-know and knowledge became more obsolete. They get trapped in a kind of obsolescence trap because their reaction to escape from that trap, paradoxically, depreciates more their business value and knowledge.





CHAPTER 2:

Organizational common structure in hotels: The Machine Organization. Overall view and leadership styles: advantages and disadvantages.

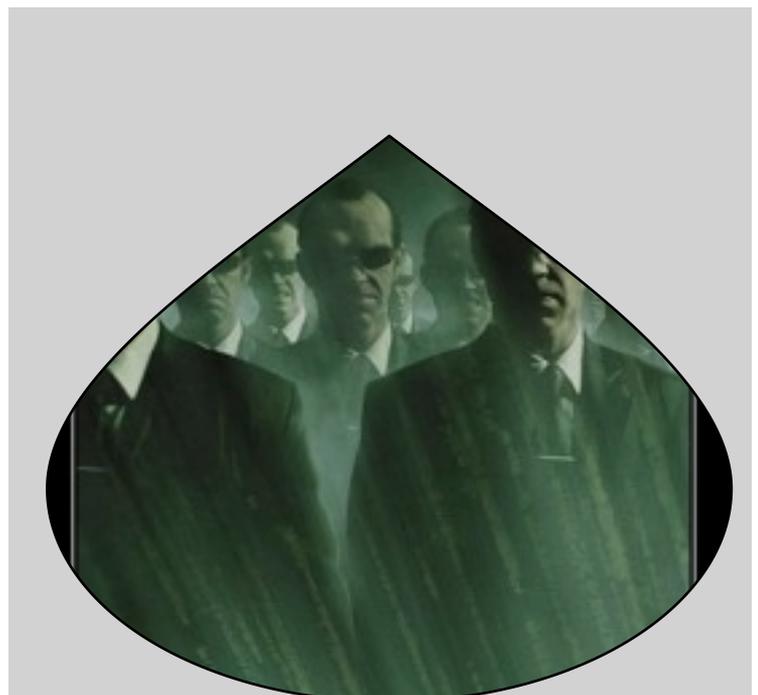
"Management Gurus have been telling us for years that machine-like organizations are disappearing and with them maximum managing. Well, look around at the auto assembly lines, textile factories, supermarkets, call centers...(Mintzberg)"... And hotels! -I would say.

Machine or bureaucracy operators although evolved they still maintain, in essence, Taylor's concept management premises. The mechanistic way of thinking that separated planning from doing was pioneered by Frederick Taylor. Using his "scientific management" he would find the best way of working, timing workers with a stop-watch and observe the fastest worker did, so that he could define the "one best way" of doing the job. The "best way" would become the standard. The doers –the workers- could not be trusted to contribute to the one best way. Nowadays, we find many hotel operators working and –even worst- understanding the management like Taylor saw.

What is a machine organization or bureaucracy? Machine organizations are basically characterized by more centralized operations and management decision-making. The objective of the machine organization is to design and establish a

working system or rigid operational standard. Working processes are thought up from corporate offices, whether by staff analysts or top management. These standards are supposed to be replicated within hotels as the only way of doing and working. Workers then are expected to successfully putting to practice what has been planned and analyzed from the top. So any possible improvement or adjustment to the operating standard must be done and approved by the corporate offices.

There are some advantages to this machine or bureaucracy structure. One is supposedly better management control such as in costs, or quality. But as we will see later, there is a better way to meet these two objectives within a more decentralized management structure. It is also said that in mature industries –and stable ones, with more assured revenues or demand-a mechanical organization can ensure better profits or even maximize them.





The problem is that machine organizations and bureaucratic working systems limit innovation, and do not boost organizational learning. Innovation happens also as result of constant job improvement from bottom line employees. In hotel operations it should also happen the same way. A hotel business that limits innovation to the top level of management or does not consider work improvement to be a responsibility also assumed by service workers together with their managers, is certainly limiting its organizational learning and knowledge base and therefore, is getting closer to business obsolescence.

CHAPTER 3:

To the origins: What is Management and the purpose of Management

Above all, management is neither a science nor a profession, it is a practice. This proposition means that management is first rooted in experience. We can surely study management and leadership, techniques or tools, but in the end, what matters most is the context in which management is applied. That is, the specific situation a manager will encounter managing in everyday work with his or her team.

Peter Drucker pointed out long time ago that manager's first resource is people. And the human being is a unique resource requiring peculiar qualities in whoever –manager- attempts to work with it. Working with the “human being” always means developing him or her. Indeed, a main objective of a manager is to lead, enhancing workers' strengths and making their weakness

irrelevant. Though, every manager no matter in what position, should be experienced enough to accomplish this purpose -among other managerial objectives.

I do agree with Mintzberg's thesis, as my experience has shown me, that leadership and management should be totally blended. We can conceptually divided leadership and management but in the practice, we cannot separate them. To do so, would be simply mismanaging.

We can see a lot hotel managers and department managers planning, organizing, coordinating, even delegating or setting business objectives, but I'm not sure how well they are mentoring and coaching their people, or how well are they enhancing the bottom line operational knowledge in order to make constant work improvements.

To this study purpose I would like to show how innovation could happen in operations. Management has not only financial performance objectives, but also the task of developing people and enhancing workers' capabilities. It should be a cause/effect situation: the more we focus on our fellow workers, in their attitudes and competences, the more we would be able to approach a sort of competitive advantage, such as in operational know-how, service or to better innovative solutions.

Why is innovation an advantage and how could innovation happen in Hospitality Management?

“Work improvement requires innovators and continuous improvement requires continuous innovators everywhere all the time”, wrote Jeffrey Liker in his book *The Toyota Way*.



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I would like to bring to hotel operations a kind more accessible innovation, an incremental innovation or continual work improvement, which is done not only by managers but also by service employees. Our knowledge service workers!

Continual work improvement and incremental innovation is done through a repeating process called PDCA –Plan-do-check-act, first developed by Deming and very successfully implemented in the Toyota Production System. This PDCA process should be also a Mantra in our hospitality working system. Service workers must be

trained and used to question every working process, and be capable of bringing problems to the surface; they should be able to carefully define them. Every service worker, together with his or her manager, has to search for the root cause of a problem. He or she has to be able to develop countermeasures or a provisional plan, prove it (experiment it) and closely, monitor and analyse results.

We may bring thus a simple example: we could have a problem in our food & beverage department. After an inventory analysis we found a deviation: costs have increased in the replacement –purchasing- of broken glassware. We then analysed the root cause of the problem: by asking “why” several times; why is this happening? We came up with the problem: some waiters, especially temporary agency workers, in hotel banqueting services, are not following the correct procedure. So we would plan a countermeasure and implement it, in order to correct the problem. However, just by planning and putting the plan into action is not enough, we will have to closely monitor it. OK. This is a basic example of job improvement. But imagine that someone from your team, maybe a very capable worker, brings a brilliant idea. He says: “OK. Why don’t we re-think the whole process, and make the waiters not to walk that much, when bringing all the material to washing. We may create back-office service stations on their way and make them place glasses into their specific box, this time not in the kitchen but somewhere else in between”. So we implement it, and then we would again closely monitor it. The good thing is that we may discover after six months that we have saved, maybe, 5.000€ in glass damage and its replacement.



Now, imagine we share this best practice to other hotels in a group or hotel chain. How much money could this simple job improvement save to the company as a whole, if they share this simple best practise?

Before than anything, innovation is first a process. To obtain any result innovating, we must first organize ourselves for that purpose. Then, we may or may not succeed in our innovative objectives, but if the process of innovation is well established as a core value, we could have a hospitality organization, in with most of their workers are improving internal processes and services for the purpose to offer more value to customers or improve work standards.

Innovation, as a result of a previous process, could succeed or fail in many forms. Having an innovative willingness doesn't guarantee we will make more revenue, reduce significantly our costs and provide value to our guests. However, the purpose of innovation in hospitality management is to seek an advantage in knowledge and know-how. This hotel, as we will see, learns continually from its operations and workers.

Innovation, therefore, will bring us an important advantage in hospitality if it provides our company the following results: (1) higher revenues by providing more value to guests. Or (2) costs reduction -or at least, better costs optimization. We could accomplish the first objective –increasing revenues- buy increasing also our costs but still being profitable. Or we could obtain innovative results in operations by reducing our costs; by improving a job process.

Therefore, the best innovative solution –and more complex- may be obtained by accomplishing both objectives at the same

time: increase revenues and value to guests, yet reducing even more, operational costs.

1. To be innovative in obtaining more revenue.

It means to earn income from other sources; products or services other than the traditional ones. Is there a way of satisfying guest's demands by providing other services or product in rooms, food & beverage or other hotel services? Do we really provide value to guests or just income for the property?

For example, charging for the Wi-Fi service may increase our revenue, but never provide value to our guests not along to be an innovative solution.

2. To be innovative by reducing costs.

It is possible if the worker is not only an expert and knows very well his or her job, but if he or she analyses and focuses on improving the working process with a sort of a flexible mind. As Deming pointed out long time ago, employees should ask themselves everyday: what have I done in order to reduce costs when working?

The tricky thing in reducing operational costs is that when doing it, we should not affect our level of quality or our guests' satisfaction.

**INCREASE
VALUE**

**REDUCE
COSTS**



CHAPTER 4:

Why is it so important to enhance learning through a better job performance and reflection? And, how could we develop better organization learning?

We all agree about how important learning is, but when we refer to organizational learning the concept is not very well understood, or if it is, people are skeptical about it. We learn through our life experience and working. As individuals, maybe we go to Hotel Schools, professional programs or specific seminars in which we truly learn. We learn about techniques, technological advances, methods and tools, management facts, and maybe, fashionable business concepts. This is certainly a part of learning, but mostly individualized. It is a kind of know-what learning: if we lack this experience, then we hire the proper person or we get the proper training program to make up for our ignorance. This approach it should be enough in certain business, in a stable situation of solid profitability, and certainly still a working solution in many different contexts, but it is not longer a solution in a hyper-competitive business situation. In such situation, as we have said, doing the right things is no longer a solution. In that context, in-work learning becomes a key point to improve response in a more uncertain business world. This type of learning is more focused on know-how learning. It means that, we all –not only top management- learn from our jobs, constantly, in order to better respond to external challenges.

In-work learning though is not only an individual process, but a social interaction too. And it implies many changes in current hospitality mind-sets.

Organizational learning it must be established, as a core value -if the purpose is to make innovation happening through our operations. It should be a declared objective, first of all from Top Management. As Chris Argyris –a Harvard Business professor- pointed out in his article Learning smart people how to learn (1991)- To be able to learn, is not that easy when we become specialist in what we are doing. The term itself means that, as “Masters” we do not have much room left to improve, let alone to accept our failures or to question our used theories. He says: “Solving problems is important to learning, but if learning is to persist in our mind-sets, employees and managers won’t advance past a certain point. They must also look inward. They need to reflect critically on their own behavior, identify the ways they often inadvertently contribute to the organization’s problems, and then change how they act. In particular, they must learn how the very way they go about defining and solving problems can be a source of problems in its own right.” I would add up that, in order to learn how to learn, we should be capable to eliminate many professional biases that we all have developed in our careers.

Individual learning sure is very important, but up to a certain point it is irrelevant if is not shared with the group and constantly enhanced. It is even more important, if any hospitality team does apply knowledge synergies as a whole, instead of as individuals or department silos. Most companies are full of “islands of Knowledge”. We, as individuals may learn either way, when working –other people learn less-, or in-groups. The fact is that in hospitality



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organizations or individual properties, there is not much organizational learning happening. Executives are not very concerned about this issue, since organizational learning implies a dramatic change in the traditional views. Hospitality management and organization structures are settled basically to command and control, and service workers are there just to provide good service obeying orders. That is all, and learning it may be reserved to seldom people.

Through a PDCA (plan-do-act and check) process, learning happens continually if, not only managers, but also front-line employees are encouraged to analyze their jobs. Learning in jobs happens constantly when service workers are also responsible to contribute to job improvement. Learning happens all of the times when every worker is analyzing how a process could be improved, or when trying to solve a problem getting to its roots. Maybe problems appeared to the surface when analyzing a guest feedback or just by recognizing a human mistake.

The process of learning is first individually, that is, the employee reflection about how he could contribute to improve a working process, maybe by setting new procedure towards better cost optimization, or with the purpose to provide more value to guests. In any case individually learning must be put it also to the service of the group. Indeed, organizational learning happens in-group, as a group of workers together with managers thinking in-group about a problem and its possible best solution, debating-planning: and thus developing a countermeasure – doing. Then, by putting the plan into action – acting, and monitoring, in order to make further adjustments if necessary-checking.

The style of management must also be appropriate to enhance organizational learning; a particular type of leadership more confident in her or himself, but at the same time humble enough to being able to get rid of a harmful ego. So there is not space for authoritarian leaders, nor for employees not being able to accept higher levels of responsibility, and thus being committed with the company goals and objectives.

It is important to underscore that learn also from our mistakes. There is not innovation progress happening without falling. Period. As human beings we are fallible, indeed this fact should be taken into consideration when managing. The Tayloristic view, in which hotel operations standards will be designed on top (planners) and expect to be executed with a proper training by service workers together with managers limits individual and organizational learning. I agreed that there must be always a base (standard) to start working, since there is not possible improvement if we do not have a standard thought up at the beginning or to a certain moment. However, the key point starts when improvement and thinking is also a bottom-up process.

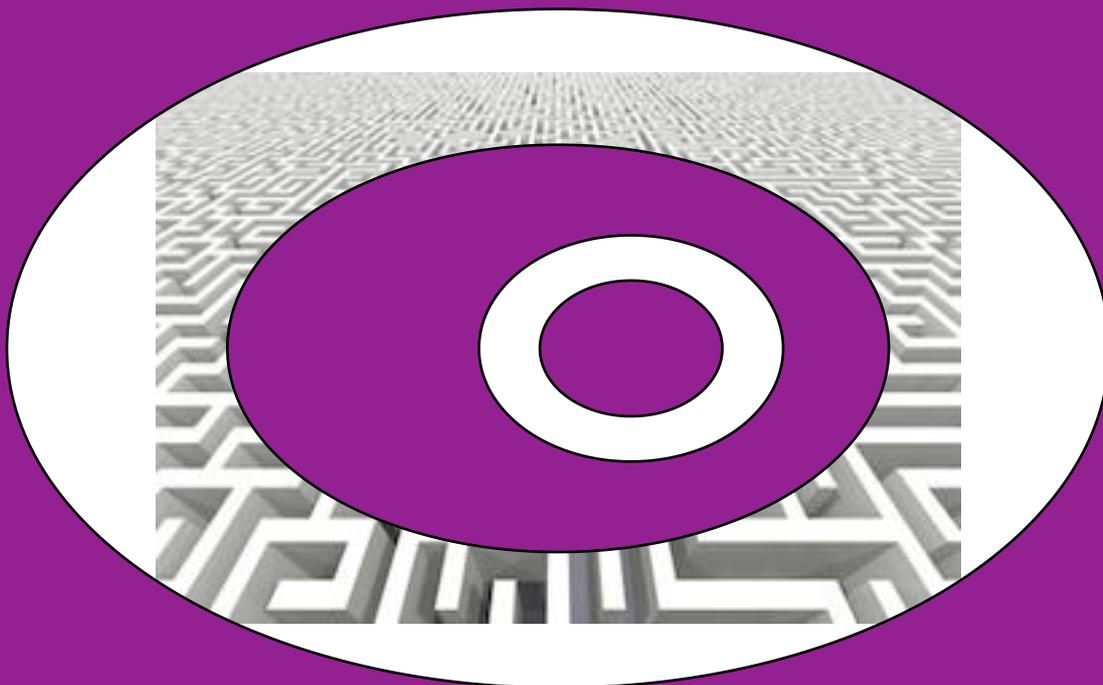
To become a learning organization means becoming a more adaptive organization to all sorts of problems, customer changes, and market evolutions or just to respond to competition.





PART II

AN INNOVATIVE THEORY AND PRACTICE OF HOSPITALITY MANAGEMENT TO BOOST INNOVATION THROUGH HOSPITALITY OPERATIONS





Chapter 1:

An innovation proposal in Hospitality Management: “Collective Management” (C-M) Theory and Practice: Introduction

Collective Management (C-M) is a vision, philosophy, theory and practice method of working in hospitality management. Its main purpose is to develop a hospitality organization that constantly learns and advances through all working processes.

C-M breaks with the taylorist view in hospitality management. It focuses its priorities on service workers—and back office workers- on improving capabilities; not only with the purpose of providing good service and better execution of Hotel Standard Operating Procedures, but also to contribute to constantly improving standards by analyzing the job together with his or her managers.

As a result, C-M sees workers as knowledge workers, and the hospitality organization, as a knowledge community with a shared vision and values.

C-M's core vision is to provide constant value to guests. Innovation and in-work learning will be two important core purposes in guiding the organization to different challenges, such as business uncertainties or any kind of problems that are sure, to appear in the future.

The human factor is vital in order to sustain a Collective Management purpose. So, **the right employee and management style** are two basic key points, to make this new paradigm happen: a shift from a mature practice in hospitality management to an innovative one.

The Team concept must be extended to all the business community, as a holistic organization in which the total is more than the sum of its parts. Contrary to the current view, which implies different department teams in a hotel defending their priorities. Every hotel is a unique team pursuing global goals and objectives. If it happens that the hotel belongs to a group or chain, then all the hotel units are part of a wider team, with a common goal of enhancing the company brand.

Collective Management shares Mintzberg's thesis and **Merge Strategy concept**. That is, strategies are not only planned in Corporate Offices but also merged in the bottom of organizations. Business opportunities can arise from unexpected events. It is a top management challenge, to recognize these opportunities by unleashing human potential and decentralizing organizations. Maybe an idea well developed by a food & beverage department in any hotel could produce results. This idea



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then turned out to be a new profitable source of revenues. Such opportunity could be profitable, not only to that specific hotel, but also to the whole hotel group if sharing, though becoming a globalized strategy. Merging strategy's could be seen as a Chaos Theory, a theory that proposes that any action anywhere in the world can influence a phenomena elsewhere. Or a *Butterfly effect*, which sets the concept expression that, "the flap of a butterfly's wings in Brazil set off a tornado in Texas". To our purpose, Merge strategies should lead to many business opportunities.



C-M has not only the intention of making the company more competitive through its operations (know-how) but also, to share all best practice and knowledge among the organization. How could company knowledge be better shared? How could we, as a whole, create more knowledge synergies? And what is the best way to share organizational information such as, know-how, merge strategies, best practices, errors, problems, questions, financial performance or guest feedback?

The Intranet and I-Community Manager, both are very important in order to remove company boundaries, to share knowledge, to enhance organizational learning, and discover potential opportunities or possible merged strategies.

The working method starts with **guest's feedback**. All service employees, -or most of them, should ask in the moment of service – and be able to solve problems if so- "how is the service going?" We may have certainly other sources of information to obtain guest opinions, such as questionnaires or mystery guest's evaluations, yet the most important source of information and working action is the one that is done in the moment of service, by service workers. This working process –to ask guest about service in the moment service is happening- should be established as a core competence in job descriptions. Further information should be in-group analyzed **in-group dialogues**. Only by sharing business issues, such as problems, relevant information, or strategic opportunities, among workers and manager's, individual and group learning is happening, inasmuch as commitment to business objectives. If we then make also workers and managers responsible to put **in action his o her ideas in-group**, organizational knowledge can be boosted.

C-M imports **Open-Book Management** ideas –concept first coined by John Case in 1993. The basis in Open-Book Management is that the information received by employees should not only help them do their jobs effectively, but help them understand how the company is doing as a whole. Financial performance should be also shared. Collective Management shares detailed financial performance among company employees, applying its transparency value. Open-Book Management also leads to a better performance to company financial objectives, such operational costs reduction or better-cost optimization.



This theory and practice of management is divided in 3 parts, into which we are going to go through.

Part 1: vision-leadership needed, the right employee or service worker and the team- it is what I called structural, since in this first part we find the bases or foundations of the whole theory and method. Without this part of management, we wouldn't be able to advance. We could also say it is the toughest part.

Part 2. It is a working method. When we have said that the purpose is to improve jobs, in this part I do propose a way of working that I have been putting into practice.

Part 3. The last part is strategically, because as a consequence of the rest, we may have merge strategies.

Chapter 2: The Vision: A shared Vision

Peter Senge was the first to develop the concept of “shared vision” in his book *The Fifth Discipline*. He said that a shared vision is not another management concept but a powerful force if it touches the heart of the

people. It generates a sense of connectedness and a shared passion by all business-working activities. There is a greater sense of community and teamwork in a business in which a shared-vision is happening. Workers' motivation is more powerful, not being only intrinsic but also a kind of transcendent motivation, seldom experienced in many businesses.

Peter Senge also advised that there isn't organizational intelligence without an established shared vision. A shared vision differs from the traditional concept of company vision, because it brings people together into a better way of working. It does not really matter if the vision is first established on top, unless community workers do not share it with commitment at all levels.

James C. Collins and Jerry I. Porras, in their article *Building your company vision* (HBR-1996) described the vision as a core ideology: “A core ideology has two parts: **(1) Core values** are the handful of guiding principles by which a company navigates. They require no external justification. For example, Disney's core values of imagination and wholesomeness stem from the founder's belief that these should be nurtured for their own sake, not merely to capitalize on a business opportunity. Instead of changing its core values, a great company will change its markets—seek out different customers—in order to remain true to its core values. And **(2) Core purpose** is an organization's most fundamental reason for being. It reflects people's idealistic motivations for doing the company's work. Disney's core purpose is to make people happy—not to build theme parks and make cartoons”.

How could we establish then a shared vision or purpose in our concept of Collective



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Hospitality Management? As it has been mentioned, the purpose of this new synthesis in hospitality management is to boost innovation and innovators. Innovation it is above all a process, indeed a social process embedded in most of the working activities. Innovators could be all knowledge service workers in our organization.

Our core purpose of Collective Management is to provide more value to our guests. Thus, in order to accomplish that purpose, we should establish two basic core values: (1) **constant learning** and (2) **innovation through our operations while working**.

The vision must be first developed on the top, however is more important to make employees and managers being hooked with that vision.

What does it mean and what does it imply?

Developing a vision to be shared.

The vision: *to create a hotel organization that seeks innovation providing more value to guests; and that constantly learns through its operations, managers and service workers.*

Note that the core purpose is to provide more value to our guests, and not profitability. Profitability is important to shareholders, and certainly a very important business objective, but making money is a purpose that won't inspire many workers. Money or profits should be seen as a consequence of innovation. The customers and searching how to provide value to them, indeed it is a purpose that must engaged to our employees.

So together with guest and listening carefully to them, we should improve and perform better.

Also by being very concerned about customer value and committed to providing it, we may obtain better business opportunities such discovering consumers' new trends; understanding better their purchasing behavior; and how customers are evolving, since there are social, demographical, financial or technological evolutions happening all the time.

It is also possible to go further and have an organization that shares knowledge, projects and information, among hotels, in order to share its best practices and merge strategies.





Chapter 3: Leadership needed to promote Innovation and Organizational Learning. The Humble and Self- Confident Boss

Leadership and management must be totally blended and both are needed to promote innovation and organizational learning in hospitality. Leadership must to be in perfect equilibrium with management. There cannot be real teams without the proper managerial leadership. What's meant by a real team is a group of people who do collective work with commitment. It's more than just cooperate and coordinate between departments. Depending on how leadership is applied when managing, a very powerful "energy" will take place and permeate everything. Only those managers that have created such teams know what I am talking about; this kind of energy manifests day-by-day working in many forms, and constantly feeds on itself.

The Hotel General Manager –together with department managers- is the key person to develop high performance teams. He or she will enhance learning, encourage job improvement and challenge people to get innovative solutions to different job problems –when possible.

Not all styles of management are capable of doing so. Indeed, management must come on board with an appropriate leadership-

style. Our Hotel General Manager must be able to escape from his/her Ego, or at least to be able to control it, since the final purpose is to make innovation happening as a social process, in-group. In this context the process of innovating it is seen as a democratized responsibility among workers through constant job improvement. Hotel General Managers, together with middle managers, they support, not just drive, teams and individuals in their daily work. Equally, they will be considered as the main source of energy that ultimately will unleash workers' potential. In this way, we should place our GM at the center of everything, and not only on top of a hierarchy. He or she should be a mirror to everyone exemplifying norms, values and company beliefs. In other words, they have to walk the talk.





Conscious Hospitality

Contrary to this style of management and leadership, that constantly boosts company knowledge, we have the manager who is not secure enough in his or her strengths. His insecure attitude is normally hidden behind an autocratic and authoritarian personality that does not accept critics, or divergent approaches, nor recognizes personal mistakes. Such a manager normally feels more comfortable within a command and control style in working.

We may have also the Super Ego person, or narcissist director, with much selfishness incapable of empowering workers, honestly listening, and of course, not willing to "share" leadership. Linda A. Hill and Kent Lineback pointed it out very clearly in his book *Being a Boss* when they clarified that effective managers don't view authority as a source of personal superiority or primarily as a means of satisfying personal needs. Instead, they considered it a tool for helping others accomplish something worthwhile. In short, they use authority to do useful work, not to serve their own ends.

I do commit with such statement very strongly. Unfortunately, I cannot say the same about some bosses I had during my career.

There are also many managers that only understand the concept of management from top-down because they grew and experienced management in that way; they have deep-rooted beliefs. The opposite of an authoritarian manager is the "democratic" leader, apt to be marked by tolerance and by admission of ignorance, by willingness to admit that he doesn't know everything. Edwards Deming wrote long time ago, saying that reason for a kind of sickness in leadership was such a consequence of resisting knowledge and learning; usually directors and managers,

weren't able to question themselves their professional bias. The same is true for pride, which it makes it also difficult for better knowledge, since a very proud director must be acting and pretending that he or she has all responses, together with solutions to all types of problems. Instead of doing intelligent things, he prefers to appear intelligent to everyone. At the end everything is masquerade that undermines manager's credibility. Effective managers know that, within their managerial responsibilities, they must manage themselves too.



The growth of people capacities is a main issue in managerial leadership. Indeed, employee's strengths development must be on the mind of all Managers and Directors. Not doing so, will be mismanage. The greatest humanistic psychologist, Abraham Maslow, saw it when he stated "The good boss or the good leader in most situations must have as a psychological prerequisite the ability to take pleasure in the growth and self-actualization of the people". We should therefore ask ourselves: are we comfortable when ideas or initiatives come from the bottom? Do we feel fulfilled when we see employees growing and improving work constantly? Do we trust in people and believe in human potential as nature, although some people will surely disappoint us in certain moments of our career?

One of the great benefits of coaching is not only that you help others to improve, yet you also grow as person and as a manager.



Conscious Hospitality

Management and leadership must be both sides of the same coin. Both are complex social processes that we have to situate first in its context. There may not be a unique style of management, because a specific situation could define other priorities; we may find a hotel without proper company values, and with "contaminated" employees showing wrong attitudes... Yet our Hotel GM must struggle to make change happening, even though he has to adapt himself to this particular situation. Maybe not having another choice but to apply a more autocratic style. His final goal is focused on a final behavioral change. Then, as soon as possible, he or she will get rid of his provisional carrot and stick method, once the proper values have been instilled.

Management tasks such as controlling, coordinating, budgeting, deeming, evaluating, supervising...are very important too, but not enough if those tasks are coming alone. Leadership is needed too, and appears in other roles and responsibilities such as setting a vision and purpose, and to make this purpose clear to the whole team. Therefore, the most important roles in leading are: making this vision shared by everyone; setting values and being a model for all workers; enhancing people's strengths and making weaknesses irrelevant; developing a sense of community and defining or modeling the company culture; contributing to solve problems and place order to apparent chaotic situations; participating in dialogues, moderating and influencing with his or her ideas; developing the proper atmosphere to make a kind of community energy happening, that will also alienates people toward common objectives.

Day-by-day, issue-by-issue... leadership and management occur also in small things and daily working activities. It's surely not an

easy process being more difficult in practice because managers must face many challenges such as emotional conflicts, since human relationships are fundamentally emotional. Sometimes managers, will have to take unpopular decisions to some members in the interest of the majority; the short-run and long-run are both important in business, and this requires trade-offs...Managers -like good organization behavioral researchers proved in their field of studies -"do one darn thing after another".

In my experience, I have to admit also that improvisation has occurred very frequently. Iganill Holmberg and Mats Tyrstrup from Stockholm School of Economics, in Sweden, pointed out that managerial leadership is an event-driven improvisation. As they say: "The need for everyday leadership emerges constantly since there are always events that require immediate management action. Much leadership is thus about finding the right solutions for the problems of the particular moment and making sure that the most important and urgent problems are solved so that the work may continue". That is why there is a very important part of craft and art in management, which balances today's priorities with tomorrow's vision, and other opposing forces. We thus have to move thoughtfully and systematically from planning, to organizing, to coordinating...to find ourselves improvising! "However, the good manager also needs improvisational skills and stress-coping tools that are not acquired in classrooms or by reading textbooks. These are the skills and tools the analytical and conceptual models cannot provide" –remarked professor Stefan Tengblad.



Management, above all is neither a science nor a profession, it is a practice. This proposition means that management is first rooted in experience. If management is rooted in practice, certainly our hotel director and middle managers need experience, but managerial skills do not improve beyond a certain point if managers are not flexible enough to adapt themselves to new situations; feeling comfortable within the business and market uncertainties, unexpected events or daily problems. Though, being self-confidence and humble is equally important. It is key since management should have a proper attitude to learn constantly; indeed, learning never ends and it must be considered as a continuous life process.

Do managers need both brain hemispheres?

Scandinavian researchers in management brought to light the "irrational" aspects of management, such a kind of Complexity theory; defining complexity as the transition region between stability and chaos. We should thus consider the importance of other managerial and leadership skills in a more and more complex business and unpredictable scenario. Tengblad summarizes management as a field of practice saying: "that is probably characterized more by stability than chaos; however, managerial stability is not so strong that one can describe it in terms of a static and simple order. The exception is the ordered management system that may exist in highly bureaucratic settings where following rules takes priority over following managerial directions, and where organizations are typically unresponsive to external stimuli. Except in perhaps extremely stable environments".

Are then hospitality environments that

stable? The question is: it depends where you look. For example, in some areas of Spain –as in many others in Asia -there is a hyper-competitive situation, which has commoditized more hotel products and makes it more complex in order to obtain profitability.

Is it necessary to develop both hemispheres when managing, because of this complex situation? As Daniel H. Pink has been telling us. Neurological scientists have confirmed that our brains have two regions, the left and right hemispheres. The left side would be more analytical, linear, where literalness and analysis take place. And the right hemisphere, meanwhile, takes care of context, emotional expression, and synthesis. A perfect balance in management to accomplish order, analysis, and control, together with creativity, chaos, vision and synthesis would be needed. I agree that there is not a perfect manager, not along a "super hero" leader -which has been already demystified by Mintzberg- However a good boss should focus on what has been called the "hard" tasks of management- such as analysis, control, planning a strategy, evaluating, controlling, deeming, discipline...together with the "soft" ones – such as creativity, humanity, passion, vision, empathy, communication...etc.





Chapter 4: Human resources strategy: capacities and attitudes required in knowledge service workers

Maturity thinking or to be mature in business, is a state of mind above all. If an industry is known as being matured, it is because the way of thinking it is trapped in its obsolescent knowledge. Common wise or *Status Quo* supposes thus a barrier to escape from that obsolescence knowledge, because the way they used to do things it may no longer be a guarantee of success.

In Hospitality Collective Management, service employees and back office employees are seen as knowledge workers. I do admit it is very difficult to sustain that degree of responsibility in all people; certainly there may be persons who do not feel comfortable within higher levels of responsibility. Abraham Maslow reflected himself and doubted about how many people or what proportion or working population would actually prefer to participate in management decisions, and how many would prefer not to have anything to do with them. But he was sure, above all, that human beings would prefer a meaningful work to meaningless work. He also said that, if work is meaningless, then life too comes close to being meaningless.

I am not sure what is thought to be a meaningless work in any specific developing country – I have worked in developing countries and treated employees the same

way as in developed ones. However, I am sure that, up to a point of culture development, meaningful work means more than limiting responsibilities, or more than just being there obeying orders, unable to grow together with the organization.

Collective management though sees and seeks for knowledge employees, together with management and proper leadership. I am not talking about super-heroes and super-women. I am talking about just the normal-and-right people to fit in.

What is a knowledge employee?

In my opinion a knowledge employee does not necessarily need to have an MBA, or even a Bachelor's degree. I do not share the elitist way of seeing knowledge in such way though I certainly do not undervalue this knowledge. Indeed, we can see hospitality organizational groups such as Rezidor. This hotel group is successfully developing individuals through its own business school.

What I do see is that every worker, even without an educational career, could be the right person for our purposes. Of course, I agree that adequate professional education and training it is very positive to any hospitality employee.



Service workers such receptionists, bar attendants, housekeeping maids, and service waitresses...they all could be potential candidates for knowledge service workers, if getting closer to the proper attitudes and aptitudes, although in their limited spheres of responsibility.

A Knowledge employee in Collective Management then should have or be close to having the following aptitudes and capabilities. These attitudes should be also considered as core values.

1-An attitude to learn constantly

It is the base of a Socratic thinking; to be aware that you won't be able to know everything, but you should always seek for knowledge through constant learning. Learning happens all of the times when you are working with the proper attitude. Apprenticeship happens when we are able to question our mind-sets and used theories. It requires enough humility to learn although we may be experts in what we are doing.

2-To be a reflective person when working

More than 2000 years ago the great Confucius, a Chinese philosopher, teacher and political assessor enhanced work, and made us aware that working without reflecting was a waste of energy and would not contribute to knowledge. The Japanese call it *Hansei* and implemented it as a job responsibility to assembly workers. It means that, when working, we should be trained, and have the proper attitude to get to the root in job problems, and constantly question how are we doing things working.

3-To be flexible

Like bamboo, it means being able to bend but not to break. To be flexible doesn't suppose renouncing to self-principles, but to accept other points of view, and self-adapt to new situations. A flexible employee or manager normally sees things with a wider perspective as a consequence of having more information from the Top. If our vision is to provide constant value to guest, an attitude of flexibility is really necessary, since both the customers and the context change continuously.

4-To have humility

It was attributed to King Solomon the saying that, there where arrogance and haughtiness appeared, much ignorance happened. To be humble means to be able to listen carefully, to respect another's opinions even if those differ from ours. As we have said before, there is not deep learning without humility. It was the great psychoanalyst and philosopher, Erich Fromm who said in his book *The Art of loving* that being objective meant to use self-reasoning, and that would only be possible with the proper humble attitude.

5-Ability to work as a part of a team

It means that such person commits with the value of solidarity and what means truly teamwork. He or she will prioritize in work purposes and objectives. To fit in a team means to be able to support others, not to think in the self but also toward the team. Not everyone is capable of working in a team. Proper attitudes are needed such as humility, sense of community, sincerity, and willingness to accept other opinions or mind sets, even if those differ from ours.



Contrary to these values, selfishness, narcissism, or the Ego person, won't fit in our vision of what a team should be.

6-To have self-confidence

Up to a point of professional expertise, self-confidence arrives naturally. It is very important since being humble is not enough if self-confidence does not fulfill the other part of the balance. We will search for people with good expertise, capable of analysing the job and contributing to its improvement. Thus, having self-confidence in the own professional capacities makes a good base to start for being a knowledge service worker. Paradoxically, only the person with enough self-confidence is more apt to develop its opposite: humility. A person with self-confidence and humility has the ability to work without professional biases, certainties and prejudices.

7-To be committed

To be committed to the company mission, vision, values, culture, and business objectives... Such a person gets his commitment from within. Motivation is a final stage that someone might or might not have. There are many forms of motivation or different ways to be motivated, but what matters here is a more powerful motivation which comes from inside every worker, since the atmosphere that management has produced should produce this fact.

8-To be sincere

First, be honest with yourself. And this is the hardest part, since such discipline implies self-knowledge. If this discipline is not possible for all of us, at least -as Erich Fromm reminded us, being able to reflect on how we do things and how our behaviour is

doing. How authentic can we be? Of course, to be honest with your team colleagues, with your manager, with company values...

Are these attitudes and capacities very idealistic, thus unable to accomplish in a big organization? No doubt that, not all people would fit into these parameters. However, if we start a company with these guiding principles, with Top Management first example; thus defending, promoting and evaluating toward these guiding principles, we may have many workers approaching that level. We should take these principles as a final goal to pursue in order to have fulfilled knowledge service workers. Human Resources though should be totally aligned with top management and middle management to make this goal possible.





Chapter 5: High Performance Teams in Hospitality

*“Adam Smith said that the best result comes from everyone in the group doing what's best for himself. Right? That's what he said, right? (...) Incomplete. Incomplete, okay? Because the best result will come from everyone in the group doing what's best for himself... and the group (...) Governing dynamics, gentlemen. Governing dynamics. Adam Smith ... was wrong!” Russell Crowe interpreting John Nash in *A beautiful mind*.*

Leonard R. Syles explained to us how to measure effectiveness in teams in his 20-year-old book *The Working Leader*. By observing teams in action, he argued, one could notice certain characteristics that made operations more efficient. High performance teams, he pointed out, used to make decisions based on continuous trade-offs between the real needs of individual functions and the needs of the well-coordinated system. In this way, all team members, he said, were responsive to requests from other team members to consider modifying their own plans, in order to take into account the consequences for other functions. These teams were willing to seek out alternative ways of accomplishing their objectives in any given crisis situation. Members in these teams provided each other with as much advance notice as possible regarding how they were progressing with their own assignments, and were less likely to get into trouble. They also provided full and open information to others.

We have used the term high performance team to define those people working together but having a wider view of their own interest. The contrary is a tunnel vision. If any hotel unit is normally made of different functional departments such as the front-office, house keeping, sales & marketing, food & beverages, maintenance... The whole system efficiency will then have to be measured by the manner in which coordination and communication is conducted towards the company final goals, instead of those of the different departments.

To our purpose these goals are simple:

- (1) **to provide more value to guests** and
- (2) **to make the hotel operations more efficient at the same time.**

High performance teams are then incentivized to improve both quality and efficiency. Efficiency/quality trade-offs are the rule in most business operations, especially in a highly competitive market.



If any company is to be considered as a role model in this regard, that should be Southwest Airlines. There are many reasons to explain Southwest Airlines' competitive advantage since its foundation - in an industry where the exception was to make profits. Many people would say that innovation was the key, but above all what made this airline company success was its culture and high performance teams. Jody Hoffer Gittel, in her book *The Southwest Airlines Way*, dubbed it as "relational coordination". Relational coordination resulted in fewer delays, fewer lost luggage, faster turnarounds, and higher employee productivity compared to other airlines such as United, American Airlines or Continental. Organizational factors such as shared goals, shared knowledge and mutual respect contributed substantially to effective coordination and, therefore, to quality and efficiency performance.

What is good for the individual is good for the team. We call it a team because its members share both successes and failures. We all win as a team, or we all fail as a team. We all win when each one of us succeeds but, at the same time, we all lose if anyone of us fails individually.

Peter Drucker used the term "gang" referring to groups of people calling themselves a team in many businesses organizations. There is a big difference between what we mean as a high performance team to what most people may think. Trust, is one key aspect. Trust between team colleagues and managers, is the basic pillar for any good team. A good team has also the opportunity to grow together, reinforcing its confidence and reliability among team members. If such trust is not a part of the equation, we do not have a team. Instead, we have a group of

individuals -or separate hotel departments - working together but defending its own interests.

Good teams must also share values, conforming the proper hotel culture. Values such as solidarity within the team, confidence, humility, unselfishness, respect for all members, flexibility and, of course, truthfulness.

A bureaucratic mind-set, much more concerned with the status and hierarchies - instead of personal capabilities and attitudes -is a barrier towards developing good teams. In companies with such organizational culture it is usually more important who said something rather than what was said. As oppose, high performance teams stress the importance of being part of a "community" and contribute to developing other coworkers and own ideas. What matters most is not who came up with a brilliant idea but instead how can we work, as a team, to implement that idea. Once we are working in developing such idea, we will enhance our individual capabilities and group *know-how*.

Good teams develop knowledge synergies. Because a good team is more cohesive, it is also more effective. In those working environments, coordination and communication among team members happen more naturally and spontaneously. I am not saying that there is no need for management when engaging in coordination or communication. Indeed, leadership is always key. However, these tasks are completed in a much easier way in such teams. This is happening because all team members share a common vision and company values, hence the work is carried out in an effortless and smoother manner.



Conscious Hospitality

The opposite is also true and we can see groups of people in whom there is a lack of cohesion among team members, and selfishness becomes the rule. In such teams, even the simplest issue turns out to be a center of disputes and disagreements. So every working issue, which it's seen as something normal and easy to handle in a good team, in a bad team, is often considered as something "not possible, unworkable or unrealistic".

There is no doubt that time is important in getting a high degree of cohesiveness. As human beings, we are moved by emotional rather than rational feelings. There will always be conflicts among working colleagues, because of the task interaction and interdependence within departments. Teams are not in an everlasting calm state. Yet, when strong company values are internalized by a majority of the team members, there is usually no need for management in resolving conflicts constantly. Chris Argyris, Professor Emeritus at Harvard Business School, in his work about organizational learning, stated that the difference between a good team and a bad team is the ability to solve conflicts and discrepancies within its members. I do fully agree with this statement, as experience has shown me.

Good teams need their time to grow; day-by-day, issue-by-issue... There is a famous sequence in the movie "Any given Sunday" in which Toni D'Amato, a football coach played by Al Pacino, gives a brilliant speech to all team members during the final game. In our day-by-day work, in the small daily tasks, we will encounter many situations to which the same speech could apply. As a football team they talk about inches but, in essence, they are talking about the same values: solidarity, confidence, respect,

sacrifice to the team, and success, or defeat, which finally affects the whole team. The coach says: "...inch by inch, play by play, 'till we're finished (...). The inches we need are everywhere around us. On this team we fight for that inch (...). you gonna look at the guy next to you. Look into his eyes! Now I think you're gonna see a guy who will go that inch with you. You are gonna see a guy who will sacrifice himself for this team because he knows when it comes down to it, your are gonna do the same for him! That's a team, gentlemen! And, either we heal, now, as a team, or we will die as individuals".



Collective Management in hospitality believes that, in general, the right group of employees, together with their managers, should achieve better thinking as a team than individually. Collective Management ideas such as **guest feedback** management, **in-group dialogues**, **in-action working** or **mistakes recognition and sharing**, can only happen in very cohesive and high performance teams.



Chapter 6: The Method in Collective Management

1. GUEST FEEDBACK AT THE TIME OF SERVICE

Guest feedback or guest opinion of service provided is fundamental in Collective Management. Continuous work improvement starts with guests' feedback, at the time of service. Every service worker must be in charge of asking customers: "how is the service".

By asking at the time of service, employees should also be able to provide an effective solution when critical problems occur—at least provide a provisional solution to any problem with the service or with customer disappointment.

We all know guests' questionnaires or other systems of obtaining guests information, such as Mystery Guest evaluations or online comments. Indeed, nowadays we have to be very concerned about our hotel's on-line reputation. However, the problem with this kind of feedback is that the activity has already occurred when analyzing guests' data. Collecting data about hotel

performance and customer's opinions is necessary. Guest surveys or additional reviews in service through a guest's opinions are very important as a source of independent information. Nevertheless, these tools must be seen only as complementary information, and not to be considered the only method to obtaining feedback from guests. These traditional methods of getting feedback do not usually involved rank-and-file employees since they are designed as a source of independent information.

In any case, the most important source of guest feedback always occurs at the time of service-by-service workers. Otherwise we will lose a great opportunity to solve problems happening at that specific moment, if not involving service workers in any problem resolution.

Guest's opinion must also be further analyzed when services are finished.



A bureaucratic system of collecting guest's information, usually limits analysis and corrections to managers and Hotel Directors. Hotel staff usually feels apart from the whole system because they are not in charge of collecting guest's feedback.

The truth is that the traditional model of collecting guest's opinions manifests a lack of trust and reliability in hotel workers. Within this tayloristic approach, only top managers are supposed to be prepared to handle guest feedback without committing a fraud against the system. Workers are seen to be less capable or unreliable of handling such a job.

Contrary to this view in hotel management, Collective Hospitality Management sees guest's feedback as an opportunity, not only in providing good service and solving guest's incidents, but also by putting service employees in the center, being considered to be a cornerstone of the whole system. The main purpose of guest feedback at the time of service, is then twofold: (1) to make hotel staff more responsible for their job analysis through guests opinions, and (2) to show guests that hotel staff is very concerned in providing good service.

Guest's feedback at the time of service works in this way:

Step One. Getting information in action: a receptionist, housekeeping maid, or a restaurant waiter will ask how the service is going when providing his or her service

Step Two. Recording guest's information: if guest's response is positive, then it should be recorded – memorized or immediately recorded, if employees are busy attending guests, data

should be recorded as soon as possible to do not forget it -in its appropriate Excel sheet, block notes, piece of paper...

Step Three. First solution if there are problems: only if guests manifest disappointments; every worker has to apply a solution to that specific problem -and depending on its nature, asking for help to a manager or Director.

Step Four. Feedback analysis in-group: every week there should be an interdepartmental meeting between managers and the Hotel Director; analyzing weekly performance, service issues, incidents and employee's first intervention, and customer's suggestions. However, before this meeting, department staff, together with managers, should have held a previous meeting and should have made their first conclusions. This is a pre-reunion between operational staff and managers, and it could also be interdepartmental (e.g. kitchen and service staff together with managers).

What do we analyse? We'd like to receive and review compliments, but the truth is that improvement only happens through deviations, that is why we will focus especially on problems, incidents, and guest suggestions. Therefore, the unique path to excellence is the one that constantly improves hotel operations within a PDCA working system and this is done with a sense of urgency.

No doubt hotel staff must be very empathic and subtle when asking guests about service. The last thing we would like to have angry guests because they have been bothered when asking. The method certainly trusts in worker's expertise and empathy when approaching guests. Indeed the whole method is based on employee's confidence.



2. ON-DIALOGUES

Collective Hospitality Management expects every service knowledge worker, and manager, to dialogue about every work issue such as guest's feedback, revenue opportunities, procedures, better-cost optimization, competition and so forth. Dialogues, if productive, can boost knowledge and come up with better solutions to many types of business issues.

David Bohm introduced the concept stating that any dialogue can be considered as a free flow of meaning between people in communication, in the sense of a stream that flows between banks. These "banks" are understood as representing the various points of view of the participants. Dialogues are very productive if we are able to respect other people's opinions, even seeing the dialogue itself as a positive action. We could certainly learn within a dialogue about many working issues, if we respect the basic principles within a dialogue.

Dialogues have the goals of exploring with other participants better solutions to problems, open mind-sets and learning. In dialogues learn from coworkers and managers. We won't try to impose our ideas, pretending we may be competing in a sort of opinion battle; that's why dialogues differ from discussions. Through working dialogues, we will also come up to better courses of action.

There are certain rules in order to make dialogues productive: (1) we must all carefully listen to others, and respect others'

opinions. (2) Often, there is not a unique -or clear- solution to certain work or business issues. Many problems are unstructured, that is, these problems may have worthwhile solutions. Which one is then the best solution? Through dialogues we will explore unexpected and unknown scenarios better. (3) In dialogues there are no hierarchies; every worker, together with managers, has his or her opportunity to be listened to. There is no place for authoritarian people or bosses, nor for workers without enough self-confidence and humility in balance. (4) There must be a moderator with the skills – authority- conducting dialogues. Normally, managers or directors will participate and moderate these dialogues. (5) We may not always obtain conclusions from a dialogues; this is very important to understand because most of the people think that without a conclusion or final action to all this talking, dialogues could be a waste of time. Work issues don't always need immediate courses of action and often dialogues don't end up with conclusions the first time. Although we may not be conscious of it, there is a learning happening just because of the dialogue itself.

Dialogues happen all the time in Collective Management, such as in feedback, cost savings and financial meetings, small and provisional projects teams, within forums in the Intranet....



3. ADMITTING WORKING ERRORS

Great philosophers such as Voltaire and Socrates, or epistemology philosophers such as Karl Popper remarked about human fallibility. As human beings we simply cannot be certain that we did not make mistakes. This principle applies to all cases, and of course, in work and management. If we accept that we might make mistakes when working, by recognizing this fallibility principle, we may start developing a working place that really learns and advances through errors. Of course, a negligent attitude toward mistakes has no place within such culture. Admitting worker's mistakes when working is not an "open-bar" of permissiveness. We commit errors naturally, but we then carefully analyze in-group, trying to learn from every mistake;

we will share them with everyone –if we may consider that certain mistakes could happen elsewhere.

Admitting errors is necessary to improve jobs. Equally, there is no innovation process happening without admitting errors, because innovation occurs basically through a trial-and-error method. Contrary to this view, we have the hotel organizations that unrealistically don't admit errors; this type of belief thinks that by punishing every error, managers will avoid future mistakes. But reality shows that everyone is hiding the error, and such attitude neither permits better learning nor job improvement.

4. IN ACTION WORKING

In-action working means that we surely advance further and better by doing – together with analysis. It reflects the PDCA principle explained in the previous chapter, how could innovation happen through continuous job improvement. It is a kaizen attitude, in which action-improvement happens all of the time; doing and planning should be totally blended, because most of workers, and managers should reflect continuously in their jobs. But basically because when we are implementing

countermeasures, or developing ideas, we should apply constant analysis.

Although within a culture in which too much action may cause more errors, what matters most is not to loose workers' initiatives or a sense of urgency when working. A sense of urgency it is a kind of non-conformist state in which employees try to improve things constantly, and its the opposite of complacency.



Conscious Hospitality

As professor John Kotter pointed out, true urgency focuses on critical issues, and energizes to action, but it is not a state of anxiety, or fear.

In-action means that we put ideas and conclusions into testing, but above all we closely monitor and analyze results. We may ask ourselves: Is this course of action improvement working? Or, Is this new service offering value to guests and

revenues to the company? Is it also profitable? Do we have to make further adjustments? Or, do we better give up that course of action? Could we save costs by re-thinking this procedure and how could it affect guests? ... In-action means doing, analyzing and constantly learning. It is Richard Branson's life and working philosophy: "Just do it! "



FEEDBACK



**IF PROBLEMS- FIRST
EMPLOYEE RESOLUTION**



**ON DIALOGUES &
ADMITTING ERRORS**



**DIRECTOR AND MIDDLE
MANAGERS MEETING**

**FEEDBACK ANALIZING
AND LEARNING**

DEPARTMENT MEETING





Chapter 7: Open Book Management

HOW TO SHARE FINANCIAL OBJECTIVES TO ALL EMPLOYEES BY MAKING COST REDUCTION AN OBJECTIVE TO BE SHARED

Open-Book-Management (OBM) is an idea developed by John Case (1993) and further developed by Jack Stack (1997) that shares and makes available financial information throughout the business and beyond managers, to bottom line employees. By giving financial data, and detailed accounting information, we should expect more commitment to improving financial results and better employee contribution.

Stack set out three basic rules: (1) Know and teach the rules: every employee should be given the measures of business success and taught to understand them, (2) Follow up the Action & Keep Score: Every employee should be expected and enabled to use their knowledge to improve performance, (3) Provide a Stake in the Outcome: Every employee should have a direct stake in the company's success-and in the risk of failure.

How is OBM implemented in our Collective method of Hospitality Management? And how do managers together with operational employees apply this method?

cost saving as everyone's duty. The responsibility for saving costs or making costs more efficient lies with all workers. Of course, within its sphere of action, it's obvious that managers must have more accountability than bottom-line employees.

In this sense, General Managers, must have the primary responsibility. Therefore, we could develop an organization committed to analysing costs and making them more effective, when such a task becomes part of the responsibility and the accountability of every job description.

Edward Deming viewed it this way when he developed his TQM system a long time ago. He said that if every worker were committed, even in his small work sphere, to contributing to costs reduction, then cost savings would be boosted; maybe a group of workers would be very proud just saving \$500 as a consequence of a new work improvement. The assumption is: many savings, even smaller ones, can add up to a very large number.

Collective Hospitality Management sees



A case study applied in a 5 stars hotel, with 160 rooms with two restaurants and convention facilities

Collective Management in this hotel applied an Open Book Management practice and developed a customized method in order to open up responsibilities, skills and commitment to saving costs or increasing revenues. The method has the following parts: (1) financial knowledge and commitment, (2) control and monitoring – Cost savings Balance Score Card- and (3) initiative.

1. Financial knowledge and commitment:

This implies a basic knowledge of cost-accounting principles, also an in-depth knowledge of costs within its department. The method must start first with all managers, but it has to go beyond the managerial levels. No doubt that all managers must be the first example to follow -in skills and commitment.

Hotel management and Top Management will set up a monthly reunion in which every financial issue will be carefully talked through: Costs Saving Balance Score Card, Budgeting, monthly results, quarterly financial reports, possible variances, unexpected results...

Based on my personal experience we should involve bottom line employees, together with managers. Thus, in order to keep the group of participants to a manageable size, we should provide assistance, rotating within rank-and-file employees. Such meetings shouldn't have more than 18 to 25 people. Thus, we shared a lot of financial information in those

reunions basically with two purposes: (1) to improve knowledge and financial skills, (2) to encourage a greater sense of commitment among members that results in saving costs once they start realizing that their contributions are producing results that can be measured.

At these meetings we soon benefit from workers' and managers' actions being produced by enhancing skills. Everyone is aware of every department's financial results since everyone is sharing performance information. The purpose there is to share data, ideas, countermeasures, analysis and enhance organizational knowledge. Indeed, by sharing this financial information we constantly learn, coming up at the same time with better ideas or courses of action.

For example, the kitchen may be aware that by improving its practice when using ovens, it could save important amounts of energy consumption -and money; by using smaller ovens for restaurant orders instead of the bigger ones, by pre-heating properly...etc.

This basic action, like the rest, should be always quantified –estimated cost saving or accounted, and the quickly registered in the Cost Saving Balance Score Card (CS-BSC). What matters most in this meetings is to come up with short-term results to encourage commitment, though reinforcing the sense of responsibility and initiatives within this working system.

2. Control and Monitor. Cost Saving Balance Score Card (CS-BSC)

There is a management deed that says: "anything that is not measurable cannot be managed". I do feel comfortable with this view, however it must carefully handle, since not all actions can be measured. How could you measure the value of a single worker in guest's revenues?



Conscious Hospitality

Or, how could you measure employee's daily efforts in your brand enhancement? Yet, we do have many working activities that can be perfectly measured.

Regarding cost saving and better control, we must budget and closely monitor them continually. We all know variable costs increase with revenues, but in the end what matters most is profitability.

Cost monitoring and control should be a daily task, first assumed by Hotel General Managers and departmental managers, but then down to bottom line employees. How many workers could we have committed to that purpose? The answer differs between hotels, yet the ideal state focuses on all people.

The CS-BSC focuses on these following actions, saving costs and affecting different levels: (1) we could save costs by improving a service or any working process; (2) we could save costs with the renewal of a purchasing agreement; (3) we could save costs by switching to another supplier; and (4) we could save costs by cancelling a supplier's service; for example cancelling outsourcing service by in-sourcing, or just by eliminating that service. Nevertheless, we have to stress that all actions in saving costs must always maintain an expected level of quality and service to guests. If we have re-thought a service process and it was decided it should be eliminated, maybe because it is not longer valuable to guests and increases our costs, the action has to be closely monitored (guest feedback). Also, in advertising we shouldn't be satisfied if by reducing costs we have affected our brand or revenues. Advertising has to be better measured within its ROI (return on investment)

Under these four actions, bottom-line employees should be co-responsible for the first one. All service and back office workers are expected to save costs by improving job procedures. Managers should be co-responsible for all four activities, and of course, General Managers are in charge of the whole system, co-responsible with the Corporate Offices.

How does this Control-Saving-Balance Score Card work? Hotel Budget and all performance ratios are on one Excel sheet; and there is a single sheet for each department with its particular budget. All unexpected financial results are noted, as well as financial variations. But what matter most are all possible actions that are taken and quantified; every action has been implemented and how much money is expected to save the company.

We may have the following example: (1) Sales & Marketing department: advertising costs, salaries, office expenses, agencies commissions, agencies fixed costs, agencies rapps telephone, ... (2) Restaurant, banqueting and bars: cost of beverages, salaries, staffing agencies salaries –reinforced service waiters, advertising (cost-shared), telephone, uniforms, utilities (cost-shared), table linen, service-ware such as glassware... (3) Kitchen: food cost, salaries, staffing agencies salaries, utilities (cost-shared), uniforms, kitchen-ware, telephone... (4) Reception: salaries, uniforms, telephone, office expenses, utilities (common-shared) ... (5) Housekeeping: bed-linen, mini-bar expenses, salaries, staffing agencies salaries, telephone, utilities (common-shared), uniforms, flowers, room stationery... (6) Maintenance: utilities overall, salaries, external maintenance services, maintenance reposition materials...



Chapter 8:

Merge Strategies from Unexpected Opportunities

Against the common wise and traditional mind-set of management, the strategic process is not something that happens only at the Corporate Offices; between a group of directors reasoning and planning about the best strategy, provided by tons of strategic data. We all have in mind that picture of a strategy planning process in which the strategist is thinking, evaluating figures, weaknesses, strengths, opportunities, competition, threats, reports and different strategic scenarios. Although this scene of strategic planning is true in a way, strategies can also occur from small and unexpected events. This sort of strategy is not planned in corporate offices.

Instead as the traditional strategic process coming from the top, this is a sort of merge strategy, which comes from the bottom. Henry Mintzberg was the first to demystify much of the strategy planning process. Michael Porter developed this strategic process in the 80'. Nowadays, strategy planning has turned out to be only a part of the whole strategy process, it should be seen as just a part of the entire process.

Don't get me wrong, I am not saying that there is no need for the strategy to be planned, and upper management carefully

and thoroughly analyzing and planning in order to make important business decisions. There are many questions embedded when planning any strategy such as, what the business is? Where to invest or where to divest? Where to assign priorities or to better allocate company resources? How are they going to differentiate themselves from the competition? What is going to be the levels of quality and service they'd like to offer to guests, what should the vision and the mission be? I am sure that this part of the strategy is really necessary, but we would be mistaken if we think that's what it's all about. The reality is that, strategy planning is only the 50% of the job.

How is the rest of the strategy developing? Is it also planned by Top Managers? Not really, in fact, it could happen at the bottom of the organization, as soon as managers are very concerned with discovering these types of opportunities. Such business opportunities were unexpected until we started to go deeper through what at first sight seemed to be a potential opportunity.

In Collective Hospitality Management it starts from something small such as a job improvement best practice, to become bigger after it's been shared.



Once, it has been proven to be a success and implemented elsewhere we may end up with a global best practices or even to going beyond an become a global strategy.

This small and merge strategy did not come from a logical approach, but instead from a sudden surprise: "Suddenly, the opportunity is there!" Of course we made that opportunity happen, the difference is that we never thought it was going to be that successful; our knowledge service workers made it happen. It wasn't upper management.

Collective Hospitality Management focuses on this type of business opportunity and, indeed, it expects to boost business opportunities throughout the organization. When I am talking about innovation, and constant job improvement, above all, I refer to merging strategies; by a PDCA process, collecting and analyzing guest information, dialoguing, developing ideas, monitoring and testing what has been thought up in the group. Unexpected strategies should come up in greater numbers than in any traditional hotel organization, which operates within the more traditional management premises.

Charles Handy reminded us in this book *Inside the Organization* (1990) that, employees' job descriptions and specifications are after all the last tasks to accomplish when working. But there are many other tasks beyond job descriptions, which are normally unexpected and tremendously productive for the business, if workers initiative gets to them. Managers never thought about them. The opposite of this view of job improvement by workers, is a mechanical and tayloristic hotel organization that doesn't unleash human potential, because they wont never let workers step out –enrich or improve- from

their job description. After all, this is what happens when human capabilities are limited.

Why should hotel and service workers be less capable of higher performance in their jobs? Why is innovation only reserved for technology or technological industries and seems to be less possible in mature industries such as ours?

Throughout this entire innovative management thesis in hospitality I have explained how we can unleash employee potential. It is not an easy path, because everything must start with a deep change in managers' mind set. But it could definitely be a path towards escaping from business obsolescence. Therefore, the purpose of this model in management is to boost Merge strategies.

One merge strategy could start within the marketing and sales department, in certain hotels; together with reception they have discovered this business opportunity by listening to guest feedback and analyzed sing guest information. Or maybe a simple job process improvement in housekeeping has been successfully tested, in a hotel in Asia, saving important costs to the department, then implemented everywhere as the best practice or new standard to follow. Which has started out as an initiative in job improvement saving 4.000€ yearly to that particular hotel, could ended up saving 300.000€ to 75 hotels together. Another idea could also have been developed and implemented within the food & beverage department from a hotel in Madrid. Having been shown to be very profitable, it becomes a global strategy, because this new innovative service could be also very profitable to the rest of company.



We do think locally but we act globally within our strategy process. What usually happens is that service employees often have more accurate information about hotel guests because they are dealing with them every day. Mintzberg pointed out that often, operational employees are really the ones who are handling strategic information directly from guests. It is all about establishing the proper communication channels and methods to make that information arrive to the Corporate Offices.

How are managers analyzing this? How are getting out from much information the strategic data?

Since much of the knowledge, communication and information, such as testing projects, are shared also in the Intranet, managers, together with our Intranet Manager, should also be conscious of promoting best practices and business opportunities.

Chapter 9:

The Intranet: boosting Organizational Knowledge

Within the company Intranet, relevant information and knowledge meet. Within this Intranet Community there are no hierarchies when workers participation is happening. The organization Intranet follows Internet and open collaboration principles by being an organization Community who believes that openness, transparency, organizational learning, job improvements and shearing, are key. All these principles and efforts should also bring us to innovation results; as well as better company financial performance.

This vision consists of a knowledge Community better reflected within this Intranet. Like in every learning organization, knowledge, has to be there for the purpose of be sharing, and taking advantage from it. There is no point in boosting knowledge and

enhancing learning within a hotel group if company know-how cannot be shared and back-fed. What differentiates learning organization from a more tayloristic or bureaucratic one is basically its know-how knowledge.

The purpose, though, in Collective Management, wouldn't be accomplished if it does not include producing financial results from al this corporate knowledge. This method of working must take advantage from knowledge synergies. Nowadays, technology is also helping us; since technology has removed geographical boundaries, company knowledge and communication can get enormous benefits. However, what matters in the end in technology is the people who are behind it to make it more effective and productive.



The problem often is that many hotel organizations overrate technology, because they don't realize that, in the end what differs between good social media strategies, or perhaps one CRM software program and another, is all the people who are there high performing with their commitment, creativity and skills. Tools – technology, should be made available for human intelligence and no the other way around.

How could this Intranet vision work? I have to confess that this part has never been put in practice. At the moment, I've come up with an abstract vision and what should be in my mind. However, the important fact is that once we get to here in Collective Management, everything else should become easier; yet the hardest step involves making the vision more clear, boosting the appropriate leadership and knowledge service working, developing real team sharing values and installing the working method. Although organizations may have started developing their Intranet, it is not going to produce significant results until the pillars of Collective Management are well established. They may be using it for information or communication purposes, still Collective Management knowledge won't be maximized until we start developing skills and creating service knowledge workers from our service hotel workers.

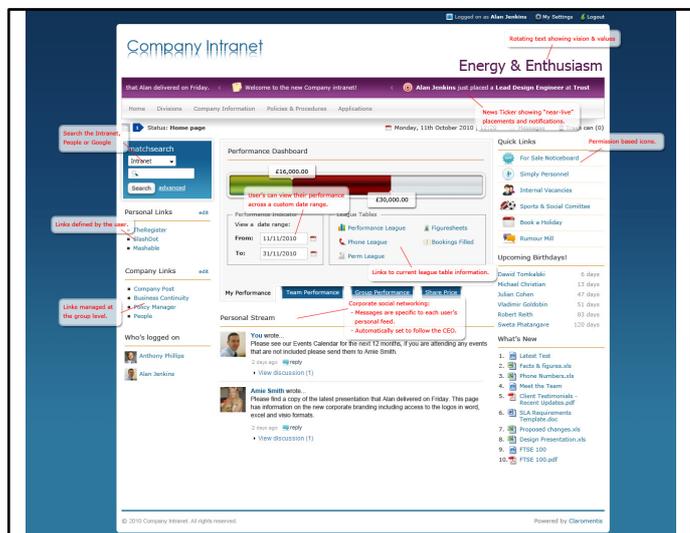
Another important question to ask by developing this Intranet knowledge Community system is how could we encourage worker's participation, but not forgetting, at the same time, service priorities and other work issues. After all we have to admit that before knowledge, they are service workers and they should be attending to guests as their first

commitment. Should everyone reliable then be exposed to that strategic information? Should everyone capable be participating in projects within the Intranet and being productive? Could we free up some employees –maybe the most capable- to invest more time-sharing and enriching knowledge within the Intranet? Or, even participating in organization projects within hotels through discussion forums. Could we implant a sort of Google 20% rule by liberating certain people working in-group projects within the Intranet?

There must be also a moderator and Intranet leader. This person in charge will lead what's happening there. Among much information, what ought to be highlighted? Or, what shall we emphasize the most? Who is benefitting from this knowledge? How could we better structure information, participation, clean up, or procedures within the Intranet?

I see the Intranet Community Manager (I-CM) a very important and strategic position within the company in Collective Management. After all he or she, will be the gatekeeper and "gate-master" of all company knowledge. Participation within the Intranet, to be productive, must follow certain rules, so he is the key person to put order. The whole system wouldn't work either way, if top management is not there encouraging; could we evaluate the quality of Intranet participation within the job evaluation performance?

The I-Community Manager must also have a high managerial position if the purpose is boosting and sharing Company knowledge; when the organization gathers "tons" of information from service knowledge workers and hotels.



service workers at the moment of service, and then analysed –first within departments and then in an executive meeting. All conclusions from dialoguing and analysing suggestions, errors, incidents, improvement or other ideas must come up in a summary on the Intranet with the purpose of sharing and further discussing it. Since every hotel advances its working process through a PDCA working system that also focuses on guest’s feedback, all these know-how improvements or best practices must be on the Intranet.

Intranet dialogues: If dialogues are very productive in company meetings, and the way of getting to better problem solutions, then dialogues must also be reflecting conversation styles on the Intranet. Every forum discussion must maintain the purpose of dialogues.

In-action –company projects and results to get best practices: We constantly put into action improvements and ideas, but we also have to thoroughly monitor and adjust what has been planned. How are different ideas or hotel projects advancing? Do we have already proven results? Is any project or working process improvement ready to be shared as the new standard? shared leadership.

Error sharing: I am aware that his section cannot be adopted in most of hotel companies. But within Collective Management we share values and vision; as we have mentioned, admitting errors is a key factor to advance. We all improve our work by admitting and recognizing errors, we all thoroughly analyse mistakes, and further share them in order to get all possible benefits from them. It would be very interesting to have a special section for error analysis and conclusions.

Now, for the first time, we have one Corporate department with the purpose of taking advantage of bottom line workers' knowledge, as opposed to imposing knowledge from the top-to-bottom. Isn't this what innovation is? This Intranet or Company knowledge department will thus have as its core mission not only to extract knowledge but also to improve the system continually through the PDCA working method. It should also be reporting directly to the company CEO. Every hotel General Manager should be accountable within his or her job responsibilities for Intranet participation and enhancement. How is his or her hotel team going to contributing to enhancing the whole system, both participation and company knowledge?

What ought to be part of Collective Management on the Intranet?

We should be treating the following C-M topics:

Every hotel Guest ‘feedback: As we have seen in the C-M working method, guest’s opinions are first collected by



Financial information and advances in Cost Saving Balance Score Card from every hotel: In our Open-Book-Management working philosophy we share all financial results and performance with the purpose of taking all advantage; and, why not to say it, to compete with the appropriate behaviour.

Company processes, work flow charts: We all recognize the best standard, but C-M purpose is to improve it constantly, and to share it with everyone. What's the

current working process? Has the best practice improved –and be proved with results- and could it be set as a new standard?

Vision and values: The whole system, by its participation, must continually enhance C-M values and vision: team work, sincerity, transparency, commitment, humility, self-confidence, company and individual knowledge, innovation, job improvement, shared leadership.





All human beings prefer meaningful work to meaningless work. This is much like stressing the high human need for a system of values, a system of understanding the world and of making sense out of it...If work is meaningless then life comes close to being meaningless.

Abraham Maslow