Understanding and Assessing Organizational Behavior and Performance in International Hotels

Peter Hyde*, Lei-Tin Ong

School of Business and Management, Royal Melbourne Institute Technology, Ho Chi Minh, Vietnam

ABSTRACT

This paper constitutes a literature review which focuses on the issue of the degree of alignment between the cultural values of the country of origin (Thailand) of a multinational corporation (MNC) with a management control system (MCS) and the values of the managers of the country of operation. There is a great deal of literature on the effect of systems imposed by MNCs in other countries and on the clashes between systems and cultural values of the countries that they operate in. With the concept of cultural distance, it is argued that cultural distance can be applied to management control systems, and that cultural distance can be measured using Schwartz' cultural values. The particular aspect of a MCS that is studied is the performance measurement system, specifically the balanced scorecard (BSC). Four research questions were developed regarding the impact of cultural distance on the effectiveness of the performance measurement system and its ultimate impact on performance.

Keywords: Balanced scorecard; Cultural values; Thai hotel

INTRODUCTION

Many multi-nationals appear to manage their international operations as though national culture is unimportant. The managers believe that a single system can be imposed on world-wide operations. Indeed, within academia, the group of academics who believe in convergence (Inglehart, 2000) argue that a single global system would be satisfactory. This study explores the issue of whether a single management control system can in fact meet the needs of head office management and be useful to local managers. This study focuses purely on the performance measurement system, as a central part of the management control system (MCS), whereas previous research has focused on the budgeting system often seen as a critical tool for resource allocation and performance assessment. Today, there is more focus on performance measurement systems, especially the balanced scorecard (BSC) as having an influence on managerial behaviors [1]. Thus, it is the performance measurement system, specifically the BSC, which is the focus of this research. This researcher argues that the system imposed will bear the hallmarks of the country of origin. Geertz (1973) has proposed that in dealing with different cultures, organizations need to understand that they are dealing with different 'fabrics of meaning.' Managers who operate internationally know that each area requires action with sensitivity to cultural characteristics. The purpose of the research is to understand the impact of the country of origin of a Multinational C ompany (MNC) on the use of performance measurement activities of managers in their subsidiaries. The research focuses on the hotel industry where there is often a single system used internationally. The hotel chain (used in this research and described in paper 2) is an American company, and the focus of the research is on a subsidiary in Thailand. Many countries could have been chosen, but this researcher had the opportunity to negotiate entry to a Thai hotel – this selection is thus justified on the basis that there is sufficient difference from USA to make the research worthwhile. Previous research, discussed later in this paper, suggests that there would be sufficient differences between Thai values and American values to explore the response of Thai managers to American systems. The research explores the cultural values of the head office and evaluates the alignment between the managers in Thailand and their counterparts in America. The gap between the two will be conceptualized using cultural distance, an idea common in the international strategy area, especially FDI [2]. Cultural distance is defined as explaining behaviors and differences in national cultures as the explanation of people's attitude toward countries. Kogut and Singh's (1988) index results in an objective measure of cultural distance, based on work-related values [3].

This paper is as follows. The next section explores the idea of understanding national culture and explains why the operationalization by Schwartz is used in this research. The sections that follow include cultural distance and the tools used in the study. Following on is management control systems in multinational

*Correspondence to: Peter Hyde, School of Business and Management, Royal Melbourne Institute Technology, Ho Chi Minh, Vietnam, Tel: +61410467050; E-mail: peter.hyde@rmit.edu.vn

enterprises, performance measurement and measurement in hotels. The cultural habits and traits of Thai people are then discussed so that a comparison later in the literature review with those from the US culture and corporate culture is possible. This leads to the proposed hypotheses and questions that this research seeks to answer, not only here but also in subsequent papers.

LITERATURE

BSC and Schwartz models are well grounded approaches towards understanding human capital, labor values and industry views acceptable internationally. We intend to apply this well known research methodology to data that would be collected in Thai context to understand the power distance between staff in Thailand and American stakeholders in international hotels and the effect it has on staff movement and education have had in recent times pertaining to Thailand. The tool used is Schwartz Likert scale with Henri's scale to collect information with relevance to power distance, egalitarianism, equality, Social Influences and acceptances as part of the cross-cultural mix of staff in the hotel investigated.

The chosen chain has had a well-developed BSC in place for many years, having pushed this system out to its Asian hotels in the 1990s. We will do two hundred surveys distributed among the most senior supervisors and middle managers. The survey instrument used will be based on well-tested instruments namely: Henri's (2006) instrument for the effectiveness of performance measurement systems; Schwartz' (1999) measure of cultural values; and the self-rated measure of performance as identified by the investigators [4,5]. These include a 7 point Likert scale survey developed based on our previous study with Thai Managers working for US hotels in Thailand. Our surveys areas of focus include Monitoring; Attention-focusing; Strategic decision-making and Legitimization. These include a 7 point Likert scale survey developed based on our previous study with Thai Managers working for US hotels in Thailand using a multiple choice option of giving inputs. The time required to complete the survey would be expected to be around 20-30 minutes depending on the experience of the manager.

METHODOLOGY

The Balanced Score Card(BSC) is a well-known strategic performance measurement system in tourism and hospitality sector. Although BSC is a well research tool used in the hospitality industry, human capital in Thailand is a hot research topic with the government of Thailand aiming at providing qualified labor to

the hospitality sector. BSC implementation can be a lengthy and complex process, requiring commitment of time and resources.

As shown in Figure 1, we contrast the values of Thai managers with those of the US managers who devised the BSC system which is the core focus of our research work based on the site selected which is the Pan Pacific Hotel chain in Thailand.

The theoretical constructs constitute a literature review which focuses on the issue of the degree of alignment between the cultural values of the country of origin name the US being a Multinational Corporation (MNC) with a Management Control System (MCS) and the values of the managers of the country of operation namely Thailand.There is a great deal of literature on the effect of systems imposed by MNCs in other countries and on the clashes between systems and cultural values of the countries that they operate in. With the concept of cultural distance, it is argued that cultural distance can be applied to management control systems, and that cultural distance can be measured using Schwartz' cultural values. The particular aspect of an MCS that is studied is the performance measurement system, specifically the balanced scorecard.The following research questions are developed regarding the impact of cultural distance on the effectiveness of the performance measurement system and its ultimate impact on performance.

This research looks at the following questions:

- What is the cultural distance between Thai and US managers?
- Does cultural distance influence performance measurement?
- Do Thai managers at different levels have different perceptions of the usage of performance measures?
- Do managers who perceive performance measurement usage to be higher also perceive performance to be higher?

The theoretical design will be based on the research questions proposed to validate the study. The questions will be tested based on a single hotel in regional Thailand, which is part of a U.S. chain of hotels.

Theoretical constructs and analysis

This section provides an examination of the effects of five measures of cultural distance on an MNE's establishment mode choice. The first is the traditional Kogut and Singh (1988), which uses dimensions of national culture between the foreign country entered and the MNE's home country, in this case the Netherlands [3]. These differences are corrected for differences in the variance of each dimension and then arithmetically averaged.
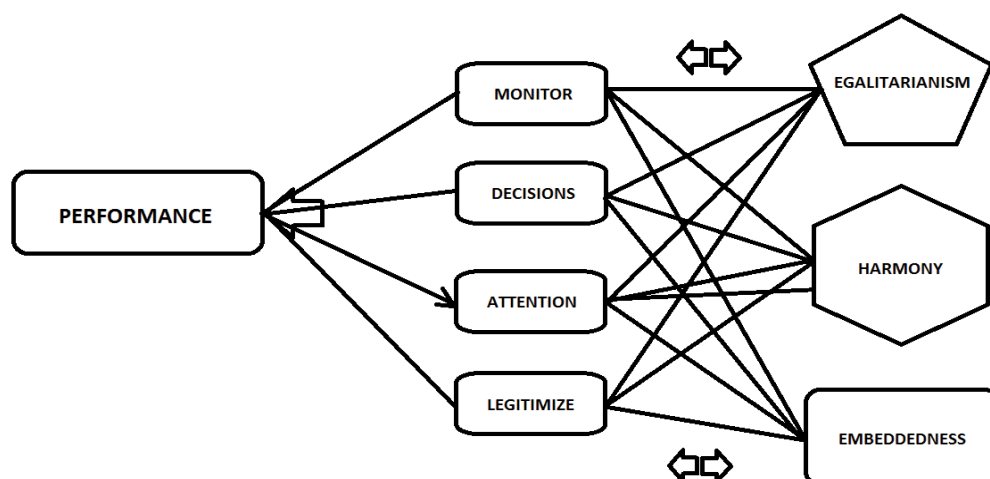

Figure 1: Conceptual model.

$$CDj = \sqrt{\sum_{i=1}^{4}\left\{\left(I_{ij} - I_{iN}\mid\right)^{2} / V_{i}\right\}}$$

Let where CD_j is the cultural distance between country j and Thailand, and I_{ij} is country j's score on the cultural dimension, $_{iN}$ is the score of the Netherlands on this dimension, and Vi is the variance of the score of the dimension. Virtually all previous studies testing for the effect of cultural distance on an MNE's establishment made choice have used this measure. This measure adds argument for the mediated regression tests that I have used to look at performance measurement.

Since the scores on Schwartz' (1994)dimensions were available for only 26 of the 52 countries entered by the MNEs which received expansion data, it was then tested against the effects of the Schwartz-based measures on a sub-sample of 142 expansions, 73 Greenfields and 69 acquisitions [6]. Finally, the effect of a survey-based perceptual measure of national cultural distance was examined.Following Bell (1996), managers were asked to rate on a 7-point Likert scale how large their management team perceived the cultural differences between the Netherlands and the country entered to be at the time the focal subsidiary was established or acquired. This measure was available for all 246 foreign expansions on which we received data. In the next section discuss the outcomes of our analysis.

RESULTS AND DISCUSSION

Cultural distance

Schwartz has surveyed value preferences of some 60,000 individuals in 63 countries. Many countries provided two samples, secondary school teachers and students. Separate individual-level and country-level data analyses were conducted. The seven country level value orientations he identified are the appropriate ones to use in the present, culture level study. Conservatism or embeddedness (the latter term is used in this article) emphasizes maintaining the status quo, propriety, and restraint of actions or inclinations that might disrupt the solidary group or the traditional order in which people are embedded [4,6].

Intellectual autonomy emphasizes the desirability of individuals' pursuing their own ideas and intellectual directions independently. The difference or distance between two cultures has little relevance until these cultures are brought into contact [7]. Cultural distance can produce friction between individuals or units within firms when they interact with one another. If the distance is not closed, conflicts can arise that can lead to limited information flow and other related issues for the company. Cultural distance also plays a role, as individuals in a particular country will share values [8]. With a loss of job training and skills transfer and consequent disappearance of skills, cultural misunderstanding increases. Shenkar (2001) has outlined some of the investment problems for two countries; for example, China investing in The Netherlands and vice-versa. This creates cultural issues on both sides, as the firms will have local cultural values, but there are also the notional country values of the country that they are investing in. This study places more emphasis on US nationals in a foreign country who are operating with local people [9,10].

Performance measurement

There is considerable interest in the role of performance measurement systems, and how they can assist managers in measuring and selecting strategy. In practice there is a huge amount of variation in the ways in which these systems are put to use between industries, based on the expected outcomes, results and strategies of managers linked to performance of employees in the cultural setting they are placed against values. Even as far back as Otely,1987 first described some of the key questions needed to operate these measurement tools successfully in organizations. These include five key areas:

- What are the key objectives of the organizations overall future success and how does the manager go about evaluating these?

- What strategies and plans has the organization adopted and how will it successfully put these into practice, and then how will it measure the performance of these activities, against the staff needed to make them happen?

- What level of performance does the organization need to achieve to get the results its defined in the previous two points?

- What rewards will managers apportion to employees achieving these results and what penalties would they suffer if they don't make them?

- What is the information flows necessary to enable the organization to learn from both mistakes and gains, and ensure the process is working across all levels?

These then links to the BSC and its use and implementation and practice.

CONCLUSION AND LIMITATIONS OF THE RESEARCH

The BSC approach is not without its critics. Norreklit (2000), for example, alleges that the concept is based on persuasive rhetoric rather than convincing theory based on empirical underpinnings. Notwithstanding the criticisms, several studies have indicated the practical value of the BSC approach in a range of contextual settings, including hotels. The research carried out lends some support to the notion that a range of performance measures are necessary, and that they are most useful when applied in a coordinated way.

REFERENCES

1. Otley DT. The British Accounting Review. 2008.

2. Schwartz SH, SagieG. Value consensus and importance: A cross-national study. J Cross-Cult Psychol. 2000;32:465-497.

3. Kogut B, Singh H. The effect of national culture on the choice of entry mode. J Int Bus. 1998;19(3):411-432.

4. Schwartz SH. Cultural value differences: Some implications for work. Appl Psychol. 1999;48:23-48.

5. Govindaranjan V. Appropriateness of accounting data in performance evaluation: An empirical examination of environmental uncertainty as well as an intervening variable. Accounting Organizations and Society. 1984;9(2):125-135.

6. Schwartz SH. Beyond individualism-collectivism: New cultural dimensions of values. 1994.

7. Shenkar O. Cultural distance revisited: Towards a more rigorous conceptualization and measurement of cultural differences. Journal ofInternational Business Studies. 2001;32:3.

8. Hau LG. Acquiring tacit and explicit marketing knowledge from foreign partners IJV's. J Busi Res. 2007.

9. Norreklit H. The balanced scorecard: what is the score? A rhetorical analysis of the balanced scorecard. Accounting Organizations and Society. 2003;591-619

10. Schwartz SH, Ros M. Values in the west: A theoretical and empirical challenge to the individualism collectivism cultural dimension. World Psychology. 1995;1:91-122.