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Ilan Alon
Rollins College, ialon@rollins.edu

Tatiana Ferreira
Walt Disney World Swan and Dolphin

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HUMAN RESOURCES CHALLENGES AND OPPORTUNITIES IN CHINA: A CASE FROM THE HOSPITALITY INDUSTRY

Tatiana Ferreira, MBA
P.O. Box 22094
Lake Buena Vista, FL 32830
(407) 873-5066
tatigf@hotmail.com

Ilan Alon, Ph.D.*
Petters Professor of International Business
Rollins College
1000 Holt Ave
Winter Park, Florida 32814
ialon@rollins.edu

*corresponding author

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ABSTRACT

The purpose of this study is to underline some of the distinctive practices of the hospitality industry in China. Particularly, we have interviewed several industry experts in luxury hotel properties in China and the USA and have compared their human resources practices. We found that luxury hotels which want to achieve international levels of service must invest more time in hiring and training their Chinese employees. Chinese employees are hired based on personality, and are found to be lacking a service mentality. Cultural and institutional differences in human resources account for the differences that exist between Chinese employees in the hospitality industry in the USA and China.

INTRODUCTION

With growth slowing down in Europe and the United States, international hotel chains are targeting China for their future expansion (Hoshiko, 2005). Shanghai is one of the most desired locations, as it is seen as the main city in Asia where the high level of established businesses will continue to grow, fueled in large part by Foreign Direct Investment (FDI). Chinese provincial cities such as Hangzhou, Hannan and Shenzhen are seen as underdeveloped and have growth potential as they become key markets for the World Expo in 2006 and the Asian Games, which will be held in Guangzhou in 2010 (Manson, 2005). Leading European luxury hotel operator Accor recently announced its plans to open three premier hotels in 2007 (AsiaPulse News, 2005). Marriott International plans to have 30 Chinese Hotels and over ten thousand rooms under its control by the end of 2007 (SinoCast, 2006). Since the human resources function plays a critical role in the success of a services-oriented business venture, a better understanding of the human resources dynamics in China can contribute to the success of the companies investing there, including Chinese companies looking to compete with their Western counterparts.

In many Chinese cities, a stay at a foreign-managed luxury hotel is comparable to a stay in a hotel of the same category in any major city in the United States. On the other hand, the hotel industry in China has suffered over the years from inadequate infrastructure, lack of a service-oriented mentality, political issues, high turnover, health-related issues (SARS, the Bird Flu, and other recent health related issues), and the Asian financial crisis. China also presents some unique challenges regarding human resources management, and more than ever, western companies have an increased stake when trying to understand how they can best manager their properties within the Chinese culture (Ford and Magnini, 2004).

The purpose of this study is to underline some of the distinctive situations a luxury hotel property is faced with in China, as it relates to its human resources, such as hiring and training employees to provide international levels of service. The use of organizational practices in several countries is a fundamental way in which multinational companies seek to leverage their knowledge to establish competitive advantage (Jensen and Szulanski, 2004).

This study is among the first to investigate in detail the interactions between the local (Chinese) and a globalized, international culture, involving an in-depth study that utilizes case analysis and interviewing of key individuals at selected hotel properties as a basis for its conclusions and further studies recommendations. Case studies such as this allow for a detailed inductive examination from which generalized conclusions may be drawn (Ellet, 2007).
Information was collected in an attempt to show that luxury hotel properties in China use modified hiring and training practices to achieve the same level of service guests expect to receive in a comparable hotel located in any Western country. Personal interviews were conducted with the management staff of the Grand Hyatt Shanghai to determine the methods of hiring and training employees. The data collected regarding their best practices in China was then compared to the best practices in hotel properties of the same category in the United States.

This analysis will help create a better understanding of the Human Resources situation the hospitality industry currently faces in China, and its implications to the globalization of both Chinese and international companies. Furthermore, it offers insight on best practices, as well as pitfalls to avoid, when utilizing Chinese workers to expand globally.

LITERATURE REVIEW

A lot has been written regarding the overall development of the hotel industry in China, with most studies looking at the industry from a financial/growth perspective. In addition to that, some research has been done on the challenges facing the hotel industry, as Human Resources become one of the most difficult aspects to replicate in a cross border knowledge transfer.

The literature review underlines that one of the major challenges encountered by luxury hotel properties in China is the lack of qualified professionals, especially managers, creating a need for highly intensive training programs at all levels of the organization. According to Hospitality Magazine, the industry is hampered by a lack of qualified staff, a high turnover rate and university graduates not willing to join the industry. In addition, there is a big gap between what is taught in schools and what is happening in the real world (Zhang and Wu, 2004). One of the challenges facing the hospitality schools is that many of the textbooks are simply translated from English and other languages, without adapting the contents to the Chinese values, culture, and modern issues (Ford and Magnini, 2004). According to Stella Hou, the Shanghai-based sales and accounts leader for Hewitt Asia Pacific, China’s educational system focuses too intently on by-rote learning, rather than creative problem solving (Clouse, 2006).

Currently, expatriates occupy the majority of managerial positions in hotels in China because of the shortage in qualified local personnel. In the annual member survey conducted by the American Chamber of Commerce-People’s Republic of China, human resources surpassed corruption, bureaucracy and intellectual property rights, ranking as the number one concern for American firms operating in China (Clouse, 2006). Studies indicate that hotel training programs in China emphasize hands-on experience, but managerial training programs are rarely given to locals. The particular shortages mentioned most often are lack of creativity, aptitude for risk-taking and, of an ability to manage other people (The Economist, 2005). About thirty to forty expatriates are hired to open an international luxury chain hotel in China, and those expatriates cost a lot to the companies, since their packages generally include costs of living, as well as a much better salary than that paid to a Chinese citizen employed in the same position.

Another important factor to consider is the high turnover rates. Until 1983, the Chinese were not allowed to select their career. After the economic reform, they were free to choose their own jobs. Economic growth and new government policies have given Chinese workers more
options, and some companies have to pay more and offer better conditions in order to recruit and retain workers (Clouse, 2006). The lack of employee culture seems to motivate them to leave their employer, even for a small increase in salary, and work for another company. A study in the Heilongjiang province adds that almost all general managers of state-owned hotels had been assigned their jobs by the state. The study also concludes that it is difficult to hire people to work in hotels, since the hotel industry, does not appeal to young graduates of high schools and vocational training schools, or even to tourism graduates from the universities. Many people believe careers in hotels are short and that the jobs require no skills, but demand intense physical work (Lam and Qiu, 2004). It is noted, however, that the situation is very different at hotels which are a part of international chains. In those, the most advanced management styles and concepts are brought into the daily operations, and intensive training programs are in place. Tess Lyons, in the article titled “Hotel is where the heart is” (2005), analyzes how this issue is currently being addressed by the JW Marriott Hong Kong. Part of their reputation of being a top employer comes from the hotel’s clear shared vision, and each day employees know if they are performing well. Instead of the “squeaky wheel getting the grease”, Marriott focuses on associates who are making valued contributions. The concept of catching employees doing things right and rewarding them for it changed their mindset completely, confidence grew and nervousness diminished.

Possibly the most important issue mentioned in the literature is the cultural differences between the Chinese and the western companies hiring them. The hotel industry is about serving guests. At the same time, the concept of “face” is very important for the Chinese, and serving people is equal to losing face. The manager who criticizes an employee will cause that individual to lose face. Foreign managers, accustomed with western practices of dealing with employees in a straightforward way, may alienate themselves from their peers and subordinates. One of the fundamental goals of the communist society was to abolish any kind of servitude, so the idea is deeply rooted in the Chinese culture. Li Lan, in the article titled Human Resources Management in Chinese Hotels (1995), recommends that hotel companies provide their expatriate managers with adequate cross-cultural training, helping them understand the Chinese culture and traditions. One of the cultural barriers encountered may be regarding China’s collectivist society. It is difficult for most Chinese to express their personal opinion, and in many cases have to make a decision within a few seconds, a crucial aspect of the services industry. Saying something inappropriate or making the wrong decision will be equally feared by the Chinese employee, who does want to lose face.

Ford and Magnini, in their article titled Service Failure Recovery in China (2004), emphasize the differences in cognitive styles between the Chinese and Westerners, and explain that a “services attitude” is a new concept for most Chinese. The hospitality industry is fairly new in the Mainland, having started after the open-door policy instituted in 1978, and China did not begin rating hotels until 1988 (Xinhua News Agency, 2006). The young workforce in China today did not have any role models, since their parents worked for state-owned enterprises. Many young graduates, despite their good qualifications and good English, are often afraid of taking the initiative. China’s one-child policy also added to the lack of teamwork amongst workers. Arics Poon, managing director of Oracle for South China and Hong Kong, concurs: “If the task is across departments, or if it means working in a team or trying to relate to others, they (Chinese staff) still have a long way to go.” (The Economist, 2005). Jensen and Szulanski (2004) further
analyzed the difficulties encountered in the process of cross-border knowledge transfers. They stress that as the distance between two areas increases, so does the difficulty for adaptation, both in terms of motivation and in terms of the cognitive ability to understand the practice.

According to the Best Employers in Asia report produced by Hewitt Associates (2005), the hotel industry faces many challenges around employment relationship. These include:

- Pay and benefits that may be less than in other industries
- Employees on call 24 hours a day
- Jobs can be routine and physically demanding
- The need to ensure employees will gladly go beyond the call of duty when required to satisfy individual customer needs.

Another Hewitt study (China HR Executives, 2004), emphasizes that the best employers pay more attention to the employee relationship, believe that people are central to the organization’s success, are strong and effective in executing people issues, and make business decisions and approach challenges with their people in mind. The best hotel employers invest heavily in the training and development of the employees. This training does not focus solely on the job skills needed, but also develops the whole person. An employee interviewed in the study reported that company training programs had greatly contributed to his personal development and boosted his self-esteem. Hotel jobs can involve long work hours and be physically demanding. The best hotel employers attempt to provide programs including communal sports, family days, and lots of social activities at the workplace. The hotels look to create family-like environments where everyone is valued and respected for the individual contributions they make. These programs attempt to limit the amount of employee turnover and increase the levels of employee satisfaction.

**METHODOLOGY**

The evidence utilized in this exploratory study included data collected during interviews conducted in Shanghai, China, with hospitality industry professionals, following general guidelines for case research outlined in Yin (1993). The sample property was selected for being an ideal match to the luxury hotel property profile this study was based upon; part of an established international hotel company in several countries, the Grand Hyatt brand of hotels exemplifies the structure common to many large hotel properties that follow the same standards of service all around the world. In sum, the idea is that anyone could stay at anyone of their hotel properties and experience the same service and amenities anywhere in the world.

Among the professionals interviewed were Sabrina Kato, Assistant Manager for the Front Office; Yvette Ellis, Rooms Division Trainer; and David Tseo, Assistant Director of Food & Beverage, all of them working at the Grand Hyatt Shanghai. The interviewees were selected because they represented a diverse mix of the property’s departments and because of their influential position in regards to the hiring and training of new employees within their departments. In addition, another important consideration was their level of exposure to the differences between international luxury hotel properties in the US versus China, and their insight as a result from that exposure, offering multiple views of the same phenomenon. All professionals interviewed have worked in both countries and have been in the industry for many years.
In order to validate the theoretical proposition of the topic of this research, the information gathered in the interviews was then compared to the industry standards in hiring and training new employees, utilized at comparable luxury hotel properties in the United States. To bring more validity to the study, another source of valuable evidence was direct observation of hotel employees working at properties in China and the US, a method of data triangulation suggested by Yin (1994). In addition, one of the authors of this study has worked in the Hospitality industry for over 14 years, and has held front line and managerial positions at several hotel properties in the US and internationally. Finally, the network of professional relationships and numerous projects in which the authors of this study have been involved (participant observation) were also used as a baseline for comparison to China.

Although there was an attempt to make this study as representative of the overall hospitality industry as possible, the focus of the research is limited to luxury four to five-star hotels and may not apply to lesser rated hotels or other hospitality-related businesses.

FINDINGS OF THIS STUDY

In interviews conducted with the management staff of the Grand Hyatt Shanghai, it was discovered that the Chinese employees at the Hyatt are hired on personality instead of skill. They confirmed that the “guanxi” is indeed a very important part of the Chinese culture, and even an international company such as the Hyatt values the relationships one has, before even considering a job promotion. According to Sabrina Kato, all Hyatt hotels are run differently, and adapt themselves to the local culture. Rooms Division Trainer, Yvette Ellis, is directly involved in the hiring and training of employees by the Grand Hyatt Shanghai. According to Ellis, most Chinese never had any experience working in hotels or the hospitality industry. Training them was a challenge in the beginning, as she had to get used to the way they behave. In her words, the Chinese are “sort of programmed”; their way to learn is to memorize, to get the information straight off the books, they are not used to think of things for themselves. They show very little flexibility, a key characteristic of any services employee around the world. As a result, their training is much more extensive than the training given to an employee performing the same job at, for example, a US-based Hyatt. During training, several examples of situations are shown, especially interactions with hotel guests. The new employees partake in role-playing, and practice various scenarios. Most Chinese people are very shy about their English skills, and sometimes are afraid to speak to westerners. The role-playing helps increase their confidence in their English and their abilities to deal with the guests. In average, this module of the training program lasts about one week, depending on the position.

Some of the most difficult aspects found when teaching the Chinese international service standards are eye contact, body language, and smiling. Due to their cultural background, these are not natural to their personalities when dealing with strangers. The Hyatt facilitates a class called “How to say it nicely!” as part of their training program, exclusively in China. The class attempts to teach the Chinese alternative ways to say the same thing, such as explaining to guests that they need to leave the room at check-out time. The Rooms Division training takes an average of two to three months to be completed for any employee, with the first month dedicated to improving their service skills. For the first week, they attend general orientation classes about the Grand Hyatt’s services standards. On the second week, they are trained on guest services and
the hotel amenities. The third and forth weeks are dedicated to departmental training, and the subsequent one to two months will be devoted to on-the-job training. During the first four weeks of training, the employees do not have any guest contact. Similar training in a comparable hotel in the United States lasts, in average, a total of one to two weeks. In most positions, employees start to deal directly with hotel guests on their first few days of training, even in positions involving cash handling.

Once the Chinese are out of their training, they seem to prefer dealing with foreigners (Westerners). She also observed that they respect the non-Chinese managers more than they do the Chinese ones. Even Taiwanese managers appear to get more reverence. Ellis notes that they listen more when the foreigners speak to them. She confirmed that expatriates earn better salaries than the locals when working at the same position, and Kato added that she earns higher monthly wages than her Chinese supervisor. However, being a foreigner has challenges when it comes to disciplining an employee. The respect they have for foreigners turns into fear, and they feel very intimidated when a foreigner disciplines them. This is handled at the Hyatt by asking a fellow Chinese manager to administer the disciplinary action on the Chinese employee.

The turnover rate is another issue faced not only by the Hospitality industry, but all over China. For a few RMB more per hour, employees will leave their current jobs and work for a competitor. Hyatt’s challenge is to create a passion for the company, so there is commitment beyond the paycheck, as addressed in Hyatt’s Training Manual (2005).

The social aspect of having a job in the hospitality industry was another issue raised by the literature review. According to the professionals interviewed for this study, working for a five-star hotel is seen as a great opportunity by the Chinese, especially in a hotel with an international name such as the Hyatt. Most employees who speak English come from rich families, and this kind of job represents an opportunity to become less dependent on their parents and make new friends.

Hiring is done in local Hospitality Management schools. The school usually approaches the Hyatt and invites them to come and meet their students. Interviews are conducted in Chinese, a bad policy according to the managers interviewed. Everything is in Chinese up until they are hired, so their English skills are not tested. Ellis, Kato and Tseo wish recruiters spent more time in the individual interviews, and looked more at the skills of the candidate. Most candidates go through two interviews before being hired. On the first interview, they just meet the interviewer, and are asked a few questions. The second interview lasts about thirty minutes. From her previous experiences in Asia, Ellis notes that the Chinese trainees have less “attitude”. When working in Singapore, for example, she noticed that employees expected to get paid more and to work fewer hours than the Chinese do. Salaries are equivalent to what a hotel employee would make in the US, in terms of purchasing power.

As far as comparing the level of service encountered at the Grand Hyatt Shanghai and other Hyatt hotels around the world, all of them agreed they get more compliments on their employees here than in any other country where they have worked. They note that this may happen because foreigners, especially Americans, still do not expect much when coming to China, and are wowed by the professional service and level of English they find. Their most
frequent complaint is regarding employees nodding to the customer, even when they did not understand the customer’s request.

CONCLUSIONS AND DISCUSSIONS

When analyzing the data collected, it is found that luxury hotel properties in China use modified hiring and training practices to achieve the same level of service guests expect to receive in a comparable hotel located in any Western country. The hiring and training do differ from those used in the United States, and the hiring practices focus more on personality traits than on actual experience or jobs skills related to working in a hotel. In addition, the training programs in the Grand Hyatt are much longer in duration than what is typically found in the United States. The training also attempts to overcome some of the cultural barriers typically found in China that could hinder the employees from providing excellent customer service.

For companies looking to expand into China, as well as Chinese companies looking to compete with the international hotel chains, it is crucial to consider the impact the cultural aspects have in employee behavior. There is a need to review their hiring and training practices, in order to benefit from the cultural differences and minimize the impacts of globalization. International hotel chains should hire individuals from the local management pool, and have them work in direct contact with the expatriates. Both sides will benefit from the interactions. Expatriates brought over to work in China need to be flexible, open-minded, and sensitive to the diversity they will find. They also need to be training-oriented, and have a profound knowledge of the company’s policies and procedures. Also, Chinese hotels should have Western and Chinese managers working together to design effective training programs. Training programs will be more effective if they take into consideration the differences in cognitive styles between the Chinese and Westerners. Cultural differences can lead to the creation of barriers to the implementation and acceptance of foreign organizational practices. The Chinese need to understand the value-added by doing things the way their Western counterparts are directing them to do, and the same would apply for the expatriates in relation to some local business practices.

Language skills are to be looked upon when selecting candidates for supervisory roles. Desirable languages include, but are not limited to, Japanese, German, Spanish, and French, in addition to English. When hiring Chinese managers, the same recommendations apply, and international working or studying experience is a bonus. Regarding the hiring of Chinese employees for positions that require direct guest contact, the Human Resources department should conduct at least part of the interviewing process in English. This will ensure the employees hired are comfortable and can express themselves in the language they will be required to speak on a daily basis.

Today, some of the most successful companies in any industry are emphasizing creative ways to attract and retain good employees. Opportunities for career development, supportive management, and an inclusive work culture should all be part a successful retention strategy.
Promoting from within the company, setting clear and achievable goals for employees at all levels, and having a mentor program are all initiatives that can increase the levels of employee morale and motivation. Retention is much cheaper than recruitment, and that would lead to higher levels of service as employees become more knowledgeable and experienced over time. Pay for performance programs, in addition to results-based performance management, also contributes to higher employee satisfaction, and therefore, retention. It is suggested that companies conduct employee surveys, anonymous if necessary. The data collected can be analyzed and important information on what motivates employees can be extracted. Employee recognition programs can then be tailored to the local results, in an effort to keep employees from leaving the company if offered a few RMB more per hour somewhere else. Continuous improvement based on feedback from employees and customers is a key tool to ensure that the desired results are being achieved. If employees feel the company shares their values, they will be much more willing to “go the extra mile”.

For international hotel chains, to ensure consistency in the levels of service a guest would find in any one of their properties anywhere in the world, independent auditors should be contracted in order to evaluate the employees and services offered. The same standards should be measured by the same auditor in at least two different properties in the US and China, to provide meaningful data that can be used to perform corrective action or emphasize appropriate behaviors.

Although the data brought important conclusions to this study, the limits of this analysis must be pointed out. First, it is always difficult to compare two very different cultures, especially in this case, when China is transitioning in many different aspects, and cultural concepts are changing at a much faster pace. Secondly, the individuals interviewed are established in a major city, Shanghai, therefore the conclusions may not apply to other regions in China. It would be impossible to find homogeneous characteristics that would apply to the entire country. While it was concluded that companies need to utilize modified training and hiring practices in China to achieved the same level of service found in the US, this analysis did not attempt to compare the level of service that one would receive in a hotel located in the US, when compared to a hotel located in China.

The significance of this exploratory study is to open the discussion regarding such a crucial element (human resources), known for being a key component to the success (or failure) of any enterprise. This is particularly true in the Services Industry, where human contact and relationships are a major part of the business structure. Since this study is among the first to investigate in detail the interactions between the Chinese and the North American best practices, further research utilizing even more in-depth case studies and broader data collection could lead to the expansion of its theories and conclusions, leading to findings that may be generalizable beyond the immediate case study. By increasing the sample of key individuals interviewed and selected hotel properties, additional data would support a more analytic generalization of the topic, and make a particular set of results applicable to a broader theory.

Future research to compare the level of service that one would receive in a hotel in the US compared to a hotel in China could be accomplished by surveying the guests at American and Chinese hotels, to determine their perception of customer service. As customer service
satisfaction has a relationship with speed or response time, a more detailed study could involve measuring and comparing a variety of response times in American and Chinese hotels. Measurements could include check in/check out speed, room service response time, valet response time and a number of other guest related measures. Furthermore, research around the topic of employee attitude could be supplemented by measuring customer service attitude at the time of hire and after employee training is completed. Interviewing could be accompanied by anonymous surveys administered before and after training is concluded, adding empirical data to substantiate the findings.

Finally, this investigation not only can be furthered in studies of Human Resources in the Hospitality Industry in China, but its underlying ideas and conclusions can also be used as a foundation to examine the Human Resources situation in other service-oriented industries seeking to expand internationally.

The growth of China as one of the world’s most powerful nation presents a very unique opportunity for international hotel chains and Chinese companies alike. Successful companies will be the ones that understand the cultural nuances, hire the appropriate professionals, are flexible, and can create a cultural fusion without changing their core values.
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