

The Hotel and the Open Systems Model of Organisational Analysis

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Rather than over-emphasising its uniqueness, the hotel industry needs to give greater consideration to general principles of organisation and management. Attention should be given to ways in which ideas drawn from general management theory may be applied with advantage to the industry. A convenient starting point is the open systems model of organisational analysis.

INTRODUCTION

Mullins [1981] argues that managers in hotels tend to regard the industry as somehow special and unlike any other industry. A number of writers, such as Umbreit [1986], point out that the hotel industry has a reputation for short-term cost consciousness, and hotel managers have been evaluated on profitability measures and control of expenses. Developments have clearly been effected but there is, however, still a long way to go. For example, Medlik [1989: xiv] makes the point that 'only limited progress has been made in the translation of business and management theory from manufacturing to service industries generally and to hotels in particular'.

Shielding behind the view that the hotel industry is different from other industries will not improve the standard of management. It may however help account for lack of progress and change in the industry. The common activities of management apply to a greater or lesser extent. Stewart [1986: 20] concludes that managers' jobs vary and 'differences of level and function are widely accepted' but 'we need and, with the help of research, can make useful generalisations about managerial work'.

Management attitude is an important determinant of progress and change. Rather than adopt a blinkered approach, hotel managers should be ready to draw upon general principles and practices of

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management and to learn from experiences in other industries. As Johnson [1977] makes clear: effective management is one of the most important factors in the success or failure of any business, and this applies just as much to organisations in the hotel industry.

THE ORGANISATIONAL SETTING

Mullins [1989] explains that the process of management does not take place in a vacuum but within the context of an organisational setting. Hotel organisations are diverse and come in all forms, shapes and sizes. The structure, management and functioning of hotels will vary because of differences in their nature and type, goals and objectives, external environment, services and facilities supplied, customers, and the behaviour of people who work in them. Hotels form a major part of an even larger grouping of organisations under the generic heading of 'hospitality' which in recent years has become increasingly popular as an all-embracing nomenclature for the hotel and catering industry. As a collective term, the hospitality industry can be taken to include: hotels, motels, guest houses, bed and breakfast; holiday parks; restaurants, fast food, cafés, departmental store catering; public houses, clubs; industrial catering; institutional catering; and the related area of tourism and leisure.

The then Hotel and Catering Training Board (HCTB) [1984] provided a broad sixfold heading for the structure of the industry:

- Accommodation;
- Meals;
- Public Houses and clubs;
- Tourism and travel;
- Industrial; and
- Public services.

An alternative way of dividing the industry is suggested by Hornsey and Dann [1984] who 'for the sake of convenience' use a fourfold heading of:

- The hotel sector (hotels, restaurants, pubs and clubs);
- Industrial catering;
- Institutional catering and domestic services; and
- Fast food.

Although there are some common factors among the different divisions, and some movement of staff from one division to another, the hospitality industry comprises separate and distinct sectors. The hotel sector and

the catering sector, for example, are in many respects entirely different businesses and each worthy of separate study. This article is concerned only with management in the hotel industry. But there are many different types of hotels, and many different ways of attempting to distinguish between them and to categorise them.

ORGANISATIONAL AND STAFFING CHARACTERISTICS

Hotels, then, are not an homogeneous grouping. It is however possible to summarise a number of important organisational and staffing features which are characteristic of hotels in general. For example:

- large number of individual units of varying size and many different types located throughout the whole of the country and internationally;
- many units operate for 24 hours, seven days a week;
- high fixed costs, a fixed rate of supply but a fluctuating, seasonal and often unpredictable demand;
- it is both a production and service industry;
- production and sales are combined on the same premises;
- a diverse range of customers seeking to satisfy a variety of needs and expectations;
- services are supplied direct to the customer on the premises and the customer leaves with no tangible product;
- combines a wide range of operations many of which are provided simultaneously;
- a high degree of co-ordination is required, often measured over very short time-scales;
- managers expected to demonstrate proficiency in craft skills;
- staff may live on the premises;
- many different skills are required but also high numbers of unskilled staff;
- low pay for the majority of staff;
- staff often expected to work long and 'unsocial' hours;
- a large proportion of female, part-time and casual, and foreign staff;
- many trade unions but generally a low trade union membership; and
- high mobility of labour within the industry, and a high turnover of staff joining and leaving the industry.

Collectively these organisational and staffing characteristics determine the distinctive nature of the hotel industry. Clearly not all of these characteristics will apply, necessarily, to every hotel. For example, large

city centre hotels tend to have a proportionally higher level of staff turnover than smaller country hotels. It is the combination of these characteristics which determines the organisational setting in which the process of management takes place. Mars [1978], for example, draws attention to the particular effect on the behaviour of staff and on employee relations.

THE NATURE OF HOTEL SERVICES

Hotel operations combine both a productive and a service element. However, as Jones [1989] acknowledges, although hotels are not pure service organisations they exhibit many of the basic characteristics common to other service industries.

Fitzsimmons and Sullivan [1982] suggest that services may be viewed as displaying seven main characteristic features:

1. the consumer as a participant in the process;
2. simultaneous production and consumption;
3. perishable capacity;
4. site selection determined by customer demands;
5. labour intensive;
6. intangibility; and
7. difficulty in measuring performance.

Using the headings of Fitzsimmons and Sullivan, we can examine the extent to which hotels exhibit the characteristics of service organisations.

The Consumer as a Participant in the Process

Unlike physical production, where the environment of the 'factory' does not concern the eventual purchaser, the presence of the consumer requires attention to the surroundings and characteristics of the service facility. Customer satisfaction will be influenced by the location, furnishing and decoration of the hotel, and the environment in which the delivery of services take place. The customer is part of the service process and can influence its operations. For example, hotel guests making use of tea/coffee facilities in their own rooms and thus reducing the demand for room service.

Simultaneous Production and Consumption

Services are created and consumed simultaneously. Unlike manufacturing, there can be no inventory of the service itself. For example, a receptionist giving assistance to a guest cannot be stored for future use.

Services cannot be stockpiled to meet fluctuating demand. For the delivery of services to take place there must be direct, personal interaction with customers. In an hotel the lack of an inventory can result in customers having to wait for attention or delivery of service.

Perishable Capacity

Services cannot be stored and if they are not used they are likely to be wasted. Unlike manufacturing, services are time perishable. High fixed costs will still occur during periods of low demand. The income lost from a hotel room unsold on one day cannot be recouped later: it is lost forever. And additional hotel rooms may not be available to satisfy a higher than expected demand, resulting in the lost opportunity to generate additional income.

Site Selection Determined by Customer Demands

Unlike manufacturing, services do not move through distinct channels of distribution. The delivery of services and the customer must be brought together. Services cannot be provided at a single, centralised location for different geographical markets and it may not be possible to achieve economies of scale. Experience of hotel services is dependent upon personal contact. As services are provided direct to the customer this may result in smaller scale operations and limited geographical locations.

Labour Intensive

In service operations work activity is people-oriented and labour is the important resource in determining organisational effectiveness. The personal nature of hotel services places emphasis on the importance of direct interaction between employees and customers. The effective delivery of services is dependent upon the attention and attitudes of staff as well as their performance. The increased use of technology and automation may well lead to a demand for a higher level of personal attention and service.

Intangibility

Compared with physical products, the particular features of services are more difficult to explain or communicate. Promotion requires an understanding of consumer behaviour and needs to focus attention on the actual delivery of the service. Benefits derived from services are associated with feelings and emotions. The quality of service in an hotel is usually identified with its general culture and ambience, the disposition and attitudes of staff, and the nature of other customers.

Difficulty in Measuring Performance

The measurement of output is difficult because there is unlikely to be a single, important criteria by which to evaluate effective performance. For example, profitability or the number of customers staying at an hotel is not necessarily a measure of the quality of service. The intangible nature of services coupled with the heterogenous nature of customers means that the actual delivery of services will differ widely. It is difficult, therefore, to establish or to monitor objective standards of performance. Even within the same hotel the actual delivery of services to individual customers is likely to vary noticeably according to, for example, the reasons for the customers' presence and their particular requirements, together with the personalities and behaviour of both customers and members of staff.

Lack of Ownership

Jones and Lockwood [1989] suggest lack of ownership as another feature of service operations. Unlike manufacturers or suppliers of products, the purchase of services does not bestow ownership with the customer. In an hotel all the physical features remain in the ownership of the hotelier and customers are only hirers of facilities for the duration of their stay.

ARE SERVICE INDUSTRIES DIFFERENT FROM OTHER INDUSTRIES?

Hotels, then, exhibit many of the basic characteristics of service industries and share many common features, such as high fixed costs, labour intensive, low wages, and unsocial working hours. But is a service industry any different from other industries? Not according to Levitt [1972: 41].

Purveyors of service, for their part, think that they and their problems are fundamentally different from other businesses and their problems. They feel that service is people-intensive, while the rest of the economy is capital-intensive. But these distinctions are largely spurious. There are no such things as service industries. There are only industries whose service components are greater or less than those of other industries. Everybody is in service.

In addressing the question 'what is the nature of management in service industries?', Jones [1989] suggests that implicit in the question is the

fundamental assumption that managers of services face different problems and act differently from other managers. However, Jones acknowledges that this assumption is contentious. And even where there is agreement that services are in some way different, there is no agreement on the cause or importance of this difference.

MODELS OF HOSPITALITY MANAGEMENT

Reservations about the application of management practices and techniques developed in other sectors of industry have prompted writers such as Nailon [1982] to propose a model specifically related to elements of hospitality management. This model however was criticised heavily by Wood [1983]. The reasoning behind the attempt to create a model of management specifically suited to hospitality organisations was spurious considering the criticisms levelled at the 'blinkered' approaches of previous management theorists.

Wood [1983: 104] argues that Nailon's model could describe adequately the factors affecting the management of any organisation and follows closely the structure of the more general open systems theories which are themselves based on previous studies of manufacturing firms:

there is nothing special about either management or hospitality management. A 'theoretical' understanding of 'management' can only be obtained through an appreciation of how management practices are produced within a framework of social and economic constraints, and how such practices inter-relate at the societal level in respect of *all* social and economic institutions.

THE HOTEL AS AN OPEN SYSTEM

However one views service industries, they still have some functions to perform and some purpose to serve as part of their role within society. Service industries are in need of management in order to perform effectively in the same way as any other industry – service or otherwise.

To what extent then do the particular characteristics of the hotel industry distinguish it from other industries? And to what extent do general principles of management theory and practice apply to hotels as work organisations? The open systems model provides a useful basis of analysis.

Mullins [1989] is among those writers who believe that all business organisations can be seen as open systems which take inputs such as

people, finance, materials, and information from the external environment. Through a series of activities these inputs are transformed or converted and returned to the environment in various forms of outputs, such as goods produced, services provided, and completed processes or procedures. Outputs are intended to achieve certain goals, such as profit, market standing, level of sales or consumer satisfaction.

The Customer as the Major Throughput

Hotels are what Katz and Kahn [1978] describe as 'people-moulding' organisations and are concerned with human beings as the basis of the nature of work carried out. The major input is the customer seeking satisfaction of certain needs. The desired output is a satisfied customer. In order to achieve this output the transformation or conversion process will entail the customer being suitably rested/refreshed/entertained, undergoing a rewarding experience in a comfortable and safe environment.

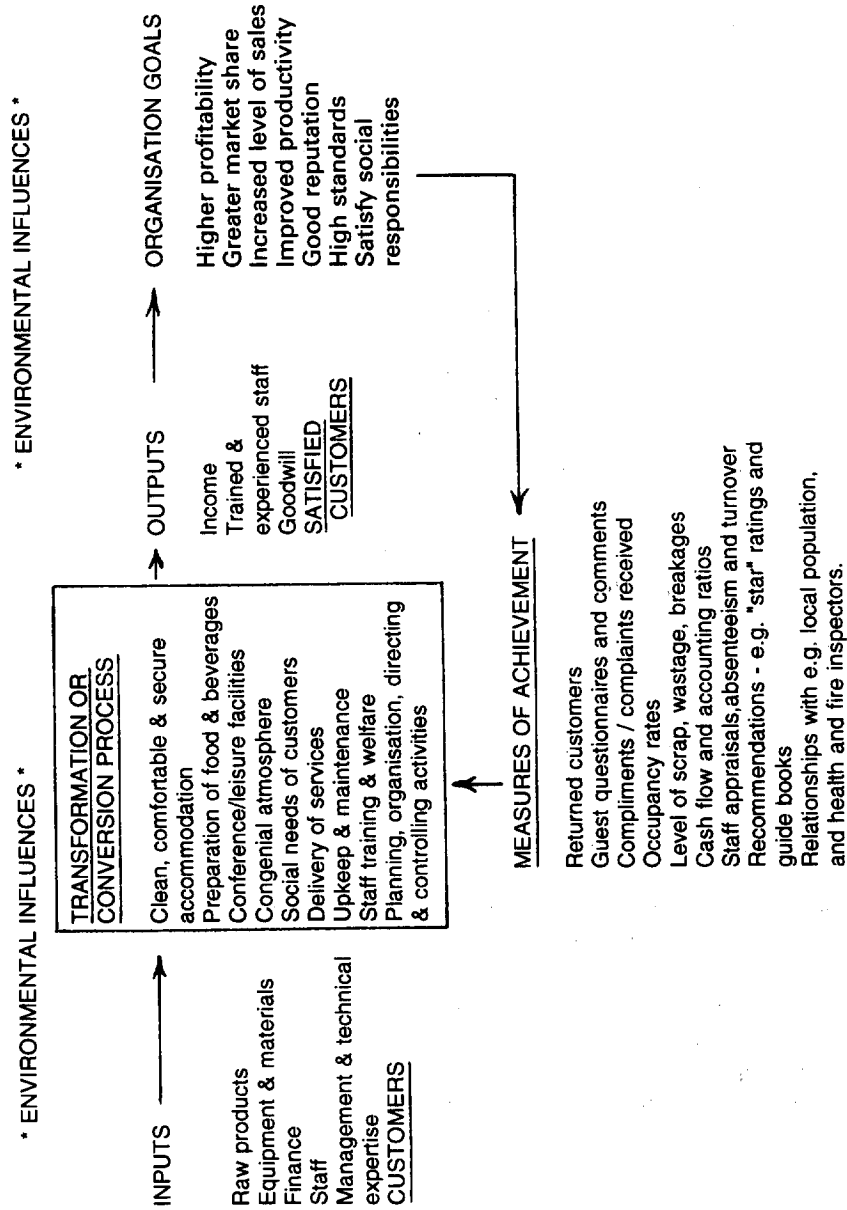
The customer is therefore also the major throughput of the hotel system. It is the demands of the customer which will have the greatest influence on the series of activities involved in the transformation process. Writers such as Wachtel [1984] point out that, compared with most business organisations, the hotel is unusual in that customers as the main throughput are provided with and consume services within the hotel and leave with no tangible product. However, in terms of the open systems model, the hotel is no different from any other business organisation. It is subject to the same basic processes of: aims and objectives – inputs – series of activities as the transformation or conversion process – outputs – realisation of goals (Figure 1).

Common Point of Reference

A series of activities by which inputs are transformed into outputs is a common feature of any industry and makes possible the application of general principles of organisation and management within the hotel industry. A suitable form of structure must be designed. Essential administrative functions must be carried out. Legal requirements must be observed (for example, in respect of employment legislation). The common activities of management – clarification of objectives, planning, organising, directing and control – apply to a greater or lesser extent.

It is important to emphasise these common features. There are, of course, differences in the activities and methods of operation of organisations even of the same type; for example, in relation to the nature, size and scale of activities of different hotels. But differences in the

FIGURE 1
THE HOTEL AS AN OPEN SYSTEM



application and implementation of these principles and prescriptions are largely a matter only of degree and emphasis.

Using the open systems model provides a common point of reference and enables us to take a general approach to the study of hotels, to analyse them, and to review the application of general management theory.

ENVIRONMENTAL INFLUENCES

The hotel is in continual interaction with the external environment of which it is part. In order to be effective and maintain survival and development, the hotel must respond to the opportunities and challenges, and risks and limitations, presented by changing circumstances. The open systems approach views the hotel within its total environment and emphasises the importance of multiple channels of interaction.

The increasing rate of change (technical, economic, social and governmental) has highlighted the need to study the hotel as a total organisation and adopt a systems approach. In addition to these major areas of change, the hotel faces a multiplicity of constantly changing environmental factors which affect its operations and performance (Figure 2).

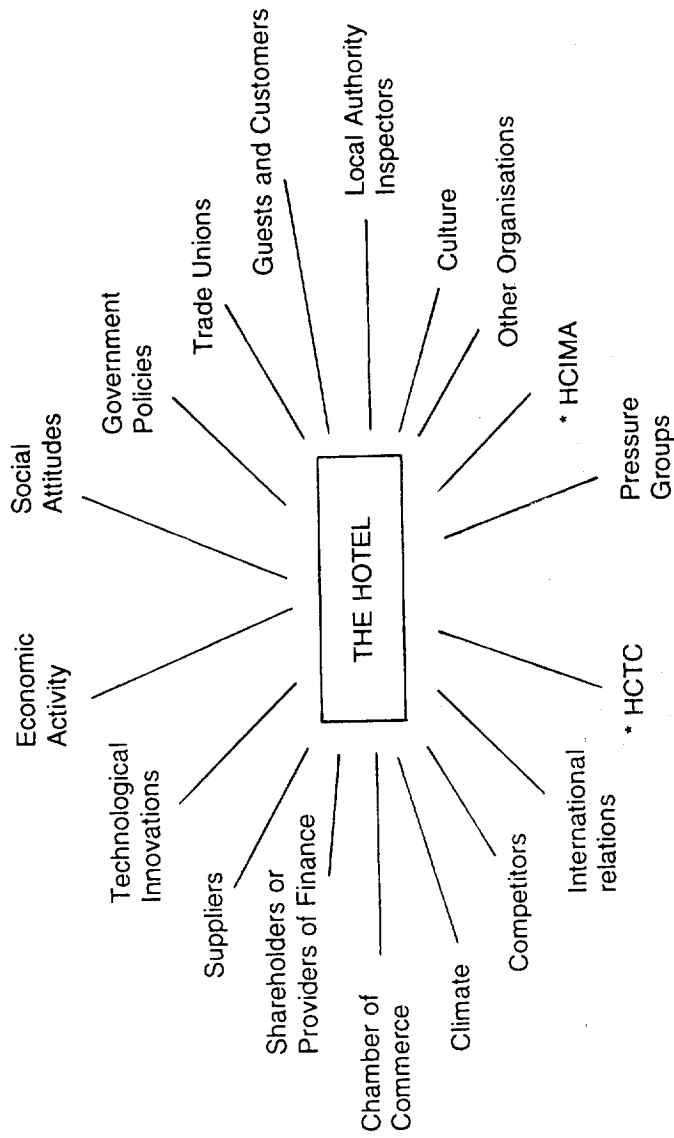
Beyond the Control of the Hotel Manager

Environmental influences are generally beyond the control of the hotel manager. Consider how the functioning and operation of a hotel might be affected by such external environment influences as, for example:

- government actions on the rate of VAT, transport policies, health and safety regulations, drink-driving laws;
- inflation, interest rates, levels of unemployment;
- international situations and foreign exchange rates;
- technological advances;
- activities of competitors;
- local business trade, or tourism or leisure attractions;
- a major trend towards eating organically-grown produce;
- increased leisure time for a wider range of the population;
- bankruptcy of, or a major strike at, an important supplier;
- a large increase in trade union activities and membership;
- the opening or closure of a local catering college; and
- a long spell of particularly good or inclement weather.

The effectiveness of hotel operations will be determined not only by internal considerations and choices, but also by the successful

FIGURE 2
EXTERNAL ENVIRONMENTAL INFLUENCES



* Hotel and Catering Training Company

* Hotel Catering and Institutional Management Association

management of the opportunities, challenges and risks presented by the external environment. Hotels must therefore be readily adaptable to changes in the environment and the demands which are placed upon them.

THE ANALYSIS OF HOTEL OPERATIONS

By itself, the open systems model reveals little about the detailed activities undertaken within the hotel. To benefit from such an operation the hotel system needs to be analysed in such a way that the total operations of the hotel as a unified whole can be reviewed and amended as necessary. Within the hotel system as a whole each of the main transformation or conversion processes can be seen as separate sub-systems interacting with other sub-systems.

The analysis of the hotel system could be based upon the traditional organisation structure and different departments or sections as sub-systems – for example front office, accommodation, food and beverage, conferences, accounting, personnel, security and maintenance. However, this form of analysis could lead to an investigation concentrating on blinkered, sectional interests rather than on the need to adopt a unified, corporate approach.

Interrelationships and Interactions

Each department or section of the hotel might perhaps be operating efficiently in its own right. But what is equally important is the interrelationships and interactions with other departments or sections, and the attitudes and behaviour of staff. For example, food preparation and food service should not be considered separately but as integrated sub-systems. Keiser [1989] explains that preparation of food in the kitchen and the equipment used needs to be related to the method of service in the restaurant, and the training and skills of the waiting staff. It is the integration of preparation and service, together with other sub-systems, which determine the overall effectiveness of the hotel.

It is more beneficial, therefore, to analyse major elements or functions within the hotel system and to recognise the importance of the interdependence of sub-systems in terms of the effectiveness of hotel operations as an integrated whole.

The Socio-technical System

The interrelationships of different parts of the system raises the question of identification of sub-systems. These may be identified in a number of

different ways, although there is a degree of similarity among alternative models.

For example, the study of changing technology in British coal mines by Trist and others [1963] gave rise to the importance of the socio-technical system. This is concerned with the transformation or conversion process itself and the importance of the relationships between technical efficiency, and social considerations and the effect on people.

The researchers suggested that there are three sub-systems common to *any* organisation:

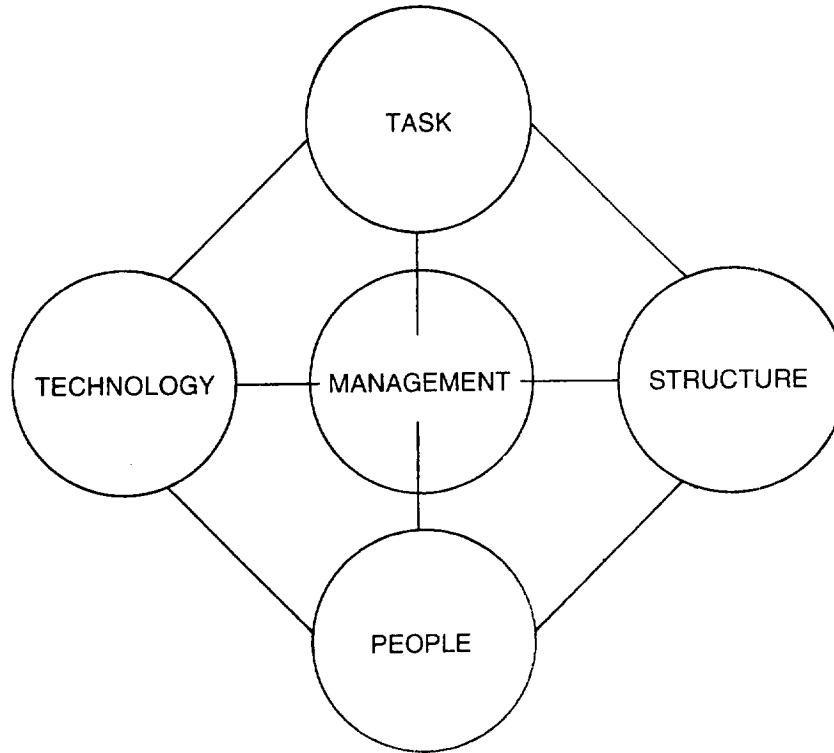
- the *technological* sub-system;
- the sub-system of *formal role structure*;
- the sub-system of *individual members' feelings or sentiments*.

Interrelated Sub-systems

Developing the idea of a socio-technical system we can analyse hotel operations in terms of five main interrelated sub-systems: task; technology; structure; people; and management. (Figure 3).

- **TASK** – the goals and objectives of the hotel and the work to be carried out. The scale and nature of activities, and the range and quality of services provided. For example: the type of customers and their needs; family, conference or leisure facilities; nature of accommodation; speciality menus; standards of meals and service in the restaurant; opening hours of bars; and portering and room service.
- **TECHNOLOGY** – the manner in which the activities of the hotel are carried out and the nature of work performance. The meaning of 'technology' is interpreted broadly and includes: the physical aspects of equipment, machines, materials and work layout; and the methods, systems and procedures; used in the transformation or conversion process. For example: the use of computers, microwaves and chill-blast freezing; methods of food preparation; booking and reservation systems; procedures and methods for cleaning bedrooms. The technology of production in the kitchen is related to table d'hôte, à la carte or banquet service.
- **STRUCTURE** – patterns of organisation, lines of authority, and channels of communications among members of the hotel. The division of work and co-ordination of tasks by which the series of activities are carried out. For example, whether mechanistic or organic; the extent of centralisation; management and supervisory

FIGURE 3
INTERRELATED SUB-SYSTEMS OF HOTEL OPERATIONS



roles; the responsibilities of departmental managers; and the informal organisation.

- **PEOPLE** – the nature of the hotel staff undertaking the series of activities. For example: training and qualifications; skills and abilities; loyalty; attitudes and interpersonal relationships; cultural influences; needs and expectations; group functioning and behaviour; styles of leadership.
- **MANAGEMENT** – co-ordination of task, technology, structure and people, and policies and procedures for the execution of the work of the hotels. For example: corporate strategy; decision-making; planning, organisation, direction and control of activities; systems and styles of management; interactions with the external environment; and social responsibilities.

Comparisons with other Industries

The hotel industry shares important features with other business industries and faces the same general problems of management. For example, from his practical experience of hotel management, Venison [1983] comments on the striking similarity between the hotel industry and the retail industry. Venison believes hotel management students would benefit from a study of retailing.

Mullins [1988] has argued that particular models of managerial behaviour for the hotel industry have little relevance and, if anything, provide a constraint on what is an open and fluid interpretation of managerial development. Viewing the hotel industry as unique, or as somehow special and different from other industries, will not improve the level of organisational performance. On the other hand, it may help account for lack of progress and change in the industry. We have seen that the hotel industry does differ in important respects from other industries. But this should not be seen as a convenient reason for disguising comparison with management procedures and practices elsewhere. Adopting an open systems framework provides a useful basis of analysis.

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