

# Looking at the worldwide novotel hotel chain



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The Novotel hotel chain founders Dubrule and Pellison approached hotel management differently from their competitors. Their initial strategy was based on standardization and strict adherence to operational rules. This report will evaluate the above factors as described by the Retours vers le Future change initiative which was initiated when the hotel chain started experiencing a state of transition resulting in declining profits due to a number of factors namely: the Gulf war, the expanded network resulted in loss of control and slipping standards, increased competition.

## **Structure and systems in the implementation of Novotel's strategy**

An organization's structure is a mainly a hierarchical concept of subordination of entities that is evident in the way operational responsibilities, divisions, departments, functions, and people link together and interact to achieve the purpose of the organization. The main purpose of an organizational structure is to give clear and precise roles and responsibilities for all employees as per their department and hierarchy in the structure. This ensures order and maintains a systematic procedure of doing things, which ensures performance and efficiency

In the early 1990's senior managers in Accor recognized that the business was in a transitional state and they took the first move in a management open forum and decided that a change program should be instigated. The program had two objectives; the reduction of costs and the installation of new work practices to increase differentiation amongst competitors. Before the Retours vers le Future initiative, Novotel was operating a nine layered management structure as shown by Figure 1:

However this was found to be one of the factors that contributed to inflexibility, so the nine layered structure was reduced to a new approach of a five layered structure (Shown by Figure 2):

The change initiative was firstly initiated by the appointment of two new co-presidents to lead the Novotel division, Philippe Brizon, former head of Accor's Ibis hotels, and Giles Pelisson. This new top management appointed their own team, almost all of whom came from within the Novotel group. The structure represented a typical geographic organization structure.

The changes to the structure resulted in very detailed plans of new roles, tasks, skills and head-office processes. The advantages of the flatter structure was that it reflected the empowerment of employees and a commitment to ensure decision makers were placed as close as possible to clients. This in turn can improve efficiency and motivate employees.

Another advantage was that the flatter structure allowed for general manager to operate independently. General Managers can now be innovative and tailor their strategy to the needs of their geographic clients.

There is however a number of disadvantages presented by reducing the hierarchy i. e. some employees may feel that there are being demoted and this could lead to resistance to change. Other problems that might result from the structure are that it might make it more difficult to maintain a consistent company image and reputation from area to area. This will make it difficult for headquarters to decide whether to impose geographic diversity or uniformity.

The question of whether the changes to the organisational structure were for the best is depended on the strategy of the firm which in Novotel was to reduce cost and increase differentiation amongst competitor. The new structure was able to improve efficiency (which is a strategy critical primary activity aimed at improving differentiation) and did so by minimising cost and time; we can conclude that restructuring complemented the strategy.

## **2. 1 Reward Systems and Performance Management System**

Reward systems are “ means of evaluating workers on their breadth of technical knowledge and giving bonuses based on their performance on specific reengineering projects as measured in business results” (Moad, 1993, p. 25). When this is done effectively it can have the advantage of getting employees to support changes that are introduced at the company as there is a clear connection to output and employee input.

The introduction of the Progress Novotel project was aimed at changing the way staff are trained and assessed. This entailed an analysis of skills needed to progress up the Novotel ladder. This introduces a systematic way of measuring and rewarding performance. The reward system offers a combination of career development and financial gain. The advantage of this system is that there is a clear link between effort and reward; this would thus result in motivated employees.

The Progress Novotel project is said to have identified approximately three hundred competencies needed by staff to work in a Novotel. The advantage about this might demotivated or delay ambitious employees who would have

possible been able to move quickly up the ranks had there not be any standardized and inflexible system.

## **2. 2 Policies and Procedures**

The Retour vers le Futur change initiative was centered on designing the methods and thinking behind the detailed hotel operating procedures and included attempts to teach the often tacit knowledge that contributes to effective working. The Retour vers le Futur concentrated on changing procedures and adopting new working practices. No new major product offerings and no new locations were involved. The initiative focused only on improving and coming up with innovative ways of delivering the existing set of services.

The initiatives included rotating employees in different departments in order to multi skill them and improving service quality using total quality management. The delayering of the structure also meant that the roles of general managers were redefined. The new roles of general managers were changed from that of authority figures to that of supporter, facilitator and helper. The role of Corporate was also changed to that of facilitating coordination amongst the Novotel Hotels.

The case study argues that the disadvantages that came about through the change in the role of general managers are that, they are expected to generate increased business from limited resources and to use their initiative to seek out new business. This was previously the role of Cooperate. However this dilemma is mitigated by the fact that this should necessary be

the case as the General Managers are now more aware of their clients needs.

In order to identify opportunities and to share knowledge amongst hotels, Reflective clubs, and progress groups were created. These are informal discussions where knowledge about common problem can be shared and innovative solutions identified. This provided an opportunity for a bottom-up consultation in the implementing of the strategy.

## **Leadership and Culture in the implementation of Novotel's strategy**

Leadership is very important within the organization as it is the main driver of strategy. At Novotel, the leadership of Phillip Brizon and Gilles Pellison was responsible for the successful implementation of strategy. Below I will discuss the capabilities, tasks and roles of Phillip Brizon and Gilles Pellison which contributes in effective strategic leadership.

### **3. 1 Leadership Capabilities**

Strategic Thinking: Louw and Venter (2006, pg 356) on De Wit and Meyer (2004, pg 50) says strategic management is about determining and implementing a strategy which can be thought of as...a course of action for achieving an organisations purpose. He further says that for this to be possible the strategy leader need to engage in a strategic reasoning process which consist of two mental activities required to defines problems (identifying and diagnosing) and two activities to solve problems (conceiving and realizing).

Identifying and diagnosing – For Brizon and Pellison the identification and diagnosing process of the causes of failure of Novotel revealed that the source of the problem laid in three areas guest, staff and administration.

These were the problems identified:

Novotel was not customer centered

Novotel lacked marketing knowledge

Novotel had become too inward looking

Novotel was not operational and strategically flexible

Novotel structure was too hierarchical

Conceiving and realizing – This stage refers to the actual strategy formulation and the implementation of the strategy. The strategy that resulted from this was the reduction of cost and improving differentiation. This entailed a list of actions that were to be taken to make sure that it is realized.

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Emotional intelligence: Emotional intelligence of the two presidents is revealed by their initiative to explore unconventional ways of solving problems as demonstrated by them hiring academic anthropologists instead of the usual management consultants.

Transformational leadership: The most notable abilities of the presidents was their radical response to the threats faced by the business, the ability to effectively allow a consultative process within their employees and the

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promptness in selling and implementing the change initiatives simultaneously in other hotels.

## **3. 2 Leadership Tasks and Roles**

In the execution of strategy, the first and vital step is for the strategic leaders to take the strategy and translate it into a vision that sets direction, which everyone can buy into Louw and Venter (2006, pg 368) on Pretorius (2001). The biggest challenge for leaders is to get buy-in of the strategy. Pearce and Robinson (2000, pg 417) says that leaders galvanise commitment to embrace change through three interrelated activities: clarifying intent, building an organisation and shaping the organisational culture. In section 2 I discussed building an organisation by evaluating the structure of Novotel, below I discuss the other two activities:

### **3. 2. 1 Clarifying intent**

The role of a clear direction provided from the top has long been noticed as an important feature of change processes and generation of new routines. Senge (1990) who argued that clear direction and strong leadership provided the impetus for double-loop learning. Argyris and Schön (1978, pg 2-3) described Double-loop learning as a process that occurs when a problem occurs and is detected and fixed in such a way that the modification involves changing the underlying frameworks, goals, values and strategies. The leadership of Phillip Brizon and Gilles Pellison was responsible for the clear definition of what needed to be done through:

Ensuring that all involved had a common understanding of the organization's priorities



Clarification of responsibilities among hotel general managers and corporate

Pushing authority lower in the organization

Facilitating a consultative process with all employees through Reflective clubs and Progressive Groups.

### **3.3 Culture**

Collins and Porras (1994 in Clegg et al 1996) showed that it is strikingly evident that organizational culture lies at the centre of what differentiates visionary companies from comparison companies (and significantly greater economic performance over the long-term). Culture, how we do things around here in order to succeed (Schneider, 1994, 1997), is an organization's way, identity, pattern of dynamic relationships and reality.

Novotel co presidents recognized that Novotel had to adopt more flexible working practices to meet the continuing challenges of the future. However, to be able to do that it required a new set of values to underpin these practices.

The hiring of anthropologists by Novotel management to identify key elements of the firm's organizational culture that both were and were not consistent with Les Recontres de Futur reflected the fact that top management did recognize the important role that would be played by organizational culture at Novotel in the future

Below I will use Schein (1995) and Handy (1985) to evaluate the organizational culture at Novotel. Schein (1995) defined organizational culture as " A pattern of shared basic assumptions that the group learned as

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it solved its problems of external adaptation and internal integration that has worked well enough to be considered valid and, therefore, to be taught to new members at the correct way to perceive, think, and feel in relation to those problems. Schein (1995) describes culture as having 3 levels:

Level 1: Easy to see aspect of the culture (behavior pattern) i. e. technology, art audible, visible behaviour patterns, but hard to interpret without understanding the other levels of the culture. Examples of this from Novotel, is the standardized phrase of what employees should say to end telephone conversations, receptionist standing up when a guest comes to reception etc.

Level 2: Making sense culture (justification of behaviour): this is where people explain, rationalize, and justify what they say and do as an organization, how they make sense of the first level of culture. And example from Novotel is that of a staff member who said that “ We can’t do it any differently.... its the system”.

Level 3: People’s ideas and assumptions, which govern their justifications and behaviour (culture). It is the deeper level where set of important assumptions (usually unstated) that members of a community share in common. The two basic assumptions are the values and beliefs which they have internalized.

Handy (1985) He describes four types or culture:

Power Culture, culture which concentrates power among a few. Control radiates from the center like a web. Power Cultures have few rules and little bureaucracy; swift decisions can ensue.

Role Culture, people have clearly delegated authorities within a highly defined structure. Typically, these organizations form hierarchical bureaucracies. Power derives from a person's position and little scope exists for expert power. This was the case at Novotel before the new co presidents took over.

Task Culture, teams are formed to solve particular problems. Power derives from expertise as long as a team requires expertise. These cultures often feature the multiple reporting lines of a matrix structure.

Person Culture exists where all individuals believe themselves superior to the organization. Survival can become difficult for such organizations, since the concept of an organization suggests that a group of like-minded individuals pursue the organizational goals. Some professional partnerships can operate as person cultures, because each partner brings a particular expertise and clientele to the firm.

The evaluation of Novotel culture using Schein (1995) and Handy (1985) reveals that the culture prior to the Retours vers le Future was contributing to the failures of Novotel and that a new culture need to be establish to support the new strategy.

## 4. Conclusion

This report has critically evaluated the implementation of strategy by analyzing the aspects three aspects namely; organizational structure, leadership and culture which contributes to successful strategy implementation. These aspects were examined for their appropriateness in the Novotel strategy.

The previous organizational structure was compared to the new organizational structure and the advantages and disadvantages of each were identified. This revealed that strategy implementation required a good strategy- structure fit.

Organisational leadership was identified as being very critical to effective strategy implementation. The capabilities, roles and tasks of Phillip Brizon and Gilles Pellison were examined and to evaluate their contribution to the implementation of strategy.

Lastly organizational culture was examined and was found that it could be a hindrance or helpful in the implementation of strategy. I also examined the appropriateness of the Novotel approach to managing the strategy-culture it.

In conclusion, the strategy of Novotel can be said to have been successful due to the fact that it was able to:

Strive for efficiency whilst maintaining financial control and also being innovative and entrepreneurial.

Maximized current performance through existing resources and capabilities.

Maintaining responsiveness, efficiency and innovation through autonomy whilst integrating capabilities and resources across hotels.