

Organizational
behaviour and
leadership at moscow
aerostar hotel
management essay...



Moscow Aerostar Hotel is a joint venture between Aeroflot – Russia’s national airline and IMP Group Limited, Canada’s aerospace multinational company based in Moscow, Russia.

The two companies started their relationship when Ken Rowe- Chairman & CEO of IMP noticed an unfinished building on Leningradski Prospect near the 1980 site of Moscow Olympic Games, while on a business trip in 1988. He accepted the challenge of converting this building into a top 4 star hotel.

Little did he know that launching a Western style hotel in a former communist country would yield its share of problems by producing unproductive and de-motivated Russian employees who were not able to develop managerial skills. Despite that, Moscow Aerostar Hotel had developed a strong reputation for its high standard quality and service.

The hotel’s strategic plan was to reduce the number of expatriates running the hotel within two years of opening, but after one year the number of expatriates as well as Russian employees had increased which resulted in a major impact on the hotel’s budget.

One of the major concerns by Laurie Sagle – Director of Training and Personnel was how to keep Russian employees motivated to produce efficient results and to develop their managerial skills as most of them lacked interest.

SWOT ANALYSIS

Before mentioning the key issues and problems faced by Aerostar Hotel, a quick SWOT Analysis of the hotel analyzing its internal strengths, weakness

and external opportunities and threats will give a better understanding of the overall situation faced by them, and later on justify the recommendation I will be proposing.

Strengths:-

Room rates prices were 15 – 20 percent lower than that of the competition.

Restaurant prices were comparable to prices at similar hotel restaurants in the West.

Talented and dedicated group of western professionals.

Positive reputation due to high standard of quality and service.

Four-star rating with 417 well-appointed rooms, spacious meeting rooms, well equipped fitness room as well as a gym.

Hotel achieved an average occupancy rate of over 80 percent.

Weakness:-

Low productivity of Russian employees due to their inexperience in the hotel business.

Utilizing twice as many employees to operate in comparison to the hotels in the West, draining the allocated budget.

Training methodology not fully comprehended by the Russian employees.

Failure to convince Russian employees to become Supervisors.

Inability to understand the cultural and social reasons behind Russian employee's behavior and attitude. (drinking, punctuality etc)

Opportunities:- (Political and Economical)

In 1991, the Soviet Union collapsed thereby transforming from a communist dictatorship (socialist economy) to a multi-party democracy (free market economy) wherein privatization of state owned enterprise took place opening up the economy to become one of the most quickly growing markets in the world.

Moscow was centrally located and became a business hub for foreign retailers as the economy expanded and improved by the growing diversification of services.

Opening domestic markets to foreign trade and investment, thus linking the economy with the rest of the world, was vital for business men and tourists to visit Moscow and thereby the Hotel.

Threats:- (Political and Economical)

Russian citizens had a difficult time adapting to capitalism and democratic processes which resulted in the " Shock Therapy" leading to high poverty, corruption, high inflation rates, unemployment and decline in industrial production.

In 1992, the Government lifted the price controls in order to expand the money supply and available credit, this led to high inflation and the deterioration in the ruble's exchange.

Household savings were reduced to nothing as the ruble broke down which lead to a decrease in the number of customers to the Hotel causing further strain to the budget.

New Labour Law Legislation in 1991 protected the employees venturing into private sectors from a range of issues such as working hours and conditions, compensation and benefits, Labour conflicts, safety issues etc.

KEY AND SUB ISSUE ANALYSIS

After evaluating most the problems faced by Moscow Aerostar Hotel, the key issue that is responsible for the company's situation is its lack in Human Resource Management. Particularly the process of recruiting, training, evaluating and compensation. Below I shall expand on the implications of the above issue and give a broader perspective of the effect it can have if not rectified immediately.

Key Issue Analysis:

Human Resource Management (Recruiting, Training, Compensation & Benefits)

Recruiting

Many of the applicants who applied were university graduates such as medical doctors, professors, engineers, lawyers and were over-qualified to work in most of the positions. Most of them did not even have hotel experience. A perfect example was hiring a lawyer from the Highest School of the Militia for a Security Supervisor position. Individual Characteristics (ability, experience etc) did not match with the job requirement, which lead to low employee satisfaction and poor performance.

Proper criteria for hiring candidates were not set. The only two criteria noticed from the selection process is the ability to speak English and general grooming. In fact, the ideology of “ hire-a-friend” campaign is ridiculous as this shows that Management is not capable of putting down the ground rules/basis of selecting and hiring a candidate. This will also be perceived as a sign of incompetence on the management’s side.

Interview questions were not correctly perceived by the Russian candidates. Questions such as “ Why should we hire you?” and “ What did you in your last job” were not common in Russia.

Management did not involve Russian Managers to be part of interviewing and selecting candidates to give insight on Russian culture.

Reference or Background Checks did not prove to be effective as only positive response were received. The Management also noticed that there were cases of candidates being fired for theft in previous hotels that they worked for.

Training

Imposing a western style of training by suggesting role playing proved difficult to the Russians as they were more familiar in memorizing facts. It was difficult for them to assess certain situations that they were not familiar with.

Russian employees never asked questions and did not show much participation in the training exercises. It seemed difficult to evaluate if they understood what was being taught.

It was difficult to explain to the employees the concept of “ service” as it was not clear what services were required from them towards the guests.

The orientation program did not instill the hotel’s core values into the employees at an early stage, so the employees did not consider themselves as part of the establishment.

Cultural behaviors were affecting the work ethics; such as punctuality, absenteeism and drinking. These were not addressed in any ethics training that could solve this issue at an earlier stage.

The Supervisors were selected for the Supervisor Training Program based on their work performance, and not on their aptitude to develop managerial skills and become good leaders.

Difficulty in evaluating their peers due to their collectivism nature. Giving positive and sincere feedback seemed to be the norm.

Compensation and Benefits

It was illegal to pay in hard currency, so the employees received a performance-based bonus in the form of gift certificates. They could not use these certificates to buy the items they required as it was quite expensive in the hard currency shops. The open market of the economy played its share in increasing the cost price of goods in Russia at that time.

Employees earned almost twice the state average salary (allocated for teachers, doctors etc). However, they felt that they were not given a fair/equal remuneration in comparison to the westerners in the Hotel.

Evidence of this can be seen from one of the employee's response " In general, I am pleased with what I am earning, but with respect to the West, it's nothing".

Management was frustrated as their efforts to compensate and reward the employees, through performance based merit, was not appreciated.

Employees were constantly complaining and disgruntled despite management increasing the hard currency bonuses twice for the supervisors along with a few other benefits. In short, the bonus system did not act as a motivational tool.

Sub Issue Analysis:

Cultural Differences

Using Hofstede's framework of assessing cultures, an assessment of the differences in Canadians and Russians cultural values is shown in the table below. Naumov and Puffer carried out extensive research on Hofstede's cultural value dimension and formulated the below table.

Individualism versus Collectivism

Canadians have an index rating of 80 (Hofstede) in terms of their individualism. They believe that people are responsible for themselves and have a sense of achievement when an accomplishment is done individually. They are not emotionally dependent on organizations and groups. This is the attitude shown by the Canadian management.

Russians, on the other hand, have a more communal spirit and a sense of togetherness shows in their collectivism nature. They base one's identity on

a group membership. Groups normally protect individuals from harm. This explains some of the behavior of Russian employees in not wanting to step up for a supervisory position. In the above table their individualism is very low, Naumer and Puffer (41) and Bollinger (26).

Uncertainty Avoidance Index

This deals with a society's tolerance for uncertainty and ambiguity. It indicates to what extent the members of a culture feel uncomfortable or comfortable in unstructured situations.

Russians have a high uncertainty avoidance and try to minimize the situation of a conflict arising. As a result, citizens follow well defined and established laws, regulations and controls. This is also one of the reasons why Russian employees do not understand role playing. Naumer and Puffer (69) and Bollinger (92).

Motivation

The Management failed to find out what exactly motivated their employees. They were unable to get the employees' direction and persistence of effort towards the organization's goal. The performance based bonus system did not offer motivation.

Employees did not volunteer for supervisory position; they were merely tasked upon the hardest working employee. Employees may perceive this as a form of punishment.

Due to their collectivism nature, they often questioned why everyone could not attend the special functions meant for the supervisors and receive the rewards.

Most of the employees perceived their job as temporary since they were more inclined towards intellectual work or manual work in factories where the work is more structured/routine (predictable).

If this matter continues, the hotel may be faced with a group of de-motivated employees going on strike as the level of frustrations increases with management not knowing how to get their message (core values) across to them.

STRATEGIC ALTERNATIVES

Strategic Alternative 1 – Recruitment Policies

Target hiring young individuals with a college degree whose mind set matches the organization's core values. An effective selection is to find out the individual characteristics such as a person's ability and experience and match those with the job requirements. Hiring over-qualified individuals for positions that are not relevant to their field will only add frustrations and de-motivate them in the long run.

For a 4 star hotel trying to compete with its competitors in the hospitality industry, management should consider many criteria's in selecting candidates such as flexibility, honesty, capability, experience in the hotel industry, etc.

Involving Russian Managers after the initial selection to help prepare a more substantive selection process such as preparing ability, personality and integrity tests in order to hire candidates with a positive and “can do” attitude, willing to learn and who are responsible. By using a standardized set of questions and providing interviewers with a uniform method of recording information as well as standardizing the rating of the applicant’s qualification will help improve the interview selection process. It will help consider the cultural aspects and can be used for future recruitment process.

To conduct background checks on candidates who have referrals from a previous organization.

Pros:

You shall have an effective team force in a year’s time.

When employees are satisfied with their job, they will not be de-motivated.

Cons:

It will be difficult to re-interview the hired employees to make sure that they are competent enough.

Difficulty in hiring a Russian Manager who will be able to perceive or understand the cultural differences both in Canada and Russia.

Do you fire the incompetent employees or retrain them?

2) Strategic Alternative 2 – Training, Development and Compensation

A transnational orientation program will help transmit the company's core values to their employees. If the wrong values are communicated at this point, the damage done is almost irreversible. The core value should be worthy, inspirational and give the workforce a sense of direction. Secondly, the corporation should have the expertise to disseminate it across diverse cultures. Once this is achieved, a powerful unifying force holds the company together.

Training on proper work ethics will overcome some of the problems of punctuality and absenteeism shown by most of the employees. It is to be understood by them that this behavior leaves no room for negotiation and these actions will not be tolerated.

Customer Service Training to focus on more real life situations, video based education, instilling responsibility, catering to customer needs, effective communication skills etc, while keeping in mind the uncertainty avoidance factor. Employees should also go through a behavior modification to change their attitude and encourage them to ask questions during the training sessions.

Engaging employees in decision making, or playing a major role in changes will morally motivate them to take up supervisory responsibilities. The Leadership program will further instill core values, which the employees hold dear, to manage the rest of the employees. They should have a mindset that failure to perform well should not be considered a weakness but an

opportunity for the employee to improve his/her skills. This will eradicate the collectivism nature in performance evaluation.

Compensating employees by providing free health care for them, as well as discounts for family members, discounts on school fees, airfare tickets, discounts on food products at retailers that the hotel are in partnership with. This can be applied on a grade scale system wherein supervisors, managers have more discounts. In this fact, you are putting the family aspect in motivating them to work harder and have more loyalty towards the company.

Pros:

Will help the company gain loyal, satisfied and productive employees as the key issues were dealt with by training and developing their mindset.

Better leaders who can manage their employees and delegate tasks.

Cons:

Will give more of a bargaining chip for the Russians, as they consider compromise a sign of weakness.

Will involve a substantial increase in overall costs.

RECOMMENDATION

Although Moscow Aerostar requires a strategic plan to select and hire their employees and develop a stringent recruitment policy that deals with matching an individual's strengths with the job description (Strategic Alternative 1), I am positive that one of the key benefits of job satisfaction is

organizational commitment. This commitment can be achieved once the employee is loyal and confident to do the job. I strongly believe that training, developing and compensating employees will foster better results in the long run; therefore choosing Strategic Alternative 2.

Different types of training (customer service, ethics, and leadership) along with orientation will deal in changing their mindset. This helps the company gain loyal, satisfied and productive employees who consider themselves as part of the establishment.

It will also help them appreciate the opportunity of becoming supervisors once they understand the concept of proper leadership skills.

PLAN OF ACTION

Immediate Plan of Action

These steps should be followed to get an immediate positive result before the situation gets out of hand. The below plan of actions are the first steps in establishing and should not be considered short term but continual.

1) Cultural Training for Management

Any change that should commence should start from the management's side. Laurie Sagle as well as the other westerners should take on a cultural training to establish a new system of core values that will help bridge the gap (misunderstanding/misconception) they have of the other culture.

Outsource a Russian Manager who has prior experience in managing Russian workforce in the “ service” industry and who was able to produce effective

results. He/She will help identify the essential motivators, establish a core value system through out the human resource management process.

Payment for his/her services will be made once the desired effect (increased motivation and production) is seen from the employees.

2) Gain Employee's trust by Integrating Social Life, Family Orientation and Russian Culture

Giving in to their demands and compensating them in the beginning will not have an effect, but by having a restructured approach to build personal connections with the Russians will help gain the employees' trust by making them feel that are the building blocks of the organization's objectives.

Organize monthly social events (sports, cultural programs, dinners) for the employees' and their families (both Russians and Westerners) this will give them a chance to know each other well outside the working perimeters.

Russians will appreciate this as they are more family oriented.

Strategic Plan of Action

Development programs which include required training courses shall be designed keeping the core value system in mind to develop employee's knowledge, skills and abilities to improve their performance in their current jobs. Identify the training needs by evaluating the weakness area in the employee, something we have to teach supervisors in the leadership training.

3) Orientation Program

Russians experience great discomfort in uncertain situations and value stability so they tend to create policies and procedures in every aspect in the organization. Management should therefore introduce change by keeping employees in the loop. The Orientation Program should cover the following aspects:

The core value system, by now, should be very well understood by the management and steps to incorporate them should be in place. They should make employees understand that the organization is one team (family) and management values employee's opinion, thereby creating a positive work environment.

Participating in weekly management meetings giving employees a chance to raise their suggestions on matters they are uncomfortable with. Then ask them to come up with a solution or how they would like it done, which management may/will consider in the implementation phase.

Each employee to take turn in doing different jobs for a day and then selecting the one they are most comfortable with. This will give them a sense of responsibility.

4) Customer Service Training

Once the employee's feel that they are part of the organization, management can instill in them the meaning and importance of customer service. They need to understand that their behavior and attitude will affect the customer service and the reputation of the company (their home). Laurie

was not able to get that message across, but with the help new core value system, they can devise training & development in the following manner:

Group employees into teams considering their collectivism nature and encourage them to solve customer problems in a team. The team with the best answer gets rewards. Reshuffle team members to get them accustomed to a bit of change.

This method will help the trainer know which employee shows the capability to think outside the box and can be approached later on for the supervisory position.

Training methods to include video based lectures and how to communicate effectively and to pay attention to customer needs. Concepts such as the “Customer is always right” should be introduced. Laurie can have the Russian Manager overlook the whole process to identify areas she is not best to explain.

Training will be in-house for all employees including westerners.

5) Leadership Training

A better methodology in teaching leadership should be adopted. A Transformational Leadership Workshop which identifies all the different aspects of leadership should be arranged for the western managers as well as the Russian Supervisors. The reason for selecting this sort of training is because leaders will be able to guide and motivate their employees in the direction of established goal (i. e. success of the hotel).

Employees showing capability to have leadership qualities are detected (through surveys) or even at the training phase. Every group has a few leaders/motivators that the rest of the employees look up to. So, request employees to nominate those they feel have the characteristics of being an excellent supervisor looking for traits such as (honesty, trust, integrity, and fairness).

Management can include employees they identified earlier and a general vote can take place. The idea of this is to get the employees participation and the elected Supervisor will be happy and will not let his team down.

Supervisors will learn how to provide information, feedback and direction about the company needs and objectives. The advantage the supervisors will have is that they would know how to motivate the remaining of the Russian employees as they know the culture very well.

A Transformational leader provides visions and a sense of mission, instills pride and gains respect and trust. He/She will be able to inspire motivation, stimulate intellectuality and give individualized attention to employees in order to train them in their area of weakness. This is what Aerostar Hotel actually needs.

6) Compensation & Benefits

An Employee Handbook of the proper way to behave while at work should be given to them. Encourage them by suggesting a group trip to another city with their families at the end of the year if they come on time, have less absenteeism and stay away from alcohol.