

# Article review on globalization of the hospitality industry

[Business](#), [Company](#)



## **Introduction**

Globalization forms a significant issue in the hospitality industry. Hotels franchises, for instance, may choose to expand into foreign markets.

However, globalization may have both negative and positive effects on the hospitality industry. Factors such weather, cultural differences and economic factors have a considerable influence on the globalization in the hospitality industry. Tourism is a significant part of the hospitality industry.

Globalization makes it possible for companies in the hospitality industry to expand their operations. This implies that the number of customers for the company increases. Consequently, the company enjoys more business hence can be able to make more profit (Frink, 2009). Globalization becomes unnecessary if the company does not make profits.

## **Weather**

Weather is critical as it affects the globalization of the hospitality industry. In case of tourism, aspects of warm weather in certain regions may lead to certain companies or organizations establishing resorts for the tourists.

Further, presence of beaches is also an added perspective in warm weather regions. If an international company would establish a resort in the cold area regions, the expected tourists' numbers in such destinations may be low.

According to Frink (2009), companies such as Disneyland and Walt Disney World are located in warm countries. Thus, more tourists are likely to go to warm weather regions, which mean that companies with hotels and resorts in these areas are likely to make higher revenues. Further, unfavorable weather conditions may affect the hospitality industry and cause losses. For

example, the 2004 tsunami in Asia significantly destroyed resort and hotels that were located near the coastline (Pineda and Brebbia, 2012).

## **Economic Factors**

Companies in the hospitality industry have ventured into globalization as a strategy to remain relevant and competitive. Frink (2009) gives examples of such companies like McDonalds and Starbucks that have franchises in different parts of the world. Additionally, economic factors such as high unemployment, high levels of inflation and high interest rates may significantly affect tourism (Page and Connell, 2006). This becomes a challenge for companies trying to establish hospitality business in such countries. The outcome results in the suppression of the tourism industry. Tourist themselves become discouraged to make travel arrangements when the economic conditions are uncertain. This is because certain changes in the economic conditions may make the overseas holidays become expensive.

## **Political factors**

Political climate affects the globalization in the hospitality industry based on several factors. For instance, ethnic conflicts in certain regions may impede the development of resorts (Page and Connell, 2006). Further, tourists are less likely to travel to regions where the escalations of conflicts are high. The current tension and violence in Egypt gives a good example of a political factor that may limit the globalization of the hospitality industry.

## **Cultural Factors**

Globalization of the hospitality industry becomes a challenge when it tends to affect the cultures in the different foreign markets. Some of the cultural differences that arise include food, languages, and lifestyle. Food is vital as the hospitality company needs to take into account the tastes and preference of the natives in an effort to ensure that they increase their customer base (Frink, 2009). Additionally, cases of food shortages may affect the hospitality industry indirectly. According to Hall and Page (2012), food shortages in a country may cause development of tensions since the standard of living is decreasing. Natives may develop a negative perspective towards the tourists since they can be able to afford easily. If the tourists feel they are not safe, they will return to their homes or look for suitable peaceful destinations. Language differences create communication problems. Thus, it is very essential for the hospitality company to have individuals that can speak the native languages. To ensure that also the company does not receive hostility from the natives, it becomes significance to hire a number of natives in the company. This will increase the employment rates and contributes to the economic growth of that country. Companies that may neglect to adapt the culture difference in the different foreign markets may have a higher chance of failing (Frink, 2009).

## **Challenges of Globalization of the Hospitality Industry**

### Human Resource Management

Globalization introduces additional work for the human resource management department of a hospitality company (Frink, 2009). Issues of

human resource management department form the backbone of operations of the company. The issues if not addressed appropriately may affect the success of the company. Frink (2009) indicates that issues of employee rights and laws are very important and need to be understood by the human resource management department. The violating of such employee rights and laws may cause significant loss to the hospitality company in terms of fines and penalties (Frink, 2009). Ethical and environmental considerations have become an important aspect in the globalization of the hospitality industry, in the hospitality industry (Angerer, 2011). The hospitality businesses have to comply with environmental sustainability laws and standards. In case of neglect, they can be fined or even in the worst case scenarios shut down. A hotel being shutdown may be bad publicity. This may make the hotel find it hard to expand globally because of a bad review.

## **Cost**

The process of globalization can be expensive. The hospitality company may need to develop and set up premises and buildings, train new employees. According to Frink (2009), training of the natives on the company operations may be expensive. Additionally, the foreign employees may be required to be trained on the languages of the natives to promote communication efficiency. Labor cost in the hospitality industry tends to be high. According to Wang and Wang (2009), in the hospitality industry the total operating expense accounts for approximately 44.6 percent of the overall operating costs. This becomes challenging on a global scale where the labor is the main operating backbone of the hospitality industry. If the hospitality

industry does not have an appropriate cost control structure, it is bound to have higher operating costs.

## **Conclusion**

The high level of risk and cost associated with globalization makes it necessary for the hospitality company to ensure that they understand the risk and cost implications. Thus, planning becomes a central approach that may help in reduce risk. Feasibility studies of the potential foreign markets may be a prerequisite to reduce the risk. In most cases, companies may have no choice but to globalize if they are to remain relevant. Certain conditions such as the tax laws and as stated earlier employment laws are an important part of the globalization process.

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