# THE RELATIONSHIP BETWEEN TOURIST COMPANIES ORGANIZATIONAL CULTURE AND THEIR COMPETITIVENESS. A STUDY ON FIRST CLASS HOTELS IN THE COSTA DEL SOL.

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**Abstract:**

The present paper shows the conclusions of a research carried out on a representative sample of first class hotels in the Costa del Sol (an outstanding touristic region in Spain). The Organizational Culture of this group of hotels was previously analyzed in 1993, a series of problems related to management was detected at that time. After identifying the Organizational Culture as well as management weak points, a cultural change was proposed. Finally, ten years later, a cultural audit was carried out in these establishments, and the results show that these hotels Organizational Culture has changed, and that this change has rebounded in the improvement of competitiveness. Therefore, this research demonstrates the relationship between Organizational Culture and success in management companies.

**Key words**: Organizational Culture, hotels, management, cultural audit, Costa del Sol.

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## 1. The importance of Organizational Culture in business administration.

Generally, the study of a company focuses merely on an economic point of view, only bearing in mind balances, ratios of profitability, incomes, etc. However, we should consider that, since the human factor constitutes the company, it acquires a very special relevance; in fact, many companies fail for not considering psycho-social aspects in their management.

Every society has a culture, shared by its people and which sets certain behaviour rules. In the same way, in every company (like in a microsociety), we will also find a culture which conditions its members way of thinking and acting. The Culture of an organization can be defined all basic presumptions, values, norms, knowledge and beliefs shared by its members as a whole. It is an intangible factor that determines a whole series of organizational structures and relationships which condition the performance and the way of doing things in the company, and this intangible factor is materialized in a very specific language such as slogans, signs and symbols (logos, anagrams, etc), buildings architectural style, decoration, furniture, uniforms, etc., that build up the company Corporate Image according to its own Culture.

The interest in analyzing the Organizational Culture of the hotels in this paper is based on the fact that in these service companies, in constant contact with customers, the human factor and, consequently, the Culture shared by it, is fundamental for these firms management, performing a series of functions that E.H. Schein (1988) summarizes in two: external adaptation, defining the company mission and strategy, as well as its goals, means to reach them, approaches to measure the group acting in the execution of their goals and finally to correct themselves if they don´t reach them; and internal

integration, establishing a common language among employees, power and hierarchy rules, reward and punishment systems, ideology, etc.

Both general functions comprise implicitly a whole series of other functions, such as: to define the organization missions and goals; to imply the knowledge of intangible aspects -values, beliefs, ideas... - that indicates the relationships which should exist among the staff members to determine behavior inside the company; to transmit a sense of identity to the members of the company; to provide a behavior pattern in the firm; to act as a mechanism of social control, when rewarding certain actions and attitudes and censuring and punishing others; to influence strategies elaboration, and also,to favour their implementation, if the Culture and the strategies are incompatible, it will be impossible to develop them; to define the limits and distinction between a company and the rest of competitors; to establish the methods for the relationship between the company and its environment; all in all, to influence directly the organization management.

As we can see,this variable will be decisive for a firm's success or failure.

At this point, a question arises: what kind of Culture is more effective to achieve success? And is there a great variety of Cultures? There is a number of classifications made by R. Harrison (1972), H. Ansoff (1985), A. Etzioni (1961), Handy (1976), N. Sethia and M. von Glinow (1985), R. Lessem (1992) etc.; however, we will propose the following classification, keeping in mind internal and external environment, as well as their connection (Martín Rojo, I.; 1995):

a) An open and humanistic Culture: outwards Culture worried about human resources.

b) A closed and humanistic Culture: Culture that seldom takes into account the external environment, but worried by human resources.

c) An open and Machiavellian Culture: in constant interaction with the outside, but wich hardly bears in mind human resources; their philosophy is "the end justifies the means"

d) A closed and Machiavellian Culture: guided to the inside and not considering the importance of human resources in the company's internal management.

Therefore, the success of a company will be achieved with a strong internal Culture which harmonizes with the external environment. This would be the effective Culture; on

the contrary, if harmony does not exist inside the organization and/or between the company and its environment, the Culture will be ineffective and we will fail.

It is difficult to identify which is the most suitable Culture, because it will depend on the type of activity which the company develops, the country where it is located, its socio-economic situation, etc. Nevertheless, an open, humanistic pattern would come closer to the effective Culture, because it allows the company's adaptation to its environment as well as the customers, suppliers, government and other social groups acceptance. Also, from the internal point of view, it is to be noted here that the companies that worry about their employees, usually obtain long term better results.

Considering the importance of the management Organizational Culture variable, we believe that it is convenient that each company knows its Culture in order to check its effectiveness, and if it would be convenient to carry out a cultural change; to do so, we will have to make a cultural audit based on files and reports published by the company as well as external institutions, interviews to organizations outstanding members, questionnaires formulated to the personnel of the company's staff and the researcher's direct observation[2].

In the following sections will present the conclusions of a cultural audit performed on a sample of first class hotels in the Costa del Sol, which will show the importance of this variable in hotels management.


**2. Cultural audit of first class hotels in the Costa del Sol in 1993.**

This research began in the year 1993. At this time, the Costa del Sol tourist sector was going through a difficult period and, specially, first class hotels experienced a strong fall in the number of tourists and, therefore, in their incomes, even up to a point that some of them thought of closing down. Although the reasons for this crisis were very varied: appearance of new tourist destinations, tour-operators strong pressures to fix lower prices, changes in tourists motivations, etc., it was thought that the fact that these companies did not share an effective Culture could also have been influential. Hence, we considered the hypothesis of the possible necessity of a cultural change due to

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[2] For further information about how carry out a cultural audit, consult in Martín Rojo, I. (1995): *La Cultura Empresarial de los hoteles de la Costa del Sol*. Málaga: Junta de Andalucía.

either a bad adaptation to the environment, or these companies a scarce concern for human resources, or both things.

After studying the origins and development of the tourist phenomenon in the Costa del Sol, based on written documents- books, articles, files, statistics, etc- and interviews with outstanding personalitites of this economic sector, we proceeded to the election of a sample of 20 first class hotels in the Costa del Sol, a very representative sample if we consider it constituted the 70% of the total hotels of this category in Costa del Sol, to analyze their history and also their management and their Organizational Culture. We visited the hotels, we interviewed their managers and some of their employees and we submitted them a questionnaire with 50 questions on the following aspects[3]:

a) Effectiveness in the working style: 10 questions were formulated, ten being the maximum rate which could be obtained in this section.

b) Flexibility and capacity for adaptation to changes: 13 questions were formulated, 13 being the possible maximum punctuation.

c) Staff training and importance of professionality to promote them: 5 questions were formulated, 5 being the possible maximum punctuation.

d) Importance granted to human relationships at work : 7 questions were formulated, 7 being the possible maximum punctuation.

e) Level of conflict in the organization: 3 questions were formulated, 3 being the possible maximum punctuation.

f) Communication and information level in the organization: 5 questions were formulated, 5 being the possible maximum punctuation.

g) Open questions about the phylosophy followed by these companies, which composed the seven remaining questions of the questionnaire.

Once the questionnaire was formulated, we arrived to the following conclusions:

1)In relation to the groups of questions A, B, C and D, after arithmetic means and their variation coefficients were calculated, it was observed that these were not representative since, when representing the obtained punctuations graphically, bimodal distributions appeared.

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[3] This questionnaire is published in Martín Rojo, I. (1995): *La Cultura Empresarial de los hoteles de la Costa del Sol*. Málaga: Junta de Andalucía.

The results obtained can be summarized as follows:

•In the questions related to effectiveness in the working style (group A questions), there was a group of hotels which obtained punctuations around value 4, precisely the oldest independent hotels created in the sixties and seventies; and another group, made up of hotels created later on or which belonged to a hotel chain, around value 7.

•Regarding flexibility and capacity of adaptation to changes (group B questions), the oldest independent hotels obtained marks near 6, while the most modern ones or those belonging to chains were around value 8.

•In relation to the importance granted to staff training and professionality (group C questions), the oldest independent hotels obtained punctuations around 2 and the most modern ones or those belonging to chains near value 4.

•Concerning the importance of human relationships in the company (group D questions), the oldest independent hotels obtained a punctuation near 6 and the most modern ones or those belonging to chains near 3.

2) In groups E and F, questions as regards the degree of conflict and communication and information in the company, it was observed that most hotels obtained a value near 2-3 in relation to labour disputes, and 4 in relation to the communication and information level.

3) Group G of open questions, referring to the managerial philosophy, was answered in the following way:

•Employees wear a uniform in all the hotels in question.

•A 70% of the hotels presented a hierarchical pyramidal organizational structure, a 20% in a radial form and a 10 % in a net form.

•In order to influence employees,charisma was used in a 20% of the hotels, while functions or tasks were changed in a 15%, rational debate was the system chosen by a 25% and a different, individual deal with every person was used by a 40%.

•As for motivation, an economic incentive was provided by a 50% of the hotels, promotion and personal development were offered in a 40% of the cases and in a 10% employees were rewarded with stability at their posts.

•In relation to the workers' way of learning, in a 25% of the hotels they learned by themselves or working in teams, in a 30% the older personnel tought the newer

members and in a 40% of the hotels employees preferred to train it in an independent way, without being imposed anything.

•As for the company's main mission it is to create and maintain a profitable business for the 85% of the cases; to improve its personnel, its products and markets development (10%); and to distribute resources according to efficiency (5%).

•Regarding the form of Culture management, a 55% of the cases declared to do it in a rational way, taking into account the personnel's beliefs and attitudes, while a 35% of the hotels surveyed admits to use instinct and cultural values criteria and, a 10% creativeness and imagination.

After carrying out interviews with the hotel managers, we detected the need to improve quality, as well as to apply new technologies, to develop performances to preserve the environment (for example, energy saving, toxic residuals elimination, noise reduction, etc.), to modernize the equipment, to perform out training courses, to belong to companies of the sector associations or to establish alliances and cooperation with other firms.

In the light of these results,  it seemed to be clear that a cultural change was necessary, since these companies crisis was partly due to the fact that they did not share an effective Culture, as  they did not approach to the maximum values of the questionnaire, in addition to the previously mentioned problems (lack of quality, technologies, etc) detected in the interviews.


**3. Cultural change in the Costa del Sol first class hotel**

After carrying out the cultural audit, two types of Culture were observed: on the one hand, that of older independent hotels and, on the other hand, the culture observed in the hotels recently created or which belonged to a chain. The hotels in the second group could be reported to have characteristics such as a more effective working style, more flexibility and capacity of adaptation to changes, and a bigger concern for the personnel's professionality and training. Nevertheless, it was still necessary to improve. Regarding the importance granted to  human relationships inside the company, the older independent hotels obtained better marks, while as for the rest of the analyzed

aspects (degree of conflicts, communication and information level), no relevant differences were observed in regard to the hotels age or membership of to some chain.

After considering all this information, we came to the conclusion that these hotels presented a Culture with the following characteristics:

•It was open Culture and facing outwards, giving great importance to the relationships with their environment and to their Corporate Image, although the level of association and cooperation among companies was low.

•It was beginning to give more and more importance to the human factor workers' training welfare, motivation, etc; however, such aspects could still quite improve, since this concern was really theoretical rather than practical.

•It was anchored in the past and reluctant to change and to be flexible in order to adapt to new situations.

All in all, the hypothesis that these companies did not share an effective culture was verified, thus showing that their business management could considerably improve by means of a cultural change.

After publishing this survey conclusions and informing the Costa del Sol hotels, labor unions and government about them, the following changes were suggested:

- A greater government collaboration of with hotels.

- Improvement of relationships between managers and labor unions.

- Increase of tourist companies associations and cooperation.

- Creation of companies strategic alliances or cooperation between hotels and other organizations like tour-operators, cleaning and maintenance companies, etc.

- More flexibility and adaptability to new environmental situations, for example obtaining quality certificates, setting up new technologies, running the company without damaging the environment, etc. So it would be interesting to create quality circles in companies or to use brainstorming, to motivate the staff participation and to create a working atmosphere more open to new ideas and to changes.

- A greater importance of the human factor, improving the relationships between bosses and subordinates, motivating the personnel, offering training courses, etc. A way to get it, could be holding staff meetings in which the personnel could discuss their problems,

company meals in order to unite the personnel (for example in Christmas, companies' anniversary parties...), by electing the month's best employee, etc.

It is to be noted here that some of the hotels from the selected sample carried out these changes using appropriate techniques to their respective particular situations, although based fundamentally on the mentioned Organizational Development processes (brainstorming, quality circles...); however, other hotels offered a very strong resistance to change; this fact, together with other management problems, made them opt for being sold or run by a prestigious chain with a more effective management. Regarding the government action, it was observed that it began to have a bigger sensitivity toward of tourism.

## 4. Costa del Sol first class hotels cultural audit ten years later

The changes described above were not developed in a short term but progressively. That is the reason why another cultural audit had to wait until ten years later. We have interviewed the same sample of hotels managers again and they have been formulated the same survey as in 1993, but the obtained results have been different:

A) In relation to working style effectiveness (group A questions), a 75% of the hotels obtained punctuations between 9 and 10, being 10 the maximum value, a 20% around 6 and 7 and a 5% only obtained 3 points.

B) Regarding flexibility and capacity of adaptation to changes (group B questions), almost a 75% of the hotels obtained marks around 10 and 11, and a 25% near 7, 13 being the possible maximum value.

C) Concerning the importance granted to the staff's professionality and training (group C questions), all the answers were around 4, 5 being the maximum possible value.

D) Regarding the improvement in human relationships inside the company (group D questions), a 90% of the hotels obtained marks near 6 and 7 and only a 10% around 4, 7 being the maximum value.

E) In relation to the degree of conflict and the capacity to solve it (group E questions), the 75% of the hotels obtained a punctuation of 3 and the 25% a 2, 3 being the possible maximum mark.

F) In the questions related with the level of information and communication (group F questions), the 90% of the hotels obtained values near 4 and 5, 5 being the possible maximum one.

The answers to the open questions of group F were the following:

•Employees wear uniforms in all the hotels.

•An 80% of the hotels presents an organizational structure in a pyramidal and hierarchical form and a 20% in a net form.

•To influence employees, a rational debate is used in a 55% of the hotels, charisma in a 25%, in a 15% they address to each member of the organization and in a 5% they change functions and responsibilities.

•The personnel is motivated in a 70% of the cases by promotion, in a 10% by economic incentives, in another 10% with stability at their pasts and in another 10% by giving them freedom and self-control.

•Employees learn either from the older partners (45%), or by themselves or working in teams (35%), while a 15% wants to have training possibilities but without being imposed anything and a 5% learns quickly in an instinctive way.

•A 55% of the hotels considers that the mission of the company is to create and maintain a profitable business, a 35% to qualify its personnel's development and improve its products and markets, a 5% to distribute resources regarding efficiency and productivity and the remaining 5% have an innovative and creative spirit as if they were seeking to change the world.

•Regarding their company culture management, a 40% does it in a rational way and taking attitudes and beliefs into account, a 40% declares to keep in mind the company historical origins and, starting from there, adapting to technological evolution, and a 20% uses creativeness and imagination.

It seems to be clear from these results, that these hotels Organizational Culture has really changed, and it is also observed that now they come closer to an effective Culture, for which we considered that the change had rebounded in a better business administration and, consequently, in some better results in the company. In this sense, after carrying out the cultural audit and knowing the Costa del Sol first class hotels new Organizational Culture, we proceeded to ask the managers of the sample of hotels

selected about aspects such as quality, new technologies, alliances and cooperation with other companies, etc, to check if there was a relationship between the Organizational Culture variable and a better management.

## 5. Repercussion of first class hotels cultural change in their management improvement.

Once the cultural change developed in the hotels studied in this survey in the last ten years was known we considered the hypothesis of whether it has rebounded in these companies management and improvement of competitiveness in a positive way, and we asked them the following questions about:

•Their membership to some hotel chain.

•The application of quality controlsystems, for example ISO 9000.

•The use of new technologies, for example to be connected to GDS's, to have their own web page.

•Actions to preserve the environment.

•Their equipments renovation.

•Investment in staff training courses.

•Membership to some of the hotel sector associations.

•Alliances and cooperation with other companies, for example outsourcing for cleaning, maintenance or gardening services..., alliances with tour-operators, etc.

The answers were the following :

a) A 60% of the hotels belonged to a chain

b) A 55% of the hotels have some system to check quality, concretely 11 (of which 9 belonged to a chain)

c) The 100% of the hotels have new technologies

d) A 75% of these companies, concretely 15 hotels, carries out actions to preserve the environment -for example measures to save electricity, to reduce noise, etc- (11 of them belonged to a chain).

e) Nineteen hotels have renovated their equipment and furniture (the only one which had not done it is an independent hotel).

f) Nineteen hotels have invested in training courses and the only one that has not done it, does not belong to a chain.

g) Nineteen hotels belong to some managerial association and the one which does not, belongs to a chain.

h) A 55% of the companies, concretely 11 hotels, have established some alliance or cooperation with other companies - for example outsourcing, strategic alliances, etc- ; of these 11 hotels, 10 belong to chains.

We can conclude saying that the cultural change has influenced directly to these companies competitiveness improvement and has also rebounded in the high index of occupation in these hotels (near to 80% in the last year), and in their incomes improvement[4].

## 6. Conclusions

Companies Organizational Culture constitutes an intangible asset composed by a series of values, principles, beliefs, ideologies, know-how, etc., that confers the company a corporate identity, which will be materialized in its Corporate Image; being the Organizational Culture and the Corporate Image essential variables to bear in mind in business administration. The Organizational Culture, materialized in a Corporate Image, are key elements that rebound directly in customers, suppliers, government and other institutions' acceptance of the company; also, from the internal point of view, a Culture shared by all the organization members will favour the relationships among the personnel and will help to the settlement of the strategies performed by executives.

Although a firm's success or failure does not depend exclusively on these variables, they influence, without a shadow of a doubt, its competitiveness. If the Culture and Corporate Image of a company is not accepted by its environment, the company will not be able to survive because it depends directly on them. On the other hand, if a Culture shared by all members of the organization does not exist, its executives will not be able to implant their strategies due to  the employees rejection, because of strategies incompatibility with Culture.

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[4] For further information about economical and financial situation of first class hotels in the Costa del Sol, consult in *Análisis del sector hotelero de la Costa del Sol 2000.* Málaga: S.O.P.D.E.

These hypotheses have been verified in an empiric stydy carried out on first class hotels in the Costa del Sol in two different moments: in 1993, a year of crisis, and ten years later, a very good economic period for these companies. After auditing these establishments in 1993, we detected a series of weaknesses which made us consider the possible necessity of a cultural change, that could rebound in the improvement of competitiveness; ten years later, the cultural audit was redone and it was observed that the proposed cultural change had really taken place, the new Organizational Culture of these hotels rebounding in the improvement of its competitiveness.

All tourist companies success or failure will not only depend on the Organizational Culture variable, influencing other aspects such as the place infrastructure, security, the country's inflation, currency exchange rate, etc; but after this research, we have come to the conclusion that we also have to audit the Culture of these organizations at certain moments. We could extrapolate this research to other places tourist companies communities, after we have proved the relationship between Organizational Culture and companies' competitiveness.

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