

# Chapter 2

## Organizational Structure

### CHAPTER OUTLINE

#### Overview of Organizational Design

#### Job Specialization

#### The Organization of a Lodging Establishment

Rooms Department

Food and Beverage Department

Marketing and Sales Department

Human Resources Department

Accounting Department

General Manager

Resident Manager

#### Patterns of Authority

#### Span of Control

#### The Pros and Cons of Functional Organization Design

#### Meetings and Committees

#### The Future Organization of Hotels

#### The Hotel Staffing System

#### Career Paths and Opportunities

## OVERVIEW OF ORGANIZATIONAL DESIGN

Organizing, the process of structuring human and physical resources in order to accomplish organizational objectives, involves dividing tasks into jobs, specifying the appropriate department for each job, determining the optimum number of jobs in each department, and delegating authority within and among departments. One of the most critical challenges facing lodging managers today is the development of a responsive organizational structure that is committed to quality.<sup>1</sup>

The framework of jobs and departments that make up any organization must be directed toward achieving the organization's objectives. In other words, the structure of a lodging business must be consistent with its strategy.<sup>2</sup>

Managers give structure to a hotel and lodging through job specialization, organization, and establishment of patterns of authority and span of control.<sup>3</sup>

## JOB SPECIALIZATION

There are as many degrees of job specialization within the lodging industry as there are types of organizations—and, as you learned in chapter 1, there are many types of organizations. One extreme is the case of a hotel where the owner/operator is responsible for checking in the guests, servicing their needs, taking care of the housekeeping for the guest rooms, maintaining the building and grounds, and checking out the guests. There is, to be sure, much to recommend this method of work. It is rewarding to have total control over a project from beginning to end, and many people find it motivating to see the results of their efforts. However, as the demand for additional products or services increases (i.e., if additional rooms are added or another hotel is purchased), it becomes more and more difficult for an individual to do his or her job well. One benefit of the increased workload is increased revenue, which would enable the individual hotel operator to add housekeeping staff, one or more front desk agents to check in and check out the additional guests, and engineering and maintenance personnel to care for the building and grounds.

As a general rule, specialization increases worker productivity and efficiency. On the other hand, delegating jobs increases the need for managerial control and coordination. Someone has to make sure that housekeeping staff come in after the painters have repainted a room (and that the paint is dry), not before! A crucial element of hotel and

lodging management is coordinating the many specialized functions within hotels so that the organization runs smoothly.

Specialization has its own set of problems; it can result in workers performing the same tasks over and over again. A point can be reached where the degree of specialization so narrows a job's scope that the worker finds little joy or satisfaction in it. Signs of overspecialization include workers' loss of interest, lowered morale, increasing error rate, and reduction in service and product quality.

One solution to this problem is to modify jobs so that teams can perform them. Instead of a single guest room attendant being assigned to a group of rooms, a work team in a hotel housekeeping department might clean all of the rooms on a particular floor. Some establishments use teams regularly throughout the organization; others use teams more selectively. Teams can be directed by a manager or can be self-managed. The idea behind self-managed work teams is for workers to become their own managers, which increases their self-reliance as well as develops a talent pool.

A concept called the quality circle is based on the belief that the people who actually do the work, rather than their managers, are the ones who are best able to identify, analyze, and correct problems they encounter. The idea originated in Japan in 1962. The quality circle is a group of employees, usually fewer than ten, who perform similar jobs and meet once per week to discuss their work, identify problems, and present possible solutions to those problems. For example, a quality circle might be formed among front desk agents. The group forwards its findings and proposals to management for evaluation and action. Quality circles are most successful when they are part of an organization-wide improvement effort. American business picked up on the quality circle concept in the mid-1970s.<sup>4</sup>

## THE ORGANIZATION OF A LODGING ESTABLISHMENT

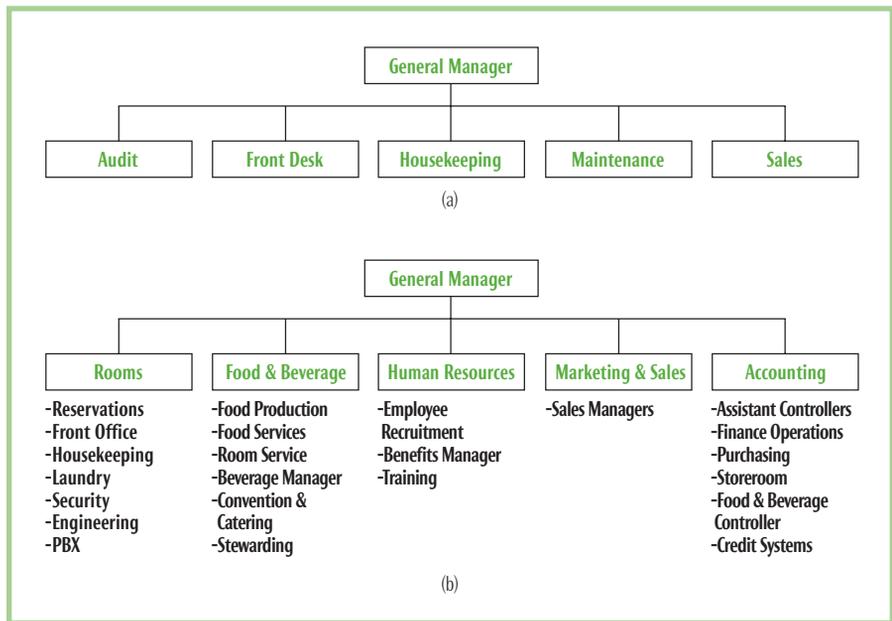
As their facilities grow in size, lodging managers are faced with the need to group certain jobs in order to ensure efficient coordination and control of activities. These job groupings are usually called departments. In general, departments might be grouped as front of the house (those departments in which employees have guest contact, such as front desk), and back of the house (where employees have little guest contact, such as accounting). However, separating departments by function is the most common method of organizing a hotel or a lodging business. Figure 2–1 outlines the departmental structures of a

**ROOMS DEPARTMENT**

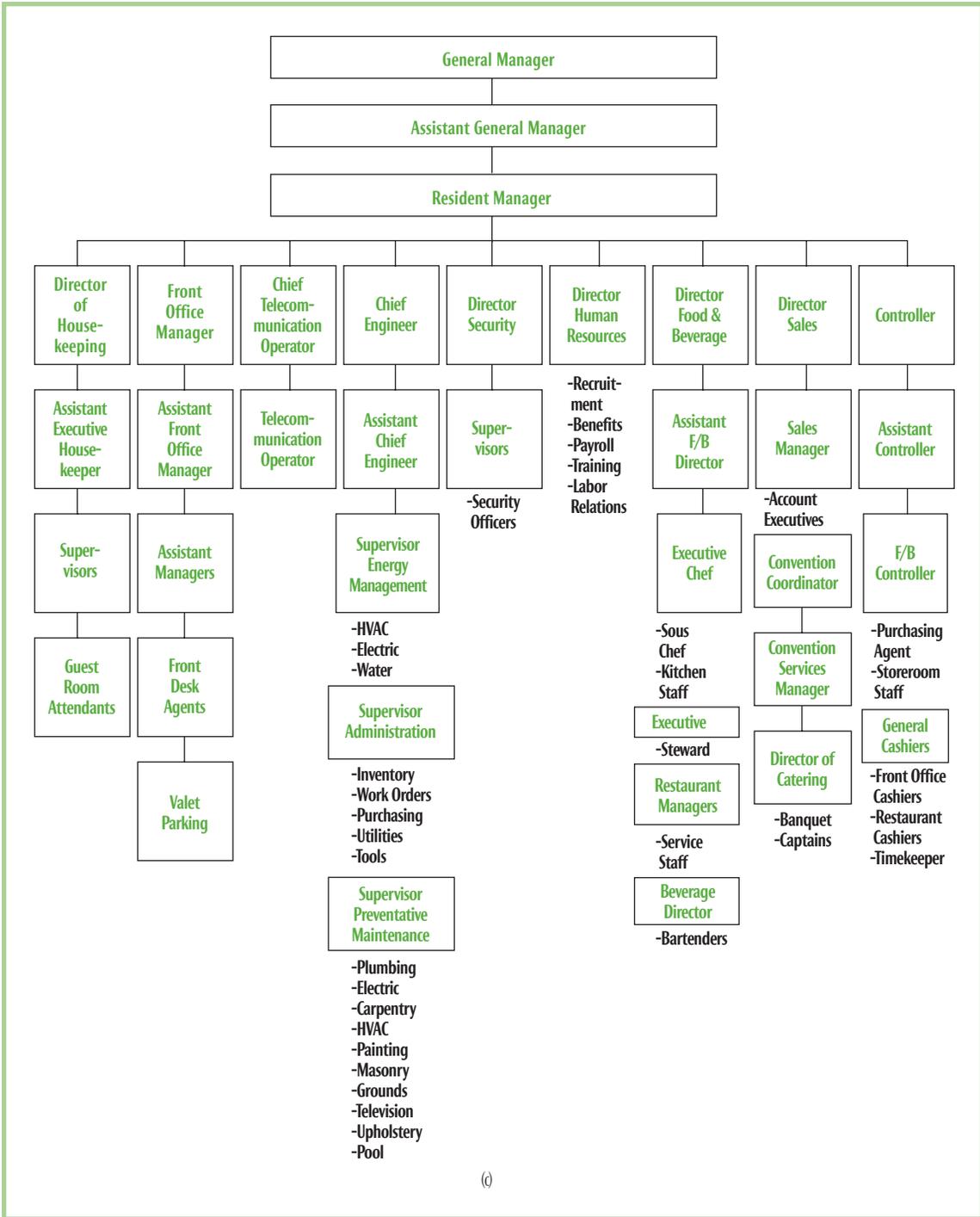
limited-service hotel, a full-service hotel with under 500 rooms, and a full-service hotel with over 500 rooms. There may be as few as 2 or as many as 50 employees in a particular department.

In a very small lodging business, such as a bed-and-breakfast, the owner can supervise each department. However, as the lodging business increases in size (i.e., above 20 rooms), it is most effective to create managerial positions within departments.

Typically, the **rooms department** (called the front desk department in a limited-service facility) includes reservations, the front office, housekeeping, and telephone or PBX. In smaller full-service hotels, security and engineering might also be included in the rooms department. Responsibilities of the rooms department include reservations, guest reception, room assignment, tracking the status of rooms (available or occupied), prompt forwarding of mail and phone messages, security, housekeeping of guest rooms and public spaces such as lobbies, and answering guests' questions. To perform these many duties effectively, the rooms department may be divided into a number of specialized subunits. To complicate matters, in many instances these subunits are also referred to as departments. For example, the laundry department



**Figure 2-1** Department Structure in the Hotel and Lodging Industry: (a) Departments of a Limited-Service Hotel; (b) Departments of a Full-Service Hotel (under 500 rooms)



**Figure 2-1** (Continued) (c) Departments of a Full-Service Hotel (over 500 rooms)

shown in Figure 2–1b is responsible for cleaning and pressing all the hotel’s linens and employee uniforms as well as guest laundry. Because of its specialized function, little of the knowledge and skills required to manage a laundry operation is transferable to other areas of hotel operations.

The front office is one of the most important departments in a hotel, as it often offers the only contact between guests and staff. A hotel’s front office is where guests are greeted when they arrive, where they are registered and assigned to a room, and where they check out. Usually, the telephone operator, other guest communications functions, and the bell staff or those employees responsible for delivering luggage and messages and attending to special guest requests also fall under the front office umbrella. The reservations department takes and tracks the hotel’s future bookings. The housekeeping department is responsible for cleaning guest rooms and public spaces. Because of their specialized nature, the security and engineering departments are discussed in separate sections.

A great deal of interdependence exists among the subunits of the rooms department. For example, reservations must inform the front office of the number of presold rooms each day to ensure that a current inventory of salable rooms is always available. On the other hand, the front office must let reservations know whenever walk-in guests (those who do not have reservations) register. A similar level of cooperation is required between the front office and housekeeping. When a guest checks out, the front office must inform housekeeping so that the room may be cleaned. Once a room is cleaned, housekeeping must inform the front office so that the room may be sold. Certain tasks within the rooms department must occur in a specific order. For example, housekeeping cannot properly provision a guest room if the laundry does not supply enough clean towels or bed sheets. Engineering cannot replace a defective light switch in a guest room if housekeeping does not report the problem. Effective management of this busy department calls for standardized plans, procedures, schedules, and deadlines, as well as frequent direct communication between the executives who manage the key operating units of the rooms department.

**Security.** The hotel and lodging business is vulnerable to security and safety problems. Problems can be created by guests, employees, or intruders. Security breaches can result in embezzlement, theft, arson, robbery, and even terrorism. Depending on the size of a hotel or a lodging establishment, the security function may be handled by a fully staffed department on site, contracted to an outside security company, or assigned to designated staff members or on-premises supervisory per-

sonnel in the rooms department. In a larger, full-service hotel, the director of security may report directly to the general manager. In smaller hotels, the security function might become a task of the rooms department (see Figure 2–1b).

**Engineering.** Typically, the engineering department’s responsibilities include preventive maintenance; repair; replacement; improvement and modification to furniture, fixtures, and equipment (FFE); and ensuring uninterrupted provision of utilities (gas, electricity, water).<sup>5</sup> Preventive maintenance involves routine checks and inspection of the key components of all equipment. Maintenance of recreational facilities may be part of the engineering department’s responsibilities. In particular, swimming pools require extensive maintenance to ensure proper filtration and to prevent the accumulation of algae and other conditions unsuitable for swimming.

Prompt repair minimizes loss of productivity in other hotel operating departments and inconvenience to hotel guests. When a particular FFE has reached the end of its useful life and repair is no longer cost-effective, replacement is indicated. Improvement projects enhance the existing operation or reduce operating costs of the facility. Modification projects alter the existing operation to accommodate one or more new functions.

One hotel might have a large engineering staff that includes plumbers, carpenters, painters, electricians, and other technicians. Another might have maintenance personnel who have general knowledge and understanding of the hotel’s operations but rely on outside contractors for specialized jobs. In larger, full-service hotels, engineering may be a separate department, with a director who reports directly to the resident manager (see Figure 2–1c).

#### FOOD AND BEVERAGE DEPARTMENT

The primary function of the food and beverage department is to provide food and drink to a hotel’s guests. In earlier times, when an inn had a single dining room that could hold a limited number of guests, this was a fairly simple task. Today, however, providing food and drink is much more complicated. A large hotel might well have a coffee shop, a gourmet restaurant, a poolside snack bar, room service, two banquet halls, and ten function rooms where food and beverages are served. It might also have a lounge, a nightclub, and a lobby bar. On a busy day (or night), it’s quite likely that functions will be booked in many outlets at the same time. In addition, some outlets may have multiple events scheduled for a single day. As you can see, there is great diversity in the types of activities performed by a food and beverage department, requiring a significant variety of skills on the part of its workers.

Because of the diversity of services provided, the food and beverage department is typically split into subunits. The executive chef, a person of considerable importance and authority in any full-service hotel, runs the food production, or kitchen, department. A variety of culinary specialists who are responsible for different aspects of food preparation report to the executive chef.

The actual serving of food in a large hotel's restaurants is usually the responsibility of a separate department, headed by the assistant food and beverage director. The food service department is composed of the individual restaurant and outlet managers, maitre d's, waiters, waitresses, and bus help.

Because of their special duties and concerns, many large hotels have a separate subunit that is responsible only for room service. Because of the high value and profit margins associated with the sale of alcoholic beverages, some hotels have a separate department that assumes responsibility for all outlets where alcoholic beverages are sold. The person responsible for this department is the beverage manager.

Most full-service hotels also do a considerable convention and catering business. The typical convention uses small function rooms for meetings and larger rooms for general sessions, trade shows, exhibits, and banquets. As a hotel or lodging business increases the use of its facilities for conventions and meetings, it may form a separate convention services department. The convention services department and its personnel are introduced to the client, a meeting planner, or an association executive by the marketing and sales department. The convention services department then handles all of the client's meeting and catering requirements. Individually catered events include parties, wedding receptions, business meetings, and other functions held by groups. To provide for the unique needs of these types of customers, hotels often organize separate catering and convention departments.

Depending on the size of the hotel, the job of cleaning the food and beverage outlets themselves as well as of washing pots and pans, dishes, glasses, and utensils is often delegated to a subunit known as the stewarding department.

It is only through continuous cooperation and coordination that a hotel's food service function can be carried out effectively. A guest who is dining in a hotel restaurant requires the joint efforts of the kitchen, food service, beverage, and stewarding departments. A convention banquet cannot be held without the efforts of the convention and catering department along with the food production, beverage, and stewarding departments. The sequence of events and cooperation required among the food and beverage staff is even more important than in the rooms department, thus increasing the importance of communication

between managers and employees alike. Another challenge faced by management is the diversity of the employees in the food and beverage department; the dishwasher in the stewarding department is at a dramatically different level than the sous chef in the kitchen.

#### MARKETING AND SALES DEPARTMENT

Coordination is not as important an issue in the **marketing and sales department**, which is generally much smaller than the food and beverage department. The primary responsibility of the sales managers who make up the marketing and sales department is sales, or the selling of the hotel facilities and services to individuals and groups. Sales managers sell rooms, food, and beverages to potential clients through advertising, attendance at association and conference meetings, and direct contacts. The marketing and sales department is also removed from most of the day-to-day operational problems faced by other departments. The division of work among the sales managers is based on the type of customers a hotel is attempting to attract. Individual sales managers often specialize in corporate accounts, conventions, or tour and travel markets. Sales managers' accounts are sometimes subdivided along geographical lines into regional or national accounts. The sales staff of the largest full-service hotels usually does not exceed a dozen or so. These sales managers work more or less independently in their particular market segments.

#### HUMAN RESOURCES DEPARTMENT

The **human resources department** serves no customers, books no business, and prepares no meals, yet it plays a vital role in a hotel's efficient operation. As shown in Figure 2-1b, the three functions of the human resources department are employee recruitment, benefits administration, and training. The director of human resources is also expected to be an expert on federal and state labor laws and to advise managers in other departments on these topics. The human resources department's major challenge is in its interactions with other hotel departments. Although the human resources department recruits, interviews, and screens prospective employees, the final hiring decision rests within the department in which the potential employee will be working. The same is true of promotion and disciplinary decisions; the human resources department's input is, in most cases, limited to advice and interpretation of legal questions. The human resources department's effectiveness depends on its manager's ability to form effective working relationships with managers of other departments.

#### ACCOUNTING DEPARTMENT

In many hotels, the **accounting department** combines staff functions and line functions, or those functions directly responsible for servicing guests. The accounting department's traditional role is recording financial transactions, preparing and interpreting financial statements,

and providing the managers of other departments with timely reports of operating results (line functions). Other responsibilities, carried out by the assistant controller for finance, include payroll preparation, accounts receivable, and accounts payable (staff functions).

Another dimension of the accounting department's responsibilities deals with various aspects of hotel operations, cost accounting, and cost control throughout the hotel. The two areas of central concern to the accounting department are rooms and food and beverage. The accounting department's front office cashier is responsible for tracking all charges to guest accounts. At the close of each business day, which varies by hotel but typically occurs at midnight or after the bulk of guests' transactions have been completed (i.e., check-in, restaurant charges, retail charges, etc.), the night auditor is responsible for reconciling all guest bills with the charges from the various hotel departments. Although the front office cashier and the night auditor physically work at the front desk and, in the case of the cashier, have direct contact with guests, they are members of the accounting department and report to the assistant controller of operations.

The food and beverage department may be responsible for food preparation and service, but the accounting department is responsible for collecting revenues. The food and beverage controller and the food and beverage cashiers keep track of both the revenues and expenses of the food and beverage department. The food and beverage controller's job is to verify the accuracy and reasonableness of all food and beverage revenues.

In addition to tracking and preparing daily reports on the costs of the food and beverages used in the hotel, in many cases the accounting department is also responsible for purchasing and storeroom operations. Finally, the director of systems is responsible for designing the accounting and control systems used throughout the hotel. As you can see, the accounting department is anything but a passive staff unit contending with routine recordkeeping. The accounting department is also responsible for collecting and reporting most of a hotel's operational and financial statistics, which provide important data for decision making and budget preparation purposes. The head of the accounting department may report not only to the hotel's general manager but also to the hotel chain's financial vice president or to the hotel's owner. The reason for this dual responsibility and reporting relationship is to afford the hotel corporation an independent verification of the financial and operating results of the hotel.

### GENERAL MANAGER

In addition to being in charge of overseeing all of the departments that we have discussed, the hotel's **general manager (GM)** is responsi-

ble for defining and interpreting the policies established by top management. The general manager serves as a liaison to the hotel's owner or corporate parent, sets (or communicates) the overall strategic course of the hotel, sets hotel-wide goals, coordinates activities between departments, and arbitrates interdepartmental disputes. It is common practice in a large, full-service hotel for a director of public relations to report directly to the GM. The GM also has corporate-level responsibilities, participates on civic boards and committees, and engages in industry-related activities such as serving on the local tourism commission or hotel-motel association.

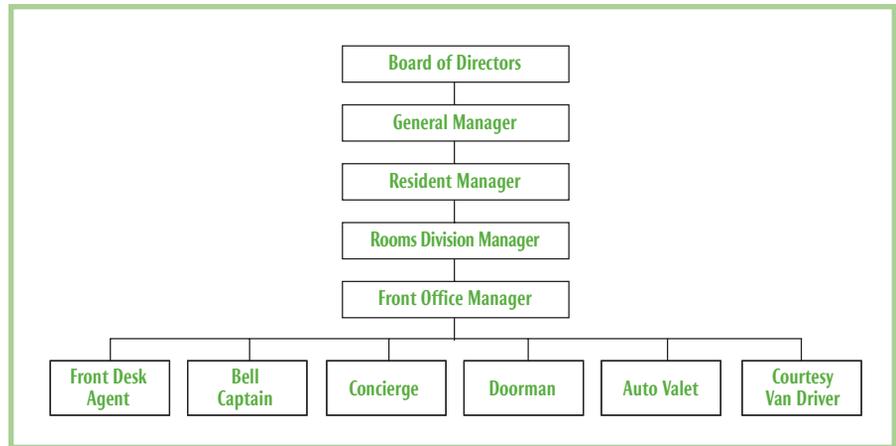
In addition to possessing a high level of technical skill (i.e., a thorough understanding of each operating department in the hotel), the general manager must also be decisive, analytical, and skilled with both computers and people. He or she must be able to see the big picture and how all of the parts of the hotel fit into the overall organization.

#### RESIDENT MANAGER

An executive may be promoted to relieve the general manager of some operational duties. This is often accomplished by elevating the duties and responsibilities of one particular department head without relieving that person of regular departmental duties. The title of this position is usually **resident manager**. It is quite common (and logical) for the general manager to select the manager of the rooms department to be resident manager. Responsibilities of the resident manager include serving as acting GM in the GM's absence, representing the GM on interdepartmental hotel committees, and taking responsibility for important special projects such as major hotel renovations, VIP guests, and operating reports that require in-depth analysis for the regional or corporate offices.

## PATTERNS OF AUTHORITY

The delegation of authority creates a chain of command, the formal channel that defines the lines of authority from the top to the bottom of an organization. As shown in Figure 2-2, the chain of command consists of a series of relationships from the highest position in the organization to the lowest. The chain of command specifies a clear reporting relationship for each person in the organization and should be followed in both downward and upward communication. Following the chain of command enables each new employee, no matter what his or her position, to know exactly for whom and to whom he or she is responsible.



**Figure 2–2** Chain of Command

When designing an organizational structure, managers must consider the distribution of authority. Defined simply, authority is the organizationally sanctioned right to make a decision. Authority can be distributed throughout an organization or held in the hands of a few select employees. **Decentralization** is the process of distributing authority throughout an organization. In a decentralized organization, an organization member has the right to make a decision without obtaining approval from a higher-level manager. **Centralization** is the retention of decision-making authority by a high-level manager.

Traditionally, hotel and lodging management has been very centralized, probably due to its roots in small, owner-operated lodging. In recent years, as the hotel and lodging industry has expanded, decentralization has become a more frequent style of operation.

Decentralization has several advantages. Managers are encouraged to develop decision-making skills, which help them advance in their careers. The autonomy afforded by this style of operation also increases job satisfaction and motivation. When employees are encouraged to perform well, the profitability of the organization increases.

Many hotel and lodging organizations have begun to empower employees and supervisors to make decisions that typically have been made by managers. One example that we have already discussed is the use of the quality circle. For example, if a front desk agent determines that a guest's bill is incorrect, in a decentralized organization the agent has the power to make the correction immediately. If that same front desk agent determines that a guest's stay has been unsatisfactory, he or she has the power to reduce the guest's bill by an amount previ-

ously specified by management. Additional challenges, control of the process, and quality assessment become part of everyone's job, and each employee is given the authority to take positive actions that will lead to high quality and improved performance.<sup>6</sup>

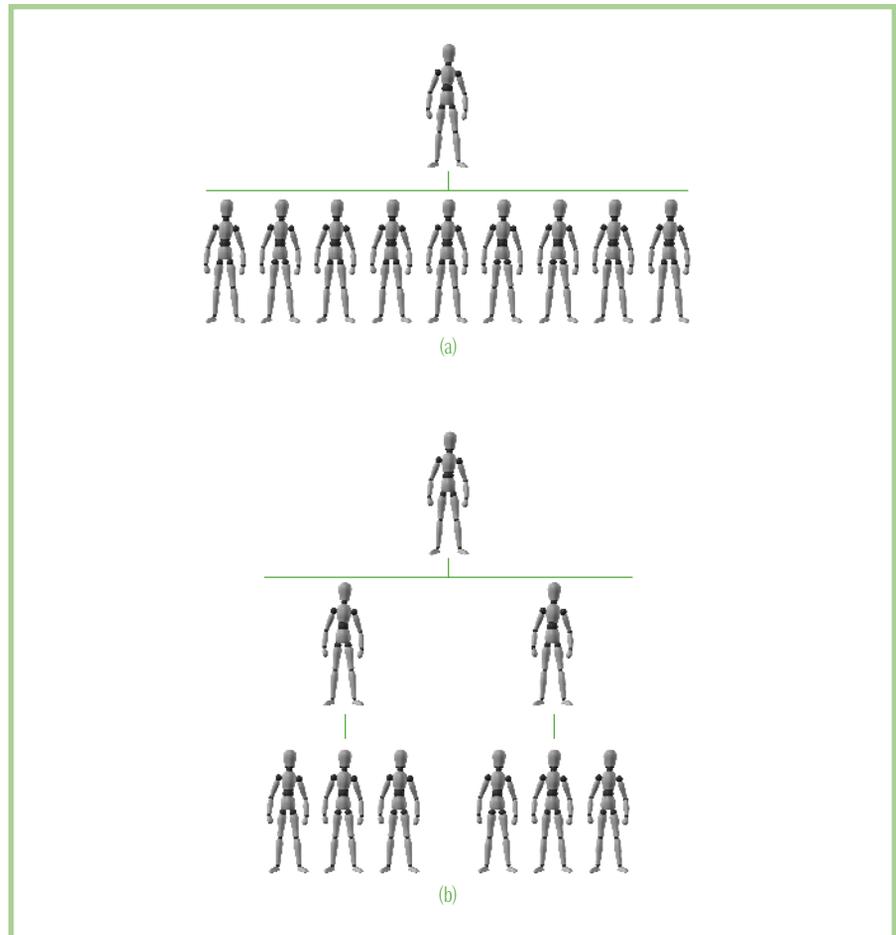
## SPAN OF CONTROL

Span of control refers to the number of people who report to one manager or supervisor. A wide span of control results in a flat organization—that is, a large number of employees reporting to one supervisor (see Figure 2–3a). A narrow span of control results in a tall organization, in which a small number of employees report to a supervisor, necessitating a larger number of supervisors (see Figure 2–3b). (Note that the organizations represented in Figures 2–3a and 2–3b have the same number of employees.) No formula exists for determining the ideal span of control. The following factors determine the most appropriate span of control: task similarity, training and professionalism, task certainty, frequency of interaction, task integration, and physical dispersion.

When a large number of employees perform similar tasks, the span of control can be increased. When the employees perform very different tasks, the supervisor must give each subordinate more individual attention in order to keep in touch with the different types of tasks; this requires a narrower span of control. For example, the rooms department manager might easily manage the front desk agents and housekeepers until the brand standards for check-in or checkout of a guest increase in complexity and the standards for the various types of rooms and their cleaning procedure increase in detail. At this time, the rooms department manager's span of control must be narrowed.

The better trained and more skilled a subordinate is, the less supervision is required. For example, a front desk agent might require a higher level of training and skill than a room service waiter. Thus, a front desk supervisor can supervise more employees (wider span of control) than the room service supervisor (narrower span of control).

Task certainty refers to the predictability of a task. Routine tasks allow management to devise standard procedures for subordinates to follow, minimizing questions about the job and widening the span of control. On the other hand, close supervision is called for when tasks are ambiguous and uncertainty is great. For example, the task of checking a guest in or out of the hotel can be documented and standard procedures can be created, so the front desk manager can have a rel-



**Figure 2-3** Span of Control: (a) Wide Span of Control (flat organization); (b) Narrow Span of Control (tall organization)

actively wide span of control over the front desk agents. However, because of the diversity of customers the sales manager encounters, the tasks of a hotel sales manager are less certain. The director of sales is responsible for coaching the sales managers, observing sales calls, and ensuring deal closings; these tasks require a hands-on approach that limits the number of employees the director of sales can handle, narrowing the span of control.

If the supervisor-subordinate relationship requires frequent interaction, the span of control must be narrow. If interaction is infrequent, the span of control can be wide. For example, the hotel controller must review regularly the status of collections and payments with staff.

In contrast, the frequency of interaction between the chief engineer and his or her subordinates is directed by written work orders in most circumstances and thus requires less direct communication, enabling a wider span of control.

If the supervisor must integrate and coordinate the tasks of subordinates, the span of control narrows. For example, in the production of a meal for one table of four guests with different appetizers, salads, and entrées, the chef must have a narrow span of control to ensure that each component of the meal is assembled correctly and delivered to service personnel on a timely basis. The span of control of the executive housekeeper can be much wider because the procedure for cleaning and preparing each guest room is similar, if not exactly the same, for every room.

Physical dispersion refers to the distribution of employees within the lodging establishment. For example, if the executive housekeeper has guest room attendants on 20 floors in two buildings and the front desk manager has all front desk agents located in one place, the span of control would narrow for the executive housekeeper and widen for the front desk manager.

The ideal number of people that one person can supervise depends on a variety of factors. Consistent with trends in organizational structure such as teams, quality circles, and employee empowerment, many hotel and lodging organizations are widening their span of control. The objective behind these trends is to develop a flatter, more responsive organizational structure in which employees can make decisions without going through several levels of management.<sup>7</sup>

## THE PROS AND CONS OF FUNCTIONAL ORGANIZATION DESIGN

The most important strength of a functional organizational design is efficiency. The performance of common tasks allows for work specialization, which increases overall productivity. Workers develop specialized skills and knowledge more rapidly. Training is easier because of the similarity of tasks and the resulting opportunities for inexperienced workers to learn from experienced workers. This helps new employees quickly learn the kinds of behavior that lead to success and promotion. Coordination of activities within functional departments is easier than in more broadly based organizations.

A functional organization fosters efficiency, teamwork, and coordination of activities within individual units. However, the functional organization's most important strength is also the source of its great-

est shortcoming. The success of a hotel as a business is measured by its overall performance and not by the performance of any one department. A hotel with spotless guest rooms will not be successful if guests' front desk experiences are not up to par. Even if guests' dining experiences are superb, the hotel will fall flat on its face if its rooms are dismal. It is sometimes difficult for each department to fully appreciate its role in the overall success of the organization. It is vital that each department keep in mind the hotel-wide goals of customer service and profitability rather than focus narrowly on its own concerns. Some means must be found to coordinate the activities of functional departments and to set hotel-wide strategies and goals. A hotel's functional organization demands strong leadership.

New initiatives in hotels often require cooperation and coordination between functional departments. New ideas tend to be stillborn if department heads lack a hotel-wide perspective or have difficulty coordinating their activities. The tendency to concentrate on doing things right often overshadows the organization's ability to do the right thing.<sup>8</sup>

The GM, as the chief executive of the hotel, emerges as the single person capable of providing the overall organizational direction, decision making, coordination, and arbitration needed to make a hotel's functional departments work together effectively. A hotel simply cannot run itself from the departmental level. Thus, the GM must be a strong leader to be effective.

## MEETINGS AND COMMITTEES

An organizational chart, such as those depicted in Figure 2–1, is useful in identifying the formal reporting and authority relationships of a hotel or a lodging enterprise. However, it is not of much help in coordinating administrative units at the department and subdepartment level.

Consider this scenario. If the director of sales increases group bookings without consulting other hotel departments, a disaster is in the making. If the reservations department is not consulted, the sales department might guarantee more rooms to a group than are actually available at a price lower than the reservations department's quarterly goal. If the convention services manager is not consulted, necessary meeting rooms might not be available. If the food and beverage department is not consulted, the group might be sold a banquet that exceeds the hotel's capabilities. If the accounting department is not con-

sulted, credit terms might be extended that violate the credit manager's policies. If the front office is not consulted, the group might experience lengthy delays at check-in (groups are usually preassigned rooms and keys).

The executive operating committee (EOC) of a hotel, made up of the general manager and senior executives from each department, is designed to increase the level of coordination between departments. There is no standard membership for this committee, but it usually comprises those executives who report directly to the general manager. The EOC is also responsible for a hotel's major budgetary units, such as the food and beverage and housekeeping units. EOC functions depend on how the hotel GM chooses to use the group, the GM's style, and the structure of other management meetings in the hotel. Typically, the EOC meets weekly, focusing on matters ranging from day-to-day operational issues (daily function schedules and labor and food cost control) to comparing budgets with actual operating results.

Many hotels increase communications through an elaborate structure of additional committees and meetings, including some or all of the following: operations, staff, sales forecast and marketing, departmental, subdepartmental, credit, safety, energy conservation, and employee meetings.

The operations committee comprises the general manager, department heads, front office manager, manager on duty, and representatives from housekeeping, security, engineering, and food and beverage. This committee might meet four or five times per week for 15 to 20 minutes to review upcoming activities and assess the results of previous activities.

The staff committee might include the GM, department heads, and all subdepartment heads who report to the department heads. This committee, which might meet weekly for one or two hours, reviews the prior week's performance, the current week's activities, the next week's plans, and special projects. The staff committee also presents performance awards to employees.

The concept of forecasting, pioneered by Conrad Hilton (see Box 2-1), was introduced in chapter 1. The sales forecast and marketing committee might meet one to four times per month for several hours so the GM and department heads can review room demand for the coming 90 days and devise strategies to increase room nights (and thus bring in more revenue) and to increase average daily rates by up-selling potential guests to higher-rated rooms with perhaps more amenities or services.

The departmental committee consists of the department head and his or her subdepartment heads, managers, and supervisors. Meeting

## BOX 2-1

### Conrad N. Hilton



**Conrad Hilton.** Courtesy of the Hospitality Industry Archives and Library, University of Houston, Texas.

Conrad N. Hilton (1897–1979), the son of a Norwegian immigrant father and a German-American mother, had a strong belief in the American dream. He derived his strength from his faith in God, his belief in the brotherhood of man, his patriotic confidence in the United States of America, and his conviction that a natural law obliges all mankind to help relieve the suffering, the distressed, and the destitute.

Conrad Hilton was educated at St. Michael's College in Santa Fe, New Mexico, and the New Mexico School of Mines. He entered the hotel business by buying the Mobley Hotel in Cisco, Texas, in 1919. The first hotel he built, the Dallas Hilton, opened on August 2, 1925. While the Dallas Hilton was under construction, he married Mary Barron. Conrad and Mary had three children: Conrad N. Jr., William Barron, and Eric Michael. Conrad later divorced Mary and had a fourth child, Francesca, with his second wife, actress Zsa Zsa Gabor.

Hilton maintained operations during the Great Depression of the 1930s by giving up many of his hotels and by learning to operate with economy—one of the keys to his future success. This enabled him to expand his empire by purchasing hotels throughout the United States, including the Sir Francis Drake in San Francisco, the Plaza and the Waldorf-Astoria in New York City, and the Palmer and the Stevens in Chicago (the latter currently is known as the Chicago Hilton & Towers). He developed his business in the international arena by building hotels in such exotic locales as San Juan, Puerto Rico; Madrid, Spain; Istanbul, Turkey; Havana, Cuba; Berlin, Germany; and Cairo, Egypt.

The expansion of his international business cemented Hilton's belief in world peace and global economic stability. He vigorously opposed the spread of communism and used corporate advertising to promote world peace through international trade and travel. His concern for the public was expressed in the formation of the Conrad N. Hilton Foundation in 1944, which continues to carry forward its founder's vision by providing resources to organizations that focus on social issues, health issues, and education. The Conrad N. Hilton College at the University of Houston, Texas, is a designated recipient of foundation resources because of Conrad Hilton's belief that tourism and travel help promote global understanding and world peace.

Conrad Hilton's vision for Hilton Hotels Corporation was carried on by two of his sons, William and Eric.

*Source:* "Conrad N. Hilton," Cathleen Baird, Hospitality Industry Hall of Honor Archives, Conrad N. Hilton College, University of Houston, Texas, 1996.

once or twice per month for an hour or so, the group reviews departmental issues. Similarly, subdepartment committees meet monthly for about an hour so the subdepartment head, managers, and supervisors can address issues unique to their subdepartment, such as the selection of a new type of floor cleaner by the housekeeping department or a more energy-efficient light bulb by the engineering department.

The credit committee includes the general manager, the controller, sales, the front office, reservations, catering, and the credit manager. Meeting monthly for an hour, the committee reviews those guests and clients of the hotel who were granted credit but have not settled their account.

The safety committee typically comprises representatives from human resources, food and beverage, housekeeping, and engineering. Meeting monthly for an hour or so, the committee reviews safety programs and safety records, addresses problems, and discusses the implementation of new safety regulations.

In some full-service hotels, an energy conservation committee includes the chief engineer, resident manager, food and beverage staff, human resource representatives, rooms staff, and housekeeping representatives. The committee typically meets monthly for an hour to discuss strategies and programs for controlling energy costs.

Most full-service hotels convene a monthly meeting or at least an annual meeting of all hotel management and employees to review performance and to distribute awards. This event ranges from an hour-long meeting to a company-wide celebration lasting several hours.

## THE FUTURE ORGANIZATION OF HOTELS

As new business practices are evolving as fast as our technologies, resistance to change has become a primary cause of business failure. The future success of a hotel will be driven in large part by the ability to foresee and capitalize on change. As we go through global transitions, the successful hotel will examine the key factors that will not only define success but also the ability to survive in coming years. These key organizational trends must be acknowledged by the successful hotel organization: visionary leadership, globalization, diversity, flexibility, flat structure, customer focus, zero defects, network orientation, and being in the information fast lane.

The organization must be able to respond to increasingly globalized sales, the movement to maintaining sales offices in many countries and

hotel properties across the globe, and an increasingly globalized labor market. Intercontinental Hotels Group recently introduced a new organization structure to more efficiently use regional and global resources to drive higher levels of innovation, customer focus, and revenues.

Diversity means the organization must respond to a workforce that is heterogeneous sexually, racially, and chronologically; innovation and conflict/communication issues; and different styles of interaction, dress, presentation, and physical appearance.

Flexibility in the modern hotel organization means assuring that systems, processes, and people can respond differently to different situations; fewer detailed rules and procedures; greater autonomy and encouragement of initiative; customizing employment relationships to include telecommuting and job-sharing; and lifetime employability rather than lifetime employment.

The trend toward flatness in hotel organizations means fewer levels of management, workers empowered to make decisions, and fewer differences in responsibility. The organization's employees need to believe in a sense of entrepreneurship that reacts proactively to market diversity. Traditional organizations that follow well-documented rules must give way to leaders who can balance a sense of discipline with one of flexibility.

If the customer is king or queen in the 21st century, hotel organizations will be best served by focusing less on their hotel assets as measures of success and more on their customers. This involves a fundamental shift from viewing the real estate asset as the wealth creator to seeing the customer as the key to building shareholder wealth. A customer focus must reflect business decisions at all levels of developing and operating a hotel organization. Pursuing such a course will inevitably impact shareholder wealth.

The Japanese concept of zero defects in products and services can yield tremendous benefits for a hotel business organization. In practical terms, the hotel industry finds it extremely difficult to meet the standard of zero defects in service. Hotel services are based primarily on people, not on computers or other equipment. Twenty years ago, a business executive did not expect a consistent and predictable level of service wherever he or she traveled. Today that is the standard, not the exception, as is the expectation of sophisticated technology in hotel rooms to support business needs. With customer discrimination so acute, it is not surprising that brand loyalty is a diminishing commodity in the hotel industry.

Today's hotel organization must recognize the need for visionary leadership. The old command-and-control model of leadership is giv-

ing way to a focus on leadership in ideas, information, inspiration, vision, and teamwork. A failing hotel organization is overmanaged and underled.

The networked hotel organization can facilitate direct communication across unit and property boundaries, ignoring the chain of command; cross-unit team structures; outsourcing and downsizing; strategic alliances with competitors and others; customization; and decentralization.

Being in the information fast lane is critical. The traditional role of information technology as a back office support for accounting and bookkeeping has clearly moved to front and center stage. Information technology today influences all aspects of business from corporate strategies to organizational structure. Technology was once viewed as a way to reduce costs by replacing people. That attitude has been firmly supplanted by the idea of seeking information technology support for the creative work all organizations must pursue. Information technology must enable organizations to react more speedily to market needs and, of course, produce the fulfillment of customer demands both quickly and accurately. To do this it must operate on a decentralized basis. Information technology delivers, but it has to deliver the right information to the right people at the right time.

## THE HOTEL STAFFING SYSTEM

Staffing, which is one of a hotel's most important management functions, is an ongoing challenge because of the high rate of employee and manager turnover. Full-service hotels can experience annual turnover rates in excess of 100 percent in certain employee classifications. Some managers consider an annual employee turnover rate of 33 percent low. (In other words, in a single year, one-third of a hotel's employees must be replaced.) At this rate, the entire hotel must be completely restaffed every three years. The higher the turnover rate, the larger the number of employees who must be replaced. For example, if a hotel with 450 employees has a 75 percent annual turnover rate, it will be completely restaffed every 16 months. Staffing is the responsibility of the human resources department, which is considered in more detail in chapter 5.

In an attempt to reduce employee turnover, hotel and lodging businesses are giving increasing attention to job design, seeking to enhance those job characteristics that give the employee the greatest satisfaction and motivation. Good job design must take into account the needs of employees as well as the demands of the job. Well-thought-out job

design begins when management conducts a job analysis—that is, a thorough evaluation of the specific tasks performed for a particular job and the time required to perform them. Job analysis is an ongoing process, as many jobs change with improvements in technology and pressure to improve product quality.

The job analysis is the basis for the job description and job specification. A **job description** includes the job title, pay, a brief statement of duties and procedures, working conditions, and hours. The **job specification** is an outline of the qualifications necessary for a particular job.

In response to the limits of specialization, organizations can redesign jobs to improve coordination, productivity, and product quality while responding to an employee's needs for learning, challenge, variety, increased responsibility, and achievement. Such **job redesign** often involves job rotation, the systematic movement of employees from one job to another; job enlargement, an increase in the number of tasks an employee will do in the job; job enrichment, the attempt to give the employee more control over job-related activities; and flextime, a flexible work schedule that permits employee input in establishing work schedules. In team-driven job redesign, a concept similar to job rotation, employees can transfer back and forth among teams that provide different services or products.

Hotels recruit employees from a variety of sources. Newspapers and employee referrals are used to recruit nonskilled hourly employees. Supervisory and management employees generally are recruited through colleges and universities, promotions from within, professional associations, and management recruiters. Hotels that take more time in making their selections are more successful in retaining employees.

Discussions of employee training and development often concentrate on training techniques without giving a full explanation of what a hotel is trying to accomplish. As training and development impart job skills and educate employees, supervisors, and managers, they also improve current and future employee performance, which affects the bottom line. Effective training includes problem solving, problem analysis, quality measurement and feedback, and team building.

**Performance evaluation**, also called performance appraisal, is the systematic review of the strengths and weaknesses of an employee's performance. The major difficulty in a performance appraisal is quantifying those strengths and weaknesses. The performance of some jobs is easy to quantify, while for others it is more difficult. An important part of the appraisal process is a well-established job description, so that the employee and the supervisor have similar expectations.

**Compensation** includes the monetary and nonmonetary rewards that managers, supervisors, and employees receive for performing their

jobs. In order to set compensation levels, the human resources department must periodically conduct job evaluations, which determine the value of the job to the hotel. Knowledge of the value of the job to the organization and of wage rates for each job classification allows the hotel to establish a fair compensation policy.

## CAREER PATHS AND OPPORTUNITIES

If you complete your course of study and graduate with a bachelor of science degree in hotel management, most likely you will enter the business at the managerial level. Along the way you will have learned that a successful manager provides clear direction, encourages open communication, coaches and supports people, provides objective recognition, establishes ongoing controls, follows up and gives subordinates feedback, selects the right people to staff the organization, understands the financial implications of decisions, encourages innovation and new ideas, gives subordinates clear-cut decisions when needed, and consistently demonstrates a high level of integrity.<sup>9</sup>

There are three levels of management careers in the hotel or lodging business: first-line, middle, and top. First-line refers to those who have day-to-day contact with the guests and clients of a lodging business. The first-line manager oversees the work of the supervisors and line employees. In a hotel or lodging business, first-line positions may include assistant manager of housekeeping, assistant front office manager, and assistant restaurant manager. First-line managers are responsible for a hotel's basic work, such as checking guests in and out, making up the guests' rooms, and preparing and serving the meals. First-line managers are in daily or near-daily contact with line employees.

Middle management of most hotel or lodging businesses includes the department manager, general manager, and any position between those levels. Depending on the size of the hotel, the regional manager (who supervises the general managers of the hotels in his or her region) can also fall into this category. Unlike first-line managers, those in middle management plan, organize, lead, and control other managers' activities and are responsible for the performance of their departments.

Top management comprises a small group of managers such as the chief executive officer, president, or vice president. Top management is responsible for the performance of the entire hotel business as well as for supervision of the middle managers. The top manager is accountable to the owners of the financial resources used by the organization, such as the stockholders or executive board.

As you have already seen, there are numerous attractive careers in the hotel and lodging business. The following is one of the many paths your career might follow:

1. Assistant manager of the reservations department
2. Reservations department manager
3. Rooms department manager
4. Resident manager
5. General manager
6. Regional manager

In a full-service hotel or lodging business, the movement from entry-level position to general manager might encompass 15 years. Career advancement in a limited-service hotel or lodging business can occur more rapidly. A career in a limited-service hotel or lodging establishment might commence at the assistant general manager level, with movement to general manager within three years and to district or regional manager within five to eight years. This accelerated pace is due in large part to the more restricted range of services the manager must master before advancing.

## SUMMARY

The four basic components of organizational structure include job specialization, departmentalization, patterns of authority, and span of control. Job specialization includes increased worker productivity and efficiency, but it increases the need for managerial control and coordination. Work teams can be used to alleviate the routine caused by job specialization. A similar concept, the quality circle, can also enhance employee productivity.

The departments of a full-service hotel and lodging establishment include rooms, food and beverage, marketing and sales, human resources, and accounting. These departments report directly to the general manager or to a resident manager who is responsible to the general manager. In smaller hotel or lodging businesses, the audit, front desk, housekeeping, maintenance, and sales departments all might report directly to the general manager.

While patterns of authority remain centralized in many hotel or lodging businesses, increasingly employees have become empowered to make decisions that typically have been made by managers. Decentralization is the distribution of authority throughout an organization. Centralization is the retention of decision-making authority by a high-level manager.

Span of control refers to the number of people who report to one manager or supervisor. In a narrow span of control, fewer subordinates

report to each supervisor, resulting in a tall organization. In a wide span of control, a larger number of subordinates report to each supervisor, resulting in a flat organization.

The level of coordination and communication between departments can be increased by the activities of committees. The executive operating committee includes the general manager and designated department heads. Other committees include operations, staff, sales forecasting and marketing, departmental, subdepartmental, credit, safety, and energy conservation. Larger organizations conduct an annual meeting for all employees of the organization, to discuss company performance and to distribute awards.

Staffing is an ongoing challenge in the hotel and lodging industry because of the high percentage of employee turnover. Successful staffing depends on providing adequate job descriptions, including job specifications, as well as realizing that job descriptions must be flexible. In some cases, it becomes necessary to redesign jobs; this can involve job rotation, job enlargement, job enrichment, and flextime. Employees must be properly trained; effective training includes problem solving, problem analysis, quality measurement, feedback, and team building.

Successful managers enjoy certain common characteristics including providing clear direction, feedback, and recognition; encouraging open communication and innovation; and establishing ongoing controls. The management of a hotel or a lodging business falls into one of three categories: first-line, middle, or top.

## REVIEW QUESTIONS

1. What is the difference between work teams and quality circles?
2. Compare centralization and decentralization.
3. Which span of control results in a tall organization? A flat organization?
4. Should a first-line manager delegate more or less responsibility than a top manager? Explain your answer.
5. List the principal functions of each major department of a full-service hotel.
6. A customer notifies the front desk that a table in her room has a broken leg and that when she set her room service tray on it, it tipped over and scattered the food on the floor. List the departments to which this information must be conveyed and the actions they must take.

## ACTIVITIES

1. Diagram the organizational structure of a local limited-service hotel and of a local full-service hotel. Compare them with illustrations in this chapter.
2. If you were able to reorganize the limited-service or full-service hotel you diagrammed, how would you do so?
3. Interview an assistant department manager, a department manager, and a general manager from a limited-service or a full-service hotel. Determine the functions of management in which he or she is actively involved.

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