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Abstract

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This issue begins a periodic series that examines some of the challenges and opportunities that face hoteliers and restaurateurs as the travel business becomes increasingly internationally focused. Greater understanding of the critical elements that must be considered by executives accepting assignments in other lands can help to ensure success and avoid critical errors that can ruin promising careers and hurt the parent companies. Some of the most essential considerations are outlined below; other thoughts will arise from readers and can be the subject of articles in future issues of the *Cornell Quarterly*.

Keywords

hospitality industry, hotel chains, international business, operations, business travel

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Comments

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The Problems and Challenges of Working in International Settings

A Special Topic Issue of the *Cornell Quarterly*

by STANLEY C. PLOG and MICHAEL C. STURMAN

When Fujio Cho arrived in Georgetown, Kentucky, in 1986 to supervise production at Toyota's first American factory, he soon discovered it was easier to export cars than to transfer Toyota's ideas about how to build them. "There were cultural differences right from the beginning," he recalls. "We'd give somebody a sketch, figuring they'd get the idea. But workers were baffled. They kept asking us, 'Why do it this way?' I was completely unprepared for that. We hadn't been trained to think in terms of logical reasons."¹

The culture shock that Fujio Cho experienced, as reported in *Fortune* magazine, has reoccurred many times as corporations expand internationally or acquire companies with operations in other countries. In the process, company executives who have demonstrated their skills in their home markets are often selected for overseas assignments. Some succeed rapidly; others fail—often for reasons they do not understand. Mr. Cho was a quick learner and adapted well. The Georgetown Toyota factory became a model for

import auto companies to emulate, and he has now risen to become Toyota's worldwide CEO—and *Fortune's* Asian businessman of the year. Under his leadership, Toyota's share of the U.S. market has risen from 6.4 percent when he arrived to 12.2 percent in 2004.² He directs a company operating forty-seven plants in twenty-six overseas markets and twenty countries. Toyota has surpassed Ford as the world's second largest auto manufacturer, and analysts anticipate it will overtake General Motors to become number one in a few years.

Hotel chains have operated across international borders for years, and in the process, executives at various levels have had to learn some of the lessons that Fujio Cho mastered. With the growth in international leisure and business travel, and the merger of hotel chains into mega-corporations during the past couple of decades, more managers are selected to serve in countries where they may not know the local customs, much less speak the language when they arrive. Each merger of two chains requires integrating operations across the companies—in the process dealing with mingling corporate cultures as well as national mores. This constant flow of people from one country to another often leads to a free flow of new ideas that can improve operations and boost overall results. Sometimes, however, it can also spell disaster when new executives cannot adapt to their new cultures.

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Perspectives on Multinational Management and Leadership Issues

No single issue, let alone a single overview article, can cover all elements that will help companies be more successful when competing in the global economy. This issue touches on a number of topics, all relevant for those considering operating in unfamiliar locations. It is not our intent to review the articles that follow this introduction; rather, these introductory remarks help create a framework into which the following articles fit.

Cultural habits. To start on the right foot in a new assignment, it is obvious that it is essential to learn about small differences in daily customs and language that distinguish each culture (see the accompanying sidebar). This is one of the most difficult tasks for any multinational executive to master because there is so much to learn and so little time to absorb the lessons. Slight slips of the tongue or inappropriate actions can be embarrassing. Mispronunciation of a common word can give it a vulgar meaning. To show up late for a

Insights into Cultural Differences

Although accustomed to completing studies for clients throughout the world, I have been periodically reminded of how cultures and people differ in subtle and not-so-subtle ways that are easy to overlook. In one study for a hotel-airline client, I conducted focus groups in major cities in Asia, the Pacific, Europe, and the United States. Although the topic was the same each time, participation within the groups was strikingly different. Tokyo's sessions included groups of English-speaking expatriate executives that I directed and groups of Japanese businessmen that were handled by a local researcher. The expatriates, representing various nationalities, freely conversed with each other during drinks and dinner that were served before the groups began. However, not one Japanese participant talked with another group member before the start of the sessions. Why? As the translator pointed out, they had not yet been formally introduced to each other by anyone from the research company, and it would be inappropriate to make self-introductions. On the other side of the coin, expatriates, some of whom had lived in Japan for up to fifteen years, complained vigorously during the discussion session about the perceived lack of hospitality of their Japanese hosts. Although most had invited Japanese executives to their homes for dinner, not one Japanese had returned the favor.

The marketing research director for Lufthansa German Airlines once met me at Frankfurt Airport to prepare for my presentation the following day on a newly completed study for the airline. After reviewing the results of the project and how these would be presented, I asked who would attend the meeting. I was presented only with their surnames (e.g., Herr Schultz, Herr Schmidt). I then asked for their first names so that I could converse with them more directly. The research director was stumped—he could not provide the information. Because his level was beneath theirs, German protocol dictated that he refer to them only in a formal manner, and he had never learned their first names. Culture makes a difference.

In a worldwide study for Boeing, eight airlines agreed to distribute questionnaires about customers' airplane manufacturer preference and what makes a comfortable flight. In-flight crews were to distribute and collect questionnaires on up to fifty flights for each airline. Compliance (flights with returned questionnaires) varied from a low of 25 percent (a U.S.-based carrier) to 70 percent (a European airline), except for Singapore Airlines. Questionnaires came back from forty-nine of the fifty assigned flights (98 percent compliance). I was so impressed that I wrote a congratulatory note to the CEO of Singapore. He quickly sent a return letter. I opened it

dinner appointment is considered an affront in some countries; to appear at the appointed time elsewhere will mean that you are the first to arrive and your embarrassed hosts will not be ready to receive guests. Americans casually turn over their business cards to prospective clients; Asians tend to put both hands on their cards and also give a slight bow to show respect. Some cultural traits are considered so typical and out of place in other countries that it places newcomers at a disadvantage even before they arrive. Germans may say under their breath, *ganz Amerikanisch*, "very American," or *typisch Amerikanisch*, "typically American," when they encounter someone from the United States whom they consider to be too aggressive, boisterous, or overly friendly.

The opportunities that present themselves in China,³ and in particular the requirement to participate in joint ventures for those interested in expanding into China, make it essential for expatriates to be prepared to work in China. Similarly, the opportunities that may be presenting themselves in Cuba⁴ may necessitate the use of fully trained and prepared expatriates.

Yet in spite of the critical need to learn about cultural differences so that the transition between cultures can be successful, anecdotal accounts abound of hotel chains and companies in other industries failing to offer much help or training to executives they send overseas. Future research should look into the best practices offered by hotel companies to prepare their managers for international assignments. Those facing international assignments without such organizational support must learn about special sensitivities on their own. Therefore, those anticipating a new assignment should check out books on the subject, seek counsel from friends with overseas

experience, and look for an assistant in the host country who can help avoid the most embarrassing and obvious kinds of cultural miscues that can set back an otherwise promising career. Perhaps no other topic covered in this brief introduction can cause so many problems so quickly if handled inappropriately or naively.

Adapting to governmental rules, regulations, and politics. Countries differ dramatically in the degree to which government rules and regulations control business practices. Sections of Latin America are relatively unfettered when it comes to allowing development of new hotel properties; Asia and much of Europe are more restrictive. Government ownership of some industries or protectionist policies for homegrown companies must be considered in a number of authoritarian countries and some democracies around the world. Even in the United States, operators will find variable regulations, with some states being quite restrictive on environmental and work-rule regulations (e.g., California) and others more open and friendly to business (e.g., Alaska, Montana, New Mexico).

Terminating employees, for instance, especially the large numbers required during corporate restructuring, is almost impossible in many parts of the world. In these situations, hotel executives must consider alternative options because it is too difficult a task to accomplish unless the company possesses strong financial backing and considerable political capital to expend during what can be a long fight. Consideration must be given to these factors before entering new markets or attempting to build new hotel properties. In some parts of the world, the fact is that political payoffs are still the rule. Deciding whether to “grease the palms” of local politicians has confronted too many cor-

expecting him to express his pride in how well his crews had performed. Instead, he wanted to know which flight did not follow through so that corrective action could be taken! Anything that went wrong, he wanted to fix. Never have I encountered such commitment to excellence in the travel business. The standards of service that Singapore pursues in all countries it serves form the corporate culture of that airline.—*S.C.P.*

porate executives—and some who have played the game later get in trouble when their actions are exposed, if not in the host country then in their homeland.

The important point is that the operating rules of a country should be studied carefully because they control everyday business dealings. A few articles in this issue illustrate this point. The articles on China,⁵ Cuba,⁶ and Saudi Arabia⁷ all discuss the key role the government will play in any international venture.

Awareness of the legal system and significant judicial issues. Along with knowing government regulations, awareness of differences in how the legal system operates in various parts of the world is a critical element for success. Since law is so specialized, it is essential to locate an attorney who has both a detailed and a broad understanding of case law related to the type of business represented. One thought based on past experience: a good lawyer is someone who helps corporate executives find ways to accomplish desired objectives and not just tell them what they must do to avoid trouble. Too many attorneys focus on what they can do to keep their companies from getting into difficulty. Their task also must be to help executives maneuver through the morass of rules and regulations that, on the surface, can stop a desired course of action. The goal is to make changes, not enforce the status quo.

Sensitivity to local issues. We all know that protesters have stopped projects in many countries. At one time, such activity was confined to environmental concerns in developed nations in Europe and the United States. Now local protests about destruction of our environment are arising in Brazil (the Amazon), China (political freedom, drilling and mining operations, building of dams), and Costa Rica (pollution of streams and ocean beds by tourism development). New kinds of protests seem to develop yearly. McDonald's gets criticized for representing some of the worst of American values (Paris), Wal-Mart for its nonunion practices (Canada and the United States), and some clothing manufacturers (Nike) for allegedly paying low wages or using child labor in foreign countries. Citizens in many nations are becoming more sensitive to how persons with disabilities are treated or the rights of gay and lesbian workers.

Yet as some articles in this issue show, it would be too simplistic to draw simple generalizations when trying to understand local issues. While Europe has been the home to many protests regarding environmental issues, there is still wide variance in the types of eco-friendly policies adopted by European hotels.⁸ Despite labor shortages and government backing, those with disabilities in Canada are still underrepresented in the workforce,⁹ and companies in Saudi Arabia have a long way to go to be ready to rely more heavily on the local labor force.¹⁰ Understanding what drives and motivates the local workforce, such as for encouraging service innovations,¹¹ is essential for international managers to be able to implement localized changes.

Beyond the legal, cultural, and logistical challenges in international assignments, expatriate managers still need to

successfully complete the task they were assigned to do for the company as a whole to be profitable. This means being aware of what drives customers and other businesses in the new location. Starbucks faces many challenges with its bold expansion into China.¹² Companies considering competing in new locations should know the role and importance of reputation signals, like the Michelin ratings system in Europe.¹³ Awareness of local sensitivities is critical for executives planning on careers in other lands. The task requires ongoing monitoring since new local sensitivities can arise quickly. Failure to take into account a changing social and political climate can spell doom for some otherwise capable managers.

The strength of unions. Every senior corporate executive, and many hotel property managers, will face the challenge of how to deal with unions. If one is in place, the threat of strikes looms periodically. If it is not, organizers can decide to target hotels in specific cities in an effort to find a weak spot in the armor of the parent hotel company. Unions tend to be strong in Europe, and their contracts can limit an executive's freedom of action to terminate employees or restructure work rules and job assignments. Regardless of how one feels about a union, the best advice for dealing with one, obviously, is to remain in close contact with employees so that their personal needs and grievances are handled before they grow into union grievances. It is also productive to work closely with local union leaders so that they know you are not trying to fight them and that you are sensitive to true problems that your workforce may face. That said, it is also critical to let these leaders know that you will not allow them to pull you off course by dealing with false or concocted

issues that can divert you from the charted course that you have set to achieve specific goals and objectives.

Learn the language. As obvious as this point might seem, too many persons accepting foreign assignments still do not feel compelled to learn the language of the country where they will work. This failure seems most true for those who speak only English. Under the assumption that English is the universal language, they rely on a belief that others will know how to communicate with them. It is a sign of courtesy and respect to consider the host country's language of sufficient importance to learn to speak it. What is often overlooked is the fact that much will be missed if the executive cannot understand small conversations heard in halls and between staff members.

Common Executive Challenges with a Country by Country Flavor

A number of similar issues face managers across the world, regardless of where they live and work. But cultural patterns will influence their decisions and the execution of their strategies. Some of these are listed below.

Centralized control versus decentralized control. Hotel chains with worldwide operations face the same choices as other multinational corporations, namely, the degree to which key decisions are determined centrally versus being made at regional and local levels. Such factors include distinctiveness of hotel design, methods employed for employee selection, approaches to staff training, structure and richness of benefits programs, and regional and local organizational structure (e.g., traditional pyramid or matrix sys-

tem). These and other choices must first be considered at corporate headquarters, especially the degree of freedom given to regional executives and local hotel general managers to make choices that affect their daily operations. The tendency has been to push decision making down to lower levels in recent years to help keep hotel properties attuned to local needs and interests. That practice is not universal, however. Asia and parts of Europe have been slower to adopt these practices because of a more formal societal structure that determines relationships between superiors and those they direct.

Authority given to customer-contact personnel. An issue related to the above is the degree of decision-making authority that frontline people have in their dealings with hotel guests. Are they allowed to upgrade anyone they consider worthy? What level of discounts can they give from rack rates? What kinds of charges can be removed from hotel bills when customers object and staff members consider them to be unfairly added? The more upscale the hotel property, the more likely that decisions can be made by front-desk personnel. In the interest of creating greater guest loyalty, especially among business travelers, it is wise to consider extending this practice among low-price properties.

Accounting practices. Because many accounting practices are driven by local tax laws, wide variations exist in governmental regulations on such factors as what can be expensed immediately or depreciated over time, the minimum time period allowed for depreciation of equipment (sometimes not spelled out in the tax code), how quickly good will can be written off (nontangible assets of a company), and when revenue is counted (at the time

of sale or when monies are collected). Companies also make their own choices about when to record expenses, how much they want to delay recording income (to smooth out earnings growth curves), how to handle restructuring charges, reporting of employee benefit program obligations, and a host of other variables. Managers accepting assignments in other lands must learn how much they will have to follow rules established by headquarters and what freedom they might have to make choices about things that impact their local operations. Even GMs get caught in this maze since they typically must assume responsibility for everything that happens at their local properties.

An emphasis on quality. Almost every executive subscribes to the need to maintain high quality standards. The level desired and how it is achieved varies greatly from one company to another and even between individual properties within the same chain. Corporate standards for quality obviously must be understood by hotel GMs, especially how these are pursued in the country where they now live and work. The concept of six sigma measurement of quality (an exceptionally high rate of perfection in delivery of a product or service) is being adopted by a number of industries but is only slowly being recognized as applicable to the hotel and restaurant segments.

Marketing and advertising strategies. Can a common advertising strategy be developed by a hotel chain to create a similar theme in all countries where it has operations? Some marketing executives still think that is possible. Others scoff at the idea. More than a decade ago, large advertising agencies went on a buying binge and acquired other big agencies at a

rapid pace to form mega-agencies. The concept driving this frenzy was the idea that a large multinational corporation should have a common positioning strategy that is delivered in a similar manner throughout the world. Thus, almost all strategic marketing decisions would be determined at the corporate level. Sometimes, only one series of ads and tag lines would be produced by an ad agency and dubbing simply added voices in local languages.

Also contributing to this idea was the concept of integrated marketing communications (in which the ad agency also provides PR services, direct marketing support, and research services—all promoting the common theme). The first author of this article unwittingly was caught up in that strategy when Plog Research, Inc., was acquired by NFO Research (a top-ranked U.S. research company), which later was taken over by the mega-agency InterPublic Group (IPG). IPG, once the largest ad agency in the world, ran into difficulty in executing its strategy. Its stock declined by nearly 80 percent, debt piled up to huge amounts, it was forced to sell NFO to TNS (at a discount) to reduce debt, and it is the subject of a stockholder suit and a government probe for accounting irregularities. As that example illustrates, the concept of one worldwide strategy faces continuing difficulties. Ad concepts, whether in print or broadcast media, seldom translate similarly across cultures. Humor varies greatly from one country to another, as do media reach and costs per thousands of persons reached. The pendulum has swung back in the other direction to some degree with the recognition that ads must be locally determined and appropriate for target audiences. Since GMs of hotels are the ones who are increasingly responsible for filling beds in their hotels, rather than that

responsibility falling to the executives at corporate headquarters, the GMs will probably be given even more responsibility for creating much of the promotion and advertising materials they use—subject to corporate guidelines.

A Question of Core Values

Much of what has been presented, and indeed much of this entire issue, discusses the need to adapt to local conditions for those who receive foreign assignments, seemingly suggesting that these managers need almost chameleon-like personalities and amazing reservoirs of international knowledge to succeed. That assumption is incorrect. People advance through executive ranks for different reasons. They may possess special organizational and administrative skills, or they know-how to grow revenue, control costs, and make good profits. They may be adept at increasing employee productivity or have a vision that can change the company's directions in a positive way. Personality and an individual's core skills are so closely intertwined as to make a clear separation impossible.

The central point is that each executive assigned to another country must determine which are the core values and skills he or she holds that are essential to future success and continuously learn from the new experiences. Then the task is to stick with that core group of beliefs during difficult times that may be temporary and even when challenged by close subordinates about why they have changed standard operating procedures. Otherwise, change probably will not happen.

When Dieter Zetsche was assigned by Daimler AG on November 17, 2000, to run its Chrysler subsidiary in the United States (now called Daimler Chrysler), his German personality was not at first well

received by his American counterparts, especially because he cut twenty-six thousand jobs, closed six plants, and aggressively won substantial discounts from parts suppliers.¹⁴ He stuck with his vision and ultimately demonstrated the wisdom of his ideas. Chrysler is the only one of the so-called big three American auto companies to gain market share in 2004 and to increase profits (quite dramatically). It also outperformed Mercedes Benz during the same year. No decision of a transplanted executive has greater ramifications than determining the areas in which to adapt to local customs versus when to ignore local wisdom or operating practices to pursue a different goal that could ultimately make the company or local operations more successful.

In summary, the continued growth of multinational corporations, including hotel chains, raises challenges and opportunities for managers who accept expatriate assignments and for companies wrestling with strategic and logistical problems associated with such ventures. These difficulties require that research must fill an important role in helping businesses address their current challenges. The *Cornell Quarterly* will play a role in helping communicate relevant and practical research-based advice for hospitality managers and executives operating in other cultures. This special issue of the *Cornell Quarterly* presents articles broadly targeted at this important topic—but it is a beginning, not an end. With just this issue, we are devoting over 25 percent of our 2005 content to research not specific to the United States or relying on research samples collected within the United States, and we hope to continue to see more submissions of this kind in the future. Some of the challenges discussed in this introductory article are addressed in

articles that follow; more will be covered in future content of the journal.

Endnotes

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