

**HUMANISTIC V'S RATIONALISTIC MANAGEMENT IN INTERNATIONAL
HOTELS – THE 'GENIUS OF THE AND'**

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ABSTRACT

This research is a grounded theory of the management of contingent labour by middle managers in international hotels in New Zealand. Internationally, hotels rely heavily on contingent labour (Cardon, 2003; Larson & Ong, 1994; Milner & Pinker, 2001; Nayar & Willinger, 2001), a situation also prevalent in New Zealand. The global growth in the use of contingent labour has no foreseeable abatement with Owens (2001), Lowe (2002) and the OECD (2002) predicting that this employment strategy/market will be the dominant and fastest growing employment trend in the foreseeable future. In 'managing contingent labour' as part of the 'flexible firm' substantial structural employment changes have been made with the introduction of Standard Operating Procedures (SOPs), manuals and decision making algorithms - the 'what' and 'content' of management. While this is 'an' approach for managing contingent labour, this often sees people (managers managing and leading staff and staff in general) serving systems, rather than systems serving people.

Fieldwork found that as a result of the environment that hotel middle managers find themselves in (in general a systems environment), managers feel pressured to choose between two managerial dimensions – rationalism (an outcome and symptomatic of a systems environment) and humanism. Respected (humanistic) managers harness what Collins and Porras (1994) call the 'genius of the AND', that is, they are not trapped by this polarity of managerial choice and as such have mastered and utilise systems (rationalism) and married this with building relationships (humanism) with their staff. Indeed, effective managers place relationships, in the form of building social capital, ahead of systems in the belief that this eventually brings greater business success.

The push to the 'flexible firm' model has seen 'people' left out of the equation (Kets de Vries & Balazs, 1997), particularly when employees see the breaking of the psychological working contract through 'hire at will and fire at will' approaches (McDonald & Makin, 2000). While the thrust of such

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actions may have been for business survival, Ket de Vries and Balazs suggest that there is a high social cost in such an approach and that the anticipated gains do not in fact materialise as morale, trust and productivity waver. People and relationships are critical to the success of any organisation. People can be considered the heart and soul of an organisation and have the potential to comprise its competitive advantage (Pfeffer, 1997). Thus, there is an active debate noting that the benefits of restructuring and contingency have been over-sold, while the disadvantages have been ignored. Larson and Ong (1994) note that employee turnover, an outcome of contingent labour as part of flexibility, is indeed a major 'hidden cost', and suggest that there needs to be a balance between the core and contingent workforce to minimise costs while maintaining positive working relations.

Humanistic management, particularly as part of the flexible employment model, is however, not without its costs, with such managers experiencing higher levels of stress and burnout – often resulting in resignation. Rational managers (within a similar environment), who simply follow the systems experience less stress, but are also less likely to exceed desired standards.

Certainly, at one level what this research highlights is simple and common-sense. That is, effective managers build relationships. However, as most five-star hotels have found, common-sense is quite uncommon. In the push to embrace contingent labour, and in developing systems and “formulae” to cope with the turnover and reduced commitment of casual staff; hotels have made it difficult for their managers to build relationships. In an attempt to overcome the need for time and energy spent in developing social capital, they have created the conditions for rationalism and humanism to be construed as a polarity. And in the process, only the courageous and committed engage in the risky business of building relationships.

For the hotel industry, the practical significance of this research lies in the paradox that it presents:

The Paradox...

<ul style="list-style-type: none"> • While international hotels are built to provide a luxurious environment for their guests, the quality of their experience depends primarily on the quality of their relationship with staff. • Because of variability in demand, hotels cannot be profitable without contingent labour. • However, with contingent labour it is hard for them to maintain consistent staff performance. • To ensure consistent staff performance hotels invest heavily in rational management systems. 	<ul style="list-style-type: none"> • Five star hotel guests generally do not want to feel that they are part of a 'system', they seek both tangible and intangible service experiences • Managers sensitive to guest needs and organisational goals believe that the most productive way of achieving this is for them (the managers) to build strong relationships with the staff. • The beneficial effect of building relationships with staff assumes many systems issues will take care of themselves. This is not to suggest that systems be reduced or removed. • Emphasis on systems risks eroding social capital.
<p style="text-align: center;">Pushing past the paradox</p> <ul style="list-style-type: none"> • The challenge for senior managers in modern hotels is to realise that rational systems and strong social relationships are not necessarily opposed. However, their placing of a priority on rational systems in managing contingent labour may have cast the two into mutual opposition. • Joint optimisation of technical systems and social relationships requires awareness that systems are intended to serve people rather than people serving systems. Without this insight, many middle managers in hotels will continue to find themselves in stressful situations which may ultimately lead to their resignation. • The hotel industry cannot afford to lose the social capital represented by the loss of their tacit knowledge. 	

The academic significance of my research lies within the field of social capital. While there has been a flowering of research exploring the importance of social capital, there has been little work exploring the relationship between the humanistic ideas that underpin the concept of social capital and the dominant rational, systems-oriented models of management. Indeed this research shows how we tend to think of rational and humanistic management in oppositional terms. The greatest significance of the

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research lies in illustrating some of the ways in which this rational-humanistic polarity might be overcome and a 'balance' achieved between the two – some of the ways in which organisations might achieve the “genius of the AND”.

The paradox for the hotel industry is that with respected middle managers being few in number and difficult to recruit, losing such managers risks damaging the organisational knowledge base and organisational social frameworks. Ultimately, such damage flows through to influencing the way in which contingent labour employees interact with guests; an area which is a hotels' prime competitive advantage. The key practical message for senior managers in international hotels is that it will help if they are more aware of the development of social capital in their organisation, who develops it, and the risk to those who do. Failure to recognise and support the builders of social capital could impact negatively on the achievement of business objectives.

RESEARCH METHODOLOGY

This research engaged case study (Yin, 1994), grounded theory (Glaser & Strauss, 1967) and repertory grid (Kelly, 1955; Stewart & Stewart, 1981) and involved interviews with 19 middle managers from major 5 star hotels in Auckland, New Zealand. Operationally, it was conducted in two phases. Phase one explored with hotel managers the issues around contingent labour with analysis generating numerous codes broadly related to contingent labour policies. Phase two engaged repertory grid technique to focus more on managerial practice with respect to contingent labour. The research was framed within Carney's (Carney, 1990) Ladder of Analytical Abstraction.

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