Approaching managerial ethical standards in Croatia’s hotel industry

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Introduction

The Republic of Croatia’s tourism industry generates 4.2 per cent of Croatia’s gross national product (GNP) and employees 4.7 per cent of its employed population (HTB, 1998, p. 25). In spite of these modest figures, Croatia persistently looks to tourism to help it achieve economic prosperity. Its long-term tourism development plan, for example, aims to reposition Croatia amongst the near-the-top European tourism countries of Austria, Czech Republic, Germany and Russia (Vukonic, 1999, pp. 4-7)[1]. As almost 40 per cent of Croatia’s tourist traffic is accommodated in hotels, followed by camps – 27 per cent, tourist villages – 14 per cent, private rooms – 13 per cent, and other tourist accommodations (HTB, 1998, p. 17), enhancing Croatia’s hotel industry has become a prerequisite to achieving this goal. With 70 per cent of its portfolio of hotels built before 1975 (Pirjevac 1998, p. 43), most of which are large establishments, this is going to be a very difficult task. Today Croatia has 338 hotels, 23 motels and 23 boarding houses (SY, 1998, p. 365) offering 135,114 beds: 20 per cent of total tourist accommodations (HTB, 1998, p. 17), enhancing Croatia’s hotel industry has become a prerequisite to achieving this goal.

Supporting the need to approach MES in Croatia’s hotel industry, this paper reports on hotel employee research to identify key MES issues. We first present our theoretical model for MES based on what we have called a manager’s value system. Following this, we state the research goals aimed at creating a basis for further practical application. Finally, survey results are presented and recommendations formulated. Our approach should be of interest to all who are involved in examining and improving a hotel organisation’s ethical environment.

Theoretical model for MES

Ethics in tourism has become a vibrant area of discussion (see IJCHM, Vol. 11 Nos 2/3). For this research we understood hotel MES as the process in which management actively moulds the hotel’s ethical environment. Understanding MES as such directly links it to the important issue of managerial leadership: what shapes up organisations, what inspires employees and gets them motivated, what gives faith to outside shareholders and what excites customers (Quality Focus, 1998, p. 1).

Inevitably the responsibility of the manager, the ethical environment reflects his value system where values are the personal or organisational preferences and perceptions of morality underlying a person’s attitude towards means and ends (McCarty and Bagby, 1990, p. 21). Values usually develop from religious or organisational influences, though they may also evolve from personal experiences. They combine to become value systems, the generalised principles that guide a person’s evaluation of decisions or specific instances of conduct.
A manager’s value system (VS) may be represented as consisting of different elements[2] of pro-social and self-centred behaviour ($X_i$) (equation 1). The operating relationships created by these elements (equation 2), (equation 3), (equation 4) are fundamental to creating the ethical environment ($E$):

$$VS = \{Xi, i = 1..n\}$$ (1)

$$X_i = \text{responsibility}; X_2 = \text{power}; \quad X_3 = \text{money}; X_4 = \text{community}; \ldots X_n$$ (2)

$$VS < X \times X$$ (3)

$$VS = \{(X_i, X_j) | i < j \} \Rightarrow E$$ (4)

Pro-social behaviour is generally defined as voluntary and intentional behaviour which has positive consequences for the wellbeing of other people (Staub, 1978; Eisenberg and Miller, 1987). Pro-social acts that are not motivated by the expectation of obtaining external rewards are considered to be altruistic (Macauley and Berkowitz, 1970). The antecedents of pro-social behaviour are empathy and moral reasoning. Cognitive processes such as role-taking or taking another person’s perspective – identifying oneself with the emotional state of another person – create empathy (Hoffman, 1988).

Possessing the ability to weigh the needs of others in one’s motivational and behavioural hierarchies – moral dilemmas which deal with justice and fairness – is fundamental to moral reasoning. Self-centred behaviour reflects egoistic and hedonistic motivations (Kohlberg, 1973). Such behaviour is less socially acceptable and lacks mature modes of moral reasoning (Rushton, 1981).

**Research aims**

Ethics in business is not an option – it is not only necessary, but an absolute requirement for success (Payne and Dimanche, 1996, pp. 997-1007).

Employee attitude surveys are increasingly used in the service industry. Forte Hotels plc, for example, have used such surveys (including customer satisfaction) since the 1990s. For this research, employee surveys were directed at providing information on three basic issues:

1. What is the formal status of MES in Croatia’s hotel industry?
2. What is employee understanding of MES?
3. How do employees describe the hotel ethical environment?

A total of 35 hotels with a formalised management structure and 632 non-managerial hotel staff throughout Croatia (areas of Dubrovnik, Crikvenica, Hvar, Karlobag, Lovran, Opatija, Plitvice, Porec, Pula, Rijeka, Split, Sibenik, Zadar and Zagreb) were involved. Eventually, we envisaged using research results as a basis for:

- A leadership development programme for Croatia’s hotel industry aimed at improving business performance.
- Providing insight into how Croatian national culture affects attitudes and perceptions of leadership.
- A similar research project for other east European countries and the European regions of the former USSR. Namely, in its report on “Hotels in Eastern Europe” Travel & Tourism Analyst, (1997, pp. 58-80) singled out the rare opportunity offered by this area for hoteliers to establish a presence in this vast region with a population totalling 300 million, and which borders to the west on countries with highly developed travel industries such as Italy, Austria and Germany. It further went on to say, however, that all those involved in hotel development and operations describe the region as very difficult, and many apparently firm hotel projects involving foreign investment and expertise have failed to materialise.

**Survey results**

**Formal status of MES in hotels**

A survey of Croatia’s hotel industry (Fox, 1998) has confirmed that it does not have written policies for MES nor formal programmes to check the integrity of individuals with discretionary authority. A similar situation was found in Slovenia (Glass, 1997) and other European transitional countries (Thommen, 1994). Perhaps one reason for this absence is due to the “hangover” of communism, where control systems were of an informal character and no obligation to a formal principle existed, and as such hardly convenient as a research topic (Ivanjko et al., 1996).

**Employee understanding of MES**

Survey results suggested a fuzzy understanding of MES by hotel staff (Table I), yet a pronounced disapprobation (Table II).

Summarising employee *ad hoc* comments on the questions given in Tables I and II, most respondents (85 per cent) blamed management as responsible for poor MES, at
Table I  
Employee understanding of MES  

<table>
<thead>
<tr>
<th>Perception of ethics</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norms and rules of behaviour – theological</td>
<td>21.5</td>
</tr>
<tr>
<td>Social relations: people, nature and society – deontological</td>
<td>25.3</td>
</tr>
<tr>
<td>Something else</td>
<td>33.1</td>
</tr>
<tr>
<td>Don’t know, no response</td>
<td>21.1</td>
</tr>
</tbody>
</table>

Table II  
Employee assessment of MES  

<table>
<thead>
<tr>
<th>Assessment of standards</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very bad</td>
<td>22.6</td>
</tr>
<tr>
<td>Bad</td>
<td>18.3</td>
</tr>
<tr>
<td>No morality, no rules</td>
<td>12.2</td>
</tr>
<tr>
<td>Satisfactory</td>
<td>8.2</td>
</tr>
<tr>
<td>Excellent</td>
<td>10.5</td>
</tr>
<tr>
<td>Other</td>
<td>12.8</td>
</tr>
<tr>
<td>No response</td>
<td>15.4</td>
</tr>
</tbody>
</table>

the same time justifying such behaviour as a result of:  
• focus on short-term performance instead of long-term;  
• the newly emerging competitive (agnostic) environment;  
• indifference shown by society towards business ethical standards; and  
• (bad) legal system.  

Describing the hotel ethical environment  
A useful research tool for describing the way people perceive an environment is the method of pair-comparisons. Based on a number (N) of keywords[3] representing that environment, respondents are asked to estimate the similarity of N(N–1)/2 paired comparisons (Knight et al., 1994). Statistical methods (Euclidean model multidimensional scaling programs and hierarchical cluster analysis) are used to interpret results. Hotel employees were asked, therefore, to describe their ethical environment by correlating (low = 0, to high = 10) 66 paired combinations of a list of 12 keywords: eight represented a “theoretical” managerial value system within a hotel environment and four were “anchor” words of particular interest to our research. (Using anchor words is a useful way to relate the survey to exact areas.)  
Pro-social behaviour keywords were: responsibility, tourists, community, employee welfare (Zukerman and Reis, 1978); self-centred words: money, power, prestige, freedom (see Table II), and anchor words: management, quality, hotel, profit. The respondent’s task was “easified” through graphical representation (Figure 1) allowing an appropriate box to be simply ticked.

Respondents were instructed to leave the boxes blank if unsure. The average rate of completion was 95 per cent.  
Survey results were represented as scattered configurations in the form of a two dimensional map (Figure 2). Each configuration (cluster) consists of key words which are statistically (stress score 0.24, RSQ 0.71) near to each other. The map also shows relationships between different configurations. Three larger configurations are shown. Describing the map from the aspect of management: management is linked to power, prestige, freedom and community (mostly egoistic concepts). It is not linked to quality, hotel, profit, responsibility, employee welfare! Results suggest a very self-centred (egoistic) management culture.

Recommendations  
All three surveys strongly support the need to improve, or better said, introduce MES into Croatia’s hotel industry. Its self-centred style of management has to develop a more biased pro-social behaviour value system and become linked to important ethical areas such as responsibility, quality and employee welfare. A first necessary remedial step would be to create a national ethics and compliance model for Croatia’s hotel industry as, for example, suggested by the Canadian Competition Bureau Bulletin (CCB, 1997) where ethics emphasise the commitment to ethical integrity that is required for ethical performance, and compliance describes the focus on the rules and controls designed. Five essential elements are listed important to the success of any such program:  
1 senior management commitment and support;  
2 developing a practical code of conduct that identifies unacceptable activities with examples;  
3 training and education of all employees who should be thoroughly aquainted with the code;  
4 continuing assessment through compliance audit tests to ensure the effectiveness of the system; and  
5 disciplinary measures applicable to all employees who breach the policy.

At the individual organisational level, we recommend introducing managerial leadership training programmes aimed at developing a capacity for higher moral judgement and maturity. Namely, according to a cognitive developmental view, a positive relationship between empathy and moral reasoning is stronger at higher levels of
moral reasoning maturity. In other words, improved managerial pro-social behaviour and as such empathy (altruism), requires the individual (manager) to have a capacity for higher level moral judgement. For him/her to go beyond the level of reciprocation, help those who help us, onto a conventional level of playing a good role, being concerned about other people and their feelings, keeping mutual relationships, and being motivated to follow rules and expectation (Kohlberg, 1969).

**Conclusion**

Hotel management must aim to create a rewarding ethical environment. Most employees prefer to work in an environment that has high ethical standards. Also, controls and auditing are less effective when the ethics and integrity of an organisation and its management cannot be affirmed. The costs of a poor ethical environment are high. The professional service, Canadian KPMG have, for example, defined the some potential cost areas (Deck, 1998):

- loss of confidence in the organisation;
- deterioration of relationships;
- declining employee productivity due to self-protective behaviour;
- displaced employee loyalty;
- high employee turnover;
- absenteeism;
- internal theft and defalcation.

Without improving its ethical environment Croatia’s hotel industry cannot be re-established nor can its tourism. In fact, it is difficult to imagine a successful privatisation programme without high ethical standards. This research has provided a basis for some remedial action. Further research will be aimed at providing a more detailed understanding of certain concepts (e.g. money) which reflect the up-front cultural environment of Croatian management. The needed implementation of TQM programmes in Croatia’s hotel industry will, willy-nilly, be heavily dependent on understanding such concepts and how they can be better put together to create the right leadership styles which correspond to desired TQM aspects. Similar comparative research for other transitional countries would provide a needed knowledge background.

**Notes**

1 The importance of tourism to Croatia goes well beyond its economic role to include also a social one. Namely, the Council of Europe has envisaged (cultural) tourism in Croatia “… as real potential to enact a measured transformation in Croatia; a means of repositioning Croatia from an ‘in-between’ space to a ‘central space’; and to help re-image a country which through the eyes of many European countries … probably wrongly appears focused on itself and somewhat inward-looking” (Landry, 1998, p. 38).

2 Starling (1988, p. 225) has suggested describing a manager’s behaviour as a “simple” relation between egoistic behaviour and altruism where the practical realisation is balance between these two extremes what he has called an obligation to a formal principle.

3 Keywords are much more than perspicuous terminology and definitions: they provide access to semantic domains for enriching and integrating central concepts within the text-world-model (Beaugrande, 1997, p. 163). They represent the ways in which we think, and, therefore, used to encourage us to think. Related to their text (environment) as such key words become epiphanic.

**References**


