How does organizational culture influence the performance of luxury hotels based on the example of the Ritz-Carlton Hotel Company L.L.C.?

Bachelor Thesis for Obtaining the Degree
Bachelor of Business Administration
Tourism and Hospitality Management

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Vienna, 19.06.2013
Affidavit

I hereby affirm that this Bachelor’s Thesis represents my own written work and that I have used no sources and aids other than those indicated. All passages quoted from publications or paraphrased from these sources are properly cited and attributed.

The thesis was not submitted in the same or in a substantially similar version, not even partially, to another examination board and was not published elsewhere.

Date: 19.06.2013

Signature:
Abstract

Organizational culture has been growing significantly in importance for the tourism industry over the last few years and has been widely discussed. The question that arises, however, is has the establishment of organizational culture any impact on an organization? Therefore the thesis investigates the influence of organizational culture on the performance of luxury hotels based on the Ritz-Carlton Hotel Company L.L.C. First, the term organizational culture will be examined in detail, hence two important organizational cultural models will be presented, namely Schein’s (1985) ‘three levels of culture’ and Denison’s (1990) model. Furthermore, several performance measures will be described and a tool for those measurements will be provided. That builds the theoretical foundation, which is necessary to proceed to the primary research. In order to conduct the research, the Ritz-Carlton Hotel Company L.L.C. will be examined by means of a qualitative research method, more precisely a document analysis.
Acknowledgments

A huge thank you reckons to the supervisor Dr. Ursula Christine Loisch who helped tremendously with her professional feedback, as she is an expert within this topic. A word of thank you is been given to the Modul University of Vienna, as it gave the author the possibilities, resources and freedom to grow academically and enrich her knowledge. Furthermore, the author wishes to thank her family, as without them she would not be where she is now and they have not only supported her during the thesis, but also continuously supported her throughout her whole life.
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1 Introduction

The current economic situation is marked by globalization, high competition and fast developing new technologies. Thus companies become more global and employees with different perceptions, backgrounds and work-related attitudes have to deal with each other. This is why organizational culture has been the focus of interest, in both theory and practice, and captured our attention throughout the last decade (Denison, 1990). “Companies win or lose based on the cultures they create”, the CEO of CompUSA, the largest retailer of personal computer, states (Academy of Management Executive, cited by Alvesson 2002, p.3). This means that the difference between successful and less successful organizations rests in the roots of establishing an organizational culture. The reason for the popularity of organizational culture is the substantial relationship between the concept itself and its outcomes such as gaining competitive advantage, a company’s effectiveness and financial performance (Tidor, Gelmereanu, Baru and Morar, 2012).

Thus the purpose of this thesis is to investigate how organizational culture influences the performance of luxury hotels. As Denison (1990) states, most of the implicit ideas about the relationship between cultures and performance presented to date have attributed the success of organizations to some combination of values and beliefs, policies and practices, and the relationship between the two (Denison, 1990). In order to determine the validity of this concept, the Ritz-Carlton Hotel Company L.L.C. has been chosen as the sample for a document analysis.

The Ritz-Carlton Hotel Company L.L.C. has managed to ensure itself a reputation as one of the leading brands in luxury lodging, being the only service company in America to have won the Malcolm Baldridge National Quality Award twice (Cooper, 2009, cited by Forbes.com, 2009, retrieved in May 2013). Its focus is on quality and employee valuation, which is why it has been announced to be the best company for employee training by the Training Magazine (Cooper, 2009, cited by Forbes.com, 2009, retrieved in May 2013). They company has established a very unique culture, which is based on the motto ‘We are ladies and gentlemen serving ladies and gentlemen.’ Moreover its culture consists of three different pillars, which are taught to every single employee: ‘The Credo’, ‘The 12 Service Values’ and the ‘Three Steps
of Service’ (Michelli, 2009). One of its exceptional policies is to empower employees to spend up to $2,000 if needed; to make each guest satisfied without asking permission from a supervisor (Cooper, 2009, cited by Forbes.com, 2009, retrieved in May 2013). That fact shows that the Ritz-Carlton Hotels have built their foundation of organizational culture and leadership style on trust and empowerment. This is why the Ritz-Carlton Hotel Company L.L.C. is examined in this paper as an example for the effective impact of an established organizational culture in luxury hotels.

1.1 Context and Previous Research

The choice of the subject arose from the author’s personal interest in organizational culture and the potential it has to enhance the effectiveness of leadership. Furthermore the author’s great interest in the way the Ritz-Carlton Hotel Company L.L.C. creates and maintains organizational culture with a certain way of leadership inspired her to use it as the sample for this study.

The term organizational culture is quite a recent one, but as Lok and Crawford explained, influential organizational culture writers such as Deal and Kennedy (1982) and Peters and Waterman (1982) have suggested that organizational culture could exert a considerable influence in organizations, particularly in areas such as performance and commitment.

Furthermore Schein’s (2004) book “Organizational Culture and Leadership“ has encouraged the author to seek basic insight into the subject. The book “Corporate Culture and Organizational Effectiveness” by Daniel R. Denison (1990) helped the author to proceed with the research, as his model is based on the cultural model of Schein and provided the foundation for the elaboration of the document analysis.

1.2 Research Aims and Objectives

This thesis will investigate the influence of organizational culture on the performance of luxury hotels after examining the history, development and state of art of organizational culture and effectiveness in general.
This leads to the following research question: “How does organizational culture influence the performance of luxury hotels based on the example of the Ritz-Carlton Hotel Company L.L.C.?”

1.3 Outline of the Thesis

To give the reader a better understanding of the content of the thesis a short outline of each Chapter is provided as follows:

Chapter 1: A general introduction, the context, aims and objectives of the thesis as well as the research question.

Chapter 2: The reader gets in-depth information about the history, the development, the state of the art, the characteristics and various definitions of organizational culture. Moreover, two important theoretical models are presented: the model of organizational culture by Schein and the model by Denison.

Chapter 3: Traditional methods of defining the performance in hotels are displayed as well as a more recent method, namely measuring the turnover rate of employees. Furthermore, the ‘Baldrige Performance Excellence Program’ is presented as a procedural tool of measuring performance.

Chapter 4: A connection between performance and organizational culture is drawn.

Chapter 5: Both quantitative and qualitative primary research methods are outlined; an explanation for choosing the qualitative method in order to reach the aims of this thesis is given and the non-reactive approach is analyzed.

Chapter 6: The company itself will be presented and elaborated in detail in this chapter, furthermore it will be analyzed according to the Denison model (1990) and the turnover rate.

Chapter 7: The findings of the document analysis will be interpreted, compared and critically discussed based on literature from the previous Chapters.

Chapter 8: Major points will be summarized; limitations of this thesis will be elaborated on and a further outlook presented.
After introducing the topic and outlining the content of the thesis the author will critically evaluate relevant academic literature dealing with organizational culture in the upcoming Chapter.
2 Organizational Culture

The literature review will allow insights into the history in 2.1 and the state of the art of organizational culture. 2.2 continues by displaying researchers’ definitions of organizational culture and presenting various characteristics in 2.3. Furthermore, Chapter 2.4 will analyze the paradigm discussion and critiques will be pointed out. In section 2.5 the important Schein Model will be explained and followed by the model of Denison in section 2.6. The author will present reasons for selecting the model of Denison in section 2.7.

2.1 History and State of the Art

The term organizational culture is a rather recent one; current literature research began in the early 1970’s and 80’s. Until then no attention was paid to the importance of establishing an organizational culture. The field of organizational psychology grew with the development of business and management schools. It led to the understanding of inter-organizational relationships and corporate cultures (Robbins and Judge, 2007). The question arose why US companies did not perform as well as, for example Japanese companies. In observing the differences between American and Japanese companies Ouchi (1981) wrote a book called Theory Z about the secrets behind successful Japanese companies highlighting corporate culture in 1981. The book is an investigation of Japanese management practices, which shows that they are a product of Japanese culture, namely high productivity and employee loyalty (Ouchi, 1981). Due to this Ouchi and Price (1978) identify a unique management approach by creating a Theory Z Organization, which is a simulator American company with Japanese characteristics such as long-term employment, consensual decision-making, individual responsibility and a holistic concern. Due to long-term employment the employees are almost completely socialized into the organizational culture, which is characterized by a homogenous set of cultural values that are similar to clan cultures (Ouchi and Price, 1978). As Ouchi and Price (1978) point out, common cultural values promote greater organizational commitment among employees. Furthermore, Ouchi and Price (1978) identify several American companies to underline Theory Z, such as IBM and Kodak. Moreover, Ouchi proposes that this management approach could lead to lower rates of absenteeism and turnover, greater job satisfaction, higher quality of products and better financial
performance if U.S firms were to adapt Theory Z management practices (Training and Development Solutions, retrieved in May 2013).

Equally important is Peters’ and Waterman’s book (1982) “In Search of Excellence”, which stirred huge interest by suggesting that organizations with strong cultures are more effective (Tharp, 2009, retrieved in February 2013). The book is an attempt to generalize principles, more precisely 8, from the 43 best-run American companies of Fortune 500’s top performing companies about how to stay on the top and what they seem to be doing differently. Those 8 principles, such as ‘productivity through people’, ‘autonomy and entrepreneurship’ and ‘hands-on value-driven’, are responsible for the success of those companies and have been guidelines for managers ever since (Chapman, 2009, cited by businessballs.com, retrieved in May 2013). As Peters and Waterman (2006) state, there are good management practices in America, not only in Japan, and they work by treating employees decently, giving them the opportunity to shine and by producing things that work. Throughout their research in successful American companies and European business schools they came to the conclusion that one of the most important things is to pay attention to the employees (Peters and Waterman, 2006). In long-term extremely successful companies such as IBM Peters and Waterman (2006) find that the individual human being still counts and that words such as organizational culture and the family feeling would come up in those companies (Peters and Waterman, 2006).

“These books, in combination with journalistic writings, created a widely spread belief of corporate cultures being perhaps the significant factor behind the performance of companies” (Alvesson, 2002, p.1).

Since then, interest and research in organizational culture have steadily increased. In this process, a lot has been written and cited about the concept, which leads to a vast amount of disagreement and confusion. According to Loisch (2007), it is exactly the problem with the many differing definitions and the inflationary use of the term organizational culture and its sub terms that complicates the handling of this term. As outlined previously, the problem with the state of the art definition of organizational culture is that the term is being used extremely often, that everything is included and therefore nothing explained (Kasper, 1990). The term is overused and therefore very difficult to distinctively determine the fundamental meaning of it.
Therefore, the following section of this study will focus on presenting valid definitions of organizational culture in order to allow comprehension.

### 2.2 Definitions of Organizational Culture

Organizational culture has been growing significantly in importance for the tourism industry over the last few years, but the debates about what organizational culture is and how it can be defined have also become more diverse. As Tharp stated, “definitions of ‘organizational culture’ are almost as numerous as those of ‘culture’—a 1998 study identified 54 different definitions within the academic literature between 1960 and 1993” (Tharp, 2009, retrieved in February 2013, p.5). Therefore the following Table 1 will give an overview of the different definitions of organizational culture.

<table>
<thead>
<tr>
<th>Definitions</th>
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<tbody>
<tr>
<td><strong>Pettigrew (1979)</strong></td>
</tr>
<tr>
<td><strong>Deal and Kennedy (1982)</strong></td>
</tr>
<tr>
<td><strong>Trice and Beyer (1993)</strong></td>
</tr>
</tbody>
</table>
Hofstede (2001)  
“The collective programming of the mind which distinguishes the members of one group or category of people from another” (Hofstede, Hofstede and Minkov, 2010, p.344-346).

Martin (2002)  
“When organizations are examined from a cultural viewpoint, attention is drawn to aspects of organizational life that historically have often been ignored or understudied, such as the stories people tell to newcomers to explain how things are done around here, the ways in which offices are arranged and personal items are or are not displayed, jokes people tell, the working atmosphere (hushed and luxurious or dirty and noisy), the relations among people (affectionate in some areas of an office and obviously angry and perhaps competitive in another place), and so on” (Martin, 2002, p.3).

Schein (2004)  
“Culture can now be defined as (a) a pattern of basic assumptions, (b) invented, discovered, or developed by a given group, (c) as it learns to cope with its problems of external adaptation and internal integration, (d) that has worked well enough to be considered valid and, therefore (e) is to be taught to new members as the (f) correct way to perceive, think, and feel in relation to those problems” (Schein, 2004, p.17).

| Table 1 Definitions of Organizational Culture |
|---------------------------------------------|---|
| **Hofstede (2001)**                        | “The collective programming of the mind which distinguishes the members of one group or category of people from another” (Hofstede, Hofstede and Minkov, 2010, p.344-346). |
| **Martin (2002)**                          | “When organizations are examined from a cultural viewpoint, attention is drawn to aspects of organizational life that historically have often been ignored or understudied, such as the stories people tell to newcomers to explain how things are done around here, the ways in which offices are arranged and personal items are or are not displayed, jokes people tell, the working atmosphere (hushed and luxurious or dirty and noisy), the relations among people (affectionate in some areas of an office and obviously angry and perhaps competitive in another place), and so on” (Martin, 2002, p.3). |
| **Schein (2004)**                          | “Culture can now be defined as (a) a pattern of basic assumptions, (b) invented, discovered, or developed by a given group, (c) as it learns to cope with its problems of external adaptation and internal integration, (d) that has worked well enough to be considered valid and, therefore (e) is to be taught to new members as the (f) correct way to perceive, think, and feel in relation to those problems” (Schein, 2004, p.17). |
As Schein (2004) stated: “This debate is a healthy sign in that it testifies to the importance of culture as a concept, but at the same time it creates difficulties for both the scholar and the practitioner if definitions are fuzzy and usages are inconsistent” (Schein, 2004, p.12). This means that in spite of disagreements over some elements of definition and measurement, researchers seem to agree that culture may be an important factor in determining how well an individual fit into an organizational context (O’Reilly, Chatman and Caldwell, 2003). Then again it can be referred to as a system of shared meaning held by members that distinguishes the organization from other organizations (Robbins and Judge, 2007).

The following section allows insights to characteristics marking organizational culture.

### 2.3 Characteristics of Organizational Culture

Organizational culture can be illustrated according to the following characteristics (Trice and Beyer, 2002, cited by Loisch, 2007):

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Definitions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collective</td>
<td>It is assumed that cultures are not created by individuals alone, but as a result of collective actions. Belonging to a culture involves believing what the group believes and handling things the way they handle them, at least part of the time.</td>
</tr>
<tr>
<td>Emotional</td>
<td>The substance and forms of culture are filled with emotions as well as meanings, which is why they help to manage and overcome anxieties. Members of a group seldom doubt the core values and attitudes of the organizational culture; sometimes they even take them for granted.</td>
</tr>
<tr>
<td>Historic</td>
<td>Cultural phenomena are connected to the history of the organization and its traditions</td>
</tr>
</tbody>
</table>
and cannot be separated or changed rapidly.

Symbolic
Symbols are on the one hand a specific type of cultural form, but on the other hand they are the most general and persuasive form of culture. Furthermore symbols are not directly seizable, but have to be interpreted in order to understand their meaning.

Dynamic
Even though culture is connected to the organization’s history it still is not static, but rather dynamic. Culture changes continually due to several factors. The first one is that new organizations have to adapt new practices and theories over time as to a changing environment and economy in order to fulfill the standards. Secondly, human communication is by far not perfect and every individual learns and understands different things about what a culture endorses and expects.

Diffuse
The more complex the circumstances are, the more diffuse the elements of organizational culture will get.

<table>
<thead>
<tr>
<th>Table 2 Characteristics of Organizational Culture, Source: Trice and Beyer, 2000, cited by Loisch, 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>The above characteristics are still very contemporary and used as a basis for other authors. For example, Hofstede, Hofstede and Mlnkov’s (2010) characteristics are quite similar to Trice and Beyer’s, with points such as historically determined, difficult to change and socially constructed. As stated before, there is a discrepancy among researchers about what organizational culture is. Nevertheless, there are two major distinctions among writers about the subject. One is that culture is something an organization is and the second one is that culture is something an organization has. In order to elaborate the different views deeper, the author will examine the paradigm discussion in organizational culture in the next section.</td>
</tr>
</tbody>
</table>
2.4 Paradigm Discussion in Organizational Culture

Organizational culture involves two dominant paradigms. Before examining them more closely, the term paradigm will be exemplified in section 2.4. Then the two main paradigms, namely the Social Fact and the Social Constructionist Paradigm, will be specifically displayed in detail. (2.4.1 and 2.4.2) Finally critiques of the paradigm discussion will be described in section 2.4.3.

Even though there is a wide range of interpretations, researchers still refer to Kuhn’s (1976) definition of the concept of paradigm. Part of the confusion about the interpretations may derive from the fact that Kuhn himself used the concept in more than 20 ways (Kuhn, 1976, cited by Kasper, 1990). Neither completely accepted nor absorbed in the beginning, his definition has meanwhile been widely acknowledged in the field of organizational culture as pointed out previously (Kasper, 1990). According to that definition, paradigm is a pool of opinions, values and methods that are shared by a scientific community (Kuhn, 1976, cited by Kasper, 1990).

In the field of organizational culture there are two dominant paradigms, namely the Social Fact Paradigm and the Social Constructionist Paradigm (Kasper, 1987). Various scientists are using those two in many different ways. Smircich (1983), for example, calls these terms Variable and Root Metaphor (Smircich, 1983). With the decision for or against a paradigm, the affiliation of a research community is decided simultaneously. The paradigm decided upon specifies the gaming rules, the allowed and desirable research content and the used procedural methods (Kasper, 1990). The following section describes the two dominant paradigms.

2.4.1 Social Fact Paradigm and Social Constructionist Paradigm

The Social Fact Paradigm, also called critical rationalism, states that culture is something an organization has. It exists an objective reality that is almost identifiable (Tschögl, 2008). Organizations are seen as open systems which produce culture. The produced culture has to be seen as a conglomerate of specific, distinctive patterns of behavior among the members of the organization. Those behavior patterns, also called cultural network, are, for example, an internal organizational language or the communication between colleagues (Kasper, 1990). The author of this thesis suggests that the management should use the Social Fact
Paradigm as a tool to improve organizational success. The tools may be rites, legends, acknowledgements of positive behavior from employees and ceremonies.

The purpose of research on the Social Fact Paradigm is to make progress in matters of objective reality, to find better solutions that must always be open for revision. The reasons are that certainty about an objective reality can never be reached, as there is no guarantee for truth or any general criteria for it. The Social Fact Paradigm states that there is a general fallibility of rationality, which means that every assumed truth may be flawed. Therefore rational methods are used to minimize those errors systematically. In this manner, it is possible to arrive at findings and achieve progress in problem solving. A corpus delicti can be seen as resolved as soon as it is possible to be derived from a hypothesis (Kasper, 1990).

2.4.2 Social Constructionist Paradigm

The Social Constructionist Paradigm, also called radical constructivism, states that an organization is culture. It is based on a subjective point of view; there is no objective truth. Thus behavior is dependent on each individual him/herself (Tschögl, 2008).

The Social Constructionist Paradigm supporter sees the system differently than the Social Fact Paradigm follower. Not as an open system which reacts to the environment and its impulses, but as a closed system - a closed system where no distinction between cognition and interpretation exists. Therefore organizational culture cannot be directly observed or understood. It exists in the heads of the members of the organization who build their own reality (Kasper and Mühlbacher, 2002).

The purpose of research on the Social Constructionist Paradigm is to create descriptions, insights and explanations for the interpretation process. The analysis is very specific, as it is assumed that culture is unique in each context. The methods used are associative, which means that significances are interpreted and relations analyzed (Schultz and Hatch, 1996).

After presenting the two dominant paradigms the author will examine the corresponding critiques in the following section.
2.4.3 Critiques in the Paradigm Discussion

Both paradigms are subject to criticism, as will be examined below.

The Social Fact Paradigm critique can be summarized in three points (Kasper, 1990):

1. To explain organizational behavior it is not enough to consider characteristics from the environment, but to regard the organization itself as a ‘black box’.
2. Furthermore, the Social Fact Paradigm has it problems explaining the inconsistent part of the research and therefore no improvements can be made.
3. The unsatisfying results lead to the assumption that wrong variables or variables that are not essential are used.

The Social Constructionist Paradigm critique is as follows (Schreyögg, 1991):

1. Organizational culture is seen as an intact and flawless entity, but the fact that values and behavioral patterns can have a negative influence and be harmful is overlooked.
2. The Social Constructionist Paradigm sees culture as untouched, which leaves space for imagination and interpretation. However Schreyögg (1991) criticizes that every interpretation or such touches the piece and changes or destroys it.

Subsequently the author will present the model of Schein (1985) as a theoretical foundation for the explanation and interpretation of organizational culture. The model includes both paradigms, as it includes the process (Organization is culture) and result (Organization has culture) (Loisch, 2007). More important, the model is the basis for the model of Denison (1990) in section 2.7, which is the source for the interpretation of the practical part of this paper, the document analysis.
2.5 Model of Schein

Schein (1985) developed a highly influential model of organizational culture, consisting of three interrelated levels. The term level stands for the degree to which a cultural phenomenon is visible to other people. The three levels are as follows: ‘Artifacts’, visible organizational structures and processes, ‘Values, strategies, goals and philosophies’ and ‘underlying Assumptions’, unconscious, taken for granted beliefs, habits of perception, thought and feeling (Schein, 2004). The ‘three levels of culture’ model is based on his widely known definition of culture. Schein (1984) defines organizational culture as such: “Organizational culture is the pattern of basic assumptions that a given group has invented, discovered, or developed in learning to cope with its problems of external adaptation and internal integration, and that have worked well enough to be considered valid, and, therefore, to be taught to new members as the correct way to perceive, think and feel in relation to those problems” (Schein, 1984, p.3).

In the following sections the author will elaborate the three levels in more detail, beginning with the ‘Artifacts’.

2.5.1 Artifacts

The first level is called ‘artifacts’ and is the most visible level. It includes everything one can see, hear or feel when encountering a new group of people, such as the language, the environment, the technology, the architecture or the observable rituals. ‘Artifacts’ also include processes within the group. In addition, they are represented in clothing, manners of address, stories told about the organization, its published list of values as well as ceremonies (Schein, 2004). “The most important point to be made about this level of culture is that it is both easy to observe and very difficult to decipher” (Schein, 2004, p.26). This means that what is seen can be easily described, yet the meaning is difficulty reconstructed. The ‘artifacts’ are visible to everyone, but still their meaning is different to everyone, so what things mean in a given group is hard to decipher, as Schein (2004) claims. More important, as symbols are ambiguous, the problem in understanding their meaning is that understanding is only possible if one has experienced the culture at its deeper levels of values and assumptions (Schein, 2004). To determine the deeper meaning from ‘artifacts’ alone
is very dangerous, as one’s interpretations are inevitably projections of one’s own feelings and reactions. For example, on the one hand, a loose and informal organization may be interpreted as inefficient if one has been taught that informality is a sign of playing around and not working. On the other hand, a very formal organization may be assumed to be lacking innovative capacity if out of experience formality stands for bureaucracy and formalization. The problem of classification arises from every facet of a group’s life as it produces artifacts (Schein, 2004). As various observers report on different sorts of artifacts, it becomes almost impossible to compare the descriptions. As Schein (2004) points out, anthropologists have attempted to develop classification systems, but these are inclined to be so infinite and detailed that cultural essence becomes difficult to decrypt. Furthermore, it is clear that the meanings of artifacts become easy to understand for someone who lives in the group long enough. If, however, one seeks to achieve such level of understanding more speedily, one can only attempt to analyze the rules and norms that govern the day-to-day operating principles by which the members of the group are guided in their behavior, which leads to the second level of Schein’s model of culture (Schein, 2004).

To understand the deeper meaning of the visible cultural phenomena, we must look at the other two levels.

### 2.5.2 Espoused Values

The second level is called ‘espoused values’ and contains all values, norms and rules that provide the day-to-day operating principles by which the members of the group are guided in their behavior. Every group or organization reflects the assumptions, beliefs and values about what is right or wrong as well as what will work or not, of someone, mainly the founder (Schein, 2004). Those individuals, commonly identified as leaders or founders, influence the group to adopt a certain approach to problems, but the group does not have a common understanding or shared knowledge yet. Initially, it is only a proposition from the leader; but it is only after some mutual action and joint observation of the successful outcome of the action that the proposal is transformed into a shared belief or value and ultimately into a shared assumption. The shared belief will be transformed into a shared assumption if actions continue to be perceived as successful. If this transformation process occurs,
the group tends to forget that the belief or value was initially just a proposal to be debated (Schein, 2004). Nevertheless, not all beliefs and values undergo such transformation, firstly, because the solution to a given value may not work reliably and secondly, these beliefs may not be testable at all, as aesthetic or moral concerns, for example. In these cases, social validation is possible, as Schein (2004) claims. Social validation means “Certain values are confirmed only by the shared social experience of a group” (Schein, 2004, p.29). In other words, certain beliefs or values are taken for granted simply out of mutual understanding and experience. Moreover, beliefs and values at this level of culture predict much of the behavior that can be observed at the previous level, the artifacts. Nevertheless, as Schein (2004) stated, if the values are not based on prior learning, then they may only be espoused theories. Espoused theories are things people say they will do, but do not do in the actual situations. Thus, a company may be bragging about its high quality products, but its records show contradictions in that regard (Schein, 2004). Exposed beliefs and values often leave us with a vast amount of behavioral patterns unexplained, “leaving us with a feeling that we understand a piece of the culture but still do not have the culture as such in hand” (Schein, 2004, p.30). This means that in order to understand those behaviors further, the basic underlying assumptions need to be elaborated deeper.

To get even a deeper understanding of our behavior and to predict future behavior correctly one has to take a close look at the third level, the ‘basic underlying assumptions’.

2.5.3 Basic Underlying Assumptions

The ‘basic underlying assumptions’ govern the core of the organizational culture model and consist of unconscious beliefs that are taken for. Beliefs about the environment, human nature, organizations and people’s relationship to each other are parts of the basic underlying assumptions (Schein, 2004). These beliefs underlie and govern everything we do. ‘Basic underlying assumptions’ are non-debatable and non-confrontable, making them difficult to change. Schein (2004) states that, “basic assumptions, in the sense in which I want to define that concept, have become so taken for granted that one finds little variation within a social unit. This degree of consensus results from repeated success in implementing certain beliefs and values,
as previously described” (Schein, 2004, p.31). This means, as previously stated, that a shared belief or value becomes taken for granted and any other behavior will be perceived as being inconceivable if it is repeatedly showing successful outcomes. For example, in engineering it is unimaginable to intentionally design something that is unsafe, as it is taken for granted that things should be safe. As Schein (2004) stated, it is equally important that our minds need cognitive stability; therefore any questioning or challenging of a basic assumption will release anxiety and defensiveness. This is why we perceive the events around us as congruent with our assumptions, even if we therefore distort or falsify the situation. According to Schein (2004) this shows the ultimate power of culture, as our basic assumptions define how we react emotionally to what is going on, what actions to take in various kinds of situations and what we pay attention to. We feel comfortable around people with a similar set of assumptions, the so-called mental map or thought world, and vulnerable in situations with people who share different assumptions, as we are likely to misinterpret or misperceive their actions (Schein, 2004).

As Schein stated (2004), the core of culture lies in the pattern of ‘basic underlying assumptions’ and understanding these assumptions, the ‘artifacts’ and ‘espoused values’ are easier to understand and interpret. The model describes culture as a structural concept, but it does not describe the content of culture. As explained previously, culture consists of underlying assumptions, but assumptions about what? To answer the question, the following Chapter will be about dealing with the external environment and managing the internal integration of organizations.

2.6 The Dimensions of Culture

As stated above, the following Chapter will deal with the content of culture. Growing from a group to an organization involves issues. To identify and overcome these issues is essential in order to survive. Schein (2004) claims that organizations can only survive if they adapt to their external environment, as illustrated in section 2.6.1, and integrate internal processes, which will be elaborated on in 2.6.2
2.6.1 Assumptions about External Adaption Issues

The issues of external adaption indicate that any organization must be able to maintain the coping cycle in relation to its changing environment. The fundamental elements of that cycle are shown in the following Table (Schein, 2004):

<table>
<thead>
<tr>
<th>Steps of External Adaption</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mission and Strategy</strong></td>
<td>A company needs to achieve a common understanding and definition of the core mission and strategy. The functions include maintaining a good relationship with major stakeholders, the provision of jobs in the community where the business is located and purchasing raw material from local producers.</td>
</tr>
<tr>
<td><strong>Goals</strong></td>
<td>In order to have common goals the mission has to be well articulated and therefore the group needs a common language and shared assumptions about the basic logistical operations. Then goals such as designing, manufacturing and selling an actual product or service in an agreed-upon cost and time constraint can be realized.</td>
</tr>
<tr>
<td><strong>Means</strong></td>
<td>The goals will not be achieved unless there is a clear agreement on the means by which the goals will be met. Examples for such means are the organizational structure, division of labor, reward systems and control systems. In that step the external adaption will get in contact with the internal integration. “In evolving the means by which the group will accomplish its goals, many of the internal issues that the group must deal with get partially settled. The external problem of division of labor will structure</td>
</tr>
</tbody>
</table>
who will get to know whom and who will be in charge. The work system of the group will define its boundaries and its rules for membership. The particular beliefs and talents of the founders and leaders of the group will determine which functions become dominant as the group evolves” (Schein, 2004, p.95).

| Measurement | Furthermore, a consensus on the criteria to be used in measuring how well the organization fulfills the goals has to be developed. It consists of two elements: what to measure and how to measure it. |
| Correction | The organization has to establish appropriate strategies for repair or remedial action if the goals are not met- for example, if sales are off, a product introduction failed, key customers complain or the market share is down. Consensus is very important about how to gather external information, how to get that information to the right places within the organization so that they can act, and how to enhance internal processes. |

Table 3 Assumptions about External Adaption Issues, Source: Schein, 2004

Organizations can easily get ineffective if any part of this cycle is lacking of consensus. As the Table above shows, the external issues of survival influence the internal processes massively. In order to adapt to the environment the organization has to be able to develop and maintain a set of internal relationships among its members. Those processes occur at the same time, and only together do they reflect the content of the group culture. Therefore, the internal processes are shown in the next section.
### 2.6.2 Assumptions about Managing Internal Integration

The essential elements of the internal process cycle will be illustrated in the following Table (Schein, 2004): 

<table>
<thead>
<tr>
<th>Steps of Internal Integration</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Creating a common language and conceptual categories</td>
<td>In order to communicate with each other and correctly interpret what the others are saying, the members of a group need to establish a system of communication and a common language. As the group matures, they develop common words with special meanings and assumptions of what certain words mean, which ultimately becomes one of the deepest layers of that group’s culture.</td>
</tr>
<tr>
<td>Defining boundaries and criteria for inclusion and exclusion</td>
<td>To define who is in or out of the group and to determine the criteria for membership is essential for an organization. Uniforms, for example are means of showing identity.</td>
</tr>
<tr>
<td>Distributing power and status</td>
<td>It is critical to define how influence, power and authority will be allocated. This is especially important because it can help members to manage anxiety and aggression.</td>
</tr>
<tr>
<td>Developing norms of intimacy, friendship and love</td>
<td>To survive in a society rules for peer relationships need to be established, as for example the roles of the sexes or intimacy. In that manner, love and affection can be appropriately channeled. Especially the model of how relationships work in the group is a negotiated outcome reflecting the underlying assumptions and beliefs of the founder, a number of influential members and the group’s actual experiences.</td>
</tr>
</tbody>
</table>
Defining and allocating rewards and punishments

In order to illustrate if the employees obey the rules and norms of the organization, the group has to develop a system of rewards and punishments. One of the most difficult tasks for newcomers in an organization is to decipher whether he or she has been rewarded or punished, as the signals can be ambiguous from an outsider’s point of view. Therefore there must be clear guidelines as to what is rewarded and what is punished. Sharing one’s opinion may be positive in one company and negative in another.

Explaining the unexplainable- ideology and religion

Unpredictable events or uncontrollable issues are part of every organization and hence frightening. Such things are often explained through myths, religious beliefs, stories and ideologies. Ideologies often involve statements about the core mission, the goals and ways to accomplish them and the preferred set of relationships among organizational members.

Table 4 Assumptions about Managing Internal Integration, Source: Schein, 2004

As the Tables 3 and 4 above show, the process of internal integration and external adaption is a complex and interdependent one. An organization will not be effective unless both internal and external processes harmonize. Accordingly, the author sees fit to refer to the model of Denison (1990), as this researcher comprises a spectrum of internal, external, stable and flexible viewpoints. The Model of Denison (1990), which is used for operationalization of this paper, sets out from the ‘three levels of culture’ model by Schein (1985).

2.7 The Model of Organizational Culture by Denison

Denison (1990) developed a model of organizational culture and effectiveness based on four traits: involvement, consistency, adaptability and mission. According to Denison, the effectiveness of a company is directly linked to organizational culture
(Denison, 1990). This Chapter will first examine the development of the model in section 2.7.1 and continue by explaining ‘the four cultural traits’ in detail, one by one in sections 2.7.2-2.7.6. Finally section 2.7.7 will give an explanation for selecting the model.

2.7.1 Development of the Model

As previously stated, the model is based on the ‘three levels model’ of Schein (1985), but it only considers the second level, namely the ‘espoused values’. According to Denison (2001), Schein did not pay enough attention to that level and concentrated heavily on the ‘basic underlying assumptions’. In his opinion, to carry out a study on the level of the assumptions is difficult, as they are unique to the history and circumstances under which the organization developed (Denison, 2001). Moreover, a study on the level of the ‘artifacts’ would have too little explanatory power and be interpreted differently depending on the context (Denison, 2001).

The model was developed based on a study conducted in 1984. The study examined the performance of American organizations; more precisely, it investigated the correlation between the level of involvement and the performance of an organization (Denison and Mishra, 1995). Based on the strong correlation between these two factors, the question arose as to which other organizational cultural traits could be correlated to the performance or, furthermore, to the effectiveness of an organization (Denison and Mishra, 1995). Therefore, this research originated in the goal to identify other cultural traits. Denison and Mishra (1995) conducted a qualitative study in which they interviewed 25-30 people in each organization. The outcome of the study, more precisely- the model itself- will be presented in the next section.

2.7.2 The Four Cultural Traits

The result of Denison’s study is a model of organizational culture, which contains four cultural traits that are highly correlated with the performance and the effectiveness of an organization. The model is shown by the following Figure 1:
The following sections will examine the individual traits in detail.

2.7.3 Characteristics of the Adaptability Trait

Adaptability is one of the four traits that highly influence the effectiveness of an organization. It deals with the relationship between the organization and its environment. It acknowledges Schein’s idea that organizations have to balance internal processes with external adaptation processes (Loisch, 2007). The basic question of this trait is if the organization listens to the marketplace. “Thus, the adaptability hypothesis asserts that an effective organization must develop norms and beliefs that support its capacity to receive and interpret signals from its environment and translate these into internal cognitive, behavioral, and structural changes” (Starbuck, 1971, Kanter 1983, cited by Denison and Mishra, 1995, p.215). This means that a successful organization is able to perceive and respond to the constantly changing environment and at the same time develop internal processes that allow the organization to adapt to those changes.
The adaptability trait consists of three sub points (Denison Consulting, retrieved in May 2013). Firstly, ‘creating change’, meaning that highly adaptive organizations are willing to try new approaches and welcome new ideas as an important part of the way they do business. Secondly, ‘organizational learning’. This sub point describes that risk taking is encouraged. It means that the organization gains knowledge from successes and failures. The third sub point, namely ‘customer focus’, states that the higher the adaptability of an organization, the higher is the level of trust (Denison Consulting, retrieved in May 2013). The employees help each other in the process of identifying problems and finding an appropriate solution together. They are open to innovation and change in order to achieve organizational success and satisfy customers. According to Calori and Sarin (1991), in a highly adaptive organization the satisfaction and fulfillment of customer demands has utmost importance. In order to reach that goal, to stay in the market and be competitive, the organization is willing to adapt to any changes and to try out new ideas (Caroli and Sarin, 1991, cited by Loisch, 2007). If, for example, the behavior of the competitors in the market changes or a new trend is develops, a highly adaptive organization is able to rise to the new challenge. According to Loisch (2007), this behavior favors excellent financial performance in the long run (Loisch, 2007). According to Denison (2001), adaptability is one of the two most important determinants of effectiveness, next to involvement, in Russia. On the other hand mission, the trait described in the next session, is identified as the most important determinant of effectiveness in the United States (Denison, 2001).

2.7.4 Characteristics of the Mission Trait

Denison’s (2001) findings about the mission trait being the most important determinant of effectiveness in the United States are consistent with the findings obtained by Deshpandé and Farley (2004) (Deshpandé and Farley, 2004, cited by Denison, 2001). Do we know where we are going? This is the underlying question of the mission trait. “High performing organizations have a mission that tells employees why they are doing the work they do, and how the work they do each day contributes to the why” (Denison Consulting, retrieved in May 2013). The mission of a company is essential, as it is the basis for the concept of survival. A consensus on
the mission is the foundation for the organizational goals and strategic objectives and expresses a vision of how the organization will look into the future.

Like the adaptability trait, this trait consists of three sub points (Denison Consulting, retrieved in May 2013). ‘Strategic direction and intent’ is the first sub point and concerns the priorities in an organization and operationalizes the vision of the organization. According to Loisch (2007), the strategic direction is very important as it provides structure and clarity for the members of the organization. Nevertheless, this needs time- so the formulation of milestones helps to keep on track and to regularly check if the strategy is correctly pursued. The formulation of a strategy within the framework of a mission includes the determination of goals and objectives (Loisch, 2007). This leads to the second sub point, namely the ‘the goals and objectives.’ Those are short-term goals that illustrate the connection between the vision and the strategy in an employee’s daily activities. The third sub point is the ‘vision’. The vision is the purpose of the business, what it is ultimately trying to achieve (Denison Consulting, retrieved in May 2013). Denison (2001) states that the vision of an organization represents its most important values and, moreover, an emotional connection between the employees (Denison, 2001). Kotter (1997) summarizes the essential characteristics of a successful vision: flexible, easy to communicate, easily comprehensible and combining the desires of the management and the employees. Furthermore, he states that an ineffective vision is more harmful than no vision (Kotter, 1997, cited by Loisch, 2007). “Pursuit of a poorly developed vision can sometimes send people off a cliff. And a lip service without commitment creates a dangerous illusion” (Kotter, 1997, cited by Loisch, 2007, p.112). This means that an ineffective vision may lead to false impressions or illusions among the employees and is therefore dangerous. For this reason, it is important to involve employees in the design of a vision and other processes, which will be elaborated on in more detail in the following section.

2.7.5 Characteristics of the Involvement Trait

According to Denison and Mishra (1995), a high level of involvement creates a sense of ownership and responsibility. Due to the fact of the feeling of ownership, the organizational members develop a greater commitment to the organization and a growing capacity to work independently. In addition, a greater amount of input from
the employees is seen as an increased decision-making and power of implementation (Denison and Mishra, 1995).

This leads to the three sub points of this trait. The first one is ‘empowerment’ (Denison Consulting, retrieved in May 2013). Empowerment gives members of the organization the power to make decisions on their own and introduce their points of view. But it is not just about giving them the power, “empowerment is recognizing and releasing into the organization the power that people already have in their wealth of useful knowledge and internal motivation” (Randolph, 1995, p.20) The requirement for empowerment is employees’ access to information. Hence it is important to share relevant information such as the market share, the growth opportunities and information about the competitors (Randolph, 1995). In order to be able to correctly understand and interpret the information, training and structure are very important. The structure clarifies the boundaries for the employee’s scope of responsibilities. Training leads to the second sub point of the involvement trait, namely ‘capability development’ (Denison Consulting, retrieved in May 2013). This sub point concerns training and coaching as already pointed out. Randolph (1995) states that training provides to the members of the organization support in things such as decision making, seeing conflicts as a positive phenomenon, taking responsibility and team goal setting as well as self-monitoring (Randolph, 1995). Thanks to training the employees lose their initial anxiety to get involved and act as managers without the help of an actual manager. With time the employees and the management initialize the training and show a functioning mode of high involvement (Randolph, 1995). Empowerment only works within a team, so the third sub point of the involvement trait is ‘teamwork’ (Denison Consulting, retrieved in May 2013). “Many of today’s complex decisions require input from a collection of people, individuals acting alone are not as effective. The team, with its synergy of effort, offers greater knowledge, as well as a support mechanism for people who are becoming empowered” (Randolph, 1995, p.28). Working in a team provides the employees with more knowledge and less pressure to take risk, as decisions are made together. As Randolph (1995) illustrates, the company Food Corp assigned its teams more responsibilities than any other company. They truly became a self-managed team, as they handled the budget, the hiring and firing process, the work schedule as well as the performance reviews successfully themselves. This paid off in
extremely satisfied employees and outstanding bottom-line results (Randolph, 1995).

2.7.6 Characteristics of the Consistency Trait

The fourth trait, which influences the effectiveness of an organization, is called consistency. It is described as “the collective definition of behaviors, systems, and meanings in a integrated way that requires individual conformity rather than voluntary participation” (Denison and Mishra, 1996). This characteristic is known as a strong culture, as it involves strong collective values, a high level of consensus and integration. This statement compromises the three sub points of this trait, namely ‘core values’, ‘agreement’ and ‘coordination & integration’ (Denison Consulting, retrieved in May 2013). Those core values have to be deeply anchored in the organization, which is why centralization is important. As Weick (1987) states, either culture or standard operating procedures can act as centralization. Culture creates a homogenous set of assumptions and values which are anchored in the members of the organization and preserve coordination and centralization on a decentralized basis without surveillance. This stands in contrast to centralization by rules and regulations or standardization and hierarchy, because they require high surveillance (Weick, 1987). “Whenever you have what appears to be successful decentralization, if you look more closely, you will discover that it was always preceded by a period of intense centralization where a set of core values were hammered out and socialized into people before the people were turned loose to go their own independent, autonomous ways” (Weick, 1987, p.124). Therefore high consistency provides integration and coordination. Nevertheless, there is a negative aspect to having a high consistency within an organization. According to Denison and Mishra (1995), highly consistent cultures are often reluctant to change and adaption, which is utterly important as stated before (Denison and Mishra, 1995).

All four traits are not only determinant of the effectiveness of an organization, but significant predictors of other factors such as quality, employee satisfaction and overall performance as well (Denison and Mishra, 1995). In addition to the four traits, Denison and Mishra (1995) acknowledge other factors in the framework, more precisely internal integration and external adaption as well as change and stability. In order to do so, they once again referred to Schein’s (2004) theory that
organizations are only able to survive if they find a balance between the problems of internal integration and external adaptation. According to the authors, involvement and consistency focus on the process of internal integration, while mission and adaptability address the dynamics of external adaptation (Denison and Mishra, 1995). Additionally, consistency and mission are traits that contribute to the capacity of an organization to remain stable and predictable over time, whereas involvement and adaptability describe traits that are capable of keeping an organization flexible and open to change (Denison and Mishra, 1995).

Successful organizations try to keep the trade-offs between change and stability as well as internal integration and external adaptation to a minimum. Therefore, the approach of the model is to see the traits balanced, not isolated from each other (Denison and Mishra, 1995). Organizations with too much consistency may lack adaptability and customer orientation, whereas too highly involved employees may have to fight with an absence of another trait such as mission or adaptability. Furthermore, market-oriented organizations, which are aggressive in pursuing every opportunity, have the most trouble with internal integration and organizations that are highly integrated and controlled have difficulty focusing on the customer (Denison, Hooijberg, Lane and Lief, 2012). Therefore, as outlined previously, it is extremely important to balance these traits. “As Quinn (1988) has noted, it is the balancing of competing demands that distinguishes excellent managers and organizations from their more mediocre counterparts. This theory suggests a similar logic for understanding organizational culture” (Quinn, 1988, cited by Denison and Mishra, 1995).

The author illustrated Denison’s work through the description of the development and the definition of the four cultural traits of the organizational model. The model is the basis for the document analysis, which can be seen in more detail in Chapter 6. Furthermore, the development of the four cultural traits is based on the theoretical model by Schein (1985), on internal integration and external adaption, and on the aspect of change and stability. In the following part of this study, the selection of the Denison model will be justified.
2.7.7 Reasons for the Selection of Denison’s Model

This section of the paper will describe the reasons for the selecting of the previously presented model by Denison. First of all, the author thinks that the examination of Schein’s (1985) ‘three levels of culture’ model is fundamentally important, as it helps to explain the model by Denison. The theoretical model by Schein is a basis for understanding the structure and essence of Denison’s model. According to Loisch (2007), Schein’s model is frequently used in theoretical parts of research projects, yet it stays isolated and without reference to the research questions and the operationalization part (Loisch, 2007).

As a result, the author chose Denison’s model because it connects the management of the organization with its performance. Furthermore, it investigates the various determinant traits of organizational effectiveness and is therefore highly appropriate for analyzing the purpose of this paper, that is to say to study the influence of organizational culture on the effectiveness of hotels. Consequently, the documents will be interpreted based upon the model of Denison. After examining the subject of organizational culture, its history, definitions and characteristics as well as the elaboration of two essential models in the field of organizational culture, the following Chapter will deal with the second issue addressed in this paper, namely the performance of hotels. The Chapter will approach traditional measures of assessing performance as well as more recent ones, and will present a tool for those measurements.
3 Performance Measurements in Luxury Hotels

As previously outlined, the following Chapter will present various methods of analyzing the performance of luxury hotels. In relation to the research question not only organizational culture has to be studied in detail, but the measures of performance as well. First of all, traditional measures will be listed in section 3.1; section 3.2 will examine the turnover of employees, as it seems to the author that this method of analyzing performance is an appropriate means to visualize the degree of establishment of an organizational culture. In addition, section 3.3 will present the ‘Malcolm Bridge Program’ as a tool for measuring performance.

3.1 Traditional Measures

“A hotel’s ability to effectively compete and financially prosper in today’s lodging market is increasingly tied to the skill of its staff in pricing and selling its guestrooms” (Woods, Ninemeier, Hayes and Austin, 2007, p.230). Therefore, financial ratios are important to measure the performance of an organization.

Occupancy percentage shows the success of a hotel’s staff in attracting guests to a particular property. This measure of effectiveness is a very traditional one and used as an indicator for the staff’s effort. Questions like, for example, how effective reservation agents were in meeting the needs of the guest in matters of the room’s amenities could be answered by this method. The occupancy percentage is computed on a daily basis and reads as follows (Woods et al., 2007):

\[
\text{Occupancy percentage} = \frac{\text{Number of Rooms Sold}}{\text{Number of Rooms Available}} \times 100
\]

Another similar method is the occupancy index. The occupancy index measures the occupancy rate of the hotel compared to the occupancy rate of its competitors (Woods et al., 2007):

\[
\text{Occupancy index} = \frac{\text{Occupancy rate of a selected hotel}}{\text{Occupancy rate of that hotel’s competitive set}}
\]
Furthermore, the following measure, namely the average daily rate of a hotel, is perceived as measuring the guest's perception of value rather than related to the hotel's selling ability like the occupancy rate is (Woods et al., 2007). Guests who perceived the received service as sufficient and adequate compared to the price paid are more likely to return, unlike those who perceived the rates, compared to the service received unreasonable. The average daily rate is computed as follows (Woods et al., 2007):

\[
\text{ADR} = \frac{\text{Total revenue}}{\text{Total rooms sold}}
\]

In analogy to the method above, the relevant index here is the ADR index. The index helps managers evaluate the effectiveness of their rate strategies and helps them analyze when to modify (Woods et al., 2007).

\[
\text{ADR index} = \frac{\text{ADR of a selected hotel}}{\text{ADR of that hotel’s competitive set}}
\]

The general and overall method of measurement is the revenue per available room (Woods et al., 2007).

\[
\text{RevPar} = \text{ADR} \times \text{Occupancy rate}
\]

\[
\text{RevPar index} = \frac{\text{RevPar of a selected hotel}}{\text{RevPar of that hotel’s competitive set}}
\]

As Denison (1984) stated, financial ratios are not the only, nor the best indicators of organizational effectiveness. Besides, he points out that complete reliance on financial indicators can often bias a measure of effectiveness (Denison, 1984). Those ‘hard facts’ certainly reflect the financial performance of an organization, which are important for pricing, for financial reports such as the balance sheet or the income statement and in order to know whether the costs exceed the profits. Nevertheless, the author believes that it completely disregards other important factors of performance, such as employee satisfaction, for example. As employee satisfaction is an important factor in the organizational culture, the author considers it of utmost importance to take a dimension that measures the satisfaction of employees into
account. According to Salleh, Nair and Harun (2012), many studies have been conducted in Western as well as Eastern countries about the negative and significant relationship between employee satisfaction and turnover intention. “It is therefore reasonable to conclude that regardless of the differences between both the cultures, job satisfaction is negatively related to turnover intention among employees” (Salleh et al., 2012, p.317). According to this statement the turnover rate of employees is an indication for the satisfaction of employees; for this reason, the author draws on the turnover rate as an additional measurement for effectiveness.

3.2 Employee Turnover Rate

“Employee turnover has been a major managerial issue in the hospitality industry, where the annual turnover rate is estimated to be as high as 300%” (McShane Associates Inc., 2000).

It is well known that employee turnover involves a significant cost for the companies, not only direct costs, but indirect costs such as reduced performance level and low morale as well (Jang and George, 2012). Nevertheless, it is quite hard to assess employee turnover and the connected costs of a company. However, there are a few studies on the culture of employee turnover. “A study estimated that replacing a non-management employee costs as much as 30% of the employee’s annual salary, whereas replacing a manager incurs almost 50% of the manager’s annual salary” (Choi and Dickson, 2009, p.103-116).

Furthermore, Simons and Hinkin (2001) tested multiple hotels and verified a correlation between a high employee turnover and a decrease in hotel profits (Simons and Hinkin, 2002, cited by Choi and Dickson, 2009). Additionally, Baek, Park and Lee (2006) reported a significantly negative relationship between turnover intent and sales growth (Baek, Park and Lee, 2006, cited by Jang and George, 2012). Besides, Pinkiovitz, Moskal and Green (2006) summarized the turnover costs as follows: training costs, loss of productivity, replacement costs, loss of knowledge and separation costs (Pinkiovitz, Moskal and Green, 2006, retrieved in May 2013). Other studies such as Lloyd’s (2002) showed that there is a disconnection between why workers leave and what companies believe that causes employee turnover (Lloyd
2000, cited in Choi by Dickson, 2009). Therefore, managers need to understand the actual causes of employee turnover.

Several studies exist about the causes of employee turnover. One of the main causes related to job performance, according to multiple studies such as Trait, Padgett and Baldwin’s (1989), Morrison’s (1997) or Judge, Thoresen, Bono and Patton’s (2001); is job satisfaction (Jang and George, 2012). Those studies found a positive correlation between job satisfaction and performance. According to Jang and George (2012), previous studies came to the conclusion that dissatisfaction directly leads to employee turnover. Furthermore, Hancer and George (2003) found out that pay showed the lowest mean score of job satisfaction, whereas job security, meaning a low turnover, had the highest mean score of job satisfaction. Cotton and Tuttle (1996) categorize the key factors of turnover into three categories (Cotton and Tuttle, 1996, cited by Jang and George, 2012):

1. Work-related factors (pay, performance, job satisfaction and organizational commitment)
2. Personal factors (demographic or psychological factors)
3. External factors (unemployment rates, employment perceptions, and union presence)

According to Jang and George (2012), work-related factors receive the most attention, because of their direct and strong influence on turnover. Next are the personal factors, as for example elderly employees are more emotionally involved in an organization and therefore are less likely to consider leaving the organization. As the external factors are hard to change in the short run and difficult to manage, they are not considered (Jang and George, 2012).

After examining the determinants of turnover, the question arises as to retain employees. As Argote (1999) states, turnover results in a dysfunctional organizational culture, particularly with regard to reduced employee morale within the organization and poor customer service due to new personnel not being familiar with the operations (Argote, 1999, cited by Yang, Wan and Fu, 2012). Furthermore “high turnover rates not only affect staff morale but also lead to the loss of productive workers while reducing efficiency” (Yang et al., 2012, p.837). This is why
the key factors such as employee satisfaction need to be taken into consideration. One form of trying to retain employees and keep them satisfied are human resource strategies such as rewards, training and career development (Yang et al., 2012). In order to attain a more holistic view of the performance of a hotel, the organization has to take more aspects into account. According to the author, an appropriate tool for measuring the performance in a more holistic way, taking into account several aspects, is the ‘Malcolm Baldrige Program’. This program will be presented in more detail in the following section.

3.3 The Baldrige Performance Excellence Program

The ‘Baldrige Performance Excellence Program’ is a program that tries to enhance the competitiveness and performance of US organizations. The Malcolm Baldrige National Quality prize is awarded based on a set of criteria. In the mid 1980s, Americans realized the need to focus on quality in order to perform in an excellent way, so secretary of commerce Malcolm Baldrige established the Program and the Award, which was named after him upon his death. On August 20, 1987 the Malcolm Baldrige National Quality Award was created by and signed into Public Law 100-107 (The National Institute of Standards and Technology, retrieved in May 2013). One its purposes states that “american business and industry are beginning to understand that poor quality costs companies as much as 20 percent of sales revenues nationally and that improved quality of goods and services goes hand in hand with improved productivity, lower costs, and increased profitability” (The National Institute of Standards and Technology, retrieved in May 2013).

The criteria for performance excellence are divided into six groups (Evans and Lindsey, 2008):

1. Customer
2. Product and service
3. Financial and market
4. Human resources
5. Organizational effectiveness
6. Governance and social responsibility
1. Measures and indicators for performance as viewed by customers include customer satisfaction, dissatisfaction, customer complaints, warranty claims, customer retention, gains and losses of customers. Moreover, there are perceived measures of value, loyalty and customer relationship building. Customer satisfaction should be measured against three areas: service quality, product quality and cycle times.

2. Product and service measures are strongly correlated to customer satisfaction measures and include field performance of products, response times and internal quality measurements.

3. The financial and market measures might include revenue, ROI, ROE, operating profit and cost of quality, but other companies use earnings before tax, depreciation, gross profit and administrative costs as their key financial indicators.

4. Most companies do not measure human resource results, despite their importance. Nevertheless, some companies monitor percent turnover very closely, as this is a key indicator for the effectiveness of their selection and training processes and their employee satisfaction.

5. Organizational effectiveness measures track business development and operational improvement.

6. Governance and social responsibility performance measurement looks at ethical behavior, community services, stakeholder trust and accountability.

Summarizing the above the procedure of measuring performance excellence is a proper tool for the measurement of effectiveness. According to Kanter (2011) continuous improvement is a survival strategy for every company, as it is the only way of preparing organizations to be able to cope with rapid adjustments to rising standards and changing conditions (Kanter, 2011, cited by the Baldrige Performance Excellence Program, 2011). In fact, as the Baldrige Performance Excellence Program (2011), states 86 organizations have received the Baldrige Award between 1980 and 2010 and data have proved that applying Baldrige Program has led them to better financial results, loyal customers, an engaged workforce and improved products and services (Baldrige Performance Excellence Program, 2011).
Statistics in order to illustrate these results will be presented in the following Tables (The Ritz-Carlton Hotel Company L.L.C., 2000, retrieved in May 2013):

1. Revenue increase
2. Customer satisfaction
3. Turnover reduction and workforce retention

Figure 1 Revenue Increase over 4 Years, Source: The Ritz-Carlton Hotel Company L.L.C., 2000

As Table 2 above shows, Service Business A realized immense growth in market share, which results in a loss for the competitors. Service Business B increased its revenue at an average annual rate of 15% over this period, while its top competitors’ revenues grew less than 5% annually. Next, Service Business C increased its pretax operating income at an average annual rate of nearly 15%. In general, the average annual growth of those three Service Businesses amounts to 17%.
Figure 3 Customer Satisfactions, Source: The Ritz-Carlton Hotel Company L.L.C., 2000

The Table above shows that all five Service Businesses maintain a very high percentage of customer satisfaction. Service Business A’s customer satisfaction level exceeds the best-practice threshold level of 60%. Furthermore, Service Business B is world class according to the American Customer Satisfaction Index. Service Business C reached an increase of 27% in customer satisfaction level within 6 years. Moreover, the customer satisfaction level of Service Business D is 6% higher than its best competitor. Service Business E managed an increase of 13% in 3 years.

The last results, namely the turnover reduction can be summarized as follows: “39% decrease in employee turnover over 5 years, to 16%, against an industry average of just over 27% (Operations Management International [now CH2M HILL])” (Baldrige Performance Excellence Program, 2011, p.15).

Besides, an employee satisfaction of 50% above the industry benchmark is reached with the help of the ‘Baldrige Performance Excellence Program’.

After having examined several measures of effectiveness and presented a procedural tool for those measurements in this Chapter, and the concept of organizational culture in the previous one, the author links these two in the following Chapter. This linkage is essential as it forms the basis for answering the research question of this paper.
4 Linking Performance to Organizational Culture

As previously stated, linking between the performance of hotels and the establishment of an organizational culture within an organization is fundamental for answering the research question, which is as follows: How does organizational culture influence the performance of luxury hotels based on the example of the Ritz-Carlton Hotel Company L.L.C.? Therefore in section 4.1 will draw a general linkage, which will then be split into the two subsequent sections. Section 4.2 will elaborate on the relationship between financial performance and organizational culture, while section 4.3 will examine the relationship between organizational culture and non-financial performance indicators, namely the turnover rate as an indication for employee satisfaction.

4.1 General Relationship

According to Rose, Kumar, Abdullah and Ling (2008) organizational performance is a function of the return of an institution of strong culture into the organization’s system and its routines. Furthermore many recent studies have supported the positive link between organizational culture and performance, such as Calori and Sarnin (1991) or Kotter and Heskett (1992) (Rose et al., 2008). “Moreover, there are recent studies done by Chatman and Jehn (1994), Denison and Mishra (1995) and Kotter and Heskett (1992), have contributed significantly to the field of culture and performance studies whereby culture is being treated as a variable for a specific research purpose” (Rose et al., 2008). On the one hand Kotter and Heskett (1992) have discovered that the establishment of a strong culture is significantly correlated to long-term financial performance. On the other hand, Denison and Mishra (1995) have found out that organizational culture is strongly related to short-term performance (Rose et al., 2008). Salleh et al. (2012) determined the relationship between a high turnover rate and low organizational commitment, more precisely a low established organizational culture (Salleh et al., 2012). This is why as previously stated financial and non-financial measures have to be taken into account in order to assess organizational performance. Thus both financial and non-financial measures are used in order to get comprehensive results in studying the relationship between culture and the effectiveness of an organization. In the following section
the author will start out by looking at the relationship between financial performance and organizational culture.

4.2 Relationship between Financial Performance and Organizational Culture

According to Kotter and Heskett (1992), the most recognized perspective about the relationship between organizational culture and economic performance is that excellent performance is attributed to a ‘strong culture’ - a strong culture meaning that almost all managers share a set of consistent values and practices and that their roots go very deep (Kotter and Heskett, 1992). Kotter and Heskett’s book ‘Corporate Culture and Performance’, written in 1992, is based on their study about what kinds of corporate culture enhance long term economic performance. Therefore they conducted a questionnaire survey about cultural strength in 207 firms in the United States and calculated three measures of economic performance: more precisely, the average yearly increase in net income, the average yearly return on investment and the average yearly increase in stock prices. As a result, they examined the relationship between performance and culture strength indices (Kotter and Heskett, 1992). Their study discovered a positive correlation, but that the attribution of a ‘strong culture’ to economic performance was wrong, as there are organizations with a ‘strong culture’ and poor performance. Therefore Kotter and Heskett (1992) redefined the statement ‘Strong cultures create excellent performance’ into ‘Strong adaptive cultures are strongly related with strong financial results’. “The better the fit, the better the performance; the poorer the fit, the poorer the performance.” (Kotter and Heskett, 1992, p.28) This means that adaptive cultures are strongly correlated with the financial long-term performance. This confirms Schein’s (1985) and Denison’s (1990) model, which proposes that a working organizational culture needs to be adaptive to external environmental changes and balance internal integration at the same time, as previously elaborated on in this paper.

As previously stated, another important study that has contributed to the field of culture and performance studies is the one by Denison and Mishra (1995). Based on the four cultural traits model, which was presented in Chapter 2.7, namely adaptability, involvement, consistency and mission, the authors conducted a study
about the relationship between the four cultural traits and the effectiveness of an organization. 764 organizations have been questioned about the traits and compared to a set of effectiveness measures, including subjective and objective measures such as quality, sales growth, employee satisfaction and overall effectiveness. The results showed a positive correlation between all four traits and the effectiveness measures. Concerning the subjective measures, employee satisfaction shows the highest correlation; while concerning the objective measures the four cultural traits seem to be slightly stronger predictors of return on assets than growth of sales (Denison and Mishra, 1995). Furthermore, Denison and Mishra (1995) have found that profitability criteria are best predicted by the stability traits, namely mission and consistency, and that sales growths are best anticipated by the flexibility traits, which are involvement and adaptability (Denison and Mishra, 1995). Comparing the results for both objective and subjective measures reveals an interesting finding: “The correlation between the four traits and the objective criteria are size dependent, but the correlations between the four traits and subjective criteria are not” (Denison and Mishra, 1995, p.219). This leads Denison and Mishra (1995) to derive the two following interpretations (Denison and Mishra, 1995):

1. Culture and effectiveness are more closely linked in larger firms
2. Subjective measures are better suited for comparison

This interpretation leads the author to the employee turnover rate presented in Chapter 3.2. Used as an indication of employee satisfaction it represents the non-financial performance measures.

4.3 Turnover Rate as an Indication of Employee Satisfaction

“Culture isn’t just one aspect of the game - it is the game. In the end, an organization is no more than the collective capacity of its people to create value. The people make the place” (Gerstner, cited by Denison et al., 2012). This statement shows the importance of the people within an organization, more precisely the employees. In order to retain employees they have to be satisfied. According to Cole and Cole (2010) several studies, such as Wright, Dunford and Snell (2001), Bowen and Ostroff (2004) and Wright, Gardner, Moynihan and Allen (2005) have proved that a positive working climate fosters employee satisfaction. Furthermore, they have found a
highly positive correlation between organizational culture and employee satisfaction (Cole and Cole, 2010). Medina (2012) has conducted research about job satisfaction and turnover intention and on the question of what organizational culture has to do with the former; he found out that satisfaction with the in the workplace established organizational culture is related to job satisfaction and turnover intention. Results have shown that each unit increase in job satisfaction decreases the turnover intention and that a workplace culture is required in order to keep employees satisfied (Medina, 2012). Chang and Lee (2007) state that the higher the extent of identification with the existing organizational culture is, the higher the extent of job satisfaction is (Chang and Lee 2007, cited by Mehr, Emadi, Cheraghian, Roshani and Behzadi, 2012).

The previous paragraph illustrates the relationship between employee satisfaction and organizational culture. Thus as shown in section 3.2, employee satisfaction is one of the main factors in keeping the turnover rate to a minimum and, therefore, in raising the overall performance of an organization. In other words, as the author has stated above, to reduce employee turnover and connected costs, management needs to establish an organizational culture to keep employees satisfied and motivated. A Case Study of New Castle Hotels has identified the main factors responsible for reducing the turnover rate from 66.6% in 1999 to 57% in 2000. The factors were the following: open door policy, peer reviews, regular opinion surveys and enhanced promotion policy. Those culture-enhancing programs are based on values such as fairness, consistency, ethics and caring (McShane Associates Inc., retrieved in May 2013). To keep the turnover rate low is fundamentally important, as it strongly influences the performance of an organization. Shaw (2011) has conducted research on that relationship and the results show that organizational performance and turnover rates are negatively correlated. In other words, organizational performance increased as turnover rates decreased, and vice versa (Shaw, 2011). According to Shaw (2011), turnover rates negatively affect and impact several measures of performance, non-financial and financial ones, through decreased productivity and losses in human and social capital. Furthermore, Simons and Hinkin (2001) tested multiple hotels and verified a correlation between high employee turnover and declining hotel profits (Simons and Hinkins, 2002, cited by Choi and Dickson, 2009).
In this Chapter, the author has portrayed the linkage between organizational culture and performance of an organization. The author views the demonstration of this relationship as essential for the advancement of this research paper and for showing the relevance of the given topics. This relationship will be examined by means of a document analysis in Chapter 7. The examination will be based on the cultural model by Denison (1990) presented in Chapter 2.7 and its four cultural traits with various sub points. The purpose of the thesis is now to investigate the influence of organizational culture on the performance of a hotel based on a document analysis, so that it is now essential to proceed to the empirical part of this thesis.
5 Methodology

While the previous Chapters have identified the theoretical viewpoint of this thesis, it is now crucial to reflect upon methodologies and to find the appropriate method for this paper in order to answer the primary research question. Therefore section 5.1 will examine the qualitative and quantitative methodologies and present its quality criteria in section 5.2. The author will explain the chosen method in section 5.3. Furthermore, section 5.4 provides operationalization and 5.5 outlines the sample used in the thesis. The Chapter ends with a description of the setting of this thesis (5.6).

5.1 Quantitative and Qualitative Methods

In conducting empirical research, there are two main approaches, namely the quantitative and the qualitative approach.

Quantitative research is based on data that is objective, quantitative and statistically valid. The observed phenomenon is then expressed numerically. “Quantitative research is conclusive in its purpose as it tries to quantify the problem and understand how prevalent it is by looking for projectable results to a larger population” (Mora, 2010, retrieved in May 2013). Quantitative research involves a linear (step-by-step) process starting from theory of a theory and ending in its testing or validation. The aim of quantitative research is to generalize the data by means of statistical analyses and apply them beyond the specific study. Therefore the collected data has to be standardized, meaning that the interviewing procedure has to be the same for all participants (Flick, 2011). An example of quantitative research is a standardized questionnaire with available responses that simply have to be provided or ticked.

On the other hand, qualitative research aims to interpret data according to individual statements and to generalize on a theoretical basis rather than a statistical one (Flick, 2011). The purpose of the method is to get an in-depth understanding of the meaning of things and the views/attitudes of individuals. Qualitative research findings enable the researcher to propose new hypotheses and develop new theories. Qualitative measures use methods such as interviews, observation
techniques and non-reactive approaches (Flick, 2007). Conducting interviews or working with a focus group to collect data is the most common form of qualitative research. In addition to interviews, observation techniques are used to display observed data, as used for in-field ethnographic purposes. Lastly, qualitative research can be conducted by using nonreactive approaches. Nonreactive approaches include the analysis of documents, such as different types of files, text or photos (Flick, 2007). According to Bortz and Döring (2006) the influence on the research sample, such as falsified answers, is avoided as there is no contact between the researcher and the ‘respondent’. The research is either not noticed or conducted solely on the observation of behavioral traces (Bortz and Döring, 2006).

The author uses a document analysis focusing on the company’s corporate website and published work. Interviews seemed to be inappropriate to the author, as single answers about the established organizational culture and its performance may not be reliable to represent an international organization with 38 000 employees worldwide. Furthermore, observation techniques would not have provided sufficient information either. Before elaborating on the documentary analysis as a research method, the following section will examine the quality criteria after presenting Table 5 that summarizes the differences between the qualitative and quantitative research approaches that have been described above.
In Table 5 the main differences between the two approaches are illustrated according to the source of Flick (2011):

<table>
<thead>
<tr>
<th></th>
<th>Quantitative Research</th>
<th>Qualitative Research</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Theory</strong></td>
<td>Tested as a starting point</td>
<td>Developed as an end point</td>
</tr>
<tr>
<td><strong>Case selection</strong></td>
<td>Random sampling</td>
<td>Purposive according to the theoretical richness of the case</td>
</tr>
<tr>
<td><strong>Data selection</strong></td>
<td>Standardized</td>
<td>Open</td>
</tr>
<tr>
<td><strong>Analysis of the data</strong></td>
<td>Statistical</td>
<td>Interpretative</td>
</tr>
<tr>
<td><strong>Generalization</strong></td>
<td>In a statistical sense</td>
<td>In a theoretical sense</td>
</tr>
</tbody>
</table>

Table 5 Differences between Qualitative and Quantitative Research, Source: Flick, 2011

5.2 Quality Criteria of Empirical Research

Both qualitative and quantitative research rely on three quality criteria, namely ‘reliability’, ‘validity’ and ‘objectivity’ (Flick, 2011).

Research is reliable if there is formal accuracy. It is a concept used for testing and evaluating quantitative research. Nevertheless the idea is used in nearly all types of research (Golafshani, 2003). Its use in qualitative research is widely discussed. As Lamnek (2005) points out, the individuality, uniqueness and context-related interpretation in situations should be highlighted and therefore reliability should not be used as a quality criterion in qualitative research (Lamnek, 2005, cited by Tschögl, 2008). Bortz and Döring (2006), however, believe that reliability should not be dismissed in qualitative research (Bortz and Döring, 2006). The author believes that reliability is partly given. If a similar study were to be conducted, the data retrieved would generate the same results. As Seale (1999) states, the trustworthiness of a research study is based upon validity and reliability, which leads to the second quality criterion, namely validity (Seale, 1999).
On the other hand, according to Tschögl (2008) validity is the most important quality criterion in qualitative research (Tschögl, 2008). “Validity describes whether an item measures or describes what it is supposed to measure or describe” (Bell, 2005, p.14). The term validity is described by a wide range of terms in qualitative research. As Winter (2001) points out, validity is “rather a contingent construct, inescapably grounded in the processes and intentions of particular research methodologies and projects” (Winter, 2001, cited by Golafshani, 2003, p.602). Furthermore, Bell (2005) states that validity needs to be examined in detail if the researcher deals with smaller projects without complex testing or measurements (Bell, 2005). The author is aware of the limitations on validity in this paper, as the sample consists of only one hotel.

Lastly, “objectivism states that the researcher’s subjectivity can enable her to accurately comprehend the world as it exists in itself. Of course, subjectivity can bias the researcher and preclude objectively understanding a subject’s psychological reality. However, this is not inevitable. In fact, one of the advantages of recognizing subjectivity is to reflect on whether it facilitates or impedes objective comprehension. Distorting values can then be replaced by values that enhance objectivity” (Ratner, 2002, p.1). The author tries to keep a biased subjective point of view to a minimum and stay objective throughout the paper.

In the context of this paper, the author chose the qualitative research approach in order to undertake the study, as the author assumes that cultures are unique in each context and therefore a statistical analysis would not be appropriate. Furthermore, as elaborated on in Chapter 2, cultures are hard to define, grasp and measure and therefore qualitative research seems suitable. Moreover, document analysis as a nonreactive approach was selected. This approach will be analyzed in the next section.

5.3 Selection of Methodology

As previously pointed out, qualitative research consists of different methods and the author chose the nonreactive approach in order to apply theory to current practice. Relevant document analysis is one of the techniques of the nonreactive approach and is defined as “a systematic procedure for reviewing or evaluating documents -
both printed and electronic material” (Bowen, 2009, p.27). Documents that may be used take a variety of forms such as manuals, background papers, books and brochures, journals, press releases, organizational or institutional reports, public records and advertising. Furthermore, it requires the researcher to examine and interpret the documents in order to obtain meaning, gain understanding and develop empirical knowledge (Bowen, 2009). “The researcher needs to determine not only the existence and accessibility, but also the authenticity and usefulness of particular documents, taking into account the original purpose of each document, the context in which it was produced, and the intended audience” (Bowen, 2009, p.38). For example, the author needs to pay attention to the fact that the corporate website will present the company in its best light and leave out potentially questionable issues the organization was or is involved in. This fact, in addition to insufficient detail, low retrievability and biased selectivity, is among the disadvantages of the research approach, though according to the author, the advantages outweigh the limitations. The advantages are cost-effectiveness, lack of obtrusiveness and reactivity, stability and broad coverage; the approach is less time-consuming and therefore more efficient (Bowen, 2009).

“The analytic procedure entails finding, selecting, appraising (making sense of), and synthesizing data contained in documents. Document analysis yields data - excerpts, quotations, or entire passages- that are then organized into major themes, categories and case examples, specifically through content analysis” (Labuschagne, 2003, cited by Bowen, 2009, p.28). This means that the available data is organized into categories in order to interpret it. The author has established categories according to Denison’s four cultural traits for the retrieval of results. After having discussed the major points of document analysis the researcher will focus on the categories in the following section.

5.4 Operationalization

Operationalization in a research context means to make a theoretical model or construct measurable in a real setting (Bortz and Döring, 2006). In this paper this is achieved by testing the research question with assistance of a documentary analysis of an organization. Therefore the organizational model by Denison (1990), its four traits and its various sub points will be examined by means of the company’s
website and its business reports. The theoretical parts examined the model in detail and showed its correlation with the performance of an organization. All categories together will lead to higher performance of the company. This means that if the organizational culture is established in an effective way this will enhance the performance of the business. Each organizational trait and its sub categories will be examined according to the respective type of activity the company is undertaking and will then be analyzed and compared with the theoretical base. Furthermore, the effectiveness will additionally be examined according to the company’s turnover rate. Table 6 gives an overview of the proposed traits and their sub points, established according to the theoretical base of this paper. The ‘items to be looked for’ are retrieved from the ‘Denison Organizational Culture Survey’ (Denison and Neale, 2005).

<table>
<thead>
<tr>
<th>Categories</th>
<th>Sub categories</th>
<th>Items to be looked for</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adaptability</td>
<td>Creating Change</td>
<td>Flexible, easy to change, respond well to changes, new and improved ways to do work are updated continuously, different parts of the organization cooperate to create change</td>
</tr>
<tr>
<td>Customer Focus</td>
<td>Customer comments and recommendations lead to change, encourage direct contact with customers, all members have a deep understanding of customer needs and demands, customer input directly influences the company’s decision.</td>
<td></td>
</tr>
<tr>
<td>Organizational Learning</td>
<td>Failure is viewed as an opportunity for learning and</td>
<td></td>
</tr>
<tr>
<td>Mission</td>
<td>Strategic Direction &amp; Intent</td>
<td>There is a long-term purpose and direction; there is a clear mission that gives meaning and direction to the work; there is a clear strategy for the future</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>-------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Goals &amp; Objectives</td>
<td>There is widespread agreement about goals; leaders set goals that are ambitious, but realistic; progress is continuously tracked according to the goals</td>
<td></td>
</tr>
<tr>
<td>Vision</td>
<td>There is a shared vision of what the company will be in the future; leaders have long-term viewpoints; the vision creates excitement and motivation for the employees; the company is able to meet the short-term demands without compromising the long-term vision.</td>
<td></td>
</tr>
<tr>
<td>Involvement</td>
<td>Empowerment</td>
<td>Most employees are highly involved in their work; information is widely shared</td>
</tr>
<tr>
<td>Consistency</td>
<td>Team Orientation</td>
<td>Capability Development</td>
</tr>
<tr>
<td>-------------</td>
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<tr>
<td>Team Orientation</td>
<td>Cooperation across different parts of the organization is actively encouraged; people work like they are part of the team;</td>
<td>Authority is delegated so that people can act on their own; there is continuous investment in the skills of employees; the capabilities of employees are viewed as an important source of competitive advantage</td>
</tr>
<tr>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

so that everyone can get the information he or she needs; everyone believes that he or she has a positive impact; business planning is ongoing and involves everyone in the process to some point.
There is a ‘strong’ culture; there is agreement about the right way and the wrong way to do things; when disagreements occur the company works hard to achieve ‘win-win’ solutions.

The approach to doing business is very consistent and predictable; people from different parts of the organization share a common perspective; it is easy to coordinate projects across different parts of the organization.

**Table 6 Categorizing Scheme according to Denison’s Organizational Model, Source: Denison and Neale, 2005**

The study is conducted on the basis of an appropriate sample and therefore the next section will briefly discuss the particular sample.

### 5.5 Sample

According to the Forbes 2000 Leading Companies, the Marriott International Company is at rank 929 with a market value of $12.6 billion (Forbes.com, retrieved in June 2013). This shows the importance and power of this company. More importantly, the Ritz-Carlton Hotel Company L.L.C. is part of the Marriott International Company and was chosen as a sample for this paper. The reason for selecting this hotel company stems from the author’s personal interest in this organization and its worldwide unique and significant organizational culture. This exceptional organizational culture and the company itself will be presented in Chapter 6.
5.6 Setting

The procedures employed in writing this thesis consist of various stages. The preparation phase, i.e. the first phase of the resulting study, started out by conducting some secondary research took the form of a literature review. The formulation of the research question resulted from the author’s personal interest in the subject and the obtained research results. Upon formulating the research question, the different research methods were examined and the document analysis as part of a non-reactive qualitative approach was identified as the most appropriate research method. A hotel company was chosen as a sample, resulting from the author’s interest in this company and the various statistics about their exceptional organizational culture. A thorough analysis, using the company’s corporate website as well as other online resources such as publications and statements, was conducted on the basis of the organizational model by Denison (1990) and the hotel’s turnover rate. The research question is answered after analyzing the data. The following Figure 4 summarizes the research process of the paper.

Figure 4 Setting of the Thesis
6 Document Analysis - The Ritz-Carlton Hotel Company L.L.C.

The goal of this Chapter is to analyze the obtained data. In order to do so, the sample will be presented in section 6.1. This will be followed by the analysis of organizational traits according to the theoretical Denison Model (1990) in section 6.2 and finally by an analysis of the turnover rate in section 6.3.

6.1 The Ritz-Carlton Hotel Company L.L.C.

The Ritz-Carlton Hotel Company L.L.C. is the parent company of the Ritz-Carlton Hotels, a luxury hotel chain, which belongs to the Marriot International Company. With headquarters in Chevy Chase, USA, Ritz-Carlton operates 81 hotels worldwide in 26 countries and employs 38 000 people (The Ritz-Carlton Hotel Company L.L.C., retrieved in June 2013). First, the history of the company will be examined in section 6.1.1, followed by the elaboration of the gold standards in section 6.1.2, which are the foundation of the organizational culture and encompass the values and philosophy the company operates on.

6.1.1 History

The roots of the Ritz-Carlton Hotel Company L.L.C. originate in one man: César Ritz. Even though most of the story takes place upon his death, he was the one who laid the foundation for the exceptional organizational culture and luxury standards that are adhered to today. César Ritz’s nickname is ‘king of hoteliers and hotelier to kings’ (Michelli, 2009). He worked in several high-class hotels, but his goal was to own his own hotel, an exceptional place where the celebrities of the world would feel at home. This dream came true on the first of June in 1898 in the Paris Ritz. Unfortunately, César Ritz died in 1918. Therefore he had only had a short time on hand to manage his own hotel, but he coined the furniture and service standards of luxury hotels significantly (Michelli, 2009). "His philosophy of service and innovations redefined the luxury hotel experience in Europe through his management of The Ritz Paris and The Carlton in London" (The Ritz-Carlton Hotel Company L.L.C., retrieved in June 2013). After his death in 1918, his wife Marie continued the expansion of hotels in his name by authorizing the utilization of the name Ritz for appropriate buildings
in Europe and the United States (Michelli, 2009). At that time Albert Keller established the Ritz-Carlton Investing Company by buying and franchising the name from Marie Ritz. In 1927 the Ritz-Carlton, Boston, opened and many other hotels in the United States followed suit, such as in New York, Atlantic City, Boca Raton, Philadelphia and Pittsburgh. By 1940, however, none of these hotels, except the one in Boston, was operating due to the crash of the New York Stock Exchange in 1929 (Michelli, 2009). The Ritz-Carlton, Boston, revolutionized hospitality in America by creating luxury in a hotel setting. Examples are as follows: a private bath in each guestroom, a universal uniform, a-la-carte dining, exclusive and fresh flowers, lighter fabrics and intimate, smaller lobbies for a more personalized guest experience. The personalized and luxurious atmosphere drew and still draws the elite to the hotel (The Ritz-Carlton Hotel Company L.L.C., retrieved in June 2013). In 1983, the hotel and the rights of the Ritz-Carlton name were sold, for approximately $70 million, to a construction mogul called William B. Johnson, who established the Ritz-Carlton Hotel Company L.L.C. From 1983-2000, the Ritz-Carlton Hotel Company L.L.C. expanded aggressively from four properties to 40 worldwide, but suffered huge financial losses during that period. In 1996, the Marriot International Company bought 49% of the shares of the Ritz-Carlton Hotel Company L.L.C. Today the Ritz-Carlton Hotel Company L.L.C. is a 100% affiliated company of the Marriot International Company. The parent company enables brand access to enormous economic and other supporting resources (Michelli, 2009).

In spite of the economic obstacles, the Ritz-Carlton Hotel Company L.L.C. always holds on to its belief in service and quality. While other companies cut down on quality of goods and services in hard times, the Ritz-Carlton Hotel Company L.L.C. always maintains the highest possible quality claim based on the Baldrige Performance Excellence criteria. This is why the company has won the Malcolm Baldrige National Quality Award twice, the only service company to have done so (Michelli, 2009). In addition, the management positions the company in such a way that the company has won every single important award in the hotel industry, such as the AAA Five Diamonds Award, various ‘best hotel in the world’ awards and several guest satisfaction acknowledgments (The Ritz-Carlton Hotel Company L.L.C., retrieved in June 2013). In the following section the gold standards, which are based on the organizational culture and have led to all the awards, will be described.
6.1.2 Gold Standards

The Ritz-Carlton Hotel Company L.L.C. has distinguished itself from other hotels in the luxury business by its remarkable policies and standards. The boundaries between culture, meaning enthusiasm and cult, meaning fanaticism, is very thin and to outsiders, the gold standards may seem fanatic, but they are the foundation of the company’s exceptional organizational culture which is anchored very deeply in each employee. Only very few organizations are able to hold a candle to the way the Ritz-Carlton Hotel Company L.L.C. anchors the ‘roadmap’ with its gold standards and the key elements of its organizational culture (Michelli, 2009). These gold standards are noted on the credo card, which employees have to carry with them as part of the uniform. The credo card consists of (The Ritz-Carlton Hotel Company L.L.C., retrieved in June 2013):

1. The Credo
2. The Motto
3. The Three Steps of Service

‘The Credo’ is formulated in three sentences that define the unique guest experience:

The Ritz-Carlton Hotel is a place where the genuine care and comfort of our guests is our highest mission. We pledge to provide the finest personal service and facilities for our guests, who will always enjoy a warm, relaxed, yet refined ambience. The Ritz-Carlton experience enlivens the senses, instills well-being, and fulfills even the unexpressed wishes and needs of our guests (The Ritz-Carlton Hotel Company L.L.C., retrieved in June 2013).

Furthermore, ‘the Motto’ “We are Ladies and Gentlemen serving Ladies and Gentlemen” exemplifies the importance of respect for the employees, as well as a clear understanding of the relationship between the employees and the guest. It communicates the appreciation for the employees and tries to elicit a respectful working environment. As Michelli (2009) states, many employees, especially from social and economically underdeveloped countries, have never been called Ladies and Gentlemen before and he describes how much they appreciate such kind of view. Schulze, co-founder and former president of the Ritz-Carlton Hotel Company
L.L.C., points out in Micheli’s book (2009) that every single guest is as important and as much a Lady or a Gentleman as one of the guests. According to Schulze, this is a wonderful thought and the people working in the hotel industry should know that they should not be disregarded (Michelli, 2009).

Next, ‘the Three Steps Of Service’ tries to keep it simple. Consistent application of the simple aspects of service is of central importance for the Ritz-Carlton Hotel Company L.L.C. These three steps represent the principles of customer service as follows (The Ritz-Carlton Hotel Company L.L.C., retrieved in June 2013):

1. A warm and sincere greeting. Use the guest’s name.
2. Anticipation and fulfillment of each guest’s needs.
3. Fond farewell. Give a warm good-bye and use the guest’s name.

Lastly, ‘The Service Values’ are not on the credo card anymore, but are still part of the foundation of the Ritz-Carlton Hotel Company L.L.C.’s organizational culture. They are 12 Values that represent a consistent direction for acting and a claim to service. Formulated in the “I”-perspective these values should highlight individual responsibility (The Ritz-Carlton Hotel Company L.L.C., retrieved in June 2013):

1. I build strong relationships and create Ritz-Carlton guests for life.
2. I am always responsive to the expressed and unexpressed wishes and needs of our guests.
3. I am empowered to create unique, memorable and personal experiences for our guests.
4. I understand my role in achieving the Key Success Factors, embracing Community Footprints and creating The Ritz-Carlton Mystique.
5. I continuously seek opportunities to innovate and improve The Ritz-Carlton experience.
6. I own and immediately resolve guest problems.
7. I create a work environment of teamwork and lateral service so that the needs of our guests and each other are met.
8. I have the opportunity to continuously learn and grow.
9. I am involved in the planning of the work that affects me.
10. I am proud of my professional appearance, language and behavior.

11. I protect the privacy and security of our guests, my fellow employees and the company’s confidential information and assets.

12. I am responsible for uncompromising levels of cleanliness and creating a safe and accident-free environment.

After an examination of the sample, namely the Ritz-Carlton Hotel Company L.L.C., the author will proceed with the analysis according to the organizational model by Denison in the following section.

6.2 Analysis according to the Denison Model

The following section will analyze the Ritz-Carlton Company’s organizational culture by means of the organizational traits by Denison’s organizational model (1990).

6.2.1 Adaptability

‘Creating change’ is a critical theme in the Ritz-Carlton Hotel Company L.L.C. Some people argue that due to its fixed standards and procedures the company is not able to adapt to change. Furthermore, the fear of losing guests if traditions change also prevails (Michelli, 2009). But two elements have proved different. Firstly, Cooper, the former president of the Ritz-Carlton Hotel Company L.L.C., set out on a mission in 2005 to adapt the gold standards to present needs and make them more flexible. He had talks with almost half of the employees worldwide and came to the conclusion that the 20 service values were outdated and no longer appropriate. Therefore the management developed 12 new service values in collaboration with the employees according to guests’ new and changing demands (Michelli, 2009).

Secondly, the Ritz-Carlton Hotel Company L.L.C. now tries to adapt the interior design and the atmosphere to each location and market. A hotel in New York needs a different approach than a hotel in a ski resort, not just because of the location, but also because of the differing target market (Michelli, 2009). According to Cooper, the investment for each room amounts from $500,000 to over 1 million (Cooper, 2009, cited by Forbes.com, 2009, retrieved in May 2013). Lastly, in order to stay up to date with constantly changing environments and customer demands, the company now works together with several external experts to analyze those changes. One form of
this collaboration is the ‘forum of the luxury industry’, whose members such as Bulgari, Mercedes-Benz and Prada, work together to exchange knowledge and opinions about the changing market in order to reach the customers in a more adequate way. In order to keep abreast of developments, the Ritz-Carlton Hotel Company L.L.C. works together with a marketing company that helps to change the brand from a traditional to a cutting-edge one, but to stay authentic has top priority (Michelli, 2009). “We do a great deal of research that focuses on a broad study of luxury products and the market for high-end goods and services. Often you can see a trend coming before it becomes one by analyzing the data and studying the researchers’ conclusions and predictions. At Ritz-Carlton, we want to set trends, not follow them. On the other hand, we do not position ourselves as a trendy hotel company” (Cooper, 2009, cited by Forbes.com, 2009, retrieved in May 2013). The goal of the Ritz-Carlton Hotel Company L.L.C. is to remain successful by keeping its traditions, but to position the brand for future growth. The challenge of this constant transformation consists in the fact that the borderline between being authentic and losing credibility is very thin. According to the Vice President of Sales and Marketing, there is space for changeableness and willingness to carry a risk, but with a traditional brand like Ritz-Carlton the bow can not be overstretched, otherwise the perception of, and respect for, years of hard work will be destroyed due to lost credibility. Nevertheless, the tolerance and changeableness of the company will steadily be increased (Michelli, 2009).

‘Customer Focus’ is one of the main concerns of the Ritz-Carlton Hotel Company L.L.C. As can be seen in the second service value, “I am always responsive to the expressed and unexpressed wishes and needs of our guests.” And the ‘three steps of service’ (The Ritz-Carlton Hotel Company L.L.C., retrieved in June 2013). The only way to improve and exceed the customers’ expectations is to listen to them. Therefore the focus of the Ritz-Carlton Hotel Company L.L.C. is to cause a ‘wow-experience’ for the customers. This is done by encouraging the employees to directly approach the guests on a personal basis and achieve emotionally binding relationships. Satisfied guests are returning guests and loyal guests bring in more revenue and are cheaper than trying to gain new customers (Michelli, 2009). “I build strong relationships and create Ritz-Carlton guests for life” shows the goal of the company, which is to establish and maintain customer relationships achieved
through customer satisfaction. DeCocinis (2006) points out that from 2000 to 2005, the employee satisfaction rate rose from 95 to 98%, making it the highest among 60 Ritz-Carlton hotels worldwide for five consecutive years (DeCocinis, 2006, cited by ft.com, 2006, retrieved in June 2013). According to Gallo (2011) customer satisfaction is extremely down as measured by the American Satisfaction Index. Due to the poor economy the companies are forced to layoff and challenge the employees to work with fewer resources. Nevertheless, the Ritz-Calton Hotel Company L.L.C. continues to delight its guests through customer focus and empowered, well-trained staff (Gallo, 2011, cited by Forbes.com, 2011, retrieved in June 2013). “There are stories about hiring a carpenter to build a shoe tree for a guest; a laundry manager who couldn’t get the stain out of a dress after trying twice, flying up from Puerto Rico to New York to return the dress personally; or when in Dubai a waiter overheard a gentleman musing with his wife, who was in a wheelchair, that it was a shame he couldn’t get her down to the beach. The waiter told maintenance, who passed word, and the next afternoon there was a wooden walkway down the beach to a tent that was set up for them to have dinner in. That’s not out of the ordinary, and the general manager didn’t know about it until it was built“ (Cooper, 2009, cited by Forbes.com, 2009, retrieved in May 2013). Those stories are told during the daily line-ups. The 15-minute line-ups are daily briefings where all of the employees as well as the management meet to discuss the incidents that arose through the day. They share their ‘wow’ stories in order to be recognized and to reinforce the values (Denison et al., 2012).

‘Organizational learning’ is very important, as many ‘wow-experiences’ result out of a failure. The Ritz-Carlton Hotel Company L.L.C. sees failure as an opportunity rather than a weakness or mistake (Michelli, 2009). This is anchored in the fifth and sixth service values: “I continuously seek opportunities to innovate and improve The Ritz-Carlton experience” and “I own and immediately resolve guest problems.” Therefore there is a database for all service failures and according to Cooper (2009) the accurate collection of failures, a quick analysis and solution processes are fundamental to create ‘wow-experiences’ (Cooper, 2009, cited by Michelli, 2009).
6.2.2 Mission

‘Strategic Intent and Direction’ is represented within the mission statement, more precisely ‘the credo’. “The Ritz-Carlton Hotel is a place where the genuine care and comfort of our guests is our highest mission. We pledge to provide the finest personal service and facilities for our guests, who will always enjoy a warm, relaxed, yet refined ambience. The Ritz-Carlton experience enlivens the senses, instills well-being, and fulfills even the unexpressed wishes and needs of our guests” (The Ritz-Carlton Hotel Company L.L.C., retrieved in June 2013). This statement shows the long-term purpose and direction of the business. The most important strategy is the Social and Environmental Responsibility program, namely the Ritz-Carlton Community Footprints. “Our Community Footprints focus is our legacy and our future; it’s a commitment that was written into our original mission statement 30 years ago. Each of our 80 hotels and resorts has a comprehensive plan to focus on child well-being, hunger and poverty relief, and environmental responsibility” (Humler, 2013, cited by leadersmag.com, 2013, retrieved in June 2013). Child well-being is anticipated through the ‘Succeed through Service’ program, which, according to the Ritz-Carlton press release in April 2013, is a program that all 82 hotels worldwide are engaged in and that partners with local schools and youth organizations in order to provide a safe haven and nurturing environment for children without any positive role models or future perspective. Over 12 000 young students around the world have been supported over the last four years (The Ritz-Carlton Hotel Company L.L.C., retrieved in June 2013). The second subpoint, i.e. environmental responsibility, includes water and energy conservation programs, recycling initiatives, sourcing environmentally preferred products, and increasing the hotel’s organic dining and spa options. The environmental responsibility program attempts to keep the carbon footprint to a minimum and such commitment can be reflected through multiple avenues, including the linen and terry refresh program and the Audubon Cooperative Sanctuary managed golf courses (The Ritz-Carlton Hotel Company L.L.C., retrieved in June 2013). Equally important is the focus on hunger and poverty relief. The Ritz-Carlton Hotel Company L.L.C. knows that it will not break the cycle of poverty, but attempts to make the biggest difference possible by providing training opportunities, building homes, teaching life skills, cooking and serving food at shelters and providing essential resources (The Ritz-Carlton Hotel Company L.L.C., retrieved in
June 2013). Moreover, there are two additional programs: the ‘Meaningful Meetings Program’ and the ‘Give-Back Getaways’. The first is a program that was launched in 2007 and is an opportunity for group bookings that stay ten or more nights to have 10% of the total room revenue donated to a charity of their choice (The Ritz-Carlton Hotel Company L.L.C., retrieved in June 2013). The latter is an initiative that started in 2008 and offers guests to volunteer their time to improve and assist the local community in which they are vacationing. Examples are endangered sea turtles in Cancún, the Blue Iguana recovery program in the Grand Canyon or helping renovate and landscape a hospice which supports children with critical illnesses (The Ritz-Carlton Hotel Company L.L.C., retrieved in June 2013).

‘Goals and Objectives’ should be ambitious, but realistic. According to Humler (2013), president and co-founder, the goal is to reach 100 hotels by the end of 2015. 21 new hotels are in the pipeline, 12 of which under construction (Humler, 2013, cited by leadersmag.com, 2013, retrieved in June 2013). Furthermore, the Ritz-Carlton Hotel Company L.L.C. is expanding into emerging markets such as Panama City and Tel-Aviv and about to open its first Indian property. Humler (2013) also states that they are in control of growth and hand-pick every single location that makes perfect sense for the brand. In addition, the Ritz-Carlton’s goal is to enhance brand offerings by a collection of intimate resorts, such as Bulgari and Ritz Carlton Reserve in London. There are also plans for opening the second Reserve hotel in Puerto Rico (Humler, 2013, cited by leadersmag.com, 2013, retrieved in June 2013). “Ritz-Carlton Reserve is a brand extension we created four years ago in order to enter micro-markets where we cannot open a Ritz-Carlton. We are offering guests a hand-selected hideaway destination and individualized service – that’s what the Ritz-Carlton Reserve brand is all about” (Humler, 2013, cited by leadersmag.com, 2013, retrieved in June 2013).

The Ritz-Carlton Hotel Company’s ‘vision’ embodies the mission statement; it is the ideal position after having followed the mission statement. The ‘vision’ is simple: “We are Ladies and Gentlemen serving Ladies and Gentlemen”. This is a representation of its most important values, namely the employees and the customers; and it communicates the emotional connection between the employees,
as everyone should be treated with respect and acknowledged as an important part of the whole picture (Michelli, 2009).

6.2.3 Involvement

‘Empowerment’ is one of the most remarkable and impressive policies in the Ritz-Carlton Hotel Company L.L.C. As employees are the most important resource and one of the company’s core cultural traits is trust, empowerment is the only possible leadership style. This can be seen in the following employee promise: “At The Ritz-Carlton, our Ladies and Gentlemen are the most important resource in our service commitment to our guests” (The Ritz-Carlton Hotel Company L.L.C., retrieved in June 2013).

“By applying the principles of trust, honesty, respect, integrity and commitment, we nurture and maximize talent to the benefit of each individual and the company” (Cooper, 2009, cited by Forbes.com, 2009, retrieved in May 2013). As Cooper stated in an interview in 2009, one of the remarkable policies of the Ritz-Carlton Hotel Company L.L.C. is to permit every employee to spend up to $2,000 making any single guest satisfied (Cooper, 2009, cited by Forbes.com, 2009, retrieved in May 2013). It means spending this sum without asking a line manager for his/her permission. According to the Vice President of Public Relations in Michelli’s book (2009), the most cost-efficient solution is the one that is done immediately. If a complaint reaches the upper management it gets huge and expensive, but could have been resolved with a small amenity such as an upgrade night. Most of the employees do not use the $2,000 a day, but it is usually about the small things such as a birthday cake or, as stated, an upgrade (Michelli, 2009). Furthermore, employees are involved in the process of improvement, as management regularly asks them what they would do to improve certain processes. Another fundamental aspect of empowerment is to step outside the job boundaries, and no one questions the right to act. Not just evading difficult customer requests or situations by saying ‘that is not my job’, but to feel responsible for every customer request or every situation, because there is an overriding obligation to settle issues (Michelli, 2009). Thus customer expectations will not only be fulfilled, but exceeded. The value of empowerment is not only customers’ reactions or letters, but numbers. Research within the Ritz-Carlton Hotel Company L.L.C. has shown that a customer who is
extremely satisfied spends 23% more than a moderately satisfied guest. If employees reach a 4% increase in customer retention, the Ritz-Carlton Hotel Company L.L.C. gains $40 million in additional receipts. The above shows that managers who trust their employees provide their company with increased customer loyalty and huge financial benefits (Michelli, 2009).

‘Teamwork’ is anchored in the sixth service value: “I create a work environment of teamwork and lateral service so that the needs of our guests and each other are met.” The daily line-up gives the employees the feeling to be part of a group, of something bigger (The Ritz-Carlton Hotel Company L.L.C., retrieved in June 2013).

The Ritz-Carlton Hotel Company L.L.C. has won many prizes and acknowledgments as best employer, not just because of the employees’ ability to be empowered, but also because of the opportunities within the company. ‘Capability Training’ is of utmost importance to the Ritz-Carlton Hotel Company L.L.C., which is illustrated by the Leadership Centre. It all starts with hiring the right people or, as the Ritz-Carlton Hotel Company L.L.C. calls it, with selection. Employees go through an extremely long period of selection and each employee is selected carefully. As Michelli (2009) states, working in the luxury sector requires outstanding performance by employees, mediocrity is a huge threat. For this reason, the company boasts such a long hiring process in order to have the best people stay in line. People take pride in being selected (Michelli, 2009). As Cooper (2009) explains, the company hires about 2% of the candidates that apply for the job (Cooper, 2009, cited by Forbes.com, 2009, retrieved in May 2013). The next key element of the Ritz-Carlton Hotel Company L.L.C. is the training. According to McDonald (2004), Ritz-Carlton spends about $5,000 to train each new hire (McDonald, 2004, cited by money.cnn.com, 2004, retrieved in June 2013). It is extremely important to steadily anchor the service values in the employees’ minds and to develop and foster their capabilities. For this reason, the Ritz-Carlton Hotel Company L.L.C. invented a ‘day 21’: On the twenty-first day of their employment, employees receive a certificate about acquired service standards. It is an occasion for the employees to volunteer critique and feedback about their work environment. Thus, listening to the employees may solve problems and get them back on track before they leave the company or influence the personnel negatively (Michelli, 2009). This is extremely important as Michelli (2009)
states that research has found that 90% of the employees decide where to stay or leave a company within the first three months. In addition, there is a day 365, an anniversary. On this day - every single year, not just after the first year - another certificate is handed over as a symbol of honoring the service and showing appreciation (Michelli, 2009). The Ritz-Carlton Hotel Company L.L.C. is named the number one company by the Training Magazine’s “Training Top 125” 2007 survey. The Leadership Center is a resource center for Ritz-Calton employees as well as leading organizations interested in benchmarking. Classes are, for example, "Radar On,- Antenna Up": The Ritz-Carlton's Fulfillment of Unexpressed Wishes and Needs, "The Fire Within" - Igniting Passion for Ritz-Carlton Performance Excellence or legendary service at the Ritz-Carlton (The Ritz-Carlton Hotel Company L.L.C., retrieved in June 2013).

6.2.4 Consistency

The Ritz-Carlton Hotel Company L.L.C.’s ‘core values’ are represented in the gold standards. There are 26 fatal misbehaviors that lead to instant dismissal. These offenses range from willful destruction of the company’s property to defiance of the gold standards or ethical codes (Michelli, 2009). The ethical codes are written down in the Ritz-Carlton Hotel Company, L.L.C. The human rights policy statement states, for example: “The Ritz-Carlton policies require that its business be conducted with honesty and integrity, and in full compliance with all applicable laws. Company policies establish clear ethical standards and guidelines for how we do business and establish accountability. All company employees are required to obey the law and comply with specific standards relating to legal obligations, ethics, and business conduct. The Company has clear accountability mechanisms in place to monitor and report on compliance with these directives” (The Ritz-Carlton Hotel Company L.L.C., retrieved in June 2013). Furthermore it contains the protection of employee rights and the protection of the rights of children (The Ritz-Carlton Hotel Company L.L.C., retrieved in June 2013).

Within the Ritz-Carlton Hotel Company L.L.C. honesty is a sign of ‘agreement’ between the employees and the managers and therefore a fundamental aspect for the company (Michelli, 2009).
‘Coordination and Integration’: “You have to come back to the fiber of this organization; the history, consistency in brand standards, and a commitment to excellence is what makes it special. Horst Schulze, one of the founders, led the company for 13 years; Simon Cooper was President for 10 years; and I have been in the position since 2010. This in itself demonstrates great consistency over the years with three leaders, of which two were founders” (Humler, 2013, cited by leadersmag.com, 2013, retrieved in June 2013). Integration is an important aspect of the company, which is why the Ritz-Carlton Hotel Company L.L.C. tries to keep their turnover rate to a minimum and to show the Ladies and Gentleman that it is possible to grow and develop within the company and fulfill their career goals. The turnover rate issue leads the author to the second part of the analysis, namely the turnover rate, which is seen as the primary internal measure of efficiency and performance.

6.2.5 Analyzing the Employee Turnover Rate

Just as the Ritz-Carlton Hotel Company L.L.C., many studies, such as Humber (2003) and Cho, Woods, Jang and Erdem (2006), came to the conclusion that an effective recruiting and training program is significant in order to reduce the turnover rate of the company (Cho et al., 2006). “The quality of the employee selection system has been identified as one of the most important factors in keeping good workers and reducing the costly employee turnover.” (Choi and Dickson, 2009, p.1). As Cooper (2009) explains, the company hires about 2% of all the candidates that apply for the job. According to Ritz-Carlton Hotel Company L.L.C., it takes about 14 job interviews and a few months to run through the process and finally be chosen, not hired. The turnover rate is about 20%, whereas the average in the hotel industry is about 60% (Michelli, 2009). The Ritz-Carlton Hotel Company cooperates with a company called Talent Plus in order to keep the employee turnover low. They have been working together for over 20 years now and developed a culture with some of the lowest turnover in the industry. Table 7 will present the Ritz-Carlton Hotel Company L.L.C.’s turnover rate in comparison to the average of the industry according to Talent Plus in 2008 (The Ritz-Carlton Hotel Company L.L.C., retrieved in June 2013):
<table>
<thead>
<tr>
<th></th>
<th>Industry Average</th>
<th>The Ritz-Carlton</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Associates:</td>
<td></td>
<td>32,000</td>
</tr>
<tr>
<td>Average Turnover Rate</td>
<td>45%</td>
<td>21%</td>
</tr>
<tr>
<td>Cost Per Person</td>
<td>$12.136</td>
<td>$81.553.920</td>
</tr>
<tr>
<td>Total Cost</td>
<td>$174.758.400</td>
<td>$81.553.920</td>
</tr>
<tr>
<td>Difference (Savings)</td>
<td></td>
<td>$93.553.920</td>
</tr>
</tbody>
</table>

Table 7 Turnover Rate of the Ritz-Carlton Hotel Company L.L.C. compared to the Industry’s Average, Source: Talentplus.com, 2008

“In the longitudinal graph, there is an ongoing significant decrease in turnover from 55% in 1991 to 21% in 2007, a 62 percent reduction, while growing from 22 hotels to 70 locations and 11,000 ladies and gentlemen to over 32,000. In the end, a business relationship must create measurable financial results for the company investing. The benefit of this reduction has saved The Ritz-Carlton a tremendous amount during the past 17 years. Analyzing an industry average for turnover of 45% and The Ritz-Carlton’s current turnover at 21%“ (Talentplus.com, 2008, retrieved in June, 2013).

This low turnover rate is reached due to an emotional connection between the employees and the company. Thus high motivation and engagement are promoted in the empowered leadership style. Furthermore, according to Michelli (2009) the Ritz-Carlton Hotel Company L.L.C. found out that higher and long-lasting employee commitment leads to higher customer loyalty. An employee relationship for 3.92 years shows a 43% customer loyalty, whereas an increase of 7% in the length of employee binding shows a 57% customer loyalty value (Michelli, 2009).

6.2.6 Analyzing the Use of the Baldrige Performance Excellence Program as a Tool for Measuring the Performance of The Ritz-Carlton Hotel Company L.L.C.

As previously stated, the Ritz-Carlton Hotel Company L.L.C. is the only service company to have won the Malcolm Baldrige National Quality Award twice, in 1992 and 1999. The following section will show the financial and non-financial
improvement that has been achieved due to the use of the Baldrige Performance Excellence Criteria in the period between the awards.

Customer-focused results: Customer satisfaction is measured internally and externally. Externally, nationwide surveys are conducted to measure guest satisfaction compared to the foremost competitor for frequent business and leisure travellers. The following Tables (8 and 9) clearly show the level of superiority of the Ritz-Carlton Hotel Company L.L.C. in 1999 (The Ritz-Carlton Hotel Company L.L.C., 2000, retrieved in June 2013):

<table>
<thead>
<tr>
<th></th>
<th>Top 2 Boxes RCHC</th>
<th>Top 2 Boxes Foremost Competitor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall Satisfaction</td>
<td>91%</td>
<td>80%</td>
</tr>
<tr>
<td>Cleanliness of Rooms and Facilities</td>
<td>90%</td>
<td>77%</td>
</tr>
<tr>
<td>Adequate Security</td>
<td>83%</td>
<td>64%</td>
</tr>
<tr>
<td>Value for the Money</td>
<td>42%</td>
<td>32%</td>
</tr>
<tr>
<td>Staff Knowledgable and Helpful</td>
<td>67%</td>
<td>54%</td>
</tr>
</tbody>
</table>

Table 8 Customer Satisfaction of Frequent Business Travellers, Source: The Ritz-Carlton Hotel Company L.L.C., 2000
As can be seen in Tables 8 and 9 above, the Ritz-Carlton Hotel Company L.L.C. is superior in all factors of customer satisfaction in comparison to the foremost competitor. The most remarkable difference is in the following factors: Quality of Service; Has Alert and Helpful Staff/Responsive to Needs; Provides Excellent Business Class Floors. The least difference can be seen in ‘Has Very Clean and Well Maintained Facilities’, which the author interprets as due to the high general standard prevailing in the luxury hotel sector.

Financial and Market Results: The total revenue has increased by 40% over the last four years and states $1.5 billion in 1999. Furthermore, the revenue per available room (the industry’s measure of market share) continues to grow, exceeding the industry average by more than 300%. The following Tables 10 and 11 show the Administrative Cost summary and the pre-tax return on investment summary in the years 1995-1999 as well as the project volumes until 2002 (The Ritz-Carlton Hotel Company L.L.C., 2000, retrieved in June 2013):
<table>
<thead>
<tr>
<th>Year</th>
<th>Actual</th>
<th>Projection</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td>$21.0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$36.786</td>
<td></td>
</tr>
<tr>
<td>Total Fees ($M)</td>
<td>$39.930</td>
<td>$46.831</td>
</tr>
<tr>
<td></td>
<td>$58.478</td>
<td>$72.847</td>
</tr>
<tr>
<td></td>
<td>$85.350</td>
<td>$97.763</td>
</tr>
<tr>
<td>Administrative Costs ($M)</td>
<td>$9.084</td>
<td>$15.903</td>
</tr>
<tr>
<td></td>
<td>$18.646</td>
<td>$17.163</td>
</tr>
<tr>
<td></td>
<td>$19.375</td>
<td>$19.651</td>
</tr>
<tr>
<td></td>
<td>$21.413</td>
<td>$22.943</td>
</tr>
<tr>
<td>Administrative Costs as a % of Total Fees (Less=Good)</td>
<td>43.2%</td>
<td>43.2%</td>
</tr>
<tr>
<td></td>
<td>46.7%</td>
<td>36.4%</td>
</tr>
<tr>
<td></td>
<td>33.1%</td>
<td>27.0%</td>
</tr>
<tr>
<td></td>
<td>25.1%</td>
<td>23.6%</td>
</tr>
</tbody>
</table>

**Table 10 Administrative Cost Summary, Source: The Ritz-Carlton Hotel Company L.L.C., 2000**

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual</th>
<th>Projection</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td>$11.951</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$20.882</td>
<td></td>
</tr>
<tr>
<td>Earnings Before Income Taxes, Depreciation and Amortization ($M)</td>
<td>$21.284</td>
<td>$29.668</td>
</tr>
<tr>
<td></td>
<td>$39.103</td>
<td>$53.195</td>
</tr>
<tr>
<td></td>
<td>$63.937</td>
<td>$945.767</td>
</tr>
<tr>
<td>Pre-Tax Return On Investment</td>
<td>5.3%</td>
<td>9.3%</td>
</tr>
<tr>
<td></td>
<td>9.5%</td>
<td>9.8%</td>
</tr>
<tr>
<td></td>
<td>12.9%</td>
<td>17.6%</td>
</tr>
<tr>
<td></td>
<td>21.2%</td>
<td>313.7%</td>
</tr>
</tbody>
</table>

**Table 11 Pre-Tax Return on Investment Summary, Source: The Ritz-Carlton Hotel Company L.L.C., 2000**

The above Tables clearly show the upward trend of the Ritz-Carlton Hotel Company L.L.C. The company managed to decrease its administrative costs enormously and tries cut these costs almost by half until 2002. The only increase is recorded in 1997, unfortunately without stating the reason. Furthermore, Table 11 shows an...
additional increase in financial results. Total fees; earnings before income taxes, depreciation and amortization; and pre-tax return on investment have nearly doubled since 1995, with return on investment increasing from 5.3 percent in 1995 to 9.8 percent in 1998. Furthermore, predicted numbers keep increasing. As previously stated, one of the main reasons for cutting the pre-tax return on investment is the reduction of the turnover rate in cooperation with Talent Plus. This leads the author to the last results, namely the Human Resource results.

Human resource results: Employee well-being and satisfaction is measured through the employee satisfaction survey. The following Table presents the key drivers of overall employee morale in 1998 (The Ritz-Carlton Hotel Company L.L.C., 2000, retrieved in June 2013):

<table>
<thead>
<tr>
<th>Issue</th>
<th>Ritz-Carlton Hotel Company 1998</th>
<th>Service Company Norms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decision making Authority</td>
<td>83%</td>
<td>55%</td>
</tr>
<tr>
<td>Teamwork</td>
<td>83%</td>
<td>70%</td>
</tr>
<tr>
<td>Department Coordination of Efforts</td>
<td>80%</td>
<td>40%</td>
</tr>
<tr>
<td>Communication Index</td>
<td>87%</td>
<td>57%</td>
</tr>
<tr>
<td>Empowerment</td>
<td>85%</td>
<td>67%</td>
</tr>
<tr>
<td>Understand Department Goals</td>
<td>86%</td>
<td>86%</td>
</tr>
<tr>
<td>Management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constructive Feedback</td>
<td>73%</td>
<td>45%</td>
</tr>
<tr>
<td>Verbal Recognition for Job Well Done</td>
<td>69%</td>
<td>41%</td>
</tr>
<tr>
<td>Monetary Recognition for Job Well Done</td>
<td>50%</td>
<td>28%</td>
</tr>
</tbody>
</table>

*Table 12 Key Drivers of Employee Satisfaction, Source: The Ritz-Carlton Hotel Company, L.L.C., 2000*
As the Ritz-Carlton Hotel Company’s greatest resource are the employees, the extremely positive figures are a confirmation of the theory of their standards and policies. As the most important policy, as previously outlined, is ‘Employee Empowerment’, the 86% satisfaction rate is rather good. The best result in comparison to the service company norms is achieved by the factor ‘Department Coordination of Efforts’. In general, it can be said that employee satisfaction in the Ritz-Carlton Hotel Company L.L.C. is above the average of the industry in all factors. This superior employee satisfaction results in positive trends in terms of turnover rates. The Ritz-Carlton Hotel Company L.L.C. recorded, as stated in 6.2.5, a constantly decreasing turnover rate, from almost 80% in 1989 to an astonishing 30% in 1999, followed by further decrease in subsequent years.

In the following Chapter the author will interpret the findings and the analysis of the data and will proceed with answering the research question.
7 Discussion and Interpretation of the Findings

This Chapter will evaluate the data obtained through a qualitative document analysis and deal with the interpretation of the findings according to the previously established categories and the theoretical literature review of the preceding Chapters. Furthermore the research question: “How does organizational culture influence the performance of luxury hotels based on the example of the Ritz-Carlton Hotel Company L.L.C.?“ is answered in section 7.1.

After concluding the analysis in the previous Chapter, it is evident that organizational culture is a factor that influences and improves the performance of an organization. The Ritz-Carlton Hotel Company L.L.C. takes a great pride in its corporate culture, which is to build trust and empower employees to be involved and to take action. The core values of the company are clearly spelled out in the gold standards, which the employees always carry on them as they wear the uniform. This may seem cult-like to outsiders, just as saying ‘putting up the ritz’ has been established because of the company. Nevertheless, in the author’s opinion the Ritz-Carlton Hotel Company L.L.C. is not just an example of talking big and doing nothing; the company lives its culture every single day and every single minute. The author has talked to several employees and all of them really believe in the gold standards and implement them in every situation, no matter if it is finding a piece of luggage that was lost at the airport, allowing the guest to relax over a drink or a coffee; or bringing champagne and chocolate to the room, because an employee has overheard a couple talking about the reason for the trip, namely their anniversary.

The adaptability trait may be the weakest part of the company, but the company is not willing to change its focus on the quality of customer service and the respect for employees. For this reason the Ritz-Carlton Hotel Company L.L.C. has established a certain level of credibility that withstands economic or any other type of change. Furthermore, the mission trait is elaborated very thoroughly and visible to everyone. As previously stated, the company’s culture really is the guide for actions and behavior. Next to the mission trait, the involvement trait is the most powerful source of competitive advantage for the Ritz-Carlton Hotel Company L.L.C. Because of the selection process the employees take great pride in having been selected, not
hired. Furthermore, as previously outlined, the employees are the most important resource and therefore their involvement of them is essential. The remarkable empowerment policy - to spend up to $2,000 each day to satisfy a guest without the permission of a manager - is unique and gives the employees a huge feeling of responsibility. In order to let employees act independently, the company has to trust them. However, for this reason the core values of the company have to be anchored very deeply and be adhered to. Thus the Ritz-Carlton Hotel Company L.L.C. focuses thoroughly on training its employees, not just once, but continuously. Moreover, as the consistency trait is very important to the company, which is why the adaptability to changes is questioned. Nonetheless, the company is succeeding in a constantly changing economy and achieved a record market share in 2011. Even though the economic crisis of 2008 is still present, in which course the company has lost a great deal of business travel to lower-tier hotels, the company has managed to reach pre-recession levels in terms of a 72% occupancy as well as two of the best growth years in its history (Humler, 2013, cited by leaders.mag.com, retrieved in June 2013). The Ritz-Carlton Hotel Company L.L.C. manages to maintain its competitive position not only in terms of economic drivers, but also in terms of employee satisfaction. As can be seen in Table 12, employee satisfaction in the Ritz-Carlton Hotel Company L.L.C. is by far higher than the service company standard, which results in extremely low turnover. As proved in the theoretical part, low turnover results in a reduction of costs and at the same time an increase in performance. This shows that the focus on employees indeed pays off.

All in all, the Ritz-Carlton Hotel Company L.L.C. manages to integrate cultural practices into its business strategy. Its strengths are definitely its extreme focus on organizational culture, helping the company to maintain its competitive edge not only as an economic and performance driver, but also in terms of employee satisfaction. By practicing all of Denison’s (1990) cultural traits efficiently and successfully, the firm is serving as a role model for the overall industry, using organizational culture to observably increase the performance of a company.

Nevertheless, the reader and the author have to be aware that the corporate website, the book about the company and most of the articles in journals such as the Harvard Business Review, Forbes.com or the Wall Street Journal are written in favor
of the company. There exists practically no article about negative reviews, questionable business actions or ethical misbehavior; the author believes the company makes sure they are deleted as soon as they pop up. For this reason, the overwhelming and enthusiastic coverage of the Ritz-Carlton Hotel Company L.L.C. must be viewed with a grain of salt as it is obviously one-sided. Besides, practically no financial reports or statements are available; the author’s investigations have shown that the company does not share this information with the public.

The interpretation of the findings leads the author to answering the research question in the next section.

7.1 Answering the Research Question

The purpose of this thesis was to investigate whether an established organizational culture helps to improve the performance of companies in the hospitality industry and to gain competitive advantage in order to differentiate themselves in the market. The research question was: “How does organizational culture influence the performance of luxury hotels based on the example of the Ritz Carlton Hotel Company L.L.C.?”

The question was based on Denison’s (1990) organizational model with its four cultural traits, which shows the effectiveness of organizational culture in companies. As previously stated, the Ritz-Carlton Hotel Company L.L.C. takes great pride in its organizational culture and displays it openly. The company manages to implement all four cultural traits and therefore to achieve an extremely effective organizational culture. Its main goal is to satisfy guests above and beyond all expectations and to respect, empower and therefore retain employees, its most important resource. Customer satisfaction is built upon the emotional relationship between employees and the guests. An emotional relationship can only develop if the employees truly believe in the core values of the company. The Ritz-Carlton Hotel Company L.L.C. literally lives its organizational culture, as can be demonstrated by the employees’ carrying the credo card with the gold standards at all times, or the daily line-up where ‘wow-stories’ are shared and values are anchored even more. The Ritz-Carlton Hotel Company L.L.C. distinguishes itself not only by deeply anchored values and standards, but also by remarkable policies. Its empowerment policy leads to
greater employee and customer satisfaction than in any other company in the industry and allows the company to achieve a turnover rate that is outstandingly lower than in any other company in the industry: At 21%, it is more than twice as low as the industry’s average 45%.

“This competitive strategy differentiates a Ritz-Carlton hotel from the rest of the pack in the luxury industry” (Denison et al., 2012, p.36). Considering the above analysis and interpretation, the conclusion is that the research question has been successfully answered and that establishing an organizational culture indeed improves the overall performance of a company.
8 Conclusion

The interpretation of the obtained findings shows an evident influence of organizational culture on the overall performance and effectiveness of an organization. Section 8.1 will summarize major parts, while major limitations to the used methodological approach and the thesis itself in are pinpointed section 8.2. the thesis will come to an end with a future outlook.

8.1 Summary

The Chapter aims to give a clear overview. The thesis deals with the influence of organizational culture on the overall performance and effectiveness of an organization. The findings have shown an evident correlation between the establishment of an organizational culture and the financial as well as the non-financial performance of a company. In order to answer the research question, the paper started out defining the concept of organizational culture by presenting various definitions, examining the characteristics and providing a theoretical model. The chosen model, namely the Denison (1990) model of organizational culture, is based on the previously described model by Schein (1985). Furthermore, measurements of organizational performance were elaborated, and financial as well as non-financial methods and the ‘Baldrige Performance Excellence Program’ were presented as a tool for measuring effectiveness. Finally, a relationship has been drawn between the two issues in order to proceed with the research and finish the literature review.

The primary research was conducted using qualitative research, more precisely a document analysis. Therefore documents of a chosen company have been investigated. The chosen company is the Ritz-Carlton Hotel Company L.L.C. It was analysed and interpreted according to Denison’s (1990) model and its turnover rate.

Summing up, it was shown that there is a positive and influential relationship between organizational culture and the overall performance of a company. Nevertheless, there have been limitations to this thesis, as will be discussed in the following section.
8.2 Limitations and Future Outlook

This section presents the limitations that the author encountered after the thesis was completed.

The first limitation is that the sample for the analysis is insufficient to draw general conclusions for organizational culture enhancing the performance of hotels. An increased number of studies, including a larger sample, would enable some broader generalizations to be made in the future.

Second, using the document analysis as a research methodology provided limited results. As the main source of information was the company’s corporate website and stories from people, the author was restricted to retrieve information that describes the company in the best light without telling the truth. In order to get a more realistic insight, using multiple methodologies, such as quantitative and qualitative approaches, would certainly have enriched the findings. Interviewing managers and handing out surveys to the employees would have allowed the researcher to more thoroughly determine if the company is actually doing what it is preaching. Furthermore, a major limitation of this study was the lack of financial reports or statements from the Ritz-Carlton Hotel Company L.L.C., which would additionally have proved or denied what the company is saying. Those financial statements or reports are crucial for transparency. Such transparency could have reinforced and intensified the success of organizational culture. The author suggests publishing financial reports on the corporate website in order to show the effectiveness of the company’s policies and standards.

Last, there is no standardized way of measuring organizational culture; it is challenging to offer general conclusions. Nevertheless, all in all, the sample allowed significant information and led the author to the conclusion that organizational culture positively influences and increases the overall performance of a hotel; the author further concludes that other hotels should take a look at the Ritz-Carlton Hotel Company L.L.C., a role model for the industry given its policies and standards.
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