

Exploring expatriation and localisation of managers in  
the international hotel industry: a case study from  
Jakarta, Indonesia

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## Abstract

It is always a major challenge for multi-national hotel companies to strike a balance in transferring management structures and practices of the home company to international subsidiaries; that is, to maintain the quality associated with the home company while fine-tuning practices to the localised needs of host country subsidiaries. But a major issue is how to identify which specific modifications will be needed in each subsidiary locality, and how these will play out in management terms at subsidiary levels in international hotel chains. Little specific research has been done in the area. This research therefore proposes to extend the research on the issues surrounding the deployment and development of managerial talent in subsidiaries located in developing countries. The aim is to investigate the contextual factors that shape experiences of expatriation and localisation within the international hotel industry in Jakarta. In order to investigate this gap, I set up a single case study to engage four different types of actor. These four types consisted of expatriate managers, host country managers, regional executives and policy makers. Data was gathered primarily by means of semi-structured interviews, and also documentation and observation. The findings were grouped under two sections, namely 'The image of Indonesia' and 'The glass ceiling within international hotel brands in Indonesia'. The analysis and discussion of this research take into account how hospitality and tourism in Indonesia have in the past been affected by colonisation, corruption, and wrongfully portrayed images of the country's leaders. The work goes on to discuss how such elements have also impacted upon the vulnerability of people working in the industry, specifically in this study of local and expatriate managers in their respective positions, and upon the cultural rules by means of which they communicate socially and network with each other in the subsidiaries. The conclusion of this research

outlines theoretical and practical contributions to the field. From a theoretical point of view, this research provides a greater, in-depth understanding of the legacy of colonisation and how this may have compounded certain factors which have contributed to expatriate managers being favoured as ideal managers and leaders, and better co-workers selected over local managers. The practical contributions of this study may usefully be disseminated to all Indonesian managers in the hospitality and tourism industry as well as the country's policy makers, to develop an understanding of the importance of better infrastructures in the sector. Such improved infrastructure would include better quality hospitality and tourism education, a more efficient and fair system of local manager development, the abolition of corruption at all levels of business, especially in tourism, and improved access to tourist destinations.

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## LIST OF ABBREVIATIONS

IHRM: International Human Resources Management

HRM: Human Resource Management

MNC: Multi-National Corporation

MNE: Multi-National Enterprise

IRMR: International Relocation Mobility Readiness

ASEAN: Association of Southeast Asian Nations

EU: European Nations

RTA: Regional Trade Agreement

SIE: Self-Initiated Expatriation

USA: United States of America

UK: United Kingdom

UNESCO: United Nations Organisation for Education, Science and Culture

GDP: Gross Domestic Product

DKI Jakarta: *Daerah Khusus Ibukota Jakarta* or Jakarta Capital City of Government

*JABODETABEK*: Jakarta-Bogor-Depok-Tangerang-Bekasi

SMC: South Mediterranean Countries

MEC: Middle East Countries

SMNE: Small and Medium Multi-National Enterprise

UAE: United Arab Emirates

HCN: Host Country National

PCN: Parent Country National

TCN: Third Country National

JET: Japan Exchange and Training

CAQDAS: Computer-assisted Qualitative Data Analysis

## CHAPTER I: INTRODUCTION

### 1.1 Introduction

This chapter sets the background to the research. It provides a preliminary overview of the research and the justification in undertaking it. It presents the theoretical research rationale and discusses a range of theories and concepts related to expatriation and localisation within IHRM (International Human Resources Management) and the international hotel industry in Jakarta, Indonesia. The research aim and objectives are also presented and the methodology and method adopted are reviewed. The chapter concludes by presenting the structure of the thesis.

### 1.2 Research background rationale and context

As a graduate of hospitality education in Indonesia with work experience in the international hotel industry, I have always wondered why the international hotel brands in Indonesia tend to deploy expatriate managers for senior management positions rather than locals. My observation towards the process of manager selection and recruitment in Indonesia was one of a number of topics discussed with my co-workers during my hotel work experience, including period of work undertaken in Jakarta. A salient and frequent theme arising from our “break-time” discussions was the so called “glass ceiling” phenomenon encountered on a number of occasions by local managers when applying for senior management positions. This has always been a topic of interest between local managers. Coincidentally, several years later, during my PhD preparation, this topic came up again with more formal nuance for my study of expatriation and local managers in Jakarta. Likewise, the research for this study was

partly motivated by my professional curiosity of this issue, as well as the desire to fill a gap in current research on the use of expatriates within the hotel industry.

This research is particularly timely in relation to current Indonesian human resource policies, and relevant in particular to their implementation in the city of Jakarta in Indonesia. This city typifies the Indonesian push to bring more international tourists to its major cities as a means of increasing the country's foreign exchange (Investment, 2015). Although in line with this policy the investment in the tourism sector has increased significantly in recent years (Sugiyarto, 2003), the equivalent development of human resources leaves much to be desired. Such a situation has motivated this study which sets out to examine the contextual factors underpinning the relative experiences of expatriate and local managers in the international hotel industry in Indonesia (Lasalle, 2014; Lim, 2017).

The Republic of Indonesia is the biggest archipelago in the world, containing 13,466 large and small tropical islands fringed with white sandy beaches, many still uninhabited and a number even still unnamed. Sitting on both sides of the equator, located between the continents of Asia and Australia and between the Pacific and the Indian Oceans, it is as wide as the United States from San Francisco to New York, equalling the length between London and Moscow (Indonesia, 2013c). Indonesia has a total population of more than 237.5 million evolving from more than 200 ethnic groups (BPS, 2010). The national language, Bahasa Indonesia, is the language of official communication, taught in schools and spoken on television. Islam is the majority religion, followed by Christianity, Hinduism and Buddhism. Most Indonesians today speak two languages or more, including Bahasa Indonesia and their local language. Indonesian counts more than 300 regional languages. Among the best-known islands are Sumatra, Java, Bali, Kalimantan (formerly Borneo), Sulawesi (formerly Celebes), the Maluku islands (better known as the Moluccas, the original Spice Islands) and Papua.

There is also Bali “the world’s best island resort with an enchanting culture, beaches, dynamic dances and music” (*Indonesia (2013c)*: p 3). Hotels in Indonesia are among the best in the world. This is not just because of glossy tourist brochures which mention luxurious and unique hotels, white sandy beaches, and green river valleys, but because busy capitals such as Jakarta, offer Convention Centres equipped with state-of-the-art facilities (*Indonesia, 2013c*; Lim, 2017) attracting many top international conferences (*Indonesia, 2013c*: p 4). Cultural heritage exhibitions are also held in Jakarta and Bali; including those showing Indonesian crafts. For example, in October 2009, UNESCO recognized Indonesia’s “Batik” as a World Intangible Cultural Heritage, adding to earlier recognized phenomena such as Indonesia’s “Keris” (the wavy blade dagger), and its “Wayang” shadow puppets. Currently being considered for World Heritage nomination is the “Angklung” bamboo musical instrument from West Java, considered as uniquely “Indonesian”(Indonesia, 2013c). Given such unique Indonesian contributions to world heritage culture, it is hardly surprising that tourism is one of the industries which contribute significantly to the Indonesian economy.

The increasing business status of the Indonesian economy means that it is now considered to be an emerging market (Investment, 2015; Millar and Choi, 2011), alongside the BRIC economies (Brazil, Russia, India and China), each with a growing emphasis on tourism (Sugiyarto, Blake and Sinclair, 2003). Even so, it has been acknowledged that economic and business growth in Indonesia has some way to go, and that there is a current shortfall in a number of resources required for sustained prosperity, such as in education (Li and Liang, 2010; Welch, 2012; Al-Asfour and Khan, 2014; Ramadhan, 2013), human resources and labor management (Bennington and Habir, 2003; Edwards and Rees, 2011; Habir and Larasati, 1999), state-owned privatisation (Astami et al., 2010), income and salaried

employment (Comola and de Mello, 2013), management control systems (Fauzi, Hussain and Mahoney, 2011), low cost carrier airlines (Fernando, Mat Saad and Sabri Haron, 2012), and accessing the benefits of globalisation (Hartungi, 2006), cross-cultural leadership (Suutari, 2002), and tourism planning (Wrangham, 1999). Other demands on Indonesian resources include managing the potential impact of terrorism: offsetting the destruction arising from the Bali bombing (Pambudi, McCaughey and Smyth, 2009), combating corruption (Prabowo, 2014), and increasing health care (Ramadhan, 2013).

To date, there is insufficient academic research into the dynamics of hospitality employment within the growing tourism industry of Indonesia (Bennington and Habir, 2003; Habir and Larasati, 1999; Comola and de Mello, 2013; Fauzi, Hussain and Mahoney, 2011). Although specific research on expatriation and localisation has taken place in other business contexts (Varma et al., 2012; Causin, Ayoun and Moreo, 2011; Al-Asfour and Khan, 2014), there is limited evidence as to how these functions within the international hotel industry of Indonesia. Therefore, this research proposes to bridge the knowledge gap and offer academic and practitioner insights into the means by which the deployment and development of managerial talent can be supported and facilitated within developing countries. This is particularly so where the hospitality and tourism industry growth is strong ('ASIA PACIFIC HOSPITALITY NEWSLETTER,' 2014; Ling, 2013b; Fernando, Mat Saad and Sabri Haron, 2012). The section below presents the research rationale starting with the phenomenon of expatriation. The research covers the concept, justification and theories which underpin it, and this is followed by an explanation of the process of localisation within Multi National Corporation subsidiaries, (henceforth called MNCs).

It is a huge test for international organisations intending to expand into new subsidiaries, and complex decisions must be made in regard to how far to standardise or adapt products and services from home markets into new foreign subsidiaries. Considerations have to be made as to what extent such organisations should customise their functions within a host country, particularly in regard to who should lead those subsidiaries (Scullion, 1991; Tung, 1981). The major question in such cases is how to best identify those products and services which most readily adapt to local markets in line with the requirements of legislation, culture, education and so on. Such decisions may require sophisticated knowledge both of host country markets and international organisations' expertise and capabilities, and how their products and services would play out in adapting to marketing and management at subsidiary level.

A considerable body of research (Harzing, 2001; Galbraith and Edstrom, 1976; Tung, 1979; Perkins and White, 2008; Scullion, 1994) is devoted to the examination of how MNCs (Multi National Corporations) pass on their organisational knowledge to foreign subsidiaries in order to ensure coherence with parent company corporate culture, competence, strategy, control and communication whilst also attending to local need for adaptation (Harzing, 2001; 2011; Galbraith and Edstrom, 1976; Tung, 1979). Focus is placed upon the best methods to facilitate communication and knowledge transfer across all employee levels within organisations, with the role of managers highlighted as critical (Tung, 1981; Harzing, 2011; Edstrom and Galbraith, 1977; He and Cui, 2012; Kohont and Brewster, 2014). In this respect, traditionally, expatriates have been used to lead organisations, on the understanding that they are best placed to facilitate coordination and control of communication among and between subsidiaries and the parent company (Galbraith and Edstrom, 1976; Tung, 1979; Du, Deloof and Jorissen, 2015). The term 'expatriate' in this sense is often defined as an employee working in a MNC subsidiary that is situated outside their home for certain periods



(Harzing, 2011). Further exploration about expatriation will be undertaken in the first literature review chapter.

The pivotal assignment of starting up a subsidiary is often managed by expatriates assigned to carry out those tasks (Beddi and Mayrhofer, 2013; Littrell and Barba, 2013; Ando and Endo, 2013; Wang et al., 2014; Nguyen, Felfe and Fooker, 2014). However, in contrast of expatriate assignment, many researchers have studied the reasons why MNCs might avoid using expatriate employment, such as the need to adapt to the local cultures (Varma et al., 2012; Ang, 2013; Bhatti, Battour and Ismail, 2013), to achieve successful cross-cultural adjustment within local cultures (Syed, Hazboun and Murray, 2014; Konanahalli et al., 2014), and to develop global competencies to manage all managers (Huff, 2013; Wafler and Swierczek, 2013; Bhatti et al., 2014). The expense of expatriate compensation packages is often compared adversely with that of host country managers (Leung, Lin and Lu, 2014) while it is also recognised that there may be restricted availability of expatriate managers (Mazrouei and Pech, 2015). Such arguments against expatriation encourage the case for localised management strategies, and for hybrid strategies such as using expatriates where appropriate but also providing opportunities for host country managers to fill the necessary gaps.

According to Stahl, Mendenhall and Oddou (2012) the term 'localisation' is specific to the localisation of labour. This concept is sometimes known as nationalisation, referring to the act of engaging a qualified local employee to fill a traditionally expatriate job within a MNC subsidiary. Localisation studies have addressed this phenomenon as part of the bigger question of globalisation (Pudelko and Harzing, 2007; Law et al., 2009; Forstenlechner, 2010). In particular, the standard practice of MNCs managing foreign subsidiaries is usually

that of preparing an international manager to train local managers to implement standardised operational functions. This is seen to be relatively widespread (Cruz, Scapens and Major, 2011b; Franco and Pereira, 2013; Al-Asfour and Khan, 2014). Given the considerable responsibility which the expatriate must undertake to achieve this goal (Selmer, 2004), it would appear crucial for the MNC to assign the right candidates to lead their subsidiaries (Al-Asfour and Khan, 2014). Cruz, Scapens and Major (2011) and Franco and Perreira (2013) argue that the selection and development of individuals who have the capacity to ensure the process of knowledge transfer by means of coaching, training and developing local talent is essential.

Selmer (2004) has pointed out that expatriates may experience a great deal of pressure to deliver the appropriate level of knowledge transfer, while companies struggle to identify which managers will rise effectively to the challenge of developing local managers. Even so, there is evidence many companies use expatriates in the short term to develop local managers who will be able to lead subsidiaries in the future (Stahl, Mendenhall and Oddou, 2012). The rationale behind this task is typically that local human resource talent will eventually be ready to take over the positions previously tenured by expatriates (Fryxell, Butler and Choi, 2004). This is not a straightforward issue, and indeed the question of how localisation may be used by MNCs as a solution to the challenges of globalisation has given rise to a number of studies. For example, problems within subsidiary development include various factors such as inadequacy in education and training (Khurshid, 2014), human resources simplification for subsidiary best practice (Thite, Budhwar and Wilkinson, 2014; Chung, Sparrow and Bozkurt, 2014), balancing internalisation with localisation (Farndale et al., 2010), country of origin dominance (Pudelko and Harzing, 2007) and managing local talent from recruitment to retention (Forstenlechner, 2010). Missing from much of this field is the personal perspective

of locals, expatriates and key stakeholders and therefore, more research is required to be able to understand balancing the pressure for localisation and expatriation.

### 1.3 Research aim and objectives:

Based on the above, this research seeks to provide an understanding of experiences of expatriation and localisation amongst managers and stakeholders in the international hotel industry in Indonesia. In addition to the comparison of experiences among these two groups of employees, the research also considers the impact of several other stakeholders in the decision-making process of deploying and developing managerial talent in the international hotel industry of Jakarta, namely policy makers and regional executives. The last two stakeholders are chosen because they are related on creating regulations and policies of the deployment and development of those managers.

Therefore, the aim of the study is

*To investigate the experience of expatriation and localisation within the international hotel industry in Jakarta, Indonesia*

In order to achieve this aim, the objectives of the study are:

1. To evaluate and integrate the generic and hospitality-based international human resources management literature on managing expatriates and host country managers
2. To develop a framework focusing on the use of expatriates and local managers in general business, as well as in the hotel industry
3. To investigate the international hotel industry in Jakarta, Indonesia and explore managers' experiences of expatriation and localisation

4. To examine the contextual factors shaping experiences of expatriation and localisation within the international hotel industry in Jakarta
5. To contribute to academic and practitioner communities in Indonesia and other Asian countries, any new knowledge on human resources policies which involve the development and deployment of expatriates and local managers.

#### 1.4 Research Methodology

To provide an understanding of experiences of expatriation and localisation amongst managers and stakeholders in the international hotel industry in Indonesia, a qualitative research study is undertaken. The research design process begins by exploring the philosophical positions undertaken in the research. This was a particular issue for me as a researcher/practitioner because my involvement could affect the quality of the research (Guba and Lincoln, 1994; Easterby-Smith, Thorpe and Lowe, 2002; Creswell, 2007). From my own personal researcher position, I chose interpretivism as the most appropriate epistemological approach for this research, because such an approach allows researchers to make sense of subjective and socially constructed meanings expressed about the phenomenon being studied (Creswell, 2013). For this type of research, it is essential to become familiar with the important contexts within the field and to get to know the participants. It is concluded that the more the researcher is familiar with the context and its participants (Vickers, 2010), the more access there will be to enhanced insight information. In my own case, this means developing a deep familiarity and understanding through working in the hotel industry of Jakarta, Indonesia. A semi-structured interviews are deployed to interview one policy maker, one regional executive (local), and 17 managers (3 expatriates and 14 local managers) from various job positions and different hotel classifications in Jakarta.

In the scope of this research, Indonesia was chosen to represent the study because it is one of the emerging countries in Asia with active development of economy, political reach and human resources (Wahyuni and Ng, 2012). Particularly, the hospitality and tourism industry has been recognised as one of the key sectors that contribute economic growth to the country (Sugiyarto, Blake and Sinclair, 2003). Hotel investments in Indonesia have shown improvement in recent years, including in the capital city of Indonesia, Jakarta (Ling, 2013a). As the capital of the republic of Indonesia, Jakarta is a sprawling metropolis and home to nine million people. Indeed, it is also commonly mentioned as a province in itself, known as DKI Jakarta. During the day the population increases by an additional two million as commuters make their way from the outskirts to work in the city, returning home again in the evening (Indonesia, 2013a). Today, Jakarta is a melting pot of hundreds of ethnic groups who call this multi-cultural and cosmopolitan capital city “home”. For international businessmen and government officials, Jakarta is “the city for meetings and conventions”. There are large convention halls for meetings and exhibitions with latest state-of-the-art facilities, as well as luxurious hotels with large ballrooms and prime accommodation facilities. Jakarta also offers the best area for shopping, different types of entertainment and sport/leisure activities (Government, 2013). The City of Jakarta is very important in the context of this research as the locus of the study itself, and has been chosen as such for several reasons: first, as the capital city, Jakarta is considered as the hub-centre of many MNC (multi-national corporation) subsidiaries out-posted in other cities in Indonesia; second, most of the main MNC offices are located in the city due to its superior infra-structure, which offers better communication and connection to the MNC’s headquarters; third, because of its location and function as the capital city, Jakarta is also the melting pot place for professionals to develop their personal careers such as expatriate managers, regional executives, host country

managers and policy makers. These matters and further information regarding Jakarta will be discussed in more detail the context chapters of Indonesia (Chapter 3).

### 1.5 Structure of the Thesis

Following the introductory chapter there are two chapters based around literature reviews, covering key related themes and aspects. The first literature review chapter (chapter 2) consists of discussions such as: the theories and concept of expatriation and localisation within IHRM, different approaches to staffing and management in internalisation, the process of localisation for MNC subsidiaries, and the strengths and weaknesses of expatriate appointments in IHRM and the international hotel industry. At the end of this chapter, the conceptual framework is presented which provides evidence of where and why MNCs place their preferences in the management of their subsidiaries. The second literature chapter (chapter 3) offers a contextual understanding and places focus on Jakarta, Indonesia as the research background, and offers insight into how Indonesia positions itself and its regional tourism development within the world economy. Thereafter follows a chapter (chapter 4) focused upon an account of the methodology chosen to conduct this research, alongside the methods used to collect the data and how the data was analysed.

The thesis continues in two chapters which report the study findings: the first finding chapter (chapter 5) interprets the image of Indonesia as constructed by the participants of the study, and specifically explores their understanding of the development of Indonesia as a tourist destination. The second finding chapter (chapter 6) focuses on findings arising from participant reflections as to the existence of a glass ceiling in the deployment of local managers in the international hotel industry in Jakarta. The ensuing chapter (chapter 7) contains the analysis and discussions of the understanding of participants' experiences of

expatriation and localisation, specifically as to the development and deployment of expatriate managers and host country (local) managers in international hotel subsidiaries within Jakarta. Finally, a conclusion chapter (chapter 8) presents the conclusion of the study, discusses the achievement of the aim and objectives, outlines the theoretical and practical contribution of knowledge, and draws out recommendations for further study as well as stating the limitations of this one.

Table 1 The Outline of the Thesis

<p align="center"><b><u>Chapter 1 Introduction Research Background and Context</u></b></p> <p align="center">Research Aim and Objectives Research Methodology Path Research Outline</p>
<p align="center"><b><u>Chapter II Literature Review</u></b></p> <p align="center">Key concepts and theories of expatriation and localisation Different approach of staffing and management in internalisation The process of knowledge transfer for MNC subsidiaries The discussion of strength and weaknesses of expatriation appointment in IHRM and international hotel industry</p>
<p align="center"><b><u>Chapter III The context chapter about Jakarta, Indonesia and its tourism and country development</u></b></p> <p align="center">The colonisation in Indonesia The corruption in Indonesia The Foreign Labour Law in Indonesia The nature of Indonesia as a tourist destination Hospitality and tourism &amp; IHRM in Indonesia</p>
<p align="center"><b><u>Chapter IV Methodology: The research philosophy</u></b></p> <p align="center">The use of qualitative research approach The single case study: Jakarta, Indonesia as the research strategy Data collection method used Conducting the data analysis</p>
<p align="center"><b><u>Chapter V Findings: The Image of Indonesia</u></b></p> <p align="center">The image of the growth of hospitality and tourism in Indonesia Business owner image The image held of MNCs (multi-national corporation)</p>
<p align="center"><b><u>Chapter VI Findings: The Glass Ceiling within International Hotel Brands in Indonesia</u></b></p> <p align="center">Expatriate Assignment Problem arising from expatriate assignments Local Manager Development Culture and Commercial Experience</p>
<p align="center"><b><u>Chapter VII Discussion</u></b></p> <p>The ideal leader in IHC in Jakarta, Indonesia is rendered to be a Western/Caucasian expatriate Why international hotel industry jobs are offering limited advancement opportunities for local managers  The challenges of MNC/IHCs face in preparing expatriates for their Indonesian assignments The development potential of the hotel industry in Jakarta, Indonesia Constraints on the relationship between expatriates and local managers in the hospitality industry in Indonesia</p>
<p align="center"><b><u>Chapter VIII Conclusions</u></b></p> <p align="center">Achievement of the aim and objectives Contribution to Knowledge Recommendations for further study Research limitations Personal reflections of the doctoral experience</p>



## CHAPTER II: LITERATURE REVIEW

### 2.1 Introduction

The purpose of this chapter is to explore the approach by International Human Resources Management (IHRM) to the phenomena of expatriation and localisation of managerial employees. This study will work from the general to the specific, beginning by exploring the definitions of expatriation and localisation. It will also examine the causes of both these phenomena in order to understand how they shape the recruitment and selection of managers within general business industries as well as specifically within the hospitality industry in Jakarta, Indonesia. In the context of managing human resources, the chapter will proceed to discuss the issues related to staffing and management of MNCs from a variety of perspectives: ethnocentric, polycentric, geocentric and regio-centric. This discussion will be followed by a review of the variations in expatriate deployment such as: SIE (self-initiated expatriates) and dual-career couples. The chapter will continue with a discussion of the importance of effective knowledge transfer for both MNCs and local managers. Finally, the chapter will specifically focus upon expatriation within the international hotel industry of Jakarta, Indonesia, and the impact this phenomenon has upon local managers.

### 2.2 Theories and concept of expatriation within IHRM

Various theories and concepts of expatriation and localisation exist. These are presented here as a foundation for understanding the multiple approaches used in the deployment and development of managerial resources in general business within IHRM. In addition, particular attention is paid to expatriation and localisation concepts in business, and how such concepts underpin the rationale for placing global managers in MNCs subsidiaries, as a means of extending home country operations to host country subsidiaries.

### 2.2.1. What is Expatriation within IHRM?

According to Harzing (2011) the term expatriate refers to any employee working in a foreign MNC subsidiary that is situated outside his/her home country for a pre-defined period of time (Harzing, 2011). Research by Perkins and White (2008) identifies expatriate employees as individuals tasked with transplanting corporate culture, competence and strategy to local units (Perkins and White, 2008). According to Harry and Nakajima (2007) the policies of MNCs in the deployment of expatriates to other countries is similar to those dominating colonial powers of many years ago. That is, when an occupying colonial power comes to a foreign country, it is a priority to apply its policies within the host country which they are setting out to occupy (Harry and Nakajima, 2007).

Normally in the literature, the expatriate is identified as a “Westerner”, more specifically a ‘Caucasian westerner’, commonly coming from the western parts of the world such as the UK, the USA or another part of western Europe (Leggett, 2010). However, this is not always the case. Lee, Veasna and Wu (2013) argue that the understanding of expatriate has evolved, following changes in how MNCs have spread their business globally. With a greater geographic spread of global companies, host countries may encounter a wide range of expatriates from different origin across the world (Lee, Veasna and Wu, 2013).

In terms of their entity, Michaila, Mustaffa and Barner-Rasmussen (2016) posit that MNCs have three types of systems that normally co-operate to run the business: the HQ (headquarter), the subsidiaries and the host country. The headquarters is the locus from which the MNC controls the subsidiary units to form the entire corporate entity. The subsidiary is the organisational unit where the employee is deployed, within the host country, which in turn is the location of the subsidiary (Michailova, Mustaffa and Barner-Rasmussen, 2016).

Michailova, Mustaffa and Barner-Rasmussen (2016:117) argue that MNCs normally operate three types of staffing policies which are the PCN (Parent Country Nationals), the TCN (Third Country Nationals) and the HCN (Host Country Nationals). According to Du, Deloof and Jorissen (2015) the PCN employee is defined as someone who originally comes from the place in which the original MNC unit is based, and who is placed strategically as an executive member of the board or holding a senior manager position (Du, Deloof and Jorissen, 2015); as such they are seen as well qualified to command the MNC subsidiaries (Harzing, 2011). Along the same the lines, the TCN employee is someone from a country outside of the MNC HQ unit equally from outside the home country in which the subsidiary is located (Gaur, Delios and Singh, 2007). Usually, the TCN employee is placed in a lower position and considered less expensive than a PCN (Levy et al., 2015). Finally, the HCN employee is defined as someone who originates from the home country in which the subsidiary is located (Gaur, Delios and Singh, 2007). The HCN is usually placed within the MNC for strategic reasons. These include the bringing of local knowledge and expertise to the business, economics, politics and market insight for the subsidiaries (Michailova, Mustaffa and Barner-Rasmussen, 2016).

Multiple studies (Starr and Currie, 2009; Peppas, 2004; Mayerhofer, Müller and Schmidt, 2010; Ornoy and Tarba, 2013) highlight the distinction of the work duration of expatriates and their purpose during their assignment within the subsidiaries. Peppas (2004) state that it is very common for the expatriate contractual assignment to run between three to five years. On occasions, due to various challenging reasons for some expatriates the MNC have had to find alternative employees for the contract duration. The reasons can be due to family well-being, accommodation, transportation, taxation or retirement plans (Collings, Scullion and Morley, 2007). Starr and Currie (2009) echo the same conclusion as Peppas (2004) that

MNCs find that family/spouse are the most likely reason to disrupt the assignment during a contract period. Therefore, the MNC must introduce alternatives for assignment (Colling, Scullion and Morley, 2007), such as short term assignment, international business traveller (IBT) and so called 'flexpatriate' (Star and Currie, 2009) assignments. According to Mayerhofer et al., (2010) the term 'flexpatriate' describes an individual business traveller who tenures a position in the home country but has a workload in other countries without residing in that particular host country. Along the same lines, the IBT is considered as having frequent business trips abroad for work purposes, ranging from daily to bi-weekly, and allowing a 'face to face' with the subsidiaries (Ornoy and Tarba, 2013). This type of expatriate is usually described as a 'globetrotter' or a 'frequent flyer' (Welch, Welch and Worm, 2007).

Finally, the short term expatriate assignment normally entails a placement of one year or less and would not entail taking an executive's family overseas (Star and Currie, 2009). During the international assignment, the expatriate may change his environment easily by switching between home country office and subsidiary office. In this way the company can apply management structural changes as time goes in such a way as to ensure that the MNC keeps pace with global competition and expansion (Stroh and Caligiuri, 1998). According to Stroh et al., (2000), the normal time for the expatriate to repatriate is when they have finished their contract work and have the option of returning home with the possibility of being promoted within their home country (Stroh, Gregersen and Black, 2000).

However, it would appear that repatriation itself may produce other challenges for the MNC and the expatriate in terms of career development (Kraimer, Shaffer and Bolino, 2009) some of which may even cause the expatriate to leave the organization in the end (Kraimer et al., 2012). Moreover, with the complex challenges facing MNCs in their pursuit of

globalisation, there may be recognised a need for localisation of business practices; that is, the MNC may have to adapt to the ways of the ‘country of origin’ when conducting their production and distribution (Pudelko and Harzing, 2007). According to Law et al., (2009) the localisation adaptation is an international diversification strategy for the MNC which may go as far as to replace the expatriate manager with a competent local manager within the corporate setting (Law et al., 2009). Similarly, the MNC may introduce an inpatriate system to provide local managers with competent skills and capabilities from the subsidiary to relocate to the MNC home country (Harvey, Kiessling and Moeller, 2011) as a future global leader who has tacit knowledge regarding the market and culture of its subsidiaries (Heejin, 2013).

Having said this, in practice it would appear that local managers in hospitality industry still find it a struggle to achieve appointment to senior management positions, offered referred to a “glass ceiling”; this may arise from MNCs lacking the trust of local manager abilities, and having no expectation of their competence in leading a subsidiaries in the international organisation (Enz and University, 2010).

### 2.2.2 The challenges encountered by expatriates working in host country subsidiaries

In respect to expatriate employees, there have been vigorous debates regarding the appropriate competencies of expatriate managers and global managers as applied in the foreign context (Causin, Ayoun and Moreo, 2011; Causin and Ayoun, 2011; Harris and Brewster, 1999; Scullion, 1994; Suutari, 2002). In general, expatriation in the workplace is seen to be a challenging part of human resources, and Suutari and Brewster (1998) argue that the employment of expatriates can give rise to a number of problems (Suutari and Brewster, 1998). Amongst those identified from the literature review are: compensation gaps with host country managers (Leung, Wang and Hon, 2011; Warneke and Schneider, 2011), limitations to the supply of expatriates (Collings, Scullion and Morley, 2007), family adjustment

(Haslberger and Brewster, 2009; Palthe, 2008), adaptation to local cultures (Suutari and Brewster, 1998), expatriate commitment (Bhatti, Kaur and Battour, 2013; Harrison, Gowan and Neill, 2004; Lee, Veasna and Wu, 2013), working attitude of the expatriate (Leung, Wang and Smith, 2001) and loss of business due to failure of the expatriate employee process (Collings, Scullion and Morley, 2007; Dowling and Welch, 2004).

Other studies (Pudelko and Harzing, 2007; Law et al., 2009; Baik and Park, 2015) in this area highlight the advantages of hiring locals rather than expatriates to fill local management positions. This is because host country nationals (HCNs) are more familiar with local culture, speak the local language, have an existing network of contacts and understand the subtle nuances of the local environment. In addition, it has been generally considered much less expensive to hire HCNs than expatriates because they are paid at local salary levels and do not need the additional expenses that expatriates often require (Lenartowicz and Johnson, 2007). Ando and Endo (2013) observe that one of the main challenges of expatriate management is to obtain a sufficient supply of qualified expatriate managers, because most would need to increase their management skills and competencies in order to perform adequately in the field (Ando and Endo, 2013; Collings, Scullion and Dowling, 2009). Harris and Brewster (1999) posit that some companies might go so far as to select their candidates arbitrarily, via what they describe as a “coffee-machine system”. Their research exposes three blue chip MNCs based in the UK that chose candidates purely on a subjective basis by means of a “closed/informal” selection interview process rather than a more objective “open/formal” selection process (Harris and Brewster, 1999). They also discovered that the closed/informal interview mainly involved discussions about candidate contracts rather than any other form of selection criteria.

Similarly, Anderson (2005) argues that the expatriate selection process has evolved since the significant growth of MNCs. However, any selection still produces challenges, particularly when the choices are based solely upon the technical competencies of the expatriate without looking at their social skills and domestic relationships (Anderson, 2005). In more recent studies (Kang and Shen, 2013; Manroop, Boekhorst and Harrison, 2013; Barakat and Moussa, 2014), it has been recognised that the selection of expatriates for developing countries has gradually evolved over several decades, with more MNCs from previously developed countries and recently developing countries seeking to engage expatriates. The Korean MNCs in China have shown a preference for “one-way selection” when recruiting expatriates, that is, adopting a polycentric approach to ease their staffing problems (Kang and Shen, 2013). Other models such as those outlined by Barakat and Moussa (2014) work towards a specific programme of international assignments: to make these successful, these MNCs have included a repatriation package as part of their selection and maintenance program, so that future expatriate employees become part of a smooth continuous learning process for each candidate (Barakat and Moussa, 2014). Other research provides evidence of existing expatriate preparation for assignment. Suutari and Brewster’s study (1998) of pre-departure training observes that expatriates engaged in this pre-departure training were well equipped with cross-cultural awareness and improved language proficiency. Both of these skill sets are important requirements to enable the expatriate to adapt to a new foreign workplace. Another researcher, (Ang 2013) echoes Suutari and Brewster’s study (1998) in underlining that expatriates should have cross-cultural skills in order to be successful during their assignment. In a later study, the same authors (Suutari and Brewster 2001) conducted a quantitative study of 660 Finnish expatriates stationed around the world, reporting that around 80% of them preferred to have pre-departure training of up to four months before their assignment. Many of these expatriates were in favour of their

company's IHRM approach across different areas such as selection, connection with the company and future career and repatriation arrangements (Suutari and Brewster, 2001). The overall findings of this study were that adequate preparation and development of competences were crucial to these expatriates when being allocated to new MNC subsidiaries. According to Suutari et al. (2002), the most crucial expatriate competences are flexibility, consciousness of cross-cultural differences and good interpersonal relationship skills. Their conclusion was that expatriate managers mostly required cross-cultural awareness. Not only would this help them to orient themselves in a new working environment but also enhance their leadership within that environment (Suutari, 2002; Causin, Ayoun and Moreo, 2011; Reddy, 2011; Wang and Tran, 2012; AlMazrouei and Pech, 2014).

In addition, Nguyen, Felfe and Fooker (2013) argue that pre-departure training is a factor in engendering improved expatriate commitment toward local MNC subsidiaries. From their research on Vietnam MNCs, they concluded that pre-departure training can affect the way in which expatriates consider their compensation, promotion and career development packages. This is because the training contributes to the recognition of commitment on the part of both the MNC and expatriates in making the international assignment successful (Nguyen, Felfe and Fooker, 2013). Wurtz (2014) refined this finding: conducting quantitative research using a French multinational company with 25 expatriate nationalities from seven countries, with participants distributed thus: USA (14%), Thailand (18%), Brazil (9%), China (32%), French (33%), India (2%), and Mexico (0,5%) (Wurtz, 2014; Zhang and Fan, 2014). Like Wurtz (2014) Zhang and Fan (2014) argue that cross-cultural training may be more effective when it is implemented "before" and "during" the international assignment.

A second reason to ensure that expatriates are appropriately committed to an international move is that there is often a strong correlation between the level of job



commitment by the expatriate and their degree of personal adjustment to the move. This would be according to their family configuration, their culture and the expectations they hold in regard to the move (Palthe, 2008; Haslberger and Brewster, 2008; Haslberger and Brewster, 2009; Van Bakel, Gerritsen and Van Oudenhoven, 2014; Bhatti, Battour and Ismail, 2013). According to Palthe (2008), expatriates may initially be enthusiastic about their new position and surroundings, but gradually move on to more negative perceptions as they discover that the real situation is far from their expectations. Palthe (2008) argues that expatriates and their families should understand that there may be a degree of adjustment needed both from them and their new co-workers to allow their goals to be achieved. The longer the stay for expatriates, the greater degree of commitment would be expected from both sides (Haslberger and Brewster, 2008; Haslberger and Brewster, 2009).

In a study of 230 expatriates in the Malaysian education industry, Bhatti et al. (2013), concluded that if the parent organization were to provide useful training and information regarding the host country in areas such as language, cultural awareness and cross-cultural differences, this would help expatriates to improve their work performance and ease their integration into a new environment (Bhatti, Battour and Ismail, 2013). This in turn would likely increase their commitment to working with the company (Lee, Veasna and Wu, 2013).

Further issues covered in other expatriation studies include those associated with the limited supply of expatriate personnel and the cost of expatriation. According to Lenartowicz and Johnson (2007), the cost of hiring expatriates is not just very expensive in monetary terms, but also carries a high risk of failure (Lenartowicz and Johnson, 2007). Collings et al. (2007) agree with this but go on to argue that cost is correlated to the supply of suitable employees. They observed that where there is a limited supply of expatriates for international

assignments, there would be a trend for salaries to go up competitively year on year and to become a major expense to MNC subsidiaries.

Along the same lines, Warneke and Schneider (2011) suggest that compensation packages for employees are crucial for their motivation, where there is a potential gap in salary from one country to another. These authors conducted a study in Germany and Spain, to analyse employee preferences in regard to compensation packages. They found that the top five responses were respectively; a good salary (95%), a repatriation guarantee (88%), quality of accommodation in the host country (82%), a location bonus, return flights, attention to family well-being and language training (80%) and a housing budget in the host country (79%). Such preferences clearly demonstrate how expatriation costs may not only be a burden to multi-national corporations but also to expatriate employees themselves. What is more, even if expatriates are awarded a competitive salary package, this may cause problems at the local host country level (Leung, Wang and Hon, 2011). For instance, Leung et al. (2011) believe that where there is a compensation gap between expatriates and local employees, it can lead to worker dissatisfaction and a negative knock-on effect to the expatriation process and to the organisation itself. Leung et al. (2011) conducted their study in Hangzhou, China, collecting data from 235 individuals working within 31 well-known companies. They found that local employees were critical of the bias towards expatriates by the company and argued that they too deserved higher salaries.

The study by Leung et al. (2011) also notes that the issue associated with the disparity of salaries was not the only resentment amongst local employees. If expatriates were enjoying a more substantial income, local employees wanted to see added value in the work efforts of expatriates, particularly in the degree of proactive engagement in “participative management”. This was because expatriates were believed to be reticent when it came to socializing with local employees. These studies conclude that the compensation gap between

expatriates and local employees is a sensitive matter for multi-national corporation subsidiaries, not just financially but in terms of human relationships. Similarly, Chen, Kraemer and Gathii (2011) echo this same opinion with their study in Kenya, but with a different conclusion. They suggest that MNCs should have equal compensation packages designed for both expatriates and locals, which would not only benefit expatriates but also local managers. Otherwise, there would be disputes from local employees who were critical of the company's bias towards expatriates and would argue that they too deserved a higher salary (Leung, Wang and Hon, 2011; Leung, Lin and Lu, 2014; Warneke and Schneider, 2011).

Other studies that relate to the reluctance of MNCs in hiring expatriates, (Collings, Scullion and Morley, 2007; Cho, Hutchings and Marchant, 2013; Lenartowicz and Johnson, 2007) note other challenges in their literature. An additional challenge relates to the shortage of expatriates (supply) and resistance to international mobility (Collings, Scullion and Morley, 2007), lack of satisfaction in repatriation (Cho, Hutchings and Marchant, 2013), high risk of failure (Lenartowicz and Johnson, 2007) and loss of business (Collings, Scullion and Morley, 2007). Early studies such as Scullion (1994) suggest that international MNCs find it difficult to obtain a sufficient supply of qualified expatriate managers, since most would need to increase their management skills and competencies in order to perform adequately in the field. In addition, Collings, Scullion, Morley (2007) later noted that there was a strong relationship between expatriate shortages and expatriate resistance to international mobility. This reflects also on the way expatriates were recruited across MNC subsidiaries, especially due to limitations in the management skills and competencies mentioned earlier by Scullion (1994) but acknowledged also much later by Ando and Endo (2013).

Along the same lines, Collings, Scullion, and Morley (2007) suggested that such limitations might cause loss of business within MNCs because there would be a high-risk of failure in finding highly competent expatriates to work in those MNC subsidiaries (Lenartowicz and Johnson, 2007). Another challenge of high-risk failure is when a MNC plans to send expatriates overseas with a family and children, given that the responsibilities incurred in ensuring the well-being of the spouse and children would be very expensive. For instance, if the spouse had been working before the assignment, then they would have had to compromise on loss of income in a situation where they would be unable to work due to restrictions in obtaining a work permit. The children of expatriates would also have to face different challenges in adapting to a new social and educational environment overseas. Such complications give rise to certain circumspection amongst MNCs, given the risk of possible failure of the family to adapt, and losing further money in financing the family's return home (Cho et al, 2013).

The following two sections will discuss firstly, the rationale for engaging expatriates over local managers in MNCs, and secondly, individual perspectives on expatriation.

### 2.2.3. Reasons for deploying expatriates from the corporate perspective

This section will explore findings from the empirical literature as to why expatriates tend to be deployed in international subsidiaries. Although there are many different possible reasons for why this should be the case, this segment will specifically discuss the favouring of expatriates as managers from a corporate perspective. A small number of early studies touch upon various reasons for expatriate employment. Galbraith and Edstrom (1976) note that the main reason for expatriation is to facilitate coordination, control and communication among and between subsidiaries and the parent company. These researchers elaborate on three further reasons to engage expatriate employees: firstly to fill positions when there is no qualified local; secondly to utilize management talent where it would best be used; and

thirdly, to provide international experience for employees. Similarly, Tung (1979) posits two reasons for expatriation: first, as an essential step when a foreign enterprise is intending to start-up a new subsidiary; and secondly when a company requires extra technical expertise and support on site (Tung, 1979).

In terms of coordination, control and communication, Harzing (2001) built upon Edstrom and Gailbraith's work on coordination, control and communication for her study about expatriation (Harzing, 2001), and noted three types of control, classified respectively as "bears" (where the expatriate role is intended to dominate subsidiary operations), "bumble-bees" (following a socialization model) and "spiders" (relying on informal communication). Following the same lines, Harzing (2011) states that while expatriates do play a role as "bears", "bumble-bees" and "spiders", what is more significant is the stronger preference for direct expatriate control ("bears") than for the other two indirect types of control ("bumble-bees" and "spiders"). On the other hand, the position of "bumble-bees" and "spiders" may have a more important role for companies at an early stage of acquisition of subsidiaries than in a from-ground-zero or green-fields situation. Overall, Harzing (2001) agreed with Gailbraith and Edstrom (1976) that international transfers are mainly used as a coordination and control strategy by MNCs. This is to socialize their corporate culture and to provide network links between headquarters and subsidiaries.

He and Chui (2012) argue that the coordination and control of subsidiaries undertaken by MNCs would be better if the high quality of governance at home were more engaged with internalisation. This is because the relationship between headquarters and subsidiaries is dependent on the shape of 1) the company culture, in that conflicting relationships may arise when there are differences in managerial practices, 2) the administration culture in that the role of local government within the subsidiaries operation must be clear, 3) the geographic locality which may determine where a subsidiary should have autonomy or when there

should be more formalised control established through expatriation, 4) the economic distance which can be determined through observing the means of knowledge transfer from HQ to subsidiaries, (Beddi and Mayrhofer, 2013).

In addition to a coordination and control strategy, researchers have noted a strong relationship between internationalisation and transplanting corporate culture within MNC subsidiaries (Ando and Endo, 2013; Khalifa, 2012; Boh, Nguyen and Xu, 2013). Ando and Endo (2013) indicate that human capital intensity encourages service firms to send their employees with the greatest professional skills and specialized know-how overseas via expatriate assignments, because these attributes are seen as crucial in producing and delivering high quality services to host countries. This position was found to be true for other studies cited above (Khalifa, 2012, Boh, Nguyen and Xu, 2013). Khalifa (2012) reported that a PCN transplanting their corporate culture abroad would be very likely to produce a good result, enhancing the future local business culture. This recourse to transplanting corporate culture by means of expatriate professionals specifically chosen by the MNC would demonstrate the trust unique to each MNC headquarters and their openness to diversity. It is argued that these key factors most influence the ability of local employees to learn and obtain knowledge from foreign headquarters (Boh, Nguyen and Xu, 2013).

Multiple studies have indicated a strong relationship between transplanting corporate culture and expatriate competencies when producing future leaders for MNC subsidiaries (Al-Waqfi and Forstenlechner, 2010; Kohont and Brewster, 2014; Wang et al., 2014; Mazrouei and Pech, 2015). However, as a result, Al-Waqfi and Forstenlechner (2010) argue that this has the knock-on effect of stereo-typing local competencies which in turn results in more expatriates being sent out, in this instance the UAE labour market. Anecdotally, this was found to bring fewer local employees into the labour market. Such an effect may

impoverish the chances of future leaders emerging from the local population (Al-Waqfi and Forstenlechner, 2010). Along those lines, Mazrouei and Pech (2015) also found that the effect of transplanting a corporate culture of leadership style and management of staff in the UAE, resulted in the promotion of more expatriate leaders than local employees. This implies that expatriate competencies further equip them to be better leaders and managers.

Another crucial reason as to why the competencies of expatriates are pivotal for the MNC is in their ability to have flexibility within different subsidiaries. Andresen and Margenfeld (2015) argue that the selection of expatriates should include IRMR (international relocation mobility readiness); their study of 273 expatriates, mostly German nationals, concludes that an international relocation mobility program would enable expatriates to conduct their assignments more successfully (Andresen and Margenfeld, 2015). Thompson-El (2014) and Selmer and Luring (2015) also argue that expatriates should have the opportunity to learn the language of their host country assignment, bringing a different dimension to the recruitment and selection of expatriates for MNC subsidiaries. Above all, this would help expatriates to adjust and perform to their optimum during their international assignment (Thompson-El, 2014; Selmer and Luring, 2015).

Additional studies (Dickmann et al., 2008; Cerdin and Le Pargneux, 2009; Martins, 2013) discuss the reasons for MNCs to use expatriates within their subsidiaries. Cerdin and Le Pargneux (2009) mention that the decision by MNCs to use expatriates is because they are expected to manage the knowledge transfer, maintain the network and relationships, the retention of employees (repatriation), and shared organisation culture (Dickmann, 2008). Along the same lines, Martins (2013) argues that the possibilities for more business internalisation by deploying the new organisational way of doing business will be seen as a strategy to place expatriates in organisational settings within MNCs.

#### 2.2.4 Reasons for deploying expatriates from an employee or individual perspective

In this paragraph, the studies of (Dickmann, 2012; Dickman, 2008; Yurkiewicz and Rosen, 1995; Tung, 1998; Harvey, 1995; Black, Gregersen and Mendenhall, 1992) come from the individual employee or manager perspective rather than the corporate perspective. For example, research by Dickmann (2012) discusses a range of specific factors which motivate individuals to choose the option of expatriation. His research refers back to earlier studies which identify expatriate motivation, including career development considerations (Dickmann et al., 2008), organisational consideration related to the expatriate package (Yurkiewicz and Rosen, 1995), individual interests, experience and drive (Tung, 1998), family and partner considerations (Harvey, 1995), and national factors (Black, Gregersen and Mendenhall, 1992). Tung (1998) conducted quantitative research into 49 US multi-national corporations based across 51 different countries. She approached 800 expatriates on assignment or just returning from assignment and achieved a response rate of 51%. Her main conclusion was that many of those expatriates anticipated that they would be more likely to achieve senior management positions after completing their international assignments and repatriation.

Dickmann et al. (2008) similarly examined motivational factors for expatriates to accept the assignments, and found that the MNC studied tended to over-emphasize previous successful assignments, financial conditions and family considerations over other factors such as cultural adaptability, developmental issues and work/life balance when persuading managers to take expatriate appointments. They found that there was an overlap between individual expatriates and their organizations as to what might result from a successful assignment. In a later study, Dickmann (2012) identifies one further motivation for choosing expatriation, this being location. Dickmann (2012) mentions that London, as a city, tends to



attract more would-be expatriate employees for a number of key reasons, such as the central location of the city, the city's reputation for business, being multi-cultural, having a convenient transport system, offering opportunities for learning and development, and being a leading city in the western world (Dickmann, 2012). Recent studies (Chaudhuri and Alagaraja, 2014; Mao and Shen, 2015; Paisley and Tayar, 2016) regarding factors of individual motivations are more focused upon the keen interest in social networking and cultural identity among expatriates. According to Paisley and Tayar (2016) LGBT (lesbian, gay, bi-sexual and transgender) expatriates have shown a growing demand for global labor, even though there is a difference in how they might or might not disclose their sexual orientation in some parts of the world. Even so, this is becoming acknowledged by many MNCs as one of the motivating factors. Chaudhuri and Alagaraja (2014) and Mao and Shen (2015) have similar ideas of expatriate motivation in that they see such employees as looking to advance their cultural knowledge by moving to different countries or places so when they return to their home country they will have a better cultural knowledge of other countries. However, whilst such factors as these are also mentioned in other studies that link individual motivation and MNCs, there appears to be little research as to how the motivational factors mentioned above might be applied or replicated within other cities of different countries.

#### 2.2.5. Different models of staffing and management perspectives in the context of expatriation

In order to understand the rationale underpinning policies related to expatriate deployment, an earlier study by Perlmutter (1969, and later Heenan & Perlmutter, 1979) developed a model to describe the potential overall orientation of a MNC to internationalisation in terms of senior management mindset. This model varies in complexity depending upon different management practices as described in Table 1 below:

Table 2.1: Characteristics of the Four Approaches to Internationalization

	<b>Ethnocentrism</b>	<b>Polycentrism</b>	<b>Regiocentrism</b>	<b>Geocentrism</b>
<b>Complexity of the Organization</b>	Complex in home country	Varied and independent	Highly interdependent on a regional basis	Increasingly complex and highly interdependent on a world-wide basis
<b>Authority and decision making</b>	High in headquarters	Relatively low in headquarters	High regional headquarters and/or high collaboration among subsidiaries	Collaboration of headquarters and subsidiaries around the world
<b>Evaluation and Control</b>	Home standards applied for persons and performance	Determined locally	Determined regionally	Standards which are universal and local
<b>Rewards and punishments; incentives</b>	High in headquarters; low in subsidiaries	Wide variation; can be high or low rewards for subsidiary performance	Rewards for contribution to regional objectives	Rewards to international and local executives for reaching local and worldwide objectives
<b>Communication, information flow</b>	High volume of orders, commands, advice to subsidiaries	Little to and from headquarters; little among subsidiaries	Little to and from corporate headquarters, but maybe high to and from regional headquarters and among countries	Both ways and among subsidiaries around the world
<b>Geographical identification</b>	Nationality of owner	Nationality of host country	Regional company	Regional company
<b>Basic HRM strategy</b>	People of home country developed for key positions everywhere in the world	People of local nationality developed for key positions in their own country	Regional people developed for key positions anywhere in the region	Best people everywhere in the world developed for key positions everywhere in the world
<b>State of internalization</b>	Early	Middle	Middle	Late

Source: (Perlmutter, 1969)

As the table above demonstrates, Perlmutter (1969) characterizes four approaches to internationalisation: ethnocentrism, polycentrism, regiocentrism and geocentrism. Each approach offers a range of perspectives which may be useful to different company profiles. For instance, the ethnocentric approach might be most useful to a MNC looking for a high level of evaluation and control as well as to maximise communication as a means to monitor subsidiaries (Kamoche and Newenham-Kahindi, 2012). On the other hand, a polycentric approach suggest a high level of local control and decision making with a view to training and development of local nationals for the highest management positions within the host country subsidiaries (Doherty and Teague, 2011). A regiocentric approach would apply when a MNC places a focus upon giving authority to regional headquarters for decision making

(Isidor, Schwens and Kabst, 2011), while a geocentric approach could involve MNC practices using an integrated HRM system to obtain best qualified managers, having the proficiency of local adaptation and global standardisation (Gannon, Doherty and Roper, 2012). Below, a number of debates from past decades are discussed in regard to the four approaches towards the internationalization of MNCs.

#### 2.2.5.1. Ethnocentrism

The ethnocentric approach can be defined as one MNC approach to manage and control its international operations; this would involve the appointment of key actors from the parent country for their international senior management board and other strategic management positions (Gomez-Meija, Balkin and Cardy, 2012). Perlmutter (1969) was already questioning decades ago how the ethnocentric approach to business organizations (see table No. 2) would fit in with MNC subsidiaries abroad. More recently, Isidor et al., (2011) argue that an ethnocentric approach could be most usefully used by MNCs at an early stage of internationalisation or during their initial set up of subsidiaries (Tung, 1998). The thinking behind this would be to ensure that the MNC would not only meet the technical challenges of expansion (marketing, technology or operations) but would recruit and select the right person for the job (Isidor, Schwens and Kabst, 2011).

Most studies cited suggest that the most viable practice for overcoming ethnocentricity within MNCs would be the adoption of a hybrid approach, combining suitable MNC 'best practice' with local practice at subsidiary level (Caligiuri and Stroh, 1995; Tayeb, 1998; Doherty and Teague, 2011; Kamoche and Newenham-Kahindi, 2012). On the other hand, certain studies suggest that some MNCs are able to maintain their ethnocentric parent corporate culture by means of strategic control methods (Caligiuri and Stroh, 1995; Mayrhofer and Brewster, 1996) In addition, Morley (2004) argues that ethnocentricity is advantageous in some contexts such as Europe, given that even across different geographical

regions of Europe there are well established channels of communication, and infrastructure which facilitates exchange of information; moreover the costs of expatriate assignment are relatively inexpensive (Scullion and Brewster, 2001; Mayrhofer and Brewster, 1996).

However, more recent research from Brewster and Bennet (2010) argues that the advantage of operational subsidiaries being located in countries close to each other does not always bring about positive outcomes for expatriates. Indeed, it may well impact on their professional development if they are sent to CEE (Central and Eastern European) countries such as the Czech Republic, Slovakia, Bulgaria, Romania, Poland and Hungary, due to the complications in these regions in regard to multiple economic systems of private ownership (Brewster and Bennett, 2010).

Other studies see the question of ethnocentricity differently (Kopp, 1994; Doherty and Teague, 2011; Muratbekova-Touron, 2008). Kopp (1994) for instance, argues that ethnocentricity may be viewed as a weakness, and that the less ethnocentric a company is, the less likely it will experience IHRM problems (Kopp, 1994). Kopp (1994) posits that companies using an ethnocentric approach are most likely to have local personnel issues with career development within their host country subsidiaries. Therefore, the human resource policies devised at headquarters should be re-evaluated when it comes to the decision to deploy home country expatriates abroad. Similarly, Doherty and Teague (2011) argue that MNCs do not do well with a discrete ethnocentric approach, and function better by using a hybrid combination approach, while Muratbekova-Touron (2008) also argues that the ethnocentric approach becomes inefficient when MNCs begin to extend local businesses to global dimensions.

The overall view of most of these studies appears to be that the ethnocentric approach will not fully succeed in an international business setting. Kopp (1994) studied around 900 major MNC companies on three different continents, (Asia (Japan), Europe and USA) and

found significant differences in their approaches. Kopp (1994) found that Japanese companies tend to take a much more ethnocentric approach than companies from the other two continents, and also appear to experience more problems. He also found that Japanese MNCs employ the most parent country nationals (PCN) overseas in top managerial levels compared to European and US MNCs. In relation to nationals being employed in overseas operations, Japanese MNCs were seen to employ around 74% of their PCNs, Europeans at 48% and the US at 31 % respectively. At managerial level, Japanese MNCs allocated only 48 % of local nationals to overseas positions whilst European MNCs employed around 82% and the US 88%. Some of the problems emerging from Kopp's study included: repatriation issues, limitations in finding high calibre local nationals, high turn-over of local employees, local employee dissatisfaction regarding career development opportunities and limited numbers of home country personnel wanting to work abroad (Kopp, 1994). The underlying causes of such issues in these three countries vary according to the environment, but without knowing the causes, the usefulness of this study is limited to some degree. For instance, repatriation issues may arise when the MNC is down-sizing as this may limit opportunities for promotion among expatriates on re-entry. Limitations to finding high calibre local nationals may be caused by limited MNC access to local expertise recommendations (Banai and Sama, 2000).

On the other hand, the high turn-over of local employees or their local dissatisfaction with career development, may be caused by limited offers of opportunity for professional career advancement (Banai and Sama, 2000). The scarcity of parent country nationals wishing to work abroad may be down to the complexities of moving to a different country or another reason. However, what is of interest from the study by Kopp is that the European and USA MNCs were found to use more local managers for their subordinates than those companies in Japan. However, although Kopp's study (1994) is thought –provoking, it

cannot be used as a definitive study because its findings were somewhat limited to data gathered by means of a quantitative survey with respondents from the manufacturing and industrial sector. Therefore, there seems to be scope to explore similar issues by means of a qualitative research method, with a view to understanding the experiences of expatriates and local managers. This could be achieved to a certain extent by asking how and why there exist problems when employing people from home and host country nationals.

#### 2.2.5.2. Polycentrism

The polycentric approach can be defined as the MNC approach to managing and controlling international operations by using key actors from the host country (Gomez-Meija, Balkin and Cardy, 2012). Many researchers suggest that in general, the polycentric approach would offer an advantage to HCNs working in MNCs (Cornuel and Kletz, 2001; Doherty and Teague, 2011; Claus, 2003; Akinola, 2007; Vo, 2009). Konopaske et al. (2002) state that the use of HCNs can help MNCs to remove many of the problems associated with those of expatriates, such as language barriers, premature return and costly business mistakes (Konopaske, Werner and Neupert, 2002). Their study was based on a large sample of foreign subsidiaries with Japanese employees sent on assignment to other countries. They found that staffing performance varied considerably from entry mode strategy to foreign direct investment (e.g wholly owned and joint ventures). Their position was that a polycentric approach to staffing produces better long-run performance in in joint venture subsidiaries than in wholly owned subsidiaries.

Doherty et al. (2007) also suggest that polycentric human resources can be used as a strategy in the recruitment and development of local managers, because local managers will have their own ways of doing things that will reflect their comfortable relationship with their own cultures and values. Clark and Pugh (1999) and Claus (2003) came to similar research conclusions in regard to polycentric approaches in European organisations. These authors

observed that a polycentric approach to human resources management could work well across various European countries because it allows for local adaptability to HRM practice methods. Variations in practice can arise according to different local employment or labour laws, to specific national cultural preferences and within these, to the organizational context of specific companies (Claus, 2003; Clark and Pugh, 1999).

Vo (2009) posits the idea that certain MNCs would be more adaptive to a host country environment than others. Vo's (2009) premise was based upon his research into the automotive industry in Vietnam, where he observed that US firms tended to offer HCNs more opportunities for advancement than those working for Japanese firms. Vo (2009) argues that as a result, US firms are able to adapt more successfully to the local environment than the Japanese, thus suggesting that a polycentric approach is more beneficial in regard to HCNs. However, such research does not specify how efficient and effective such an approach might be for MNCs relating to expenses and development time within developing countries.

#### 2.2.5.3. Geocentrism

A geocentric approach can be defined as the MCN approach to managing and controlling international operations by using key TCN actors who have global competencies regardless of nationality (Gomez-Meija, Balkin and Cardy, 2012). Multiple studies (Caligiuri and Stroh, 1995; Muratbekova-Touron, 2008) indicate that for best HR practice, there is a strong link between the geocentric approach and global orientation as the best way in which to combine international integration with the local capacity for adaptation. Caligiuri and Stroh (1995) argue that recruitment should be applied worldwide to broaden the talent pool and to increase international orientation (Caligiuri and Stroh, 1995). It has been argued that for MNCs to deal with global integration, the best approach is geocentric (Muratbekova-Touron, 2008). These authors take the view that in general, MNCs will have to change their organizational approach to a geocentric one if they wish to survive in a globalized business

environment. This implies that all MNCs will eventually be better off with a combination of approaches.

For example, Muratbekova-Touron (2008) undertook a study of an ethnocentric French company which had gained global function across multiple countries but was facing difficulties within its subsidiaries. Several interviews were conducted with their employees positioned in different countries across Europe (Belgium, Germany, Italy, England Turkey and Greece), in North America (USA and Canada) and in South America (Chile). The results concluded that this ethnocentric company should have adapted its staffing approach to meet the conditions of internationalisation; as it was, they had become inefficient in running their subsidiary operations, particularly in regard to identifying the best leaders for their subsidiaries. Lee (2013) conducted a similar study with a French company operating in Singapore and China; this echoed the findings of Muratbekova-Touron (2008), that as the company expanded and spread its operations, it encountered challenges in determining the best manager for the job. Lee (2013) recommended that this French company should use the geocentric approach to recruit their best possible managers, as this would make it more likely to identify individuals with the particular characteristics necessary to fit in not just with the “local-Singaporean culture” but also to be able to bridge the gap between the western-minded Singaporean culture and the Chinese-culture minded (although not too “Chinese minded”) within their China subsidiaries. Lee’s study came to the same conclusion as that of Muratbekova-Touron (2008): if MNC subsidiaries wish to be globally successful they need their management recruitment policy to allow a combination of local adaptability and global integration (Lee, 2013).

These authors suggest that global orientation should adopt a geocentric approach if management strategy is to lead to best practice. Having said this, there appears to be limited evidence in the reports cited here whether the use of a geocentric approach is always and



universally beneficial to host country nationals; it could also be argued that a geocentric approach may serve as a hindrance to host country national development. For example, the study of Tung, Paik and Bae (2013) highlighted the initial use of substantial numbers of Korean expatriates within Korean subsidiaries, mainly because the MNCs found it difficult to recruit sufficient local subsidiary talent. Even though the company deployed a geocentric approach to hiring managers (i.e. TCN manager) they still felt that this approach would limit career development for the host country work force in the long run (Tung, Paik and Bae, 2013).

#### 2.2.5.4. Regiocentrism

The regiocentric approach can be defined as applying the best-fit people to move around within surrounding countries from the same regional geographic (Brewster, Sparrow and Vernon, 2007). In order to overcome the previously discussed problems of a geocentric approach to international staffing, MNCs may resort to a region-centric approach because the regional MNC headquarters would rather choose a TCN manager from the same region rather than one that is not (Brewster, Sparrow and Vernon, 2007; Banai and Sama, 2000). There is a possibility that a manager from the same region has more knowledge regarding that particular country than the TCN manager, of variables such as the local culture, ethnic preferences and the local business approach (Banai and Sama, 2000). Siddiqi (1999) observes that many MNCs tend to see regionalization as a pragmatic matter when looking to a broader perspective for expanding their market size; as such, the regiocentric approach is seen as a learning curve to allow a safe estimation of the potential for business expansion. Similarities of local interest within a region are believed to lead to better segmentation, target market and product position. Similarly, Morrison et al. (1991) saw regionalization as a stepping-stone to a more effective global approach. This is because both parent companies and subsidiaries may find regional strategies a safer and more manageable option than global strategies

(globalization). Having said that, regionalization has also been argued as an alternative approach to developing an option for certain sectors (macro and micro economics) within the economy (Siddiqi, 1993).

For example, some countries may come to an agreement in creating a unified approach, as has occurred in certain regions such as the ASEAN and the EU etc. For instance, in regard to employment law, instead of being constrained by various local labour laws, a unified body can work towards creating a single set of labour laws in order to enhance the capacity to recruit talent in different areas of a region. This would be similar to the freedom of labour movement whereby people exchange their skill in the labor market for better wages and greater education and democracy.

The highlights of the above studies are displayed in appendix 10.

## 2.2.6. Variations to expatriate deployment:

### Self-initiated expatriation (SIE) and dual-career couples

The traditional routes of expatriation and the reasons for using these routes are discussed in an earlier sub-section. This section moves on to consider the rationale behind various expatriation programs which may be motivated not only by direct individual and corporate interests, but also by external considerations which indirectly influence an individual's willingness to go abroad. These may include such as career development, financial gain and family welfare (Ariss, 2010; Doherty, Richardson and Thorn, 2013a; Selmer and Luring, 2012). The following sub-section will examine various areas identified as alternative routes to expatriation. Whilst traditional expatriation has mostly come about through a trial and error process and solution by the MNC, other variations have been more studied by researchers, as a means to investigate other expatriation possibilities.

#### 2.2.6.1. Self-initiated Expatriation (SIE)

Various researchers have strongly identified self-initiated expatriation (SIE) as an alternative for professionals who wish to expatriate themselves in order to pursue their career development (Ariss, 2010; Richardson, 2006). Ariss (2010) believes that where professionals demonstrate initiative and commitment to their future international career development, SIE may be one way of achieving career success (Ariss, 2010). Thus, Doherty et al. (2013a) mention that SIE brings a different dimension to the meaning of expatriation. The traditional route is based upon the company initiative to transfer an individual whilst the SIE route is based upon an individual (or family) initiating an international assignment themselves (Doherty, Richardson and Thorn, 2013a). Richardson (2006), conducting research across 30 UK university faculties located in the four different countries of Singapore, New Zealand, Turkey and the United Arab Emirates, claimed that family (partners and children) had a huge role in an expatriate's decision to undertake SIE. In addition to professional career

development, other researchers (Altman and Baruch, 2012; Selmer and Luring, 2012; Doherty, Richardson and Thorn, 2013b) note a strong connection between SIE and the capacity for self-direction in expatriates who wish to experience this different route to success.

According to Altman and Baruch (2012) SIEs are a unique type of expatriate, typifying individuals who assume responsibility for their careers by demonstrating eagerness for further self-development. Along the same lines, Selmer and Luring (2012) report three desires which may motivate individuals to seek the SIE approach: these are adventure, financial gain and career opportunities. This implies that the motivation to pursue a better life or career will drive SIEs to seek career development through international mobility. However, there is limited information to date as to the number of SIEs who are successful or not in these endeavours (Doherty, Richardson and Thorn, 2013b).

#### 2.2.6.2. Dual-career couples

Another recognised international variation for expatriation is that of the dual-career couples. Stephens and Black (1991) argue that due to increasing numbers of international global transfers, there is a significant rise in the number of dual-career couples who may be working for an organization (Stephens and Black, 1991). According to research from Punnet (1997), in the past, spouses have tended to reject their partner's bid for foreign assignment because of the reluctance to abandon their own careers. Equally, spouses are identified as a primary reason for expensive premature returns (Tung, 1987). In order to offset these risks, dual-career programs have been introduced as an alternative in order to accommodate the needs of expatriate MNC employees, and to ensure that their assignments will be successful. Riusala and Suutari (2000) mention that in order to accommodate such expatriates, a company may prepare a position for a spouse within the organization or outside the organization, or the company may cover the living costs of a spouse whilst they are looking

for employment in the host country. More recent research by Makela, Kansala and Suutari (2011) support Riusala and Suutari (2000) regarding the importance for a company to consider dual-career couples. Makela, Kansala and Suutari (2011) believe that the role of spouses is very important because job transfer, travelling and long working hours can create job related stress (Mäkelä, Käsälä and Suutari, 2011). Another study by Harvey, Novicevic and Breland (2009) also suggests that dual-career couples may experience less stress in maintaining the marital status as expatriates on international assignment (Harvey, Novicevic and Breland, 2009). However, although these studies offer evidence of dual-career expatriate support, they do little to specify the costs to a company of such a program, or the returns to the company in terms of effective assignment results.

### 2.3 Theories and concepts of localisation within IHRM

This section will explore the potential or even the need to have local managers willing to and capable of operating subsidiaries within host countries. A number of basic theories and concepts are explored in order to help the reader grasp the essence of my study, focusing as it does on a country with an emerging economy. In Indonesia basic infrastructure with regard to education, as well as professional knowledge and skills transfer, lags far behind that of developed countries (Welch, 2012; Beech, 2014; Hartungi, 2006). This section will therefore highlight the potential of developing local talent in Jakarta, particularly as Indonesia must be prepared to replace expatriates in MNC subsidiaries in the event of an unprecedented and unpredictable call for localisation. According to Stahl, Mendenhall and Oddou (2012) the term localisation is related to the use of host country MNC labour. This concept is sometimes known as nationalisation, referring to the act of engaging a qualified local employee to fill an expatriate job within the MNC subsidiary, usually a management position (Stahl, Mendenhall and Oddou, 2012). Research by Al-Asfour and Khan (2014) identify the purpose of localisation as that of preparing local man power to replace current expatriate employees at

some future time or using locals from the beginning, using a strong comprehensive strategy to develop and retain local employees for the future. However, there have been various debates as to whether localisation is the best choice for MNCs facing the challenges of globalisation (Law et al., 2009; Thite, Budhwar and Wilkinson, 2014; Khurshid, 2014; Schaaper et al., 2013; Pudelko and Harzing, 2007; Chung, Sparrow and Bozkurt, 2014; Farndale et al., 2010; Forstenlechner, 2010). These challenges have arisen as MNCs have developed their subsidiaries, involving various factors such as inadequacy of education and training of employees (Khurshid, 2014), human resources simplification for subsidiaries' best practices (Thite, Budhwar and Wilkinson, 2014; Chung, Sparrow and Bozkurt, 2014), balancing internalisation with localisation (Farndale et al., 2010), country of origin dominance (Pudelko and Harzing, 2007) and managing local talent from recruitment to retention (Forstenlechner, 2010).

According to research by Schaaper et al. (2013) many MNCs have established strategic localisation plans for key management positions to support their regional development. Such strategic plans are implemented when there are problems with expatriate deployment, especially where they have been associated with costs, performance, adjustment and results. These authors (Schaaper et al, 2013) put the focus on their qualitative research of multiple industries such as telecommunications, electronics, pharmaceuticals, chemicals and automobile manufacture within different Asian countries. Their study concludes that MNCs generally attempt to take advantage of differences in labour costs and conditions in Asia by encouraging localisation of management positions. The rationale for this is that the subsidiary is ready and able to select and train their local managers to replace expatriates. However, Chung, Sparrow and Bozkurt (2014) argue that the 'perfect way' to achieve global best practice is to blend localisation with global standardization. Their study, based on a multiple case study within Korean MNCs spanning nine industries in India and the USA, includes the

automobile industry, electronics, steel manufacture, cable telecommunication, infrastructure building, IT services and cosmetics. Although the study by Schaaper et al. (2013) differs slightly from that of Chung, Sparrow and Bozkurt (2014) in its approach to the 'perfect way' to achieve global best practice, both studies agree that localisation appears to be the solution to MNC problems within their subsidiaries.

Other recent research into localisation comes from different regions. In recent years, various studies are focused upon the importance and desirability of workforce localisation in the Middle East (Sherif, 2013; Khurshid, 2014; Forstenlechner, 2010; Al-Asfour and Khan, 2014). Khurshid (2014) posits that six countries from the GCC (Gulf Cooperation Council), including Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates have been dependent on a workforce of expatriates for four decades, during which social, cultural and economic problems have become endemic in the region. In order to handle these problems, the study is insistent that the region should advance their education and training in all disciplines to be able to cover the job demands. Similarly, Sherif (2013) called on all educational establishments to prepare special programs for colleges to upgrade the skills of locals in the workplace. These programs would complement a long term comprehensive strategy for Middle Eastern development, especially within the United Arab Emirates. The studies cited here are supported by Forstenlechner (2010) who discusses the need for the commitment of host country nationals working within MNCs to implement a full strategy of localisation from recruitment to retention.

### 2.3.1 The success of localisation programs is dependent on all stakeholders

In order to establish a successful program of localisation, MNCs have in the short term, to deploy expatriates who can simultaneously co-ordinate the following elements: selection, recruitment, training, to mentor and develop host country nationals and to aim towards local talent development which will enhance the greater good of the subsidiaries

(Stahl, Mendenhall and Oddou, 2012). Fryxell et al. (2004) argue that the success of localization depends upon each of these elements, although how far they need to be combined in tandem for improved localisation output may depend on different work contexts within different countries. In their study of China, Fryxell et al., (2004) suggest that any wrong doing in developing host country nationals can create resentment from the locals (China). Their study involved the survey of 67 local managers across various industries including manufacturing firms, with the remainder being wholesale and retail stores. One of the approaches to overcome the replacement of expatriate managers to local managers is the setting up of a comprehensive localisation package in planning, retention, selection and team (trust) building. The belief is that the “trust atmosphere” between the local manager and expatriate manager is a crucial part of a successful localisation program, because the localisation approach will be more effective if the local manager can recognise that the expatriate has trust in them (Fryxel, Butler and Choi, 2004). Moreover, Karuri-Sebina and Resenzweig (2012) and Swailes et al., (2012) agree that localisation would involve a collective participation from all stakeholders such as government, senior management and private organisations. Their report concludes that this type of process would require long term planning to enable localisation success. They also specifically mention key points that must be achieved to accomplish the localisation. The key points are to increase the recruitment of local talent, to standardise education systems, and to integrate labour skills and policy standardisation within the labour market.

In addition to the localisation process, multiple studies (Nguyen and Hong, 2013; Tseng and Chen, 2014; Abadžić, Umihanić and Čebić, 2012; Berger, Choi and Kim, 2011; Bhanugopan and Fish, 2007) have noted that there is a strong relationship between empowering local skills development and the localisation process. Nguyen and Hong (2013) posit that best practice within MNC subsidiaries should involve developing host country



skills and providing an integrated approach between training, implementation of learning, and coaching. Their study involved top managers of manufacturing subsidiaries in Hanoi, Vietnam and Guangdong province in China.

Similarly, the study of Tseng and Chen (2014) across multiple countries in Asia such as China, Malaysia, Vietnam and Indonesia referenced the situation of Taiwanese subsidiaries within those particular countries. The Taiwanese MNCs deployed questionnaires to their senior management, both the local managers (subsidiary managers) and expatriate managers (Taiwanese/MNC managers). Their position, based on their findings echoes the studies by Nguyen and Hong (2013) in arguing that it is pivotal for MNC subsidiaries to give host country employees a chance to show their specific local skills, and to produce new competencies within the subsidiaries. Another study from Abadzic, Umihanic and Cebic (2012), looking at the development of local skills in Bosnia and Herzegovina, mentions a slightly different insight into empowering local skills and the localisation process. They believe that involvement on the part of the policy makers, private sectors, civil sectors and local communities need to be co-ordinated in a long term strategic plan in order to develop local skills. This view is similar to those of Karuri-Sebina and Resenzweig (2012) and Swailes et al., (2012).

#### 2.4 Knowledge transfer within IHRM

In this section, the importance and relevance of knowledge and expertise transfer is considered, specifically the transfer of expertise from MNC headquarters to subsidiaries through expatriation (Minbaeva, 2003). It could be argued that many MNCs in the international hotel industry have invested their brands in Indonesia for a sufficiently long-term period to justify promotional programs which benefit local managers, and in particular to allow them the prospect of replacing expatriates in the leadership of subsidiaries. It could equally be argued that as one of the fastest developing economies in Asia, Indonesia is

changing in its need for knowledge transfer. That is, as the country develops over time, it may not need such extensive transfer of expertise which is typically dependent on expatriates. This section therefore is devoted as appropriate to the study of expatriation and localisation as a means to understand ongoing adaptation processes in the transfer of knowledge within subsidiaries (Szulanski, 2006)

#### 2.4.1. Knowledge transfer in the context of IHRM

Knowledge transfer is defined as a dyadic exchange of organizational knowledge between a source and a recipient unit (Szulanski, 1996). Specific to IHRM, knowledge transfer involves a transfer of management skills and competencies between MNCs and subsidiaries. According to Minbaeva et al. (2003) it is usual for MNCs to develop knowledge in one location and disseminate it in another. This links to the evidence from Cerdin and Le Pargneux (2009) who mention the role of expatriates as being effective in knowledge transfer. “The key element of knowledge transfer is not the original knowledge, but rather the extent to which the receiving subsidiary takes potentially useful knowledge and utilizes the knowledge within its own operation” (Minbaeva et al., 2003).

Szulanski (1996) identifies four stages of intra-firm knowledge transfer. These are initiation (identifying the best fit for the organization), implementation (deciding to proceed), ramp-up (the recipient starting to use the transferred knowledge) and integration (the recipient achieving satisfactory results). In order to complete the mapping of the knowledge transfer process, there are five major elements which require attention. These are the value of knowledge, motivational distribution, cost and quality of transmission channels, the acceptance by the recipient and the absorptive capacity of the recipient (Gupta and Govindarajan, 2000). These authors report two stages in the transfer of intra-firm knowledge. The first stage is when a company starts to approach its subsidiaries in order to initiate the knowledge transfer, while the second stage is where the knowledge itself is being valued and

disseminated evenly between disseminator and other channels (recipients). This also involves the motives, costs and quality of recipients. However, Szulanski and Jensen (2006), argue that the transfer of knowledge is contingent on the ease of adaptation of the original practice to new organizational environments. These researchers also point out that the process of adaptation may differ between organisations and therefore should be evaluated in terms of effectiveness (Szulanski and Jensen, 2006). In addition, Minbaeva (2007) argues that the effectiveness of knowledge transfer between senders and receivers is interdependent. Researching Danish MNCs, Minbaeva analysed the responses of more than 100 employees from approximately 30 subsidiaries around the world. Her findings indicate that for knowledge transfer to occur, the capacity and motivation to communicate should be present both on the part of senders and receivers. She also observed that failure to activate this two-way process between expatriates and locals resulted in very poor performance (Minbaeva, 2007).

To conclude, this chapter section has reviewed four different approaches in the process of internalization (Perlmutter 1969). It has also examined a variety of reasons why the international transfer of managers is necessary, particularly when there is no local qualified personnel (Galbraith and Edstrom 1976). This chapter has likewise reviewed Harzing's (2001) model of the "Bear, bumble bee and spider" to illustrate ways in which the headquarters of an MNC might centralize its decision making and monitor subsidiaries. These three studies complement each other in demonstrating how knowledge transfer might be managed between a MNC and its subsidiaries in terms of localising its business within a host country. The final issue examined in this chapter is the time frame for effectuating the internalisation process, and the suggestion that the time required would depend on the capacity of the host country to absorb information and disseminate it at local management level.

#### 2.4.2. International global talent transfer in terms of expatriation

This sub-section aims to illuminate the importance of knowledge transfer processes as conducted by international managers to subsidiaries, in terms of recruiting, selecting, developing and maintaining the capacity of future local managers to become global talent. In particular this sub-section will consider which processes of knowledge transfer might be most effective. According to Lewis and Heckman (2006) talent is defined as an exceptional skill which is distinctively known and valued regardless of the specific role (s) of the employee. Global talent is defined in a highly skilled employee as possessing competencies or qualifications of a global scale or of international standardization (Scullion, Collings and Caligiuri, 2010). Various studies (Lewis and Heckman, 2006; Scullion, Collings and Caligiuri, 2010; Farndale, Scullion and Sparrow, 2010; Chang, Gong and Peng, 2012; Minbaeva and Collings, 2013) have pointed out a strong relationship between international global talent management and multi-national corporation effectiveness within international human resource management practices. In the process of internationalization, different contexts can determine which approach and types of strategy are adopted by each multi-national corporation (Perlmutter, 1969). For instance, there may be situations which call for the appointment of an international manager. Scullion, Collings and Caligiuri (2010), discussing international managers, suggest that potential employees should be managed by the MNC rather than the usual global talent manager and also deployed according to their skills and qualifications wherever they operate and in whatever subsidiary. Farndale et al., (2010) argue that the MNC has two areas of responsibility regarding global talent: one is to ensure that global talent stays competitive and the other is to continue to increase the international mobility of such talent. These roles of responsibility can be described as that of a communicator who will manage the subsidiary of a company within a host country. In

other words, the global talent manager's task is to manage all human resources activities such as the recruitment, selection, development and retention of the best talent and ensuring it is strategically placed within the IHRM (Scullion, Collings and Caligiuri, 2010).

Moreover, according to Chang et al. (2012), expatriate competencies can increase subsidiary performance through knowledge transfer by global managers to local managers. Chang et al. conducted a survey amongst 162 UK subsidiaries of Taiwanese MNCs, and obtained responses from 89.5% of those approached, around 300 expatriates in total. They concluded that multi-national corporations have an important task in carefully selecting expatriate managers who have the capacity and competence to lead subsidiaries and to minimize the possibility of failure (Chang, Gong and Peng, 2012). In order for this process to be effective, Minbaeva and Collings (2013) argue that human resources should be responsible for developing, implementing and measuring the effectiveness of global talent, by balancing international and local talent work performance (Minbaeva and Collings, 2013).

#### 2.4.3. Developing local managers within MNC subsidiaries

This section goes on to argue that effective knowledge transfer processes are crucial for developing local managers in subsidiaries. Multiple studies (Selmer, 2003; Bruning, Bebenroth and Pasch, 2011; Selmer, 2004) suggest that there is a positive relationship between expatriate assignments and MNCs in developing local talent. Selmer (2003) represents a popular view amongst researchers in that MNCs are most likely to localize the management of their subsidiaries where expatriate assignments may contribute to the unique and significant development of local talent (Bruning, Bebenroth and Pasch, 2011). Selmer (2004) also argues that localization begins crucially with the appointment of expatriates, because these will play an important localization role in supporting the development of locals through mentoring, coaching and advancing of local talent so that local employees will eventually occupy the expatriates positions in the future (Selmer, 2004).

In addition to the use of expatriate assignments as a means to develop local managers, researchers (Fryxell, Butler and Choi, 2004; Cruz, Scapens and Major, 2011) have found a strong relationship between developing local talent and cost efficiency. Fryxell et al. (2004) argue that by replacing expatriates with local managers, MNCs would, over time, significantly reduce their costs. Of course, MNCs would have to factor in cost efficiency from the very beginning of localization planning, with a long term view that expatriates coming to develop the subsidiaries would eventually be replaced by local talent (Cruz, Scapens and Major, 2011a). This is also recognised within the orientation model by Permultter (1969), whereby different strategies of internationalisation require different orientation approaches to enable the MNC to face each stage.

## 2.5 Developing an analytical conceptual framework

Figure 2.1: An Analytical Conceptual Framework of Why Companies Do or Do not use HCNs over expatriates (general studies)

Pro Locals: Evidence for why local managers are used by MNCs	Contra Local: Evidence for why local managers are not used by MNCs
<p>Localisation</p> <p>Empowering and enriching local skills development</p> <p>Local business development</p> <p>Strategy for local recruitment and development host country</p> <p>Cost efficiency</p>	<p>Globalisation/Internationalisation</p> <p>Broaden talent pool to increase international</p> <p>Less government involvement the better</p>
Contra Expatriate: Evidence of why expatriate are not used by MNCs	Pro Expatriate: Evidence of why expatriate are used by MNCs
<p>Adaptation issues</p> <p>Compensation gaps with host country managers</p> <p>Reticence in socialising with local managers</p> <p>Limitations supply of expatriates</p> <p>Status-having a family and children</p> <p>Assignment failure-loss of businesses</p> <p>Not enough competencies and management skills</p> <p>Lack of assurances for future career after international assignment</p>	<p>Bring corporate culture and competence to local units</p> <p>Pre-departure training means better commitment</p> <p>Coordination and control strategy by MNCs</p> <p>Flexibility interpersonal relationship skills</p> <p>Strategic control methods</p> <p>Faster facilitating in transferring information</p>

### 2.5.1 Introduction to the development of an analytical conceptual framework for general studies

This framework is a means to generalise the evidence from studies carried out in the areas of localisation and expatriation. The foundation sets out to explain the application of local talent and expatriates within the MNC. The illustration in Figure 2.1 displays the way in which MNCs currently explore the hiring of managers within their subsidiaries. A review of these studies may help the reader to understand more closely what specific arguments have been discussed across particular topics (i.e. globalisation, cost efficiency and company culture). Consequently, the big question is “Why do companies, or why do they not, use HCNs (host country nationals) over expatriates?” The framework above Figure 2.1 identifies four major quadrants into which to categorize the main topics: Pro Local (top left), Contra Local (top right), Contra Expatriate (bottom left) and Pro Expatriate (bottom right). The four quarters have been arrived at because they relate to the beginning of the research questions. These emerged from exploring and analysing the factors which influence the manager’s experience within the international hotel industry in Jakarta, Indonesia.

Before investigating specific international hotel industry matters, the research begins by investigating generic international business literature. By separating the available evidence into four quadrants, it is hoped to identify the main issues underpinning localisation and expatriation. The decision was made to limit matters to four quadrants because firstly, the host country manager (local) and expatriate manager (as from PCN or TCN) are being taken as the main unit of analysis; secondly, this configuration allows identification of gaps amongst the studies that have been completed, and thirdly, it provides useful comparisons for the context of this study (hospitality and tourism), business industry (hotel) and country (Indonesia).



The next step is to not only to summarise what has been explored within studies about the general business industry but also to focus on the findings specifically from hospitality and tourism studies. By this means, it is hoped that a bigger picture will emerge whereby any gaps between the general business industry and hospitality and tourism industry can be explored further in this study.

Looking at the data of the four quadrants, it can be seen that there exist some similarities between pro local/contra expatriate positions and pro expatriate/contra local positions. However, different characteristics may emerge, depending on the source of the data. For example, data for pro local studies (top left) was mainly derived from local government documentation in whatever country the study was conducted in , for example, the UAE (Sherif, 2013), or the USA, China and India (Pilz and Li, 2014). Data might be derived from various local government bodies and officials such as senior municipal officers, councillors, ministry officials, federal governments and other local stake-holders who would represent the key community members of local associations (Karuri-Sebina and Rosenzweig, 2012) (i.e. national chambers of commerce and industry, senior private sector managers, heads of local universities and local community associations).

It can be seen that studies of contra expatriates (bottom left) (Nguyen, Felfe and Fooker, 2014; Mahajan and Toh, 2014) contained quite bold differences even though they sounded almost the same. This was because contra expatriate studies mostly did not involve any local government or ministry officials. The data mainly comes from expatriates themselves with the discussions based more around the challenges they encountered, either during assignment or at the end of their tenure (i.e. Ang, 2013). Most of the pro expatriate (bottom right) studies (Ando and Endo, 2013; Barakat and Moussa, 2014) produced data that came from early studies of expatriate leaders within MNC subsidiaries, leaders who were in a strategic position such as starting-up or pre-opening of subsidiaries, setting-up

communication and control systems, exploring dissemination of corporate culture within the subsidiaries and sharing their experiences of being in the important and crucial parent country national manager position (i.e. Ando and Endo, 2013). The contra local (top right) position is more subtle, and involves senior expatriate managers of MNC subsidiaries, such as the CEOs and their deputies. Furthermore, most of those studies came from developing countries (i.e. Amine and Khan, 2014).

In classifying the literature into these quadrant positions, the intention was to develop a revised framework in order to understand what expatriates, host country nationals and policy makers in Indonesia view as the main shapers of managerial deployment policy and practice. The quadrants represent research undertaken in these topics over the past 10-15 years. This general quadrant framework begins with a focus on pro local studies (top left), which in general address topics such as: “localisation”, “empowering locals to enrich their skills and development”, “local business expansion and development”, “local strategy in recruitment and development” and “cost efficiency”. The second quadrant sums up the themes covered in contra local studies (top right): “globalisation/internalisation”, “broadening the talent pool to increase international orientation” and “less government involvement the better”. The third quadrant represents contra expatriate (bottom left) covering themes such as “adaptation issues”, “compensation gaps with host country nationals/managers”, “limited supply of expatriates”, “reticence in socialising with local employees”, “assignment failure-loss of business”, “insufficient competencies and management skills”, “status being having a family and children” and “lack of assurance for future career after international assignment”. The fourth quadrant addresses pro expatriate (bottom right) themes: “transplanting corporate culture and competence to local units”, “flexibility in interpersonal relationship skills”, “pre-departure training –improve work performance and increase commitment”, “coordination and control strategy by MNCs”, and “faster facilitation in the transfer of information”.

### 2.5.2 Pro Local (general/Top left)

Stahl, Mendenhall and Oddou (2012) posited that the term 'localisation' is related to the localisation of labour. This concept is sometimes known as nationalisation, referring to the act of engaging any local employee who is qualified to fill an expatriate job within an MNC subsidiary (Stahl, Mendenhall and Oddou, 2012). Research by Al-Asfour and Khan (2014) identifies the purpose of localisation as that of preparing local manpower to replace current expatriate employees at some future time, using a strong comprehensive strategy to develop and retain local employees at this future time (Al-Asfour and Khan, 2014). A small number of general studies (Karuri-Sebina and Rosenzweig, 2012; Swailes, Al Said and Al Fahdi, 2012; Sherif, 2013; Pilz and Li, 2014) have touched on various reasons for the positive effect of globalisation on the localisation process in areas such as South Africa and Oman. Karuri-Sebina and Resenzweig (2012) argue that the process of localisation from globalisation has taken a pragmatic, flexible and adaptive approach. Similarly, Swailes et al. (2012) posited that such an approach would involve a continuing collaborative participation between all stakeholders such as government, senior management and private organisations. Their study involved 25 interviews with ministry officials and senior private sector managers with human resource management experience. Along the same lines, Sherif (2013) echoed the pivotal points from Swailes et al. (2012) in order to increase local employment in the UAE (United Arab Emirates). By implementing this long term program, the UAE had hoped that local nationals would replace foreign workers in all sectors across the economy. Findings from this study were reinforced by those of Pilz and Li (2014) where the focus was specifically on the impact of vocational training in three different countries, namely the USA, China and India. The study was conducted in semi-structured interviews from multiple industries such as automotive, chemical, material processing, construction and pharmaceuticals.

Both studies showed that it is inevitable for the localisation process to increase the skills of local employees, which in turn would ensure dissemination of best practice in training approaches and standardisation across industries. In addition to the localisation process, various studies (Nguyen and Hong, 2013; Tseng and Chen, 2014; Abadžić, Umihanić and Čebić, 2012; Berger, Choi and Kim, 2011; Bhanugopan and Fish, 2007) have noted that there is a strong relationship between empowering local skills development and the localisation process. Nguyen and Hong (2013) mentioned that by empowering local skills as well as aiming for integration between training, experimentation and mentoring, local business development in MNC subsidiaries could achieve best practice. Likewise, Tseng and Chen (2014) posited that it is crucial for MNC subsidiaries to offer local employees the opportunity to show their specific local skills, and to produce new competencies within the subsidiaries. Both studies (Nguyen and Hong, 2013, Tseng and Chen (2014) concluded their studies from data produced from local managers of MNC subsidiaries from different countries, such as Vietnam and China (Nguyen and Hong, 2013) and China, Malaysia, Indonesia and Vietnam (Tseng and Chen, 2014). In relation to the development of host country managers and the cost efficiency, Fryxell et al. (2004) argued that a MNC can resolve a number of financial challenges by replacing expatriates with locals, given that failure rates for expatriate managers were relatively high, which made it difficult to justify the cost of expatriate staffing practices.

### 2.5.3 Pro expatriate (general/bottom right)

A small number of early studies have touched on various reasons for expatriate employment (Galbraith and Edstrom, 1976; Edstrom and Gailbraith, 1977; Tung, 1979; Tung, 1981; Tung, 1998; Harzing, 2001). Gailbraith and Edstrom (1976) noted that the main reasons for expatriation employment were to facilitate coordination, control and communication between subsidiaries and the parent company. Similarly, Tung (1979) explored reasons for companies

to opt for expatriation employment and concluded that there were two main reasons: the first being when a foreign enterprise was starting up a new subsidiary; the second, when a company required extra technical expertise and support on site.

Later research studies have recognised a strong correlation between how much control the MNCs have over actual governance within the subsidiaries (Harzing, 2001; Beddi and Mayrhofer, 2013; He and Cui, 2012). Harzing (2001) argues that international transfers are not the main use of coordination and control strategies but are also used by MNCs to socialise managers and employees toward their corporate culture and to provide network links between headquarters and subsidiaries. He and Chui (2012) argue that the coordination and control of subsidiaries undertaken by MNCs would be better if the high-quality governance at home were more engaged with internalisation. This can be observed through knowledge transfer from HQ to subsidiaries, (Beddi and Mayrhofer, 2013). In addition to coordination and control strategy, researchers have noted a strong relationship between internationalisation and transplanting corporate culture within MNC subsidiaries (Ando and Endo, 2013; Khalifa, 2012; Boh, Nguyen and Xu, 2013). Ando and Endo (2013) indicate that human capital intensity encourages service firms to send their professional skills and specialized know-how overseas via expatriate assignments, because these skills and know-how are seen as crucial in producing and delivering high quality services to host countries. This proved similar to findings from other studies above (Khalifa, 2012, Boh, Nguyen and Xu, 2013). Khalifa (2012) reported that for a PCN to transplant their corporate culture abroad would only bring a positive enhancement of future local business culture. Therefore, to transplant corporate culture through those professionals chosen by the MNC shows the individual trust of the headquarters and their openness to diversity. These are key factors that influence the

ability of local employees to learn and obtain knowledge from foreign headquarters (Boh, Nguyen and Xu, 2013).

Various studies have indicated a strong relationship between transplanting corporate culture and expatriate competencies when producing future leaders for MNC subsidiaries (Al-Waqfi and Forstenlechner, 2010; Kohont and Brewster, 2014; Wang et al., 2014; Mazrouei and Pech, 2015). Al-Waqfi and Forstenlechner (2010) argue that a stereo-typing local competencies result in more expatriates being sent into the UAE labour market. Along those lines, Mazrouei and Pech (2015) echo that the effect of transplanting a corporate culture of leadership style and management of staff into the UAE results in the promotion of more expatriate leaders than local employees. Wang et al. (2014), exploring the ability of Chinese nationals to become global leaders within MNC operations in China, confirmed that local and expatriate leaders and managers differed in their understanding of leadership competencies. (Wang et al, 2014).

#### 2.5.4 Contra Local position (general/top right)

Multiple studies (Amine and Khan, 2014; Maria Alejandra and Juan Fernando, 2014; Khojastehpour, Ferdous and Polonsky, 2015) indicate a strong link between the complexity of managing international brands (domestically and internationally) and accelerating them to prepare for globalisation. Khojastehpour et al. (2015) however, argue that local managers would encounter have difficulty in handling and managing international corporate brands. Perez and O'Campo (2014), note that when international brands penetrate the foreign market (internalisation) there would still be a definite tendency for MNCs to use their home country manager to lead their subsidiaries. This is also echoed by Amine and Khan (2014) who report that during the process of internationalisation of Saudi Telecom in the UAE, it was very necessary to use expatriate managers to expedite the global operation in MNC subsidiaries, regardless of challenges to penetrating the local market.

In addition to the complexity of managing international brands, researchers (Bruning, Bebenroth and Pasch, 2011; Amal et al., 2013; Al Ariss, 2014; Logemann and Piekkari, 2015; Baik and Park, 2015) note a strong relationship between the level of expertise of local managers and management control of international brands in developing countries; where local manager expertise is seen as inadequate, management control will come from elsewhere, thus limiting the possibilities of local managers employed into the subsidiaries. Amal et al. (2013), state that MNCs use their global ownership advantage to facilitate their globalisation by using expatriate managers (especially parent country nationals) their expertise, and their global management network to improve the MNC's internationalisation.

Likewise, Al Ariss (2014) posits that the reasons why MNCs hesitate to use local managers in their subsidiaries are because these managers are seen as inexperienced and lacking in the skills to manage an international brand. This is also echoed by Bruning et al (2011), who concluded from their study of MNCs in Tokyo, Japan, that the decision of the MNCs in that study not to use local managers was justified. Backing up this view of the inadequate expertise of local managers, are studies such as (Logemann and Piekkari, 2015; Baik and Park, 2015) which observed MNCs as reticent in offering tenure to local managers to be part of a senior management team because local managers had inadequate skills in coordinating and exercising control over subsidiaries. It was also observed that the use of local managers could become a liability for inter-regional connections (Logemann and Piekkari, 2015), and lead to poor communication between subsidiaries and headquarters (Baik and Park, 2015).

#### 2.5.5 Contra Expatriate position (general/bottom left)

Multiple studies (Ang, 2013; Suutari and Brewster, 1998; Leung, Lin and Lu, 2014; Cho, Hutchings and Marchant, 2013) demonstrate various reasons as to why MNCs are reluctant to

deploy expatriates in their subsidiaries. In terms of cross-cultural adaptation, Suutari and Brewster (1998) argue that expatriate managers do not on the whole possess adequate cross cultural awareness to carry out their assignment well in the new foreign workplace. This is also echoed by Ang (2013), who posits that expatriates would be most likely to have problems on their assignment when they had poor cross-cultural awareness, since this would prevent them from blending with local managers. This makes some MNCs hesitant to employ expatriates. Some researchers (Warneke and Schneider, 2011; Chen, Kraemer and Gathii, 2011; Leung, Wang and Hon, 2011) note that there is a strong correlation between the consideration of hiring expatriates and making decisions regarding their compensation packages. Warneke and Schneider (2011) debate that getting the right compensation package for motivating expatriate employees, especially where there is a potential gap in salary from one country to another. Chen, Kraemer and Gathii (2011) echoed this opinion in their study of MNCs in Kenya, although they arrived at a different conclusion. One related issue was that an expatriate income discrepancy would lead to dissatisfaction among local employees; critical of the company's bias towards expatriates, they might argue that they too deserved a higher salary (Leung, Wang and Hon, 2011; Leung, Lin and Lu, 2014).

Other studies that relate to the reluctance of MNCs in hiring expatriates, (Collings, Scullion and Morley, 2007; Cho, Hutchings and Marchant, 2013; Lenartowicz and Johnson, 2007) note other challenges in their literature. Additional challenges are related to the shortage of expatriates (supply) and resistance to international mobility (Collings, Scullion and Morley, 2007), lack of satisfaction in repatriation (Cho, Hutchings and Marchant, 2013), high risk of failure (Lenartowicz and Johnson, 2007) and loss of business (Collings, Scullion and Morley, 2007). Early studies suggested that international MNCs would find it difficult to obtain a sufficient supply of qualified expatriate managers, since most would need to increase their management skills and competencies in order to perform adequately in the field. These



findings echoed those of studies as far back as 1994 (Scullion, 1994). In addition, Collings, Scullion, Morley (2007) noted a strong relationship between expatriate shortages and resistance to international mobility. This resistance seemed to apply to the way they were recruited across MNC subsidiaries, but also in particular because of limitations in their management skills and competencies mentioned by Scullion (1994). Along the same lines, Collings, Scullion, and Morley (2007) suggested that such failings might cause loss of business within the MNCs, given the high risk of failure to recruit highly competent expatriates to work in those MNC subsidiaries (Lenartowicz and Johnson, 2007). It is equally a high risk factor when expatriates are sent overseas with family and children, because of the possible failure to adapt, and the costs incurred both in supporting them financially on assignment and then having to fund their premature return home (Cho et al, 2013). The next section looks at the challenges of expatriation and localisation in international hotel industry.

## 2.6. IHRM and the hospitality industry

This segment will explore in more detail the core context of the study; that is, it will discuss the unique potential blend of hospitality industry and IHRM talent in terms of skills sets, including a “niche” educational set and specific areas of experience (Hughes, 2008; Scott and Revis, 2008). According to Hughes (2008) the nature of the hospitality industry requires certain specific skills from those who work within it, skills which may differ from those required in other industries such as technology, manufacturing and others that are business related. To succeed in career development, hospitality industry individuals may have more need for a wide variety of work experiences rather than an advanced degree of education (Scott and Revis, 2008). According to Bharwani and Butt (2012) who deployed a semi-structured interview with senior level managers such as general managers, vice presidents and HR directors from multiple international hotel companies of India, the biggest HR

challenge within the hospitality industry is to attract and keep employed staff in order to develop better personnel within the company (Bharwani and Butt, 2012). On the other hand, sophisticated skills such as speaking another language, may serve as a crucial indicator of how far one qualifies in being able to deal with multiple international customers on a daily basis (Ho, 2012). In addition, Ho (2012) posits that the cross-cultural skills, especially language skills, required by a leader in running a hotel are complex. This is because they have to be fit for purpose in the specific context of a hotel location. This means competence in English when in Western countries such as the USA, the UK and Germany where the English language is the dominant language for international communication. This also applies to most of the Asian countries. When in parts of Southern America such as Argentina, Chile or Peru, the Spanish language will be the dominant language used within the region.

According to Chiang (2014), a consequence of such complexities is that international organisations may struggle to cover the full scope of requirements of an international manager and these may need to be supplemented by training. Tracy et al., (2015) identified a difficulty in ensuring that training should be standardised in order to transfer the full scope of skills that might be needed in the home organisation to the context of training abroad (Tracey et al., 2015). Along the same lines, Tracey et al., (2015) believe that MNCs need to determine the degree of customised training necessary to fit the unique unusual requirements of a specific host country when choosing a manager to lead the foreign subsidiaries. The next section explores how these dilemmas play out in debates on the management process, whether in recruitment, selection, training or development within the hospitality industry.

#### 2.6.1. The debate over global managers vs. local managers within the hospitality industry

The following sub-section will explore debates arising in the literature as to MNCs choices between global and local managers in the hospitality industry. This section aims to help the reader understand the unique nature of employment in the hospitality industry

(Hughes, 2008). Successful MNC subsidiaries in the hospitality and tourism industry not only help the development of MNCs but also help to stabilise subsidiaries in foreign countries. Regardless of any foreign investments coming into a developing country, successful development of subsidiaries may help to minimise economic problems by creating jobs and limiting the opportunity for any form of corruption in that particular country (Anderson, 2013; Davidson and Sahli, 2015). Anderson (2013) for instance, observing the role of expatriate placement in providing the necessary competencies for running tourist destinations in Tanzania, found that expatriate placements were effectual in helping MNC subsidiaries to minimize the possibility of corruption between MNCs and local suppliers. One of the main problems had been leakage of supply from multiple tourism resources, in part attributed to local supplier inconsistency and poor quality of delivered goods.

Davidson and Sahli (2015) argued for another way in which expatriate placements might contribute to direct foreign investment, in this instance as a means of alleviating local poverty. By the same token they also claimed that placing expatriates within MNCs helped locals to build up their tourism potential for better destinations, in that where tourist destinations are lively and dynamic, the more jobs will be likely available for local people.

Other studies come from quite a different direction that of the expatriate as saviour. Causin and Ayoun (2011) suggest that expatriate assignments are one of the tools to enhance expatriate leadership within MNC subsidiaries, because expatriates have developed specific competencies which local employees do not have (Causin and Ayoun, 2011). Their study concludes that expatriate placement within MNC subsidiaries is crucial to tourist destination development in the hospitality and tourism industries because they provide a solution to the problem of deficient education and skills in the local labour markets (Causin and Ayoun, 2011). Parallel to this are studies which identify a “glass ceiling” for local local managers within the hospitality industry who encounter resistance to their advancement to senior

management positions within the industry. The “glass ceiling” phenomenon may result from the MNC’s lack of trust in the competence of local managers to lead the subsidiaries within their international organisation (Enz and University, 2010). The concept term of “glass ceiling” was first used in literature based upon that of women’s progress in organisations (Javdani, 2016).

Even if one accepts such assumptions about expatriate managers, certain challenges have arisen in the global framework of the international hospitality industry have arisen from changes in human resources management and development (Bharwani and Butt, 2012; Bharwani and Jauhari, 2013; Chiang, Birtch and Cai, 2014; Gamble and Messenger, 1993; Worsfold, 1993; Hinds et al., 2004; Gannon and Maher, 2012). According to Gamble and Messenger (1993) employees who are looking for international career development must increasingly look to their range of potential competencies if they and their companies are to succeed. This can be problematic; for example, Worsfold (1993) argues that at minimum, managers should have people skills, adaptability and empathy.

According to Harkison, Poulston and Kim (2011) there still exist discrepancies between the expectations of new employees by the hotel industry and the actual skills competence of students about to graduate; this is true for future employees whether just graduated or joining a hotel company as a future employee. Their study (Harkison, Poulston and Kim, 2011), conducted in New Zealand using the quantitative method applied to hospitality students and hotel managers (mainly middle managers, followed by supervisors and some senior managers), concluded quite surprisingly that there was considerable difference in expectations amongst stakeholders: while the hotel industry seemed to require mainly good communication and human relations skills from their future managers, the graduates in the study prioritized knowledge and specific skills (Harkison, Poulston and Kim,

2011). Such insights have implications for the expectations of local managers and employers in the hotel industry.

Gannon and Maher (2012) look at the development of future global managers in a slightly different way. They believe that to bridge the competencies gap, future graduates will need a mentoring program in order to align them o what is going on in the industry, and to prepare them for the real world after graduation. Bharwani and Butt (2012) suggest that the hospitality industry should be able to phase and concentrate on the development of career progression and growth opportunities for their managers, arguing that whether working at a global or local level, such managers need awareness of their future development needs, regardless of where they are from or where they are located.

The other challenge for the MNC is to decide whether to use global managers or local managers in the hotel industry on the basis of their readiness to be managers (Koenigsfeld et al., 2011) describe the changing spectrum of competencies requited within the vast and dynamic hotel industry. Their study focused on private clubs (social clubs, golf club, yacht clubs and other sports clubs) operating in a similar way hotels in running departments such as front office/reception, restaurants, banquet halls, health services and event management. The study, engaging 372 club managers and active members of the private clubs as participants, found that the competencies for entry level management and upper management had to be at the same level as those within the hotel industry. These covered specific competencies such as food and beverage, sport management leadership and human resources.

In addition to issues related to the recruitment of global managers, other researchers (Hodari and Sturman, 2014; Gannon, Doherty and Roper, 2012; Gannon, Roper and Doherty, 2015) have found a strong relationship between strategic human resources recruitment in leading MNC subsidiaries, and satisfying MNC ambitions in the international hotel industry. Gannon, Doherty, Roper (2012) argue that MNCs use a strategic combination in the

recruitment of hotel managers in order to explore how companies pursue their competitive advantage in the international hotel industry. Their study, involving eight international hotel companies and its HR teams including senior level managers, found that MNC hire managers have their own strategies and ambitions but that these must match and satisfy the corporate ambitions of the MNC (Gannon, Roper, Doherty, 2015). It would seem therefore that MNCs deploy a unique HRM practice which integrates various aspects of HRM to meet a broader corporate strategy, one focused on staying competitive in the industry by means of one or a combination of universal or best practices and/or a best fit and resource-based view.

Franco and Perreira (2013) claim that global managers require certain competencies and skills to be in place in order to be able to carry out globalisation through localisation, an inevitable step for some developing countries. They also argue that global hospitality companies must prepare for this process, given that knowledge of local markets will increasingly form part of their business development. Multiple studies (Ajagunna and Crick, 2014; Prayag and Ryan, 2012; Zhu, 2012) indicate a strong link between the importance of local hospitality uniqueness and ways of promoting and applying this uniqueness for the benefit of local business development in tourism. These three studies explain such local hospitality uniqueness from different perspectives; for example: local hospitality uniqueness in Jamaica can be described as a positive attitude by local Jamaicans about visitors, which has the effect of establishing a cordial relationship between hosts and guests, from the moment of meeting the immigration officers at the airport to the service offered by taxi drivers in the public market (Ajagunna and Crick, 2014). Local hospitality uniqueness is further illustrated in Mauritius, an environment unique in its rich variety of cultural backgrounds, ethnicities and languages (Prayag and Ryan, 2012). These authors used qualitative research methods (semi-structure interviews) to obtain the views of 103 tourists to Mauritius, coming from the UK, South Africa, France, Germany and India. A third perspective is illustrated by Zhu

(2012) who identified a link between the authenticity of a “Local heritage site” , namely the historical city of Lijiang in China, and its global role as an area of “World Heritage”.

Still related to the theme of developing the local business, both Ajagunna and Crick (2014) and Prayag and Ryan (2014) posited that the level of interaction between locals and tourists is the best option for local managers to bring about the best of local tourism. According to Zhu’s (2012) study of localisation in China, the processes of social interaction between tourists and locals invest the tourist destination with a greater depth of meaning through the creation of new or reinvented local varieties of culture. In addition to local business development, other researchers (Liu et al., 2014; Updhyay and Sharma, 2014; Joy and Cai, 2010) noted a strong correlation between local hospitality uniqueness in developing local tourism, and empowering locals to enrich their skills and development. Liu et al. (2014) decided to empower local managers to use the local approach in the design of hotel room reservation policies in international hotel companies of Hong Kong, because the policy would fit better with local preferences. Their quantitative study was administered and targeted toward Chinese leisure travellers from mainland China and Western countries (USA, Canada and Europe) who visited Hongkong in 2012. They achieved a sample of 500 Chinese and 500 western tourists for their study.

Another study in India, Updhyay and Sharma (2014) exploring the culinary preferences of foreign tourists in various tourist destinations, administered a questionnaire with close-ended questions to 591 international tourists after they had finished a meal in a local restaurant. The questionnaire was given out to the tourists in restaurants located in various tourist destinations, covering monuments and beaches across seven states in India. The overall findings of (Updhyay and Sharma, 2014) showed that local culinary expertise had played a major part in boosting local tourist destinations, a strategy which had permitted the

local tourism industry to develop its own best practice in attracting a foreign market. In another case Joy and Cai (2010) used a qualitative approach and content analysis for their study about online brand image of three international brands each in USA and China to explore the possibility of local tourism development, using their own brand positioning, product development, market segmentation, promotion strategies, distribution channels and pricing. This had the effect of local business development identifying the best local assets such as uniqueness, tradition and historic elements. In the next sub-chapter, qualification, improvement and retention of employees within foreign subsidiaries will be discussed.

#### 2.6.2. MNC recruitment and selection for foreign subsidiaries

This sub-section will demonstrate that recruitment and selection processes for managerial processes in the hospitality industry can be specifically adapted to match the needs of MNC preferences in different subsidiaries. It will illustrate how many factors may influence manager placement, such as a hotel owner's preferences, HQ decisions, and the origin of the MNC's home country (Guilding, 2006; Turner and Guilding, 2010). Successful recruitment and selection are not only influential in determining the future development of employees but are implicated in minimising staff turnover within MNC subsidiaries (Scott and Revis, 2008). Worsfold (1993) and Scott and Revis (2008) argued that within the hospitality industry, staff can be maintained when offered opportunities to grow and develop professionally. Moreover, according to Connolly and McGing (2006) the hospitality industry prefers employees who not only possess a degree in the field but who also have practical skills (Connolly and McGing, 2006). Similarly O'Connor (2005) argued that for the hospitality employee to be successful, they must gain genuine hospitality work experience whereby they can practice their skills. Jameson (2000) back this up by remarking that a university qualification plays a very small role in the graduates' pursuit of a job, while (Jameson, 2000) notes that most hospitality industry recruitment and selection processes look



to the previous job experience of the employee rather than their formal education.

According to Harkison, Poulston and Kim (2011), whilst researching the desired attributes of hospitality students in New Zealand, found that only 31 % of managers considered formal education more important than experience. In addition to recruitment and selection, such researchers argued that employee retention is strongly related to how the hospitality industry sees their management of talent.

Multiple studies (Hughes and Rog, 2008; Martin et al, 2006; Raybould and Wilkins, 2005) indicate a strong link between recruitment and selection of employees, both expatriates and local managers of MNC subsidiaries, and their retention. Hughes and Rog (2008), claim that there is a positive connection in talent management between the recruitment and the retention of employees. They mention that talent management must embrace an integrated, strategic and technological attuned approach to human resource management (Hughes and Rog, 2008). Conversely, Martin et al. (2006) argue that employee recruitment and retention not only depend on good employee selection processes, but also on motivational factors. That is, the local managers may see the opportunity to grow in their career as being more important in a company than the quality of management (Martin, Mactaggart and Bowden, 2006). Their quantitative study was conducted in Scotland, UK involving owners and managers from multiple types of accommodation such as: Bed and Breakfast (33,5%), Independent hotels (20,2%), Corporate hotels (12,2%), Guest houses (11,2%), Caravans (11,2%) and others (11,7%). They posited that it was a big challenge to attract future local managers to the hospitality and tourism industry in Scotland; interestingly the lack of motivation to enter the industry was not so much related to level of salary or to shift schedule as to a poor perceived image of the status of the hospitality and tourism industry in the eyes of future local managers. Other evidence from the study suggested that many currently employed local managers were preoccupied with how far their professional career

development might progress whilst working in the hospitality and tourism industry (Martin, Mactaggart and Bowden, 2006).

Interestingly, an Australian study by Raybould and Wilkins (2005), found that the strongest graduates from the hospitality management school eventually left the industry before becoming managers in their own country (local managers) because of unfulfilled expectations. They report that retention of these future local managers was poor when their expectations were not met, specifically in terms of how their conceptual and analytical skills might further their career within the hospitality industry. Whilst Raybould and Wilkins (2005) reported a positive correlation between recruitment/selection and local manager retention, they did not use qualitative methods although these might have permitted the researcher to specifically probe the opinions of these employees. Such methods might have further illustrated what the hospitality industry might have done to retain local managers, or how the recruitment and selection process of the company may have better matched their expectations.

To increase competitiveness and sustainability in the hotel industry, many MNCs have expanded their recruitment pool. Pavia et al. (2013) suggested a personalised customer approach and better tourist promotion. Also, for integration of foreign hotel brands into the local market it was argued that it would be better to use expatriate managers because they are better qualified than local managers (Pavia, Stipanović and Floričić, 2013). The study by Pavia, Stipanovic and Floricic (2013) took about three years to complete. It involved multiple hotels from different ownerships including a co-ownership and management contract in Istria County within the Republic of Croatia. Along the same lines, Ayoun et al (2014) argues that local managers may not have the same openness and willingness to manage a business within the hospitality industry as expatriate managers. This is because they do not yet have the understanding of how competitive the industry is and how important the competitiveness is to

increase the sustainability of their local tourism (Ayoun, Rowe and Eyoun, 2014). (Shakeela, Ruhanen and Breakey, 2011) their research in the Maldives, acknowledged problems within developing countries with regard to their development of local employees. These researchers outlined four issues related to local employees in developing countries: 1) human resources (employee ability, feeling of discrimination), 2) institutional factors (lack of employment contract, absence of labour laws), 3) economic factors (low salaries, lack of employee benefits) and 4) religious factors (less protection for women at work). They concluded that such issues can make hospitality and tourism appear less attractive to local communities, and as such make retention of local employees difficult.

Such studies imply that development of local employees in developing countries risks attrition where there is a lack of regeneration of talent. Causes would likely be due to the very minimal managerial knowledge by local managers, lacking the requisite managerial skills, analytical skills, quick capacity and reaction to new problems and ability to implement planning capacities. It follows that if there are no local employees working in subsidiary hotels it will be difficult to have future local managers tenured in those subsidiaries. Velo and Mittaz (2006) came to such a conclusion when conducting a four-case study research project across four hotels in four different countries, namely the Moscow Aerostar Hotel in Russia, the Kempinski in Vietnam, the Radisson SAS in Ecuador, and the Movenpick Hotel and Resorts in Lebanon. The recommendation arising from their study was that in order to overcome the problem of limited skills in local managers, better education was needed. Their argument was to enhance the skills of lecturers within hospitality management to prepare them and equip graduates with appropriate education and understanding of how to better future local managers within the hospitality industry.

In terms of how the MNC prepare their global and local managers, some researchers (Guilding, 2006; Ganon, Roper and Doherty, 2010; Turner and Guilding, 2010) have noted a

strong trend in the ways MNCs recruit, select, develop and train their employees within foreign subsidiaries. Gannon, Roper and Doherty (2010) suggested that the way hotels develop the strengths of their managers depends on “asset light” strategies such as management contracts, franchises and other entry modes, strategies which clearly create challenges for so many international companies (Gannon, Roper and Doherty, 2010; Guilding, 2006). Turner and Guilding (2010) adds to this view in observing that the recruitment and selection process for hotel managers may be compromised by the interference of hotel owners, especially in instances where the type of ownership imposes binding restrictions on agreements between the hotel company and the hotel owner. This is echoed by Hodari and Sturman (2014) who posits that hotels having a different type of ownership, such as independent hotels and hotel management companies, might need to operate their management recruitment in a strategically different way. This study was based upon 115 general managers across Europe who came from independent hotels or hotel chains. Their belief was that the recruitment of hotel general managers can not purely be based on their education and experience if the hotel owner (independent or hotel chain) wishes to strategically limit the manager’s freedom to recruit by imposing his own recruitment criteria on the running the hotel operation. These authors suggested that in fact, manager autonomy may be limited in all areas such as marketing, operations and human resources, apart from finances. The general manager is given a much more important role, which is to focus on brand management and to protect its brand integrity for the stakeholders (Hodari and Sturman, 2014).

Given the limitations of studies such as this one, it would appear that researchers would do well to investigate the relationship between employee retention and training /development. The next chapter will discuss the relationship between training/development

and recruitment/selection processes, and how these might work together in order to retain employees in the hospitality industry.

### 2.6.3. MNC training and development in regard to foreign subsidiaries

This section will focus on the necessary training and development processes helpful when preparing local managers to act as future global talent. In the specific context of this study, these processes are considered as applying to a developing country, such as Indonesia. A long-standing view found in the literature is that the hospitality industry must maintain close links between educators and industry professionals (local managers and expatriate managers) in order to guarantee coherent observation of industry trends (Brookes and Becket, 2011; Prabhu, 1996; Jameson, 2000). Prabhu (1996) argues that hospitality lecturers have a duty to communicate to local students the needs of the hospitality industry in terms of globalization. More recently, Brookes and Becket (2011) were still maintaining that hospitality programmes should prepare graduates for international experience in the hospitality industry, given that such students would likely be called upon to work as industry professionals for international companies as their local manager, wherever they are from (Brookes and Becket, 2011).

Jameson (2000) expressed a concern that inconsistency of knowledge transfer occurs not only in education but also within the industry, often as a result of financial inadequacy and lack of foresight. Jameson's study was conducted in various regions of the UK such as Cumbria, the Heart of England, the West Country and Yorkshire. 1103 questionnaires from independently-owned small hospitality and tourism firms responded (i.e. Bed & Breakfast, Guest houses, Hotels, Restaurants, Bars and Visitor attractions). On a parallel note, a New Zealand study by Poulston (2008) reports that lack of training related to workplace issues could result in high staff turn-over, while adequate training and development could ensure

local staff retention. Where there is a tendency to high staff turnover, O'Leary and Deegan (2005) call for MNCs to urgently address this concern. The review of studies above demonstrates a certain concern on the part of researchers that a strong connection must be maintained between academia and industry professionals (local managers and expatriate managers) from the hospitality industry if the industry is to prosper.

Thus, it is understood that training and development are key groundwork factors in ensuring talent management within the hospitality and tourism industry (Hughes and Rog, 2008). Baum (2008) argues that investment of comprehensive training at all staff levels, including executive management, is crucial. Barron (2008) notes that high staff turnover within the industry could result from a lack of investment in personal development, a demotivating workload, and a lack of recognition from senior management. This view is echoed by Watson (2008) who also observes that retention and development of employees is a key issue for the hospitality industry; in this study the problems are identified as limited accessibility to training opportunities and poor focus on skills and competence development in helping employees further their careers. Willie et al. (2008) add that the best management approach to staff retention is pride in one's job and receiving a "fair compensation package", both being vital in the retention of employees by the company.

In addition to training and development, other researchers have distinguished a strong relationship between training and development in globalization (Littlejohn and Watson, 2004; Jayawardena, 2001a; Jayawardena, 2001b; Jauhari, 2006; Du, Deloof and Jorissen, 2015). In terms of globalization, the development of managers is key to the prospective well-being of the industry, especially at a time when the hospitality and tourism sector is being significantly influenced by trends in globalisation and strong competitiveness (Littlejohn and Watson, 2004). However, Jayawardena (2001) is critical of management education, claiming that the skills focus has been poorly interpreted in international and local hospitality management

programs. (Jayawardena, 2001b) says that this is due to a lack of understanding as to the challenges and problems faced by hospitality educators in developing countries, where the management experience is often different to that of managers in developed countries (Du, Deloof and Jorissen, 2015). Other studies (Jayawardena, 2001a; Beals and Denton, 2005; Du, Deloof and Jorissen, 2015; Baum, 2008) therefore call for a better analysis and identification of current and future trends, needs and obstacles of the hospitality industry both in the country of origin and the subsidiary. Likewise, Jauhari's study in India (2006) echoed Jayawardena (2001a) and Jayawardana (2001b) that management competency specifications for the hospitality industry must be matched by the focus of training on hospitality education, especially as globalisation entails considerable cross-cultural exposure. As such, training is essential in the capacity to handle different types of guests from around the world within the hospitality industry (Jauhari, 2006).

Multiple studies (Hon and Lu, 2013; Min, Magnini and Singal, 2013; Magnini et al., 2013; Mejia, Phelan and Aday, 2015) display arguments regarding the high failure rates of assigning expatriates, particularly when they have suffered difficulties in their cross-cultural adaption overseas. Mejia, Phelan and Aday (2015) argue that western hotel managers experience high assignment failure rates because they have poor preparation and cultural training. This finding is similar those in other studies mentioned above. Min, Magnini and Singal (2013) debate that expatriate preparation would be a pivotal point in helping them to experience a successful assignment in the long run. This qualitative study involved 68 expatriate managers from various countries, chosen carefully from their hotel profile and working in hotel brands, hotel classification and geographic locations. The managers came from 27 different countries, mostly from Western regions such as France, Austria, Germany, the UK and the USA. However, some came from Asian regions such as Australia, the

Philippines, India, Thailand and Vietnam, while a few came from Middle-Eastern regions such as Egypt and Lebanon. This study raised four specific important points for MNCs to consider in not deploying expatriates. They argued that expatriates would not be competent on assignment unless 1) they were committed to learning new cultures; 2) that they were prepared to share their vision with their subordinates, 3) they had acquired open mindedness, 4) having the capacity for product innovation. The conclusion was the lack of these would lead to failure, but it also implies that most of the expatriates in their study had experienced some type of difficulty during their time of assignment. If so, this strongly suggests that pre-departure training would be crucial to the expatriate working assignment so that the various challenges regarding cultural differences between subordinates and expatriate managers could be minimised (Hon, 2013).

In addition to the expatriate achieving better performance, other researchers (Madera, Dawson and Neal, 2014; Gamble and Messenger, 1993; Hurrell and Scholarios, 2014) indicate that a strong relationship between local proficiency and interpersonal interaction are important tools to enable expatriate managers to have better social skills at work and in their social life.

An earlier study by Gamble and Messenger (1993), found that some international managers within the hospitality and education industry were reluctant to learn the language of the host country, even though they knew that this competency was very important to ensure the effectiveness of their career development. This is also echoed by Medira, Dawson and Neal (2014) who state the same point about local language proficiency. They also added that this so called limited local language proficiency may expose a communication barrier in the daily working situations, to the point where it may lead to a high turnover of employee and managers. Another factor which may affect inter-relations between expatriate and local



employee is the disparity between them in terms of compensation and salary. According to Hon (2015), compensation gaps can create an effect of unhealthy behaviour between the expatriate manager and local employee in the workplace. This quantitative study, involving 46 expatriate managers and 297 locals (low and middle-level management) from 31 companies, was conducted in Beijing, China. Of the sample, 35% of expatriates came from Hong Kong or Taiwan, 32.3% came from Europe, 28% from North America and the remainder from other Asian countries (Hon, Lu and Chan, 2015).

## 2.7 Corporate and brand image

This sub-section presents the arguments from the literature as to how corporate and brand image can shape and influence managerial appointments across expatriates and locals working in the international hotel industry. Multiple studies (Minkiewicz et al., 2011; So and King, 2010; King and So, 2015; Chang and Ma, 2015) point out a strong relationship regarding the importance of corporate and brand image in connection with customer service management and company culture within the hospitality industry. According to Minkiewicz et al (2011), corporate image and customer satisfaction should be prioritised in order to develop a clear, strong corporate brand image in the minds of customers. The means of achieving this is via employees who deal with customers regularly (Minkiewicz et al., 2011). Along the same lines, So and King (2010) echo that corporate and branding image is all about the service delivered to customers and emphasize that branding is defined as the foundation of service marketing in the era of globalisation.

In relation to how MNCs introduce their brand value to customers, Chang and Ma (2015) argue that hotel companies are most likely to differentiate their brand values into three different groups: global brand, regional brand and local brand. The global brand most closely defines the international hotel company located in multiple countries and aiming to deliver a consistent quality service to their customers (Tsai, Dev and Chintagunta, 2015) The regional

brand reflects similar globalised elements but is strictly focused upon regional areas (Milenkovska, Strezovski and Milenkovska, 2015). Finally, the local brand is only located within one country (Manhas and Tukamushaba, 2015). According to Chang and Ma, (2015), each of these brands may be linked to a different range of services. In general, brand value maintains the brand image in terms of human resource management, company service quality, company culture and behaviour and the company leadership culture. Chang and Ma (2015) conduct their qualitative study with 20 interviewees, three from global companies (IHC), five from regional companies and three from local hotels in China. On the other hand, King and So (2015) deployed surveys across five-star Western IHCs (i.e. Marriot, Hilton and Sheraton) with 570 respondents of whom 557 are local chinese employees. The job positions of respondents are mostly those of entry level and supervisory positions (78%), the reminder being middle management and senior management positions. They posit that hotel MNCs are suggested to maintain their brand in order to stay competitive in the hotel industry (King and So, 2015).

King and So (2015) and Chang and Ma (2015) agree that MNCs will recruit and select their hotel employees (local managers or expatriate managers) who fit the criteria outlined by the MNCs, specifically, those that will have the potential to expand and make their brand stronger for their loyal customers. They also believe that Western IHCs (i.e USA or UK) in Asia are most likely to have expatriates as their senior management regardless of where the hotels are located. This is because guests or customers who stay in such international hotels would still expect western cultures and experiences within those hotels (Chang and Ma, 2015; King and So, 2015). These studies complement each other because each study deployed quantitative and qualitative methods to reach the better result. However, their studies are mainly in China and Taiwan. It would therefore be interesting to know how

such studies might be implemented in different parts of Asia. The next section describes the analytical framework development for the hospitality industry.

## 2.8 Developing an analytical conceptual framework

Figure 2.2: An Analytical Conceptual Framework of Why Do or Do not Companies use HCN over expatriates (hospitality studies)

Pro Locals: Evidence for why local managers are used by MNCs	Contra Local: Evidence for why local managers are not used by MNCs
Strategy for local recruitment and development host country Local hospitality uniqueness	Globalisation/Internalisation Insufficient local skills and knowledge Broaden Talent Pool to increase international orientation
Contra Expatriate: Evidence for why expatriates are not used by MNC	Pro Expatriate: Evidence of why expatriates are used by MNC
Not enough competencies Lack of preparation and pre-departure training Compensation gaps with host country managers	Bring competency to local units Stabilising subsidiaries Minimise possibility of Corruption Personal competencies Global management skills Match corporate ambitions and to stay competitive

### 2.8.1 Introduction to Development of an analytical conceptual framework for hospitality studies

This framework works under the same function as the earlier conceptual framework regarding general studies (Figure 2.4). It is the basis for understanding the principles behind the application of local talent and expatriates within the MNC from the perspective of hospitality studies. This framework aims to help the reader understand the types of issues arising in relation to IHRM within the hospitality industries. Specifically, we will consider the question as to why some companies may or may not use local managers in preference to expatriates. The rationale for a framework which separates this question into four quadrants is that it may permit the emergence of new topics or additional findings contributing to the study of expatriate and localisation in Jakarta, Indonesia. From section 2.6.1 each question is presented from four different perspectives, (i.e Pro local (top left), Contra Local (top right), Contra expatriate (bottom left) and Pro expatriate (bottom right), each sub-section following the same process. Upon examination of the Hospitality and Tourism studies, the pro local position (top left) is first represented by “the strategy for local recruitment and development of the host country” and “local hospitality uniqueness”. The second quadrant sums up the Contra Local position (top right) which addresses topics such as “broadening the talent pool to increase international orientation”.

The third quadrant represents the Contra Expatriate position, (bottom left) which identifies “not enough competencies in the local language”. The fourth quadrant addresses the Pro Expatriate position (bottom right) which identifies themes such as “to bring competence to local units”, “stabilising subsidiaries”, “personal competencies”, “minimise the possibility of corruption”, “global management skills” and “match the corporate ambitions and to stay competitive”. These topics have emerged as salient across different disciplines and within different fields of research.

### 2.8.2 Pro local (tourism/top left)

Various studies (Ajagunna and Crick, 2014; Prayag and Ryan, 2012; Zhu, 2012) indicate a strong link between the importance of local hospitality uniqueness and possible means to improve and apply this uniqueness to the profit of local business development in tourism. These three authors explain differently their views on local hospitality uniqueness. Ajagunna and Crick (2014) mentioned that local hospitality uniqueness can be described as a positive attitude by the local Jamaican in their way in which to establish a relationship between the host and the guest, from the immigration officers at the airport to the taxi driver in public market (Ajagunna and Crick, 2014). It can also be defined as the variety of cultural backgrounds of Mauritians such as: various nationalities, ethnicities and languages (Prayag and Ryan, 2012). On the other hand, Zhu (2012) believes that the originality of the local destination could bring the global touch out of the classical city of Lijiang in China. These three samples of hospitality uniqueness can be a decisive point in the decision to choose whether MNCs should use expatriates or local managers within their subsidiaries. According to Zhu (2012), exploring localisation in China, the processes of social interaction between tourists and locals generated more meaning associated with the tourist destination through the creation of new or reinvented local varieties of culture.

In addition to local business development, other researchers (Liu et al., 2014; Updhyay and Sharma, 2014; Joy and Cai, 2010) have noted a strong correlation between local hospitality uniqueness in developing local tourism and empowering locals to enrich their skills and development. Liu et al. (2014) decided to empower local managers to apply the local approach when they (local managers) set up policies for hotel room reservation within international hotel companies in China, on the basis that these policies would work better with host country preferences. Other researchers in India, Updhyay and Sharma (2014)

have explored the culinary preferences of foreign tourists in various tourist destinations, which showed that local culinary expertise had allowed local tourism to develop their own preferences to boost the local tourist destination toward the foreign market. In addition, Joy and Cai (2010) used a qualitative approach and content analysis to explore the possibility of local tourism development using their own brand positioning, product development, market segmentation, promotion strategies, distribution channels and pricing, meaning that the majority of local business development had to bring their local assets forward such as uniqueness, tradition and historic, if they wanted to contribute to their local tourism development.

The argument for pro local (general and tourism) explains how important it is for MNCs to deploy local managers over expatriates in both general studies and hotel and tourism subsidiaries. The reasons for supporting pro local are very distinctive and distinguish means by which the background of local managers may serve as a pivotal point for ensuring that local business development is sustainable and that there is progression in the development of local talent in each related business industry. In this way, it will contribute to bringing localisation within the MNC (Gannon, Doherty and Roper, 2012; Nickson et al., 2002).

### 2.8.3 Pro Expatriate (tourism/bottom right)

To stabilise the MNCs of hospitality and tourism in foreign countries, expatriates are sent to help the development of the MNCs, especially in developing countries. This is done with the intention of minimising economic problems, by creating jobs and limiting opportunities for any form of corruption to develop in that particular country (Anderson, 2013; Davidson and Sahli, 2015). Anderson (2013) claims that in Tanzania expatriate placement is needed because expatriates have the necessary competencies in running tourist destinations. Likewise, Davidson and Sahli (2015) argue that expatriate placements also contribute to

direct foreign investment, helping to alleviate local poverty. Other studies argue the opposite: Causin and Ayoun (2011) suggest that expatriate assignments are one of the tools to enhance expatriate leadership within MNC subsidiaries, because expatriates have developed specific competencies which local employees do not have (Causin and Ayoun, 2011). Their study concludes that expatriate placement within MNC subsidiaries is crucial to tourist destination development in the hospitality and tourism industries. This is because it can bring better solutions to problems due to the lack of education and skills in the local labour markets (Causin and Ayoun, 2011). However, there is still little conclusive evidence to support the direct cause of how much preparation of localisation the subsidiaries create to solve the lack of education and enrich the skills of local labour markets.

In addition to expatriate competencies, certain researchers (Hodari and Sturman, 2014; Gannon, Doherty and Roper, 2012; Gannon, Roper and Doherty, 2015) have found a strong relationship between strategic human resources recruitment in leading MNC subsidiaries, and fulfilment of MNC ambitions in the international hotel industry. Gannon, Doherty, Roper (2012) argue that MNCs use a strategic combination in the recruitment of hotel managers in order to explore how companies pursue their competitive advantage in the international hotel industry. However, MNCs hire managers having their own strategies and ambitions that match and satisfy those corporate ambitions (Gannon, Roper, Doherty, 2015). This is echoed by Hodari and Sturman (2014) who posit that hotels having a different type of ownership, such as independent hotels and hotel management companies, would operate their management recruitment in a strategically different way. This is because the hotel owner (independent or hotel chain) will strategically limit their freedom in running the hotel operation to recruiting his management staff.

#### 2.8.4 Contra Local (tourism/top right)



MNCs have widened their recruitment pools to ensure competitiveness and sustainability in the hotel industry. Pavia et al. (2013) suggests a personalised customer approach and better tourist promotion. Also, for integration of foreign hotel brands into the local market they argue that it would be better to use expatriate managers because they are better qualified than local managers (Pavia, Stipanović and Floričić, 2013). Along the same lines, Ayoun et al (2014) argue that local managers may not have the same openness and willingness to manage within the hospitality industry as expatriate managers. This is because they do not yet have the understanding of how competitive the industry is and how important the competitiveness is to increase the sustainability of their local tourism (Ayoun, Rowe and Eyoun, 2014).

According to Shakeela et al (2011) there have been problems within developing countries with regard to their development of local employees (Shakeela, Ruhanen and Breakey, 2011). Their research in the Maldives concluded that issues related to human resources, institutional factors, economic factors and religious factors, might make hospitality and tourism appear less attractive to local communities. If there are no local employees working in those hotel it would be difficult to have future local managers tenured in those subsidiaries (Velo and Mittaz, 2006). Velo and Mittaz (2006) conducted the study from four case studies across four hotels in four different countries, being the Moscow Aerostar Hotel in Russia, Kempinski in Vietnam, Radisson SAS in Ecuador, and Movenpick Hotel and Resorts in Lebanon. They mention that the skills of hospitality management lecturers should be upgraded in order to be able to handle the problems of the limited skills of local managers by equipping the lecturers with a proper education.

#### 2.8.5 Contra Expatriate (tourism/bottom left)

Multiple studies (Hon and Lu, 2013; Min, Magnini and Singal, 2013; Magnini et al., 2013; Mejia, Phelan and Aday, 2015) focus on the high failure rates incurred in assigning expatriates abroad, particularly when they find it difficult to adapt cross-culturally. Mejia,

Phelan and Aday (2015) argue that western hotel managers may experience high assignment failure rates because of a lack of preparation and cultural training; this finding is similar to those of other studies mentioned above. Min, Magnini and Singal (2013) question whether expatriate preparation is pivotal for ensuring long term successful assignment. If so, pre-departure training would be crucial to minimize cultural differences between subordinate and expatriate managers during their working assignment (Hon, 2013). In addition to the expatriate achieving better performance, other researchers (Madera, Dawson and Neal, 2014; Gamble and Messenger, 1993; Hurrell and Scholarios, 2014) have indicated that a strong relationship between local proficiency and interpersonal interaction is important in order to enable expatriate managers to develop better social skills at work and in their social life.

An earlier study by Gamble and Messenger (1993), found that some international managers within the hospitality and education industry were reluctant to learn the language of the host country, even though they knew that this competency was very important to ensure the effectiveness of their career development. This is also echoed by Medira, Dawson and Neal (2014) who state the same point about local language proficiency. They also added that this so called limited local language can expose a communication barrier in the daily working situation which can produce a high turnover of employee and managers. Another reason that can influence the link between expatriate and local manager is their compensation gap and salary. According to Hon (2015), compensation gaps can create an effect of unhealthy behaviour between the expatriate manager and local employee in the workplace (Hon, Lu and Chan, 2015).

## 2.9 Chapter summary

This literature review chapter begins with the issues of expatriation and localisation arising in general studies, and introduces various theories and concepts of expatriation and localisation. Such theories and concepts contribute to my understanding of the experiences of managers in

both general business and the international hotel business in Jakarta, Indonesia. Likewise, consideration of the relevant literature has informed my understanding of the various factors which may motivate both expatriate and local managers, and these can be considered both from an individual personal perspective and the corporate perspective of MNC itself. The chapter continues by exploring the concept of knowledge transfer between MNC headquarters and subsidiaries and debates regarding global managers and local managers in IHRM, specifically within the international hotel industry. Also discussed is how recruitment and selection can be pivotal in the retention and development of managers for the MNC. Based on these literatures, I have developed a framework that will support the data analysis and subsequently help with answering my main research question that seeks insights into the experience of expatriation and localisation within the international hotel industry in Jakarta, Indonesia. Because of various stakeholders involved, the importance of context as well as the dynamics of expatriation and localisation the framework is based on available arguments for and against the use of expatriates., i.e compensation gaps with host country managers (Leung, Wang and Hon, 2011), limitations to the supply of expatriates (Collings, Scullion and Morley, 2007), adaptation to local cultures (Suutari and Brewster, 2002), the importance of the coordination and control strategy by MNCs for subsidiaries (Gaibraith and Edstrom, 1976; Tung, 1979, Harzing, 2001) and for and against the use of local managers, i.e the importance of local manpower in senior management position (Al-Asfour and Khan, 2014), inadequacy of education and training of employees (Khurshid, 2014), the simplification of human resources best practices (Thite, Budhwar and Wilkinson, 2014), and managing local talent from recruitment to retention (Forstenlechner, 2010). Subsequently, two perspectives are considered in regard to the possible rationales for expatriation, these are the corporate perspective (He and Chui, 2012; Ando and Endo, 2013) and the individual managerial perspective (Dickmann, 2008; 2012). These respective perspectives are derived from

empirical evidence available in the related literatures as well as personal views of local stakeholders, such as investors and policy makers (Perlmutter, 1969; Heenan and Perlmutter, 1979; Gomez-Meija, Balkin and Cardy, 2012). These arguments have also been considered in relation to features specific to the international hotel industry (Hughes, 2008; Scott and Revis, 2008) in relation to how companies expand their portfolios of subsidiaries through global (Causin and Ayoun, 2011) and local investment (Bharwani and Butt, 2012) and the demands and preferences of their international customers (Gannon, Roper, Doherty, 2015).

## CHAPTER III CONTEXT CHAPTER: JAKARTA, THE CAPITAL CITY OF INDONESIA

### 3.1 Introduction: The Indonesian Hospitality Industry and Human Resource Management

This chapter will specifically review Indonesia's hospitality industry and its human resource management processes. Rapid economic development within Indonesia has led to significant growth across all industries, particularly the hospitality Industry. This growth also has implications as to how such industries are managed, including those of human resources.

Before we examine the current economy and tourism in Indonesia, it is important to provide insight into the current political climate and post-authoritarian rule, (colonialism and post colonialism). These issues have (had) and impact on such issues as discrimination, cultural stereotyping, hierarchies, and multiple cultures and norms. The chapter starts with addressing colonisation and corruption which are at the basis of many current problems and impact on the livelihoods of many Indonesians but are also relevant for the development of the tourism and hospitality sector as such. Thereafter, the chapter continues with a brief introduction regarding the economy during past decades and the Indonesian hospitality and tourism industry, followed by human resources management issues such as skill and talent development in hospitality and tourism in Indonesia.

### 3.2 Colonialisation in Indonesia

Indonesia is situated within South East Asia which is closely located to other countries in the region such as Singapore, Malaysia, Thailand, Vietnam, Cambodia, Laos, East Timor, Philippines, Brunei and Myanmar. As other countries in this region, Indonesia has extensive

experience of colonisation compared to those of other colonial countries. Four nations made the original journey to Indonesia. These were the Portuguese, Dutch, British and Japanese. The Portuguese were the first European nation to arrive in Indonesia around the late 16th century and stayed for around 150 years ('HISTORY,' 2009). This was followed by the Dutch who lived in Indonesia for 350 years (Bijl, 2012). During the Dutch colonisation, the British arrived to explore and colonise the islands of Sumatra, Borneo and a small part of Java (Tsao, 2013). The British arrived around the late 18th century and left after almost 100 years. The Dutch still occupied Indonesia at that time. During the mid-20th century, in 1942, The Japanese landed and declared Indonesia as their new colony (Foray, 2013), until Indonesia proclaimed its independence in 1945.

The main attraction of Indonesia to the European countries was because of its spices ('HISTORY,' 2009). This encouraged the occupation of Indonesia by those countries. Indonesia was known as *the Netherland East Indies* (Colonial Indonesia). The benefits to the colony were through the sales of their natural resources which produced investment to places elsewhere (Gordon, 2014). The colonisation also allowed the introduction of western religion to the indigenous people. Catholic and protestant religion was taught/introduced to the local people by incoming missionaries (Schulze, 2013). On the contrary, the Japanese came with a very different motivation which was to have total World and Asian domination (Foray, 2013).

Early colonisation studies by de Haas (1938), argued that colonisation brought social and economic structure to indigenous people, whilst at the same time accepting the fact that their natural resources were taken for the benefits of western socialisation (de Haas, 1938). There were many forms of resistance from the indigenous people of Indonesia to the countries that

came to colonise (Dutch, Portuguese, British, and Japanese). This was because Indonesians felt deceived by early promises made by the colonisers whereby they agreed to preserve and develop the colony areas. The study of colonisation by Lavalley and Poole (2010), suggests that colonisation does not bring the colonised country to a better situation, instead it often diminishes and destroys its history, identity, politics, language and produces dislocation. The effects of colonisation on Indonesia affected the country directly and indirectly through its impact on physical, emotional, spiritual and mental health (Lavalley and Poole, 2010). This is also echoed by Alonso (2011), who posited that in the long term, colonisation affects how a country conducts international trade, leads to the under-development of its capital to improve human life and lowers the quality of governance to lead the country (Alonso, 2011).

Colonisation also brought religious missionaries to disseminate their beliefs to native people (Schulze, 2013). The new religions also produced a different way of socialising among the indigenous people; their original culture and norms being affected by the new beliefs. Along the same line, the colonisers also introduced ethnic policies which affected the indigenous people to create socio-cultural dimensions such as: discrimination between different ethnic groups (other Indonesians) or to any foreigners who came to Indonesia and cultural stereotyping to multiple norms or beliefs (religions). Whether this was intentional or not, it became established within the society (Lavalley and Poole, 2010).

### 3.3 Corruption in Indonesia

According to Otusanya (2011), “corruption” is the mix of ideological, moral, cultural and political perspectives and refers to “the misuse of public office for private ends or private gain” (Otusanya, 2011). Corrupt practices include money laundering, nepotism, extortion, bribery, fraud, embezzlement, intimidation and abuse of power (Prabowo, 2014). Corruption in Indonesia became a prominent feature during the “New Era” regime. This was lead by the

then president, Suharto, who began his regime in 1966 when he took over the presidency from President Soekarno. He would be in power until 1998. Corruption in Indonesia was quite centralised and predictable under Suharto, with direct involvement of the Suharto first family, top military leadership and other conglomerates and the control of all of investors conducting business within the country (Walker, 2008). This monopoly trade also involved business within tourism and hospitality. It included everything related to initial investment development through to the building of hotels and the destination development. Everything had to go through a member of the Suharto family (King, 2000). According to Otusanya (2011), this late president of Indonesia, Mohammed Suharto, was one of most the infamous world leaders who had been on the watch list.

In “post-Suharto” Indonesia, corruption became worse because it was more decentralised and became common practice spreading evenly throughout districts and local government. It worsened because the practice of corruption became “something normal” when running a commercial or trade business within the country, which was common practice under Soeharto. People got used to applying nepotism and bribery to make sure their business operates profitably (King, 2000). After being protested against and pushed to resign as president by the people, Suharto was replaced by his vice-president, Habibie (1998-1999) who did not do much in terms of developing tourism in Indonesia because at that time his role was mainly that of trying to steady the “sinking ship” after the impeachment of Suharto. A year later, Habibie was replaced by Abdurrahman Wahid (better known as Gus Dur) for two years (1999-2001) who was removed in 2001 due to two big financial scandals. He was replaced by Megawati Soekarnoputri (the daughter of the first Indonesia president: Soekarno). Megawati’s appointment did not make many changes after Abdurrahman Wahid’ left the presidential post. The political and financial situation was better controlled, but



foreign investments were not really developed, especially within the tourism sector ('POLITICS & GOVERNMENT,' 2006). Megawati Soekarnoputri was president for three years before losing her tenure to Soesilo Bambang Yudhoyono in 2004. SBY, (his nickname), was the first president to win an election from the direct results of the people's vote. SBY held the presidency for two administrations from 2004-2014. He was probably a better president than his successors because his political ideas were to fight corruption, to build better infrastructure in rural and city areas, and to invite more foreign investors into the country (Negara, 2016). Under his reign, the hospitality and tourism industry welcomed a large number of investors who were willing to develop more hotel businesses in the country ('INDONESIA,' 2014). SBY was replaced by Joko Widodo. Joko Widodo was previously in tenure as governor of DKI Jakarta before winning the presidential election in 2014 (BBC, 2015). He became the first president to see how pivotal tourism was in its contribution to Indonesian's economy, thus appointing a stand alone Ministry of Tourism (Hudoyo, 2014). By doing this, his aim was to encourage the industry to have better infrastructure development, in particular improved road networks and public transportation. He also saw the need for more transparent financial reports and to have better human resources to help improve the economy within the hospitality and tourism industry (Negara, 2016). As mentioned above, corruption has become (and still is to some extent) quite common, including for any foreign investors wanting to enter Indonesia (Erb, 2011; Passant et al., 2015). The following quotes outlines the close link between corrupt practices and party-politics in Indonesia:

*““Money politics” has become a household phrase in Indonesia to depict the moral decadence of party politicians, describing their dual practice of accepting bribes from patrons and distributing money to gain or maintain office. Echoing these popular sentiments, domestic and foreign observers have described the parties as rent-seeking entities, driven by*

*oligarchic interests and personal greed. With their legitimacy in decline, parties are generally seen as the weak link in Indonesia's consolidating democracy. This perception, in turn, has fuelled demands for non-party figures to play a greater role in political life"* (Prabowo, 2014).

This quotes means that for either domestic or foreign investors who want to do business in Indonesia, they have to be ready to use bribes from the initial proposal until their permit is gained to start any development. Local people recognise this system so therefore practise nepotism. They know whom to bribe to "smooth" the business investment therefore the faster the permit or "green light" would be. Unfortunately, life wrapped up in corruption became a culture which like any culture is not easy to change. There are various case studies (Kuncoro, 2006; Olken, 2006; Rusmin and Brown, 2008; Dennis, 2005) regarding business irregularities in Indonesia which involve local government, state-controlled business and major financial institutions. For example: the illegal practice of public welfare by limiting rice distribution (Olken, 2006), suspicion of money laundering within the financial businesses of banks, insurance, pension funds and other security finance groups (Rusmin and Brown, 2008), and the allegation of corruption within state-controlled businesses which forced the restructuring of Indonesian Telecommunication (*TELKOM*)(Dennis, 2005). According to Kuncoro (2006), the practise of corruption within Indonesia always involved the local government because of the need for permits and licences; issuing a business licence or a local tax appraisal are clear examples.

Business irregularities as highlighted above did not escape the hospitality and tourism industry, which is the focus of this study. Two particular tourism studies (Cochrane, 2013; Wright and Lewis, 2012), show the impact of corruption on tourism development. According to Cochran (2013), there was a real concern in Eastern Indonesia when local rural tourism

areas were forceably taken from local residents for tourist destination development. Local communities, often struggling with limited education, did not receive proper information on these project or support how to sustain their area from the hand of government or investors. Unwittingly, they (local residents) had been taken advantage of by local government and investors who wanted to change their habitat without looking at local human welfare. Wright and Lewis (2012) investigation similar problems, argue that before planning to develop rural area into a tourist destination attention should be paid to local culture, local social life and the environmental impact. There is evidence that local governments were less concerned about the effects of tourism development on local communities and more about benefits for themselves (Suryadarma, 2012). Over the years, the hotel and tourist industry has been closely related to the state of the Indonesian economy, which has experienced considerable fluctuation (Sugiyarto, Blake and Sinclair, 2003). Since 1998, when the longest serving president, Suharto, resigned from his position, changes in political freedom have contributed to building stronger governments committed to fighting corruption (Heritage, 2014). The previous president, Susilo Bambang Yudhoyono, was recognised for leading the country towards an era of globalization to allow Indonesia's economy to play a role at the multi-national level (Heritage, 2014: p 241). To this end, in order to reduce corruption and enhance Indonesia's competitiveness, all regulations regarding laws in investment and regulation may be open to scrutiny in the near future (Wahyuni and Ng, 2012).

### 3.4 Indonesia' economy

The Indonesian economy has been up and down during past decades (Investments, 2014).

Table 3.1 below shows the development of the three main economic sectors in Indonesia over the last five decades, in terms of percentage of shares.

Table 3.1 Indonesian Economy in General

Percent of GDP	1965	Growth %	1980	Growth %	1996	Growth %	2010
Agriculture	51	-52.9	24	-33.3	16	-6.25	15
Industry	13	223	42	2.38	43	9.30	47
Services	36	-5.5	34	20.58	41	-9.75	37

Source: (Investments, 2014)

Despite a decline in the contribution of agriculture contribution to the Indonesian gross domestic product (GDP) over the past five decades, agriculture still provides an income to most Indonesia people today. Accordingly, Indonesia has made major changes to approach globalisation over the past 10-15 years, including the privatization of general state-owned enterprises. By doing this, previously state-owned enterprises are expected to revise their organizational goals, corporate governance and organizational structures. Astami et al. (2010) argue that private sector ownership has achieved a higher level of performance than government institutions, implying that Indonesia has been prepared for globalisation for some time. However, it has also been argued that its human capital is yet to adapt to such rapid change (Astami et al., 2010). Bennington and Habir (2003), mention that human resources in Indonesia have faced an on-going challenge due to difficulties in finding the right skills within the service industry. Their research suggests that finding good quality talent in Indonesia is measured by productivity and motivation rather than common qualifications such as specific technical skills, working experience or educational background. Effective recruitment and selection seems to be restricted to the private sector, which may be a result of having better HR systems and practices. However, “nepotism” is more readily adopted in this sector to recruit and select talent than other hiring processes (Bennington and Habir, 2003). To offset this, Habir and Larasati (1999) identified the need to implement international practices such as participation and incentive-oriented human resource systems and empowerment, in order to become more competitive in this era of globalisation. They

conducted qualitative research with senior managers. The resulting interview data were compiled into three mini cases that involved two major Indonesian conglomerates (The Sinar Mas group and The Astra group) and one state enterprise sector (PT Rekayasa Industri). Although these studies now appear out-dated, issues such as “nepotism” are still a challenge to local companies in obtaining the best manpower for the purpose (Habir and Larasati, 1999).

### 3.5 Foreign Labour Law in Indonesia

Despite the very real prospect of economic development in the future (e.g., the year of 2024), Indonesia still has a weak labour law and labour market infrastructure, as well as a currently weak level of education and labour skill capacity in all economic sectors (Lim, 2017). Indeed, there is a theme prevalent in the literature which advises potential investors in Indonesia to pay attention to the particular requirements of the labour market infrastructure, as mentioned by Lim (2017).

Research has indicated that the lack of skills and general low labour productivity amongst local workers has until recently driven investors to deploy foreign labour as a means of bridging the skills gap and as the best means of achieving their investment goals (ILO, 2010). This is particularly true in the hospitality and tourism sector of the Indonesian industry, given the specific IHC requirement for highly qualified and globally competent managers to meet the needs of international customers (Gannon, Doherty & Roper, 2012; Gannon, Roper & Doherty, 2015). Among the most important skills are technical skills (Edstrom and Gailbraith, 1977; Hsi-Mei, 2008), involving control, communication and coordination (Harzing, 2001; 2011) and meeting the demands of running MNC operations between headquarters and subsidiaries. Local management in the past has been noticeably inadequate in these skills (Welch, 2012; Beech, 2014; Hartungi, 2006), which in large part explains why to date expatriates have tended to be deployed to fill top managerial positions and to bridge

labour deficiencies in the subsidiary host country (Gailbraith and Edstrom, 1976; Tung, 1981).

Foreign labour regulation in Indonesia is set up under the ministerial decree of Ministry of Manpower, specifically in regard to the use of foreign labour under article number 13 section 43-46 (Indonesia, 2003) as to how expatriation should be regulated. The article mentions that MNCs must provide a specific and detailed account of : the reasons for the expatriate appointment, description of job position, length of the contract, steps to appoint a local manager to mentor the expatriate in daily work and eventually to become his/her replacement. This is also echoed by PriceWaterhouseCoopers (PricewaterhouseCoopers, 2012) and the Norton Rose group (Partners, 2012) who mention the need for expatriates to ensure effective knowledge transfer to local managers during their assignment. The Norton Rose group specifically underline the responsibility of their employers to provide expatriates only with a temporary working permit for a period of 12 months (renewable annually).

In 2015, the Ministry of Manpower of the Republic of Indonesia updated the employment rules of a 2003 ministerial decree specifically regulating the use of expatriates in the Accommodation and Food & Beverage Industries. This updated ruling was specifically designed to protect the interests of local labour (Indonesia, 2015), although it should be noted that this primary data collection took place in 2014. The new 2015 regulation controls the length of expatriate tenure, specifically in the Accommodation and Food and Beverage Industry (see appendix 11). As the table in appendix 5 illustrates, this new regulation seeks to protect the interests of local labour by limiting the length of allowable tenure to expatriates. This updated regulation differs considerably from previous Indonesian labour laws for foreign workers, which were more subtle in setting out rules and regulations regarding

foreign workers, and with no specific regulation for the hospitality and tourism industry (Indonesia, 2003).

### 3.6 Hospitality, Tourism and HRM in Indonesia

#### 3.6.1 Hospitality and Tourism in Indonesia

Tourism has become an important sector to the Indonesian economy. It is not only a source of foreign exchange and earnings but also a means to enlarge job opportunities and income distribution for local people (Sugiyarto, Blake and Sinclair, 2003). Sugiyarto, Blake and Sinclair (2003) suggest that international tourism and globalization could increase income from foreign spending as well as helping to lower domestic price levels. They (Sugiyarto, Blake and Sinclair, 2003) also argue that this would elevate the production of tourism products. Wrangham (1999) posited that involvement of more remote local areas was an important factor in developing the tourism industry. He argues that local areas were not lacking in worthwhile attractions such as crafts manufacture, uniqueness of culture and historical relics, but they were lacking the experience to determine how to get the most out of their areas of interest (Wrangham, 1999).

Certainly, Indonesia still has huge potential for tourism development (Purwomarwanto and Ramachandran, 2015). It is expected that this will go on to be one of the most important forces for development foreign exchange and earnings. In fact, the Ministry for Tourism and Creative Economy of the Republic of Indonesia, has recently introduced a master plan to advertise six economic corridors (Sumatra, Java, Kalimantan, Sulawesi (previously Celebes, Bali-Nusa Tenggara and Papua-Moluccas) and 16 tourism areas (i.e. Bali, Lombok, East Nusa Tenggara, Komodo Island and others) over the next two years as a further means to promote tourism in Indonesia (Ling, 2013c). Table 3.2 indicates that the number of international tourists visiting Indonesia has increased over the last five years, reaching the

highest number of visitors in 2012, namely 8.044.462 (Indonesia, 2012b). In 2013, Indonesia was visited by a total of 8.8 million international tourists, who stayed in the country an average of 7.65 nights. During the first five months of 2014, the accumulative number of international tourist arrivals to Indonesia grew by a significant 9.96% compared to the same period in 2013. It is estimated that approximately 3.7 million visitors entered Indonesia between January and May 2014, compared to 3.36 million arrivals during the same period during 2013 (Travel, 2014).

Table 3.2 Progress International Visitor Arrival in Indonesia 2011-2013

Year	Total	Growth (%)	Revenue (million USD)	Growth (%)
2011	7,649,731	9.24	8,554.39	12.51
2012	8,044,462	5.16	9,120.85	6.62
2013	8,802,129	9.42	10,054.14*	10.23

Source: (Indonesia, 2013b)

Note: \*) preliminary figures

Table 3.3 Progress Domestic Visitor in Indonesia 2011-2013

Year	Total	Growth (%)
2011	60,342,947	22.79
2012	63,677,383	5.2
2013	79,342,459	19.74

Source: (Statistic Indonesia, 2014a; Statistic Indonesia, 2014b)

As far back as 1999, Sadi and Bartels (1999) observed a forward movement in tourism development across the entire ASEAN region including Indonesia. They argue that such development required improvements to infrastructure, the environment and modern market based institutions (Sadi and Bartels, 1999). Appendix (8) shows current trends for foreign



guests who visited Indonesia during the past 4-5 years. Europe and North America have increasingly provided annual visitors to Indonesia. In Oceania, Australia has always been keen customers of Indonesia hospitality, with numbers increasing substantially in recent years (Statistics Indonesia, 2013h).

With the increase of travellers to Indonesia, accommodation has seen some significantly positive developments. In turn, the supply and demand have affected hotel development, which has needed to expand to ensure room availability fit for requirements ('INDONESIA,' 2014). In Table 3.4, the number of hotels and rooms available over various accommodation venues is illustrated.

Table 3.4 Total number of establishments and number of rooms available in Indonesia, year 2013

Area	Categories	Number of establishment	Number of rooms
Indonesia	5 star	155	34,595
	4 star	335	50,786
	3 star	554	47,041
	2 star	374	23,595
	1 star	360	15,415
	Jasmine	8941	203,216
	Youth hostel	359	5,228
	Home stay	3199	23,293
	Other accommodation	2408	27,624
	Total		16,685

Source: (Statistic Indonesia, 2013c)

HVS consultancy posited that the growth in hotel room supply in Indonesia, as well as growth in the number of hotels in recent years has been remarkable ('INDONESIA,' 2014). Using data from the Indonesian Bureau of Statistic, collected between 2009 and 2013, it can be shown that Indonesia has witnessed a growth in hotel supply in key Indonesian areas such as DKI Jakarta, Bali, West Java, Central Java and East Java. Table 3.5 illustrates the number of rooms and hotels available to the five largest hotel markets in Indonesia during 2009-2013, along with a chart to complement the table.

Table 3.5 The growth of hotel supply in the five largest hotel markets in Indonesia  
(2009-2013)

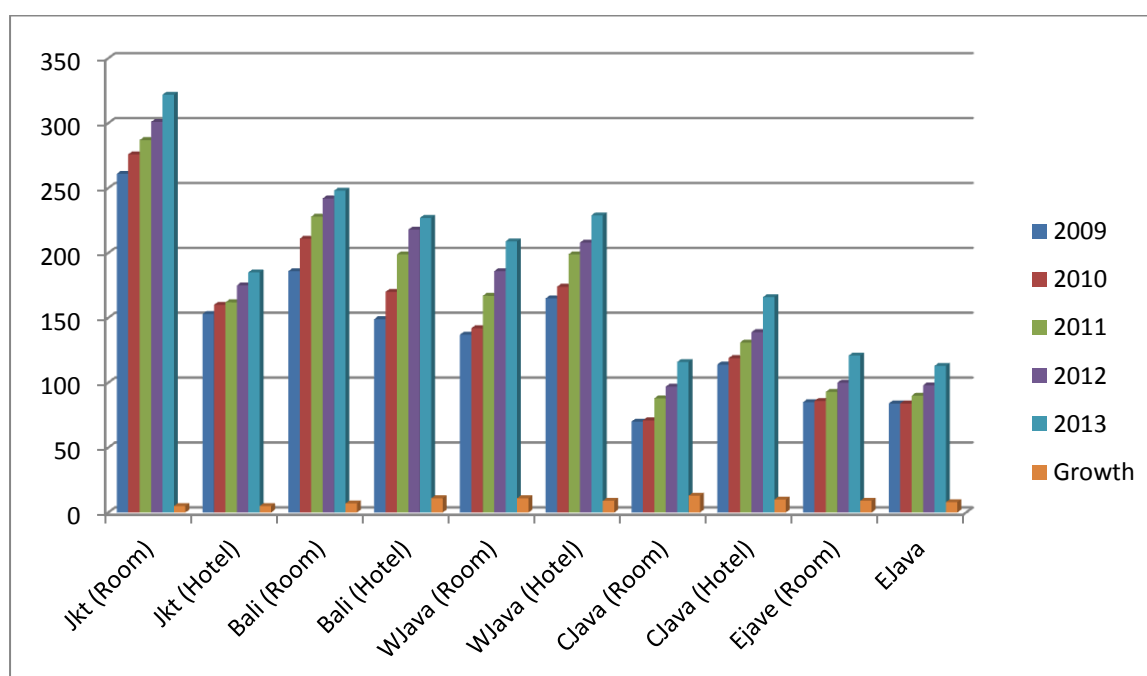
Demographic	2009	2010	2011	2012	2013	Growth (%)
Jkt (Room)*	261	276	287	301	322	5
Jkt (Hotel)	153	160	162	175	185	5
Bali (Room)*	186	211	228	242	248	7
Bali (Hotel)	149	170	199	218	227	11
WJava (Room)*	137	142	167	186	209	11
WJava (Hotel)	165	174	199	208	229	9
CJava (Room)*	70	71	88	97	116	13
CJava (Hotel)	114	119	131	139	166	10
Ejava (Room)*	85	86	93	100	121	9
Ejava (Hotel)	84	84	90	98	113	8

Adopted from HVS consultancy

Jkt: DKI Jakarta, WJava: West Java, CJava: Central Java, EJava: East Java

\*total of rooms is in hundreds

Figure 3.1 The growth of hotel supply in the five largest hotel markets in Indonesia  
(2009-2013)



### 3.6.2 Human Resources in Indonesia

According to HVS's (Indonesia, 2014) consultancy report, it has been established that tourism now plays an important and strategic role in Indonesia's national development. The role of tourism as a driver of economic development is reflected in increasing national income, job creation and business opportunities (Purwomarwanto and Ramachandran, 2015). As discussed in previous sub-sections, hotel development has progressed significantly as a result of traveller demand, at both international and domestic levels (Table 3.2 and Table 3.3). It is clear therefore, that in order to provide good service in terms of accommodation facilities, Sadi and Bartels (1999) original recommendation still stands; that is, a good level of planning is crucial to develop or increase the number of appropriate hotels, to improve the quality and quantity of accommodation workers and particularly that of professional workers, if this is to be reflected in an increase in tourism. Table 3.6 gives an indication the total number of accommodation workers currently (Year 2013) employed in Indonesia.

Table 3.6 Number of Accommodation Workers by Accommodation Classification, Nationality, Worker Status and Gender in Indonesia

ACCOMODATION CLASSIFICATION	NATIONALITY OF WORKERS								TOTAL		
	INDONESIAN WORKER STATUS						FOREIGN WORKERS				
	PAID				UNPAID						
	PERMANENT		PART TIME/CONTRACT								
	M	F	M	F			M	F			
5 STAR	28,688	10,501	7,447	3,304	-	-	336	141	36,471	13,946	17.5
4 STAR	25,445	8,434	15,399	5,996	-	-	186	120	41,030	14,550	19.1
3 STAR	21,370	6,554	14,917	5,517	-	-	34	15	36,321	12,086	16.8
2 STAR	8,741	3,235	4,670	1,567	-	-	16	8	13,427	4,810	5.9
1 STAR	5,580	2,313	2,044	833	-	-	5	4	7929	3,150	3.7
JASMINE	53,747	21,817	11,013	5,001	2,574	2,118	58	30	67,392	28,966	32.1
YTH HOSTEL	900	461	161	80	121	144	-	1	1,182	686	1.0
OTHER	4,507	2,521	1,474	625	1,085	1,117	7	6	7,073	4,269	3.8
TOTAL	155,325	59,031	58,122	23,480	5,503	4,997	668	342	219,618	87,850	100

Source: (Statistic Indonesia, 2013b)

Note: M (Male)/F (Female)

Table 3.6 demonstrates that in 2013, the total numbers of staff working in star accommodations (one to five stars) amounted to 183,720 people; 182,855 are Indonesian and 865 foreign workers. Non-star accommodation workers numbered 123,748, divided into 123,603 Indonesian and 145 foreign workers. The total of foreign workers give an interesting

pattern which shows how significant the number of foreign workers both for a non star and star accommodations

In 2013 the total number of employees working in the accommodation industry in Indonesia was 307,468, of which 219,618 were male and 87,850 female. According to the Indonesian Ministry of Tourism, tourism has contributed to 14,66% of total employment in 2012 with the contribution to job creation decreasing in the period 2000-2010, from 8,11% to 6,87% (6,84% in 2008 and 6,87% in 2010) (Statistic Indonesia, 2012b). To compare, in other countries in Asia job creation increased in the same period, with India having 8,3% in 2009 and 10% in 2010, and Malaysia with 7% in 2009 and 11% in 2010 (ILO, 2010). Therefore, Indonesia is scores lower in terms of job creation compared to India and Malaysia. Certainly, these two countries (India and Malaysia) have different labour costs, education standards and productivity levels, which can make a significant difference to the labour situation (ILO, 2010). It has to be mentioned however, that year of 2000-2010 show quite a few impactful events in Indonesia that affected tourism, such as the Bali Bombings in 2002 and 2005, followed by the Jakarta Ritz Carlton Hotel bombing in 2009. This damaged the reputation of Indonesia as a 'safe' destination and of course created insecurity among investors to develop their business in Indonesia. Therefore job creation decreased considerably (Pambudi, McCaughey and Smyth, 2009). In the next sub-section, I will discuss the development of skills within Indonesia's hospitality industry in terms of education and tenure in the hotel industry.

### 3.6.3 Development of talent in Indonesia's hospitality industry

The previous discusses employee education and tenure in the accommodation industry and the degree to which this receives enough attention in Indonesia. Appendix (7) explains the level of employee education in the Indonesian hotel and tourism industry. Above it was

shown that the total number of employees working in the hospitality industry during 2013 was 307,468. Of these, only 83,182 attended university and had a diploma<sup>1</sup> or equivalent. These in turn, can be divided into 66,478 working in starred accommodation and 17,334 in non-starred accommodation. The remainder are qualified to either senior high school<sup>2</sup> or junior high school<sup>3</sup> level. Table 3.7 shows the number of Indonesian workers who graduated and achieved vocational tourism qualifications by 2013.

Table 3.7 Number of Accommodation Workers Who Attained Qualifications from a Vocational School of Tourism by Education and Gender in Indonesia

COUNTRY	EDUCATION									TOTAL	
	UNIVERSITY			DIPLOMA I/II/III			SENIOR HIGH SCHOOL			M	F
	M	F	%	M	F	%	M	F	%		
INDONESIA	4,745	2,394	8.67	26,325	10,694	44.94	26,415	11,795	46.38	57,485	24,883

Source: (Statistic Indonesia, 2013e)

Note: M (Male)/F (Female)

Table 3.7 shows that the number of university graduates working in the accommodation industry during 2013 was 7,139; 37,019 were diploma graduates, whilst 38,120 were senior high school graduates. This amounts to a total of 82,368 people graduating from a vocational school of tourism (vocational training). From these numbers, there may now be more people working in the accommodation industry who have graduated with either a Diploma I/II/III degree or a University degree (Jayawardena, 2001a). Despite this, the sector is known to employ quite large number of high school graduates. It would be better if these “potential” high school graduates were to continue with their education with the hospitality courses at the university (hospitality degree). Eventually, this would enable them to be in a better position and would lead over time to a better and higher qualified workforce. Table 3.8 indicates the

<sup>1</sup> Equal to the Diploma in Higher Education in UK

<sup>2</sup> School Advance Level or GCE Advanced Level in UK

<sup>3</sup> Equal to Secondary School or GCSE level in UK

position that Indonesian employees hold in hotels (measured in 2013), regardless of their educational status.

Table 3.8 Number of Accommodation Workers by Accommodation Classification and Job Position in Indonesia

ACCOMODATION CLASSIFICATION	POSITION							TOTAL
	GENERAL MANAGER	MANAGER	ASSISTANT MANAGER	SUPERVISOR	TECHNICAL	ADMINISTRATION	OTHERS	
5 STAR	382	2,835	2,769	7,695	13,361	3,266	20,109	50,417
4 STAR	466	2,900	2,384	7,467	15,475	5,138	21,750	55,580
3 STAR	599	2,225	1,340	5,336	11,984	4,559	22,364	48,407
2 STAR	344	671	395	1,618	4,431	1,630	9,148	18,237
1 STAR	264	450	205	838	2,589	930	5,803	11,079
JASMINE	3,845	6,689	1,956	4,728	19,701	11,299	48,140	96,358
YTH HOSTEL	114	226	60	64	510	256	638	1,868
HOME STAY	1,163	1,568	207	331	2,540	1,163	7,208	14,180
OTHER	1,034	1,238	273	403	2,231	1,350	4,813	11,342
TOTAL	8,211	18,802	9,589	28,480	72,822	29,591	139,973	307,468

Source: (Statistic Indonesia, 2013f)

Table 3.8 shows that the number of workers at managerial levels is 36,602 including assistant managers, managers and general managers. This is very low compared to the total of all tenured workers, which amounts to 307,468. Furthermore, if we compare the number of university and diploma graduates in Table 3.7, 44,158 people, to the number of workers tenured in general manager positions, the number only amounts to around 18-19% of total graduates. This seems to imply that the level of education is insufficiently developed to allow those employees to apply for higher positions.

Table 3.9 below indicates statistics for 2013 as to the number of establishments, rooms and beds dedicated to tourism and the average number of workers per establishment and per room. Also shown is the average number of guests per day of accommodation in DKI Jakarta.

Table 3.9 Number of Establishments, Rooms, Beds and Average Workers per Establishment and per Room in DKI Jakarta

ACCOMODATION CLASSIFICATION	NUMBER OF		AVERAGE WORKER PER		AVERAGE GUESTS PER DAY		TOTAL
	ESTABLISHMENT	ROOMS	ESTABLISHMENT	ROOMS	INDONESIA	FOREIGN	
5 STAR	26	10,411	516.5	1,3	4,277	5,745	10,022
4 STAR	34	8,572	267.4	1,1	4,672	1,292	5,964
3 STAR	60	7,767	124.9	1,0	4,484	987	5,471
2 STAR	40	3,631	69.5	0,8	1,938	224	2,162
1 STAR	25	1,916	45	0,6	1,313	214	1,527
JASMINE	180	7,096	24.3	0,6	7,871	143	8,014
YTH HOSTEL	2	76	21.5	0,6	29	-	29
HOME STAY	17	180	6.8	0,6	170	1	171
OTHER	22	716	23.5	0,7	593	2	595
TOTAL	406	40,365	96.0	1,0	25,347	8,608	33,955

Source: (Statistic Indonesia, 2013d)

Jakarta (in 2013) has 26 five star, 34 four star and 60 three star hotels, that receive the highest number of Indonesian and foreign guests stay per day. These star hotels offer business requirements such as meeting spaces, restaurants, internet access and spacious rooms. However, the size and various services of each feature will differ according to hotel categorization. The five and four star hotels are seen to be those most occupied by foreign guests in Jakarta, perhaps influenced by criteria such as international brand, safety and security, type of services offered and guest satisfaction feedback (Lu et al., 2015). Appendix (9) shows the breakdown of hotel room occupancy and the average length of stay for international and domestic guest by accommodation classification in Jakarta between 2011 and 2012. The table (in Appendix 9) suggests that increasing business investments in Jakarta lead to increasing numbers of foreign and domestic guests. This brings with it needs for qualified workforce in these hotels in Jakarta. The next section examines skills development within the hospitality industry in Jakarta from different perspectives, such as the educational level of employees and the different types of accommodation in which they are employed.

### 3.6.4 Development of skills within Jakarta's hospitality industry

The above section discusses the increased business demands for more hotels and rooms in Jakarta of business standard, which in turn requires more qualified staff. This has implications for the development of future personnel that can deliver services appropriate to each accommodation categorization. In Table 3.10 below, the number of Indonesian workers and their tenure in accommodation establishments is shown for 2013.

Table 3.10 Number of Accommodation Workers by Accommodation Classification and Its Position in DKI Jakarta

ACCOMMODATION CLASSIFICATION	POSITION							TOTAL
	GENERAL MANAGER	MANAGER	ASSISTANT MANAGER	SUPERVISOR	TECHNICAL	ADMINISTRATION	OTHERS	
5 STAR	109	793	561	1,950	2,436	853	6,726	13,428
4 STAR	69	504	455	1,345	2,561	846	3,313	9,093
3 STAR	96	318	163	666	1,569	766	3,914	7,492
2 STAR	48	93	80	261	671	259	1,367	2,779
1 STAR	33	58	22	95	154	105	659	1,126
JASMINE	94	178	82	282	1,067	517	2,159	4,379
YTH HOSTEL	1	2	1	1	1	4	33	43
HOME STAY	5	13	1	3	8	12	74	116
OTHER	7	16	8	24	104	57	302	518
TOTAL	462	1,975	1,373	4,627	8,571	3,419	18,547	38,974

Source: (Statistic Indonesia, 2013h)

Table 3.10 shows that the numbers of assistant managers up to general managers for three to five star hotels in Jakarta totals 3,068 people. The total number of 109 general managers is not solely the position of general manager per se but is a combination of various positions that can deputise for the general manager such as assistant general manager, hotel manager, executive assistant manager or residence manager. Therefore, we can see that these employees (managers, assistant managers or supervisors) also represent future general managers who may become leaders of Indonesian hospitality in the future. However, whether they will have the opportunity to reach such general manager positions is not clear. For an insight into the education we turn to Table 3.11 below that compares numbers of employees according to their level of hospitality/tourism education. The number of employees with a degree in hospitality/tourism is very low.



Table 3.11 Number of Indonesian Workers of Accommodation Establishments

Who Attained Vocational School of Tourism and their position

In DKI Jakarta

PROVINCE	POSITION														TOTAL	
	GENERAL MANAGER		MANAGER		ASSISTANT MANAGER		SUPERVISOR		TECHNICAL		ADMINISTRATION		OTHERS		M	F
	M	F	M	F	M	F	M	F	M	F	M	F	M	F		
DKI JAKARTA	95	19	632	241	458	158	1,431	495	2,438	704	558	399	4,221	1,720	9,833	3,736

Source: (Indonesia, 2013g)

Table 3.10 shows the number of total employees in Jakarta working in the hotel industry. Of these, only 13,569 employees completed their education at a vocational school of tourism, around 34% of the total number of employees (total employee from table 3.10 divide by total employee from table 3.9). The remainder may have come via a number of different disciplines. This is echoed by Baum (2008) who argues that hospitality and tourism talent management is very challenging. This is because those employees who graduate from hospitality vocational schools may think that their career development would go no further due to limited skills compared to university graduates (Baum, 2008). This would make it harder to keep them within the industry because of the possibility that they would move to different industries.

Based on the above, it can be argued that in the current situation Jakarta has a too limited qualified workforce for the total number of establishments available. The future of Jakarta is very promising in terms of the hotel industry due to the dynamics of the capital and its impact on hospitality and tourism development but it still requires more employees with a dedicated and professional hospitality / tourism educational background. The Jakarta hospitality industry thus has a deficit in workers coming from a hospitality / tourism educational background, who are qualified at managerial level. According to Baum (2008) training and development is the supporting base from which to establish a qualified workforce for

hospitality and tourism. Indonesia's education is still in need of development in terms of producing competent talent for the industry. Similarly, the Ministry of Tourism (2012a) argue that many hospitality and tourism schools in Indonesia have had their own methods in which to transfer knowledge to students, but there is a need to have standardisation to increase their capacity in producing talent. It is for example very important to include a sustainable development programme within their curriculum so that their professional development training is introduced very early on so as to keep them interested and keen to remain and to understand the industry better. Another challenge for hospitality and tourism education in Indonesia is producing competent teachers or lecturers for hospitality and tourism vocational schools and its higher education (Indonesia, 2012a). Subsequently, qualified lecturers must be increased to standardise the teaching and training mechanism across rural areas where development is also needed. The challenges for hospitality and tourism in Jakarta are that of the development of their current talent. Hospitality skills can only go so far but training for professional career development must be implemented in order for the talent to advance their career within the industry (Watson, 2008). Currently, the investment for human resources development is not yet prioritised for either the private or public sector (Indonesia, 2012a).

### 3.7 Synthesising the themes from the context chapter

Special attention has been given to foreign labour law in Indonesia (Indonesia, 2003;2015), and the history of colonialism (Gordon, 2014) and corruption (Prabowo, 2014) which have acted as decisive forces in the country with an undeniable ongoing impact on the Indonesia of today. These three elements of labour law, colonialism and corruption are inextricably linked to current issues arising in regard to ongoing policy and practice of expatriation and localisation in Indonesia. Currently, malpractice and back-handing (bribery) are still widely prevalent in the process of developing local talent in Indonesia. This is in stark contrast to

foreign labour law as regulated by the government to ensure all expatriate appointments will carry through to future benefits for the local labour force, and to ensure that all expatriate positions will eventually be handed to locals (Minbaeva, 2007). Unfortunately, there seems to be little real evidence to what actually happens at ground level in the Jakartan hospitality industry, and certainly in my own anecdotal working experience in this hospitality industry, there is a poor correlation between government policy and law, and how it is observed in the field. This suggests either that the legislation is not yet enacted or enforced, i.e. that companies are not checked, or that some of the elements of corruption could be more closely studied to reveal their real impact. It is to be assumed that the current picture would be very different if the laws were enacted as they should be, but without a clearer understanding of the current impact of corruption (Prabowo, 2014), it is difficult to predict the future development of business in Indonesia, as well as to ensure that the number of expatriates would go down, even in the light of stronger regulation on the part of the government.

Such difficulties are compounded by the fact that a strong local labour market and an effective system of education are yet to be developed (Bruning, Bebenroth and Pasch, 2011; Ministry of Tourism, 2012). It might be very well for the Indonesian government to encourage or even require MNCs to invest in the country without bringing in more expatriates, but the reality is that the government itself is failing to establish a situation within the labour market which is conducive to this occurring. By failing moreover to establish a better education infrastructure, it fails to acknowledge in any practical sense that the skilled local labour market needs much more support in order to grow and gain self confidence and efficacy (Watson, 2008). The lack of development and deployment of local labour in IHC, and in particular the lack of educational opportunities and access to skills and knowledge transfer for local managers is an increasingly pressing issue. It is not enough to recognise that

it has impacted historically on IHC decision-making processes as to who will lead MNC subsidiaries in the host countries. What is needed is greater acknowledgement that this has created and is still creating a glass-ceiling effect in the advancement of local managers (Enz and University, 2010), who on the one hand have suffered from poor access to personal and professional development, and on the other hand, have had to be reliant on whatever government regulation may control their future development (Indonesia, 2012a).

### 3.8 Chapter Summary

This chapter has provided some historical and current context against which to discuss Indonesian tourism and hospitality. Special attention was given to colonialism, corruption and foreign labor law as these have been decisive forces in the country and have an ongoing impact on today's society. They are considered relevant in exploring later on the relationship between local and expatriate employees in the hospitality sector. The chapter has also detailed the developments in the hospitality sector as such and its workforce (education, skills) in particular. The next chapter addresses the methodology underpinning this study on expatriation and localisation in Indonesia.

## CHAPTER IV: RESEARCH METHODOLOGY

### 4.1 Introduction

This chapter begins with a recap of the study's aim and objectives, followed by an outline of the adopted research philosophy and methodology. The chosen research strategy is clarified along with justification as to why the case study approach is selected. Primary and secondary data collection methods are explained and the criteria for semi-structured interview questions are discussed. The chapter will proceed to clarify the process to analyse findings, including the types of instruments applied. Finally, the chapter concludes with the justification of trustworthiness of the study. The research methodology limitations are also identified.

### 4.2 Research aim and objectives:

The aim of the study is to:

*Investigate experience of expatriation and localisation within the international hotel industry of Indonesia.*

This research seeks to provide an understanding of the experiences of expatriation and localisation amongst managers and stakeholders within the international hotel industry of Indonesia. In addition to the experiences of two groups of employees, the research also considers the decision-making process of other stakeholders involved in the deployment and development of managerial talent within the international hotel industry, such as policy makers and regional executives. The study is specifically focused upon these issues as manifested in the capital city of Jakarta within Indonesia.

In order to achieve this aim, the objectives of the study are:

1. To evaluate and integrate the generic and hospitality-based international human resources management literature on managing expatriate and host country managers

2. To develop a framework focusing on the use of expatriates and local managers in the general business, as well as the hotel industry
3. To investigate the international hotel industry in Jakarta, Indonesia and explore managers' experiences of expatriation and localisation
4. To examine the contextual factors shaping experiences of expatriation and localisation within the international hotel industry in Jakarta.
5. To contribute to academic and practitioner communities in Indonesia and other Asian countries, any new knowledge on human resources policies which involve the development and deployment of expatriates and local managers.

The following section will discuss the research philosophy, research design and methodology.

#### 4.3 Research Philosophy

The importance of philosophical positions has been debated by philosophers, because the position adopted by the researcher can seriously affect the quality of the research. In early studies, Guba and Lincoln (1994) identify four main paradigms of research: positivism, post positivism, critical theory and constructivism. However, more recently Creswell (2007) observed that the developments in qualitative research over time have been associated with a shift in the main traditional paradigms to post positivism, constructivism, advocacy/participatory research, and pragmatism (Creswell, 2007).

According to Easterby-Smith et.al (2002), it is essential to understand the philosophy that underpins a research project. This is in order to recognize which design will be most appropriate to the research, to clarify the design framework and to position the researcher within the research itself. Three main philosophical assumptions are identified within

qualitative research: ontology, epistemology and methodology (Slevitch, 2011b). Ontology is defined as “the science or study of being”, and serves to give sense to the nature of reality. There are two main ontological positions: an objectivist one and a subjectivist one. Of these, objectivism can be defined as a hard reality constituting a definitive study of objects that are said to exist in reality among social phenomena or independent actors. Conversely, subjectivism (otherwise known as constructionism or interpretivism) maintains some fluidity of interpretation because as social actors, human beings construct social phenomena from subjective perceptions, which influence the way in which we may view a particular study (Dudovskiy, 2016). Since, my research aims to understand the experiences of my research participants (as social actors) and accepts that these are constructed by them (but within a specific context), my study adheres to a subjectivist ontology. Epistemology can be defined as a theory of knowledge concerning the nature and scope of knowledge. Given such assumptions, it can be argued that the social world cannot be subject to the same kinds of explorations and evaluations as pertain to the natural world (Petty et al., 2012). It also justifies why these explorations and evaluations regarding the expatriation and localisation in Jakarta, Indonesia, although coming from a subjectively interpretative perspective, will still offer valuable and new insights into hospitality studies and practice in the region, while acknowledging that such a methodology might not produce the same results, were the study being carried out in a different context.

Epistemology involves insights from real people in a particular situation which is constructed through socially constructed meanings (Slevitch, 2011). In turn, methodology is defined as a theoretical and philosophical system that structures the way research is conducted. Creswell (2007) notes that these three philosophical assumptions affect the nature of qualitative

research, in that they reflect the inquiry paradigms, or world views we hold in undertaking research.

- Interpretivism

Interpretivism is the epistemological approach chosen for this research, because such an approach allows the researcher to make sense of subjective and socially constructed meanings expressed about the phenomenon being studied (Creswell, 2013). This choice of the epistemological approach justifies the aim of this study which is to understand and explore the experiences of expatriate managers and local managers as to how they are employed and developed within the IHC subsidiaries of Jakarta, Indonesia. In practice, many qualitative researchers conduct their studies in the field, where the participants live and work (Silverman, 2010). As an alumnus of Indonesian hospitality education with work experience of the international hotel industry, I have always wondered why the international hotel brands of Indonesia tend to deploy expatriate managers for senior management positions rather than host country managers. My view towards the process of manager selection and recruitment in Indonesia arose frequently in discussions with co-workers during my hotel work experience, including periods of work in Jakarta. Therefore, it is essential with this type of research to become familiar with important contexts in the field and to get to know the participants. It is surmised that the more the researcher is familiar with the context and its participants, the more access there will be to enhanced insight information (Slevitch, 2011a). An additional aspect of interpretivism which usefully lends itself to this study, is that this approach is based on the real experiences of people, reflecting their own views from the “insider” perspective (Hennink, Hutter and Bailey, 2011). Paulus, Woodside and Ziegler (2010) argue that it is possible to obtain more insight by applying each interpretation of data to inform the meaning-making process (Paulus, Woodside and Ziegler, 2010). Along the same line, Schwartz-Shea and Yanow (2012) believe that such meaning-making processes may be used to explicitly



convey and express the meaning to one's self and others, in order to create possibilities for multiple meanings of actions, events and settings (Schwartz-Shea and Yanow, 2012). In addition, Vickers (2010) posits that the interpretative process is not about finding the truth, but rather in providing reasonable scenarios which may be based on each interpretation, and that these can be attained via various experiences and perspectives (Vickers, 2010). As a result, the rigour of interpretive research is distinctive in requiring the researcher to play a unique role, as an instrument of data collection; this role above all requires the researcher to be attentive in giving voice to respondents in such a way as to preserve their authentic responses (Whiteley, 2012). Therefore, the goal of the interpretivist is to understand how life proceeds for individuals and how it reflects the beliefs, perceptions and meanings constructed by each actor in a particular situation called *Verstehen* by Guba and Lincoln (1994). The interpretivist approach defines the difference between understanding and *Verstehen*, which can be categorized as two different perspectives: understanding from the researcher's point of view and *Verstehen* from the perspective of others in the field (Hennink, Hutter and Bailey, 2011).

As an interpretivist, I believe that the processes of meaning construction via the language and actions of social actors need to be explained in detail. This will lead to an interpretation from the point of view of the interpretivist and actors (Guba and Lincoln, 1994). In understanding the actors' points of view, specifically their experiences of localisation, four different acting roles were selected for this study, with each actor displaying a potentially different perspective and opinion as to the deployment of managers within the international hotel industry of Jakarta, Indonesia (Robson, 2011). The four different types chosen were expatriates, local managers, IHC regional executives and policy makers. It was anticipated that the four actors would be positioned differently in consideration of this issue, although

their perspectives could interlink and perhaps some experiences may cross-over. The choice of method for data collection was based on an assumption that the variety of positions would give rise to a dynamic narrative open to interpretation, engaging in a meaning making process which would not be easily rationalized or predicted (McKenna, Richardson and Manroop, 2011).

The interpretive paradigm allows the study to focus more on subjective meanings that people attach to their experiences rather than on the facts surrounding those experiences. Through the focus being applied to hotel managers in Jakarta, Indonesia, the interpretive paradigm fits with the research aim of the study. That is to explore the experiences of managers in the process of developing their careers in the hotel industry and the experiences of policy makers in setting up regulations for local manager development. This assumes that the understanding of meaningful experiences will be different for each manager and will evolve over time and the means of different experiences. In this way it is anticipated that the interpretation of each participant may differentiate to those of each other (McKenna, Richardson and Manroop, 2011). The study also recognizes that all participants will experience different meanings of reality, whether this is social, personal or cultural.

In order to understand their construction of such experiences, this study applies ‘why’ and ‘how’ questions rather than ‘what’, ‘where’ and ‘when’, to extend and explore all possibilities of reply (Robinson, Solnet and Breakey, 2014). To sum up, the interpretivist paradigm is adopted by the researcher in order to get closer to the data arising from the study to enable the qualitative approach to be applied.

#### 4.4 Research Approach

Interpretive approach which to open-ended qualitative data analysis, where the researcher can interpret the meaning from the participant's account of their story and experiences. Creswell (2013) notes that qualitative research is conducted in such a way as to empower individuals to share their stories and to be heard and therefore, minimizing the power relationships that often exists between researcher and informant. Gephart (2004) argues that the crucial value of qualitative research is the insight and explanation it offers of real human interaction. This is achieved through the collection of detailed descriptions of actual actions, in the real-life context, on the part of particular actors involved in the study (Gephart, 2004). This approach allows the researcher to study the experience of each actor in detail, by applying a set of research methods such as interviews, observations, content analysis, life histories, focus group discussions or biographies (Hennink, Hutter and Bailey, 2011). This "whole life" experience promises to be richer when using qualitative over quantitative methods, which would only offer snapshots and limited timelines (McKenna, 2010). However, as a qualitative researcher, I am fully aware of the need to be critical in the acknowledgement of both descriptive data and prescriptive elements (my interpretive values and assumptions). That is to locate them explicitly in the data along with the perspective of each participant (Billany, 2013).

By extension to this study, the inductive, qualitative research approach is favoured in allowing the researcher to provide elaborate interpretations of the experiences of hotel managers regarding expatriation and localisation within the international hotel industry of Indonesia. The aim is to map the involvement of participants in a way to illuminate current practices within the industry (Zikmund et al., 2010). According to Robson (2011) an inductive approach emphasizes the understanding of meanings which particular humans attach to particular events; as such, inductive studies tend to favour a small number of participants as more appropriate than a larger number (Robson, 2011). Through the use of the

inductive approach with smaller groups of people, the researcher will be in a better position to explore the 'why' and 'how' of the development and deployment of hotel managers within Jakarta, Indonesia. This will be achieved through the perception of actors rather than describing it from an outside perspective. According to Barratt et al (2011) the background and experience of actors is very important in such a study. For this research, it is intended that the managers and policy makers experiences will be interpreted and identified in such a way as not only to add to the practical significance of the findings but also to the theoretical part of the discipline involved (Barratt, Choi and Li, 2011). Therefore, this tourism study is in favour of the inductive rather than a deductive approach. This is because the research aim is to investigate the depth of stories and experiences of hotel managers as opposed to the deductive approach which is aimed towards certainty or facts. The deductive approach would limit itself only to the focus of the dimensions of knowledge per se (Ramachandran, 2009).

#### 4.5 Research Strategy

The undertaking of qualitative research is associated with a variety of strategies. To choose the most appropriate strategy, the writer needs to understand the types of research strategy available and to identify how each method might be useful in eliciting explanations to the research questions (Silverman, 2013). Berg (2009) posits that the principal strategies of qualitative research are: action research, case study research, ethnography, grounded theory and narrative research (Berg, 2009).

The main research question of this study is to explore the perceptions and experiences of local and expatriate managers in relation to policies and practices of expatriation and localisation within the international brand hotels in Jakarta, Indonesia. Of case studies such as this, Rowley (2002) argued that case studies are useful in offering certain unique insights

into specific contexts. A case study approach is also understood as allowing more in-depth information to be gathered from participants. In addition, the use of multiple data collection techniques are useful to gather information by means such as observation, interview and documentary analysis (Robson, 2011). A further rationale for case study is that the case study approach can be used in many situations, and can contribute to the knowledge of individuals, social groups, organizations, political bodies and any other related phenomena (Yin, 2009; VanWynsberghe and Khan, 2007). For all of the above reasons, in this study the author has chosen a single case study, and a singular case focusing on Jakarta, Indonesia. However, it should be noted that this case study contains more than one actor, each contributing significantly and from their own perspective to an overview of the current situation.

The focus of the study is to investigate the experience of expatriation and localisation within the international hotel industry of Jakarta, Indonesia. Subsequently, the scope of the investigation is to provide an understanding of the decision making managerial process from the point of view of different stakeholders. It includes a range of actors: expatriate managers, local managers, policy makers and regional executives, all of whom are involved in the recruitment and development of hotel managers within international hotel brands of Jakarta, Indonesia. The boundaries of this thesis are defined as pertaining to those who have been involved in the deployment of managers in the international hotel industry in Jakarta, Indonesia. This study represents multiple individual cases from different organisations embedded in a single holistic study (Yin, 2009), and the holistic case study approach represents the main research method for this thesis (Yin, 2009).

Within this method, different data collection techniques are used and include semi-structured interviews, field observation and documentary analysis. The use of observation and

documentary analysis in this study are considered as secondary data to complement data arising from the semi-structured interviews (Rowley, 2002). I also used observation, mainly to make notes of the dynamics of specific events arising during my interviews with any of the participants. For example notes were made on the nature of the interaction between managers (local and expatriate participants), between managers and hotel guests, or between managers and employees. In the event I found that I gathered most notes from observing participant body language which I saw as useful in qualitative capture of participant reaction to specific topics in the course of an interview (Berg, 2009). In addition, consultation of public documents within this thesis were compared with documented hotel website profiles, as well as multiple sources of data compiled by means of industry statistics and reports (e.g. ILO report, Indonesian Ministry of Tourism and Indonesia Statistic Bureau).

#### 4.6 Data Collection Methods

##### Purpose and strategy

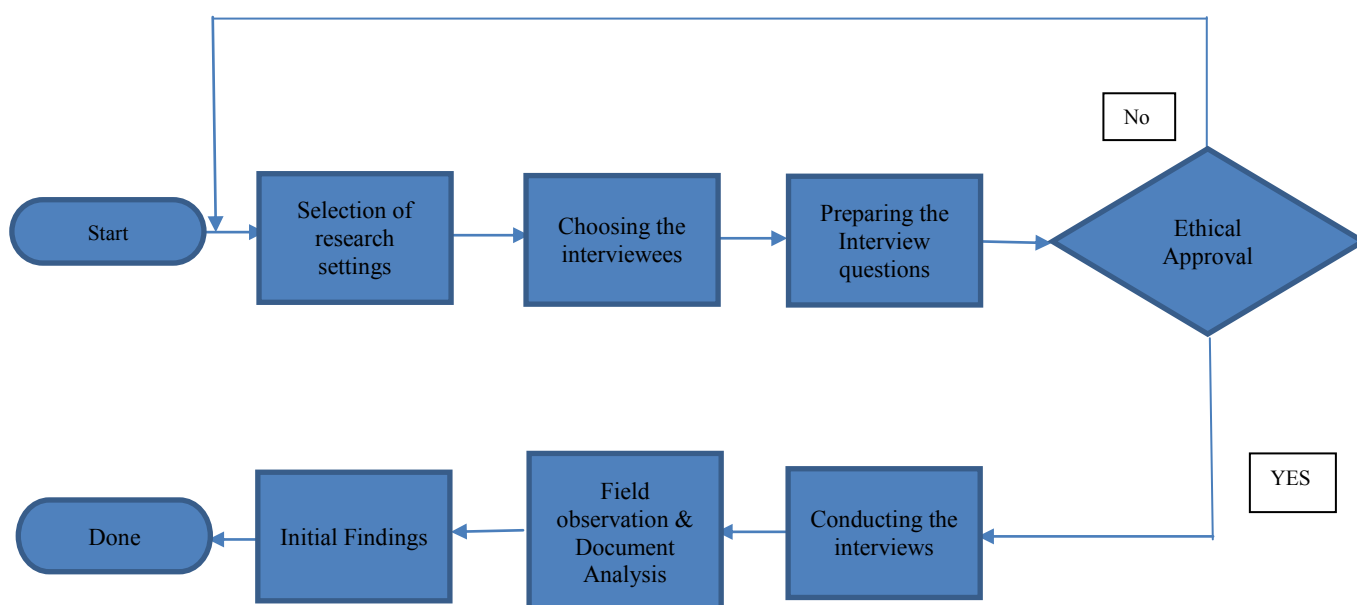
There are many ways to collect data within multiple settings. Data collection methodology is an essential part of research design (Sekaran and Bougie, 2009). White and Drew (2011) argue that the collection of data, be it verbal, textual or visual forms, could be generated through a complex process of co-construction, established via a relationship between researchers and participants (White and Drew, 2011). In qualitative research studies such as this one, the data may be collected in a variety of ways. Primary data can be collected from conducting interviews with participants. In this case, this study's main form of data was collected from interviewing local managers, expatriate managers, regional executives and policy makers (Silverman, 2010) but in addition supplementary evidence was gathered from documentation and field observation. Thus, all these methods were chosen in this study as a means of obtaining a deeper understanding of the views of four different types of participants

involved in the study: expatriate managers, local managers, regional executives and policy makers.

#### 4.7 Data collection steps

The data collection was carried out in six stages as illustrated in the rectangles outlined below.

Figure 4.1 Data collection steps



##### 4.7.1 Qualitative research interviews

Interviews are seen as a valid and reliable means to gather data and are more appropriate for answers to certain types of identified research questions and objectives (Silverman, 2010).

Specifically, interviews permit the exploration of individual attitudes and values which cannot be obtained through formal questionnaires (Silverman, 2006). Interviews for this study are implemented as an integral part of the primary data; by means of interviews it is hoped that a richer understanding can be gained from the experiences of expatriate and local

managers as they develop within the hospitality industry. To refine this approach, a qualitative researcher using the interview method can choose from three types of research interviews: structured, semi-structured and unstructured interviews. According to Silverman (2013) semi-structured and unstructured interviews both permit the researcher to explore a topic deeply, by asking informants to explain their answers, or to elaborate on their responses (Silverman, 2013). By this means there is the possibility of obtaining for depth, and significant feedback from the data collected.

Unstructured interviews were not considered appropriate for this study for two reasons: firstly, questions are not pre-determined by this approach, leading to a possible lack of information specification in relation to the research topic across several groups of participants; and secondly, the unstructured format might be seen as rather informal and lacking knowledge in the hospitality sector in the context of Indonesian business (Nguyen, 2015). Moreover, Nguyen (2015) argues how important it is for the interviewer to be seen as an “insider”, whose prior knowledge and experience of context would allow the necessary sensitivity to detect delicate and nuanced information emerging from the interview. For this reason, the decision was made to select semi-structured interviews as a means to conduct the research, because this approach offers both structure and flexibility.

Through such an interview structure, open-ended questions would be planned, but might vary significantly as to type and nature, depending on the role and position of each participant within the organisations (Sekaran and Bougie, 2009). The interview process steps are discussed as follows:

*Step one: Selection of research setting*

Jakarta, the capital of Indonesia, was chosen as the context or background for this study, for a number of reasons. As the capital, Jakarta is considered one of the main tourist attractions within the country, both for business and leisure. The city is the centre-hub of



many MNCs (multi-national corporation) subsidiaries out-posted throughout other cities in Indonesia ('JAKARTA,' 2014). Most MNC hotel subsidiaries site their main office in the capital city because of its superior infrastructure, which permits headquarters easy and reliable connections and communications to their smaller outposts. Because most MNC main offices are based in Jakarta, many expatriate managers and regional executives live near to where their main office is located. Jakarta, as the main business city in Indonesia, is a draw-card for local managers from all over the country who seek work in Jakarta as a means of advancing their professional development. Jakarta is the government centre for Indonesia, a factor which enables the researcher to access major policy makers. Finally, the main international hotel brands are located in Jakarta. Due to its location as the capital city of Indonesia, these international hotel brands use the strategic location to start their branding from the heart of the country.

*Step two: Choosing the interviewees*

The selection of participants having appropriate knowledge and experience of the topic was essential for efficient data collection via the interviews, (Gillham, 2005). For this, it was anticipated that 'purposive sampling' would help select those people most able to answer the research questions and to meet the objectives of the study (Suri, 2011). Whilst the study explores the dynamics of deployment and development of expatriates and local managers within the international hotel industry of Jakarta, there is a specific focus on the issue of localization. To enable this, the purposive sample comprises of four different actor groups who are familiar with international human resources management on a regular basis within the hospitality industry: expatriate managers, local managers, regional executives and policy makers. The first two groups of expatriate and local managers would act as a source of information on the micromanagement of subsidiary operations, while the second two groups of regional executives and policy makers, would provide information on wider issues

associated with deployment and development of talent within the international hotel brand. Most participants come from my own professional network of people I have met either during my time in the college of Bandung, whilst working in the hotel industry or working as an academic at Pelita Harapan University. Access to such individuals was enabled through a negotiation process which included the promise of anonymity so that they would be free to discuss their views with impunity (Taylor and Land, 2014). Along the same lines the pursuit to examine things from outside of my network was also conducted but it did not prove favourable. It did not reveal any positive responses there were simply no replies to my email proposals or just a basic reply saying that they were too busy to help.

#### *Step three: Preparing the Interview Questions*

A set of questions was prepared based on a review of the research literature which was conducted prior to data collection (Hennink, Hutter and Bailey, 2011). Four sets of questions were created, one for each group of actors (expatriate managers, local managers, regional executives and policy makers). The questions were designed to probe their experiences of handling the issues and situations within their organizations, their experiences of developing local and global hotel managerial talent, and their experiences of deploying it effectively across their operations.

To elicit this data open questions were applied to encourage interviewees to extend, describe, define and develop a situation or event (Petty, Thomson and Stew, 2012). Follow-up questions were asked depending on the topics raised during the interview, which allowed a better understanding of the interview process. The interview was designed to last two hours, taking the broad three-part structure approach of introduction/rapport building, content, and closing.

Initially, to cover the introduction and rapport building, I sought to acquaint myself with each interviewee through an informal introduction and appreciation of the time and place to conduct the interview. The understanding of the project by the participant was also confirmed (consent form and participation information sheet). A clear explanation was offered as to how the interview would be recorded, along with discussions regarding interviewee confidentiality. The participant was encouraged to feel free to ask questions as and when needed. The interview content went on to cover the following areas: the role of the participant within their organisation, previous career experiences and cultural and commercial experiences during their position in Jakarta and other countries if applicable. It also covered their development as a hotel manager during their international hotel industry tenure or their involvement as policy makers within the country. Finally, the interview would be closed by thanking the participant for their time and to confirm that there might be the possibility of a follow up interview to be conducted by email or internet social media. The complete set of questions can be seen in Appendix 6.

#### *Step four: Conducting Interviews in Indonesia*

The purpose of conducting face to face interviews was to investigate themes or to explain the results of a study (Fairweather, Rinne and Steel, 2012) . The process itself can take the form of a fairly lengthy discussion (Bryman and Bell, 2007). The participants are compiled in the table below, emphasizing their anonymity in participation of this study.

The list of participants is displayed in table 4.1 below:

Table 4.1 Interview participants from various hotel brands

No	Name	Initial	Sex	Age	Occupation	Status	Current Business
1	Brendan Sheridan	BS	Male	35-45	Materials Manager	Expatriate	International Hotel Brands
2	Ryco Sahat	RYS	Male	45-55	General Manager	Local	Local Hotel
3	Anton Sukma	AS	Male	35-45	Residence Manager	Local	International Apartment Brands
4	Gilang Bemilan	GB	Male	35-45	HR Director	Local	International Hotel Brands
5	Rika Sikama	RS	Female	25-35	Sales Manager	Local	International Hotel Brands
6	Eko Ramadhan	ER	Male	35-45	Room Division Manager	Local	International Hotel Brands
7	Sinta Bintang	SB	Female	35-45	Higher Education Assessor	Government	Education
8	Andi Suryo	ASO	Male	35-45	Corporate General Manager	Local	Local Hotel
9	Lia Pakpahan	LP	Female	35-45	HR Director	Local	Local Apartment
10	Tommy Seeker	TS	Male	45-55	General Manager	Expatriate	International Hotel Brands
11	Yulianti Anggraini	YA	Female	25-35	Duty Manager	Local	International Hotel Brands
12	Donny Jauh	DJ	Male	35-45	Director of Learning and Development	Local	International Hotel Brands
13	Brahman Brahmana	BB	Male	35-45	Director of Housekeeping	Local	International Hotel Brands
14	Galuh Galih	GG	Male	25-35	Duty Manager	Local	International Hotel Brands
15	Parto Eka	PE	Male	35-45	General Manager	Local	Restaurant Owner
16	Indra Jaya	IJ	Male	45-55	Regional Development manager	Regional Executive/Local	International Hotel Brands
17	Ferri Ferosi	FF	Male	35-45	Pastry Chef	Local	Bakery Owner
18	Steven Coaligh	SC	Male	35-45	Executive Chef	Expatriate	International Hotel Brands
19	Wahyu Dorono	WD	Male	35-45	Director of Operation	Local	Local Hotel

Source: Interviewee register - by author

My initial interview plan was to meet 5-10 expatriate department heads, 5-10 local managers, 2-3 government policy makers, (Ministry of Tourism and Creative Economy of Republic of Indonesia) and 1-2 regional executives representing their parent companies. However, during the field work, I was limited to interviewing only three expatriate managers; on the other hand, 14 local managers were interviewed, as well as one policy maker and one regional executive. Before conducting the fieldwork, I had obtained the agreement from a total of six expatriates to meet with me, with the possibility to encounter more expatriate participants if my interviews were given permission by their management board. Upon contacting both the original and future participants on my arrival in Indonesia, I learned that my requests had been declined. Various reasons were given for this, such as the need to protect the privacy of expatriates, the inappropriateness of interviewing new managers who had not yet developed full competence, or the incapacity of the hotel to free up any expatriate managers during peak business periods.

There were also plans to interview two policy makers; although the meetings had been set up before my arrival, one of the policy makers suggested that I should attend a workshop held by the Ministry of Tourism instead. This was justified this by saying that it was believed the workshop, which was to cover recent developments in Indonesia's education policy, would furnish me with better information for my research than I would have obtained by interviewing the potential participant. In fact, this suggestion led to me having one of the most useful experiences of my research, as I had the chance to meet and gather valuable insights from higher officials from the Ministry of Tourism.

As a researcher, I established an agreement with all interviewees regarding the objectives of the study and set the length of interview time (Bryman and Bell, 2007) between 1.5 hours and

2 hours. In the event, the duration of each interview took longer than expected with the average interview time being between 2-2.5 hours. However, a few interviews took longer than 3-3.5 hours. Most hotel manager interviews were conducted at their workplace, either in their office or in an alternative facility of the hotel, such as the bar or restaurant. Other participants preferred to meet in a shopping centre restaurant because it was convenient to meet there after work. I set up my first meeting after working hours, at 5:00 pm in a Starbucks coffee shop, hoping that it would not be too busy on weekdays. This proved to be a misjudgement. Unfortunately, it turned out to be the busiest time, whereby people were just finishing work and going to public cafés to relax and socialize. Initially our thoughts were to move to a different place, but we realized that it would make no difference, that we would encounter the same situation everywhere. Finally, we decided to stay where we were and made sure that the conversation was clear enough for both of us. After that first encounter, careful consideration was given to the best location, environment and timing to encourage successful interviews. As a result, most of the meetings were conducted after working hours between 6.00 pm and 11.00 pm, and in less ‘noisy’ places. This new agenda seemed ideal to fit with the schedule of interviewees as previously only a few managers had been willing to give up dedicated office hours for interview.

Some hotel managers were willing to meet at their workplace, but only one manager wanted to meet at 8.00 am, explaining that his day would start at around 10:30 am and leave no further spaces to meet. Two other participants agreed to meet after lunch at their office between 2.00 pm and 5.00 pm on Fridays. The remaining managers preferred to meet after working hours in their restaurant facilities, in which case the interviews had a more informal nuance.

Participants were given my contact information on the ‘Participant Information Sheet’ and the ‘Consent form’. Because most of them had already received an explanatory email, I did not need to spend much time explaining my research but instead just mentioned the ‘Participation Information Sheet’ in order to remind them of the main topic. I did however, devote some time to explain how the ‘Consent Form’ worked, that they would need to answer a few questions and then sign the form to indicate their agreement. Some participants wanted total anonymity whilst others agreed to be identified. In spite of this, and as a result of discussions with my supervisory team, we agreed that all participants should be anonymous. I also verbally informed each interviewee that they could contact me at any time should they require a copy of the interview. Until the present time however, no requests have come forward.

#### *Step five: Field observation and document analysis*

In order to complement the interviews, used as the primary data collected for this research, case study, field observations and documentary evidence were also collected as supplemental forms of data gathering. In the next sub-section, how these supplemental data were collected will be explained.

##### a. Field Observation

Supportive or supplementary data can be obtained through observation. Hennink et al. (2011) suggest that a researcher can use observational techniques to record people’s behaviour, actions and interactions (Hennink, Hutter and Bailey, 2011). As a supplemental means of data collection, informal observation was conducted in the workplace, or alternatively, if the interview was conducted outside his/her workplace, in a place where the researcher could observe the interviewee (Petty, Thomson and Stew, 2012). Tessier (2012) argues that by recording all impressions, contextual details and even emotions could be valuable as a means to enrich data transcripts and illuminate the later analysis process (Tessier, 2012). My

observations of the interviewees consisted of registering their body language before, during and after the interview. I was able to engage with their emotions, their responses to certain questions, contexts or comments, along with their office settings and actions/interactions within these surroundings. These observations were noted down during the course of each interview. There was also an opportunity to observe the hotel settings before and after meeting the interviewee. By sitting in the hotel restaurant or hotel lobby, I was able to observe the interaction between local managers to local managers, expatriate managers to local managers, local managers to hotel guests and expatriate managers to hotel guests. According to Hennink et al. (2011) by observing all dimensions, a researcher should be able to grasp deeper information regarding the norms and values surrounding the behaviour of a manager, in this case, within the international brand hotels of Jakarta, Indonesia.

As mentioned in the previous section, I was fortunate enough to have the opportunity to attend a workshop seminar at the Ministry of Tourism of the Republic of Indonesia during February 2014. The seminar topic addressed the development of policies in preparing future tourism professionals within Indonesia. The seminar sought to integrate policies from three sectors, namely formal education, professional training and working experience, into a scheme to evaluate working capability. Two speakers at the seminar were high ranking officials from the Ministry of Tourism and two others from the Ministry of Education and Culture, due to the research stance on anonymity, their identities cannot be revealed. The audience in the majority consisted of Deans from academic departments, heads of hospitality and tourism departments from all public and private institutions of higher education, representatives from the Ministry of Education and Culture, representatives from hospitality and tourism associations, and news media representatives. The seminar ran from 8:30 am to 4 pm with two coffee breaks and a lunch break. Each speaker took between 1.5-2 hours to present their topic, with a final plenary with questions from the audience. I observed the



seminar in the same way as I had my interviews. Some observations may have had a different dynamic because of being a more passive observer during the seminar, whilst on the other hand being more actively engaged in the meaning making process with interviewees.

#### b. Document Analysis

Documentary secondary data is often used for a research project. According to Berg (2009) this secondary data can be raw but should be processed or compiled from written materials. This study derives secondary data from a variety of sources: the internet, newspapers, government and hotel literature from the working environment and statistics from the Indonesian Bureau of Statistics. The latter was useful in providing data regarding employment statistics of local and expatriate managers working in Jakarta. Some of the data consisted of tables showing graphic improvement or decline in trends. However, some were rather obscure or poorly laid out, being at odds with the preferred layout of tables to be displayed for this study (Silverman, 2006). To this end the calculations and tables were rearranged for this research, and others were adapted for easier understanding. For example, one table claimed to show an increase in tourist numbers to Indonesia over six successive years; but significant percentage information was missing from the table. Therefore, a re-calculation was made in order to show a significant increase or decrease in percentages for the purpose of this study and to help the reader better understand the information displayed.

#### *Step six: Initial findings*

The initial data analysis was conducted back at Oxford Brookes University, directly following completion of data collection in early April 2014. Due to the time limitations of data collection in Jakarta, the recorded interviews were not transcribed until all the interviews were completed. The process of transcribing the interviews took between two and three months - from April to June 2014. The interviews were based on audio-recordings which

were implemented through a digital audio device. The recordings and transcripts were stored on one internal and two external hard disks: a personal computer hard-disk, an external hard-disk and a Google drive (cloud) affiliated to the Oxford Brookes University network.

To establish the initial findings, a thematic coding approach to differentiate some or all parts of the data was applied, coding and labelling them according to potential interest represented (Robson, 2011). Identity labels and codes were applied to the initial findings such as expatriate manager, local manager, skill/competencies, development and image; with highlighted words from the transcriptions.

- *Ethical Approval*

Research ethics are an important factor when making the decision as to how to formulate and clarify the research topic and design, as well as how data will be accessed, collected, processed, stored, analysed and written up. The issue of ethics must be considered in order to ensure that data is handled in a responsible way (Silverman, 2010; Nguyen, 2015). For this study, the UREC (University Research Ethics Committee) required the researcher to prepare an ethics document prior to data collection, outlining how the research was designed, and how access to data came about, whether by interviews, field observation or document analysis. Sets of questions were also prepared and submitted for approval by the Ethic committee. Specifically, the committee reported concerns on two counts: first, they wished to know how delicate subjects such as expatriation and localisation might be dealt with in regard to the four different groups of actors. Secondly, they requested clarification as to how I would secure and handle the data gathered. In the event, on January 2014, the ethics committee gave full approval for the research to be conducted in Jakarta, Indonesia. (See appendix 1).

#### 4.7.2 Difficulties experienced and overcome

During the fieldwork, the researcher faced certain difficulties and limitations, as described below. As already mentioned, most participants were part of my professional network during my time as a student in Bandung, when working professionally in the hotel industry, and whilst working as a lecturer in an educational institute. Almost all local manager participants came from my extended former student network in Bandung. From that network came a bigger network connection, which became established during my work in the hotel industry with one of top five international hotel companies.

Whilst I worked as a lecturer at the Jakarta University, Indonesia, I also had the opportunity to meet policy makers at the Ministry of Tourism seminar or in the social capacity of tourism and education. Thus my network was developed over time, from 1992 until 2012, from which my connections remained healthy and regularly updated. Therefore, I was confident in the first stages of undertaking data collection. However, I soon encountered four obstacles. Firstly, my early appointments with local managers turned out to be much more problematic than I had anticipated. Some of my local contacts who had initially agreed to a meeting ended up cancelling for personal reasons such as being too busy to leave their jobs, or feeling they were not sufficiently competent to act as an information resource. Others simply failed to reply to my phone calls or emails requesting confirmation of a meeting.

The second obstacle related to the accessibility of expatriate managers. These were initially contacted and chosen from my professional network, people who worked in the Human Resources Department at the time of my initial contact when I was still in the UK. I informed the HR department that I would like to interview their expatriate managers and asked for permission to do so. But in fact, I had never established any personal contact with the

expatriate managers before I met them. I did not realise how difficult it would be to meet with expatriate managers which really overwhelmed me. It gave me a sense in that the subsidiaries are over protective selective in whom expatriates can meet with and speak to.

The third obstacle was linguistics, in that I encountered personal limitations in translating 'actual meanings' from Indonesian to English and from English to Indonesian. English is not the first language in Indonesia, and it is not easy to directly translate certain terms into Indonesian and vice versa (Xian, 2008). There were instances during the interviews whereby the researcher had to use his personal interpretation to convey his meaning; such possible personal bias might affect data collection from participants. For example: one interview, when translated literally, indicated that his job was a professional "dead end" job, but when in Bahasa the actual words spoken were "tidak jelas", meaning "something unsure or not clear". So a more actual and nuanced translation was that his job was "giving the hint of heading towards a dead end".

Another example arising from the data was the use of the word "hancur", normally used to indicate that someone has done something bad or inappropriate. When translated literally, the word means 'exploding all over into different places'. However, a more accurate translation in the context of use might be that the person was expressing "disappointment" or "dismay". Such linguistic challenges have caused me to consult my supervisors for advice on how to approximate the closest equivalent meaning in English to express the meaning interpreted in context. One of my supervisors speaks fluent Bahasa Indonesia while the other had detailed knowledge of the context, so we could have helpful discussions on these matters. While the final word chosen to illustrate such expressions may have made the writing clearer for

English speaking readers, it may have blurred or softened the actual meaning as used in the Indonesian language (Liamputtong, 2010).

The fourth challenge was the interpretation of body language, in which I found the perception of body language being open to cultural interpretation (Silverman, 2006). Although part of my observations included analysing the body language of each participant during the interview, I began to realise that the interpretation of a smile in Indonesia may be different to that of a smile from someone of a different country, particularly a Western country.

Indonesians like to smile, even in difficult circumstances; it is a cultural characteristic that we always try to smile. This can be confusing to Westerners, who can interpret the smile of an individual in difficult circumstances as ironic, or something of a parody. On the other hand, should myself, as an Indonesian observes a smile from a foreign person, we tend to interpret that smile using our own norms and perceptions.

#### 4.8 Research Analysis

##### Purpose and Strategy

Gibson and Brown (2009) define qualitative data analysis as an exploration of underlying themes and their connections. Moreover, it is said that qualitative data analysis sets out to interpret the data collected. However, for a case study, the collected data may be derived from different sources and contexts, which could give rise to different meanings and interpretations. The analysis of qualitative data can thus be a demanding process, necessitating repeated sampling as well as further collection and analysis of data (Sekaran and Bougie, 2009). Creswell (2014) suggests that a means to resolve this challenging process is to place attention on part of the data whilst ignoring other parts in order to focus the analysis. For example, if participants discussions related to “local development needs to be a

focus for the new president”, one part of the data can be labelled or belongs to “local manager” or local development”. This can also mean “new administration”, “president” or “policy maker”, and not to be confused. It is pivotal to ignore some themes in order to concentrate on one theme in order to see which was the better focus for the study. According to Miles and Huberman (1994), three ongoing steps are involved in qualitative data analysis: data reduction, data display and the drawing of conclusions. Thus data analysis may need to be continued throughout a study, given that new ideas can always emerge to bring a new perspective to preliminary analysis (Miles and Huberman, 1994).

#### 4.8.1 Qualitative research analysis using thematic analysis

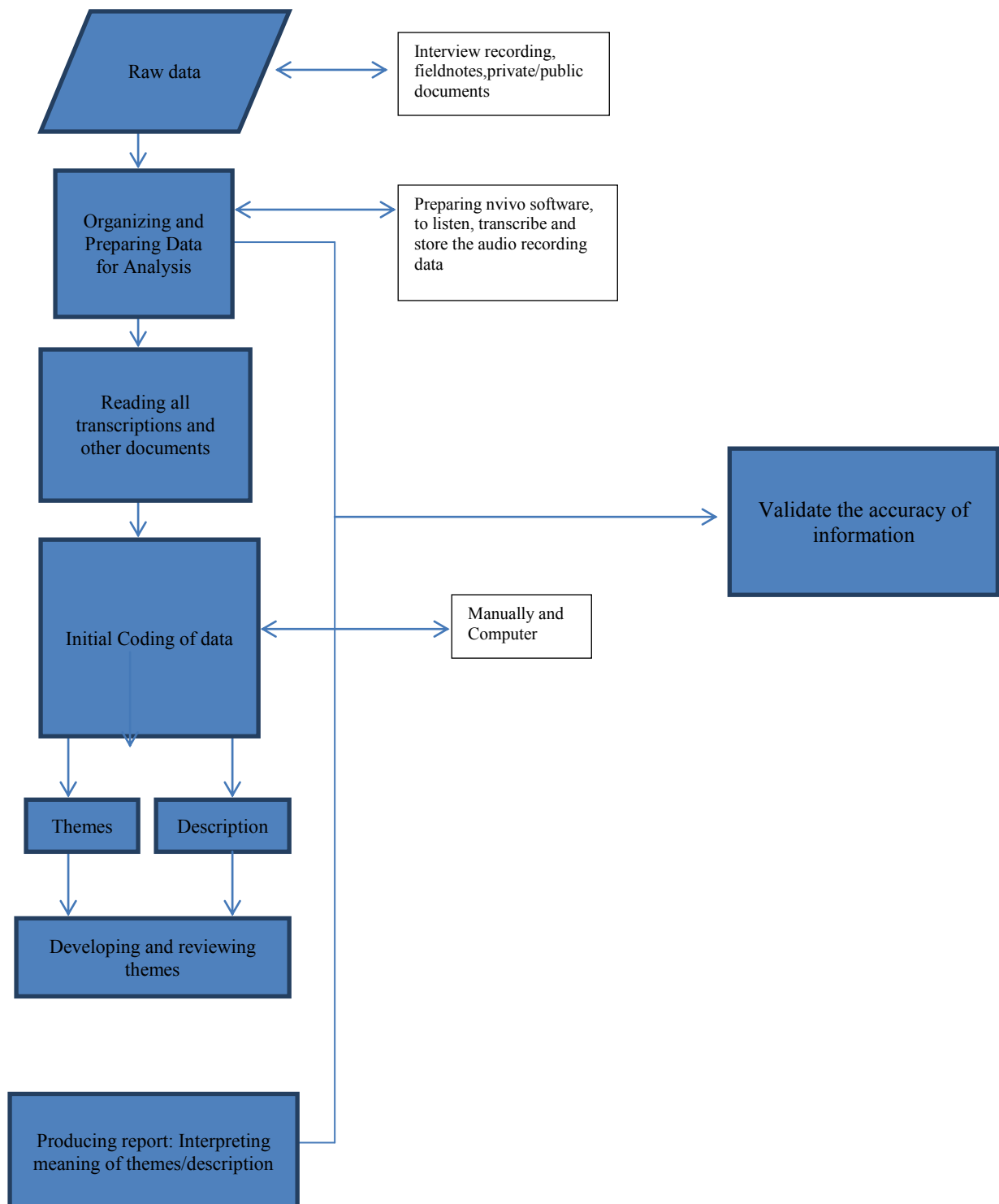
Thematic analysis is defined as a process analysing data according to commonalities, connections and distinctions (Gibson and Brown, 2009). The processing of interview data begins with transcribing and identifying emergent topics and themes arising from those transcriptions, which in turn are analysed to create a system for data coding. The purpose of data coding is to clarify the data display process, as well as to offer preliminary conclusions. Following this, the chronological steps to conducting data analysis is reviewed.

#### 4.8.2 Data Analysis

Data analysis began by listening to the recordings and then transcribing them in reasonable time. To manage the study data, a CAQDAS (computer-assisted qualitative data analysis) programme was applied. This programme was that of Nvivo software, which, according to Robson (2011), is the preferred and most commonly used software for qualitative data analysis. The use of Nvivo is not designed to replace detailed data interpretation, but to help the researcher be more effective and efficient in doing so (Bazeley and Jackson, 2013). The aim when applying qualitative computer data analysis is to maximise efficiency and

effectively store and locate the qualitative data collected (Creswell, 2014). Nvivo helped me record, match, link and sort data according to emerging themes and topics identified by the researcher. The process of interview data analysis for this study is identified in figure 4.2 below:

Figure 4.2 Flow of Data Analysis



Source: Adopted from Creswell (2013)



*Step one: transcribing the interviews*

Interview transcripts were initially composed in written text format. The literature advises that it is always an advantage to have a detailed transcriptions of some or all of the data for further analysis (Robson, 2011). The data transcribed came from 14 local managers, 3 expatriate managers, 1 regional executive (local), 1 (policy maker) and 1 policy maker (from the workshop held at the Ministry of Tourism). The initial aim was to balance the number of expatriate and local managers for my participant interviews, however, this was difficult to secure especially with regard to gaining meetings with expatriates. The concerns expressed about expatriates limiting roles for locals and the legislation which exists probably contributed to the reluctance of expatriates to participate in the research. Any additional comments regarding the interviews during transcription, including non-verbal language, may be noted on different sheets. In this instance, two different languages were used when conducting the interviews which were English and Indonesian (Bahasa). The interviews conducted in Indonesian (Bahasa) were carefully listened to via the audio-recordings and then transcribed into the Indonesian language. Following identification of the emergent topics and themes arising from the transcriptions, these were then translated into English. Conversely, the interviews conducted in English were directly transcribed into English.

*Step two: generating initial codes*

The transcriptions were read repeatedly in order to elucidate the understanding of meanings and patterns emerging from the data. Keywords, sentences and paragraphs were highlighted as relevant to the research question. Initial codes were created manually through the use of a matrix table and this process was repeated throughout all transcripts. Robson (2011) defines the coding of raw data as a fundamental tool to identify meaningful information emerging from a study, and is used to assist in the understanding of certain events, meanings, acts,

behaviour or activities. This study data was encoded for analysis, from which it was organized into groups and themes (Creswell, 2014). These groups and themes might be based on a few words, a sentence, or even a small paragraph from the text. Initial coding was created according to how the text was interpreted and which was derived from situations in the data transcription that were interpreted as meaningful. Some coding input was processed by means of Nvivo software into categories and sub-categories.

Categories such as: assignment, competencies and cultural and commercial experiences were identified, whilst sub-categories comprised of elements such as owner ambition and problems; competencies: education and working experience; cultural and commercial experiences: networking at work and social life at work. These categories or themes were informed by an overview of interview narratives in general, and also in relation to specific key words arising such as “competencies” and “networking”. When such key phrases arise, it is possible for a meaning to be implied indirectly. In this case, the researcher paused to re-confirm the meaning and to make sure the meaning from the discussion or theme was in line with what the researcher had understood it to be.

### *Step three: developing and reviewing themes*

Data analysis began by means of data summarization. This reduces long statements into briefer ones or that of fewer words, to allow a clear summary of key points emerging from the activity (Creswell, 2014). Themes were identified as they emerged, and categorized into codes or labels. The themes were sorted into different categories and re-organized into a suitable matrix which places the data into cells. This analysis was repeated continuously, resulting in new key themes that identified patterns or relationships within the data.

According to Robson (2011), techniques which are useful in identifying themes include repetition, indigenous categories, similarity and differences, and theory-related material (hotel industry jargon such as: asset light strategy and hotel occupancy). It is noted that

different forms of coding can be assigned to the same themes: for example, the term high salary can be categorized as “expatriate package” under ‘assignment’ or “working experience” under ‘skill/competencies’.

*Step four: producing the report*

Different reports were able to be produced via Nvivo such as: listing nodes, nodes with annotations and printing matrix tables for further analysis (Bazeley and Jackson, 2013). Themes and sub-themes from the nodes were printed according to themes or topics that were organized according to the findings. From there, the printed results were analysed for each theme. The researcher was able to move around the annotation when required, to fit with different themes as were thought relevant. For example: when an annotation is revealed such as “expatriates have a better salary package than local managers” it is identified as belonging to the theme of “expatriate” or sub-theme of “better salary package”. This can then be allocated to different themes such as “local manager” or a sub-theme such as “negative of expatriates”. This was a careful reflective process, as there were times when some of the multiple annotations on different sub-themes had to be deleted, depending on the interpretation at that moment. Atherton and Elsmore (2007) argue that the use of CAQDAS may be associated with the risk of misinterpretation and bias towards the results. Therefore, there was an awareness of the necessity to establish objectivity as much as possible in order to handle the complexity and uncertainty of the meanings arising. One means of doing this was to compare and contrast the findings with existing literature of hospitality and tourism, because this allowed for structure whilst highlighting original insight of the data.

- Secondary data analysis

As well as the semi-structured interviews, document analysis and observation was also used to enrich the data collection (Sekaran and Boogie, 2009). The document analysis is varied between public and private documents. Public documents are compiled from a source which

anyone can obtain such as: public web pages, government web pages, hotel websites, corporate company websites and other internet browsers (i.e google, yahoo etc). Private documents are those obtained from a specific person or requiring permission to obtain them. I obtained public documents from Statistic Indonesia (*Biro Pusat Statistik*) Jakarta office, the Ministry of Tourism website, the Ministry of Education and Culture website, the Ministry of Man power website, along with various hotel and corporation websites and other foreign and domestic periodical news websites. Initially, it was hoped that there would be an opportunity to obtain a selection of private documents, but I was allowed to “view only”, not being permitted to take or make copies. The information amounted to just a list of names of expatriates working in the premises with other documents being just financial numbers (profit and loss). Most documents used were statistical numbers of tourism from the Statistic Indonesia such as: the number of tourist arrivals (foreign and domestic) during a certain period, the numbers of establishments and rooms available in Jakarta, the numbers of workforce (foreign and domestic) in multiple hotels of Jakarta and other statistical numbers relating to hospitality and tourism in Jakarta and Indonesia. Moreover, my observations mainly came from my surroundings during the interviews with participants. My efforts were to compile any unusual events from my arrival at the hotel lobby until leaving the hotel, for example: the situation in public areas such as hotel restaurants, front office area or reception area, back room area and participant office areas. Document analysis and observation notes were input using the Note in Nvivo software and placed under themes that were considered relevant. There are possibilities whereby one note applied to two themes (or more) at once for example: about the topic covering “the progress of tourist arrivals (foreign and domestic) from 2000-2010”, this may fall under the theme of “Indonesia” or “tourist development” or “tourism”.

#### 4.9 The Quality of Qualitative Research

One way to ensure the reader can judge the quality of qualitative research (also referred to as trustworthiness of the research, see Denzin and Lincoln (1994), Tracy (2010) and Petty et al., (2012) is to offer insights into the research process-step by step- as I have done in this chapter both for the research process and my position as for the data collection and data analysis. In addition, I have shared the transcripts with the research participants in order for them to offer additional comments that might further enrich my understandings. Some admitted that they were too busy at work, others were not able to make contact or give a reply and only a few suggested that it was possible to give comments through personal email. For example, one comment said that I was too “nice” when translating from Bahasa “*hancur*” into English language such as “crash all over the place”, which was described in English as “dissappointment”. Other than that, they gave personal insight and additional interpretations to be noted such as agreeing the transcriptions and point out some crucial parts such as: local manager development and current government administration in tourism industry.

Triangulation can be supportive to the trustworthiness and comes about through the use of a variety of methods or sources, which will deepen the overall understanding of the data. In this study, data triangulation has been used in order to give more insight within themes or dimensions (Creswell, 2013). Triangulation is a technique that combines multiple methods of data collection and analysis within a single project (Jonsen and Jehn, 2009). This research employs three data collection methods: semi-structured interviews from four different actors being: expatriate managers, local managers, regional executive and policy makers, observations such as: body language of participants, unusual events during interviews and public areas of the hotel, and document analysis such as: web pages, hospitality and tourism statistics, government web pages and other search engines. Data triangulation is a technique

which uses different sources from different time periods (Sekaran and Bougie, 2009). This data triangulation has helped to bring a deeper understanding to the analysis by combining different sources: interviews, document analysis and observation.

#### 4.10 Reflexivity within qualitative research

It is crucial that a researcher acknowledge the fact that retrospective reflexivity can impact on the way the research is conducted (Cumming-Potvin, 2013). Reflexivity was achieved during the process of this research, being as follows, in relation to my own background,

- Unease in the observation of body language during participant interviews

There was a slight feeling of discomfort by the researcher when observing the body language of participants. This may have been due to where the researcher was positioned during the interviews. Firstly, in order to make a note of participant body language whilst listening to them speak it was important not to lose eye contact, yet at the same time, having to write quite quickly. This was not an easy task overall, but none-the-less, the essence of both language sets were well managed. Secondly, when interviewing expatriate managers, I felt that it is more challenging to interpret the expatriate interview than the local manager's. It is possible here that I might have experienced some interpretation bias; that I may have interpreted expatriate body language from a 'local Indonesian' perspective rather than a more objective interpretation from myself as 'researcher'. The same thing may have happened in reverse; when interpreting local managers, I may have come from a 'local Indonesian' perspective and not as that of a 'researcher'. For example, when registering the body language "sigh", this may have been interpreted as tiredness or laziness in answering a certain question, although it may simply be a case of the subject breathing out heavily.

- Work experience within the hotel industry and completion of education in a Western country

During my work experience with different hotel companies, including those in Jakarta, Indonesia, I had the opportunity to observe the process of manager selection and recruitment in Indonesia and often discussed this with my professional colleagues, either those from my previous alma mater or those I had met during contact through different hotel groups. A salient and frequent theme arising from our discussions was the so-called “glass ceiling” phenomenon encountered by local managers when applying for senior management positions. That is, we observed what appeared to be common employment practice in that local managers were overlooked in favour of expatriate applicants. Anecdotally, there was an impression between us in of the fact that there were many more expatriate managers employed in senior management positions in Jakarta than local managers. This was always a topic of interest in discussions between local managers. Several years later, when preparing to undertake my PhD, this topic re-emerged as a very promising research area, given that little formal research has been undertaken on the issue of manager localisation in Jakarta.

Having worked in the hotel industry of Indonesia and abroad, I experienced a certain amount of subjective bias towards some of the participants and their insight. This was shown in the way I reacted or responded to their stated opinions. I was only too aware that I had my own understanding of the issues being discussed and was as such, sometimes nervous of leading the interviewee towards my own judgment or assessment of the topic being discussed. It is altogether possible that the nature of my personal presence and characteristics might have affected my interaction with the participants. It was generally known that I was an undergraduate and a USA Master’s degree holder, and in the process of doing a UK PhD. As such, the participants that knew me previously might have been more at ease than those who

had not. Indeed, from interaction during the interviews, there was sometimes a sense that certain interviewees who did not already know me might have felt nervous of giving the “wrong” answer, or not giving the answer I was looking for. Because I was studying abroad, most participants assumed that I must have better knowledge than they. This led me to place myself as an outsider (to the hospitality industry) or as a person being ‘anonymous’.

- Limited accessibility to expatriate manager interviews

The proposal to obtain a higher number of interviews with expatriate managers was set out before the data collection started. Although initially promising, my access turned out to be denied by certain companies. Several excuses were given such as the hotel was busy, the management had just been re-structured, the new manager was inexperienced and the expatriate needed privacy. Furthermore, some simply failed to reply to emails or phone calls. Once back in the UK, I tried to establish more interviews following suggestions from available participants, who were contacted through Linked-in social media. However, these leads did not prove fruitful. In addition, I was not anticipating the difficulty of the subject matter for participants, the subject matter turned out to be far more controversial and uncomfortable for the organisations than the initial contact with the field suggested.

- Networking as the best scenario for contacts

Even in the face of such obstacles, the researcher was fortunate enough to be able to benefit from a good network of contacts with people from the industry. All proposals to local managers were accepted with open arms and further support was offered in finding more participants through personal networks. If this networking had not been involved, it is unlikely that the research would have been successful.

- The challenges of retaining an unbiased opinion as a researcher



This research received extremely 'positive' responses from local managers and policy makers. The consensus was that academics, hotel professionals, policy makers and those from other industries should know and acknowledge what was happening in Indonesia, in terms of local management talent within the hospitality industry. On the other hand, it was not easy for me to be free from bias because my attitude was very similar in regard to the need for acknowledgement of the development of local managers. The other local managers were to oblige me to explore how this message might pass to a wider audiences. Given my previous work experience, I was also under the impression that such a topic would offer a substantial and valuable contribution to the theory and practice of employment in developing countries, especially in my own country.

#### 4.11 Chapter Summary

This chapter began by disclosing the aim and objectives of the study, and thereafter, the study research philosophy and interpretivist research paradigm approach was described. The rationale for applying a qualitative approach was then explained, along with a discussion on the research strategy and data collection methods used in the light of the research question. The criteria for interview choices were justified, and the observation and document analysis approach was also explained. How thematic analysis and Nvivo software were used for the data analysis stage was also described and discussed in this chapter. Finally, the strengths and limitations of the approach, access to participants and the data collection methods chosen were considered as part of this chapter.

## CHAPTER V

### FINDINGS: IMAGE OF INDONESIA

#### 5.1 Introduction

This chapter will depict Indonesia as constructed by the participants of this study, specifically to examine their understanding of the development of Indonesia as a tourist destination. To complete these 'image' findings, the data analysis is determined thematically through the application of Nvivo software, from which it is organised into categories and identified themes. To continue, the findings are reviewed in relation to the available research literature. The data findings are extracted during interviews in which study participants reflect not only on their concepts of tourism development in Indonesia, but also on their perceptions of current challenges within Indonesian hospitality and tourism. Such challenges include the quality of hotel management and the role of international hotel MNCs in local tourism. These themes were not originally part of the research question. Initially, the aim was to focus on participant views regarding the deployment of expatriate and host country managers. However, the additional views expressed by participants on related themes when management deployment was discussed, emerged as being highly salient across all interviews.

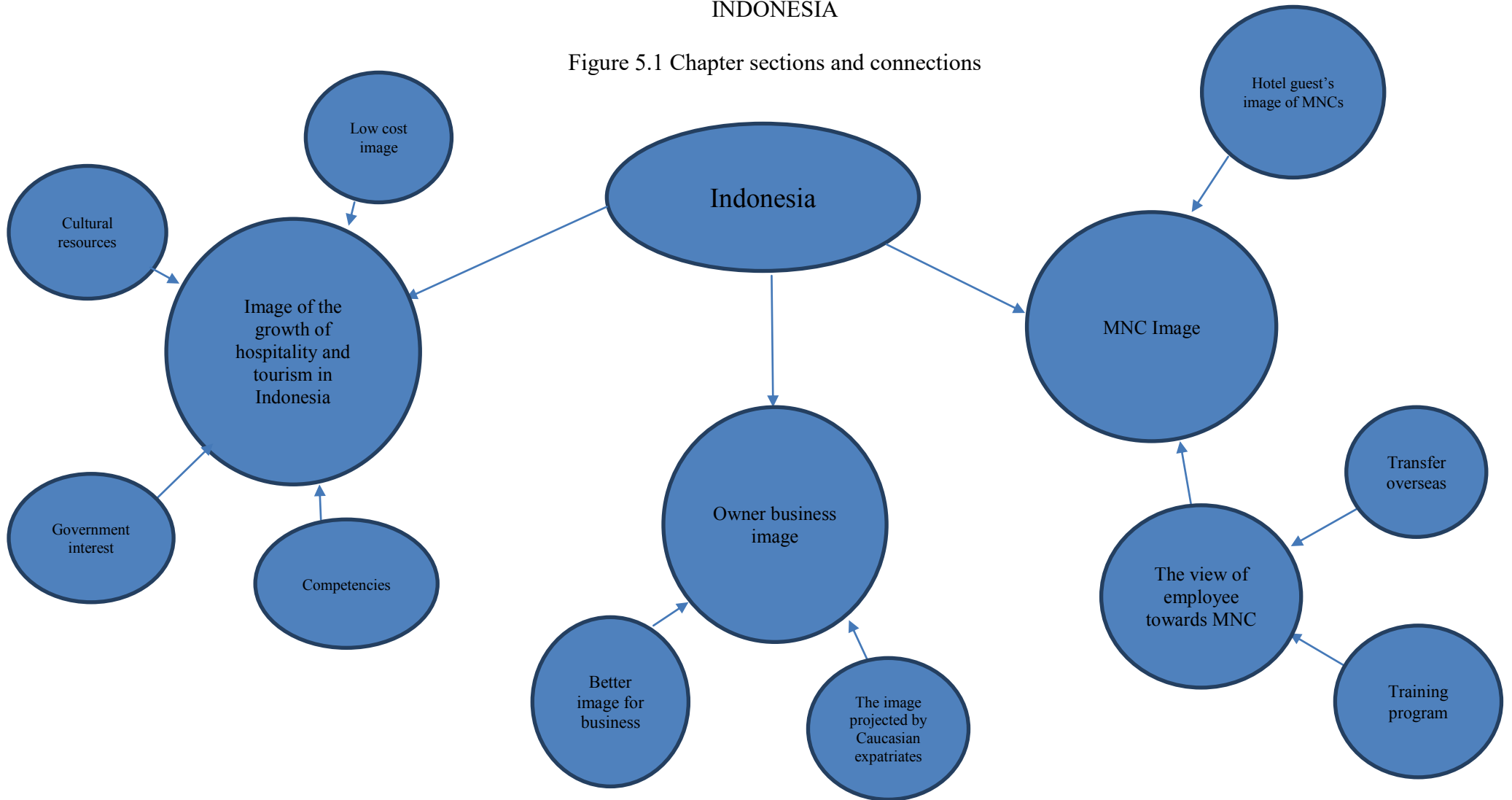
Figure 5.1 offers a mind-map of the data collected from participant interviews in Jakarta, Indonesia. The findings are categorised into three major themes arising from the accounts described through interviewee experiences: the image of the growth of hospitality and tourism, the business image of the hotel owner, and the image of the MNC. Each of these three major themes are in turn classified into sub-themes.

The first sub-theme emerges as the image of the growth of hospitality and tourism in Indonesia; the narrative surrounding the current development of hospitality and tourism in Indonesia is in turn sub-divided into a further four related sub-themes: cultural resources, low cost tourism, government interest and competencies. Important evidence emerged as to how participants envisaged each of these as advancing hospitality and tourism in Indonesia.

The second sub-theme relates to the image of the hotel owner, more directly as to the impact by the owner on the business. Two further sub-themes emerge from this: how to create a better business image, and the image projected by Caucasian expatriates. The first sub-theme addresses the emphasis a company might place on the use of expatriate managers for display purposes, that being the “face of the company”, and the belief that this would serve as an advantage over other MNCs. The second sub-theme addresses the issue of the image of the “perfect” manager, as projected by or onto the “Caucasian expatriate”. The discussion indicates that this image may have a degrading impact on local managers. The third sub-theme relates to how the image of the MNC is seen from the perspective of hotel guests and the views of IHC employees in relation to the overseas transfer policy and training programs of their employer.

INDONESIA

Figure 5.1 Chapter sections and connections



In the course of discussions regarding hotel management staffing positions in Indonesia, many interviewees alluded to wider Asian and South East Asian issues as relevant to the question of Indonesia. This concern is understandable, in view of the geographic positioning of Indonesia within Asia, and the growing business developments in the region. Given the fact that the Indonesian city of Jakarta was chosen as the context for this research, it is logical that locally based participants will tend to compare Indonesia with other countries in Asia or South East Asia ('JAKARTA,' 2014).

Therefore, this section will begin by addressing the image of Indonesia in general as perceived by interview participants. It will investigate how this image relates to their perceptions and reasons for growth in the hotel and tourism industry, and also to that of manager development. To continue the focus is specifically placed upon three image perspectives of Indonesia: its growth, its ownership, and its MNC.

## 5.2 Image of the growth of hospitality and tourism in Indonesia

During the past five years, the development of the hospitality and tourism industry was seen by interviewees to be strong and healthy. For example, one expatriate manager (TS), reflecting on the changes over his time in Indonesia, recalled that in 2007, his [international hotel company] owned a limited number of hotels in Indonesia. That number equated to around 35 at that time compared to the 100-120 hotels that they currently hold. The manager was keen to emphasize that in the past, the management of this small number of hotels would be very different to what is required today with the number of hotels now being held by that particular international hotel company.

When making this comment, the body language of the manager showed the seriousness of his reflection by leaning forward across the table when speaking. This particular expatriate

manager appeared on the one hand to reflect on how robust the hotel development was over time in Indonesia, but on the other hand implied that each opportunity brought with it another challenge.

*“When I came in 2007, there were only 35 hotels from [international hotel company] in Indonesia... (leaning forward across the table when speaking)...you don’t manage the same as this now, with 100-120 hotels. This is not easy; you need to accept the challenge...” (TS/expatriate manager/international hotel chains)*

He suggested that recognition of rapid growth in the region was useful for the career development of each manager.

A similar view regarding the current hotel growth within the country was held by other managers. One of these said:

*“Many hotel companies are stopping their development in China and India, they are concentrating on Indonesia now... (long pause)...the investors used to look to China and India to invest, now they see Indonesia growing... (very serious and focused)...now hotel occupancy is always good and stable, tourism visitors have gone up significantly every year...” (DJ/local/international hotel chains)*

Again, other managers echoed this: they recalled that in 2011 to 2013, the market for hotel development was the focus for expansion in China, a country with consistent growth at that time. But it was also envisaged that the number of hotels in China might at some stage reach saturation point, therefore international hotel companies stayed open to development in different regions of Asia.

The participants believed that more investors were beginning to look to Indonesia as the new focus for their international hotel company development. This is reflected in the current

growth of hotels in Jakarta. For example, until recently, one IHC group owned only three hotels in Indonesia, namely in Jakarta, Batam and Bandung, but recently raised their profile to add two more hotels in the North Jakarta Area. Similarly, another IHC currently in ownership of around 68-70 hotels in Indonesia, (15 in Jakarta), were planning to build more hotels during the next few years. The current trend in Indonesia is focused on the big market of business travellers and foreign tourists who prefer to use four star hotels over the five star hotels due to the more affordable prices and sufficient services associated with four star hotels. One local manager commented on this matter:

*“what I know so far.... is that four star hotels show better room revenue than the five star ones....they (five star) suffer a little bit because of this...their services and facilities (four star) are not as bad as people think...”*(RS/local/international hotel company)

To add here a personal reflection, I have been aware that hotel development in general has been growing rapidly in Indonesia, but I did not expect it to be this vigorous. Table 5.1 below shows the growth of classified hotels in Jakarta over the last five years.

Table 5.1 Growth of Classified Hotel within Jakarta (2009-2014)

Year	Total hotels	Growth
2009	153	9.15% *
2010	160	4.37%
2011	162	1.23%
2012	175	7.42%
2013	185	5.40%
2014	205	9.75%

Source: Adopted from Statistics Indonesia

\*9,15% growth obtained from total hotels of 139 in 2008

These statistics illustrate a significant improvement in the country's hospitality and tourism industry, and strongly suggest that Indonesia has the potential to grow in this sector of the economy much more than had been supposed. The average annual growth of the classified hotel sector is set at 7.46%, with 52 hotels constructed between 2009 and 2014. It is important to note that such growth within hotel development and tourism infrastructure must have a direct impact on the availability and the quality of human resources to support that growth in all areas of tourism. The issue of matching human resources to growth equally affects policy makers, project managers, tour guides, airport representatives, tourist informants and end users (Karuri-Sebina and Rosenzweig, 2012; Swailes, Al Said and Al Fahdi, 2012).

Generally, such strong development would seem to offer excellent opportunities for internal employment and for the industry to improve the quantity and quality of host country managers in senior subsidiary management positions. However, some doubts were expressed during interviews; one local manager (ASO/local/local hotel) argued that Indonesia should be careful to maintain its sustainability. He notes that they should conserve their tourism resources in such a way as to avoid the risk of losing all control to outside investors, who would have little regard for the conservation of the country.

Other managers placed a slightly different emphasis on the tourism development of Indonesia, arguing that there is a need for a better infrastructure to create more positive images for tourism:

*“Our infrastructure needs better development..... not only in Jakarta, but in all parts of Indonesia, wherever tourism destinations are located....(long pause)” (ASO/local/local hotel)*



This particular local manager (ASO/local hotel) described a specific example of poor infrastructure at the airport of a rural tourist destination near Sulawesi (Celebes Island). He recounted that whilst waiting at the bus stop where the shuttle was expected to pick up passengers, he observed that there was no clear time-table information on how frequently the shuttle ran or when it could be next expected. He was in no doubt that this situation of a poor local service would be replicated at various rural tourist areas, demonstrating all too well the need for improvements to Indonesia's tourism infrastructure. The following section explores further opinions by participants regarding competencies that are essential to the future growth of the hospitality and tourism sector of Indonesia.

- Competencies

During interview discussions on the readiness of Indonesia's capital Jakarta to achieve localisation, the theme of competencies arose. These competencies were mainly in regard to education and to managerial skills for tourism and hotels. Participants appeared all too aware that Indonesia, as with other developing nations, faces a challenge in achieving robust globalisation. In this, they saw local competencies as very important in leading a country towards localisation (Causin et al 2011). One local manager (IJ), whilst showing concerns for the lack of competency development in Indonesian said he was not surprised, given that hospitality and tourism is a recent phenomenon compared to tourism development in neighbouring countries such as Thailand, Singapore and Malaysia. On the other hand, this manager firmly believed that Indonesia was moving in the right direction and was not the only developing country facing these issues. In terms of education, it was also argued that the government could do more to ensure that higher education institutions be given the capacity for accreditation and the rights to grant student degrees. This would entail raising the quality of the curriculum in higher educational institutions, in order to create a new generation of

competent local managers, well prepared for working in the Indonesian hospitality and tourism industry.

In regard to the specific issue of educational competency, comments were raised during a Ministry of Tourism seminar that I attended in Jakarta during the month of February 2014. I noted that one of the speakers voiced concerns regarding education in Indonesia. In his view, the low standard of general education was reflected in the poor quality of research. He noted that while 50% of world journal publications come from South Asia and South East Asia, very few of those papers or journals are generated from Indonesia:

*” This isn’t enough. In the education index focus, we are still only number 11 or 12 in Asia. We are not even talking about writing or publishing research or journals, and even just a willingness to read journals is very rare in many universities. In South East Asia, we are still at the same level as Vietnam, and we are very much behind Malaysia which just recently beat Singapore in the ratings.....”(AB/local/policy maker)*

A regional executive manager (IJ/local) expressed similar ideas in regard to the general education of Indonesian, but specifically questioned whether Indonesian’s education philosophy was sufficiently business minded in resourcing educators, universities, facilities, and technology.

Other interview comments laid specific focus on Indonesia’s hospitality education, and how this played a direct impact on the country’s hospitality and tourism industry. One of the speakers at the Ministry of Tourism seminar (CD/local/policy maker) said that because tourism was one of the most creative industries in Indonesia, the educational sector had to keep up with the times, differentiating between tourism as being major in vocational

education and tourism as a traditional discipline. This speaker suggested that Indonesia's approach to education had to be re-structured in regard to research, education and community service. Her view was that the national curriculum should follow the future needs of students and reflect more accurately the content and purpose of a hospitality and tourism degree. As it stands, many potential students receive a misguided interpretation of the discipline as "glamorous" or related to "fun". This particular speaker said that in more developed countries tourism and hospitality had long been viewed as a science, but in Indonesia it was still regarded as an "easy" superficial major. Therefore, it should move from being a neglected discipline in Indonesia, to one which had an improved syllabus and curriculum which would match up with industry expectations, and attract serious career lecturers. To this end, she called for a review of current trends in the industry, taking on board the interests of other stakeholders such as international and local hotels, policy makers and overseas universities. Such a review would have to be set up as a regular calendar event throughout every Indonesian university, in order to control the quality of educational standards and professional competencies of lecturers.

This interviewee, who was in fact a policy maker, also commented in relation to government policy on educational provision:

*"In Indonesia, there is a huge gap between the demand for and the supply of lecturers. For instance, we have millions of hospitality students but we only have thousands of lecturers in this discipline. This has to come to the government's attention... (long pause)....because it is very difficult to find a qualified hospitality lecturer in a big city. So you can imagine how impossible it is in a smaller city or in the suburbs"* (SB/local/policy maker)

On the other hand, one manager observed that poor educational standards of hospitality and tourism faculties did not prevent Indonesians from gaining good qualifications,

*“Since 2000, I can see more Indonesians coming forward with good qualifications in hospitality and a degree background... (long pause)...we can tell from their leadership and their implementation on tasks/projects that they are good. What matters now is that their (and our) competency has to be on a par with that in other countries (FF/local/bakery owner)*

Between 1990 and 2000, there was a considerable improvement in the quality of Indonesian school, leading to more Indonesians in the hospitality industry coming from a degree background, with good leadership skills and strong competencies in implementing tasks/projects (Wahyuni and Ng, 2012). This has put Indonesia on a par with other countries such as Singapore, which collaborates with different countries, like Malaysia and Thailand in creating competency benchmarks (Sadi and Bartels, 1999).

The next section will review how managerial competency skills were discussed by participants as being important in supporting the growth of hospitality and tourism in Indonesia.

During the fieldwork, many interviewees expressed concern about the limited management skills of local managers in general. Speculating on why this should be so, one local manager argues that:

*“Local managers need to improve their analytical thinking and problem-solving skills to compete with expatriates.... (long pause)..for instance: hotel employees usually can't sustain their attention during training sessions. They would rather be handling 1000 guests for 5-6 hours than listening to someone in front of them for 45 minutes” (LP/local/local apartment).*

According to LP, the capacity to be open to new ideas or concepts requires development across all hotel employees, particularly so is the capacity to engage in problem-solving by management:

*“Employees find it difficult to handle brand new problems or any problem that they have never come across before in the operation....employees find it quite challenging when they have to produce or create a package, for instance for marketing purposes, or selling a hotel product. This lack of analytical thinking and problem-solving skills may have something to do with each employee’s personal character, education background, cultural dimension and job exposure” (LP/local/local apartment)*

To contextualise the necessary skills required for a manager, one example suggested relates to the skills in handling guest comments. In a single department of one hotel, hundreds of guest comments may be received in a day. A manager is expected to know how to analyse and group such comments as to type e.g. guest complaints, positive feedback, developing ideas and guest concerns etc. Through this information the manager must convey each type of comment to the appropriate member of staff as to where and when the service should to be delivered. When selecting the most appropriate staff member for action, the manager has to take into account factors such as the employee’s position and job schedule and also recording their name and gender for reference. Although it is the job of the employee to implement the instructions of the manager, these actions would rest on the skills of the manager to create the report(s) in the first place, accurately outlining the planning and implementation of each task.

A second area of identified skill deficiency relates to “costs” and “budget/expenses”. It is quite common that some hotel departments only allow assistant directors or above the right to deal with budgeting or cost issues. However, in certain cases the duties and skills of a manager may also have the expectation for them to analyse figures on a revenue or expense

report. In reality, the interview participants suggest that it would be very rare for a manager to have such capabilities, and in the worst case scenario some managers might simply ignore such tasks as being not “part “of their job.

A third area of skills deficiency was identified within specialised skills, these being those possessed by people employed at certain levels or in certain departments. Some local and expatriate manager participants took the view that the acquisition of technical skills was a specialism related to unique contexts such as the hotel kitchen. One expatriate manager (SC/expatriate/international hotel chains) pointed out that however many versions there might be of making tomato soup, his taste (expatriate) and other people’s tastes (local) would always be different, that such skills were unique to each context.

Following this line, it is understandable how technical skills appear to have become a “niche” tool, used strategically by some hotels for marketing purposes; in relation to kitchen skills, the ‘Western taste’ provided by a chef employed from abroad, would be used to widen the hotel’s access to the international market. In these cases, access to such technical skills would indicate that expatriates are more likely to be employed than less technically skilled locals. On another track, one local manager (LP/local/local apartment) from a different department expressed a problem relating to the specialised skill of language proficiency. For instance, when a hotel employee reaches management level, his or her English is expected to be at an advanced level, because he or she has to engage in correspondence with the corporate office. This is another technical skill that can sometimes be easily underestimated. Many local managers indicated that poor competence in the English language was a major weakness for local managers. Although there was consensus that *“local managers need to be able to speak and write fluently in English”* (LP/local/local apartment), it was generally agreed that there is

a low level of confidence amongst local managers. One policy maker (SB/local/policy maker) had a strong opinion regarding the competitive pressure placed on managers, because Indonesian hotels have to compete with neighbouring 'English speaking' countries. This interviewee suggested that Indonesians are aware of being left behind in this respect, even though in his view Indonesian hospitality skills are greatly superior to those of the neighbouring English speaking countries, and have better tourism resources. One of the biggest language challenges to managers was identified as being able to get ideas across at formal meetings or in formal settings. On the other hand, another local manager made a slightly different argument in claiming that both expatriate and local managers should know at least two languages, specifically English and Bahasa, because both languages are very important to the Indonesian hospitality industry.

There was a view amongst local managers that's all managers should be able to speak Bahasa to Indonesian employees and Indonesian hotel guests, and also have the use of the English language to speak to foreign hotel guests, foreign employees and main office representatives. Any other additional language would be a plus.

Several managers also mentioned that interpersonal skills were crucial to the hospitality industry, which is primarily based on human interaction. Managers are constantly dealing with people, whether employee to employee, employee to guest or employee to superior. Although all participants saw the culture of Indonesian hospitality as an excellent asset, being open and welcoming to strangers, it was perceived that this same culture had a downside: there was a tendency for local managers to hold a grudge when having had a disagreement or a difference of opinion with another manager. The view expressed by both expatriate and local managers was that local managers had much to learn from expatriates in understanding how to rise above disagreements or arguments for the greater good of the hotel. One

expatriate manager reflected on his own learning of such human skills during his early management postings:

*“I learned lots of different types of management skills...(focus and long pause)...it was an eye opener for me as to how to manage people when I joined my first management exposure...the more you are exposed to people management, the more you get better in the area of people performance and development” (SC/expatriate manager/international hotel chains)*

Several participants (locals and expatriate) shared the opinion that the wealth of cultures in Indonesia was an asset. They described the country as wealthy in unlimited tourism resources such as beautiful beaches and landscapes, a rich variety of popular culture and in the growing and preparing of foods. It was perceived that Indonesian food and culture offered a huge variety of experiences that could only enrich the uniqueness of Indonesian hospitality.

One manager (AS) reflected on feedback he often receives from foreign guests, intimating that they prefer Indonesia for services they would not find elsewhere, compared to Singapore for instance. Such guests reported to him that in Singapore, everything is about fast service with no character whatsoever, while they saw Indonesia as offering a unique relationship between host and guest. This uniqueness may stem from the effects of historical colonisation; Indonesia was occupied for a long period, from the early 16<sup>th</sup> century to the mid-20<sup>th</sup> century. Dating back from the year of Indonesia’s independence in 1945, the country had been colonised by the Portuguese for 150 years, by the British for 100 years, the Dutch for 350 years, and by the Japanese for 3-4 years. This might well explain a culture which has positioned Indonesians as inferior to foreigners. While the negative effects of colonisation will never vanish easily, in some ways this culture may have had a positive effect in leading



to a unique attitude toward foreigners which can be utilized to promote Indonesian hospitality to foreign tourists.

On the subject of Indonesian resources, the interview data suggests that although Indonesia is seen as a culturally rich country, it currently did not offer sufficient support to developing its workforce. One participant observed that the rate of tourism development was unbalanced across city and rural locations, so that only certain areas benefitted from development, either because of their location or because of their local government involvement. Concerns were expressed that the effectiveness of a tourism destination was only as good as the attention each local government would bring to promoting it. This was seen as a political dilemma. For instance, some tourist destinations are identified and promoted by non-locals (foreigners) to foreign tourists, resulting in the fact that these tourist destinations attract more visitors. This in turn would awaken the attention of local government.

Instead of local government harnessing such activity as a professional opportunity for the wider community, there was a tendency to see it only as an opportunity for the few in power to make money for themselves, or their own narrow community or group, rather than looking at the bigger picture.

What is more, when local government engage in developing their local destination, they are met with the realization that they lack sufficient 'competence' in access to local manpower. This problem is compounded in rural areas, whereby there is no attraction or interest in the area because of the lack of amenities, such as clean water, decent shops, access to a variety of goods, and good quality schools. Without adequate manpower, it is only a matter of time for such a tourist destination to lose its sustainability, and along with this, its attractiveness and cleanliness. One expatriate manager (SC/expatriate/international hotel chains) echoed these concerns and believed that Indonesia had not yet realised its full potential, including its local

markets. In his view, although local hotels and restaurants are very beautiful, without sufficient and competent manpower to handle the operation, they were doomed to failure. It is understandable that in a large and developing country there may be uncertainty regarding the means to develop human resources. One local manager (ASO/local/local hotel) working for a local company told me his story regarding how his company aims to improve the presence of local arts through using this as strength when marketing their brand to hotel guests both internationally and domestically. He was very confident that this local hotel company would become different to other local hotels. He recognized that every hotel sells identical products in terms of beds, food and services; for instance, a five star hotel and a two star hotel might use the same brand of bed (he mentioned a king koil brand which is one of the most expensive bed brands in the Indonesian market), but he thought the guest would not know the difference without “looking” at the bed itself. However, in terms of hotel service types, in his view there are other ways to compete with international hotel companies who are well known for their luxurious equipment and facilities.

Instead of trying to offer the same equipment and facilities, his hotel aims to use Indonesian art as its main attraction, inviting young Indonesian artists to create “eye-catching” images which may have the potential to develop into fine art. He also confirmed that his local hotel attracts large numbers of European tourists who highly appreciated the Indonesian art and see this as their main motivation to stay at that particular hotel. Part of the attraction for these guests was that they had been able to find the hotel through the use of web search engines, and were surprised by the very reasonable prices charged for such a unique stay.

It was suggested by participants that the cost of Indonesian tourism was relatively inexpensive compared to other tourist destinations in Asia, even for business guests. Some

managers (expatriates and local managers) working for international hotel companies offered an interesting insight into the tourist movements of Indonesia, such as the number of incoming foreign guests from other Asian regions. They confirmed that their guests were most frequently from Singapore, Korea, Malaysia, Thailand and other countries in Asia, whilst a few were referred by European companies. These managers believe that many such hotels can see a major business opportunity to draw in domestic and international tourists through the frequent international events that take place in Jakarta.

The exchange rate of Indonesian currency makes it a very competitive environment for businesses that want to combine business and leisure in Indonesia. This was particularly so during the recent economic crisis in the West, whereby many more people visited Indonesia as a result of the advantageous foreign exchange. In this respect, one expatriate manager (SC) added an interesting observation: for him, one advantage of doing business in Asia is the phenomenon known as 'face value'. In Asia, he said, doing business face to face is very important, so that cities such as Jakarta, Shanghai and Tokyo always play host to people travelling for business, even during the European and American economic crisis. It is inconceivable to do business over Skype or other video conference channels by Asian business people. This manager believes that Indonesia is well placed to guarantee guest arrivals into the country, and that hotels in Indonesia should use the combination of 'face value' and relatively 'low cost' in conducting their business as the opportunity to attract Asian business people to invest in the country. This insight suggests that the low rate of Indonesian foreign exchange also contributes to bringing more business to the hospitality and tourism industry of Indonesia.

Although the comments above reflect a view that the economic crisis in the US and Europe might have had a positive effect on Indonesian tourism through bringing more tourists into the country, other participants highlight the opposite concerns, that in fact this economic crisis might equally have had a negative impact on Indonesia.

*“It is more interesting working in Asia in general than working in Europe, in terms of the cost of living and work satisfaction....(long pause)...the work load is probably the same but you have the capacity to develop and grow here...”(SC/expatriate/international hotel chains)*

One expatriate manager (SC/international hotel chains) mentioned that one of the important motivations for expatriates to work in Asia is the low cost of living, in terms of housing, food, travel and leisure. However, in contrast to this view a number of local managers expressed a different perspective in the speculation that the European economic crisis might have a negative knock-on effect on Indonesia. That is, expatriates might seek to escape unemployment in Europe or the USA by opting to come to Indonesia for work, regardless of how much lower their salary might be.

*“The negative effect of the European economic crisis is.... (thinking seriously, with long pause)...it will create more unemployment across Europe or the US. So many of them may choose to come to Indonesia.... because regardless of how much lower their salary is.....they will still have substantial benefits to working here in Indonesia....(WD/local/local hotel)*

To compensate, expatriates still gain substantial benefits such as annual return tickets and a good job position, plus a multiple benefits package to include premium health insurance, accommodation, dental treatment and driver transportation. Along the same lines, another local manager voiced his concern in that the economic crisis (2007-2009) encouraged

expatriates to stay beyond their original contract period, thus leaving fewer opportunities open for local managers.

Moving on to another set of interview findings, participants voiced certain expectations regarding the importance of government involvement in the future development of hospitality and tourism in Indonesia. During the interviews, a number of managers put forward some very compelling opinions about the important role of government involvement in local manager development. They believe that it is very important to ascertain where tourism is located in the President's cabinet structure. Should the President ignore the role of tourism in the development of the country, it would be a considerable gap in the support that Indonesian tourism needs to develop further. One local manager (BB/international hotel chains) speculated various ways in which government policy and regulations might be changed with regard to expatriate employment, particularly in the light of new administration after the next election (in mid 2014). Most local managers appeared hopeful of future government involvement in the training and development of local managers.

*“The government expects local managers to take over expatriate positions after the expatriates finish their assignments... (long pause)...so they want local managers to be involved in hotel development planning in the long term” (GB/local/international hotel chains)*

However, they also acknowledged the fact that whilst the government officially takes the view that local managers will eventually take over expatriate positions, in reality the government tend to be more “reactive” than “proactive”; that is, it will not interfere in company appointment strategy, even if it went in the face of government policy. In the following section, discussions relate to the business image held by company owners, and how

such an image may cloud their judgment in running a successful business in the Indonesian hospitality industry.

### 5.3 Business Image held by company owners

- Better business image

Several managers were in consensus regarding the MNC use of expatriate managers as a reflection of company business image:

*“Why expatriate?... (long pause)...hmmm...the first thing is about image..., some company or hotel owners think about the importance of their business image for their existence... (leans his back to his chair.. very serious and focused)...., they think that the figure of an expatriate will present a better image of the company for someone looking in from the outside.... such as people like us, the media, business colleagues, other hotel companies... (smiles)... (WD/local/local hotel)*

It is thus considered prestigious for an owner of an international brand to have expatriate managers working for them;

*“It is considered prestigious for the owner of an international hotel brand to have expatriate managers working for them.... (smile)...there are some guests who don't want to come to stay in international hotel brands if their general manager is not an expatriate...it is sad...very sad... (concerned look)... (ER/local/international hotel chains)*

Indeed, it is understood that the number of expatriates working within a hotel tends to determine the degree of business success status associated with hotel investors in Indonesia.

*“The owning company prefers to use expatriates over local managers because they will present a better image....” (AS/local/international apartment chains)*

The rationale behind the employment of expatriates is that hotel guests using international hotel brands may only wish to use those hotels if the general manager is someone who better understands their expectations and needs, and this would not be the case for a local manager. It is true that some local hotel companies will employ expatriates solely in order to compete with other local hotel owners. One local manager (ER) pointed out that whilst there are no expatriates currently employed by his international hotel company, he would assume it very likely for the hotel owner to replace his local general manager and the F&B Director with expatriates in time.

*“There are no expatriates currently in this [international hotel company], but there are going to be some changes in a few months here....(sigh and long pause)...it is very likely that our owner will replace our local general manager with an expatriate, maybe...maybe our owner also would like to hire an expatriate as our F&B Director.....”(ER/local/international hotel chains)*

Another local manager (BB/local/international hotel chains) reflected that local owners tend to see it as a matter of pride that they can afford to hire expatriates within their company. Such insights were new and surprising to me, but above all I felt curious and also concerned as to how business owners went about making their decisions to privilege expatriates, and whether it was really the case that they did so just to enhance their own prestige.

One local manager (ER/local/international hotel chains) did go so far as to mention one instance when an owner was tempted to employ an expatriate in order to be able to compete with other local hotel companies, but who in the end, finally decided not to do so. He believed that although the owner was originally tempted to use the expatriate for competitive purposes, they finally recognized that local managers also had the capacity to run local hotels as a market leader and therefore stayed with their choice to employ only local managers.

A factor raised by another manager interviewee (RS/local/international hotel chains) was that to favour expatriates went beyond mere business image. This manager thought that hotel owners offer higher benefits to expatriates in the hope of creating positive word of mouth attraction to future employees, who in turn might be drawn to working in the company. Referring to her conversations with many expatriates working in her international hotel company, she confessed a belief that they were also overindulged by the company owners through receiving a better allowance than that offered by other international companies. Another local manager (IJ/regional/international hotel chains) expressed a concern that by hiring expatriate managers from developed countries, such as the UK or the USA, it was used as a barometer by potential employees to predict how successful their future would be.

A number of other managers expressed the idea as bizarre, in that company owners would hire expatriates to managerial positions merely as a status symbol and as a sign of pride in their business; they offered examples where the positions held by expatriates in the hotel had little logic to them, for instance the position of executive Chinese cuisine; the managers do not see the point to employ chinese (expatriate) because there are many locals (from chinese ethnic background) who can do the job. They argued that such positions, as well as those of restaurant managers or spa managers, could just as effectively be undertaken by local managers. On the whole, the view was that this type of paradigm or mind-set to prioritise the hiring of expatriates over locals, needed to change.

*“The scariest thing is.... (long pause) whether our own local guests may not be ready to have a local manager in a top position such as the F&B Director or General Manager....”(BB/local/international hotel chains)*

Being asked to elaborate, he said “.....maybe because we are not used to having local managers working as leaders.....”(BB/local/international hotel chains)



One local manager (BB/international hotel chains) offered his opinion which was difficult to hear at the time, but it led me to reflect on the possible de-motivating and de-skilling effect of the expatriate employee image on other employees within a company. This manager also thought that local guests may not be ready to accept local managers in top positions such as the F&B Director or General Manager, because they have never had experience of a local manager working at such a high level. That these comments might well be true was a disquieting reflection for me. If local managers in their current positions are always constrained to work under the leadership of expatriates, they might also in turn become accustomed or resigned to being led under expatriate manager direction. Their picture of an ideal leader might also be very different to the image held by locals, (regardless of whether they are employees, guests or managers) within their hotel.

The resulting data from the managerial interviews suggests that amongst expatriate employees, many leading international hotel brands prefer “Caucasian” expatriates to expatriates from other countries. They believe that guests, regardless of their origin, would have more “respect” for “Caucasian” expatriate managers than for others. For instance, it was surmised that a German guest would prefer to speak to a German manager rather than another expatriate manager, but definitely not to a local manager.

Indeed, one of the expatriate managers (SC) surprisingly agreed with this type of behaviour from tourists, but expressed mixed feelings about the matter:

*“I don’t want to be racist here...but the people’s perception in Jakarta is out there... (wry smile), because I am an expatriate from Europe, I can get away with more things than local manager in the work place.... (long pause and very defensive body language), I remember we had a big complaint about our food from local guests in one of our restaurants...I can’t remember why exactly...(smile)...but the guest was*

*giving my assistant a hard time....when he brought the food back inside, we waited for a few minutes, then I took the food back outside myself...and the local guest ended up being quite happy and enjoyed the food...we did not do anything with the food, what we did was just get a “Caucasian” to bring the food instead of a local.....those are our guests...unfortunately.....so ridiculous....(laughing).....”(SC/expatriate manager/international hotel chains)*

He continued, reflecting on this matter:

*“That is why lots of Italian restaurants have a Caucasian working in the F&B service, to make people happy....it’s cheaper to have a Caucasian who can handle complaints at the front of house, and keep guests happy, than it is to employ an expensive genuine Italian chef out back”(SC/expatriate manager/international hotel chains)*

The expatriate manager expanded on this theme, adding that “Caucasian” expatriate managers are able to exert more influence in the working environment because local managers have more difficulty in changing things. He also added that his subordinates would listen to him more readily than to a local manager.

*“The local manager will have more difficulty in changing things than me. The subordinates will listen to me better than the local manager”(SC/expatriate manager/international hotel chains)*

This manager continued to point out that in the past, young “Caucasian” chefs had wanted to capitalise on their ethnicity to secure jobs in Asia, on the assumption that being “Caucasian” would automatically open doors for them. Now, he pointed out, changes were afoot which meant that expatriate chefs have to be ready to compete in the industry just like anyone else. One local manager expressed a similar idea in the capacity of the privileged expatriate image to poison the self-image of locals.

*“it may have something to do with the fact that we were colonised for so long.....we see ourselves as very inferior ...put it this way....if there are two chefs .....one expatriate and the other local...(smile)...subordinates will listen to what the expatriate says ahead of the local” (FF/local/international hotel chains)*

He imagined that locals were more susceptible to poor self-image as a result of colonisation, but his main fear was that expatriates might capitalise on the self-perception by locals as being inferior by walking into jobs they were no better qualified to do.

Another local manager reported on the disproportionate “importance” of the expatriate image for hotel owners, citing the employment of a 70 year old Danish general manager of a local hotel company. In Denmark he would have been considered to be well beyond the age of retirement, but in Indonesia this individual was able to enjoy his retirement by working in Indonesia, a fact that amazed the local manager.

Given that these findings derive from participant stories and experiences of expectations and perceptions by the customer appear to be narrow-mindedly focused on expatriate services, it would appear logical and unsurprising for hotel owners in the short term to prioritize the expatriate image. However, examining the longer term benefits to the industry, as owned and run by Indonesians for Indonesia, this skewed policy of expatriate use over locals would not appear to bring any positive effects to the hotel industry, including the professional motivation and career aspirations of local managers. Such a bias towards expatriates also sustains an unfortunate message to the public, which is that the best leaders cannot be local. In this respect, another local manager (FF) put forward an interestingly ironic viewpoint: he experienced the opportunity to ask the owner of the hotel where he worked as to why they preferred to hire expatriates rather than locals. The owner replied that he wanted to take advantage of the opportunity to dominate the expatriates he hired, by screaming at them.

#### 5.4 The image held of MNCs

In the process of discussing the professional development experiences of managers, the interview conversations led naturally to their opinions regarding current and past working experiences. In particular, this led to findings on the understanding and interpretation of the ways in which international hotel brands operate their subsidiaries; that is to say how the image of MNCs sat with each manager.

Three local managers (PE/restaurant owner, ER/international hotel chains, and FF/bakery owner) had worked over different periods of time for one IHC or another. They all shared the experience of being given opportunities for professional development, saying that this IHC had promoted skills development amongst their local employees. Each of these three managers had been assigned a mentor to help them develop not only their skills but also their leadership capacity; they were also invited to look for opportunities abroad posted jobs on the community notice-board, and to ask for help with the application process. They believed that this particular IHC had the best company culture because they took care of their employees and gave them many opportunities to improve their skills and to develop as international managers.

However, one expatriate manager (SC/international hotel chains) working for a different IHC had experienced quite the opposite in his work. He explained that whilst Asia had a very good reputation for chefs who would all benefit from being transferred overseas to widen their skills, the human resources department of this particular hotel company had failed to develop their employees. However, this manager admitted that his company was typical in its policy on employee transfers. Whilst finding many interview examples highly illustrative of how much opportunity was open in principle to local managers. If this represents a more

general truth in that there are some, but not enough opportunities for local managers to have overseas exposure within the industry, then this is an issue for Indonesian hotel and wider tourism development. This is the reality of some companies who place restraints on local employees wanting to have overseas exposure. My own understanding is that investment in overseas training can only be positive: if a company gives such opportunities to their local employees, they would hope that those particular employees will in-patriate to his own country or return to lead a subsidiary of the same company, perhaps in a different city or in a different country. But at the very least, if the employee did go off to a different company in order to get a better position, this would nevertheless give local managers an extensive range of experience that in turn would add to the positive developmental story of the whole local community.

Various managers revealed details of the training deployed in international hotel brands, which appeared to have distinctive differences from brand to brand. For instance, one local manager (RS/local/international hotel chains) mentioned two IHCs which differed widely in their approach to training. According to her, one Asian based company had more warmth and family orientation than the other IHC based in Europe, which placed more focus on luxury professional services. Moreover, she believed that the IHC based in Asia has a better development program than the IHC based in Europe.

Another local manager (BB/international hotel chains) argued a slightly different case in describing another international hotel company based in North America that had in his view, the highest quality training and development programs in Indonesia, having a record of producing many good local managers for the hospitality industry of Indonesia. My interpretation of the data is that every company has its own way of setting up training

programs for its employees. However, it can also be said that any training method may not necessarily fit within a particular culture or context.

Findings emerged which suggest a certain misconception on the part of international hotel guests as to the role of local managers.

*“In general, our guests are most likely to neglect local managers... (sigh)... when they know that the property manager or any manager is local, they may have doubts and disbelieve that their needs can be handled by a local manager... (long pause).. (AS/local/international apartment chains)*

According to some participants, many hotel guests often look down on local managers for various reasons and do not have high expectations of their service in general. The prevailing attitude seems to reflect and perpetuate a lack of confidence in the ability of local managers, expressing doubts that a local manager could handle their needs appropriately. There was a tendency to expect more from expatriates because they would be more likely to understand their needs. Whilst it was discouraging to hear such stories from the participants regarding disrespectful attitudes by some hotel guests, these findings do go some way to explaining why MNCs and owners may be motivated to hire expatriates instead of local managers in order to satisfy customer demands and to protect their brand image.

## 5.5 Chapter Summary

The findings produced by this chapter introduce and enlarge on a number of themes related to the “image of Indonesia” as a concept. Three major themes emerge relating respectively to: the image of the growth of hospitality and tourism in Indonesia; the image of business owners; The MNC image. Analysis of the recent growth of hospitality and tourism in Indonesia reveals that hotel development in Indonesia is robust, especially in Jakarta. This

can be explained by the readiness of foreign investors in hospitality to target Asia, and specifically Indonesia as a potential growth area. In this respect, the developing image of the hospitality and tourism industry in Indonesia came under discussion, with the consideration of cultural resources, low cost tourism, the negative effect of the western economy crisis, and government interests in Indonesia. The second theme divided into two sub-themes in relation to the image of business owners: a better image for business and the image projected by Caucasian expatriates. As to the better image for business, discussions report that hotel owners or owning companies might use expatriates to enhance their image and status, and to help their business networking amongst other hotel business owners. The second sub-section, addressing the image projected by Caucasian expatriates, discusses the perception that Caucasian expatriates are projected as better managers than locals. The third theme addresses the image of MNCs. This section divides into two sub-themes: the views of employees and the perspective of hotel guests. Participant views of MNCs in regard to overseas transfers and training programs also came under discussion. The final sub-section discusses the image of MNCs on the part of hotel guests.

Findings here highlight how protective hotel companies are seen to be of their image by reinforcing the methods to protect it, even at the expense of their own local employee professional needs.

## CHAPTER VI

### FINDINGS: THE “GLASS CEILING” WITHIN INTERNATIONAL HOTEL BRANDS OF INDONESIA

#### 6.1 Introduction

This chapter will focus on findings arising from recorded reflections by study participants as to the existence of a “glass ceiling” in the deployment of local managers within the international hotel industry of Jakarta, Indonesia. Both locals and expatriates shared their perceptions on the normal development process for local hotel managers in the industry, and the challenges they face in achieving top unit positions. The main challenges appear to centre on the frequent allocation of expatriates to managerial positions, the current quality of local managerial development, and a lack of opportunity for gaining appropriate cultural and commercial experiences for local managers. These findings are presented as evidence of the existence of a glass ceiling for the selection of management within the hotel sector in Jakarta.

The data is organised into four major sections. Firstly, the perceived process of managerial assignment within hotels is presented, and then secondly, the challenges arising from this management assignment process are outlined. Thirdly, the development of local managers is examined, and finally, the cultural and commercial experiences of both expatriates and local managers are considered.

Figure 6.1 is the mind-mapping of data collection from the participant interviews in Jakarta, Indonesia which are categorised as four major themes: the expatriate assignment, the problems arising from a static situation, the development of local managers and culture and commercial experience. The expatriate assignment (‘assignment’) is a theme which explores

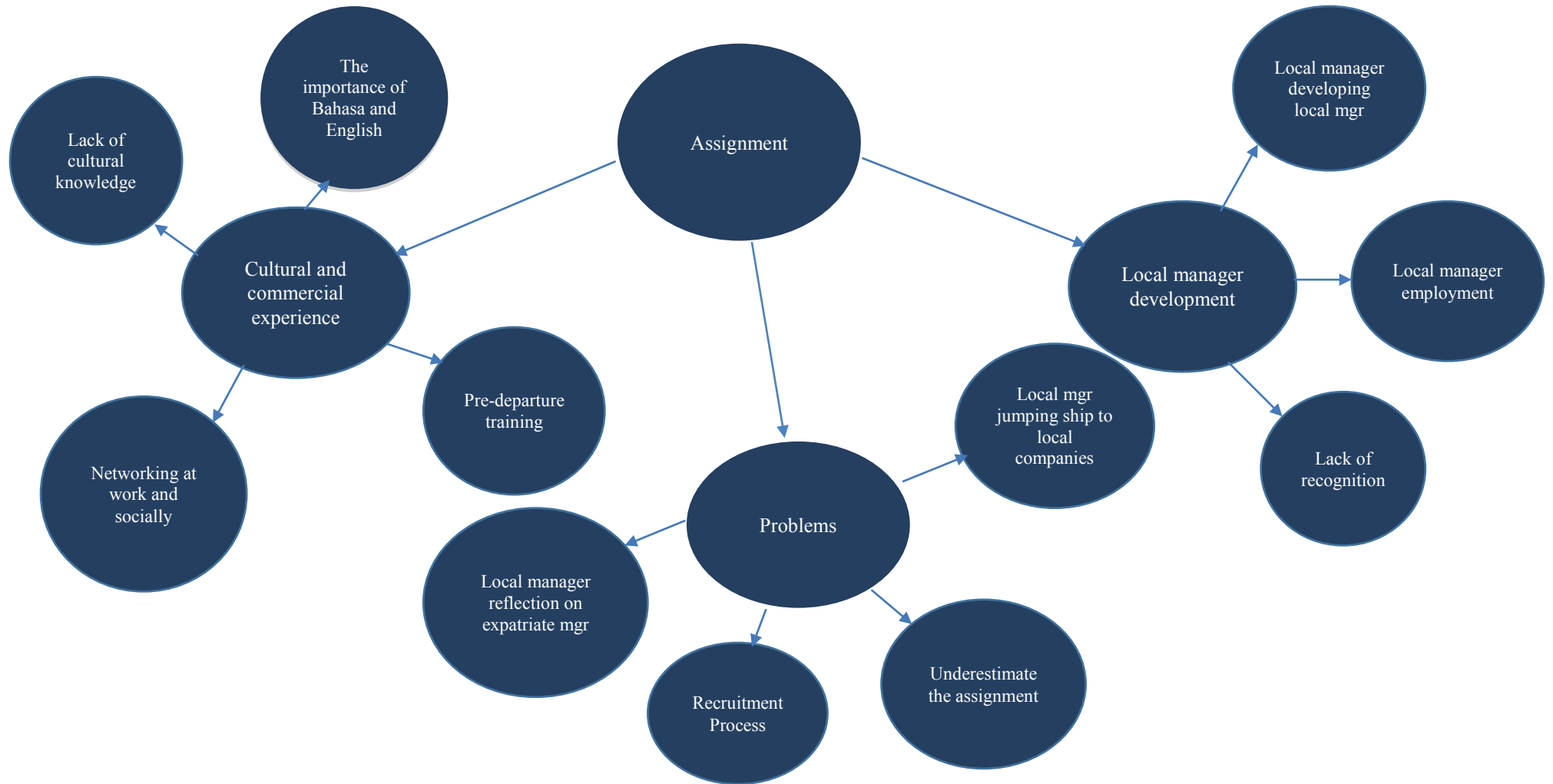


the deployment situation of expatriates within international hotel brands of Jakarta, Indonesia.

Problems arising from a static situation ('Problems') resulted from the experiences of local manager and policy maker interviewees on their encounters with expatriates during their work. These discussions edged more towards expatriate performance ('local manager reflection on expatriate managers' and 'underestimate the assignment') and the recruitment process for the expatriate ('recruitment process') and how their deployment affects local managers' career aspirations ('local manager jumping ship to local companies').

Subsequently, the expatriate assignment is related to how local managers develop during their posting which opens up the discussions regarding the re-generation of local managers by the IHCs within their subsidiaries ('local manager development') with three sub-aspects of the findings: local manager' contribution in promoting other locals ('local manager developing local manager'), how the hotel owner do not have belief in local manager ability to lead the subsidiaries ('lack of recognition') and the development situation of local managers within IHCs (local manager employment). Finally, the expatriate assignment cannot develop from a sensitive discussion that talks about culture and commercial experiences. This relates to the use of the local language at work ('the importance of Bahasa and English'), networking between managers ('networking at work and socially') and pre-departure training of the expatriate ('pre-departure training') and hotel involvement in accomodating this cross-cultural matter ('lack of cultural knowledge'). These aspects are interconnected and are represented in Figure 6.1 below.

Figure 6.1 Chapter sections and connections



## 6.2 Expatriate Assignment

A number of similarities in the perceptions of participants were found to arise within the interview data. These similarities relate to the number of expatriates employed in managerial positions at the workplace of each participant.

Table 6.1 List of expatriate assignments within international hotel companies

Name	Properties	Positions	Total of Expatriates and Country of Origin
Anton Sukma (L) (AS)	International Apartment Chains	Regional manager and residence managers	6 expatriates out of 7 managers ; Singapore and Malaysia
Rika Sikama (L) (RS)	International Hotel and Apartment Chains	General manager, Director of Sales and Marketing, Director of Room Sales, Director of Operational Sales, Director of China Room Sales, Director of Room Sales Korea/Japan, Executive Chef, Executive Pastry Chef, Pastry Chef and Assistant Executive Chef, Director of Food and Beverage, Outlet managers and Rooms Division managers	21 Expatriates; France, Holland, Philippines, China, Malaysia
Lia Pakpahan(L) (LP)	International Hotel Chains	General manager, Director of Sales & Marketing, Hotel manager, F&B Director and Executive Chef	5 expatriates; Not given
Donny Jauh(L) (DJ)	International Hotel Chains	General manager, Hotel manager, Finance Director, F&B Director, Executive Chef, Assistant Food and Beverage Director, Club gym manager and Material manager	8 expatriates; Swiss, Singaporean and others not given
Brahman Bramana(L) (BB)	International Hotel Chains	Not given	10 expatriates; Not given
Galuh Galih (L) (GG)	International Hotel Chains	General manager, Director of Sales & Marketing, Executive Chef, Chinese banquet chef de cuisine, executive assistant manager for F&B and F&B Director	6 expatriates; Not given
Indra Jaya(L) (IJ)	International Hotel Chains	Not given	55 % of top management position are expatriates; Not given

Source: Adopted from interview data

\*(L): Local

The table above describes the situation at the time of data collection (2014), regarding top subsidiary management of international hotel brands in Jakarta, Indonesia. It was found that not all expatriates reported to be in management positions were of Western nationals - a few were regional expatriates from Asia. Some of the local managers voluntarily offered this information, whilst others refrained from giving such details for privacy and personal reasons. The consensus of participants who conveyed this information was that there was a clear difference between Western expatriates and expatriates from other regional countries. This is an important distinction, as when the word “expatriate is mentioned, others will automatically understand this as “Western/Caucasian” which is not the case in the Indonesian hotel industry.

A second perception was one of surprise in regard to the numbers of expatriates in employment. One manager (RS/local/international hotel chains) expressed surprise when she began to talk about expatriates working within her international hotel company. Her surprise was due to the fact that she had never really paid attention to the high numbers of expatriates involved in her workplace before the interviews. This manager was not alone in observing that “substantial” numbers of expatriates were positioned in senior management within the international hotel industry of Jakarta.

*“The Sales and Marketing department in [the international hotel company] and its residence has five expatriates out of a total of nine managers.... these five expatriates have different positions in sales and marketing: director of sales and marketing, director of room sales, director of operational sales, director of China room sales and director of Korea and Japan sales.....plus if you add the total number of expatriates outside of the sales and marketing departments, it amounts to 16 people. These are five from the kitchen: the executive chef, the executive pastry chef, the pastry chef and*

*two executive assistant chefs. There are seven expatriates from the food and beverages department: the director of food and beverage, and six outlet restaurant managers. Also, there are four other expatriates from room division....yup - their total is 21 people... I guess that's all... (smile....)" (RS/local/international hotel chains)*

Out of curiosity, this participant (RS) was asked why she had smiled after registering confusion and amazement that the numbers were so high, of which she answered:

*"no.....it's just..... I did not realize or never thought about that until now...that is a lot...."*

Another local manager (LP/local/local apartment) recalled from the not too distant past that the only local manager within her hotel was the Director of Human Resources, while the rest were expatriates.

Most local managers named certain salient job positions held by expatriates, such as general manager, residence or hotel manager, food and beverage director, executive chef, finance director and director of sales and marketing. Whilst most thought that these positions were more commonly occupied by expatriates within Jakarta international hotels, one commented that he only felt comfortable giving numbers but not names of the job positions. It may be useful to mention here that when observing participant body language during interviews, certain types of defensive body language was noted, such as folding their arms and partially hiding their face with one hand. From this, I became aware that such participants wished to be discreet about exposing numbers or positions (or both) held by expatriates within their company. I also assumed that they might wish to protect themselves from exposing the interests of the company. This caused both curiosity and concern regarding ethical implications. At least two participants were very careful in providing information, stating concerns about their data being made public. This behaviour may have been attributed to the uncertainty of government policy and legislation in regard to foreign workers. On the other

hand, they might simply have been uncomfortable in disclosing information about colleagues. When asked if they would feel uncomfortable in divulging what was essentially common, rather than secret knowledge about their company, these participants just smiled and inferred that there was no point in talking about the matter. “.....*I just don't have liberty to discuss that....*” (DJ/local/international hotel chains)

Not all participants offered information on the numbers or positions of expatriates within their workplace, therefore only those who revealed the information are listed in Table 6.1 above. The discrepancy behind the openness of some participants and the discretion of others, led to the question as to whether there was a hidden agenda or that of internal politics existing in some of the Jakarta international hotel brands. None-the-less, the overall impression was that it appeared difficult for local managers to attain senior level management roles within these companies. This impression corresponded with my own personal experience of working in the industry, where I felt “stuck” in certain positions with nowhere else to go. The impression shared by my colleagues was that one was bound by a decision neither in one's power nor to one's advantage, for reasons which were not transparent. It is interesting to reflect that this frustrating local “glass ceiling” situation in Indonesia has been fairly constant for the last 15-20 years, dating from around the time when I was finishing my diploma in 1995.

At the time, the discrepancy of deployment between local and expatriate managers was put down to the relative newness of the hospitality and tourism industry, and to the reality that in places such as Indonesia, local hotels were still in a state of development. Investors were just starting to bring their brands into Indonesia and this paralleled the situation in terms of

employee professional advancement. Since then, the story has remained the same: so how “high” can local managers go in their employment within international hotel brands?

### 6.3. Problems arising from a static situation

Considerable research literature exists on the challenges which arise from expatriate assignments (Cui, Fitzgerald and Donovan, 2014; Yaghi and Yaghi, 2013; Barakat and Moussa, 2014). These authors discuss the recent challenges of placing expatriates within MNC subsidiaries and how they cope with their problems on assignment. For the purpose of this research, it is not unreasonable to assume that similar problems are faced by expatriates working in the international hotel industry of Jakarta.

When conducting my own research into such challenges in the international hotels of Jakarta, I gathered interesting insights from participants regarding their experiences relating to expatriate assignments. This section will discuss the policy and practice of expatriate assignment challenges and the dynamics of management selection within the international hotel brands of Jakarta. The discussion covers the substantial effects of expatriate assignment, the expectation inherent in expatriate assignments and the perceptions of local managers in the recruitment process.

- Local managers “jumping ship” to local hotel companies

The findings reflect consistent reports across all participants in that the high numbers of expatriates employed within the international hotel brands of Jakarta, Indonesia, has resulted in local managers being required to either stay in a dead-end job, or to opt to work for a local company instead.

*“There are too many expatriates in this [international hotel company] who make us....., locals.... think that we will never have a chance to be in a top position at this hotel....”*

*(RS/local/international hotel chains)*

One manager (RS/local/international hotel chains) describes her disappointment in the fact that so many expatriates are employed in the IHC where she works. Such conditions led her to think that she would have very little chance of advancing her professional career, because she had just seen her direct manager replaced by another expatriate. Sometimes she had thoughts of moving to a different hotel to seek a better position, or indeed to consider the possibility of moving to a different industry. Other managers (IJ/regional executive & FF/bakery owner /both locals) similarly state that even after working for years in the hospitality industry, they felt their careers were not going anywhere; their solution was to move to a different type of business, rather than to wait indefinitely while their advancement to a higher position in the hospitality industry was put on hold.

*“How many of us are still working in the hotel industry after 10 years? There are very few...why?...because down the road people get better offers than the hotel industry gives: better salary, better career, better position, better working hours and better job” (IJ/local/regional executive)*

*“The number of expatriates has not changed much from my time in the hotel even until now.....it is still a lot...this is why I opened my own bakery business....”*

*(FF/local/bakery owner)*

These participants predicted that most local professionals would leave the industry within 10 years, to take up offers from different industries with a better salary, a better career trajectory, a better position, better working hours and a better job.



A slightly different scenario offered by a few of these professionals was the possibility of using the skills and knowledge they had acquired in the hotel industry to open their own business, or to become an entrepreneur creating more jobs for other people, such as in the bakery or restaurant industry, or to be a restaurant consultant. It is understandable that local managers looking to further their careers and salary levels would not wish to stagnate in such a sector. As they mature, they might have greater obligations to support their family or a personal need to gain promotion. If this could only be achieved by moving to a different hotel chain, to a local hotel company or even to a different industry, then this would create a negative trend in human resources as far as the hotel industry of Jakarta is concerned.

One local manager put forward the view that local managers do not get enough credit or recognition for their work from most hotel owners, regardless of the owner's country of origin:

*“As a result ....(of too many expatriates).., lots of good local managers choose to commit themselves to local hotel companies which have been successful in Indonesia.....but local managers do not get enough credit or recognition from the hotel owners, even though they deserve this. Hotel owners need to start acknowledging local manager abilities ....(long pause)....the hotel owners also need to start noticing that there is a lot of good Indonesian talent.....unfortunately, this good talent prefers to work overseas because they feel that they are not appreciated domestically.....” (ER/local/international hotel chains)*

However, different managers expressed slightly different opinions regarding the level of expectation on the part of hotel owners, and the degree to which they gave credit and recognition to local managers. One manager (FF/local/bakery owner) states that poor

recognition could lead to chaos in some hotels, if it led to resignations. For instance, in his workplace, he reported the resignation of one local executive chef and two local managers, whose frustration had become so severe that they moved to different hotels which gave them better security and career advancement. Another manager (WD/local/local hotel) took the view that if one was stuck in the same place for too long, it was simply a matter of making the decision to move on, since there was no point in fighting any more. He expressed this as *“a battle that we can't win” (WD/local/local hotel)*.

Many participants expressed such views, in that with so many obstacles the only option was to choose an alternative way to further one's career. However, it appears that this did not apply to all cases as some people were still ready to fight on. One of the local managers described his situation in this way:

*“A long time ago I was also wondering...(long pause)...how I could enter this so-called ‘expatriate position’....I was pessimistic, but this feeling did not make me hopeless, instead I was determined to elevate my hopes.....I stayed a little bit longer...and I got as far as the F&B director position in the [international hotel company]. But in the end, I still couldn't make the general manager position, so I had to make the decision to move to this [local hotel company], with bigger responsibilities. It was a huge career advancement becoming their corporate general manager...” (ASO/local/local hotel)*

Thus on the whole, it seemed just a matter of time before most participants would say that enough was enough and move on.

- Local manager reflections on expatriate appointments and performance

Most local managers expressed their disappointment in regard to their experience of expatriates appointed by their company, (Leung et al. 2001). This view is reflected in a

considerable body of literature which suggests that expatriates struggle to perform well in their jobs: *“Most of the local staff complained about expatriates when... (shaking his head)...the expatriate cannot live up to expectations in the way local staff expect .... their quality and performance is very crucial from the local point of view....” (PE/local/restaurant owner)*

These local managers (BB/international hotel chains, ER/international hotel chains and WD/local hotel) expressed disappointment in the performance of expatriates during their experience as managers of different IHCs. One of the biggest disappointments is when expatriates fail to perform to their supposed competencies or capabilities. Two examples arising from the interviews illustrate this: the first was in regard to IT skills. Software packages such as Micros-Fidelio or Micros Opera (comprehensive software systems for property management), are usually used in front office departments to log simple basic processes such as check-in to the management application of statistic implementation in rooms revenue management. One manager (ER/local/international hotel chains) reports working with an expatriate manager who lacked these IT skills, which in turn affected the quality of his management within the front office department. Eventually, this local manager (ER) found out that the expatriate manager hired by the [international hotel company] as Front Office Manager, had only previously worked as a bell captain somewhere in USA. As a result, he was not surprised that the expatriate manager performed so badly, but was astonished that no-one had possibly thought to investigate his previous experience.

A second example stated by another manager (WD/local/local hotel) referred to the poor skills of expatriate managers in knowledge transfer and coaching. He used a metaphor to describe the expatriate managing a property as being that of a symphony orchestra conductor. He joked when describing such expatriates in the role of conductor as ‘expecting all musical

instruments to produce a ‘nice’ tune without telling the players how to do it’. He also told a story of being criticized by his expatriate manager, his direct supervisor (Director of Rooms); this particular expatriate manager often told WD that he was doing his job wrong, but he did not offer any solutions, or share his knowledge or skills. Instead, he just expressed frustration by yelling and scolding WD.

- The recruitment process

The experiences narrated above show how important it is that expatriate employees should be perceived as being competent for their assignments, in this case the management of a hotel department. To follow, there will be a discussion as to the possible reasons why expatriates face difficulties during their tenure within international hotel brands of Jakarta, Indonesia. Some local managers expressed the importance of high quality expatriate recruitment for local staff development. While it was assumed that expatriate recruits would have a positive impact on the development of local talent for future advancement, there was an impression that in reality, the quality of expatriate recruitment was very questionable. One local manager (PE/local/restaurant owner) brought considerable scrutiny to how and on what basis expatriates are recruited. PE held the belief that some expatriate managers were not as qualified as they led people to believe.

The findings suggested that there are many situations whereby local managers and local staff felt unhappy and jealous when expatriates inadvertently made fools of themselves in front of their sub-ordinates. This situation gives rise to considerable concern regarding the lack of openness and clarity surrounding the process of recruitment. It also raises the question as to how local talent can effectively flourish if there is no control or filter of the ways in which recruitment is conducted. As one of local manager explained:

*“Sometimes.....hotel management does recruit the wrong expatriate... because they prefer to find so-called low-price expatriates. This happened to me in [an international hotel company] and we ended up baby-sitting them. As a local manager I held a position on the management board and was given the opportunity to join the discussion with the board regarding the expatriate recruitment process. At the meeting we were discussing 2-3 candidates with the preference for no 1. This was because this person had the best education, the best skills, and the best experience. But at the end of the day, our GM and owner said that they would go for the third or fourth choices because number 1 was too expensive (over- priced or over budget). I always laugh when I picture this situation (laughing)...put it this way...it is like we wanted to buy a car...our choices are Mercedes and QQ (made in China). If finally, we, the local managers, have to push this car to run.....even sometimes... (smiling)... have to wash the car so it will look nice from the outside...can you picture it?...you understand what I mean? “(FF/local/bakery owner)*

This information led to the question as to how much cover a local manager might have to provide to protect the expatriate manager and to ensure the business would continue to run smoothly. Rather than this being the case, it was reported that the focus was generally on the financial budget of the hotel rather than its' forward development, therefore these hidden processes would go unnoticed.

Another local manager (ER/local/international hotel chains) raised the subject of budgets within recruitment. He reported a conversation with a hotel guest who happened to run a business in Singapore. Hearing that unemployment in Italy had risen to 20%, this investor said that he could bring an Italian chef to Singapore by providing food, housing and a salary

of 3,000 euro a month, a much cheaper package than before the economy crisis. I was speechless in hearing this report, and asked whether he had come across other such stories. He replied that this was not just a “Disney” story or a form of imagination (he showed angry and anxious body language by sticking his face out toward me). He assured me the story was true, and went some way to explaining why some expatriates had been recruited with lower skills than the locals.

It also appeared to be false economy on the part of the owners. If the recruitment requirements were designed to improve the quality of management the company would aim to exceed its expectations. This would result not only in the company running more efficiently, but also in the improved development of local talent. That is, the better the qualifications of expatriates, the greater the expectation would be that this would improve the chances of development for local talent.

- Underestimate the assignment

One expatriate (SC/expatriate/international hotel chains) participant mentioned his concerns regarding expatriate failure in Jakarta, saying that Asia had a very steep learning curve, and in his view, when expatriates came to Asia, they were not here to learn, but to deliver. He guessed that those people who had failed their assignment in Indonesia might have been recruited for the wrong reasons such as organisational politics, marketing purposes or simply personal preferences. In his view, the recruitment process was the key to the problem. If the expatriate went through an easy selection process, they may underestimate how busy and demanding the job was going to be, nor realise how competitive the local job market was. Another local manager (FF/local/bakery owner) held the view that expatriates tend to err on the side of over-confidence and brag about their capabilities, without realising that local managers had considerable skills and experience. Another local manager (ASO/local/local

hotel) similarly reported many expatriates failing their assignments because while they had started off strongly, imagining their skills and experience were adequate, overtime they had realised that their performance was disappointing and would be open to criticism.

#### 6.4 Development of local managers

- Local manager developing local manager

Many local managers reported satisfaction at having professionally developed through emulating the behaviours of other local managers as their role models. One local manager (WD/local/local hotel) told his story of having had many expatriate managers as direct supervisors during his development process, but insisted that he had learned, was coached, directed and taught best by local managers, who served as inspirational role-models for him. Other local managers (ER & RS/local/both international hotel chains) expressed similar thoughts regarding their own development, stating a clear view that future local managers would develop better under the supervision of local managers than expatriate managers. One local manager (WD/local/local hotel) put forward an explanation as to why local managers might be more influential in employee development, saying that they would be more likely to offer a degree of emotional empathy when training. He claimed that local supervisor-managers tend to be more open and welcoming to trainees, more flexible in responding to trainee positivity or low moods and more available in the working day for consultation.

Another local manager (RYS/local/local hotel) observed a similar empathic alliance between local managers in regard to development, commenting that she herself was developed by a local manager and wanted to apply the same experience to her own staff. Whilst observing her body language, she gave a strong direct eye contact and firm voice tone showing that she was focused on her subject. She claimed that she had been developing her staff along the

lines of her own positive experience; she firmly believed that unless she or other local supervisor-managers placed trust in future local managers and opened up opportunities for their development, no one else would.

Another manager offered a different opinion of his expatriate manager in regard to the policy of promoting local managers, or sending them abroad to obtain professional qualifications:

*“A good leader is a leader who inspires others to be new leaders. When you can inspire people it makes you feel more motivated....(long pause)....I like to develop our local managers, to encourage them to improve. But once I got into a disagreement with one of my bosses who was an expatriate; he didn't agree with me when I wanted to send my staff abroad to get professional certification..... my boss had doubts, and said if the employee got trained and then left, then the expense would have been for nothing (shaking his head)....but I told him, even if the employee goes to another company, he will tell the world that he went to school supported by our hotel...this argument finally convinced him to agree to my wishes. For me it is just a different viewpoint; expatriates might not understand why this would be important .....but a local manager would”(ASO/local/local hotel)*

Most of the local managers interviewed strongly agreed that a local acting as general manager would be much more concerned and caring about the development of their staff than an expatriate general manager.

One of these managers (DJ/local/international hotel chains) expressed the hope to have a local manager as his leader (general manager) in his workplace one day. Another local manager (YA/local/international hotel chains) recounted how his general manager, a local, really cared about staff development, knowing precisely what his staff potential and capabilities were, and what was needed to further their development. The most important



thing, according to YA, was that his local general manager was generous in sharing his knowledge and experience when his employees needed guidance, ready to explain the steps of a process and to suggest clear solutions in handling problems at work.

- Local manager employment

Some managers mentioned one particular IHC as being well known for their employment of a number of local managers as leaders in various hotel brands. One of the expatriate managers (TS/expatriate/international hotel chains) commented that this particular IHC, as part of a larger group of international hotel companies, required their hotels to conduct the development of local managers. He pointed out that within Indonesia, this company had around 50-100 hotels, close to 10-30 hotels of those in Jakarta alone. He added that the company intended to open additional 20-30 hotels during 2014 and another 20-30 hotels in 2015, to be located in Java, Sumatera, Bali and Sulawesi. According to the expatriate manager (TS/expatriate/international hotel chains), this IHC had a strategy called the “asset light management strategy”, which involved franchising their brand to the open market. The aim of adopting this approach was to facilitate faster growth in company development than would be possible by sole ownership development. By continuing their franchising expansion, the company was aiming for high credibility and a fast return on investment (ROI).

Although this manager (TS/expatriate/international hotel chains) was smiling when recounting this strategy, he also frowned to indicate displeasure when conveying his opinion that such speedy growth would probably lead to a greater number of expatriates working in Indonesia. Nevertheless, two local managers (ER & YA/both international hotel chains)

corroborated the view of TS in that this particular IHC employed many local managers within their hotels, and commented that they really cared about the development of local talent. One regional executive (IJ/local/regional executive) who worked within this particular IHC, was quick to acknowledge the company's history and culture. He commented that the company had just celebrated their 20th anniversary and had demonstrated their consistent commitment to expanding their brand by extending this to a variety of their hotel brands, mostly in the midscale area. He continued to say that this IHC only had 5 stars hotel in Jakarta and Bali, but that he was certain the company was keen to develop local managers due to the robustness of hotel development all over the country. It was heartening to hear of this particular hotel company giving more opportunities to local people to become managers and leaders. It may be possible that as it generates more hotels in the country, the owners and executives may begin to understand that more local managers are required and have a need to be trained, not just with a focus on hotels in Jakarta but also on the rural areas of Indonesia.

- Lack of recognition

During data collection, one factor frequently mentioned as being important to the interviewees in relation to their jobs was recognition of performance; or rather, to a lack of recognition of local manager performance and competences on the part of hotel owners. Many local managers expressed disappointment regarding the limited acknowledgement of the input by local managers in hotel management, the prevailing attitude on the part of hotel owners appearing to be scepticism of local manager capabilities.

*“Owners or an owning company must be confident enough to give a “ level of trust” to local managers....(long pause)...., this is what it takes to give opportunities to local managers, in order to show their capacity in their own country... (showing concerned*

*body language)...unfortunately, local managers do not get the recognition from hotel owners, even though they deserve it”(ER/local/international hotel chains)*

In contrast, one of the local managers (ER/local/international hotel chains) reflected that owners or an owning company should be sufficiently confident to accord a “level of trust” to local managers, because without this trust, they would not have the opportunity to demonstrate their managerial capacities in their own country. This participant thought local managers received insufficient recognition for their work, especially for their success in opening hotels that are run by local companies. He argued that managers with this type of capacity could easily be brought in to implement those skills in the leading of an international hotel brand in the same context. Another local manager (LP/local/local apartment) stated that it should not be difficult for hotel owners or hotel owning companies to acknowledge the ability of local managers and their capacity to manage, whether at local level or within the international hotel brand.

*“It is simple...basically the local manager needs to be better acknowledged by the hotel owner or hotel owning company regarding their ability and capacity to manage..”(LP/local /local apartment)*

However, these managers also added that one reason this might not happen was if the hotel owner lacked experience in recruitment issues. They recognised that the experience of hotel owners was varied, some had a great deal of experience and some did not.

One regional executive (IJ/local/regional executive) noted times when he had observed a hotel owner being unable to make decisions on their own as to what type of manager they would like to employ, and recounted that they were often confused as whether to choose an

expatriate or a local. In the end, it was this decision on the part of the owner which would determine the outcome of recruitment.

Represented amongst participants, there was a belief that some hotel owners lacked the capacity to rely on their own judgement in choosing their managers, of which is illustrated below:

*“There are lots of owners who do not understand about hospitality and they want to open a hotel or .... (smile)...they don’t know about food and beverage but they still want to run a restaurant...trust me...there is only so much we can suggest... at the end of the day...it is their decision...(looking annoyed).....”(PE/local/restaurant owner)*

Another local manager (FF/local/bakery owner) suggested that it would be helpful for hotel owners to be more open regarding their spending power in regard to hiring managers, arguing that if the management team knew the financial budget of the owner it would be easier to hire a local manager whose employment price would fit that budget.

*“The owner has to be more transparent in this case (spending power)....we would hope that they could be more open with the management regarding this matter...” (FF/local/bakery owner)*

His argument was that if the owner could be more transparent about their budget to the management board, it would give them a clearer idea of whom to look for as the most suitable candidate for the company. Another factor mentioned in regard to the choice of expatriate or local manager was the role of the international brand head office. One local manager (DJ/local/international hotel chains) commented that the head office had to consider their best interests when choosing their leader. He also pointed out that the connection between the IHC head office and the owning company was very much in consideration when

deciding between the expatriate or local manager, not just at the inception of a position but also when wanting to extend the contract of the expatriate.

Reflecting on the significance of these comments, hotel owners should be more decisive regarding short term appointments but also need to consider long term prospects for local development. Any decision for a quick fix regarding the choice of an expatriate as the main leader of a company appears, on the basis of these findings, both risky in the short term and costly in the long term. However, as the situation stands, there appears to be a tendency for hotel owners to ignore these developmental issues and to make the image of their hotel to be the main priority over local employee development. However, that this is not universally the case and it is important to bear that in mind. Heart-warmingly, one manager was able to tell a different story of his experiences whilst working with his local hotel company owner:

*“Our owner is Indonesian, a graduate from one of the best schools in Boston, USA, very young 28 years old....he has some experience working overseas in Hawaii, Singapore and London. Our owner is very rich and has a mass of Western education background...but what I am proud of is that he insists that he does not want to employ expatriates... (long pause)... he wants to develop our local talent, he thinks that our local talent has been limited and needs to be developed better....and he wants to provide those opportunities in his hotel... (smiling)...one day he told me that... down the road he wants his success story not to have included any “foreign” nuance, but to reflect only 100% Indonesian experience... wow... is that awesome?...(laughing)....(winking and give a thumb up)...”(ASO/local/local hotel)*

This refreshing comment from ASO was a source of personal pride in Indonesian talent, but also a timely message for future managers to gear up for local competition against international hotel brands. It also offers a hopeful outlook that Indonesian tourist resources

within hospitality are magnificent, and can be used in favour of local development depending on how we, as fellow Indonesians, act toward making a better economy in our own backyard. In the next section, another salient topic arises from the data and is revealed. This topic is that of networking, which is crucial to cross-cultural issues between local managers and expatriates.

### 6.5 Culture and commercial experience

The issue of cross-cultural or cultural understanding was mentioned frequently during interviews. Every interviewee conveyed an opinion about cultural matters in the work-place and networking. This salience parallels to observations made in the related literature, where the consensus appears to be that cross-cultural awareness is crucial for those assigned to work in different countries and in different settings (Van Bakel, Gerritsen and Van Oudenhoven, 2014). This section raises issues in the working environment which appear to break the flow of communication between managers. It appears that in many cases both expatriates and local managers are aware of problems but unwilling to be exposed in case it leads to a dysfunctional relationship between managers. The main issues appear to be the lack of local cultural knowledge amongst expatriates, the importance of expatriate pre-departure training when joining an assignment, the importance of language for communication, and the process of work/life balance in managerial networking.

- Lack of cultural knowledge

One local manager (FF/local/bakery owner) pointed out that one of the most likely causes of expatriate failure in Indonesia is the poor level of awareness and preparation amongst expatriate managers when coming to Indonesia. He believes cultural issues are probably the most likely cause of expatriate failure in Indonesia, given that most arrive with limited

knowledge of the Indonesian culture. This limited cultural knowledge may include not knowing how many different ethnic groups exist in Indonesia, not being able to speak “Bahasa” in the context of daily hotel operations, not understanding the variety of customs and traditions represented within each ethnic group, and so on. A different local manager (ER/local/international hotel chains) mentioned that most expatriates who come to Indonesia lack knowledge of the Indonesian culture, even though cultural knowledge is crucial to making big decisions within a specific hotel business market. For instance, cultural awareness would be required in human resource allocation of roles within particular departments of a hotel. Whilst in many parts of the world it is common practice to have equal numbers of male and female team members or a higher ratio of females to males, in Indonesia, there is gender sensitivity in the allocation of males or females to certain departments which could be seen as problematic. For example, there is a ‘taboo’ around having women working in the kitchen which expatriate managers would find challenging to manage. In terms of how to deal with the working environment, both local managers and expatriates complained about each other’s behaviour.

On the part of local managers, there was a certain perspective that expatriates tend to be pushy, inconsiderate and undemocratic; on the other hand many of the expatriates claimed that local managers were difficult to handle, could not speak in a straightforward fashion and tend to be lazy. These two arguments typically represent a collision between two sets of different cultures functioning in the same environment. On one side, as a leader, the expatriate may be seen as having a one dimensional view of running the business, being only focused on whatever it takes to reach the owner’s targets. On the other side, local managers may be seen as deriding the expectations of their expatriate boss as nonsense in the local context.

One of the local managers offered his opinion regarding two very different expatriate approaches, one as being very understanding of local culture and the other as not being at all understanding:

*“My current general manager is very result oriented... (long pause)..., it is very different to our previous one who was more able to see the process rather than the result”*

*(GG/local/international hotel chains)*

One expatriate who happened to come from another Asian country, also mentioned his experience of cultural differences between Westerners during his tenure:

*“There are lots of differences if we talk about cultures... the way we think, the way we consume our food, the way we socialize....(long pause)..., we (Asians) are more reserved than Americans, we are not as open as them....we avoid confrontation, we like to keep to ourselves, we tend to delay deadlines. Expatriates have to realize that this is the culture, it is not a bad thing... (smile)...”**(BS/expatriate/international hotel chains)*

One local manager (DJ/local/international hotel chains) added that this cultural conflict happened frequently, for instance, when Westerners are angry with locals, the locals tend to smile back. Whilst the expatriate sees this as an insult, of not being taken seriously, the reality behind the smile is that the local is showing respect for the manager in pointing out their mistakes to them.

Out of curiosity, I asked the local managers whether the local management ever prepared any type of training for expatriates to enable them to learn more about Indonesian culture. One local manager (LP/local/local apartment) remembered that when she was working in her IHC, she set up classes called “An introduction to Indonesian culture” because she was finding that expatriates did not understand the Indonesian culture and therefore faced difficulty in



handling the locals. This module mostly consisted of cross-cultural understanding, of how Indonesian culture influenced the working environment. This class was for all expatriate managers and expatriate executive committee members. When I asked her how long this class ran, she shook her head with disappointment, saying it was not too long because one by one, the expatriates just didn't show up for the class session.

There was also recognition by a couple of expatriate managers of the importance of understanding the local culture, specifically in regard to host country behaviour and preferences. One of the expatriate managers reflected that to be successful on his assignment, the expatriate would need local cultural knowledge on how to lead a team according to individual behaviour. For instance: Indonesia has many ethnic groups, and every ethnic group has its own specific culture which may not be the same as the others. This manager narrated a story of an expatriate manager bringing together different people that initially might not have fitted in with each other very well. He said that if the manager knew how to coordinate their objectives and understood the rules of the game, they would perform well as a group. In addition, the expatriate would need to know when to be pleasant and supportive but also when to "bang the table", or when to use the "Javanese style" (which is to be very polite). This manager also referred to the importance, mentioned above, of balancing the genders to get the best out of a local team.

Another expatriate manager (BS/expatriate/international hotel chains) from Asia mentioned that knowing Indonesian culture and understanding the behaviour of residents, was considered to be his strength. One local manager recalled that his previous general manager, an expatriate, did have an understanding of local cultures, and was aware that understanding

the culture of others was an advantage in furthering one's career, especially in the hospitality industry.

*“My previous general manager was a person who recognized how important cross-cultural ability is, ... (long pause)...he saw cross-cultural ability as something that an expatriate must have in order to be successful....”(GG/local/international hotel chains)*

- The importance of pre-departure training

The consensus of findings amongst expatriates was that pre-departure training for expatriates was very important before their assignments, and that prior knowledge regarding the country of their future assignment was evident. They felt the success of their endeavours would depend on how much cultural understanding they had absorbed before deployment. Overall then, pre-departure training was seen by both expatriates and local managers as essential for managers going into different countries and different business settings.

Some local manager participants also had the experience of being assigned as an expatriate to different countries in the world. Therefore, they also had perceptions of how to be an expatriate and what important features were necessary for their assignments. A few of these mentioned their experiences during assignment.

*“The HR directors from both hotels (the previous property being worked at and the next property being joined) should have full responsibility for preparing the expatriate for assignment to his next post...the chemistry between the expatriates and their new property is really crucial...”(GB/local/international hotel chains)*

One expatriate manager (BS/expatriate/international hotel chains) believed that most Europeans and Americans who had never been to Asia before would be shocked when they

arrived in Indonesia. They would be faced with considerable differences in ethnic groups, religion, customs, and the level of education/knowledge amongst the local population.

*“Most Europeans and Americans who have never been to Asia before....will be shocked when they come to Indonesia, unless they are from one of the other Asian countries. I would recommend for Europeans and Americans to have formal pre-departure training before their assignment to Indonesia....”*

*(BS/expatriate/international hotel chains)*

Another expatriate manager (TS/expatriate/international hotel chains) was very disappointed by the treatment he received from IHC headquarters (his body language showing disbelief as he shook his head and placed his hand on his cheek). He said that he had received no preparation in facing his expatriate assignment:

*“[the international hotel company] did not prepare me for my expatriate assignment (shaking his head)...there are things to consider if you go overseas specifically in Indonesia... (long pause)...it was very challenging for me with no training whatsoever from the [international hotel company] ... (body language very defensive by leaning his back on the chair)....can you believe me?...”* (TS/expatriate/international hotel chains)

None-the-less, he admitted that there were things to consider if he were to go overseas, specifically to Indonesia. He said it was very challenging for him to have no training at all. He asked a rhetorical question as to what I thought of this treatment, and I could feel his anxiety in recounting this story to me. He continued by saying that he only communicated once in eight months with his engineering team, twice in eight months with his marketing team, and once in eight months with the corporate office. He remembered when he was one of the members of the pre-opening team of the same IHC and was disgusted and upset only to

be given a CD ROM for his staff orientation. He said he would have liked to have known more of the local culture of any country he was being sent to for an assignment because such information would be the first consideration in making decisions, but he regretted that such information was not always forthcoming for expatriates.

Before conducting the data collection, I had my own perceptions regarding the value of pre-departure training. I had always thought that every company would prepare their expatriates accordingly, giving them enough preparation for the tasks they would face in their future positions. I had also assumed that all expatriates coming to Indonesia were appropriately prepared and trained to encounter a country with a vast range of ethnic groups and cultures. To illustrate this, annotations are given below in regard to pre-departure training from expatriate managers:

*“[the international hotel company] did not prepare me for my assignment in Jakarta... (body language very defensive, signalled by leaning his back on the chair)... Other companies or other industries might have done this but not this company.... (shaking his head)...they just throw you into the “cold water” (showing mystified expression) .... the nature of my assignment was decided upon at the last minute...(long pause)...”(SC/expatriate/international hotel chains)*

When this expatriate manager (SC/expatriate/international hotel chains) was speaking about the absence of pre-departure training for him, he acknowledged that other companies or other industries might be better in preparing their executives. For him, it had been confusing and embarrassing to just be thrown into the middle of the jungle, but the nature of his assignment had been decided upon in the blink of an eye. Although he acknowledged his IHC as excellent in many other respects he felt human resources had failed to prepare him. He recounted that he considered himself lucky to have one month’s preparation before he joined

this IHC, but added that this preparation was not via the company but only through his own and his wife's personal efforts on Google research of Jakarta and Indonesia (reported with a smile). This manager went on to say that in his previous assignment, he had had only seven days to prepare for his transfer from China to Japan, and laughingly asked me rhetorically whether I believed him or not. The implication was that this IHC was not everyone's typical company when it came to transferring their employees.

Another expatriate manager (BS/expatriate) cited below offered similar comments, but emphasised the importance of pre-departure training for those expatriates who also took their family on assignment. He said that although he had no pre-departure training before he came to Jakarta, he had the experience of joining many task forces and living through pre-openings.

*"I never had pre-departure training before I came to Jakarta.....it is probably because I had been joining too many task forces and living through pre-openings....(long pause)... so I got used to this, with changing different hotels over a short time..."(BS/expatriate/international hotel chains)*

As a result, he had become accustomed to changing hotels over a short period of time and always felt that it was part of his obligation to prepare himself for the tasks very quickly. However, this was not to ignore the fact that pre-departure training was necessary and useful, especially for the first and second assignments, but he took the view that by the third and further assignments, expatriates could probably prepare by themselves. One thing that he understood very well was that his company cared about their family welfare, for example by placing them on an assignment in a city, as a better location for family opportunities.

All expatriates interviewed gave similar feedback regarding pre-departure training: they had never had formal training but thought that pre-departure training was very important. Each of

the interviewees came from a different background in terms of experience, so they might have had a variety of strategies to manage a new assignment. On the whole they showed awareness of the responsibility of their company to provide such training, as a means to equip employees to perform well on assignments abroad. The length of time between assignments was also considered important, in being an opportunity to undergo necessary training, preparation and adjustment.

Some local managers interviewed also put forward opinions regarding the necessity of pre-departure training, arguing that it should be mandatory for managers being assigned to different countries:

*“Cultural differences are probably the most likely cause of expatriate failure in Indonesia. Most expatriates come to Indonesia with limited knowledge of Indonesia’s culture....as far my own experience goes, there seems no such thing as so called “pre-departure” training for expatriates....if such a training exists, expatriates should have it before they come to Indonesia...”(FF/local)*

Conversely, another manager had a slightly different opinion in stating that pre-departure training for expatriates was also the responsibility of local managers, although he still believed it was a weakness of in the human resources department if this did not happen. In the view of this manager the key people from two hotels (his previous employer and the next hotel being joined) in the human resources department should communicate well enough to ensure the chemistry between expatriates and their new property having a smooth transition.

- The importance of Bahasa Indonesia and English in the working environment

The next section will illustrate the importance of language in the working environment within the international hotel industry of Jakarta, Indonesia. The national language of Indonesia

represents its national identity and national culture; it is called “Bahasa Indonesia”. Local people who may speak a variety of indigenous languages generally use “Bahasa Indonesia” to communicate between themselves, and use “English” to communicate with foreigners in the working environment. It was the expressed expectation of local managers that in their workplace expatriates should have some knowledge of “Bahasa” as a communication tool between colleagues. One local manager (GB/local/international hotel chains) offered a metaphor: *“we should follow the rules of where we live”*. His implication was that if a group or individual is conducting business in Indonesia, they should aim to learn the Indonesian language or at least respect their culture. He argued that this should also apply to expatriate managers in that they needed “Bahasa” to communicate with staff. Another local manager (LP/local/local apartment) similarly commented that Bahasa Indonesia and English were very important languages in the hotel industry of Indonesia. Everyone needs “Bahasa” to speak to Indonesian employees and they also need English to speak to foreign guests/employees, although any additional language would be a plus.

One expatriate manager (TS/expatriate/international hotel chains) agreed that knowing “Bahasa” had helped him during his tenure, and indeed, believed one of the reasons he was recruited was his ability to understand Indonesian culture.

*“I believe it was because of my ability to understand Indonesian culture that I was recruited....I was trusted to manage any cultural issues which might arise during my assignment...(long pause)...One of my biggest strengths as an expatriate here is my ability to speak “Bahasa”. ... (smiling)....”*(TS/expatriate/international hotel chains)

This manager had faith in his ability in solving problems or challenges regarding local cultural issues by being able to speak the local language. I was interested to know how good his “Bahasa” was and he replied that he would rate it as average, and then he practised saying

a few words to me such as “selamat sore”(good afternoon), “apa kabar” (how are you), “senang bertemu dengan anda” (nice meeting with you). With a large smile on his face and winking at me, he questioned whether I would ever have guessed that I could communicate with him in “Bahasa”. He considered his language ability as an advantage during business meetings. This was because it is commonly assumed that “Westerners” didn’t speak or understand “Bahasa”- he could pick up on conversations without the locals being aware that he could understand them. The ability to speak local languages is in line with learning and understanding someone else’s culture - it goes along with his (*TS/expatriate/international hotel chains*) previous statement regarding the importance of knowing the local culture. He clarified that if people cannot speak the language it would be very difficult to understand local people (showing strong confident body language). Personally, I was proud of his ability to speak in “Bahasa”.

When this participant (*TS/expatriate/international hotel chains*) was asked what his secret was in learning to speak the language so well, he answered that his attraction to Indonesia was simple; his wife was Indonesian, she was previously employed in the Indonesian Embassy in France and was also fluent in French. However, before he met his wife he had already worked in Balikpapan (one of the capital cities on the island of Sulawesi, formerly Celebes). After their marriage, they returned to Balikpapan for a new assignment. He reported now as having two children, a boy and a girl. He described his son as very Indonesian, eating only rice for his meals and rejecting everything else, (laughing), on the other hand, his daughter was very Western, in that everything had to be served with cheese (laughing). Both children started life in Indonesia so they felt Indonesia was part of their home, although both were currently living with his parents in France.



With regard to the importance of “Bahasa” within the multi-national corporation subsidiaries, one local manager (LP/local/local apartment) offered her experience of managing the learning and use of “Bahasa” in her workplace.

*“I used to prepare “Bahasa” classes for expatriates, finding a teacher for them. (long pause).....in the end, the class had to be cancelled because it was completely ineffective ..(appearing defensive and annoyed).... most of the expatriates began skipping the class one by one until none remained to participate in the class...I felt bad for the trainer who turned up for every session, not being able to teach...(sigh)...well, they probably didn’t care because the company paid them all regardless ...”(LP/local/local apartment)*

She explained that she arranged classes of 5-10 expatriates and organised the class schedule, she introduced the expatriates to their tutor and negotiated a curriculum for learning.

According to (LP) most of the training dealt with daily activities in the working environment at the hotel. However, eventually the class had to be cancelled because it was completely ineffective, the reasons being that most of the expatriates gradually skipped the class until none remained.

Another local manager (WD/local/local hotel) shared his observations that knowledge of the local language could ease communication between expatriates and local managers.

*“Expatriates are supposed to be the experts, correct? ... so there shouldn’t be a problem for them to learn “Bahasa” if they want to...(long pause), if they want to succeed in their assignment in Indonesia, they need to learn “Bahasa” so they will be able to easily communicate with local employees...”(WD/local/local hotel)*

His perception was that because expatriates are supposed to be the experts, there should not be a problem for them to learn “Bahasa”, and if they wanted to succeed in their assignment in

Indonesia, they should learn “Bahasa” to enable them to communicate easily with local employees. In addition, the Indonesian language is relatively easy to learn. It contains no past or present tense at all and is phonetically spelled therefore the basic hotel language should not be a challenge for most. Such insight from the majority of interviewees suggested that expatriates coming to Jakarta should have the ability to speak “Bahasa”. This is not just in order to show respect to the country but also to facilitate communication between managers. The local managers expressed a hope that better communication would lead to better networking in their workplace.

- Networking at work and socially

With regard to language and communication, one local manager (GB/local/international hotel chains) expressed the assumption that expatriates were hired precisely to minimise communication barriers between managers and guests. Thus he assumed that if a hotel had several expatriate guests, it would be normal to hire more expatriates than locals to management positions to avoid language barriers. In addition, all managers would have the same perspective and hold the same purpose in terms of working within the same company.

Likewise, a few managers explained that there were networking gaps between expatriates and local managers. One local manager (RS/local/international hotel chains) believed that there are many gaps between expatriates and local managers in the working environment, such as clear disparities in the level of job position and also their salary. In addition, there is a gap in the level of language competence, whether it is in “Bahasa” or “English” (local). Another local manager (FF/local/bakery owner) recalled from his experience that there are expatriates who are reluctant to talk to local managers. He was convinced that most expatriates prefer to just communicate exclusively with other expatriates. Another local manager

(AS/local/international apartment chains) commented that even in a professional organization, expatriates tend to prefer to associate within their own professional group; rather than being part of the local Jakarta General Managers Association they had created their own expatriate association.

Another local manager (WD/local/local hotel) observed that the gap in networking opportunities had something to do with the language barrier between expatriates and local managers:

*“Communication is very important in this business.....a language barrier can create a big problem if either side is reluctant to communicate. This is especially true if one side has language limitations. As far as my experience goes, expatriates are most likely to gather in a crowd of other expatriates, they don’t want to mix with local managers.... (long pause)...” (WD/local/local hotel)*

I enquired at this point whether this had happened to (WD). Also, because he had been assigned as an expatriate to a different country, what would he advise expatriates to do differently. He said that he often looked back to his previous experience when he was ignored by expatriates. Now, if an expatriate came to join his company from a different division, he would advise them to mingle with local managers. When on duty as an expatriate in a neighbouring country, he felt that he was there to break the boundaries, not the other way around. However, he saw expatriates as “aristocrats” in his early working days, as people he could not approach or only approach in a certain way. That was a learning curve in his development at the time, so that now, whenever he was assigned as an expatriate manager in Thailand, Malaysia or the Philippines, he did not want locals to see him as an aristocrat and apart, but as being proactive in going towards locals, rather than the reverse.

Looking at the response by this local manager, the same question was asked regarding the networking environment to other expatriate managers. One expatriate manager (SC/expatriate/international hotel chains) commented that his relationship with local managers was very good and harmonious. At the beginning of his assignment to IHC, he felt like an ‘honeymoon period’ stage. In the first few months, local employees wanted to see how patient he could be, and seemed to be aware as to what would “get him yelling”. When he got angry, the employees would be on their toes and behave more effectively. However, he said that he did not want to give a bad impression, and the locals did not want him to get upset, so therefore both sides adapted to minimise mistakes and to work in a more relaxed fashion. This prompted curiosity regarding the social life interaction between employees and managers, or between expatriate managers and local managers.

The expatriate manager who spoke above (SC/expatriate/international hotel chains) declared that he did not want to socialize with locals (body language showing defensive gesture with arms across over his chest) including his staff, as he did not think that worked very well in Indonesia. When he was asked “why not”, he replied that his employees behaved no differently when both at work or out of the workplace. He had tried to socialize on this basis before but had not found it successful. On the other hand, it did seem to work in other Asian countries such as Japan, where they knew how to separate between inside and outside the workplace, between their social and working life.

I asked him again what caused this, or whether this was because of cultural differences and his reply was “*maybe....I am not sure...*”. He went on to explain that he did go on outings, taking his leadership team out, but that was as far as his socialization with them went. He also expressed reluctance to get involved in drinking games (wry smile). To sum up, he described his relationship with his employees as casual but firm; they were free to come and consult

with him at anytime whether it be about their problems or their development. This was because he saw the professional relationship as really open in terms of the working environment.

There was a feeling that this particular expatriate did not trust the idea of being over-involved with locals, or of sharing a social life with them. It was clear that this interviewee (SC/expatriate/international hotel chains) was trying to maintain his position as a leader or to maintain his honour as an expatriate - that is to be a foreigner coming to a different country. In contrast, it was interesting to note that he confirmed that he could socialize with his employees when working in Japan. Although he mentioned being reluctant to join in social drinking, I wonder if he had considered other activities which did not involve alcohol, such as engaging with other managers in sports, sightseeing or hobby clubs.

Other local managers also commented on social life activity between expatriates and local managers. One (RS/local/international hotel chains) said that expatriates preferred to have a social life amongst themselves rather than with local managers.

*“Expatriates prefer to have a social life amongst themselves rather than with us (local managers)....they may have their own opinions, .....(long pause)...but I think if they socialize with locals, they would find the language barrier might affect their relationship, that this would bring lots of discrepancies or differences into the conversation...”(RS/local/international hotel chains)*

One reason for the lack of socialisation could be the language barrier, in that it would affect the relationship because of discrepancies or difficulties in understanding the conversation.

Another local manager (WD/local) shared the view that it was very unfortunate in that

expatriates prefer to have lunch and dinner with other expatriates, therefore making limited time for locals to interact with them socially.

#### 6.6 Current strengths and weaknesses associated with local managers securing senior subsidiary management positions in the hotel industry in Jakarta

During the interview process, participants were asked to consider the current state of general strengths and weaknesses amongst local managers. The point of this question was to investigate about the mindset of local Indonesian managers as the future leaders in IHC's subsidiaries. The mass of information gathered from participants regarding this matter was divided into two categories: strengths, and weaknesses.

##### 6.6.1 The strengths associated with deploying more local managers as subsidiary managers

One expatriate manager, speaking of his own experiences and tenure in Indonesia, considered the possibility of localisation in Indonesia as just a matter of time, *"I don't have any doubt that at some one point my position (as an executive chef) will be taken over by an Indonesian..."* (SC/expatriate/international hotel chains). Although a number of potential strengths emerged from the interview data across all participants, only some of those salient factors will be discussed below. One expatriate manager (SC/international hotel chains) believed that the strengths of local managers were that of being humble, friendly, relaxed and polite.

*"Local managers have strength in being humble, friendly, relaxed and polite. If you are a relaxed person in the kitchen...(smiling)...it will help you a lot. It is not easy to relax but it is a good skill to have"* (SC/expatriates/international hotel chains)

He thought that being relaxed in the hotel kitchen was an asset, difficult to achieve but important as a skill. Another local manager (RYS/local/local hotel) similarly identified the

qualities of being humble and polite as a strong point in local managers, and having the advantage of coming from a culture where there was no need to brag about anything. He also added that this could have something to do with how Indonesians value authority; because when you are humble and polite you are showing you have great respect for authority.

Two managers identified that the strengths of a local manager was in having the unique and very specific knowledge of Indonesia's hospitality industry and market, owning it as their own.

*“Local managers do have the greater advantage in knowing our ownmarket...”(RS/local/international hotel chains)*

He also mentioned that regardless of any situation he queried, who could be better in recognising and operating their own hotel industry other than local managers. Another local manager (WD/local/local hotel) acknowledged this specialised and local knowledge of the market as a priceless bargaining position when local managers compete for positions.

*“Local managers are a much better option for employment as market leaders in Indonesia....because most of them know their own regional area very well.... This means they can identify the best strategies to be implemented...(long pause)....I think knowledge of the local market is very important” (WD/local/local hotel)*

He said that local managers had a superior advantage by understanding their own territory sufficiently. This meant that they could identify the best strategies for implementation. He stressed that knowledge of the local market was very important.

Participants were asked whether Jakarta was ready for localisation in terms of hospitality and tourism industry. Many responded by saying it was high time for local managers to act as hosts in their own country. Two local managers (PE (restaurant owner) and ER (international

hotel chains/both locals) said that local managers could definitely replace expatriates in the same positions one day - *“Local managers can definitely replace expatriates in the same positions...”* (PE/local/restaurant owner). They believed that local managers had sufficiently developed skills to do so or to do even better in some cases. Two different managers stated that people did not realize how closely the skills of local and expatriate managers were when investigated. One local manager (IJ/international hotel chains) who was also a regional executive said that many Indonesians had the capabilities to handle jobs which were previously held by expatriates.

*“.....Nowadays it is different, there are lots of Indonesians who have the capabilities to handle jobs which were previously held by expatriates...”* (IJ/local/regional executive)

Another local manager (FF/local/bakery owner) added that the skills of local managers were not as far behind those of expatriate managers as people think.

Other managers strongly disagreed with the assumption that certain positions in the hotel industry should only be tenured to expatriates, and suggested that it was time to change the situation. All the local managers remarked, as a particular strength, the special relationship often fostered between local managers, based on unlimited sharing of information and experience with subordinates. It was agreed that most managers tend to replicate their own previous experience with their supervisors in the early days of their career. ER (local/international hotel chains) said that he had applied the same methods ever since to his subordinates and he claimed that he purposely went out for informal lunches with them to discuss their future careers. YA (local/international hotel chains) also followed in her (local) general manager's footsteps, using the same method with her own subordinates. Another local manager (AS/local/local hotel) underpinned the importance of local managers in sharing their experience with other local managers with the goal being the overall development of



local managers. He said he was enthusiastic in giving input and knowledge and to share his experience with his staff, because he believed it would help their professional development in the future. One local manager (DJ/local/international hotel chains), described the flexibility of local managers when problem-solving as a strength and suggested that this might give locals an advantage over expatriates. He added that many expatriates tend to be rigid and over focused to achieve their goals.

Local managers on the other hand were more flexible in solving problems, and this was a strength. Local managers were also recognised for their strong loyalty to their companies wherever they worked. One expatriate manager (SC/expatriate/international hotel chains) explained this quality as an asset not only to the company but also to the manager himself in that local managers readily bought into the idea of ownership development and personnel management.

*“They (local managers) buy into ownership development and personnel management...they can improve themselves to advance their skills in that way in order to have their career progress” (SC/expatriate/international hotel chains)*

With this outlook they were well placed to advance these skills in order to progress their careers.

#### 6.6.2 The weaknesses associated with deploying more local managers as subsidiary managers

In addition to a number of strengths identified amongst local managers, the interview data identified across all participants a number of observed weaknesses. The examples below indicate those which emerged most frequently from the interviews. Three expatriate managers raised similar observations, derived from their experience of working in Jakarta, Indonesia, with regard to the tardiness of local managers in respect to task deadlines.

*“Some local managers have difficulty in delivering what I might describe as an “obligation of result” ....(smiling)... sometimes I have to push or shake them up really hard...”(TS/expatriate/international hotel chains)*

One expatriate manager (TS/expatriate/international hotel chains) admitted that some local managers had difficulty in understanding their liability when it came to ‘dead-line’, sometimes having to “bang the table” to get his point across. Another expatriate manager (BS/expatriate/international hotel chains) acknowledged this tendency to procrastination, but did not put it down to the lack of ability amongst local managers. Rather, he wished that local managers would overcome their tendency to delay a job, as he knew that they could work faster when motivated. Another expatriate manager (SC/expatriate/international hotel chains) compared the application and work ethic of managers across three different countries in which he had worked; comparing Singapore, China and Indonesia, he admitted that Indonesia was the most laid back work culture of the three.

*“If I compare the work ethic I’ve seen in different countries....comparing between Singapore, China and Indonesia,.....(smiling)...Indonesia is more laid back than Singapore and China. The Chinese are more aggressive and hungrier than the Singaporean or the Indonesian...”(SC/expatriate/international hotel chains)*

He perceived the Chinese as more assertive in their quest for results than that of the Indonesian, and went on to point out that one should be mindful of different parts of Asia having different cultures. His overview was that most managers from Asia were tentative, but this was not always a bad thing in itself, which expatriates had to realise. One local manager (DJ/local) mentioned his experience in dealing with complaints from expatriates regarding delays and offered the following opinion:

*“We (local managers) have to show that we are people with integrity, we don’t put off jobs. We know that when you promise to deliver you have to follow it through” (DJ/local/international hotel chains)*

Another insight was offered into the local manager having a tendency to be over-reserved. Managers tend to hold back in expressing themselves, either in terms of enquiring about job promotions, reporting unfair treatment, or just giving their personal opinion in a discussion. One local manager was very emphatic that this should change, especially in regard to job promotion opportunities. Another local manager (LP/local/local apartment) expected local managers to be braver in facing up to challenges, such as feeling overlooked or shut out of opportunities for advancement. His view was that when there was a job position available to pursue, most locals would just prefer to wait until an invitation came to them. Another local manager (WD/local/local hotel) described a similar reticence in meetings, saying that local managers should be ready to speak up even when not asked directly. His view was that in daily/weekly meetings, local managers needed to have the courage of their convictions and to offer their ideas; even if not directly asked, it was still part of the job responsibility to share one’s opinion rather than opting to be quiet.

One expatriate manager (SC/expatriate/international hotel chain) shared his experience of how important it was for managers to be “curious” at work, because such attitudes would further one’s career. He said, *“Where I come from, I’m really used to people saying ‘no’ or ‘I don’t know’. If I want to know if someone knows how to do something, I’ll ask automatically, but here they don’t and I’m still wondering why”* (smiling and shaking his head). He went on: *“Here, I have to make sure I ask again so that they understand what I want them to do but they don’t want to ask any questions of their own free will* (showing confused face).

*Surprisingly, these problems don't only come up with rank and file staff, but also with division heads as well".*

This same expatriate manager (SC/expatriate/international hotel chains) went on to reflect on the capacity of local managers to take criticism. While he believed that constructive criticism could help someone to improve, he did not think local managers saw criticism as constructive. This was attributable to his perception that Indonesians found it hard to 'listen' objectively, which he saw as the starting point of being able to receive criticism, a skill he believed was crucial to being successful. He hypothesised (with a smile) that in Indonesia this skill was difficult to acquire because Indonesians do not criticise each other.

As of my reflections as an Indonesian and being used to living abroad for work and study, I can understand how (SC/expatriate/international hotel chains) has this impression in relation to the "typical" culture of Indonesians who like to delay their assignment or choose to "not to speak up". Before I went overseas, I also had this type of behaviour because if I did otherwise (not delaying my assignment or choosing to be speak up) my colleagues would see me differently. On the other hand, since living in other countries, my mindset became different and I have become more aware of liability and professionalism. After I returned to my own country, I became much more aware of those types of bad habits, but of course I have to set my mindset carefully and not jump to conclusions by trying to address and educate those I meet.

A local manager pointed out that if local managers did criticise each other, this would always be taken personally, something he saw as a major professional weakness. He saw cultural confusion that between taking a firm position on one's views and being empathic, so that

there was a common tendency for local managers to receive another's assertiveness as a personal judgment of them.

During the interview process, the topic of language barriers was also highly salient, as a major weakness in local manager development within the Indonesian hospitality industry.

One expatriate manager (SC/expatriate/international hotel chains) reflected on his experience in dealing with the language challenge, recounting his initial problems in communicating due to language barriers.

*“In this [international hotel company], I have had problems in communicating due to language barriers... (long pause)... I used to do our briefing in English, but the staff often misunderstood the meaning of my words... well, they do understand them.... but they are most likely to miss the whole meaning... (laughing)... Now I do everything bilingually... I have my assistant (secretary) to translate and this has been a big improvement, it has made it much easier for me...” (SC/expatriate/international hotel chains)*

This expatriate manager understood that his staff could speak English but did not recognise how competent they were in communicating in the English language. Finally, he (SC/expatriate/international hotel chains) gained assistance from his supporting staff to pass messages by speaking in both languages (Indonesian and English). This was found to be very helpful for both sides in delivering information coherently.

Another local manager explained how important English language proficiency was for employees working for international hotel brands. He believed that one of the biggest weaknesses of the local manager was the lack of English language proficiency. It should be that when they come to work in an international hotel brand they must be expected to speak

English fluently. However, another local manager (FF/local/bakery owner) took the view that poor language proficiency was not so much due to the inability to speak English as to a lack of confidence and shyness stemming from poor proficiency and fluency. To surmise this section, if Indonesians can maintain their strengths it would definitely help their professional career development in the long run. It would also help to overcome their weaknesses which is probably the most difficult thing to do, because it is part of the Indonesian culture. Many Indonesians do not experience an adequate level of quality education and limited international exposure so therefore they are accustomed to the Indonesian behaviours.

In this final section, the last weakness is identified and discussed. This is in reference to the opportunity for overseas postings as a means to further local managers in their professional development. The theme of international opportunities appeared overall to be the most interesting topic during interview with participants. It was consistently stated that if there were one thing that could improve the professional development prospects of managers, it would be the opportunity to gain global exposure overseas. One expatriate manager believed that local managers do not currently have enough opportunity to go abroad:

*“One of biggest weaknesses facing local managers is that they don’t have enough people who have the opportunity to go abroad... (concerned face and shaking his head)..if you have the opportunity to go abroad, you will be able to see what is happening outside, this will open your eyes, let you learn new things, give you the ability to analyse different situations” (TS/expatriate/international hotel chains)*

One local manager (LP/local/local apartment) specifically mentioned the role of international exposure in helping managers to improve their capacity for analytical thinking and problem-solving. She suggested that local managers should be given more overseas exposure because this would help their professional development. She also reflected in the apparent lack of

analytical thinking and problem-solving skills among local managers. This might have something to do with their personal characters and educational background, but also their job exposure.

One local manager (FF/local/bakery owner) highlighted the managerial development practices of one IHC in Jakarta, very well known for giving overseas opportunities to local employees. This manager urged other companies to follow a similar approach, not just because it would be good for employee professional development, but also as a means to enhance the growth of the international hotel brand itself. He admitted that local managers should have more opportunities to work overseas, citing his own particular IHC as being positive in providing programs for any manager who was willing to be transferred to a different part of the world. These things would help the development of local managers but also the development of the hotel company as a whole. This opinion (FF/local/bakery owner) is linked to the same example given by FF himself, PE/local/restaurant owner and ER/local/international chains regarding how many opportunities are given by this IHC to their employees to transfer abroad, as in Chapter V.

## 6.7 Chapter Summary

This chapter reports on emergent findings which illuminate a trend in the Indonesian hotel industry, entitled for the purpose of this dissertation the “Glass ceiling”. Five major themes (or sub-themes) emerged from the main “Glass ceiling” theme. In regard to the first theme of expatriate assignment, the views of a number of expatriates in senior subsidiary management positions within international hotel companies of Jakarta were analysed. This served as the foundation to investigate the possible reasons for so many senior management positions being

allocated to expatriates. It was found that such senior positions were dominated not only by Western expatriates but also expatriates from Asian regions outside of Indonesia. The second sub-theme discusses the problems emerging from the phenomenon of expatriate assignment. The third finding outlines the development and challenges of local managers working in the field. The fourth shows ways in which differences in cultural and commercial experience might influence networking between expatriate and local managers. The fifth discusses the perceptions of current strengths and weaknesses amongst local managers working in the international hotel industry in Jakarta. The next chapter will use the above findings to compile the discussion and triangulate both these findings and results from the review of literature.



## Chapter VII: DISCUSSION

### 7.1 Introduction

This discussion chapter addresses the aim of the study, which is to investigate the experiences of expatriation and localisation in the international hotel industry, and specifically to illuminate how and why expatriate managers and host country (local) managers are employed in particular roles by international hotel subsidiaries within Jakarta, Indonesia. Examining the decisions as to why MNCs use local or expatriate managers, the original framework, based on the literature review in chapter two, is displayed below in Table 7.1(left side) followed by the revised framework at the same table (Table 7.1/right side) which is based on the findings of this study. Both frameworks have four windows which are described as: pro local (top left), contra local (top right), contra expatriate (bottom left) and pro expatriate (bottom right). This chapter addresses any similarities between the quadrants based on the literature and the findings, discusses any new additions to the findings and finally, points out any topics from the literature which are not relevant to the findings.

The discussion will begin by presenting the pro expatriate position (7.2 The ideal leader in IHC in Jakarta, Indonesia is rendered to be a Western/Caucasian expatriate). The focus is on addressing why the Caucasian expatriate is considered the ideal leader, not only for foreign guests but also that of local guests, local employees and local managers. The discussion will continue on the explore the contra local position (7.3 Why international hotel industry jobs is offering limited advancement opportunities for local managers).This spotlights how local managers see their jobs within the hospitality industry, which is that of offering inadequate advancement opportunities. The discussion continues on to consider the contra expatriate

position (7.4 The challenges of MNC/IHCs face in preparing expatriates for their Indonesian assignments). This section reviews how the IHCs neglect to conduct essential pre-departure training covering the cross-cultural issues which means expatriate managers deal with additional challenges on their assignments. The argument continues on to the pro local position (7.5 The development potential of the hotel industry in Jakarta, Indonesia). The section discusses the robustness of hotel industry development in Jakarta, Indonesia, despite the limitations of human resources supply.

Finally, the review then explores the tension between the demand for expatriates and the demand for local managers and the current state of Indonesian human resource supply to IHCs as well as MNC subsidiaries (7.6 Constraints on the expatriate/local manager relationship in the hospitality industry in Indonesia). The following table (Table 7.1) uses different type of emphasis in bold, italic and underline with same 'Arial' font for the topic of discussion. For example: to illustrate the original framework in the left section of the table, I use the font 'Arial' for all the generic and hospitality literature. For any similarity or overlaps from the original and revised framework, it would be indicated in bold. Any identified additional findings, other than those in literature are identified in underline, while elements indicated in the literature but not evident in the study are retained in the same font of "Arial".

Table 7.1 Original and Revised Framework

Framework emerging from the Literature review		Framework emerging from the Findings	
Pro Locals: Evidence for why local managers are used by MNCs	Contra Local: Evidence for why local managers are not used by MNCs	Pro Locals: Evidence as to why local managers are used by MNCs	Contra Local: Evidence as to why local managers are not used by MNCs
<p>General studies:</p> <ul style="list-style-type: none"> <li>- Localisation</li> <li>- Local business development</li> <li>- Strategy for local recruitment and development host country</li> <li>- Cost efficiency</li> </ul> <p>Hospitality studies:</p> <ul style="list-style-type: none"> <li>- Strategy for local recruitment</li> <li>- Local hospitality uniqueness</li> <li>- Local business development</li> </ul>	<p>General studies:</p> <ul style="list-style-type: none"> <li>- Globalisation/Internationalisation</li> <li>- Broaden talent pool to increase international orientation</li> <li>- Insufficient local skills and knowledge</li> <li>- Less government involvement the better</li> </ul> <p>Hospitality studies:</p> <ul style="list-style-type: none"> <li>- Globalisation/Internalisation</li> <li>- Local insufficient skills and knowledge</li> <li>- Broaden talent pool to increase international orientation</li> </ul>	<p><b>*Local managers offer authentic hospitality culture experience</b></p> <p><b>*Strong hotel development benefits locals' career development</b></p> <p>* Indonesia becoming the focus for IHC investment</p> <p><b>* Government wants localisation within the hotel industry</b></p> <p><b>* Local managers have advantages in terms of building the local bussines development</b></p> <p><b>* New president highlights tourism development for Indonesia's economic growth</b></p> <p><u>* Local manager showed cynicism due to their contribution to local manager development</u></p> <p><u>*Research about localisation is very limited in hospitality and tourism</u></p>	<p><u>*Colonisation affects the understanding of the concept in regard of a leader in business environment</u></p> <p><u>* Indonesia's hospitality and tourism education needs lots of improvement</u></p> <p><b>* Lack of quality of lecturers produces insufficient competencies of local manager</b></p> <p><u>* Indonesia governments is fully responsible in developing local manager skills</u></p> <p><u>* Lack of recognition of local manager</u></p> <p><b>* Lack of problem solving skills in local managers</b></p> <p><b>* Lack of character and international exposure in local manager</b></p> <p><u>* Local manager leaving IHC due to lack of opportunities</u></p> <p><u>*Inconsistent commitment to and support of localisation by IHCs</u></p>
Contra Expatriate: Evidence for why expatriates are not used by MNCs	Pro Expatriate: Evidence of why expatriates are used by MNCs	Contra Expatriate: Evidence for why expatriates are not used by MNCs	Pro Expatriate: Evidence as to why expatriates are used by MNCs
<p>General studies:</p> <ul style="list-style-type: none"> <li>- Adaptation issues</li> <li>- Compensation gaps with host country managers</li> <li>- Reticence in socialising with local managers</li> <li>- Limitations supply of expatriates</li> <li>- Status-having a family and children</li> <li>- Assignment failure-loss of businesses</li> <li>- Not enough competencies and management skills</li> <li>- Lack of assurances for future career after international assignment</li> </ul> <p>Hospitality studies:</p> <ul style="list-style-type: none"> <li>- Not enough competencies</li> <li>- Lack of preparation and pre-departure training</li> <li>- Compensation gaps with host country managers</li> </ul>	<p>General studies:</p> <ul style="list-style-type: none"> <li>- Bring corporate culture and competence to local units</li> <li>- Pre-departure training means better commitment</li> <li>- Coordination and control strategy by MNCs</li> <li>- Flexibility interpersonal relationship skills</li> <li>- Strategic control methods</li> <li>- Faster facilitating in transferring information</li> </ul> <p>Hospitality studies:</p> <ul style="list-style-type: none"> <li>- Bring competency to local units</li> <li>- Stabilising subsidiaries</li> <li>- Minimise possibility of corruption</li> <li>- Personal competencies</li> <li>- Global management skills</li> <li>- Match corporation ambition and to stay competitive</li> </ul>	<p><b>* Lack of pre-departure training contributes to failed assignment</b></p> <p><b>* MNC recruits expatriate with limited competency skills</b></p> <p><u>* (Caucasian) expatriates have no learning curve in Asia</u></p> <p><b>* Training about Indonesian culture does not as successful as MNC hopes</b></p> <p><b>*Compensation gaps with host country managers</b></p>	<p><u>* The hotel guests (foreign and domestic)'s prefer to deal/work with Caucasian managers</u></p> <p><u>* The employee's prefer to deal with Caucasian managers</u></p> <p><b>* MNC will always consider "expatriates" as the face of IHC to lead the hotel brands</b></p> <p><b>* Asset light management strategy is an approach to accomodate more expatriates</b></p>

7.2 The ideal leader for the IHC in Jakarta is rendered to be a Western/Caucasian expatriate (Pro expatriate position/bottom left).

The findings suggest that expatriate managers (in particularly Western and/or/Caucasian) are more likely to hold senior management positions compared to local staff within the international hotel industry in Indonesia. This seems to be related to perceptions held among local hotel guests, local hotel employees and local managers alike that the ideal senior manager is a Western/Caucasian expatriate. The demotivating paradigm or mindset on the prioritisation or hiring of expatriate managers over local managers is due to the image conveyed by Western expatriates toward local employees, local managers and local hotel guests. In trying to understand why there is an overall preference for Caucasian expatriates in the Indonesian IHC the colonisation theme is examined. This is because this theme was frequently mentioned in the interview as possibly the reason as to why expatriate managers are still favoured in leading IHC subsidiaries. This may come down to the many background differences between ethnic cultures such as: ethnic groups, multiple religions and the variety of norms and rules, which can bring more complexity when it comes to the choice of leaders.

Subsequently, the evidence of this has so far been surprising, recognising that the legacy of colonisation still affects the way of people live. A number of studies suggest that the colonisation of Indonesia has impacted in a negative way on the mentality and self-efficacy of local people (Lavalley and Poole, 2010; Alonso, 2011). This supposedly hampers a capacity to envision an autonomous future in terms of development in international trade, human capital, socio-economic growth, as well as national identity and political position (Lavalley and Poole, 2010; Bertocchi and Canova, 2002; Alonso, 2011). Colonial heritage has thus been treated as a debatable issue within this study. The views of Bertocchi and Canova (2002) are that colonisation has led to the limitations on the economic growth in

Indonesia. Some of their research results go so far as to suggest that a backward looking mentality amongst Indonesians can be attributed to colonisation.

Lavalle and Poole (2011) go further in arguing that colonisation has led to actual suffering amongst Indonesian people, not only impacting on their mental health but also their physical, emotional and spiritual well-being. They maintain that colonisation is the root of the local populace falling behind in establishing their own modern world identity, uniqueness and belief in their capacity for personal development. Although these intangible factors are difficult to explain, they appear to be psychologically real to native individuals as barriers which are difficult to overcome. Their identity, uniqueness and beliefs are shown in multi-ethnic groups across Indonesia, yet religion can bring cultural differences to another level (Schulze, 2013). This is because every religion has its own understanding of “who” those indigenous people are. Every ethnic group have their own norms and standards which makes the way of living more complex (Lavallee and Poole, 2010). The particular theme of colonisation was mentioned quite frequently during study interviews. It appears that this is the reasoning behind the apparent preferences of stakeholders in the employment of expatriates rather than locals in the hospitality industry, especially ‘Western expatriates’. This reasoning provides a number of sub-arguments linked to my main argument, i.e. that “the ideal leader for the IHC in Jakarta is that of the Western/Caucasian expatriate”. These sub-arguments are displayed below.

#### 7.2.1 The preference of foreign, local hotel guests and staff toward Caucasian managers

The idea of Caucasians possessing a ‘superior status’ was found to be held by both foreign and local hotel guests and staff. The deep-seated belief in relative national status was manifest in the attitudes towards service by hotel guests, in the fact that they preferred to be

served, and their affairs handled by, Caucasian expatriates. This was recounted by the expatriate and local managers alike. Sadly, this appeared true, not only of foreign hotel guests but also of local Indonesian guests. This type of preference has implications for what a hotel stands for: that is, to achieve quality of service in line with customer expectations. Thus, from the perspective of the management of a hotel, there is a risk of falling short of fulfilling customer satisfaction standards if the hotel business is handled by a local manager, given that guests may be anticipating encountering an expatriate manager. Indeed, perceptions that expatriate managers would be more adept in solving problems than local managers might be compounded by past guest experiences of similar situations with less than ideally trained local managers (Minkiewicz et al 2011).

The data analysis revealed that the interviewees perceived that also local employees of hotels prefer a manager who is a Caucasian expatriate above a local manager. When this view was investigated further, local managers reflected that they had felt discouraged from applying for senior management/leadership positions in the hotel, partly because of the strong image that these positions were mainly held by expatriates, also local staff wanted to be managed by expatriates and partly from an anxiety that they would most likely fail to achieve the standard of an expatriate or be able to replace him or her. This implies that the difficulty of gaining necessary confidence and familiarisation of working in a leadership role is compounded when local managers are psychologically unaccustomed to taking the lead, nor have easy access to work experience which will build their confidence in their abilities. In fact, it seems that local managers are more likely to take the safe and established route of being led and directed by a Caucasian expatriate manager, or indeed any other expatriate, regardless of country of origin (Ando and Endo, 2013).

### 7.2.2 The perception of ideal manager as applied to expatriate and local managers

An additional confounding factor was that the perception of expatriates being ideal leaders and managers were found to be somewhat different to those of local hotel workers and guests whether local or foreign. On the one hand, expatriates themselves had certain views about their relationship as a leader to local managers (Neupert, Baughn and Dao, 2005) which seem to reflect those of locals, in that they might have more influence than local managers when setting up operations in the work environment. On the other hand, the findings suggest that a number of unvoiced assumptions underpinned this expectation. Some participants speculated that this attitude might have been linked to the history of Indonesia's colonisation, a period during which locals became accustomed to seeing themselves as 'inferior' to their colonial rulers. Such perceptions of superiority, while not overt, are still part of the local culture, and might even pervade international work environments (Lavallee and Poole, 2010). It would appear therefore that expatriates saw the issue in local managers not only one of lack of confidence, but lack of potential trustworthiness. That is, whilst local people might be trusted to be competent or to develop such trust in themselves it remains problematic as to whether this competence would be sufficiently trustworthy for long-term economic growth and investment (Maley and Moeller, 2014). If this is the case, then without this human resources keystone being set to rights in the hospitality and tourism industry, there is a fundamental weakness in the Indonesian capacity to build stronger hotel brands internationally and domestically (Lucas, 2005).

This perception of the Western-Caucasian expatriate as the almost ideal or default manager in Indonesian IHC's is interestingly not part of the literature review framework around the pro-expatriate position (bottom right). The reason for this is that arguments linking expatriate preference to colonisation are so far not found in the literature. The literature more often

points in the direction of introducing and maintaining corporate culture as a reason for having expatriates in key managerial positions (Khalifa, 2012; Ando and Endo, 2013) and/or providing strategic control methods into the subsidiaries (Harzing, 2011; He and Cui, 2012; Beddi and Mayrhofer, 2013) as well as bringing competencies to subsidiaries (Kohont and Brewster, 2014; Mazrouei and Pech, 2015). Other authors such as (Gannon, Doherty and Roper, 2012) argue that the IHC often use expatriates to develop a consistency across their international hotel brands to build their global management skills. None of this addresses the issue of hidden cultural discourses, except to demonstrate a tension in organisations as to whether they will go for a global or a 'glocal', 'global but local' approach.

On the other hand, because the internationalisation in the hotel industry uses asset light strategy entry mode (managing hotels which belong to someone else), it is frequently the case that local owners will use expatriates as some kind of culturally prestigious image to demonstrate their wealth and power relative to other local hotel owners (Gannon, Roper and Doherty, 2015). In addition, Minkiewicz et al (2011) believe that the appointment of expatriates in senior management positions is related to how MNCs prioritise their corporate and brand image to their stakeholders, also showing how strong their branding is in the minds of their customers. This insight from Minkiewicz et al (2011) is echoed by King and So (2015) and Chang and Ma (2015) who posit that any Western IHC in Asia are most likely to have expatriates as part of their senior hotel management boards. This is because any foreign residing guests would expect international cultures, standards and experiences from where the IHC originates. This is consistent with the study of Minkiewicz et al (2011). Regardless of guest origin, whether local or foreign, they still prefer to deal with a foreign manager and specifically a Caucasian manager. This paradigm causes much demotivation in the international hotel industry of Jakarta, because the country is still very much developing its



human resources. It is difficult for them (local employee or manager) to switch off their mindset regarding colonisation and the feelings of inferiority in relation to Western/Caucasian expatriates being the ideal leader for IHC in Jakarta. Further research is needed to unravel the theme of colonisation and whether this is a relevant theme in understanding expatriate-local employment decision in IHCs in emerging economies like Indonesia.

Similar data from the findings and original framework can be found in the Pro expatriate (bottom right) quadrant of the framework:

- MNC will always consider “expatriates” as the face of IHC to lead their hotel brands
- Asset light management strategy is an approach to accommodate more expatriates

Both of these aspects are discussed in generic and hospitality studies because it is related to how expatriates can reinforce the corporate culture (Edstrom and Gailbraith, 1976; Tung, 1979; Perkins and White, 2008) and transplant it across the MNC’s subsidiaries (Ando, Endo, 2013; Khalifa, 2012; Boh, Nguyen and Xu, 2013). Similarly, expatriates are also expected to bring their expertise (Tung, 1979) and competencies to local units to produce future leaders for its subsidiaries (Al-Waqfi and Forstenlechner, 2010; Kohont and Brewster, 2014; Wang et al., 2014; Mazrouei and Pech, 2015). In addition, Harzing (2001; 2011) develops the work of Edstorm and Gailbraith (1976) by specifically breaking it down the duties of expatriates as strategic control methods facilitating the control, coordinating strategy, and creating faster communication for MNCs in order to stabilise the subsidiaries in the long run (He and Cui, 2012; Beddi and Mayrhofer, 2013).

In addition related to hospitality studies, expatriates are not only bringing the corporate culture (So and King, 2010; King and So, 2015; Chang and Ma, 2015) but also helping to

stabilise subsidiaries by minimising the possibility of corruption (Anderson, 2013; Davidson and Sahli, 2015). This type of competency is considered as one of the specific personal competencies which local managers do not have (Causin and Ayoun, 2011). Along the same lines, the recruitment, the selection, the training and the development of global managers are shaped by the “asset light” strategies of the market entry modes chosen by IHCs (Gannon, Roper and Doherty, 2010; Guilding, 2006). IHCs use a strategic combination in the recruitment of hotel managers in order to explore how companies pursue their competitive advantage (Gannon, Doherty and Roper, 2012) and match the corporate ambitions (Gannon, Roper, and Doherty, 2015).

In addition the findings identified:

- The hotel guests (foreign and domestic)’s prefer to deal/work with Caucasian manager

This aspect of findings is not in the original and revised framework. This insight emerges from the perceptions and experiences of the participants which suggested that hotel guests had preferences to deal with Caucasian/Western managers. It comes from the data which explains the demotivation experienced by local managers when they know that their hotel guests will not listen to them for any queries and choose to speak to a Caucasian manager instead. The hotel guests have different perspective or image of expatriates being the ideal leader.

- The employees’s preferring to deal with Caucasian managers

This aspect of the findings is not in the original and revised framework. This insight emerges from the perceptions and experiences of the participants which suggested that employees preferred dealing with a Caucasian/Western manager. This topic comes from the data which reveals that Caucasian manager have more influence on local employees than the local

managers would have. Due to this, many IHCs will undoubtedly have to think twice before choosing local managers as subsidiary leaders.

### 7.3 Why the International hotel industry job is offering limited advancement opportunities for local managers. (Contra Local/top right)

The findings indicate that local managers often perceive their jobs in the international hotel industry of Jakarta as dead-end jobs because they feel there is no future progression for them due to the high number of expatriates in senior management positions. This leads to feelings of uncertainty and vulnerability. Such 'disempowering' perceptions, according to local managers can lead to behavioural changes among local managers. They feel vulnerable (Lai Si and Möllering, 2010), as they may either work harder to try and contribute to local development, or they will simply give up, feeling there is no future within the company or the industry (Reade, 2003). In other words from the findings, local managers come to confront a decision as to whether they stay within a company and wait for a better position or whether to move to a different hotel or even to find another job in a different industry. According to my research, the high proportion of expatriate appointments within IHC subsidiaries results in local employees "jumping ship" and moving away from the international companies to local companies. Over time, local employees notice that while their expatriate supervisors or managers change every 2-3 years, their own position remains the same and that their own future is stagnant. Even those who received promotion during their tenure with the same company tend only go on to a certain stage of development (Enz, 2004). Whilst some local managers remain optimistic that things may change in that one day they will be a director or executive, others are more astute in seeing a pattern of stagnation and migrate to another local company or even to a different industry. To summarize, local managers with the hope of a

professional career in the industry originally trained in hospitality and tourism, would end up seeking a new future in other areas.

In addition, some studies (Hon and Lu, 2013; Hon, Lu and Chan, 2015) in the hospitality studies mentioned that many managers do not progress as they hope to and leave the industry for better pay and conditions elsewhere, but not necessarily because they cannot get into the senior jobs taken by expatriates. There are sub-arguments which link with my main argument of “why the International hotel industry job is offering limited advancement opportunities for local managers”; those sub-arguments are displayed below,

### 7.3.1 Local managers leaving IHC due to minimum opportunities for a higher subsidiary managerial career

It remains an important question as to why local managers do not get promoted up to senior management subsidiary jobs. If we compare the original framework to the revised framework for the top right corner (contra local position), one finds quite a few similarities across generic IHRM studies and hospitality studies on the one hand and how these are reflected in the findings of the research. These include: broadening the talent pool by increasing international orientation as this can bring higher productivity to subsidiaries; accelerating the globalisation of home country nationals (Kunnamatt, 2011; Calza, Aliane and Cannavale, 2013; Amal et al., 2013; Muratbekova-Touron and Villechenon, 2013; Amine and Khan, 2014; Peña-Vinces, Acedo and Roldán, 2014; Pavia, Stipanović and Floričić, 2013); and insufficient skills and knowledge among local talent (Al Ariss, 2014; Bruning, Bebenroth and Pasch, 2011; Shakeela, Ruhanen and Breakey, 2011; Velo and Mittaz, 2006). A key finding of the present research is that the category of insufficient skills and knowledge needs to be refined, and specified into: technical skills (i.e. problem solving skills and analytical thinking)

and soft skills (i.e English proficiency, inability to criticize each other (local to local) and to speak their own mind from their own free will). This is related to feelings of vulnerability, educational background, cultural dimensions and international job exposure (experience). It is suggested that these appear to be the major factors which help to explain why local managers are not favoured as managers in the international hotel brand in Jakarta, Indonesia (Al Ariss, 2014; Bruning et al., 2011).

### 7.3.2 The insufficiency of hospitality and tourism education in Indonesia

This in turn creates questions about the suitability of hospitality and tourism education for local managers, local businesses and even international operators. This type of question is considered to be the foundation as to why local talent is overlooked within the international hotel industry of Jakarta, Indonesia. It is suggested by policy makers that hospitality and tourism education is still far behind other countries within the same region (South East Asia). If compared to other countries across the world, it would appear even more so (Clark, 2016). However, specific research into hospitality management in the country is relatively limited and leaves much to be desired, particularly in regard to hotel management education. The most recent general business studies in Indonesia place a focus on the potential and beneficial role of politics and business as contributing to the Indonesian economy (Pisani, 2014; Prabowo, 2014; Beech, 2014). But, recent academic research into the hospitality and tourism sector leaves much to be desired. Observations (in the event with policy makers at the Ministry of Tourism meeting) made during the course of this study is that there is a suggestion that academic research in Indonesia is in a perilous situation, showing levels of journal publications severely lagging behind other countries in South East Asia (Nguyen and Pham, 2011). Participants (policy makers) also emphasise the lack of willingness of Indonesian students to engage in the critical reading of academic journals.

In spite of this neglect, the study data demonstrates a consensus between participants in that improved local hospitality education has the capacity to enhance the industry, delivering better development opportunities for local managers in the achievement of appropriate levels of further education (Purwomarwanto and Ramachandran, 2015). Currently, Indonesia is still perceived as very much in the process of developing its education system (Welch, 2012). The level of education in Indonesia is not seen as having reached the required standards and few universities in the country are understood to have achieved a common set of benchmarks or a common quality control of the curriculum (Jayawardena, 2001a; Jayawardena, 2001b).

It can be argued that the educational infrastructure may only improve if better standards were attained in the quality of the educators, institutions, facilities, and technology; all essential in the support and development of local competence in Indonesia (Sherif, 2013). Another aspect of findings indicates that the reason for insufficient hospitality and tourism education in Indonesia is related to the shortage of tourism lecturers; the numbers of students within the discipline was out of balance in comparison to the numbers of lecturers available (Welch, 2012). According to the participants, Jakarta as a capital city has better facilities in terms of educational institutions and offers a wider range of possibilities in terms of experiences. This creates a trend away from the suburbs to the capital in particular by those who wish to advance their careers (Comola and de Mello, 2013). Despite this, Jakarta also struggles with finding good-quality and well-qualified lecturers. Reasons for this are that incoming lecturers from the less developed areas of Indonesia cannot match the standards of lecturers in Jakarta. Because education is not seen as equally spread throughout different regions of Indonesia, it makes the work of disseminating education even more challenging, whilst at the same time the demand for local talent increases year-on-year.

From the employer point of view, educational institutions should take on the responsibility of matching their curriculum to the demands of the industry. In terms of the tourism industry, it is suggested that educational institutions and the tourism industry must maintain communication in order to update and acknowledge recent changes in the hospitality and tourism industry (Pilz and Li, 2014).

As shown in chapter three, the majority of the Jakarta hospitality workforce consists of graduates at diploma level. This might be related to the fact that local Indonesian talent wanting to work in the industry might have thought that a diploma degree in hospitality and tourism would be enough (Jayawerdana, 2001). This is also argued by Baum (2008), who mentions that the hospitality and tourism industry tends to look for more talent from different educational disciplines to bridge this problem which may overcome the limited supply of hospitality and local talent in general. Koenigsfeld et al., (2011) argues that hospitality and tourism education in general is very competitive and frequently changes following the new evolving and dynamic trends. This shows how high the interest is from the industry in the education of local talent and those whose education has provided them with very good skills and knowledge (Koenigsfeld et al, 2011). Koenigsfeld et al., (2011) appear to have a plausible explanation regarding the importance of hospitality and tourism education for professional career advancement.

Nevertheless, the local talent of Jakarta seems to have similar experience to that discussed in the study of Harkinson, Poulston and Kim (2011) which suggests that hospitality and tourism education is all about experience with education and qualifications being secondary concern. However, this study (Harkinson et al 2011) was not set in the context of Indonesia, but in that

of New Zealand. Hospitality and tourism studies are more advanced in New Zealand compared to Indonesia in terms of the education infrastructure (Clark, 2016).

### 7.3.3 Local manager development needs continuous support from the Indonesian government

One general contra local position emerges which can be captured as “the less government involvement the better”. This aspect was found in the generic literature but appears to be very relevant to the Indonesia situation. The position of “less government involvement the better” is not specific to hospitality studies but can be found more generally across the board of views on education. This may be because general studies related for instance to manufacture, health and sciences and so on, may be more mature in operational terms than are current hospitality studies. Conversely, it may be that in the context of study of developing countries, there may have been stricter regulation of government policy than in most developed countries. Fornes and Butt-Phillip (2014) and Rakesh and Abdul (2015), for instance, argue that globalisation may not require educational intervention from government to make it work where the process is uncorrupted or unregulated. However, it is interesting that the participants in this study expressed a desire for full government involvement in the educational development of local managers, Therefore, it seems likely that Jakarta, Indonesia may need the government to advance local managerial development policy through better investment, planning and delivery of education and training in hospitality and tourism. This creates certain practical questions regarding the actual proportion of government involvement in developing local managers in Jakarta, Indonesia.

Whilst most participants understood that the Indonesian government was keen for more local managers to become leaders in the long term, their evidence specifically stated that this was a



fragile situation. If Indonesia's president did not prioritize the role of tourism within Indonesia's development, then local managers would not have the support they were looking for to develop in senior roles. However, as part of the document analysis, it was found that in 2014, the newly elected president Mr. Joko Widodo, had assigned his first stand-alone minister in his working cabinet to the Minister of Culture and Tourism, Mr. Arief Yahya. This shows a clear declaration by the Indonesian government in their intentions to prioritise the tourism industry within the new presidential cabinet. Previously, this ministry was called the Ministry of Tourism and Creative Economy, working under the Ministry of Education and Culture (Hudoyo, 2014). It is useful to clarify at this point that the interview data were collected months before the election occurred. Thus, some participants (local managers) expressed a hope that the new cabinet would bring better direction to the Indonesian tourism sector. As such, the future face of tourism would affect all stakeholders, such as educators, business investors, local and foreign employees and consumers. Future studies exploring this suggestion of an increasing priority being placed on Indonesia's hospitality and tourism industry, and the development of education and training in this sector, will be valuable for all the stakeholders concerned.

Similarities between the findings and the original framework (Contra local/top right) included the following:

- Lack of problem solving skills in local manager
- Lack of character and international exposure in local manager.

Some studies identify local insufficient skills and knowledge amongst the local population (Nguyen and Hong, 2013; Tseng and Chen, 2014; Abadžić, Umihanić and Čebić, 2012; Berger, Choi and Kim, 2011; Bhanugopan and Fish, 2007) and a strong relationship between building local skills and localisation of management positions which need more involvement

from the policy makers, private sectors, civil sectors and local communities to create a long term plan in order to develop local competence (Karuri-Sebina and Rosenzweig, 2012; Swailes, Al Said and Al Fahdi, 2012). In the hospitality studies area, a few sources mentioned that the development of local employees in developing countries is problematic because there are many factors involved; such as human resources, institutional factors, economic factors and religious factors (Shakeela, Ruhanen and Breakey, 2011). Specifically education institutions have to increase the quality of the lecturers in order to produce potential local managers in the subsidiaries (Vo, 2009).

When this framework was reviewed, I noticed that there were similarities of perception between those upholding the pro expatriate position (bottom right) and those upholding the contra local position (top right), depending what arguments came first. A link across the diagonal pro expatriate position (bottom right) and contra local position (top right), (and like wise for pro local and contra expatriate) identifies corresponding aspects. For example, certain aspects of the pro expatriate arguments are underpinned by perceptions of what is the local situation. Equally, some arguments for the contra expatriate position come in fact from expatriates.

- Lack of recognition of local manager

The local managers feel that their abilities to lead subsidiaries are not fully recognised by the IHCs. This opinion emerges among local managers because they do not see or experience the progress towards their professional development in the IHCs. The complexity of choosing a leader among locals can be hard for the IHC subsidiaries due to insufficient skills and knowledge of local managers.

#### 7.4 The challenges of MNC/IHCs face in preparing expatriates for their Indonesian assignment (contra expatriate/bottom left)

The findings from this study suggest MNCs/IHCs do not prepare their expatriate managers with proper cross-cultural training before taking up their assignments. This is evident by cases, where expatriate managers experience problems alike during their assignments in Jakarta, Indonesia. Evidence from local and expatriate managers indicated that the international hotel industry in Indonesia does not provide adequate pre-departure training for expatriate managers. It also appears that expatriate managers are given the minimum time to prepare for their assignment from one country to another.

There were several examples where both local and expatriate managers have found it challenging to cooperate with each other in working situations. Several studies that examine cross-cultural awareness within social business studies have specifically comment on the importance of cultural awareness to creating a better working environment within MNCs (Suutari and Brewster, 1998; Suutari, 2002; Varma et al., 2012; Ang, 2013; Huff, 2013; Wafler and Swierczek, 2013; Bhatti et al., 2014; Van Bakel, Gerritsen and Van Oudenhoven, 2014; Prayag and Ryan, 2012; Mihaela, Branka and Matjaž, 2014). This awareness ranges from the knowledge of the host country culture, to speaking the local language, building mutually trusting relationships and facilitating healthy interactions between local managers and expatriates (Van Bakel, Gerritsen and Van Oudenhoven, 2014). Issues related to cross-cultural or cultural understandings turn out to be amongst the most important reasons why expatriates might find it difficult to work in Jakarta, Indonesia. This is lack of awareness and preparation of expatriate managers can cost them their jobs (Ang, 2013). It can also be a cause of disappointment for local managers, who hope to help their expatriate colleagues develop a degree of local cultural awareness. There are related arguments here which link to

my main argument as to “The challenges of MNC/IHCs face in preparing expatriates for their Indonesian assignment”. These linked arguments are explored in more detailed below.

- The importance of pre-departure training in bridging cross-cultural challenges in Indonesia’s hotel industry.

The results show that few companies have attempted to offer any significant cultural training specifically relevant to Indonesia. There is limited evidence of pre-departure training offered by companies though there is a view by expatriates and locals that such training would be useful. However, in the cases where training is offered during the assignment the expatriates did not participate effectively. This may happen because expatriates feel that once they are on placement, their focus should be on operations not necessarily more training, even though this training might improve their performance.

It may also be that where training is offered during an assignment by local managers as identified in my findings, expatriates are not inclined to participate because it has not been sanctioned by their corporate employers and therefore is deemed of little value to them. Even so, such training modules have been prepared to bridge the gap between local and expatriate customs, because it has often been observed that expatriates find it quite difficult to manage international hotel operations and local employees in ways which are supportive of local customs. Classes such as the “Introduction to Indonesian Culture” were therefore considered by human resources department in the hotel a necessity to help expatriate managers face challenges within the work place. In the long run, with or without training, locals expect expatriate managers to have the know-how on how to motivate local people, the knowledge of local people’s background and how their lives could be more meaningful in the work place. These are all important elements in building good relationships between expatriates

and locals (Ang, 2013). The study by Kraimer et al. (2009) highlights instances of expatriates opting to ignore the chance of pre-posting cross-cultural training, in the expectation that they would develop these skills on the job in their future posting. It appears that enhancing their generic managerial skills was considered more important than acquiring specific cross-cultural skills (Kraimer, Shaffer and Bolino, 2009). Whilst understanding the importance of embedding an international identity into their managerial skills, some expatriates appeared to wait and take on cross-cultural learning only when needed for their next assignment. Indeed, few of the findings indicate that there is insufficient pre-departure training and that unless there is corporate backing during assignment, the training may have little engagement.

This cross-cultural training is argued as most usefully delivered over three periods of time: pre-departure, on arrival and during the assignment (Hsiu-Ching and Mu-Li, 2011; Smart, Elkin and Cathro, 2012). However, some studies note that for cross cultural purposes, pre-departure training is strongly advised for expatriates (Causin, Ayoun and Moreo, 2011; Selmer, 2010; Puck, Kittler and Wright, 2008; Zhang and Bright, 2012) but that they will also benefit from training throughout the duration of their international assignments within foreign subsidiaries (AlMazrouei and Pech, 2014; Okpara and Kabongo, 2011; Wurtz, 2014; Wang and Tran, 2012). Although some of these studies were conducted within general business studies rather than hospitality Causin, Ayoun and Moreo (2011) based their research within the hospitality industry. The findings here indicate very strongly that expatriate manager pre-departure training on local cultural and hospitality knowledge is essential both prior to and during their international assignment. After all, it has been argued that pre-departure training for expatriates will improve their performance and develop better relationships with locals (Bhatti et al., 2014).

Expatriates having “not enough competencies” is quite surprising because I did not think that this situation would be a problem because most of the literature argues that expatriate managers are sent to subsidiaries due to their superior strategic skills and knowledge (Bharwani and Jauhari, 2013). None-the-less, there is evidence from the study that many expatriate managers may be less competent than expected compared to local managers.

Although not true for all expatriate managers, the insight appears to be valid for many expatriates and is further justified where some expatriates experience difficulties in adjusting to the new working environment of Jakarta. There was a belief that expatriates embarking on their assignments to Jakarta may have been persuaded by their recruiters that the work would be straightforward and the cultural challenges downplayed (Ang, 2013). Instead, it appears often to be the case that appointed expatriates are surprised by the demanding nature of their work and the cultural complexity of the working environment.

The findings also indicate that expatriates may initially feel more skilled than local managers, justifying their skills for the new job as adequate but not particularly demanding. The observations from the local and expatriate managerial participants was that such managers would start with a high degree of confidence at the beginning of their assignment, but flounder under the high level of pressure and eventually lose motivation and commitment. Mahajan and Toh (2014) suggest that expatriate managers can find assistance from their local manager if they are facing problems in performing their assignment (Mahajan and Toh, 2014), but much of the research from the organisational perspective suggests MNC/IHCs expect expatriates to be able to lead the subsidiaries and transfer their knowledge to the locals (Ang, 2013; Causin and Ayoun, 2011) rather than seek their support. There was clearly

evidence in this study of a disconnection between local and expatriate managers so that the support offered by local managerial colleagues was not sought or recognised by expatriates.

Thus it would appear that the strengths and weaknesses of both local and expatriate managers need to be recognised in international organisations in order that particular competencies may be developed across all managers within the IHC according to their background and need.

There appears to be much more than organisations could do so that local and expatriate managers can develop certain competencies in common, such as: open mindedness, and benefit from socialising inside and outside the work environment learning from each others culture (Van Bakel, Gerritsen and Van Oudenhoven, 2014; Varma et al., 2012).

The “compensation gaps between expatriates and local managers”, refers to an identified issue where there are large compensation differences perceived between expatriates and locals. This evidence from my findings is echoed in both general and hospitality studies (Warneke and Schneider, 2011; Leung, Wang and Hon, 2011) which suggest, similar to this study, that compensation gaps can give rise to a feeling of wariness on the part of local managers towards expatriate managers (Warneke and Schneider, 2011; Leung, Wang and Hon, 2011). Various types of identified compensation gaps emerged from the findings, such as salary but also fringe benefits such as accomodation, transportation with a driver, health, dental treatment and family welfare (spouse’s job and children’s education). The perceptions of local managers were that the gap in compensation between local and expatriate managers was extensive, even though local managers might have as many or more job responsibilities. Without the compensation reflecting these accountabilities a feeling of “jealousy” might well arise between managers (Leung, Wang and Hon, 2011).

Similarities between the findings and the original framework (Contra expatriate/bottom left) included the following:

- Lack of pre-departure training contributes to failed assignment

This sub-section comes up with the findings section 7.4 which indicate that expatriates may face challenges of their job in international hotel industry. The topics related with pre-departure training were found overlaps in the literature in the generic, hospitality studies and my findings.

- IHC recruits expatriates with limited competencies and skills

Another aspect of the key findings was that expatriates with insufficient competencies and skills appeared to be recruited by the IHC. This topic is mentioned both in the generic and hospitality studies though the emphasis there tends to be on the limited availability of qualified expatriates (Harris and Brewster, 1999; Collings, Scullion and Morley, 2007; Ando and Endo, 2013) and not sufficient numbers of expatriates with competencies and management skills (Ando and Endo, 2013; Collings, Scullion and Dowling, 2009). However, in international hotel brands, despite the possibility of a limited supply of suitably competent expatriates the hotel industry is still selecting expatriate managers as the leaders of their subsidiaries. This suggests that either expatriates still offer better competencies than local managers (Pavia, Stipanovic and Floricic, 2013) or that the reasons expatriates get selected is not to do with their competence but with issue of control and trust and the preferences of hotel owners, guests and other staff. These later arguments appear to be justified by the points identified in sections 7.2.1 and 7.2.2 regarding the legacy of colonisation and the preferences of wider stakeholders in the international hotel industry in Jakarta, Indonesia.



- Compensation gaps with host country managers

Salary and fringe benefits differences between expatriate and local manager is one of topics discussed in the original and revised framework. These studies are similar from the one aspect of the findings where also indicate that compensation gaps in terms of salary and benefits were discussed within the participants on the section 7.4.

In additions the findings identified:

- (Caucasian) expatriates have limited learning curve in Asia

This aspect of the findings was not found in the literature either generic and hospitality studies. Evidence from the data mentioned that there are some cases that Caucasian expatriates might have thought that they can get privileges because of their origin and background from Western countries in terms of job security and position in the IHC. These managers did not realise how demanding the job in IHC within Asian region is.

#### 7.5 The development potential of the hotel industry in Jakarta, Indonesia (Pro local/top left)

A strong feature of the findings was that participants reflected upon the development opportunities of the hotel industry in Jakarta, Indonesia as part of their discussion of their experiences of expatriation and localisation. The robustness of the hospitality and tourism sector's development is due to the response from multiple international hotel brands to recognise the potential of the Asian region market as well as growing confidence expressed by local entrepreneurs. This is down to the international hotel industry taking notice of the fact that Indonesia is one of the most attractive tourist destinations in the market to place their investment within South East Asia ('INDONESIA,' 2014) and also near market saturation becoming evident elsewhere. Many international hotel brands initially identified other parts of Asia as their main emerging market not so long ago, namely India and China. However,

other countries in the wider Asian region have now been identified as alternative new markets for hotel investment (Lasalle, 2014).

Tourism in Indonesia recognises its traditional history of arts and crafts from various ethnic cultures and consider them as appealing to international and domestic tourists (Purwomarwanto and Ramachandran, 2015). The uniqueness of culture and historical monuments has become a part of the pivotal attraction for Indonesia's tourism (Sugiyarto, Blake and Sinclair, 2003; Wrangham, 1999). There are sub-arguments which link with my main argument of "The development potential of the hotel industry in Jakarta, Indonesia". These sub-arguments are displayed below.

#### 7.5.1 The situation of Indonesian tourism infrastructure

Despite this uniqueness, there has been little thought given to tourism infrastructure in Indonesia (Muazir and Hsieh, 2014). The question is as to how much the current infrastructure, in particular in terms of labour market development, needs to be developed to ensure local urban areas can manage as more tourists come into the country (Purwomarwanto and Ramachandran, 2015). The findings offer evidence into the uneven development of an appropriate infrastructure in all tourism areas of Indonesia. Holiday destinations such as Bali, Jakarta, Surabaya and Lombok appear to achieve more attention from the government than rural areas (Ayeni, 2013). This tourism infrastructure development needs to be facilitated to grow and become consistent, there is pressure on the Indonesian government to ensure an image of relative political stability, without which investors would be reluctant to proceed. That is, in order to ensure continued growth in the industry, there would need to be assurance that investments would develop in healthy and secure conditions (Purwomarwanto and Ramachandran, 2015). That this may be difficult in the current climate is reflected in Pisani's

view (2014) that the many changes to Indonesian politics over recent decades has led to considerable fluctuation in the rate of tourism development (Pisani, 2014). A recent development in Indonesian politics makes this a timely issue. In 2014, Indonesia elected a new president, Joko Widodo. He was declared to be the first leader having no connections to previous controversial regimes as those under Soekarno and Soeharto (Beech, 2014). President Joko Widodo has innovatively arranged that the Ministry of Tourism is to report directly to him.

#### 7.5.2 The importance of local hospitality uniqueness

Reviewing and reflecting upon the two key frameworks displayed on page 223, it is clear that there are key differences between the pro-local (top left) original framework and the revised one. Local hospitality uniqueness is one of the themes discussed within hospitality studies both from the original and revised framework, but not within general studies. This is possible because local uniqueness in general business studies might not be as important as within hospitality and tourism studies. This may be because local hospitality uniqueness is viewed as the pivotal instrument to promote and develop local business in tourism (Ajagunna and Crick, 2014; Prayag and Ryan, 2012; Zhu, 2012) as evident in one of the participants's hotels which promoted Indonesian arts as the "niche" to attract domestic and international tourists.

Sufficient orientation and highlighting of this local uniqueness has posed a challenge in certain international organisations which promote the combination of global services with authentic local elements (Abdul-Aziz and Wong, 2011; Amine and Khan, 2014; Maria Alejandra and Juan Fernando, 2014). For example: Abdul-Aziz and Wong's (2011) study mentioned how important it was to know the local network before expanding their

construction business overseas. Hospitality studies such as (Liu et al., 2014; Prayag and Ryan, 2012), specifically mention the importance of local authenticity and nationality to promote a region to international tourists. This promotion of local arts has proved to be fruitful because local and foreign guests are very attracted to stay in that particular authentically local hotel. This is echoed by the studies of other authors (Liu et al, 2014; Updhyay and Sharma, 2014; Joy and Cai, 2010) who state that local hospitality uniqueness can empower local business development to enrich the hospitality and tourism industry within its local community.

Regarding the employment of local managers, this particular hotel also wants to show “the originality” of its local products by employing only local managers emphasising local human assets alongside local artefacts within a hospitality and tourism industry operation (Joy and Cai, 2010; Swailes, Al Said and Al Fahdi, 2012). This can support the idea of localisation of human resources as well as tourism experiences in Indonesia. However, the participants’ insights also produced some evidence to suggest that localisation progresses slowly so that solutions are needed to expedite and improve the situation for local managers eager to succeed and overcome the challenges of realising further localisation.

### 7.5.3 The Indonesia Government’s commitment to localisation within the hotel industry

Localisation does not appear to have been extensively researched in hospitality and tourism studies due to the complexity of global skills required by international hotel brands, therefore it would be difficult to immediately use local talent only as managers within this industry (King and So, 2015; Chang and Ma, 2015). Reiche (2007) suggests that MNCs may need to have better ways of recognising the capabilities of local managers within their subsidiaries. This may be achieved by identifying the value of in-patriation experiences and offering

opportunities for applying this human resource development tactic in Indonesia, as part of a coherent plan for localisation and the employment of local managers in senior IHC subsidiary positions (Wang et al., 2014; Tian, Harvey and Slocum, 2014).

Most study participants commented on their perceptions of the current general strengths and weaknesses amongst local managers. One of the strengths to stand out from the findings was the ability and willingness of local managers to share knowledge and experience with other local managers. While expatriate managers are expected to transfer their knowledge across subsidiaries (Minbaeva, 2007) at times the medium of communication is less effective than hoped. (Chang and Smale, 2013) have argued that the absorptive capacity of such knowledge transfer is often so much easier when conducted by local managers rather than expatriates. Thus although it appears that the expectations of local managers are normally very high with regard to their expatriate leaders, who are anticipated to be as ready as the locals in preparing and developing local talent for the future of the countries' hospitality industry, in reality a certain degree of cynicism prevails. In the findings this was expressed as many local manager participants feeling they were the 'real' coaches and leaders within the industry. They suggested that there was already adequate distribution of skills and training at the local level. However, this was less true of international experience and expertise in that the shortfall; the balance of global and local skills for local managers is crucial to manage IHC subsidiaries (Pilz and Li, 2014).

A positive interpretation was suggested by an expatriate manager, who said that localisation in Indonesia was just a matter of time, and that the days of expatriates were numbered. This individual thought there would be no need in the distant future for local managers to prove themselves as they were capable of leading MNC subsidiaries, because they would have

evolved their own comfortable way of matching their management style to local values and cultures. Local managers familiarity with the local market would also be a huge advantage in setting up the best strategies in the development of local talent in the tourism industry (Doherty, Klenert and Manfredi, 2007). On the other hand, a major weakness identified by other participants was that local managers experienced so few opportunities to obtain international exposure themselves, although this was essential to improve their prospects and develop them to an advanced level.

Similarities between the findings and the original framework (Pro local/top left) included the following:

- Local managers have advantages in terms of building the local business development

One of the aspect of findings which have mentioned in original framework from the literature (both generic and hospitality studies) and my findings is local business development. This topic is discussed in section 7.5.2 with emphasise the advantage of local managers in bolstering the image of their local tourist destination.

- Strong hotel development benefits locals' career development

This topic is mentioned in the literature of the original framework (both generic and hospitality studies) and my findings. The findings indicate that the selection of local managers is supported by the robustness of hotel development in the country which might give a positive future to their profesional career development. This topic regarding the potential development of hotel industry is discussed in section 7.5.

- Local managers offer authentic hospitality culture experience

This topic is only discussed in the findings and the hospitality studies, but not in generic studies. On the other hand, the findings suggest that local manager knows their way doing things in their own home than expatriate because their knowledge of their own market can give their own distinctive feature. This topic is related with section 7.5.2 which discusses about how authentic local culture can enrich the local business development.

- Government wants localisation within the hotel industry

This topic overlaps with the generic studies topic of localisation and my findings, but is not mentioned at all in hospitality studies. The findings reveal that there is a huge expectation of government becoming involved in the project of developing local managers (section 7.5.3).

In addition the findings identified:

- Indonesia becoming the focus for IHC investment

This topic is not in the original framework either in generic or hospitality studies but it is a reference to forecast and growth from practitioner and hotel investor discussed about (Investment, 2015; Indonesia, 2012a). This comes from the data where emphasise how much investors are looking at Indonesia to invest their capital to hospitality and tourism industry.

#### 7.6. Constraints on the relationship between expatriates and local managers in the hospitality industry in Indonesia

The findings reveal that there is a tension in the selection of expatriate versus local managers in IHC's subsidiaries. One of the key aspects of the expatriate and local manager dilemma is

to balance the need for global products and services, to ensure consistency of quality and experience, with the demand for an authentic (hospitality) service experience which is personalised rather than anodyne and bland (Prayag and Ryan, 2012). In terms of hotel service types, the participants mentioned that the IHCs identify the state of the art equipment and luxurious facilities as a means of competition between various types of international hotel brands. However, at the end of the day, the distinctiveness of the local service culture is to engage and reflect the uniqueness of the authentic “local way” to the international public (Ajagunna and Crick, 2014).

There appear to be many assumptions implicit in the appointment of expatriate managers to key subsidiary roles. For example it is assumed that an expatriate appointee will be safe, stable, trusted, cloned, qualified and experienced (in Western service brands)(Oltra, Bonache and Brewster, 2013) and that recruiting an expatriate rather than a local manager bestows more prestige on the hotel and its owners (Gannon et al., 2015; Turner and Guilding, 2010). The sense of prestige among IHCs in employing expatriates within their subsidiaries almost inevitably has a demotivating effect on local managers looking to progress their careers into senior management (Minkiewicz et al., 2011). There is also a challenge to such assumptions as selecting an expatriate as the main leader of an IHC subsidiary may not be the quick fix and instead may be risky in the short term and costly in the long term.

In the initial expansion of IHCs the rationale of expatriation was that such managers fill key positions in subsidiaries as a means of ensuring that each new branch would be a successful and aligned operation alongside other subsidiaries (Gailbraith and Edstrom, 1976; Tung, 1979), and that control and communication across subsidiaries would be monitored and organised (Harzing, 2001; 2011). In this, as Boh, Nguyen and Xu (2013) have pointed out, the IHC would see it as a priority to send out their expertise via the expatriate assignments as



a means of ensuring that the necessary skills would be available for producing and delivering high quality services to international and local customers, as well as investors.

Correspondingly, insufficient competencies amongst local managers would require an expatriate leader in subsidiaries (Al-Waqfi and Forstenlechner, 2010; Kohont and Webster, 2014; Wang et al., 2014; Mazrouei and Pech, 2015). However, at the same time, expatriates would be under pressure to consistently engaging in knowledge transfer to local managers in order to ensure the operation would run smoothly according to the corporate standard (Dickmann et al., 2008; Cerdinand Le Pargneux, 2009; Martins, 2013) and also to secure the individual identity of each subsidiary (Dickmann, 2012; Dickmann, 2008, Yurkiewicz and Rosen, 1995; Tung, 1998;, Harvey, 1995, Black, Gregersen and Mendenhall, 1992).

On the other hand, this initial setup is now seen by some to be changing. Stahl, Mendenhall and Oddou (2012) for instance, have suggested that localisation is seen as the next step of internationalisation, that is that the host country could provide the MNC's managerial labour resources. From this perspective the expatriate is envisaged as giving way to local managers in senior management positions (Al-Asfour and Khan, 2014) because locals will be able to demonstrate the key capabilities such as global skills and the knowledge to operate international subsidiaries (Scullion and Collings, 2006).

It is difficult to discern whether localisation is yet to become the best choice for MNCs facing the challenges of internationalisation (Thite, Budhwar and Wilkinson, 2014; Khurshid, 2014; Schapper et al., 2013; Chung, Sparrow and Bozkurt, 2014). If it is to become so, it has been suggested that localisation would of necessity involve all stakeholders such as government, senior management and private organisations (Karuri-Sebina and Rosenzweig, 2012; Swailes et al., 2012), ready to engage in a long term planning and implementation process. This kind

of localisation would emphasise increases in local recruitment, the improvement and standardisation of local education systems and the integration of labour skills across the labour market.

It is also useful to consider the issues mentioned in the literature which the study did not come across:

- Pre-departure training means better commitment

This aspect of findings from the literature was found when pre-departure training was reviewed in early stages of the study. This does not come up in the revised framework because this may not be applicable for the study, and expatriate commitment was not discussed at all during data collections.

- Globalisation/Internationalisation

While globalisation was not directly mentioned by participants, there was recognition of the growing influence of the international business and how more attention was being directed at Indonesia only now after other parts of the Asian region had begun to reach levels of maturity in economic development. On the other hand, issue of globalisation/internationalisation is discussed in the literature as the the based of the beginning of MNCs decided to go outside their home country by looking at different approaches to recognise the characteristic to globalise their businesses (Permuter, 1969; Heenan and Permuter, 1979).

- Broaden talent pool to increase international orientation

The need to broaden the talent pool to increase international orientation was not mentioned directly by participants but they did recognise that the hotel industry was evolving in terms of growing penetration by international operators alongside the growth of more sophisticated

offerings by local operators. There was a sense that these development would have an impact on the demand for human resources. It could be that Indonesia is at such an early stage industry development that IHCs are not at a stage where a geocentric orientation can be considered for the industry in Indonesia yet. Along the same line, several studies found that globalisation is suggested to use the geocentrism approach to widen their talent pool within the subsidiaries (Caligiuri and Stroh, 1995; Muratbekova-Touron, 2008) because in order to survived in globalised business environment, a MNC has to adjust their organisational approach accordingly. In hospitality studies, Raybould and Wilkins (2005) suggested that MNCs have to expand their recruitment pool globally if they want to boost their competitiveness and sustainability, because global managers is far more qualified than local managers (Pavia, Stipanovic and Floricic, 2013).

- Status being having a family and children

This view of the status being having family and children is discussed in the original framework but not in the revised version. This part is not discussed in the study maybe because the focus of the experiences of expatriate and local manager was not specifically derived from their family. However, there are some generic literatures which studies about the family well-being can be the one of factors of expatriate adjustment during their assignment (Haslberger and Brewster, 2008; Haslberger and Brewster, 2009; Palthe, 2008)

- Lack of assurance for future career after international assignment (repatriation)

This topic is found in the generic studies only, but do not find in any hospitality studies and my study. This was not discussed at all because it does not have a direct relation with the expatriate and local managers experiences during their assignment. However, some generic literatures (Dickmann, 2008; Cerdin and Le Pargneux; Martins, 2013) mentioned about how

repatriation can be a motivating factors for expatriate in pursuing expatriation in MNC' subsidiaries so they can get promotion after finishing their placement.

### 7.7 Chapter Summary

This chapter discusses key findings and in regard to the experiences of expatriation and localisation of managerial development and deployment in the international hotel industry of Jakarta, Indonesia. The conceptual framework from the literature review of Chapter Two is revisited and revised. The revised framework retains a four-box classification of contra local, pro expatriate, contra expatriate and pro local positions. The first box, contra local (top right) presents two additional issues: first, that of colonisation which affects the understanding of the concept of the leader in a business environment and secondly, the loss from the industry of local managers who perceive the limited numbers of higher positions being monopolised by expatriates, and so seek a better job elsewhere (i.e local hotel company).

In the second box, the pro expatriate (bottom right), one additional issue has been identified in regard to local guest and employee expectations and preferences for dealing/working with Western/Caucasian managers rather than a local manager. Then in the top left of the pro local position, two additional issues have been identified. Firstly, there appears to be a certain degree of cynicism on the part of local manager participants, who felt they were the 'real' coaches and leaders within the industry and second, the question as to whether localisation has been sufficiently researched in hospitality and tourism studies. The conclusions to the study will be outlined in the next chapter with discussions regarding future studies, recommendations and the study's limitations.

## CHAPTER VIII: CONCLUSIONS

### 8.1 Introduction

This chapter provides the conclusion to the study. It begins by explaining the achievements drawn from the study, its aim and objectives and continues with an outline of how the research has contributed to existing knowledge. The outline is divided into theoretical and practical contributions. Thereafter, recommendations arising from the study are discussed as well as the limitations of the study. It finally, concludes with personal reflections from myself as researcher and the whole of the PhD journey.

### 8.2 Achievement of the aim and objectives:

As stated, the primary aim of the study is:

*To investigate the experience of expatriation and localisation within the international hotel industry of Indonesia*

In order to achieve the aim of study, the objectives are identified and detailed below:

**Objective 1:** ‘to evaluate and integrate generic and hospitality-based international human resources management literature on managing expatriate and host country managers’. This objective was covered in detail in Chapter 2 through exploring the issues and practices related to the deployment of expatriate and local managers in general business and also in the hospitality industry. Initial concepts such as the description of expatriate and host country nationals, of business institutions, within general business industries were investigated and discussed (Galbraith and Edstrom, 1976; Tung, 1979). This included theories of expatriation (staffing policies: PCN, TCN and HCN; duration of the assignment: long term and short term; management development: repatriation, and inpatriation) This discussion presented a possible rationale in the decision-making process by multi-national corporations (MNCs) in deploying expatriates, rather than locals, as senior managers in their international subsidiaries

with their roles as the key actors for coordination, control and communication between the headquarters and international subsidiaries (Harzing, 2011).

Subsequently, a range of challenges such as the compensation gap, issues of local adaptation/adjustment, employee commitment, cross-cultural challenges etc) were discussed and weighed up in the rationale behind employing expatriates over local managers within MNC subsidiaries (Lenartowicz and Johnson, 2007; Suutari et al., 2013; Bhatti et al., 2014). Potential types of knowledge transfer (i.e. value of knowledge, motivational distribution etc) between expatriates and local talent were reviewed, as well as issues relating to the dissemination and absorption factors of knowledge transfer as being relevant to the potential localisation of MNC subsidiaries. A final contextual section is included in chapter 3, presenting information regarding Jakarta as the city, and Indonesia as the country in which the study was located. This section also includes a review of general business studies related specifically to Indonesia, although as mentioned, the academic research pertaining specifically to hospitality and tourism in Indonesia is still in its infancy.

**Objective 2:** ‘to develop a framework focusing on the use of expatriates and local managers in general business, as well as in the hotel industry’. In order to develop this framework a range of studies were identified regarding the reasons for and against why MNCs employ expatriates within their subsidiaries. The focus of such studies was divided into four positions or perspectives, to include pro expatriate, contra expatriate, pro local and contra local. Each quadrant addressed specific topics related to MNC preferences when hiring subsidiary managers based upon empirical literature from the generic IHRM literature as well as the international hotel and tourism management literature. Certain gaps became evident,

displaying the current divergence between general business studies and those related to hospitality and tourism management.

**Objective 3**, 'to investigate the international hotel industry in Jakarta, Indonesia and explore managers' experience of expatriation and localisation'. The methodology selected for this study and the research philosophy influencing this choice was described in Chapter 4 (Slevitch, 2011a). This chapter also explains the chronology of methods chosen for this study, to include identification of research philosophy by adopting an interpretivist paradigm as expected to relation with my own experiences of expatriation and localisation in the international hotel industry in Jakarta (Creswell, 2013). The research approach and strategy chosen also discussed for this study. In order to collect the necessary data, multiple data collections interventions were conducted within Indonesia for several months (early February 2014 to late April 2014). This was important because interpretive paradigm give permission to focus more on subjective meanings that people attach to their experiences rather than on facts surrounding those experiences (Creswell, 2014). Therefore, primary data collection was conducted that included semi-structured interviews from 19 participants. The participants interviewed were classified into the roles of actors across four dimensions, to include expatriate managers, local managers, regional executives and policy makers (Silverman, 2006) and they held various positions within their respective places of work such as: general manager, director of rooms, director of housekeeping, sales manager, director of operations and others. The length of the interviews were varied between 1,5 hours to 3,5 hours. Document analysis and field observation were obtained as supportive or supplementary data. Document analysis was gathered from mostly public domain such as: internet (government website, online newspaper and hotel literature) and Indonesian Bureau of Statistics (i.e data information about international and domestic arrivals, number of classification hotels in

Jakarta and others). Subsequently, field observation was also conducted to complement this study. Some of the observations have noted at the same time with the interview such as: the participants' emotion, responses to certain questions, context or comments, along with their office settings and action/interactions within these surroundings. The initial data analysis, deploying Nvivo software is explained in Chapter 4. Multiple data collection provided reliable data information from sources such as semi-structured interviews, internal and external document analysis and field observations(White and Drew, 2011).

**Objective 4**, 'to examine the contextual factors shaping experiences of expatriation and localisation within the international hotel industry in Jakarta, Indonesia'. In order to reach this objective, the findings from chapter 5 and 6 were used to explore the contextual factors of my participants and then to develop these through the original framework devised from the literature in chapter 2 and 3.

Chapter 7 discusses the findings in relation to the four quadrants of the revised and original frameworks. I was able to identify five main areas where my research extends the existing knowledge on expatriation and localisation, as well as to identify where my study substantiates the existing literature. The first finding is taken from data gathered from pro expatriate observations (bottom right); this indicates that "the ideal leader in IHC in Jakarta, Indonesia is rendered to be a Western/Caucasian expatriate". The focus is to explain why the Caucasian expatriate may become the ideal leader, not only for foreign guests but also for local guests, local employees and local managers. The second finding represents data gathered from contra local observations, summed up by the question (top right) "why is the international hotel industry job are offering limited advancement opportunities for local managers?". This spotlights how local managers see their jobs within the hospitality industry as a limited prospect with little to no future for career development. The third finding represents the



contra expatriate attitude (bottom left) summed up as “the challenges of MNC/IHCs face in preparing the expatriate for their Indonesian assignments”. This reviews how the MNC/IHC are negligent in failing to provide pre-departure training on cross-cultural issues which expatriate managers may encounter on assignment. The fourth finding represents the pro local position (top left), which lays out the argument about “the development potential of the hotel industry in Jakarta, Indonesia”. This finding discusses the robustness of hotel industry development in Jakarta, Indonesia, despite the limited human resources. The final finding shows of how much pressure about the involvement of MNC to select between expatriate and local manager for MNC’s subsidiaries in the sub-section of “Constraints on the relationship between expatriates and local managers in the hospitality industry in Indonesia”.

The participant experiences and insights are presented in regard to management selection practices within the international hotel industry of Indonesia. The discussion focuses on the limitations of infrastructure resources in manager development and deployment within Indonesian tourism, identifying issues such as: lack of quality education, unskilled man power, limited management competencies, lack of specific hotel industry related skills and shifting government involvement in setting up tourism policy. This chapter continues with consideration toward the effectiveness of expatriate employment in deploying and developing local managers within MNCs subsidiaries, together with the role of company image. Finally, the cross-cultural interaction between expatriate managers and host country managers is considered. It is argued that this is often neglected within the working environment despite it being a crucial element in allowing MNCs to reach their subsidiary goals

Lastly, **Objective 5**, ‘to contribute to academic and practitioner communities in Indonesia and other Asian countries, any new knowledge on human resources policies which involve

the development and deployment of expatriates and local managers. The contributions of this research study are presented in the next section of this chapter.

### 8.3 Contributions to knowledge

As mentioned at the beginning of this chapter, the aim of the study is to investigate the experiences of local and expatriate managers in relation to expatriation and localisation within the international hotel industry of Indonesia. The research has sought to provide an understanding of how and why expatriate managers and host country (local) managers are employed by subsidiaries and to explore the specific tasks for which they have been selected within the international hotel industry. Therefore, the contributions to knowledge are relevant for both the academic and practitioner communities of Indonesia and other Asian countries. They also place the focus on human resources policies and practices in regard to the development and deployment of expatriates and local managers. The contribution of knowledge from this research is divided into two parts: theoretical and practical.

#### 8.3.1. Theoretical contribution

a. Colonisation affects the understanding of the concept in regard to a leader in business environment

This study contributes to the existing knowledge by identifying how the legacy of colonisation seemed to compound some of the existing reasons why expatriate managers are deployed in subsidiaries rather than local managers. The connection between IHC corporate image and ownership and IHC recruitment policy, particularly that of selecting subsidiary leaders. If one accepts the rationale for using expatriates as suggested by Galbraith and Edstrom (1976), Tung (1979), Scullion (1994), Harris and Brewster (1999) and that of Harzing's (2001) argument in regard to the utilisation of expatriation as the best means in

controlling communication between MNCs and subsidiaries, then this would reflect on the findings of this study. This study agrees with the points of the rationale of expatriation within the subsidiaries but the indication of the case of international hotel industry in Jakarta, Indonesia prior colonisation seems to have shaped various stakeholders views of locals as managers. Evidence from participant interviews is clear in that hotel companies, regardless of their status as international brands or as local hotel companies, are in a race to ensure that their properties fulfil their global goals (Minkiewicz, 2011). They see that the main way to achieve this is to have global managers (Domiguez, 2011).

However, it is also clear that companies and hotel owners still need to prioritise the identity of their brand in choosing the most appropriate candidates for high managerial posts. After all, the manager represents “the face of the company”. Without a powerful face, the identity of the brand risks being degraded in the eyes of the stakeholders. The selection of the “who” in leading subsidiaries is becoming more important and decisive. The preference of leaders are still held by the hotel owners who have much to say in the decision making (Guiding, 2006). The reasons for these arguments linking expatriate preference to colonisation are so far not found in the literature. This perception of the Western-Caucasian expatriate as the almost ideal or default leader in Indonesian IHC’s is interestingly not part of the literature review framework around the pro-expatriate position (bottom right). In trying to understand why there is an overall preference for Caucasian expatriates in the Indonesian IHC. The colonisation theme is investigated because it was frequently mentioned in the discussions as the possibility as to why expatriate managers are still favoured in leading MNC subsidiaries. This may come down to the many background differences between ethnic cultures such as: ethnic groups, multiple religions and the variety of norms and rules, which can bring more complexity when it comes to the choice of leaders. Subsequently, the evidence of this has so

far been surprising, recognising that the legacy of colonisation still affects the way of people live.

In order to determine that all stakeholders receive standardised applications, such IHCs will do their utmost to provide managers who produce the most unforgettable first impressions to their customers. As well as first impressions, the perception by customers of the IHC would rest heavily on their perception of the corporate image of the company, in turn upheld by the quality of its services (Tran et al., 2015). In terms of subsidiaries, the same would apply; the IHC would have to ensure that each subsidiary is managed by individuals that fit their criteria in bringing forward the corporate image of the company. Whether this person is informed more by the mission of the company to internationalise their brand, or more by their need for insight into local cultures, the most important priority is given to the protection of their brand.

b. The local employees and hotel guests (foreign and domestic) have preference to deal/work with Caucasian managers.

The priority given by IHCs to maintain their brand in the international hotel industry has been seen to have a certain domino effect. Firstly, it appears to lead to fewer local managers in senior positions within subsidiaries. The idea of Caucasians possessing a 'superior status' is found to be held by both foreign and local hotel guests and staff. The deep-seated belief in relative national status was manifest in the attitudes towards service by hotel guests, in the fact that they preferred to be served, and their affairs handled by, Caucasian expatriates.

Sadly, this appeared true, not only of foreign hotel guests but also of local Indonesian guests.

It is uncommon for local IHC subsidiary guests to have a local manager because the international hotel image appears to be better sustained by the presence of an expatriate manager.

This may be an individual who is trusted more due to their personal characteristics rather than their abilities. Such characteristics may include a desirable country of origin, physical attributes (tall, Caucasian, good looking etc), having an interesting accent and presenting good charisma (Sirgy and Su, 2000). So there is a perception that more locals could and should be managers but then a conflicting set of preferences by key stakeholders that expatriates should be senior managers in the hotels of IHCs in Indonesia. Secondly, it appears that foreign guests have expectations that staying at IHC properties will mean they have access to international managers who will understand them which offers greater possibilities in communicating coherently either in their own native language or in English. This is in contrast to foreign guest expectations of local managers; guests may feel less confident of a good service because of potential language barriers or deficiencies (inability to use other languages), unfamiliar background (country of origin), uncertain emotional connections (empathy toward others) and expectation of customs (cross cultural distance). Thirdly, it has long been an established view that local managers should look to expatriates to emulate the image of 'how a leader is supposed to be' by local employees. That is, even local managers themselves are in doubt as to whether locals are ready to have locals as their leader.

Obviously such views can affect the future of local manager development in Jakarta, Indonesia, in that local managers, all too aware of the three views expressed here. Local managers may have doubt for their progress in their professional career development in the hotel industry and they may feel constrained to move to a different industry to ensure their work and life balance is fulfilled.

c. Local managers often perceive their jobs have limited professional development in the international hotel industry.

This perception from local managers due to the limitation to progress on their career development can lead to feelings of uncertainty and vulnerability. Such ‘demotivated’ perceptions, according to local managers can lead to behavioural changes among local managers. They feel vulnerable (Lai Si and Möllering, 2010), as they may either work harder to try and contribute to local development, or they will simply give up, feeling there is no future within the company or the industry (Reade, 2003). In other words from the findings, local managers come to confront a decision as to whether they stay within a company and wait for a better position or whether to move to a different hotel or even to find another job in a different industry. A key finding of the present research is that the category of insufficient skills and knowledge needs to be refined, and specified into: technical skills (i.e. problem solving skills and analytical thinking) and soft skills (i.e. English proficiency, inability to criticize each other (local to local) and to speak their own mind from their own free will). This is related to feelings of vulnerability, educational background, cultural dimensions and international job exposure (experience). It is suggested that these appear to be the major factors to explain why local managers are not favoured as managers in the international hotel brand in Jakarta, Indonesia (Al Ariss, 2014; Bruning et al., 2011).

### 8.3.2. Practical contributions

#### a. Indonesian Government

Firstly, implications arise from the findings of this study regarding the role of Indonesian Government in their support to the Ministry of Tourism. There was a strong view taken by participants that there is still insufficient tourist development of international hotel brands in Indonesia (Cochrane, 2013; Purwomarwanto and Ramachandran, 2015) specifically in

Jakarta as the capital city, and more specifically in terms of human resources development of local managers. Subsequently, it would appear crucial for the government to re-examine and revise its policies in relation to the support of the industry and in specifically the deployment of local managers for the future of the Indonesian international hotel industry (Bennington and Habir, 2003).

A second strongly emergent view from the findings was that hospitality education in should be prioritised, specifically in terms of the supply of appropriate educators for hospitality institutions (Wahyuni and Ng, 2012). The demand for qualified lecturers is apparent not only in Jakarta but also in rural areas; this also impacts on government policy. Currently the level and quality of scholarships available falls short of demand, therefore more focus is needed on the development of vocational lecturers who will provide the tuition leading to internationally recognised qualifications (Hartungi, 2006). The involvement of government is pivotal in the development of more local managers within MNC subsidiaries. There is very little academic research in the area of tourism in Indonesia focused on development of managerial skills. So far, studies (Chan, 2011; Mihaela, Branka and Matjaž, 2014) regarding local managers have been conducted with little involvement from local (country) government. Many insights from the participants want the Indonesian government to be proactive in developing the local managers. It can be argued that the educational infrastructure may only improve if better standards were attained in the quality of the educators, institutions, facilities, and technology; all essential in the support and development of local competence in Indonesia (Sherif, 2013).

Thirdly, the development of infrastructure within the tourist destination is seen as crucial, given that to date the level of development and resources allocated to the city and to rural areas remains unequal (Muazir and Hsieh, 2014). Whilst ‘well-known’ destinations such as

Bali, Lombok, and Jakarta seem to have fewer problems with resourcing, other 'less well-known' destinations such as Sulawesi (formerly Celebes), Papua and others are relatively neglected (Cochrane, 2013; Wright, 2012). Of course, the focus on the tourist destination has to accord with the potential wealth of relative tourist areas, but the bigger future picture should not be neglected. In addition, there is a need for the Indonesian government to continue their fight against corruption in both public and private institutions, in order to free up professionals to develop tourism in such a way as to create entities for local people (Prabowo, 2014).

b. The management of hospitality and tourism operations

The findings from this study suggest other issues which stand in the way of local manager development as being achieved or seen as a priority (Amine and Khan, 2014; Muratbekova-Touron and Villechenon, 2013). Firstly, the job positions in hotel management which are allegedly 'only' positioned for expatriates at present, should be opened up to appropriately qualified local managers. It can be argued more clearly from the evidence of my study that the rationale of expatriate positioned as appropriate for senior subsidiary positions in IHCs, in that such international brands are associated with Western/Caucasian managers who recognise the needs of international guests. Furthermore, the market entry mode used by the companies mean that the property owners who invest in these international hotel brands often seek expatriates to reinforce the international dimensions and prestige of their properties. Secondly, it should be understood that opportunities for overseas work placement and experience are crucial to the development of local managers (Karuri-Sebina and Rosenzweig, 2012; Sherif, 2013). This finding was equally pressed as important by expatriate and local manager study participants. Thirdly, a criterion must be established in the deployment of expatriates in that they must be competent in 'Bahasa' as a daily working communication tool



within the Indonesian hotel environment. Furthermore, training in cross-cultural communication should be a priority of the management calendar in order to ensure fewer barriers to the networking at both work and socially (Van Bakel, Gerritsen and Van Oudenhoven, 2014; Bhatti et al., 2014).

c. The Indonesia Government's commitment to localisation within the hotel industry

Localisation research appear to have limited in hospitality and tourism. On the other hand, one of the aspect of the findings suggest that government wants to have localisation within the international hotel industry in Indonesia. In order to overcome this, the Indonesian government need to show their commitment to support the local manager development by matching the IHCs needs from the local managers' capabilities and knowledge (Reich, 2007). In 2015, the Ministry of Manpower issues a new regulation in respect of foreign labour law to protect the interest of the local labour market, by capping the contract assignment time for expatriates (Indonesia, 2015). This new ministerial decree replaced the previous labour law (Indonesia, 2003) which did not protect local managers in the international hotel industry. The standardisation of local manager skills need to be increased in order to match the complexity of global management skills which sets by IHCs (King and So, 2015; Chang and Ma, 2015). This standardisation will need a huge effort from the Indonesian government to support the local manager development.

#### 8.4 Recommendations for the industry, managers and further study

This research has added to the understanding of issues surrounding the deployment and development of managers in the international hotel industry of Jakarta, Indonesia. Based on this study, recommendations are made for future research:

- a. For IHCs and Industry stakeholders:

- IHCs and industry stakeholders should recognise any discrepancies between local human resources' supply and the IHC's globalisation demand in terms of the availability of competent global management skills, because the insufficient skills and knowledge from host country can create management challenges between stakeholders.
  - IHCs may have to consider their expatriates to know a local language for future assignment wherever they want to assign them in the world because to prepare them with this skill will help the expatriates to communicate in basic hotel operation with the locals.
  - IHCs may need to emphasise cross-cultural training prior assignment, before departure and during assignment of the expatriates especially to Asian countries.
- b. For managers:
- The competition in IHC is very demanding, so local managers will not only need working experience to sustain and to progress their career development but also good education is a compulsory. Any possibilities to work overseas is a priceless opportunity because it will better equip the local managers in the long run.
  - Learning english language is necessity especially when local managers want to have their professional career progress in the future.
  - Expatriates managers who come to Asian countries specifically to Indonesia may need to realise that the skills and knowledge owned by local is not far much difference than other global managers around the world. There is very limited learning curve for expatriates in Asia (Indonesia specifically).
- c. For governments and policy makers:
- Hospitality and Tourism Education is a priority for Indonesian government to bridge the problems for insufficient skills and knowledge of local managers and local

employees. The substantial improvement are needed especially in rural areas and smaller cities.

- The quality of lecturers in hospitality and tourism need to be upgraded by giving opportunities for qualified lecturers to get education overseas with clear plans and structured better program. The selection of candidates is free from ‘nepotism’ or ‘favoritism’ so the chosen candidate is in fact the best and deserved to received the support his/her need such as: government scholarship, family support and competitive salary and benefit when the scholar completed his/her education.
- Tourism infrastructure development need to be improved especially for any tourist destination in rural areas such as: main roads connected to small areas, public transportation, public toilet and local tourism board. The quality of the local communities also need to develop in order to equip them with necessary basic skills and knowledges such as: personal hygiene, cleanliness, education and small entrepreneur skills to increase their social welfare.
- The local manager development needs to be prioritised by Indonesian government in hospitality and tourism industry. All stakeholders such as: Ministry of Tourism, hospitality and tourism education insitutions, hospitality and tourism professional associations, local manager associations and professional end users (any hospitality and tourism products and services) need to set a long term plan which can create a blueprint of how to ensure the future local managers sustained within the industry.

d. For Further studies:

- **Unravel the theme of colonisation.** Further research is needed to unravel the theme of colonisation in other emerging economies like Indonesia and whether this is relevant theme in understanding expatriates and local managers decision for IHCs in particular countries. This topic may give substantial contribution to generic literature

on expatriation and localisation, to industry research and then for companies and government involved in particular country

- **Lack of assurances for further career after international assignment (repatriation).** During my study, I found the topic of repatriation was still much to be desired in hospitality and tourism industry. Further research for repatriation may contribute to hospitality literature on expatriation as well as the industry research.
- **The priority for Indonesia' hospitality and tourism.** Future studies exploring the suggestion of an increasing priority being placed on Indonesia's hospitality and tourism industry, and the development of education and training in this sector, will be valuable for all stakeholders concerned. A longitudinal study that draws perspective from different stakeholders is needed for this future research to see how much progress the hospitality and tourism in Indonesia develop.
- **Status being family and children.** During my study, I found limited study about the welfare of expatriate' family in generic literature as well as the hospitality and tourism literature. This kind of topic can give contribution not only for research industry but also IHCs.
- **Pre-departure training in the hospitality industry.** In order to a have better understanding of cross-cultural interaction between expatriate and host country managers, more in-depth pre-departure training in the hospitality industry is very necessary. It is not a straight-forward matter but needs further investigation as to how such training might positively affect the deployment and performance of expatriate managers within MNC (international hotel brand) subsidiaries.
- **Hospitality and Tourism research in Bali, Indonesia.** Bali is a well-known international tourist destination, unique in Indonesia and known as the "island of

Gods”. Hotel and tourism practice in this region of Indonesia offers a slightly different perspective and understanding to other Indonesian tourist destinations. That is, as to how the deployment and development of managers within the international hotel industry might work more effectively for other destinations in Indonesia. Bali is blessed with a far greater variety of resorts than Jakarta, has a highly specific culture, and presents a very different kind of dynamic in regard to international hotel business employment compared to other Indonesian destinations. As such, Bali could be an ideal alternative location to test the findings from this study, since Bali and Jakarta exist within the same country. There is a chance that analysis of data collected by similar means in Bali might lead to very different results than those yielded by the research conducted in Jakarta.

- **Multiple master franchisor cases from different international hotel brands.** It would be useful to apply the methods of this study to a deeper exploration of original franchisor expectations and practice in regard to deployment and development of managers and to elicit their own perspective of the issues involved. For instance, how much might their expectations, engagement and investment in the development of foreign subsidiaries change, if there were no more expatriates from the home country deployed within those foreign subsidiaries. As a knock on effect, how much would such changes to expatriation affect the status of the so called “global manager”. The current shortage of “qualified expatriates” available to MNCs to send to subsidiaries gives rise to an interesting issue. The issue is how the geocentric manager would handle a difficult situation in their own country, despite being different to that of where the MNC is based. For instance, when Apple USA started up in India, they looked to Brazil and China for managers to be able to open their stores in that country.

- **Incorporating critical theory.** It would be useful to include different studies from a variety of fields such as: anthropology, sociology, politics and others. Such a broader perspective might usefully offer developmental perspectives within our own field, especially in respect to issues of power, ethnicity, identity, cross or inter cultural studies, migration, acculturation, post-colonialism and organisation studies. Such wider perspectives might also allow the work to figure in wider debates and to enable researchers in this related field to articulate more strongly their own theoretical contributions.

### 8.5 Research limitations

Like all academic studies there are a number of limitations which need to be recognised as part of the consideration of this study's concluding comments. The six limitations are compiled below:

- There are limitations to this study because of the imbalance in participation of both expatriate and local managers in interviews. Reasons for this are: certain companies hesitated to give permission for expatriate managers to meet with the researcher for the following reasons: they needed to protect company privacy; that the individuals (expatriate and local managers) concerned were too busy with their work; that expatriates were not yet qualified to be interviewed because they were new to the hotel; or simply no one was available to respond to the requests. For this reason, after conducting the data collection in Jakarta for two months, there was a further attempt to approach more expatriates through social media such as *Linked In*. However, perhaps because of my return to the UK and being separated by distance, there seemed to be a reluctance to respond to my enquiry; perhaps it was a reluctance to use video conferencing (e.g., Skype) as a means of communication, or for any of the

reasons stated earlier. The other implications of this imbalance participants are: the amount of participants between expatriate and locals felt disproportionate; the insights were felt unbalanced; I was not anticipating how sensitive this topic about expatriation and localisation would be to potential expatriate participants and their employers. This aspect was probably also magnified when they consider me as a previous local manager who may have experienced the negative aspects of widespread expatriation in the international hotel industry.

However, because the main aim of the study is to identify factors in the development and deployment of managers, based on the experiences of both expatriates and local managers, the analysis suggests that in any case, the data had reached saturation point in the potential for new insight into the phenomenon. That is, even with limited expatriate participation, no further new information was uncovered from the participants matching that criterion (Creswell, 2014).

- This particular investigation of managers' experiences of their deployment and development within the international hotel industry of Indonesia may not be applicable to other countries, particularly in terms of the qualitative research method used in the context of this study. This method involves access to four different role actors: expatriate managers, host country managers (local), regional executives and policy makers. Other countries may have more restricted access to these types of participants; or indeed in another country, a smaller range of actors might be deemed necessary. It is possible that a different approach and strategy may be required to fit with a similar research issue in a different context and in another country.
- As a discipline, this study is limited to the context of hospitality and tourism, particularly within the international hotel industry. Therefore, this may offer limited insight for other industries related to business entities such as telecommunications,

education, building construction, environmental development and political-sciences. These industries may use similar development approaches to their man-power issues, but may have different strategies for deploying managers within their particular industries. In addition, my work does highlight the important of contextual studies as it was able to identify some of the subtleties of that particular sector.

- This study data was collected from some of the international hotel brands represented in my professional network, but it may only represent a limited number of hotels from those available in the region. Therefore, the results from this PhD cannot be generalised as applicable to the total number of international hotel chains in Jakarta, Indonesia. That is, it may be possible that individuals working in hotels other than those used for this study, may offer quite a different insight if interviewed.
- It is understandable that the very nature of hotel business operations, with regular staff turnover, proves it impossible to make long term observations. With little opportunity for a longitudinal study, this research is limited in its capacity to predict whether the insight shared by participants would be beneficial in the longer term for the particular hotels of their employment. Similarly, back up and consistently reliable research would be difficult to pursue, given the likelihood that many participants could have moved on to working in a different hotel sector or country.
- The complexity of the problems emerging from this research into deployment and development of managers in the international hotel industry in Jakarta, Indonesia has led to limitations in achieving all the goals of this study. Even so, useful insight emerged which can point the way for future research. Inevitably, this single piece of research cannot hope to eradicate all the problems facing the Jakarta hotel industry. However, it goes a long way to providing findings which may help all stakeholders



recognise the importance and complexity of management issues which should be taken into account when taking forward local manager development in Indonesia.

#### 8.6 Personal reflections on the doctoral experience

This long and winding road has been a great source of learning, and has allowed me to reflect on my development as a critical researcher in the course of conducting this study. Useful personal reflections have emerged as I reach the end of my doctoral journey.

Firstly, it has been a wonderful experience in the endeavour to accomplish my PhD, especially after more than a decade in not being involved with research as a student. During my previous degree for an MBA, I did not engage in research as thoroughly as I might have done, had I followed a more M.Ph traditional route. Embarking on the PhD, there was a need to properly adjust my mind-set to ensure I gained the best out of my doctoral degree choices.

I have been in part, formed by crucial choices in approaching this research from a qualitative lens, as an interpretivist. By making such research choices, I have come to realise how rich and complex it can be to work with data collected by means of a qualitative research approach, and in this, how important positioning is to the interpretivist researcher. The guidance from my supervisors has helped me to understand this, and to take forward the methodology into accomplishing the research along certain lines. In terms of my topic choice, I have also learned a great deal about general research into expatriation and localisation, specifically in terms of the international hotel industry. Such a wealth of knowledge has led not just to a wide learning curve whilst accomplishing my PhD, but one which promises to serve me usefully in my future personal and professional journey.

Secondly, I have gained the experience of conducting data collection in a dynamic business environment. Given my own experience of the hotel industry, it has not been easy to position myself during my fieldwork and to make sure I have not acted with bias. Because I am Indonesian and used to working in the hotel industry, also as a teacher of the subject within an educational institution, I had to position myself carefully when interpreting what participants said, to avoid making personal judgements. Furthermore, my own point of view sometimes clouded my understanding of the insight given during my fieldwork. However, this was finally clarified as a result of support from my supervisors, who helped me to exercise the difference between being a researcher, a participant and an outsider.

Thirdly, when I reflect my self on my experience as a hotel manager not too long ago, I never realised until recently that there was this complexity within the dynamics of development and deployment of managers in hospitality and tourism in Indonesia. For example: I never thought that the selection of managers in IHC subsidiaries was not only about the ‘best manager’ or the ‘most qualified manager’ but it was related to who would be the “fit” leader for this multiple ethnic groups and religions in Indonesia hotel industry. I also did not realise how much effect that colonisation can give different pictures for “ideal manager” is to Indonesian. As my passion for a hospitality and tourism management academic, I have been an academic in hospitality and tourism department teaching the subject for more than 7 years now. I chose to do this doctoral degree because I know that a PhD degree can give me more career opportunities in academic and specifically to contribute my education to my country.

Last but not least, it has been a long “tedious” journey to accomplish my PhD, in that I had to leave my job and bring my family to a new environment, opening ourselves up to a new challenge in UK. Therefore, this has not been an accomplishment for just me but also for my

wife and son, who have striven to support me thus far. Hopefully, this memory will not only help us in the short term but also in the long term in our future together.

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## Appendix 1: Ethical Approval

Dr Judie Gannon  
Director of Studies / Programme Lead  
Oxford School of Hospitality Management  
Faculty of Business  
Oxford Brookes University  
Gipsy Lane

21 January 2014

Dear Dr Gannon

**UREC Registration No: 130764**

**Exploring expatriation and localisation of managers in the international hotel industry: a case study from Jakarta, Indonesia**

Thank you for your emails of 11 November 2013 and 13 January 2014 outlining your response to the points raised in my previous letter about the PhD study of your research student Ringkar Situmorang and attaching the revised documents. I am pleased to inform you that, on this basis, I have given Chair's Approval for the study to begin.

The UREC approval period for this study is two years from the date of this letter, so 21 January 2016. If you need the approval to be extended please do contact me nearer the time of expiry.

In order to monitor studies approved by the University Research Ethics Committee, we will ask you to provide a (very brief) report on the conduct and conclusions of the study in a year's time. If the study is completed in less than a year, could you please contact me and I will send you the appropriate guidelines for the report.

Yours sincerely

Hazel Abbott

Chair of the University Research Ethics Committee

cc Juliette Koning, Supervisor  
Ringkar Situmorang, Research Student  
Sarah Quinton, Research Ethics Officer  
Jill Organ, Research Degrees Team  
Louise Wood, UREC Administrator

**UNIVERSITY RESEARCH ETHICS  
COMMITTEE, FACULTY OF HEALTH AND  
LIFE SCIENCES**

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## Appendix 2: The Length and Places of the interviews

Name	Sex	Age group	Length of interview	Status	Place taken
Brendan Sheridan	Male	35-45	1 hour 26 min	Expatriate	Office
Ryco Sahat	Male	45-55	2 hour 10 min	Local	Restaurant at work
Anton Sukma	Male	35-45	1 hour	Local	Meeting room
Gilang Bemilan	Male	35-45	1 hour 53 min	Local	Public café
Rika Sikama	Female	25-35	1 hour 23 min	Local	Public café
Eko Ramadhan	Male	35-45	1 hour 43 min	Local	Meeting room
Sinta Bintang	Female	35-45	1 hour 14 min	Government	Office
Andi Suryo	Male	35-45	2 hour 25 min	Local	Restaurant at work
Lia Pakpahan	Female	35-45	1 hour 35 min	Local	Public café
Tommy Seeker	Male	45-55	1 hour 59 min	Expatriate	Office
Yulianti Anggraini	Female	25-35	1 hour 16 min	Local	Restaurant at work
Donny Jauh	Male	35-45	1 hour	Local	Office
Brahman Bramana	Male	35-45	1 hour 7 min	Local	Public restaurant
Galuh Galih	Male	25-35	2 hour 29 min	Local	Public restaurant
Parto Eka	Male	35-45	1 hour 59 min	Local	Restaurant at work
Indra Jaya	Male	45-55	1 hour 25 min	Local	Office
Ferri Ferosi	Male	35-45	2 hour 31 min	Local	Public café
Steven Coaligh	Male	35-45	1 hour 22 min	Expatriate	Office
Wahyu Dorono	Male	35-45	2 hour 29 min	Local	Restaurant at work

Appendix 3: One sample of participant consent form



**INTERVIEW CONSENT FORM**

**Project Title:** EXPLORING EXPATRIATION AND LOCALISATION OF MANAGERS IN THE INTERNATIONAL HOTEL INDUSTRY: A CASE STUDY OF JAKARTA, INDONESIA

**Researcher:** Mr. Ringkar Situmorang  
**Contact Address:**  
 C/O  
 Oxford School of Hospitality Management  
 Faculty of Business  
 Oxford Brookes University  
 Gipsy Lane Campus, OXFORD  
 OX3 0BP

**Please initial box**

1. I confirm that I have read and understand the information sheet for the above study and have had the opportunity to ask questions.
2. I understand that my participation is voluntary and that I am free to withdraw at any time, without giving reason.
3. I agree to take part in the above study

**Please tick box**


	Yes	No
4. I agree to the interview being recorded	<input checked="" type="checkbox"/>	<input type="checkbox"/>
5. I agree to the use of anonymised quotations in publications	<input checked="" type="checkbox"/>	<input type="checkbox"/>
6. I agree to be identified in the research outputs	<input checked="" type="checkbox"/>	<input type="checkbox"/>


Rolf Drecht  
Name of Participant

RINGKAR SITUMORANG  
Name of Researcher

28/3/14  
Date

28/3/14  
Date

  
Signature

  
Signature



#### Appendix 4: The process of generating initial codes, developing and reviewing themes

##### Sample of transcription and highlighted relevant keywords, paragraph and words

R: Why a lot of people come to asia having difficulties?

RK: I got a lot of Chef's CV from Switzerland 20-22 years old, just finished their apprenticeships, their CV is glamorous, have enough experiences and they are talented, want to have expat's lifestyles, they also have things with Asian girls. In reality is different, yes there are position for people like that in restaurant in Singapore, they just manage a kitchen there which is doable for that kind of experience, but for chef like that working in the hotel is impossible no, those days are over. There are a lot of great Indonesian chefs here and it is difficult of me to hold him here, they go Switzerland. Some of young European chefs think because I am white and I am good so everything is automated for them but it is not anymore, it is not like the 70's, a lot of competitions in this job. Indonesia has very good culinary school in bandung, very good management school as well, I have some of them as my trainee here they do very good job. Those people who are failed, they underestimated situation here, they don't realize how busy the job in Asia and how demanding the job is.

Pink: Competencies

Green: Local manager

Blue: Image

Red: Development

Yellow: Expatriate manager

## Appendix 5: Fact Sheet of Indonesian Economy

- Indonesia was an USD \$850 billion economy in 2012
- In 2012 private consumption accounted for about 55% of economic activity in Indonesia, partly due to borrowing costs and rising GDP per capita
- Per Capita GDP rose from USD\$780 in 2000 to USD \$3,540 in 2011
- Exports account for around 20 per cent of GDP. China, Japan, USA and India are Indonesia's largest export destinations
- Around half of Indonesia's exports consist of commodities (in particular palm oil, coal and rubber)
- In 2012 Foreign Direct investment (FDI) in Indonesia jumped around 26% (to USD \$29,5 billion) compared to 2011
- Mining accounted for around 12 per cent of gross domestic product in 2011

## Appendix 6: Complete set of questions for participants

### (GOVERNMENT)

#### INTERVIEW FRAMEWORK

The interview will last approximately two hours and will be broadly structured as follows:-

#### INTRODUCTION/RAPPORT BUILDING

Researcher to cover the following areas for clarity:-

- Thanks for participating in the research.
- Confirmation of understanding - consent form/participant information sheet.
- Anonymity, confidentiality
- Audio recorded/breaks.
- Any participant questions.

Researcher will aim the following areas:

- Your role here at the Ministry of Tourism and Creative Economy Of The Republic of Indonesia– i.e. occupation, length of time in post
- The general issues of organization : management recruitment, employee compensation and commercialism
- Deployment and development of local managers and expatriate managers in international hotel industry in Jakarta, Indonesia

The aim is to elicit stories, metaphors and a more narrative style of interview. Questions will therefore be around the broad topic areas of the dynamics of deployment and development in the international hotel industry, specifically in Jakarta.

Questions such as

- Please tell me about your current role as a policy maker in human resources division

Activities:

What activities are you engaged in on daily, weekly, monthly basis?

Who or what shapes those activities?

Career:

Tell me about your previous tenure before being positioned in human resources division

Role:

Tell me about the nature of your tenure here in Ministry of Tourism and Creative Economy of the Republic of Indonesia

- Please tell me about the general issues of growth in the international tourism and hotel industry which effect human resources development

General issues:

What are the issues in terms of control regarding ownership and management between international hotel and government?

Tell me about any specific agreement regarding expatriates employment in international hotel between Indonesia and PCN (Parent Country National)?

What are the advantages and disadvantages to having expatriate managers working in international hotel brand in terms of development of local managers?

Growth:

Please tell me about the human resources implications of the hotel industry's growth in Jakarta

What are the implications for supply/demand/education investment which help the development of human resources in Jakarta, Indonesia?

What are the competencies of local managers needed to have to be in senior management level position?

Tourism Future in Indonesia:

Tell me what you think about tourism in Jakarta, Indonesia especially in this economy crisis era

### **CLOSE OF INTERVIEW**

Thank the participant for their time. Confirm their participation in a follow up interview (face to face or over the telephone) to explore any items/issues reflected on in the interpretation of this interview

### **FOLLOW UP INTERVIEW**

- Questions for clarity from the original interview transcript.
- Broad exploratory questions/probing where necessary.
- Questions to fill any gaps from the original interview.
- Transcript comments

## **(EXPATRIATE MANAGER)**

### **INTERVIEW FRAMEWORK**

The interview will last approximately one and a half to two hours and will be broadly structured as follows:-

#### **INTRODUCTION/RAPPORT BUILDING**

Researcher to cover the following areas for clarity:-

- Thanks for participating in the research.
- Confirmation of understanding - consent form/participant information sheet.
- Anonymity, confidentiality
- Audio recorded/breaks.
- Any participant questions.

Researcher will aim to cover the following areas,

- Your expatriate role here in Jakarta – i.e. occupation, length of time in post
- Your career prior to your current role
- The cultural and commercial experiences you have had in your role in Jakarta and previously
- Your development as a hotel manager during the development of the industry in Indonesia and globally

The aim is to elicit stories, metaphors and a more narrative style of interview. Questions will therefore be around the broad topic areas of the dynamics of deployment and development in the international hotel industry, specifically in Jakarta.

Questions such as

- Please tell me about your current role as an expatriate in Jakarta

Activities:

What activities are you engaged in on a daily, weekly, monthly basis?

Who or what shapes those activities?

Role:

Why did you take this expatriate role?

How were you prepared for this role? Where your family included in the preparation?

Tell me about the nature of your assignment you have as an expatriate here

- Please tell me about your career prior to your current expatriate appointment

Career:

What is your educational background prior to working professionally in hospitality?

What other hotels did you work before coming to Jakarta?

Tell me about your previous experience in the industry prior to your current role

Motives:

Who decides where you are located and how are such decisions made?

What attracted you to Jakarta or Indonesia in general?

- Please tell me the cultural and commercial experiences you have had in your role in Jakarta and previously

Networking at work:

Tell me about the make-up of the managerial team – how well do expatriate and local managers work together?

Competencies:

What have been your experiences of working with local managers in your previous jobs?

What are the competencies needed from a local manager in your department?

Adjustments

Tell me about the Indonesian culture that you like most in terms of working environment

What are the cultural experiences you have had in terms of working environment, the community where you live, and other stakeholders (government, guest, etc)?

Commercial work:

Tell me about your previous projects with this company (or other companies) in the hotel sector in other countries

Support:

What kind of support does your company provide when you and your family move to different countries?

- Please tell me about your development as a hotel manager during the expansion of the industry in Indonesia and globally

Growth:

Tell me about your likely next career move – how might that take place?

Tell me about your professional development in your current role – Has it been what you expected?

Tourism future in Indonesia:

Tell me what you think about tourism in Jakarta, Indonesia, especially in this economy crisis era.

### **CLOSE OF INTERVIEW**

Thank the participant for their time. Confirm their participation in a follow up interview (face to face or over the telephone) to explore any items/issues reflected on in the interpretation of this interview.

### **FOLLOW UP INTERVIEW**

- Questions for clarity from the original interview transcript.
- Broad exploratory questions/probing where necessary.
- Questions to fill any gaps from the original interview.
- Transcript comments.

**(LOCAL MANAGER)****INTERVIEW FRAMEWORK**

The interview will last approximately one and a half to two hours and will be broadly structured as follows:-

**INTRODUCTION/RAPPORT BUILDING**

Researcher to cover the following areas for clarity:-

- Thanks for participating in the research.
- Confirmation of understanding - consent form/participant information sheet.
- Anonymity, confidentiality
- Audio recorded/breaks.
- Any participant questions.
- 

Researcher will aim the following areas:

- Your management role – i.e. occupation, length of time in post
- Your career prior to your current role here – i.e. education, previous experience.
- The cultural and commercial experiences you have had
- Your development as a hotel manager during the development of the industry in Indonesia

The aim is to elicit stories, metaphors and a more narrative style of interview. Questions will therefore be around the broad topic areas of the dynamics of deployment and development in the international hotel industry, specifically in Jakarta.

Questions such as

- Please tell me about your current role in this international hotel brand

Activities:

What activities are you engaged in on a daily, weekly, monthly basis?

Who or what shapes those activities?

Role:

Tell me about the nature of your role you have as a manager here

- Please tell me about your career prior to your current tenure

Career:

What is your educational background prior to working professionally in hospitality?



What other hotels did you work before coming to this hotel brand?

Tell me about your previous experience in the industry prior to your current role

- Please tell me the cultural and commercial experiences you have had in your role in this hotel brand and previously

Networking at work:

Tell me about your experience working in this hotel

Tell me about the make-up of the managerial team – how well do expatriate and local managers work together

Adjustments:

Tell me about the company culture that you like most in terms of working environment

- Please tell me about your development as a manager during the expansion of the industry in Indonesia

Growth:

Tell me about your likely next career move – how might that take place

Tell me about your professional development in your current role has it been what you expected?

Tourism future in Indonesia:

Tell me what you think about tourism in Jakarta, Indonesia, especially in this economy crisis era.

### **CLOSE OF INTERVIEW**

Thank the participant for their time. Confirm their participation in a follow up interview (face to face or over the telephone) to explore any items/issues reflected on in the interpretation of this interview.

### **FOLLOW UP INTERVIEW**

- Questions for clarity from the original interview transcript.
- Broad exploratory questions/probing where necessary.
- Questions to fill any gaps from the original interview.

- Transcript comments

## **(REGIONAL EXECUTIVE)**

### **INTERVIEW FRAMEWORK**

The interview will last approximately two hours and will be broadly structured as follows:-

#### **INTRODUCTION/RAPPORT BUILDING**

Researcher to cover the following areas for clarity:-

- Thanks for participating in the research.
- Confirmation of understanding - consent form/participant information sheet.
- Anonymity, confidentiality
- Audio recorded/breaks.
- Any participant questions.

Researcher will aim to cover the following areas:

- Your role as a regional manager – i.e. occupation, length of time in post
- Your career prior to your current executive role
- The cultural and commercial experiences you have had in your role in Jakarta and previously
- Your development as a regional executive during the development of the industry in Indonesia and globally

The aim is to elicit stories, metaphors and a more narrative style of interview. Questions will therefore be around the broad topic areas of dynamics of deployment and development in the international hotel industry, specifically in Jakarta.

Questions such as

- Please tell me about your current role as a regional executive who responsible for hotels in Jakarta

Activities:

What activities are you engaged in on a daily, weekly, monthly basis?

Who or what shapes those activities?

Role:

Tell me about the nature of your assignment you have as a regional executive  
Why did you take this regional executive role?

How were you prepared for this role? Where your family included in the preparation?

- Please tell me about your career prior to your current tenure

#### Career:

What is your educational background prior to working professionally in hospitality?

Tell me briefly about your journey to become a regional executive

#### Motives:

Who decides where you are located and how are such decisions are made

How do you cope with moving from one country to another?

What attracted you to Jakarta or Indonesia?

How does the deployment of expatriate managers take place? – Who initiates the recruitment and selection?

- Please tell me about the cultural and commercial experiences you have had in your role in Jakarta and previously

#### Networking at work:

Tell me about your relationship with expatriate managers, local managers and peers

#### Adjustments:

Tell me about the Indonesian culture that you like most in terms of working environment

What are the cultural experiences you have had in terms of working environment, the community where you live, and other stakeholders (government, guest, etc)?

#### Commercial work:

Tell me about your previous projects with this company (or other companies) in hotel sector in other countries

What are the cultural experiences you have had in terms of working environment, the community where you live, and other stakeholders (government, guest etc)?

What are the benefits and challenges for organizations using expatriate managers in your organizations? In Indonesia? in the international hotel industry?

#### Support:

What kind of support does your company provide when you and your family move to different countries?

- Please tell me about your development as a regional executive during the expansion of the industry in Indonesia

#### Growth:

Tell me about your experience working with policy makers in terms of developing human resources in Indonesia?

Tell me about your likely next career move – how might that take place  
Tell me about your professional development in your current role – has it been what you expected?  
Tourism future in Indonesia:  
Tell me what you think about tourism in Jakarta, Indonesia, especially in this economy crisis era.

### **CLOSE OF INTERVIEW**

Thank the participant for their time. Confirm their participation in a follow up interview (face to face or over the telephone) to explore any items/issues reflected on in the interpretation of this interview.

### **FOLLOW UP INTERVIEW**

- Questions for clarity from the original interview transcript.
- Broad exploratory questions/probing where necessary.
- Questions to fill any gaps from the original interview.
- Transcript comments

## Appendix 7: Number of Accommodation Workers by Accommodation Classification, Workers Education and Workers Gender in Indonesia

TYPE OF ACC	EDUCATION												TOTAL		
	UNIVERSITY			DIPLOMA I/II/III			SENIOR HIGH			JUNIOR HIGH			M	F	%
	M	F	%	M	F	%	M	F	%	M	F	%			
5 STAR	4,389	2,129	23.94	13,013	5,426	32.58	17,878	6,008	12.9	1,191	383	4.08	36,471	13,946	16.4
4 STAR	3,771	2,080	21.49	10,929	4,596	27.44	24,345	7,408	17.15	1,985	466	6.36	41,030	14,550	18.07
3 STAR	2,828	1,592	16.24	6,282	2,732	15.93	24,863	7,242	17.34	2,348	520	7.44	36,321	12,086	15.74
2 STAR	916	616	5.7	1,942	966	5.2	9,579	2,946	6.77	990	282	3.29	13,427	4,810	5.93
1 STAR	438	288	3.7	1,049	496	2.7	5,614	2,078	4.15	828	288	2.89	7,929	3,150	3.6
JASMIN E	4,048	2,341	21.47	4,683	2,676	13.01	44,895	17,784	33.86	13,766	6,165	51.68	67,392	28,966	31.34
YTH HOSTEL	64	48	0.5	43	32	0.13	648	320	0.5	427	286	1.85	1,182	686	0.6
HOME STAY	530	264	3.3	655	307	1.7	5,043	2,495	4.07	2,565	2,321	12.66	8,793	5,387	4.61
OTHER	551	331	2.9	480	281	1.4	4,098	1,845	3.21	1,944	1,812	9.74	7,073	4,269	3.38
TOTAL	17,535	9,689	100	39,076	17,512	100	136,963	48,126	100	26,044	12,523	100	219,618	87,850	100

Source: (Statistic Indonesia, 2013g)

Note: M (Male)/ F (Female)

## Appendix 8: Progress of International Visitor Arrivals by Nationality 2008-2012

Nationality	2008	2009	2010	2011	2012
Asia:					
1. Singapore	1,197,267	1,138,071	1,206,360	1,324,839	1,324,706
2. Malaysia					
3. China	1,009,722	1,041,053	1,171,737	1,173,351	1,269,089
	354,641	444,598	511,188	594,997	726,088
Middle East:					
1. Saudi Arabia	42,647	73,000	94,440	110,908	92,667
2. United Arab Emirates	2,960	3,871	4,970	4,720	6,154
Europe:					
1. England	184,604	183,262	192,335	201,221	210,726
2. France					
3. Netherlands	129,446	165,656	160,913	171,736	184,273
	141,202	154,932	158,957	163,268	152,749
America:					
1. USA	174,547	165,098	177,677	203,205	217,599
2. Canada	45,408	43,948	48,349	57,129	58,245
Oceania and Africa:					
1. Australia	418,899	571,541	769,585	933,376	952,717
2. South Africa	14,958	12,999	14,287	16,282	17,433

Source: (Statistic Indonesia, 2013h)

Appendix 9: Number of Room Occupancy Rate, Average Length of Stay (Foreign Guest)  
and Average Length of Stay (Foreign and Domestic Guest) in Jakarta between 2011-2012

ACCOMMODATION CLASSIFICATION	ROOM OCCUPANCY RATE (%)		AVERAGE LENGTH OF STAY (FOREIGN GUEST) (days)		AVERAGE LENGTH OF STAY (FOREIGN AND DOMESTIC GUEST) (days)	
	2011	2012	2011	2012	2011	2012
5 STAR	58.40	45.58	3.18	2.41	2.31	2.24
4 STAR	52.41	58.02	2.76	2.55	2.19	2.00
3 STAR	54.87	56.23	3.69	3.09	1.78	1.78
2 STAR	60.67	60.36	4.28	4.05	1.79	1.83
1 STAR	55.83	51.05	5.73	3.29	1.64	1.94
TOTAL	56.05	56.37	3.15	2.63	2.02	1.99

Source: (Statistic Indonesia, 2012b)

## Appendix 10: The summary of studies through Four Approaches to Internationalisation

Table 2.2 Summary of studies through Four Approaches to Internalisation

Ethnocentrism			
Author	Research Focus	Research Design & Sample	Findings
Kopp (1994)	Ethnocentric comparison between MNCs from Japan, Europe and USA	Survey database of major manufacturing/industrial MNCs	Japanese companies have international HR (human resources) that are relatively more ethnocentric than those of American and European companies. The less ethnocentric a company, the less likely they are to experience IHRM (international human resources management) problems
Cagliuri and Stroh (1995)	Global management strategies and the best international human resources practices in USA	Survey of 40 companies of international group of Human Resources Management of Chicago	Suggested that ethnocentrism should be re-examined and possibly replaced with more locally response practices
Tayeb (1998)	HRM policies and practices of the Scottish subsidiary of an American MNC. (Ethnocentric Focus)	A case study of manufacturing company	Findings are supporting the argument that MNC management practices are more prone to local culture influences and need to be modified to make them applicable: recruitment, benefit etc
Muratbekova-Touron (2008)	The restructuring companies from ethnocentric to geocentric approach. French Based	A single case study from French Industrial MNC	Prior to acquisitions ethnocentric approach was favoured
Doherty and Teague (2011)	The exploration of how non-union MNC deals with conflict management system. Republic Ireland Based.	Survey from subsidiaries of non-union foreign owned MNC	Ethnocentric HRM strategies have to be modified to accommodate to cultural and skills
Kamoche and Kindi (2012)	MNC experiences in banking business. Tanzania, Africa based.	Semi-structured interviews from Citibank (US) and Standard Bank (South African)	The viability of hybrid practices that combines suitable MNC 'best practices' and local practices at the subsidiary level to allow MNC to overcome ethnocentricity



Polycentric			
Clark and Pugh (2000)	HRM conceptions in 7 (seven) European countries toward a polycentric approach. Europe based.	Content analysis from essay. Taken from different participants: Denmark, France, Germany, Netherland, Spain, Sweden and UK	Three common elements: believe in the importance of 'self' country HR, devolution of responsibility and linking of corporate and HR strategies
Cornuel and Kletz (2001).	The evaluation of manager's performance	Conceptual, literature review	Due to high cost of expatriation, localisation is very important. Many expatriates are replaced by local employee
Konopaske, Werner, Neupert (2002)	The investigation of the relationship between entry mode and foreign direct investment. Japan based	Questionnaire to Japanese manufacturing subsidiaries	The use of HCNs (host country nationals) can help MNCs to remove many problems associated with the use of expatriates. Limited career mobility for the HCNs staffs
Claus (2003)	The similarities and differences in HRM in the EU. Europe based	Interview with HR experts in 14 different countries in EU	European HRM lives more comfortably in polycentric mode than US HRM that seeks universal and standardisation
Akinola (2007)	African development by looking at polycentric approach	Conceptual, literature review	The goal is to empower local innovators so their skills and potential can be harnessed toward national and continental development
Doherty, Klenert, Manfredi (2007)	The expansion of MNCs to Asia by pursuing a consideration of geocentric or polycentric approach in HR strategy. Asia based	Using secondary sources and semi-structured interviews with key informants from educational institutional	Findings suggested the hotel group to target the domestic traveller and operated a polycentric HR strategy in its recruitment and development of their senior management positions
Vo (2009)	The investigation of career development of HCNs in Vietnam. Vietnam based.	Deploying qualitative research with 8 case studies from Japan MNC and US MNC	US firms offer HCNs the chance to advance as far as they can, but Japanese firms limit their local subsidiary advancement. US firms adapt more successfully to the Vietnamese environment than the Japanese
Geocentric			
Muratbekova-Touron (2008)	The restructuring companies from ethnocentric approach to geocentric approach. French based	A single case study from French industrial MNC	Eventually changes needed regarding leadership development, global recruitment and uniform selection to apply geocentric approach
Lee (2012)	The examination of cultural stereotypes on Uncertainty Avoidance from French	Two case studies from French MNC	To avoid the 'uncertainty avoidant', the MNCs used the geocentric approach in recruiting staff because the Chinese-minded employee was not only from

	MNCs. Singapore based.		the Singapore area
Gannon, Doherty, Roper (2012)	The exploration in understanding the challenges faced by MNCs to create the competitive advantage through their human resources within international hotel industries. UK and Europe based	Qualitative approach: interviews, document analysis and observation	Hotel company recruits exclusively into their MDP (management development program) or directly to junior management positions from European hotel schools.
Regiocentric			
Morrison, Ricks and Roth (1991)	The exploration of options for MNCs to go global or regional. US based	Mixed method Approach	Regionalisation is viewed by management as a stepping stone to more effective global competition. Both parent company and subsidiaries are finding that regional strategies represent a safer and more manageable option
Kaynak and Kucukemirogly (1992)	Regiocentric orientation of Chinese buyers. China based.	Questionnaires and interviews from public, policy makers and private sectors	The perception and evaluation of products are different from each regions.
Siddiqi (1999)	A regioncentric perspective to the middle-east. Middle-east based.	Conceptual, literature review	Regionalization is seen as a pragmatic reality by many MNCs
Banai and Sama (2000)	Ethical dilemmas in MNC international staffing policies	Conceptual, literature review	Regiocentric approach can be used to overcome challenges with geocentric approach
Siddiqi (2000)	The issues of core competencies from the perspective of economic organisation	Conceptual, literature review	The intended effect of regionalisation is to interconnect or rather integrate member countries in some desired economic sense. RTA (Regional Trade Agreement) includes free trade areas, custom unions, common markets and economic unions which can develop certain sectors that need to be improved and provided by the member countries in the region (e.g., Asean, EU)

## Appendix 11: The new regulation about the foreign labour law in Accommodation and Food and Beverage Industry in Indonesia

### Accommodation

No	Position	Length tenure (years)	Notes
1	Commissioner	5 (five)	Extendable
2	President Director	5 (five)	Extendable
3	Marketing Director	5 (five)	Extendable
4	Operational Director	5 (five)	Extendable
5	Finance Director	5 (five)	Extendable
6	Guest relation Manager	2 (two)	Non-Extendable
7	Hotel Manager	2 (two)	Non-Extendable
8	Marketing Manager	2 (two)	Non-Extendable
9	Country Club Manager	1 (one)	Non-Extendable
10	Art Performance Specialist	1 (one)	Non-Extendable
11	Design Specialist	2 (two)	Non-Extendable

Source: Indonesia (2015)

### Food and Beverage Industries

No	Position	Length of tenure (years)	Notes
1	Commissioner	5 (five)	Foreign investment – Extendable

2	President Director	5 (five)	Foreign investment-Extendable
3	Restaurant Director	5 (five)	Foreign investment-Extendable
4	General Manager	2 (two)	Non-Extendable
5	Food and Beverage Advisor	2 (two)	Non-Extendable
6	Restaurant Advisor	2 (two)	Non-Extendable
7	Quality Control Advisor	2 (two)	Non-Extendable
8	Chef	2 (two)	Non-Extendable

Source: Indonesia (2015)

## Appendix 12: Coding themes as table

## Coding themes

No	Main theme	Sub-theme	Smaller sub-theme	Srcs	Ref
1	Expatriation			15	63
2	Assignment	Big salary and benefit package		8	56
3		Communication tool between MNC and sub		2	2
4		Demanding		13	45
5		Owner ambition		10	19
6		Owner decision		15	55
7			Do not trust in locals mgr	1	1
8		Preparation		8	23
9		Problems		10	38
10			Local manager jump ship to local company	2	2
11			No support from the MNC	1	9
12			The negative effect of economy	3	4
13			Unsatisfied local employee	1	1
14	Competencies			3	3
15		Education		9	14
16			Hospitality education	10	18
17			Local universities	1	1
18			Overseas universities	1	1
19			Other disciplines	5	7
20		Managerial skills		7	13
21			Conceptual skills	11	37
22			Human skills	12	28
23			Technical skills	16	66

24			Developing people	7	15
25			Recruitment skills	7	10
26		Professional skills		12	30
27			Bahasa Indonesia	4	8
28			English Language	10	19
29			Public speaking	2	4
30		Soft skills		12	40
31	Culture and Commercial experience			3	8
32		Ephiphany		7	16
33		Negative expatriate culture at work		2	2
34			Aristocrat	9	12
35			Brown nose	2	2
36			Do not care about his staff development	3	3
37			Do not sharing knowledge	2	2
38			Lack of cultural knowledge	7	12
39			Lack of skills	7	14
40			Like to blame on subordinate	3	4
41			Over confidence	2	2
42		Negative local culture at work		3	3
43			Delaying their task	5	6
44			Feel neglected and choose to be quiet	3	3
45			Hesitate to receive new concept	3	3
46			Impatience for promotion	1	1
47			Inability to take criticism	2	2

48			Language barrier	7	11
49			Reluctance to ask questions	3	4
50		Networking at work		6	10
51			Expatriate do not mingle at work	4	9
52		Positive expatriate culture at work		2	3
53			Confidence	5	8
54			Developing local talent	9	29
55			Discipline	3	6
56			Firm	5	9
57			Honest	6	11
58			Understand local culture	4	10
59		Positive local culture at work		1	4
60			Communication skills	4	6
61			Easy to motivate	8	14
62			International exposure	10	21
63			Local manager strength	16	38
64			Ownership development	15	48
65			Reserved	4	6
66		Reward and recognition		4	6
67		Social life with co-worker		4	8
68	Development			2	3
69		Company Development		18	116
70		Current job position		16	62
71		Future career		14	26
72		Government interest		6	16
73		Local manager develop by other local		13	55
74		Perceived knowledge		19	79

75		Previous working experience		15	61
76		Start working experience			
77	Image			5	16
78		Indonesia		3	10
79			Asia low-cost tourism	5	5
80			Bad education	2	2
81			Negative effect of european economy	3	4
82			Growth of hotel and tourism	7	13
83			Indonesia' position attraction as a new market	3	4
84			Local businessmen/owner	3	3
85			Not enough HR power	2	2
86			Political stability	4	6
87			Richness of culture	5	8
88		Multi National Corporation		2	2
89			Development local manager	6	13
90			Focus hotel growth to Indonesia	1	3
91			Hotel guests look down to local employee/mgr	4	6
92			International hotel brand image	6	12
93			Investing in less expensive hotel	3	3
94		Owner business image	Better image for owner	8	15
95			Bring up new brand to Indonesia	2	8
96			Caucasian expatriate	3	13
97			Recognition from hotel owners	5	8



98			Satisfaction to have expatriate	5	6
99	Motivation			1	1
100		Family lifestyle		4	14
101			Determination	4	9
102			Keen going abroad	5	13
103		Personal lifestyle		5	17
104			Adventurous	1	1

Source: Adopted from Author-Nvivo software