

# Transformation of the company's HR management systems based on digital literacy measurement

*Elena Galenko\**, *Elena Shumakova*, and *Natalia Ovcharenko*

Far Eastern Federal University, School of Economic and Management, FEFU Campus, 10 Ajax Bay, Russky Island, 690922 Vladivostok, Russia

**Abstract.** Corporate culture in each company has its own particularities, which allows to assess the efficiency and sustainability of a given company, design its development strategy as well as the capacity to attain its strategic goals. The current study, based on the model of O'Reilly, Chatman and Caldwell, allowed to define the key problem, that is the absence of digital literacy on the part of the personnel of the studied hotel chain. The identified problem may become an impediment towards formation of the digital culture in the context of digital transformation

## 1 Introduction

In the current conditions the development of Russian corporate sector, including hospitality sector, requires enormous investments. The members of the competitive battle (that is happening among the countries), while struggling to attract foreign investment, pay major attention to corporate management. In this respect the question of globalization and digital transformation in the hospitality sector, which profoundly influences hospitality sector, becomes a hot topic. Therefore, the analysis of current tendencies and problems of corporate management of the hospitality industry companies in the context of digital transformation, possibility of application of best practices in the domestic practices become particularly relevant.

The corporate management of hospitality industry companies is looked as a tool that is used in the process of management aimed to keep an adequate balance between the shareholders (owners), the needs of board directors, management of the company, which provides the structure for the setting out of the for the company as well as achievement of these goals and control over the functioning of the company [1]. It is necessary to note that corporate culture takes a special place among the above-mentioned elements of corporate management. The corporate culture may be defined as the most important internal reserve of a company which allows to ensure its sustainability and provide an impetus for its development and transition to new levels in the context of digital transformation of business development in the hospitality industry [2]. Corporate culture is a key element of the success of any company, but for hospitality industry this approach is particularly relevant, since the positive experience of its employees is vitally important in satisfying the needs of

---

\* Corresponding author: galenko\_tgey@email.ru

its clients. Corporate culture influences every aspect of the business: from staff retention to the strategy and its realization.

However, notwithstanding corporate culture's unique strategic advantage the following questions arise: Are hospitality companies ready for efficient functioning in the context of current digital transformation? How new technologies influence the relation between price and quality? What role corporate culture plays in relation to digital transformations of hospitality companies?

In the view of the above-mentioned, the aim of the present article is to define the particularities of corporate culture in the system of company's corporate management in the context of digital transformation using the example of hotel chain 'AZIMUT.'

## **2 Materials and methods**

The development of corporations of the world-known hotel chains is the result of concentration and internalization of the capital as well as monopolization of the hospitality services' market. Hotel company functions as voluntary association of individuals and legal persons created by its founders for carrying out of a specific activity, achieving common goals and realization of specific tasks. Company acquire special organizational form which is based on its legitimate functioning, voluntary (not public) membership, self-management and hierarchical structure as well as independent adaptation by its founders of the charter, strategy and business objectives [3].

There are thousands of world-wide hotel corporations such as Marriott International, USA (5,952 hotels, 1,164,668 suites), Hilton Worldwide, USA (4,875 hotels, 796,440 suites), IHG (InterContinental Hotels Group), UK (4,875 hotels, 796,440 suites), Wyndham Hotel Group, CIIA (8,035 hotels, 697,607 suites), Shanghai Jin Jiang International Hotel Group Co., China (5,977 hotels, 602,350 suites), AccorHotels, France (4,144 hotels, 583 161 suites), Melia Hotels International, Spain (376 hotels, 96,355 suites), APA Group, Japan (361 hotels, 56,734 suites), Nordic Choice Hotels, Norway (188 hotels, 32,342 suites), Grupo de Turismo, Куба (83 hotels, 2,163 suites), Azimut Hotels Россия (25 hotels, 8,124 suites) and many others [4]. Their effective corporate management is based on the organization of good management of the company, which functioning provides its owners with income in the current period, the companies adapting adequately to the market environment to achieve sustainable development in the long-term perspective. All of the companies mentioned above function in the sphere of computer software, use latest developments in the sphere of global digitalization and development of modern information society. The use of digital technologies, which is introduced both in providing hotel services aimed at its clients and in its internal processes, made the companies competitive and opened new possibilities for business [5].

Digital economy is regarded in the governmental program 'Development of digital economy in Russia until 2035' as 'the totality of social relations formed during the use of digital technology, digital infrastructure and services, technologies of analysis of large sets of data and forecasting with the aim to optimize the production, distribution, exchange, consumption and increasing the level of social-economic development of the government' [6]. This definition emphasizes that the priority in identification of factors of influence on the formation of digital economy is given to digital technology and analysis of large datasets. Decision of the Supreme Eurasian Economic Council entitled 'On the main trajectories of realization of digital agenda of Eurasian economic union until 2025' digital economy is defined as 'part of the economy in which the processes of production, distribution, exchange and consumption have gone through digital transformations with the use of information and communication technologies' [7]. Digital economy in a hotel chain may be seen as innovation in the form of new developments of a hotel service. For

example, modern hotel locks appear not only as the security elements that effectively resolve the problem of control of access to interior rooms of the hotel, but also as having some specific function. Paper cards, mobile phones, iris recognition, fingerprints have become an alternative to digital locks. Clients' identification with magnetic and chip card has become widespread. Distant support of software programs, which guarantees operational communication with respect to a given inquiry, is also of great significance. PMS, CRS, CIS, CRM are among some of the specialized hotel systems. In hotel industry the concept of 'intelligent' knowledge comprises of the following solutions: possibility to manage the real estates, increase comfort, information exchange as well as to prolong the guaranteed period of the functioning of electronic devices. However, digitalization requires not only technology, but also corporate culture. Corporate culture which is seen as the most important internal reserve of an organization allowing ensure its sustainability and give an impetus towards the development and transition to qualitatively new levels of business' organization taking into account ongoing adaptations and changes.

Gold K. in its research sees corporate culture as unique characteristics of the perceived features of an organization, something that distinguishes it from its competitors [8]. Schein E. in his studies defined corporate culture as beliefs, behavioral norms, attitudes and values which are those unwritten rules that define how people in this organization must work and act. The author sees this phenomenon as the 'complex of basic assumptions invented, detected or developed by the group in order to learn how to deal with problems of external adaptation and internal integration' [9]. Corporate culture includes different characteristics and elements, including internal environment of the company, its mission, management style, ethics, expectations and aims. Depending on the management style some enterprises may form team culture in which employees take part in the development of the company at all levels, while other companies have culture which values formal, traditional or hierarchical management. Personnel working in companies developing the culture with traditional management style knows perfectly well its job duties, while there may be no possibility for career growth. In this respect it is important to understand that the culture needs to be managed, it needs to be improved and developed in accordance with changes that are happening both internally and externally. Successful companies invest substantial amount of time, money and efforts in its cultures because they have experienced its benefits. They know that corporate culture is a strategic asset, it improves the level of guest service, the number of their hotel visits, thus increasing the company's net profit [10]. The main functions of corporate culture of the company are image formation, maintaining the values, support of new employees in socialization, the establishment of rules and values of behavior, formation of the sense of belonging to common cause on the part of the employees. Thus, the main function of corporate culture is the creation of unique business environment which becomes the part of competitive advantage and provides value to consumer.

Different approaches may be used in order to analyze the company's existing culture. For instance, the model of corporate culture developed by Deal T.E. and Kennedy A.A., which encompasses the history of the company, key values and rituals, heroes and myths, symbols and artifacts. The model of O'Reilly, Chatman and Caldwell requires a particular attention. This model includes seven dimensions: innovation and readiness to take risks; stability; respect for people; results orientation; attention to details; team orientation; aggressiveness [11].

The set of the above-mentioned parameters may be used in practice in order to analyze current corporate culture of hotel chain and to define its particularities with the use of content-analysis of the media, the study of visitors' reviews of the chain, interviews of top-managers and managers of the companies, websites of the companies.

### **3 Results and discussion**

Each organization has its history and set of rules and prescriptions that are constantly changing and improving while forming the unified team.

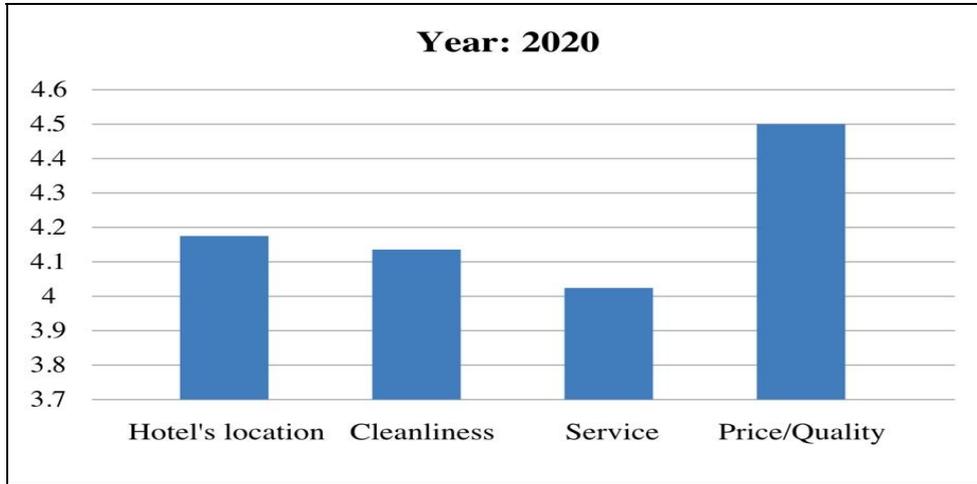
The history of international hotel chain 'AZIMUT Hotels' begins in 2004 with the acquisition of the hotel in Samara and from this time it becomes one of the first rapidly developing Russian companies managing the hotel chain under the same name and under the management of Mr. Alexander Klyachin. During the following two years the brand 'AZIMUT Hotels' is formed and in 2006 it already unites 8 hotels within the Russian territory: in Samara, Ufa, Kostroma, Saints-Petersburg, Vladivostok, Astrakhan and Murmansk. All the hotels introduced uniform standards of service and hospitality and common corporate culture. In 2008 'AZIMUT Hotels' became the first Russian brand that has entered the European market. The chain 'AZIMUT Hotels' comprised of hotels in the biggest cities in Germany (Berlin, Dresden, Cologne, München, Nurnberg, Erding). In 2012 the chain 'AZIMUT Hotels' unified 23 hotels of the 'three-four stars' category in Russia, Germany and Austria. The total number of bedrooms was 5,500 suites, including more than 3,500 in Russia. In 2016 the chain 'AZIMUT Hotels' acquired 4-star hotel in Austria. Delta Hotel Vienna became the eighth hotel of the company in Europe. The remaining European hotels of AZIMUT Hotels are located in Germany – Berlin, Dresden, Cologne, München, Nurnberg and Erding. In 2018 'Azimut Hotels' became the most actively developing brand in the Russian hotel market addint to its portfolio 1,300 suites more: hotels in Kemerovo, Pereyaslavl, Nebug, Mirny, Suzdal, Penza, Nalchik have joined the chain. Today AZIMUT Hotels is the world-known hotel chain combining under its brand the property in the cities of Russia, Germany, Austria and Israel, being the first operator that managed to launch the Russian hotel brand to the international level. The developing brand in the business hotels segment AZIMUT Hotels involves 40 hotels in 32 cities in Russia, Europe, Middle East, the total number of bedrooms being more than 7,000 of rooms. AZIMUT Hotels manages hotels owned under the long-term lease agreement.

Attention to details – this position of the corporate culture has been well described in the interview with Mr. Walter Neumann. Mr. Neumann has clearly defined the company's approach and its development strategy. Attention to such details as new design concept and SMART organization of space was aimed at business and has three principles: functionality, processability and conciseness. The company adapted the list of services in accordance with the principal needs of business tourists of new generation and put accent on the combination of comfort, technological solutions and possibilities for work 24/7.

In order to maintain its stability AZIMUT Hotels chain undertakes regular education of its employees and advanced training by putting them to other hotels of the chain. The chain's portfolio includes more than 30 developed programs. There is a special program related to the development of the personnel at three levels. The first level for managers of services, the second level is for operational director and the third level – for general manager. It helps to put stress on the process and performance, the obligations of the employees are clearly defined, advancement in the career follows defined trajectories.

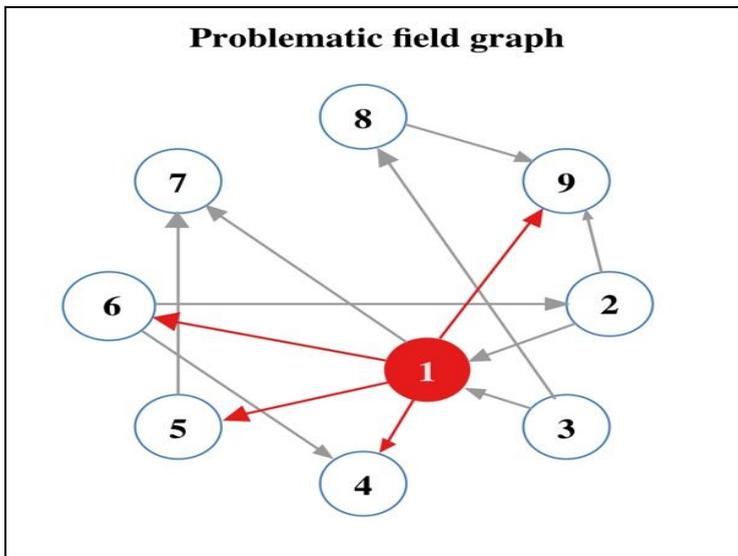
Respect for people can be seen through the 'AZIMUT Bonus' loyalty program which offers unique privileges during the stay in the hotels. For the study of the aggressiveness the authors of this article analyzed 25,660 reviews in 35 hotels presented in 'tripadvisor.ru' website. Not all the hotels rite responses to the reviews that are made by its visitors. In general, there are no responses to the negative service reviews. Therefore, it may be stated that the personnel works within the framework of traditional culture where the work is based within the tasks and barriers, realization and support of current standing and acceptance of barriers.

Result-based performance of the personal was calculated based on the average review throughout the whole chain of AZIMUT Hotels (tripadvisor.ru) and is presented in Figure1.



**Fig. 1.** Result orientation of the personnel

The average review that was calculated based on the reviews to all of the hotels of 'AZIMUT Hotels' chain (tripadvisor.ru) has produced the following results: visitors evaluated the location of hotel – 4.19, cleanliness – 4.14, service – 4.01, price/quality – 3.9. The mentioned indicators of the hotels of the chain are oriented at the sales/offer, but not at the client.



**Fig. 2.** Analysis of the problematic field.

Innovativeness and readiness to risk was analyzed based on the following identified problems: 1) absence of digital literacy on the part of the personnel; 2) hotels of the chain are oriented towards sale/offer, but not the client; 3) orientation at the process and task performance, obligations of the employees are strictly defined; 4) realization, maintenance of the current state of events and acceptance of barriers; 5) experience and stability are

taken into consideration; 6) work within the framework of tasks and barriers; 7) career advancement within the pre-defined trajectories; 8) ignorance of the digital culture.

Within the accepted assumptions, the key problems are the following: 1) producing influence on the major part of other problems; 2) producing influence on more than four problems. Relation between the problems are shown in the graph of the problematic field where the key problem is 1. Absence of the digital literacy on the part of the personnel are dependent problems 4, 5, 6, 9.

## 4 Conclusions

Corporate culture of AZIMUT hotel chain was studied. Based on this study and within the framework of O'Reilly, Chatman and Caldwell model the following particularities were identified:

- hotel chain AZIMUT is one of the actively developing Russian brand in the business-hotel segment;
- corporate culture of the hotel chain is developing in the traditional format without consideration of digital transformation;
- the elements of digital corporate culture to various extent are present in AZIMUT hotel chain, but the main problem remains the absence of digital literacy on the part of the personnel.

The identified problem within the context of digital transformation may become an impediment on the way of formation of digital culture. Zavyalova E.B., Kondrat'ev V.B. (eds). *Korporativnoe upravlenie kak faktor povysheniya investitsionnoi privlekatel'nosti* [Corporate Management as a Factor of Increasing Investment Attractiveness]. Moscow, MGIMO-Universitet Publ., 2014. 311 p.

## References

1. E.B. Zavyalova, V.B. Kondrat'ev et al., *Corporate Management as a Factor of Increasing Investment Attractiveness*, 240 (2014)
2. I.L. Shevchenko, Bulletin of the South Ural State University. Ser. Economics and Management, Corporate Culture as a Mechanism of Corporate Governance in Russian Companies, **10**, 116 (2016)
3. O.N. Kolomyts, A.S. Boyko, R.A. Kulikov, Scientific Bulletin of the southern Institute of management, **3**, 57 (2019)
4. TOP hotel companies in the worldHotelier.PRO (2017), <https://hotelier.pro/>
5. P. Parviainen, J. Kääriäinen, M. & Tihinen, S. Teppola, International Journal of Information Systems and Project Management, **5**, 63 (2017)
6. Development of digital economy in Russia until 2035, <http://innclub.info/wp-content/>
7. Decision of the Supreme Eurasian Economic Council on the 'Main Lines of Realization of the Digital Agenda of the Eurasian Economic Union until 2025' No. 12 dated 11 November 2017, <http://www.eurasiancommission.org/>
8. K. Gold, *Managing for Success: A Comparison of the Private and Public Sectors* (1982)
9. E. Schein, *Organizational Culture and Leadership* (1985)
10. P. Kansakar, A. Munir, IEEE Consumer Electronics Magazine. Shabani, Technology in Hospitality Industry: Prospects and Challenges, **8** (3), 60(2019)
11. V. Zhravleva, *Corporate Culture - the mirror of the head?* (2014)

12. Interview with Mr. Maksim Brodovsky, General Director of AZIMUT Hotels, <https://www.vedomosti.ru/>
13. Interview with Ms. Tatyana Popova, the General Director of 'AZIMUT Hotel Vladivostok,' <https://www.vedomosti.ru/>