

CHAPTER 1

INTRODUCTION

1.1 Overview and Importance of the Study

As we are in globalization era where products are directly reached end consumers through all distribution channels and become closer to buyers. In other words, business firms could run their cost more efficient and enlarge their economy of scales through seeking partnership to gain and sustain advantages (O'Dell, Carla & Grayson, 1998; Davenport & Prusak, 1998; Wei, 2007). However, there are also the tremendous changes of the corporate model when working at home becomes possible through the help of information and communication technologies (ICTs). The rapid development of the Internet has speeded up such processes and ICTs enable organizations to be flatter, networked, and more flexible on a global level (Wei, 2007), resulting in the huge amount of saving organization overhead cost, the higher customer service satisfaction, the lower absenteeism and employee attrition, easy access in a global market in the competitive edge where highly qualified people without distance and place restriction can telecommute efficiently, etc. Because of these benefits, many organizations orient to virtual¹ where virtual organizations (VOs) allow employees execute their roles remotely from each other and from their supervisors, across geographic and cultural spaces through flow of information across borders. In other word, it's a big step to move from the occasional work-from-home

¹ Virtual organization (VO) is also known as teleworking. Telework occurs when ICTs are well applicable in working at a distance, which employees enjoy flexibility in working location and hours (<http://www.eto.org.uk>).

experience, where you are essentially functioning as a satellite to a physical operation, to managing on an entire virtual workplace (Schneider, 2003).

The concept of virtual organization (VO) also became a popular topic for academic discussion following the 1970's world oil crisis, when alternatives to traditional commuting were suddenly of great importance (Baruch & Yuen, 2000). Over the past two decades, the shifting economic pressures have been characterized by the advent of new organizational forms- virtual enterprises, imaginary corporations, dynamic networks, flexible work teams and the trend towards flexible employment practices as one way to achieve competitive advantage (Lim & Teo, 2000; Haddon & Brynin, 2005).

According to the Gartner Dataquest (2005), a proportion of the worldwide virtual workers' population (those who work 8 hours per month from home) increases from 32.15 million in 1999 to 100.13 millions in 2008 in which the US has been a major territory for teleworking (36.13 million in 2008) since the early 1990s (Jones, 2005). The trend has been significantly increased in many regions, namely, Japan in Asia, where virtual adoption has become an IT focused e-Japanese strategies of the government (Jones, 2005), and Australia, where virtual workers are supported to be closer to home. The Australian Computer Society (ACS) has spoken out in favor of virtualization and its impact on family relationships and work-life balance (<http://www.teleworkaustralia.net>). The tendency also indicates that both employees and employers will increasingly prefer or insist on flexibility (New Zealand of Employment Relations, 2009) and according to the competitive dynamic market; virtual team (VT)² can be fast responsive and working more efficiently with their job

² Virtual Teams (VT) are teams of people who primarily interact electronically and who may meet face-to-face occasionally. A team is a small number of people with complementary skills who are committed to a common purpose, performance goals, and approach for which they hold themselves mutually accountable (Gould, 2006).

design to be able to work outside the traditional hours to offer customer service (Scholefield & Peel, 2009).

Thailand, as one of the developing countries, cannot avoid such global business trend (Tanlamai & Wattanasupachoke, 2005). Due to the insufficient researchable literatures related to such model in Thailand (Tanlamai & Wattanasupachoke, 2005), this study will broaden the awareness of virtual adoption in hotel management in Chiang Mai province(Thailand) by exploring internal and external influential factors, namely, responding to rapid changes in the marketplace and the need to reduce cost (Gould, 2006), and barriers behind employers' and employees' VO implementation's decision, by assimilating and examining the virtual ideas from two major VO adopters - the US and Japan, as a guidance of the study. However as this study is developed at a very first step among the virtual studies in Thailand, the end results might lead to any future research's completion for VOs expansion in Thailand.

A number of reasons have been put forward for the hotel industry selection, but by far the most important, is that VO is particularly relevant for hotel management, since the industry suffers from a variety of labor-shortage concerns. While many hospitality-related jobs must be performed on location, many other functions , such as, reservations, sales and marketing, knowledge workers, information workers, and accountancy can be considered prime targeted applicants for teleworking and conducted nearly anywhere and can support more than one hotel operation or chain , if need be (U.S. Department of Transportation, 1992; Mills, Wong-Ellison, Werner, & Clay, 2001). Besides, the study also tries to identify the relationship of electronics buzzwords, namely, e-commerce, involving in the internal hotel management, which allow commercial process and business transactions via electronic lines and can be considered as VOs initiatives (Tanlamai & Wattanasupachoke, 2005). Explicitly, the study is mainly beneficial to the hotel entrepreneurs and related hospitality industries from the further findings.

Regarding the provincial selection, Chiang Mai, in this study define that the tourism industry is considered as one of the major economic drivers in Thailand with its

estimated contribution of 6.5% to Thailand's GDP in 2008 (<http://www.thaiwebsites.com>). In which Chiang Mai is ranked top in both the World and Asian in term of the most tourists' visiting province after Bangkok, hotel business is therefore targeted regarding tourism demand in the country (<http://www.etravelblackboard.com>). Chiang Mai has become a modern tourist attraction with approximately five million visitors each year, in which 3.5 million are the Thai visitors and 1.5 million are foreigners, and is an unofficial capital city of Northern Thailand, second in importance only to Bangkok (<http://www.tisccm.moc.go.th>). Also, due to the limited air access to some tourist attractions, namely, Koh Samui, Chiang mai turns into the next territory for international hotels investments in the recent years (<http://www.bangkokpost.com/tourismreview2007/21.html>). Therefore, it is crucial for Thai-Owned hotels to utilize more modernized web-based business and virtual organizational restructure in certain position, if needed, to remain competitive.

Moreover, among the total registered lodgings (555 places) in Chiang Mai, number of hotels possesses the major partition of 33 percent or 186 places, following by, 154 B&Bs and Guest houses, 135 Resorts and Spas, 19 Huts and Bungalows, 15 Home Stays, 14 Service Apartments, 12 Boutique Resorts, 6 Condos, Apartments and Mansions, 6 Villas, 4 Rafting, 3 Youth Homes and 1 Tent and Camping (<http://www.tourismthailand.org>). Amongst the hotels, the hotel star rates represent not only the hotel standard, but the facilities especially in ICTs, according to this study. The interesting issue here is the importance and probability of virtual adoption that each star hotel managements and supervisors perceive whether they can apply virtual model as a part of their operation partly or even fully. We will therefore explore our findings proportionately in every stars level, by emphasizing the data collection from Muang District to another.

In order to identify and scrutinize our objectives clearly, we will describe, as well, the theoretical background for VO and its employees, employers and society benefits, as well as, the structural, operational, and strategically dissimilarity between Traditional Organizations (TO) and VO to emphasize the importance of the study, following by three objectives of the study, in Chapter 2. Our hypotheses and research methodology

are displayed in Chapter 4. We have tested the hypotheses empirically in Chapter 4 in order to sum up the results in Chapter 5.

Moreover, regarding the objectives of the study, we classify the factors into two subgroups which are seven influential external factors and five influential internal factors. In addition, every organizational structure implementation comprises of both benefits and drawbacks (Wei, 2007). Likewise, this study will clarify the potential barriers that an organization might face upon the virtual adoption in hotel management. By dividing similarly into internal and external barriers, the hotel entrepreneurs may verify whether or not the barriers will slow down the virtual adoption or the benefits are advantageous enough lessening any risk and operational uncertainties.

Lastly, VO or teleworking is the new form for both managers and employees to adapt with the changes this model is designed for. For that reason, without managers' or employees' support and contribution in applying and developing mutually the model, teleworking may not be success and may lead to the believe that teleworkers' performance is not accurately evaluated resulting in reduction of teleworkers' organizational commitment with the managers (Baruch, 2000; McCloskey & Igarria, 2003) or the problems associated with the management trust. Consequently, to fully understand telework, the study aims to fill the gap of the virtual adoption's success and failure by including related parties; employers in General Manager or equivalent level and employees, especially in Supervisory level, who might be affected when virtual is implemented (Bailey & Kurland, 2002), are selected as our key informants in this study. By doing this, we will be able to conduct the comparative study between the managerial perceptions and employees' regarding the external and internal influential factors towards VO adoption, in hotel management in Chiang Mai province.

1.2 Objectives of the Study

- To investigate potential internal and external factors influencing virtual adoption in hotel management, Chiang Mai Province.
- To explore possible internal and external barriers behind the virtual implementation particularly for the hotel entrepreneurs in Chiang Mai Province.
- To compare a difference between managerial and supervisory position on attitude towards the different external and internal environmental factors influencing virtual adoption in hotel management.

1.3 Definitions of Technical Terms in this Study

1. Virtual Organization (VO) or Teleworking:

Virtual Organization (VO) or teleworking defines the form of working away from a central location by utilizing communication technology. Various positions and nature of businesses can become virtual, if the employers, the employees and the communities are beneficial from implementation.

In addition, VO can be formed by outsourcing non-core business activities or grouping as the virtual alliance to achieve the mutual organizational objectives and unify each core-competency and function as one organization, and by virtual links using the ICTs support to cooperate and unite the geographically dispersed individuals, groups, organizational units or entire organizations that pool resources, capabilities and information to achieve common objectives. There are three expected types of the virtual population in this study; pure teleworkers or the teleworkers who almost exclusively spend their time working out from office, no matter what workplaces, partial teleworkers or the teleworkers who both use traditional office and their home office or different arranged workplaces, such as, hoteling or telework centre, while working and non-teleworker or the respondents who not at all apply the teleworking model (traditional employee).

2. Virtual Team (VT):

Virtual team (VT) is a group of workforces (or employees, managements, customers, suppliers and/or government) who interact through information highway or ICTs, directed by common purpose, across space and time. This team may or may not stay together to perform the assigned task and may not stay together in the specific work group, but regarding the different assignment at all times. By having the flexible team and workforces, the VO can remain competitive in terms of meeting responsive needs and providing 24/7 services to its stakeholders. Moreover, the virtual team who disperse worldwide and service to global markets, regarding the increasing globalization of trade corporate activity, can be called as the global virtual team (GVT). The distinction between VT and GVT is based also on the differences of national, cultural and linguistic attributes in forming the team.

3. Influential Factors:

The term “Influential Factors” can be viewed in two categories: factors related to the external and internal environmental factors on firms or hotel entrepreneurs’ decision. In this research, we examine the external environmental factors that comprise of macro-ICT infrastructure factor, transportation-related factor, macro-global economy factor, macro-environmental & political factor, macro-legal factor, micro-competitors factor, and micro-customer factor. Furthermore, internal environmental factors include five sub-factors, which are relational factors, structural factors, individual factors, financial factors and management competencies & strategic factors.

4. Potential Barriers behind the Virtual Implementation:

Constraints or potential concerns that might inhibit the VO adoption categorize into seven external barriers; legal & regulatory barriers in specific States, unreliable systems & technical problem, high telecommunication investment requirement, lack of awareness and exposure to the teleworking concept, lack of awareness of IT and language skills for new entrants, high e-business competitive pressures, and demoting virtual interface due to Thai cultural values, and eight internal barriers related to

unwilling management focus, limited social interaction, distrust among VTs, cultural and organizational conflicts, inadequate work-in progress sharing, less self-motivated and sense of belonging, e-commerce short-term profitability and home environment distraction's barriers, respectively.

5. Managerial and Supervisory Perceptions:

Regarding the third objective of the study, managerial perceptions can be retrieved from the participants who are working as the General Manager (GM) or Top Management Level, since they are the group that control the primary decision. On the other hand, the employees are those who work in the supervisory level and in one of the six common departments, namely, Front Office and Rooms Service and Human Resources.

1.4 Limitations of the Study

As this study is not conducted exclusively for the hotel industry in Chiang Mai province, but focusing specifically on the hotel management, which some external factors and barriers might or might not directly influence and impact on managerial and employees' virtual adoption views. As a result, the findings might not response to the overall implication whether there are more or less potential for hotel industry to become virtual.

Also, the findings might be unsuitable when apply the model in other provinces, and even if there is the likelihood for hotel industry to telework, the concerned factors and barriers might be distinct absolutely, due to geographical location and cultures in Thailand.

Related the aforementioned limited virtual literatures in Thailand, the information regarding influential factors and barriers forming VOs, may need to be referred from the previous researches from overseas, especially, from the US and Japan, due to the advanced and in-depth findings which are useful and supportive for this study.

1.5 Contributions of the Study

The study aims to find out influential factors and barriers towards virtual adoption in hotel management and comparing two different attitudes between managements and supervisors in hotel industry whether they perceive similarly or dissimilarly the probable factors and barriers. Consequently, the findings from this study are expected to provide useful information for the prospective virtual adopters so as to remain competitive in the dynamic market and future competition. It is also expected that findings could be beneficial for existing and potential hospitality industry as following:

1. The findings will directly be advantageous in terms of creating awareness for the hotel entrepreneurs who are seeking for ways to be much more productive and responsive in the dynamic marketplaces as well as the solutions beyond the obstacles they may face once they execute virtually.
2. The findings should be beneficial to local businessmen in other industries who has adopted or will apply the virtual model to their daily activities so as to increase their productivity, especially, for service industries, namely, hospitality, where quality of services relies on speed of information and satisfaction of customers.
3. Entrepreneurs in other region of Thailand could utilize this study as a guidance to realize the factors influencing a formation of virtual organization and its possibility to adopt in their business fully or partly in the near future.
4. The results of this study should be not only useful for business, but for the nation-state policy makers in terms of expanding flexibility in where work is done. They should also help human resource professionals and family life educators as they design program to help families find harmony between work and personal/family life as well as enhance green initiatives for the global.
5. New comers in the market who could apply virtual model running a small but productive corporation to minimize cash burn.