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Diploma Thesis

**Corporate culture in the management of a
Russian organization in the service sector**

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Declaration

I declare that I have worked on my diploma thesis titled "Corporate culture in the management of a Russian organization in the service sector" by myself and I have used only the sources mentioned at the end of the thesis.

In Prague on March, 31st

Svetlana Teplova

Acknowledgement

I would like to thank Mr. Richard Selby, PhD for his advice and supervision; my family and close friends for their support during my work on this Thesis.

**Korporátní kultura v managementu ruské
organizace operující v terciálním sektoru**

**Corporate culture in the management of a
Russian organization in the service sector**

Souhrn

Tato diplomová práce se zabývá problémem vytváření a udržování korporátní kultury se zaměřením na její místo v managementu organizace.

Hlavním cílem této práce je analyzovat a vysvětlit metody umožňující založení a udržení korporátní kultury a odhalit vzájemnou závislost ostatních elementů managementu dané organizace.

Mezi hlavní cíle patří analýza korporátní kultury společnosti Ritz Carlton. Analýza je založena na všeobecné firemní korporátní kultuře, která je dále aplikována na ruskou pobočku.

Na základě analýzy korporátní kultury společnosti Ritz Carlton, hypotéza diplomové práce byla dokázána. Na základě této dokázané hypotézy jsou v závěru této práce zveřejněny doporučení pro ruské společnosti.

Klíčová slova:

Korporátní kultura, Organizační kultura, Management organizace, Rusko, The Ritz Carlton, Terciální sektor.

Summary

This thesis covers the problem of forming and maintaining corporate culture with an emphasis on its place in the management of an organization.

The main aim of the thesis is to analyze and explain the effective methods of establishing and maintaining the corporate culture of an organization and to reveal their interdependence with other elements of management of the organization.

One of the main objectives is the analysis of the corporate culture of The Ritz Carlton Company. The analysis is based on the corporate culture of the company in general, and further in the thesis there is regarded the application of the corporate culture of the Russian branch of the company.

Based on the analysis of the corporate culture of The Ritz Carlton company, the hypothesis of the diploma thesis was proved. Due to this fact, in the conclusion there were done recommendations to Russian companies.

Keywords:

Corporate culture, Organizational culture, Management of organization, Russia, The Ritz Carlton, Service sector

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1. Introduction.

This thesis is devoted to the problem of forming and maintaining corporate culture in a company. Western countries started to use this mechanism for successful business and achieved the goals of their companies long ago. At present, the issue of building an effective corporate culture is becoming more and more relevant in Russia.

In Soviet times, the inner philosophy of the company and the majority of all the processes were based on command and hierarchical principles. Currently, the companies, having undergone the evolution of management processes, are anxious for the successful experience of western companies. They recognize the need to build and maintain a corporate culture, adapting it to modern Russian conditions, while taking into account the national mentality. To be able to adapt the existing corporate culture, a manager should be flexible, capable of working, communicative, and, of course, must know and understand all the peculiarities and subtleties of corporate culture.

Corporate culture is a powerful strategic tool which is able to target all parts of an organization and all individuals with common goals, to mobilize the initiative of staff, to ensure loyalty and to facilitate communication.

Nowadays, any technological innovations, production facilities and any other instruments of business and achievement of results are available in any industry and to anyone. In these circumstances, a company has a few ways to achieve better results rather than its competitors. And perhaps people are the main resource with which a company can become a leader on the market. Customers, employees and top management - these are the three pillars on which modern business rely more and more today. Corporate culture dictates the style of interaction between staff, supervisors and managers, style of interaction between the company and the surrounding sociocultural environment.

Corporate culture has a significant impact on the success of the implementation strategy of the company. Some aspects of the functioning of the company, which are specified in the strategy, may overlap or be in conflict with the basic principles of corporate culture. This greatly complicates the implementation of the strategy. Only in the case of full compatibility between culture and the long-term plans, a company is able to reach good results. In this case, a highly organized culture supports the implementation of the strategy, provides incentives for the creative activity of workers, as well as educates and motivates them.

All the elements of the corporate culture should be a reflection of the opinion of a top manager, because that is what ensures its wholeness. The top manager is the one who has to determine the main features of the formation of the corporate culture of the company. He has to do it properly, because his decision can either be the key to success, or turn against him. Features of corporate culture depend primarily on the company's goals and on its business field.

Considering the question of corporate culture in the management of an organization, the author decided to limit the study by commercial enterprises. The enterprises, whose ultimate goal is gaining profit, have more pronounced values of corporate culture. The reason is very simple. Commercial enterprise, more than any other organization, is interested in the effective promotion of employees, but this cannot always be achieved through financial incentives. And as the economic success of the organization depends on good and qualified performance of staff at all levels of their duties, there is a need for the invention of additional mechanisms of emotional involvement. That is the task that corporate culture aims to solve.

In this thesis the author examines the formation and maintenance of corporate culture in the example of the international company The Ritz Carlton and the implementation of its corporate culture in its Russian

branch. For many years, this company has been in the hotel business and has managed hotels, both at the corporate and territorial levels. This choice is not accidental. There is, for example, automated manufacturing, where the outcome depends on the level of technical equipment or research activity, where theoretical methods play an important role. In the sphere of hospitality, people play the primary role in the organization. The company's success depends on the quality of the work they do. Workers do not think about the corporate culture of the organization and they are not trying to adapt to it. All this is a task for manager, i.e. to develop the process in away that it would integrate with the minds of the staff, and blend with his or her own system of values.

2. Objectives of the thesis and methodology.

2.1. Aims and objectives of the Diploma Thesis.

The main aim of the thesis is to analyze and explain the effective methods of establishing and maintaining the corporate culture of an organization and to reveal their interdependence with other elements of management within the organization.

The objectives of the Thesis are:

- ✓ To explore the theoretical base of the analysis of corporate culture. This includes types of corporate culture, its formation and the factors that influence its formation;
- ✓ To define the influence of corporate culture on the management of the organization and the influence of corporate culture on the effectiveness of the organization;
- ✓ To identify the main features of the leadership management model;
- ✓ To describe the specific features of corporate culture in Russian companies;
- ✓ To analyze the corporate culture of The Ritz Carlton company. The analysis is based on the corporate culture of the company in general. Further, the application of corporate culture of the company in its Russian branch will be discussed;
- ✓ To make recommendations, based on the analysis of the corporate culture of The Ritz Carlton Company.

2.2. Hypothesis of the Diploma Thesis.

The null hypothesis of the diploma thesis is: "Corporate culture, which is based on the leadership management model, exists and proves its efficiency. It **can** be successfully implemented in Russian companies."

The alternative hypothesis of the diploma thesis is "Corporate culture, which is based on the leadership management model, exists and proves its efficiency. It **cannot** be successfully implemented in Russian companies."

According to the observation of the implementation of corporate culture in the chosen company, the null hypothesis will be proved or rejected. If the null hypothesis is rejected, the alternative hypothesis will be automatically proved.

2.3. Methodology of the Diploma Thesis.

The methodology of the theoretical part of the diploma thesis consists of information gathering, e.g. an overview of the literature on corporate culture, internet resources of Russian companies and press releases and interviews with top management of the selected company.

The methodology of the practical part of the diploma thesis consists of the observation of the main regulations of the corporate culture of the selected company, an interview with the manager of the HR department, as well as semi-structured interviews with line staff.

2.4. Structure of the Diploma Thesis.

The thesis consists of an introduction, three chapters, a conclusion, a bibliography and supplements. The total number of pages is 64.

Literature overview consists of five subchapters. It describes the formation and functioning of corporate culture and analyses the relationship between corporate culture and other elements of management of an organization. It reveals the extent of their influence on each other. It also describes the main features of the leadership management model.

The practical part relates to the practical activities of the author's thesis and consists of five subchapters. It determines the specific features of the formation of corporate culture in Russian companies and focuses on the practical application of the leadership management model on the example of the international company, The Ritz Carlton. In the end, recommendations for other companies, operating in the sphere of hospitality, will be made.

3. Literature overview.

3.1. Definition of corporate culture.

Culture in its broadest sense includes “the objective results of human activity (cars, buildings, art, morality and law, etc.) as well as human power and abilities, reflected in the work (knowledge, skills, level of intelligence, moral and ethical development, outlook, ways and forms of human communication). In a more narrow sense, culture is the spiritual life” (Ильичёв, Федосеев, Ковалёв, Панов, 1989). Such definition exists in the encyclopedia dictionary and is accepted in sociology.

At the end of XX century, managers and researchers of organizations started to use this concept, with regard to a general climate of the organization and specific methods of working with people, and proclaiming the values and credo of the organization.

In order to understand how culture can affect the efficiency of the organization, it is necessary to define the concept of culture. Some definitions by Russian authors:

➤ V. Tomilov gives the following interpretation to this concept: “Corporate culture is a range of thoughts that define the inner life of the organization, its way of thinking, operation and existence” (Томилов, 1995). Corporate culture may be regarded as an influence of core values on the structure of organization, its management and personnel policy.

➤ V. Spivak defines corporate culture as a system of material and spiritual values of the organization, which interact with each other. They reflect its personality and perception of itself and others in the social and real environment (Спивак, 2001).

➤ A. Kozlov considers corporate culture as “a system which contains formal and informal rules and norms, customs and traditions, individual and group interests, leadership style, employees’ behaviour and job satisfaction, working conditions, level of mutual cooperation, and self-identification of

employees with the organization as well as the prospects for its development” (Козлов, Козлова, 2004).

Among foreign authors the most comprehensive definition of corporate culture was given by Edgar Schein, who defined it as “a pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way you perceive, think, and feel in relation to those problems” (Schein, 2004). Among other foreign authors the remarkable definitions of corporate culture were done by:

- M. Pacanowsky and N. O’ Donnel-Trujillo: “Organizational culture is not just some part of the problem, it is the problem itself as a whole. To our mind, culture is not something that an organization has, it is what the organization is” (Pacanowsky, O’Donnel-Trujillo, 1982).

- G. Morgan: “Culture is the set of beliefs, values, and norms, together with symbols like dramatized events and personalities, that represents the unique character of an organization, and provides the context for action in it and by it” (Morgan, 2006).

- C. Scholz: “Organizational culture must be understood as the implicit consciousness of an organization, which develops out of its members’ behaviour, and which influences their behaviour” (Gagliardi, 1990).

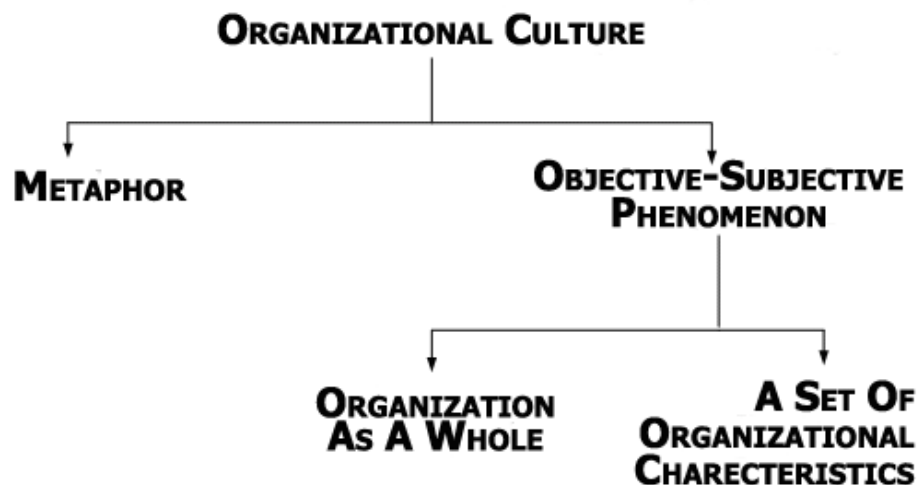
- G. Hofstede: “Culture is the collective programming of the human mind that distinguishes the members of one human group from those of another. Culture in this sense is a system of collectively held values” (Brown, 1994).

- A. Brown defined organizational culture as “the pattern of beliefs, values and learned ways of coping with experience that have developed during the course of an organization's history, and which tend to be

manifested in its material arrangements and in the behaviour of its members” (Brown, 1994).

All definitions of organizational culture can be primarily divided into those that characterize the organizational culture as a metaphor (e.g., G. Morgan), and those which state that the organizational culture is actually existing objective-subjective phenomenon. Among the supporters of the latter approach, there can be distinguished two more groups. To the first group belong those who believe that the culture of the company is organization as a whole (e.g., M. Pacanowski, N. O’Donnel-Trujillo), and to the second one belong those who claim that organizational culture is only a certain set of characteristics (e.g., A. Brown).

Figure 1. Definitions of Organizational Culture.



Source: own

In the majority of the definitions, the authors refer to the examples of basic assumptions of the corporate culture concept. These assumptions are the key factors that influence the behaviour and actions of the organization’s employees. They are often associated with the vision of the organization’s environment (group, organization itself, society, world) and its key driving forces (nature, space, time, work, relationships, etc.). In most cases, it is difficult to adjust this vision in relation to the organization.

Values are the second general category that many authors include in the definition of corporate culture. Values determine proper and improper ways of behaviour. For example, some organizations consider that the “customer is always right”, and thus the employees of such an organization can not blame their customers for the failures in the work of the organization. In others, the situation might be just the opposite. However, in both cases, common values of the organization help the employees to understand how they must act in a particular situation.

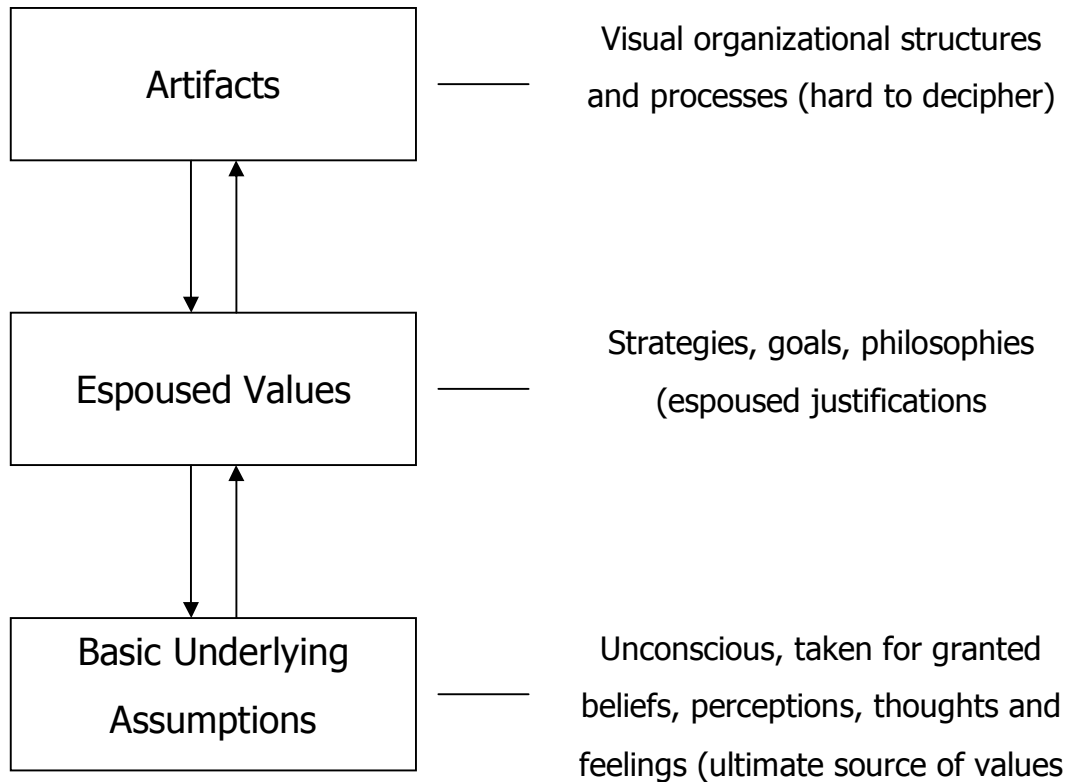
And finally, symbols are considered to be the third common attribute of the concept of corporate culture. A symbol is the way to transmit the values of the organization to its members. Many companies have a set of documents in which the values of the organization are described in details. However, the symbols of the company are better perceived by people, and in many cases, they are associated with the values. As a result, they sometimes have more influence on individuals than the written values in an advertising brochure of the company.

Summing up all the definitions, it is possible to define corporate culture as follows: corporate culture is a set of values, principles, rules, regulations of corporate activities, which are perceived by the majority of employees, and are transmitted from generation to generation, and also have an influence on the goals of the organization.

3.2. Structure and main elements of corporate culture.

A great number of existing definitions of corporate culture can be partly explained by the fact that its different levels are not often revealed. These levels include both “tangible expressive symbols and deep subconscious understanding of the so-called essence of culture” (Schein, 2004). Between these two extremes there are common values, norms of corporate culture and its rules of performing.

Figure 2. Three Levels of Culture.



Source: SCHEIN, E. *Organizational Culture and Leadership*. 3rd edition. Jossey-Bass, 2004.

Artifacts are the surface level, including all the phenomena that you can see, hear or feel when entering a new group with an unfamiliar culture. Artifacts include visible groups, such as:

- The structure of the environment of an organization;
- Its language;
- Technology and products;
- Its style (style of communication within organization, emotional atmosphere);
- Description of its values;
- Corporate events and ceremonies.

For the purposes of cultural analysis, this level also includes the visible behaviour of the group and relevant organizational processes.

One of the features of this level is that artifacts can be easily discerned but it is hard to understand their true value without deep analysis. The main problem lies in the ambiguity of symbols. It is possible to understand the meaning of any phenomenon only along with studying culture at the levels of its values and basic concepts. According to E. Shane, one will not succeed in the attempts to define the underlying concepts based only on artifacts, since such interpretations would be only the projections of the researcher's own feelings and reactions. Each aspect of group's performing is connected with certain artifact, and as a result, there is a problem of classification.

If researcher or observer lives and performs in a group for a long time, then over time the value of artifacts becomes clearer to him/her. If he/she wants to achieve the same level of understanding within shorter period of time, it is necessary to analyze espoused values, norms and rules of the observed group.

Espoused Values. The whole experience of the group is a reflection of someone's original ideas of how something differs from what it actually is. When a group is created, and when it starts to solve a new problem, question or issue, its first step is a reflection of someone's personal views of what is right and what is wrong, what is efficient and what is inefficient. People who own initiative and are able to have a certain influence on the group can become leaders in the future. But at this stage, the group itself does not possess any collective experience, because it has not yet developed a mechanism for dealing with a new situation. Due to this reason, any proposal has only espoused value, even in case the person who expressed it is confident in its truth. Till the group will not put joint efforts in dealing the problem, and its members will not see the results, there will not be a common basis for understanding of the situation. If a manager convinces the group to act in accordance with his/her suggestion, and the latter will be right, then the perceived suggestion will undergo cognitive

transformation. First, it will turn into a group concept or belief. And then, if it continues to be successful, the original suggestion will become a group's concept.

Thus, espoused values are values and norms of behaviour, which are declared and performed by the group. These values include: philosophies and the declared principles of operation, corporate values, goals and conscious strategies for achieving the goals.

Norms and behaviour in an organization, which are based on espoused values, are the foundation of corporate culture. Values which are shared and declared by the founders of the organization, often becomes a key element, which influence the unity of the employees and the formation of their views and actions, therefore, ensuring achievement of the goals of the organization.

Values "represent characteristics of the public object that meets the specific needs of an individual or the whole group" (Сухорукова, 2000). With regard to the corporate culture, values can be defined as a stimulus or a prerequisite, which is necessary for any kind of interaction. Corporate values and norms may include the following:

- Purpose of the corporation and its "face";
- Seniority and authority;
- The importance of various leadership positions and functions;
- Human resource management;
- Selection criteria for leadership and supervisory positions;
- Organization of work and discipline in the organization;
- Style of leadership and management;
- Decision-making processes;
- Dissemination and exchange of information;
- The nature of contacts;

- The nature of socialization;
- Ways of resolving conflicts;
- Performance evaluation.

Corporate philosophy is one of the key components of corporate culture and it is “a complete, detailed set of ethical and business norms, principles, creed, which guide employees of the firm or the project participants” (Чумиков, Бочаров, 2004).

When considering the corporate philosophy, the most important are the following concepts:

- The more unique the corporate philosophy, the more productive it is;
- Unique features of corporate philosophy must not contradict any existing international, national or regional laws and normative legal acts;
- In some cases, corporate philosophy focuses the company's employees, or members of the project, on more strict requirements, rather than being required as in a code of laws, thus, giving priority to “its own” requirements.

The desire for shared values can unite people into groups, creating a powerful force for achieving goals, and therefore, improving the efficiency of the organization. However, it is almost impossible to give a generalized set of corporate values, because corporate culture is always a mix of original values, attitudes, norms, customs, traditions, behaviour and rituals, that are unique for a certain organization.

Basic Underlying Assumptions include opinions, beliefs, attitudes, which are perceived by a group on a subconscious level, as self-evident and without any doubts. That is, if the group adheres to some basic assumption, then it will find incomprehensible the behaviour that is based on any other assumption.

Basic assumptions are a kind of the core, or essence of culture. They are a source of values and actions for the company. They are established by individuals or groups in the process of upbringing and education, and are largely influenced by cultural and national identity, family, etc. Basic assumptions do not cause objections or doubts, and it is extremely difficult to change them, because it will affect the personality of people or the whole experience of the group.

Culture, as a set of basic concepts, determines what we should pay attention to, what is the meaning of a certain phenomenon, what should be an emotional reaction to what is happening and which actions should be taken in any specific situation. Having developed such a system of basic concepts, people feel comfortable with those who share their view of the world. And vice versa, they feel uncomfortable in situations where another system of values is valid, as they will not be able to perceive the actions of other people correctly, along with giving a false interpretation of their actions.

The culture of any group can be analyzed on all three of the above-mentioned levels: artifacts, espoused values and basic underlying assumptions. If the researcher is not able to understand the basic assumptions of the company, he/she will neither be able to interpret artifacts, nor give an evaluation to the group values. In other words, the essence of corporate culture can be seen at the level of the basic assumptions of the company. Having discovered them, it is possible to understand the content of other elements of the culture and give them a proper evaluation.

3.3. Factors influencing the formation of corporate culture.

There are numerous factors that influence the formation of corporate culture in general, and the culture of an organization in particular.

Formation itself is a long and sophisticated process. It consists of several important steps (Спивак, 2001):

1. Formation of the mission of an organization;
2. Definition of the basic core values;
3. Formulation of the behaviour standards for members of an organization, based on the core values;
4. Description of the traditions and symbolism, which reflect all the above-mentioned.

All these steps are usually described in the corporate rules. These kinds of documents are especially useful when a new employee is hired or during the adaptation period. They allow us to understand immediately whether a potential employee shares the values of the organization and to what extent.

But there are more characteristics that influence the formation of corporate culture of an organization, and they are not written. Within such characteristics, there can be distinguished five main features (Спивак, 2001).

The first one is the working group. Working groups appear in organizations in different forms. They are formed due to the need of affiliation, the necessity to reach the goals, physical approach, and compatibility between the personalities, and the attitudes and values of the individuals. The nature of the group and the number of members affect the perceptions regarding the nature of the corporate culture. Each employee brings into the organization his/her own convictions, attitudes and behaviour, which in the end, form the corporate culture. The relationships within the group are important for the process of creating the culture within the organization. General attitudes towards the risk of conflicts, as well as the types of relationships and communication will have a considerable impact upon the working group. According to these factors, employees of

an organization will develop an impression about “what kind of working place it is”.

The second feature is leadership management style. This has a considerable effect on the culture of an organization. If the manager is distant towards his/her subordinates, such an attitude can have a negative impact on the whole culture. And vice versa, the trust in the manager can positively influence the effectiveness of the group. The influence of a manager is always proportional to the hierarchical level. At the same time, on the hierarchical level, the influence differs from one manager to another, because of the leadership management style and the level of training.

The characteristics of an organization can also influence the type of culture. Big organizations tend to higher degrees of specialization and to a bigger, impersonal character. Usually, the sub-cultures in the big companies are clearly shaped, while the culture is more congenious in the small ones. The history of the company forms the factor of tradition, which also influences corporate culture. It differentiates the cultures of such organizations from the cultures of the new ones. The stage of the life cycle of the company can constitute an important factor, which is rarely taken into consideration. Finally, the economic situation of the company also influences the culture by its restrictions and economic facilities.

Founders, owners and top management are one more feature that influences the formation of the corporate culture. In many cases, founders create the philosophy of the company and determine core values. Owners of a company can exert their influence by the type of ownership (founder or appointed CEO) and by the number of owners. “When there is a reduced number of owners, their influence can be more profound”.

The environment of the company is the last characteristic on the list. The environment can be cultural, juridical, economic and technical. The juridical environment can influence the corporate culture positively or negatively. When it includes contradictory elements its influence is negative.

The economic environment of the company reflects the status of the national economy. The employees of an organization are affected by the values, beliefs and attitudes that come from the national culture. In this case, each country has its own particularities, which influence owners, employees, and managers, and thus they influence the organizational culture. The technology used in the company reflects the environment, which also influences the culture of an organization.

If the first important step of the corporate culture formation is to identify core values, that is what lies in the basic assumptions and attitudes: the attitude of employees to the company, the motivation to work, management style and relationships; the first important step towards building a culture is the development of a plan for the process of its construction and implementation.

The mechanism for the corporate culture formation lies in the mutual influence of its sources [See Supplement 1, (Internet source [1])]. Due to the mutual intersection, they limit the scope of the company's potential in implementing personal values, and thereby determine the hierarchy of the team. The hierarchical system of values generates the most appropriate methods for the implementation of corporate culture and its characteristics, which later form the internal behaviour of the company, as well as norms, values and traditions.

3.4. Role of corporate culture in the management of human resources of the company.

Human Resource Management (HRM) functions include a variety of activities. Among these wide ranging activities is achieving the goals through the management and development of organizational behaviour of staff along with maximizing its compliance with the company's mission and strategy. The basic idea of HRM is the recognition of fundamental differences of human resources of the organization from other resources:

material, natural or financial. These differences are the following (Щёкин, 2003):

- The two-way interaction between the employee and the organization;
- The ability of staff to constantly develop and improve;
- The possibility of a long-term relationship between organization and employees, based on the convergence of interests;
- The mutual needs of organization and employees to meet their needs and goals within the working process;
- The uniqueness of each person who creates the unique corporate culture in collaboration with others.

Corporate culture defines the norms and values, as well as laws and traditions that form the basis of the development and functioning of an organization. Employees do not only create the culture of an organization, they also change and improve its basic characteristics and parameters. Nowadays, this process is carried out on the basis of the strategies and methods of HRM. There is a strong two-way interdependence of corporate culture and HR systems. Thus, for the successful functioning of an organization it is necessary to pay a great attention to staff development.

The problem of developing leadership skills in employees does not mean the development of selected individuals. It is necessary to develop the above-mentioned skills in the managers of all levels, as the success of the company depends on leadership potential in the broadest sense. After all, not only top managers, but also ordinary workers, must have their own point of view, suggest improvements, involve others and achieve the goals.

It is necessary to understand what management and leadership skills should be developed, how to rebuild a system of personnel development and the company's culture as a whole in order to identify the future leaders and to educate them. The most successful companies are good at developing the employees and turning them into leaders. This becomes

possible due to the special culture of management, aimed at development and promotion of talented employees.

This is not an easy task, and relations with the future employee should be built from the very beginning - when people are hired for their position. When selecting candidates, education, professional experience and ability to manage people are taken into consideration. It is necessary to know what to expect from the potential employees as well as to evaluate their imagination, analytical skills, creativity, energy, attitude towards other people and the ability of a team working.

The next stage is the development of employees. It is easy to understand if a company has a chance to become a leader, according to the way it trains and educates its employees. Training means development of the skills which are necessary to solve specific problems; education means acquisition of new knowledge which is necessary for the development of the entire company and each employee individually. Companies create temporary groups that develop educational and training programs, either involving external experts or delegating the authorities to the group leaders.

The concept of learning organizations has becoming increasingly popular and effective. According to the idea of an American researcher, P. Senge, learning organization concept is based on "five disciplines" that must be mastered at all levels of the organization (Senge, 1994). The five disciplines are:

1. "Personal mastery" - clarifying personal vision, focusing energy, and seeing reality.

People come to work with energy, but only few of them can keep with time. Most of them start to keep some energy for the weekends, hobbies, etc. As a result, by the age of 30 a person "loses dedication, sense of personal significance and inspiration". However, only few companies encourage their employees to move forward, the rest simply loose their resources.

2. "Mental models" - unearthing internal pictures and understanding how they shape actions.

All of us have models or stereotypes about both different management situations and personal ones. That is the reason why many good management ideas are not brought into life.

3. "Shared vision" - transforming individual vision into shared vision.

Many managers do not pay attention to the fact that their personal vision of some ideas is not understood and accepted by their subordinates. Shared vision helps people to learn "not because they have to, but because they want it".

4. "Team learning" - suspending judgments and creating dialogue.

In this case, team learning is not training courses or seminars. The concept is based on the free exchange of ideas within the groups, or, in other words, on a dialogue. Dialogue between the staff can lead to the brightest ideas that can be created by a certain individual.

5. "Systems thinking" - fusing the four learning disciplines; from seeing the parts to seeing wholes.

Without this discipline all other skills and knowledge will be only fragmented methods of an innovative management concept.

Thus, the learning organization is constantly in the process of self-improvement, creating the necessary conditions for training and development of the employees. But in the context of a learning organization, learning itself is not just the accumulation of knowledge. The main aim is to develop skills learn how to use them.

It is often assumed that training of employees is the task of the Human Resource Department. Managers do not have time to be mentors and teachers. In fact, it is the manager who is responsible for the professional development of his/her subordinates. Manager must be an example; he/she

must participate in daily activities of the teams, create ideas and help subordinates achieve their goals. But the main role of finding a solution to the problem and its implementation belongs to ordinary workers. They should be able to solve problems on their own. This approach raises the self-esteem of an employee and reinforces the corporate culture.

In order to strengthen the team spirit, it is useful to rotate personnel. In this case, employees can acquire different skills. This will make the working process less monotonous and the organization more flexible, as the employee can be transferred from one team to another, if necessary. Various training sessions and learning programs can be organized to fulfill these purposes. Employees must understand that the company cares about them, and that it is interested in their professional and personal growth.

There are many different ways to show the employees that the company cares about them. For example, sometimes people need to know that in the case of family problems, the employer will meet their needs. When there is a conflict between work and personal life, it is flexible and not rigid managers who can successfully resolve this type of conflict by redistributing the duties of the subordinates, allowing them to move to a reduced working week. Some studies show that those employees who have a flexible schedule and who are able to take compassionate leave, are, on the average, two times less absent from work than others.

3.5. Corporate culture and development of leadership in the company.

Nowadays, leadership is one of the key features of a management mechanism. Leadership and corporate culture are closely interrelated; the leader is the main bearer of the corporate culture and corporate culture itself is based on the principles of leadership development in a company. The leadership management model is quite common and very popular in

foreign corporations, as it is very flexible and democratic and meets the modern world trends.

A leader is a charismatic manager who is able to inspire other people with his/her own ideas and make his/her own goals common. In a market economy, a strong personality has a major role in an organization. Many big foreign companies have gained their success thanks to a strong leader who managed to build a team of like-minded people¹. R. Gallagher thinks that leadership "affects the company's culture more than any other factor. The best companies create a sense of higher purpose, which involve people and which directs their efforts" (Gallagher, 2002).

Many experts and professional advisors positively rate the new idea of getting rid of old hierarchical structures and to start a new era of management based on leadership. McKinsey's most influential managing director, M. Bower, in the book "The course towards the leadership: An alternative to hierarchical system of management", tries to persuade managers to abandon hierarchical structures and to develop leadership, especially in themselves. "Hierarchical systems do not meet modern requirements. In terms of increasing competition, companies need to become more flexible. Command systems can not be improved, it must be replaced by a new one. Leadership must become a new power; a network of leaders must manage the company on all the levels" (Байэр, 2008).

More and more specialists support this view. They come to the conclusion that the manager's mission is not to give commands and check the results, because it is not the thing that determines the success of a company. The success of the company is determined by the ability of a leader to create an atmosphere in the organization in which people would like to work. This problem can be solved by moving away from the authoritarian principles of management, towards the company with leadership ones, with a new type of relationship between employees of

¹ Bill Gates and "Microsoft", Steve Jobs and "Apple", Richard Branson and "Virgin Group", Bill Marriott and "Marriott Corporation" and many others.

different levels. That does not mean that the company would be run by a single leader. The main idea is to have leaders on all the levels. Even the best strategy may remain unfulfilled if the company lacks leaders with necessary qualities who perform in different positions in the company.

Dwight Eisenhower, a famous general and President of the United States, referring to the leader's ability to influence their followers, said: "Leadership is the art of getting someone else to do something you want done because he wants to do it" (Internet source [2]). In the regard to the management of an organization, leadership must be seen as the starting point of the strategy. If leadership is an art to determine what is necessary to achieve, management is an art to achieve the necessary. If good managers contribute to the evolutionary transformations, then good leaders make revolutionary breakthroughs. They create something that did not exist before. This does not mean only a narrow circle of top managers. As a rule, 3-5% of employees in the company have leadership potential and they work in different positions. Thanks to these people, a company can reach a new level of efficiency.

The subject of leadership is becoming increasingly popular throughout the world. Companies start to realize, that the effectiveness and success of their activities, and the formation and viability of their corporate culture depends on how strong their leadership potential is. So, they put a lot of effort and time into the systematic development of leadership in their employees.

Speaking about the key characteristics of the leadership concept, there can be determined the three major qualities of a leader (Евтихов, 2007). First of all, a leader must be able to evaluate people properly, to build a good team and to establish a productive interaction in it, to use conflicts as an opportunity to find out different views and to reach consensus, and, finally, a good leader must be able to motivating his/her subordinates for emotional growth. And he/she will not be able to cope with this task unless

he/she learns to look at any problem from the viewpoint of other people. The second quality is the ability of the leader to present his/her vision, thoughts and system of values and to be able to convince people to follow it. The last but not least quality of a leader is to be able to organize the realization of the task. This requires him/her to delegate authority to subordinates and to encourage them to do more than their responsibilities. All these qualities are necessary if a leader wants to be effective.

It is possible to determine some more qualities necessary for a good leader [3.6.5]:

- "Sense of perspective" is a vision of what is necessary, in which direction to move and how to achieve goals. This also includes finding and developing talents, which will give the possibility to move forward.
- "Passion" is an obsession with one's own goal, emotional involvement and empathy. Leaders are convinced in the correctness of their actions and they are able to pass this conviction and own obsession to their employees.
- "Power of conviction" is an ability to get the desirable, to influence people and to be able to find the "golden middle" between orders and convictions. Involving staff in decision making at all levels must be an integral part of corporate philosophy. There are no leaders without followers; people follow the leader because they believe in and share his/her views, and the leader's mission is to show the goal, to involve people in reaching it, and to help them to gain the success.
- "Persistence". One should never give up; in the case of failure one should always make a new attempt. It is impossible to overcome internal barriers and inefficient traditions without persistence.

4. Case study: corporate culture on the example of a Russian company in the service sector.

4.1. The specific features of corporate culture in Russian companies.

Vertical structure was always typical for Russian organizations. This "hierarchical" way of management was developed due to the influence of the administrative-command system. It still exists, as the owners of the companies are seeking for strict control of their enterprises. As a result, the type of management which determines a significant concentration of power in the hands of the owner is the dominant one.

At present time, the leading Russian companies are still much less efficient than the international ones. It can be partially explained by the lack of functional knowledge and skills. Many Russian companies are dealing with the same problems: the indifference of staff and lack of initiative, problems with the implementation of decisions and finding new ways of development. All these refer to the lack of leadership development in an organization. The leaders of the most successful companies in the world devote a lot of time to the development of leadership activities. Although the majority of Russian companies have reached a certain level of development where the weak leadership potential becomes a serious obstacle for the further growth and efficiency of the company, the above-mentioned trend is still a new thing for Russian business. They all face the same problems: how to achieve the goals and where to find people who have obtained leadership skills and who would determine the direction of changes and achieve the goals of the company.

According to Alexander Izosimov, the General Director of OJSC "Vimpelcom"², the features of any Russian company "are determined by the particular historical development of our country. They also determine the features of the Russian model of governance in general and make

² One of the leading mobile system companies in Russia.

difficulties for the development of leadership in Russian companies” (Гурков, 2008).

The habit of working in a hierarchical structure and therefore hierarchical thinking can be distinguished among the factors hindering the development of leadership. For years, ordinary employees were not allowed to take important decisions on their own, they were never offered to share the responsibility for managing the company. As a result, till now it is considered that the more responsibility and authority the top manager delegates to his/her subordinates, the weaker he/she is. The delegation of authority is perceived as a weakness and not as a strength of the manager. In Western culture, the situation is vice versa. The delegation of authority means the ability to pick the right person and that would enrich the leadership potential of the company.

The strength of Western companies is in their experience, intensive interaction among the staff and high level of motivation. All these are supported, developed and maintained by a strong and unifying culture. Russian companies lack these features because of their youth. Therefore, the employees are often alienated and poorly motivated. Thus, one of the major tasks for modern Russian managers is to turn the company into a single whole, where the skills in communication and implementation of decisions would be well developed.

Speaking about the problems and obstacles to the formation of corporate culture in Russian companies in general, it is possible to determine some of them.

First of all, personal relationships dominate over professional ones. Personal relationships in Russia play prior role, the opposite can be seen in the typical Western culture. In Russia, personal relationships with people who make decisions are more important rather than the professionalism of these people. And till now this trend remains in many organizations.

The inability to work in a team is another problem. The Soviet system of control was based on a strict hierarchy, and many Russian business leaders have not learned yet how to work as a team and develop a team approach in general.

One more problem is excessive control and obscure distribution of responsibilities. The problem of theft and corruption at different levels still exists in many companies, so the top management introduces the mechanisms of totalitarian control. Such measures often hamper the decentralization and delegation of authority, which is necessary for leadership development. The most successful international companies, on the contrary, provide more freedom to the middle managers. The successful operation of the department becomes their responsibility, and all these stimulate the entrepreneurial spirit and leadership qualities in employees.

The lack of experience in the cultural development of employees is the other problem. Russian companies focus on the financial incentives. But they do not take into consideration other equally effective motivators, such as emotional involvement in the work, education, requalification and so on.

There is also a lack of talented leaders and senior management, as well as a low level of training of middle managers. Last but not least is the low level of business culture.

In this regard, many Russian companies started to develop and implement special programs aimed at changing the present situation. These changes are quite significant; among them are the objective measurement and permanent evaluation of staff effectiveness, the transparent performance of the company, and expanding opportunities for people. Such programs will refer to the entire organization as it seeks to develop managerial and leadership skills on all levels. The main goal of these programs is to delegate power to employees, increase their leadership potential. Part of the program will be devoted to the development of employees and raising their level of motivation.

Now many entrepreneurs and managers are optimistic about the prospects of development of Russian companies. They speak about “a new phenomenon that contributes to the development of management” (Захаров, 2001).

Firstly, in Russia, people are becoming more open to new trends, and new experience attracts them. In Western business systems, which are more developed, employees are trying to specialize in a narrow area and they are less interested in the subjects that are not directly related to it. In Russia, people are curious about new business models, and new types of corporate culture. All people, and not just leaders, eagerly learn to think about the business in a broader way.

Second, nowadays in Russia the motivation system is based mainly on financial incentives, but the emotional involvement of workers will stimulate the development of better systems of motivation, which are not limited by money. The creation of such a system can strengthen the leadership potential of the company.

And the last phenomenon is that people in Russia finally gained inner freedom. They stopped being afraid of innovation and are interested in changes. They are willing to learn and able to take risks.

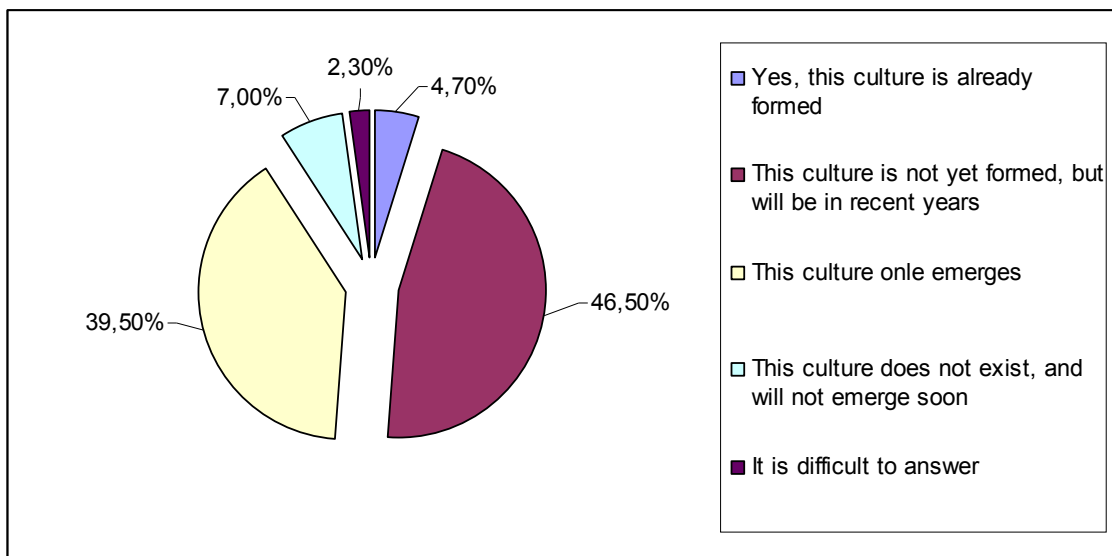
In recent years, changes in the Russian model of management are becoming more vivid. This is partly influenced by multinational corporations and also by a new generation of managers, including foreign managers, whose aim is to bring their organization to the next level of development.

Currently, many researchers are optimistic about the prospects of the development of management culture in Russia. There are many young entrepreneurs and managers who are well educated, active and able to work in a team. Russian businessmen, entrepreneurs and managers who worked for some time abroad and gained experience in international Western and American companies, are returning to Russia. They are the ones who implement changes in management, taking into account the

Russian specifics. Based on this, specialists say that “soon there will be no shortage of talented leaders in Russia” (Грошев, 2004).

In 2007, the journal "Corporate Culture" conducted a survey, which was devoted to the development of corporate culture in Russian companies. The interviewees were entrepreneurs and managers from more than 50 companies. Among all other questions they were asked: “Does Russia have its own corporate culture?” (Internet source [4]). The range of the answers can be seen in the diagram below:

Figure 3. Research "If Russia has its own corporate culture".



Source: <http://www.c-culture.ru/go/227>

The main conclusion of the survey sounds very optimistic: Russian business has already formed, or soon will form its own particular corporate culture. And though the share of people who believe that Russia has just started to form this type of culture is quite high, the evaluation given by the respondents confirms the validity of such a conclusion. More than half of the representatives of Russian companies consider the corporate culture of their companies to be strong and effective.

What do experts mean by the concept of corporate culture? The survey revealed that among the experts, the most popular versions, to-date, of the following definition of this concept are the following: 67.4 percent considers

that "corporate culture contains the corporate values and norms, written and unwritten rules according to which the company operates" and 25.6 percent understand under the concept of corporate culture as "a system of corporate communications, aimed at achieving a balance of interests within the company" (Internet source [4]).

Another study revealed "what determines the formation of Russia's corporate culture" (Internet source [5]). In general, the researches found out that the most powerful factors are the influence of the head of the company and the challenges facing the company at a certain stage of its development. Also, the "Western" model has a strong influence on the formation of Russian business culture.

The adaptation of the "Western" model in Russia can increase the efficiency of international companies operating on the Russian market. The main difference between the two cultures is that companies in Russia rely on the top managers and heads of the company, while western companies focus more on staff rather than on management. But all the studies admit that the main advantage of a typically "Russian" culture is its flexibility and adaptability. And as a result of mutual influence and the peculiarities of the Russian business environment, there is formed a unique corporate culture that differs from "western" or traditional "Russian" models.

At the present moment, many companies achieved a high degree of awareness of their own corporate culture, especially its ideological component. "More than 40% of companies have documented mission and values" (Internet source [6]). At the same time, the percentage of companies with a clear behavioural code is only about 20%. Apparently, many companies nowadays are undergoing significant changes in the concept of human resource management, from administrative and personnel management to strategic management. "The subject of strategic human resource management, and the formation of corporate culture is of

the prior interest of top managers of leading Russian and international companies" (Internet source [6]).

4.2. The main regulations of the corporate culture of The Ritz-Carlton.

The history of Ritz Carlton started with the name of a famous hotelier Cesar Ritz, who opened the first Ritz Hotel in Paris and then in London in 1898. His philosophy and innovation became the standard for all luxury hotels in Europe. Throughout the 20th century, this hotel chain developed rather intensively. In 1983, William Johnson bought The Ritz-Carlton Boston³, and that became the key event for the company. With the change of the owner and the management, the company gained success and has received all the major prestigious awards. Ritz Carlton "is the first and the only hotel company which was twice⁴ honored with the Malcolm Baldrige National Quality Award from the United States Department of Commerce" (Internet source [7]).

The Ritz-Carlton company has 12 international sales offices in the USA, Europe and Asia. The company also runs duty-free reservations offices in 14 countries, 8 of which are located in Europe. The company cooperates with leading airlines companies⁵ and marketing programs, such as Visa and American Express (Internet source [8]). This cooperation creates a profitable background for future growth and international development.

In April 1995, the Marriot International Company became the owner of 49% of the shares of the Ritz-Carlton, and in 1998 Marriott bought the remaining 51%. Though each company continues to develop in its own way and has its own unique features, now they can serve different market

³ The hotel was opened on May 19, 1927.

⁴ The award was granted in 1992 and 1999.

⁵ Delta Airlines (the leading airline company in North America), British Airways, United Airlines, Singapore Airlines.

segments and create a unique environment through joint efforts, thereby preserving the status of the leaders of the hospitality industry.

The Ritz-Carlton is more than just an example of an effective and successful company, it is a philosophy. Its particular system of values is maintained by each employee everywhere in the world. The Ritz-Carlton Company pays significant attention to the company's corporate philosophy, as well as to the inner culture of the company. The company has a special department which is responsible for the development and introduction of the corporate culture. The foundation of the company, its philosophy and principles of operation are the Gold Standards. "They encompass the values and philosophy by which the company operates" (Internet source [9]) and differ The Ritz-Carlton from all other hotels. "Gold Standards" is a written and documented set of the company's values, and they are mandatory distributed in any hotel of the network.

Thus, they include [See Supplement 2]:

- ❖ The Credo
- ❖ The Motto
- ❖ The Three Steps Of Service
- ❖ Service Values
- ❖ The 6th Diamond
- ❖ The Employee Promise

These standards are the embodiment of the company's mission, and all the employees must perform their duties according to them. "Gold Standards" are formulated in an easy way that is available for understanding and performing by everyone in the company, from general manager to the linear employee. These principles meet the requirements of theoretical foundation of the corporate culture. Each of them has a special purpose.

“The Credo” is a statement of the views of the company and a description of the requirements for working environment and atmosphere, which is created for guests and employees. In the Credo of the Ritz-Carlton it is stated that customer satisfaction is a top priority and the main task for each employee. The Credo also provides a description of products and services of the Ritz-Carlton.

“The Motto”. The concept “We are Ladies and Gentlemen serving Ladies and Gentlemen” states who the employees of the company are and how they should behave. This motto emphasizes the self-respect and respect for each other. It creates a positive working atmosphere and strong relationships that can be accepted by members of all nationalities, cultures or social statuses. The main idea is that employees are of the same intellectual level with their customers and they are able to provide a high-quality and unforgettable service.

For example, in all the hotels of The Ritz-Carlton chain there is a system of corporate discounts for accommodation. The prices for the employees are 8-10 times⁶ lower than usual (Internet source [10]). By taking this decision, the corporate office assumed that when employees receive the level of services similar to the one they offer to the hotel guests, they would raise the level of personal and professional development. They would also experience on their own, what would be required to provide to the hotel guests in future.

A key element of “The Three Steps Of Service” is that each employee must use all of them during any interaction either with the guests or with other employees. Any communication must start with “a warm and sincere greeting”. This statement applies to all situations, when it is necessary either to answer phone calls or to serve guests at the table. The same attention should be paid to other employees while meeting them in the corridors of the hotel.

⁶ \$ 80-150 per night stay.

Each hotel of The Ritz-Carlton Hotel Company is not a five-star hotel, it is a five-diamond hotel. "The 6th Diamond" of the Ritz-Carlton is the embodiment of the new service standards in the hospitality industry and serves as the model of the principles of service. It contains three components which are based on 12 principles of "Service Values".

The basic component is the functional level (10-12 principles of Service Values). The main requirement is to prevent mistakes as well as the dissatisfaction of the guests. This can be done, if the employee will preserve several simple rules: timely assistance, proper language and behaviour, cleanliness, safe and accident-free environment.

The next component is the emotional engagement (4-9 principles of Service Values). The principles of service at this level are aimed at performing the employee's duties at the highest level. They include: personal involvement, training and growth, innovation and constant self-improvement, troubleshooting, and team work.

The top component is the mystique level (1-3 principles of Service Values). The operation of this component is based on the previous two - functional level and emotional engagement. This component reflects The Credo, The Motto and the common vision of the company. The Mystique is aimed at creation of a unique and memorable experiences for guests, and on building strong relationships between the guests and the company.

"The Employee Promise" is primarily focused on the employees of The Ritz-Carlton. This promise adumbrates the main concept of the company and indicates the proper way of fulfilling one's duties and creation of a working environment. It is also a constant reminder that the company considers its employees to be the main resource, and that the company is equally interested both in the welfare of its employees and in the satisfaction of the guests.

4.3. Practical application of leadership management model.

While opening the first hotel in Russia, The Ritz-Carlton company faced the problem of adaptation to the Russian environment and market. The success was possible due to the corporate strategy, which the company applies worldwide.

"There are two ways of entering the foreign market" (Гурков, 2008). The first one is good for small and newly opened companies. Their main aim is to take its own position on the market. The new company has to adapt to the new market mechanisms. This way, tend to choose small, recently opened the company. This kind of strategy is called "passive". The corporate culture of such company develops along with the market development.

The second way is the expansion, when position on the market is obtained aggressively, with the use of usual mechanisms of the company. With this way the company adapts its organizational structure and culture only partially, as soon as it is going to set its own trends on the market in a long term period. Such a way of behaviour can be chosen only by an organization which has a strong organizational culture and competitive advantage on the global market. The company enters the market with already existing corporate strategy and culture. Such a way is called "active" or "aggressive".

So, while developing the plan of opening the Ritz Hotel in Moscow, the second way of entering the new market was chosen due to the two factors. First of all, "The Ritz-Carlton Hotel Company L.L.C." is a big international company, which proves to be one of the leaders in hotel the business. The company has a significant competitive advantage on the Russian market, as nowadays there are almost no strong competitors in the luxury segment of the hotel business, neither foreign companies, nor domestic ones. Entering the market, the company at once obtained the position of leader and set its own trends.

The second factor is the specifics of the company, which includes the fact that the company only manages the hotels, but it does not own them (Internet source [11]). In each case, when opening a new hotel network, there is made a long-term contact with the investor⁷, who provides to the company the financial inflows, and in turn the company is responsible for managing the new hotel and ensuring the profit of the investors. While opening the hotel in Moscow, the company used the same scheme and established a long-term contract with private investors, and thus solved the problem of financial inflows⁸.

Entering the market and becoming a leader, the company had to implement its corporate strategy and corporate culture, taking into account the Russian environment. In the previous subchapter there were described the main regulations of the corporate culture of The Ritz-Carlton company. They are fundamental to each hotel of The Ritz-Carlton chain and are known by absolutely every employee. However, in order for these rules to make sense and to be not just empty words, there are more subtle mechanisms and algorithms that cannot be found in the documents of the company. These are the implicit values which the company's employees accept unconsciously.

Selection.

The Ritz-Carlton finds employees on the same labor market, as any other company. Only patience and diligence in finding the best talent (regardless of the time spent on it) allows the corporation to achieve the highest results and maintain them on that level. The sophisticated process of searching for and selecting candidates will provide excellent results, which is the effective and satisfied employees who stay longer in the company.

⁷ The minimum term of contract is 30 years; the maximum is not limited in time.

⁸ The official opening of The Ritz-Carlton Moscow was on the 1st of July, 2007.

It all begins with a careful selection of staff. A person can be well educated, experienced and know one or more foreign languages. But it does not mean that he/she will be suitable for The Ritz-Carlton. And it is necessary to understand this at the initial stage of interview (Internet source [11]).

“Labor turnover in the service industry is in total around 60%” (Internet source [12]). The same situation was in The Ritz-Carlton company. But the management of the company was not satisfied with these results and turned for help to the experts from the company Talent Plus. This company developed a new technology of quality selection of staff⁹, which the chain of The Ritz-Carlton hotels started to implement more than ten years ago. The Talent Plus conducted a survey and formed a structured set of questions that allow to “draw a psychological portrait of a person and see if he/she could work in the service industry and in which position” (Internet source [13]). The new technology has significantly reduced labor turnover and made it about 20%.

The selection of candidates is a non-stop process. No resume can be lost, to each applicant human resource manager sends a confirmation that his/her request has been received. If the position is already occupied, the applicant would be immediately informed about it, but his/her "personal file" will remain in the database. If the position is still vacant, an applicant becomes a candidate, and he/she is invited for a personal meeting with one of the members of HR department.

There is an interesting fact that several times the HR department received grateful letters for refusal. For the first time in their lives people were not ignored, moreover, they had a letter from the organization, which would ethically and kindly explain the reason for the refusal.

QSP is the next stage of the selection after personally meeting with candidates. If the company is interested in them, the interview takes place

⁹ Quality selection process or QSP.

over the phone (at any time, which is convenient for the candidate, including weekends and evenings) [See "First Contact" chart in Supplement 3]. It is conducted by telephone, because it helps to reduce subjectivity in the perception of answers. In addition, human resource managers always make some notes during the conversation and visual contact, which is necessary in this situation, is lost anyway. Human resource manager cannot cut the interview only because the candidate has made a favorable impression on him (or her). Sympathy and antipathy is not a reason to deviate from the rules.

QSP detects a kind of professional foundation, which every applicant should obtain. Based on the results of answers to 55 questions, specialists make a graph. It helps to identify the psychological characters of the candidate as well as it determines the applicant's ability or inability to perform certain duties and to hold certain position. Every candidate goes through this procedure, notwithstanding the position he/she is applying for. It is the only way to guarantee the acceptance of employees that meet the requirements of the organization.

The telephone interview is a special technique, which can be used by only a certified specialist. It is not necessary to hold a top position or work in the human resource department, in order to become a leading expert on qualitative selection of staff. All a person needs is to show himself (herself) as a professional and to get the approval of management. After taking specialized courses arranged by Talent Plus, and successfully passing the final test, every employee can become a leading expert on qualitative selection of staff.

The third part of the selection is the last one and is connected with determination of professional skills. When the results of the quality selection along with the graphics and their interpretation are ready, the candidate meets with the head of the department, he/she applies for. Though in order to increase the possibility of choosing the right person, candidates are

interviewed not only by the head of the departments and managers of the company, but also by other employees of the department.

There, the employment scheme differs in Moscow and other countries. For example, in America, the whole pre-employment process is done only over the phone. This stage is divided into three "contacts", which are aimed at building the relationships with the future employee, clearing up all problematic moments and building the enthusiasm with the employee [See "Second Contact", "Third Contact" and "Fourth Contact" charts in Supplement 3].

By the way, the employee, who is going to quit his/her job, will be also interviewed, because the company needs to understand the reason for the quitting and in some cases correct some mistakes which probably could lead to the loss of the employee. In most cases, employees leave the company after only a year. Though some studies showed that "over 90% of employees decide whether to stay or quit in the first six months of work" (Internet source [14]).

In The Ritz-Carlton Moscow, the managers faced the problem of an acute shortage of professional staff. At the initial stage of recruitment they received more than nine thousand applications for all vacant positions. By July there were recruited only 400 people. Very few people obtained the necessary professional grounding and personal qualities and were able to pass the selection process. Managers did not want to hire average employees, they needed only the best ones.

The complicated selection process ensured getting only "right" people into the company. In addition to excellent performance of their duties the employees were able to accept the corporate culture of the organization and become full members of The Ritz-Carlton family.

Adaptation.

Many companies underestimate opportunities which they have during the first months of the employee at his/her new position. Most of them think that taking the position is the thing that candidates must accept as granted. On the contrary, The Ritz-Carlton company considers the process of orientation of new staff to be crucial.

After completing a long and costly process of selecting candidates for the vacant position, the next important step is the adaptation of the employee in the new working environment. The Ritz-Carlton company clearly understands how quickly the person can lose motivation, so they introduced the adaptation period or the concept of "twenty-one day" in the company. The company tries to eliminate the stress of its employees during this period, considering this time to be enough for a person to gain the necessary knowledge and assuming that the skills for doing one's job will come later. The newcomer feels at ease, when he/she sees that the company and managers take care of him (or her). All this guarantee further loyalty and perception of a new corporate culture.

The procedure for entering the company by a new employee has been worked out a long time ago and has a consistent pattern. The representatives of management, including the general manager of the hotel, personally greet each new member. On the very first day, the employee is assigned a coach or supervisor who will be in charge of a newcomer for the next three weeks. He/she introduces the beginner with standard procedures of the department, as well as trains and certifies on the core competencies of his/her job. Before studying the features of the official duties, the company gives a few days to study the Credo, Motto, Service Values, and other key components of corporate culture [See Supplement 2].

The company makes a strong emphasis on the importance of understanding of its mission, business vision and core values. And new

employees can not start to perform their duties until they complete the orientation process. The company's management considers that the excellence of service of the company depends on the correct training of the employees during the first months of their work.

On the 21st day the supervisor will discuss with the new employee how successful was his/her adaptation and whether his/her work has become stressful. As a rule, everything goes well, but the supervisor is always ready to support the new colleague. In the case of The Ritz-Carlton Moscow hotel, the management of the company decided to increase the adaptation period, due to the fact that many new employees lacked a total understanding of the corporate culture.

The new member must have a certification, after the evaluation period, and after completing the certification the company arranges an open discussion for new staff. During the discussion the new members can honestly express all their thoughts (both negative and positive) about problems and difficult situations that they have faced. They have the opportunity to speak about whether they were provided all the necessary tools to succeed, to discuss the level of help of their supervisors and say whether they used the cultural values of the company in their daily work. The opportunities are also provided to the top management of the company. Listening to the problems of newcomers, they can solve the mentioned problems, strengthen the weaknesses, and weed out those who obviously will not fit to "the family".

Also after the certification, which was mentioned before, supervisor can recommend the courses that are necessary for the new employee. Actually, The Ritz-Carlton company constantly conducts specialized trainings for employees in order to raise their professional level. Annually about 200 hours are devoted to staff training, including 15 minutes of daily meetings. In Moscow the number of different training courses was increased, for example, there were introduced English language courses for already

recruited staff. There were also held more meetings with the top managers. In such meetings people are usually taught not to be afraid to express their opinion and for the best ideas employees get small prizes.

Two weeks prior the official opening of the hotel in Moscow, the top managers from all departments of the corporate office and 86 top managers from the hotels all over the world, along with President Simon F. Cooper came to stay in the hotel for a week. They played the roles of guests and combined both staying in a hotel and enjoying all the services and being supervisors for the new staff. In each department were sent two or three top managers, who conducted the daily training sessions with staff, talking about philosophy, helping to adapt to a new environment and to improve professional skills. This can be regarded as a good example of adaptation of the whole company. Thereafter, many employees admitted that it was an interesting experience, which improved their personal opinion about the company, as the whole learning process was informal and quite amusing.

The top management of the company understands that people are the main resource, and a satisfied employee can strengthen the team spirit and can develop the qualities of a leader. From time to time coaches from other hotels of the Ritz network are invited to The Ritz-Carlton Moscow to share their worldwide experience.

Maintaining the success.

Once a year there is conducted an anonymous survey of employees, during which the level of emotional involvement of employees is revealed. Responding to the questionnaire, the employee evaluates the conditions under which he/she operates, the quality of his/her own work and the work of his/her colleagues, also there is the possibility to leave a comment or a request [See Supplement 4]. The questionnaire consists of several parts, some of which have multiple choice (these questions refer to the personal data of employee), others have a scale of one to five (the questions about ethical behaviour, conditions of work, satisfaction with work, relationships

with colleagues, estimation of colleagues' work), and the final part, where an employee can leave his/her wishes and comments.

When all the questionnaires are completed, they are carefully processed by the HR department. On the basis of the above mentioned scale, as well as on the comments and wishes, the common trends are identified, the reasons for dissatisfaction are revealed along with the overall environment in all departments. Also managers of the HR department make conclusions about how employees accept the corporate culture of the company. Further, the management of the company will decide which actions should be done, either organizing training courses, or purchasing additional equipment. Also, they can decide on whether to implement a new insurance program and either create or prolong corporate contracts for the sport clubs and so on.

The company appreciates the informal approach in relationships between the supervisor and the employee within the learning process. It is important to have a good supervisor in order to discover the abilities and talent of a new employee.

A wise supervisor provides an invaluable influence on the professional growth both for ordinary employees of the company and for its managers. Regardless of how the person became a manager¹⁰, he/she must undergo a manager's orientation. The first two days of training are typical for all employees. But the third day of training differs significantly for managers. The first part of the preparation at this stage is devoted to proper respect for subordinate ladies and gentlemen, as well as to support and encourage their professional growth. The second part of the training course is designed for the manager to understand that he/she must become a wise supervisor for the subordinates.

Generally, managers have a special role in The Ritz-Carlton company. First of all, the manager is the leader in his/her department. But he/she

¹⁰ The usual practice is to appoint a person for the position of manager. But this position can also be acquired by promotion.

doesn't take all the responsibility and does not resolve all the questions on his/her own. He/she delegates authority to other employees and shows from his own example how to behave.

The company also tries not to create distance between workers of different levels, avoiding familiarity. Top managers always find time to come to the daily "lineups" in one of the departments, to talk to employees about work, to point out the mistakes and to advise how to do it better. Once a month the "Round Table" is held, when managers meet some employees, listen to their comments and suggestions, discuss current problems and their solutions. Moreover, the general manager will always find the time to meet with each newcomer, whether it is a waiter or a janitor. By the way, members should address each other only by name; this rule refers to the general manager as well¹¹.

Every manager must teach the subordinates the idea that everyone is a manager and has the right to make his or her own decisions or to seek ways out of difficult situations on their own, thereby, developing leadership skills in employees. Special stress is placed on developing leadership skills among line staff.

For example, there is the practice of appointing a coach of department in the company. After having some simple trials, the employee may take this position and get a small pay rise. Being a coach of the department is an important mission, which means a lot of new responsibilities, such as induction of new staff, trainings and supervision of the daily "lineups".

In addition, each department distributes the long-term projects among its employees, which in the long run improves the daily work of the department as a whole. Thus employees are engaged in daily activities, performing their daily duties, along with working on the long-term projects.

¹¹ In the world practice, colleagues address to each other by using surname and title (like Mr., Mrs., Pan, Pani etc). But in Russia such word which refers to title does not exist. Instead the middle name (formed from the name of one's father) is used. Though the rule of addressing only by name to each other is valid in all hotels of The Ritz-Carlton chain all over the world.

These examples illustrate the principle of a balanced system of incentives in practice, when employees receive both financial and nonfinancial incentives.

4.4. Summary.

All of the above-mentioned show the company's wise management practices, their priorities, along with other principles of corporate management, which allowed the company to be profitable. All these help the company to maintain its leadership position in the hospitality industry worldwide. The Ritz-Carlton chain is constantly growing, and when they open new hotels, what they regularly do, the company maintains its impeccable reputation and shows the correctness of the chosen way of managing.

To prove it, an impressive financial success may be regarded. For example, the industry average for the amount of time to return the full amount of money spent on the opening of a hotel is 10-15 years; the average figure for The Ritz-Carlton chain is 4-6 years.

The Ritz-Carlton company has operated on the Russian market for more than 3 years. It is too soon to make some significant conclusions, but the common trend can already be seen: the company has managed to become a leader in the sphere of hospitality and, due to its successful implementation of the leadership management model, its values are successfully functioning in the Russian environment.

Thus, with the example of The Ritz-Carlton company it was proved that the successful model of corporate culture can be implemented and maintained in Russian companies.

4.5. Recommendations.

Based on the conducted analysis of The Ritz Carlton company, it is possible to give some recommendations that would be useful for Russian

entrepreneurs who work in the service sector. Some of recommendations may be useful for businesses of all kinds.

First of all, it is necessary for the company to establish proper core values that can be percept, understood and followed by all employees, notwithstanding age, race and sex. That would help to set up the direction of development of the company and make clear its goals and objectives to future employees and partners.

One of the major things is to be patient in finding the best talent. The staff should be carefully select and the selection process, as such, is better to divide into several stages. The example of such a division can be seen in Supplement 3 (Pre-Employment Call-Back Process). Practice shows that in the end, the company will gain more by ensuring that the right person was hired, thus minimizing future costs and gaining the loyalty of employees. Personnel files of interesting candidates should remain in the database, as some people could be useful for the company in the future.

An entrepreneur must keep in his/her mind that any adaptation must take some time. Thus, there must be some specially recruited people, or experienced employees, who can assist the newcomer in everything and help him/her to understand the values of the company. At the very beginning, a productive environment and mutual trust must be created.

Bringing up specialists in this specific field is sophisticated and hard work. The company should consider its employees, first of all, as human beings rather than just staff. If the manager refers to employees as partners, the company will achieve fantastic results. Employees should be taught that everyone is a manager. It is also possible to use both financial and nonfinancial incentives while managing the subordinates. Top and middle level managers should delegate authority to other employees. That would help them not to do the same work twice, thus making the company, as a whole, more productive.

Training of staff is another important thing. Employees must be constantly educated in order to raise their own professional level. The satisfaction of employees, their wishes and comments, may not be clear to the top managers, and in this case it would be good to conduct anonymous surveys in order to find out the reasons for the dissatisfaction of the staff and to find ways to eliminate the existing problems.

Last but not least is the reason why people quit. Employers must find out each reason and try to eliminate it in the future, and then employees will stay longer and be more productive.

All the above-mentioned methods already exist. They are used in big Western companies and they have proved to be very productive. Companies, which use these methods, have become well known and gained success.

5. Conclusion.

The corporate culture of an organization is one of the methods of managing, which in combination with others, helps to achieve the goals of the organization and to solve certain problems. As a rule, the primary objective of commercial organizations is to make a profit. Corporate culture can help to improve the efficiency of employees, their emotional involvement and personal interest in professional growth, which will help to achieve the ultimate goal of the organization. If an employee accepts the corporate culture of the organization, he/she will not look for another job. A person works efficiently if he/she shares the principles and values of the organization, and this help the company to retain its competitive position on the market and keep its key resource - people.

It is quite difficult to deny the importance of corporate culture. In the example of big international companies, which constantly work with an internal philosophy, it can be seen that wise usage of corporate culture can help an organization to achieve great success.

Effective corporate culture is the easiest way a manager can delegate some responsibilities to his/her subordinates and, as a result, he/she will have less work. Corporate culture sets the long-term goals of the organization and creates corporate standards, from which it is easy to achieve its goals. And finally, it introduces the mechanism of transmission of corporate values to new generations of workers.

It is clear that an organization does not always obtain the opportunity to involve its staff emotionally. Different problems, such as lack of funding, taxes and arrears, difficulties with the supply of raw materials, etc., often seem more urgent for the leaders of the company. But no leader can solve these problems alone, without the help of people who share the values and goals of the organization.

In this diploma thesis, the author achieved the aims and objectives declared in the second chapter. The effective methods of establishing and

maintaining corporate culture of an organization have been analyzed and explained, and their interdependence with other elements of the management of an organization was revealed. According to everything stated above, it is possible to make the following conclusions.

First of all, despite the fact that Russian companies still have some negative features in their corporate culture, resulting from the history of the country, there is also a positive trend, which is that they admit the importance and necessity of a strong and stable corporate culture. Russian businessmen have distinctive features, which show their potential. These features include interest in innovation and changes, willingness to learn and to get new skills, a desire to reach the goal by all means, and a great desire to achieve personal and professional success.

Based on the analysis of the modern Russian market, it is possible to say that Russian companies have great leadership potential. Russian entrepreneurs and top managers need to decentralize their companies and delegate authority to managers of all levels of their organizations. They should also focus on establishing a system of leadership development among their employees. Nevertheless, using the experience of foreign countries, they should never forget to take into account the specifics of the formation of corporate culture in Russian companies, as well as the Russian environment and mentality.

Thus, nowadays, the corporate culture of Russian companies is approaching the standards of Western corporate culture, while still maintaining some distinctively neutral features. In the future, this will play a positive role in the creation of the face of Russian companies. In addition, this means implementation of the Western mechanisms, which will help to achieve the goals of companies and to solve the specific problems of Russian business.

The leadership management model of the organization has proved its efficiency. It can be seen in the example of many corporations and

companies, including The Ritz-Carlton Company. The basic principles of this company meet the modern global trends towards democratization and the desire to escape from the hierarchy. The company focuses on the culture of learning and developing professional and leadership skills in its employees. This can explain the popularity of the company among other international companies.

In this diploma thesis, the author points out such elements of the control of an organization as leadership, human resource management and, of course, the corporate culture of the organization, its structure and main elements, as well as the factors influencing its formation. The null hypothesis of the diploma thesis "Corporate culture, which is based on the leadership management model, exists and proves its efficiency. It can be successfully implemented in Russian companies" is proved, and the alternative hypothesis is rejected.

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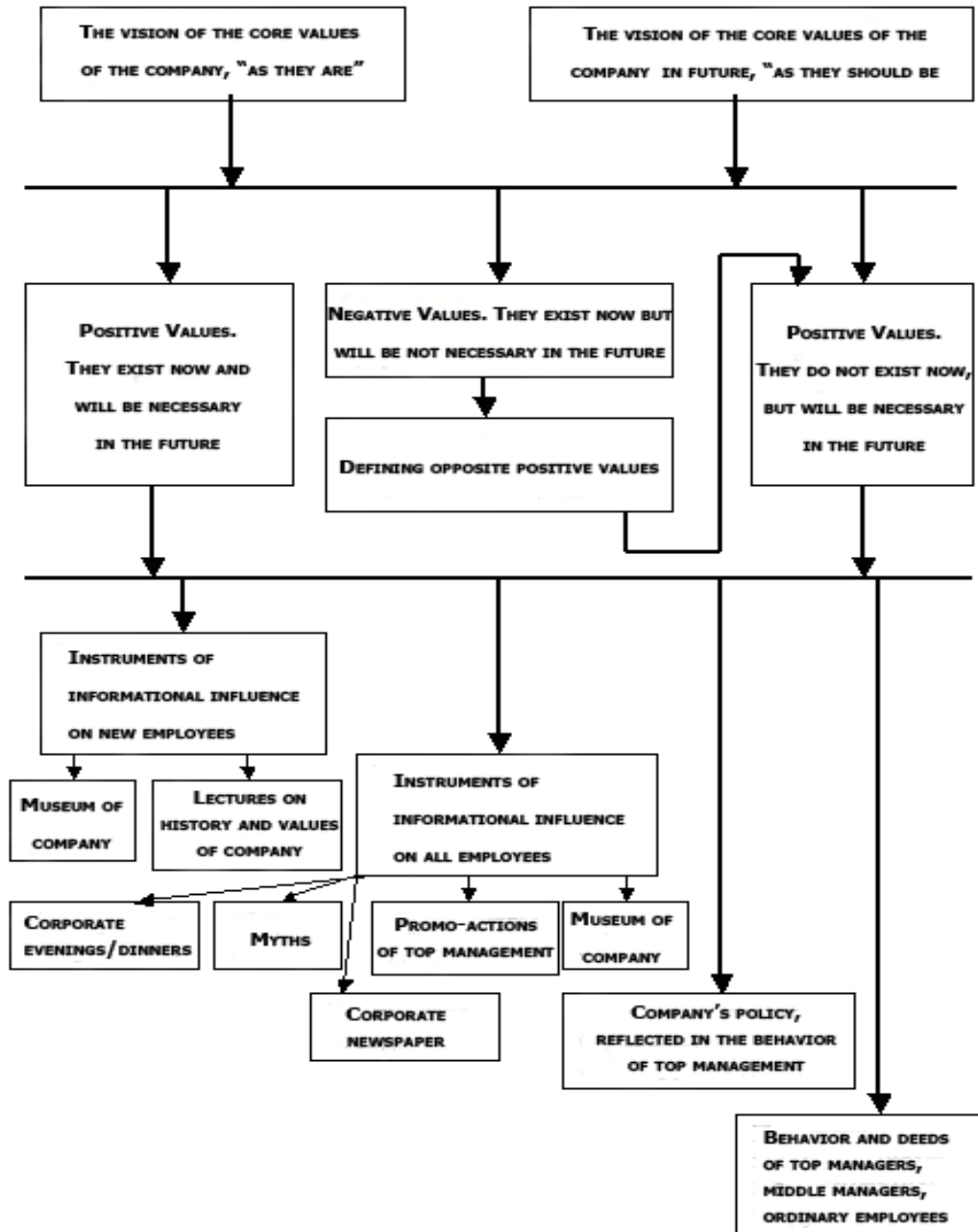
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Supplement 1. Mechanism of Formation of Corporate Culture

(Internet source [1])



Source: http://gaap.ru/articles/50650/?sphrase_id=84988

*Supplement 2. **Gold Standards***

(Internet source [9])

The Credo

The Ritz-Carlton Hotel is a place where the genuine care and comfort of our guests is our highest mission.

We pledge to provide the finest personal service and facilities for our guests who will always enjoy a warm, relaxed, yet refined ambience.

The Ritz-Carlton experience enlivens the senses, instills well-being, and fulfills even the unexpressed wishes and needs of our guests.

The Motto

We are Ladies and Gentlemen serving Ladies and Gentlemen.

The Three Steps Of Service

A warm and sincere greeting. Use the guest's name.

Anticipation and fulfillment of each guest's needs.

Fond farewell. Give a warm good-bye and use the guest's name.

Service Values

1. I build strong relationships and create Ritz-Carlton guests for life.
2. I am always responsive to the expressed and unexpressed wishes and needs of our guests.
3. I am empowered to create unique, memorable and personal experiences for our guests.
4. I understand my role in achieving the Key Success Factors, embracing Community Footprints and creating The Ritz-Carlton Mystique.

5. I continuously seek opportunities to innovate and improve The Ritz-Carlton experience.
6. I own and immediately resolve guest problems.
7. I create a work environment of teamwork and lateral service so that the needs of our guests and each other are met.
8. I have the opportunity to continuously learn and grow.
9. I am involved in the planning of the work that affects me.
10. I am proud of my professional appearance, language and behaviour.
11. I protect the privacy and security of our guests, my fellow employees and the company's confidential information and assets.
12. I am responsible for uncompromising levels of cleanliness and creating a safe and accident-free environment.

The 6th Diamond

Mystique

Emotional Engagement

Functional

The Employee Promise

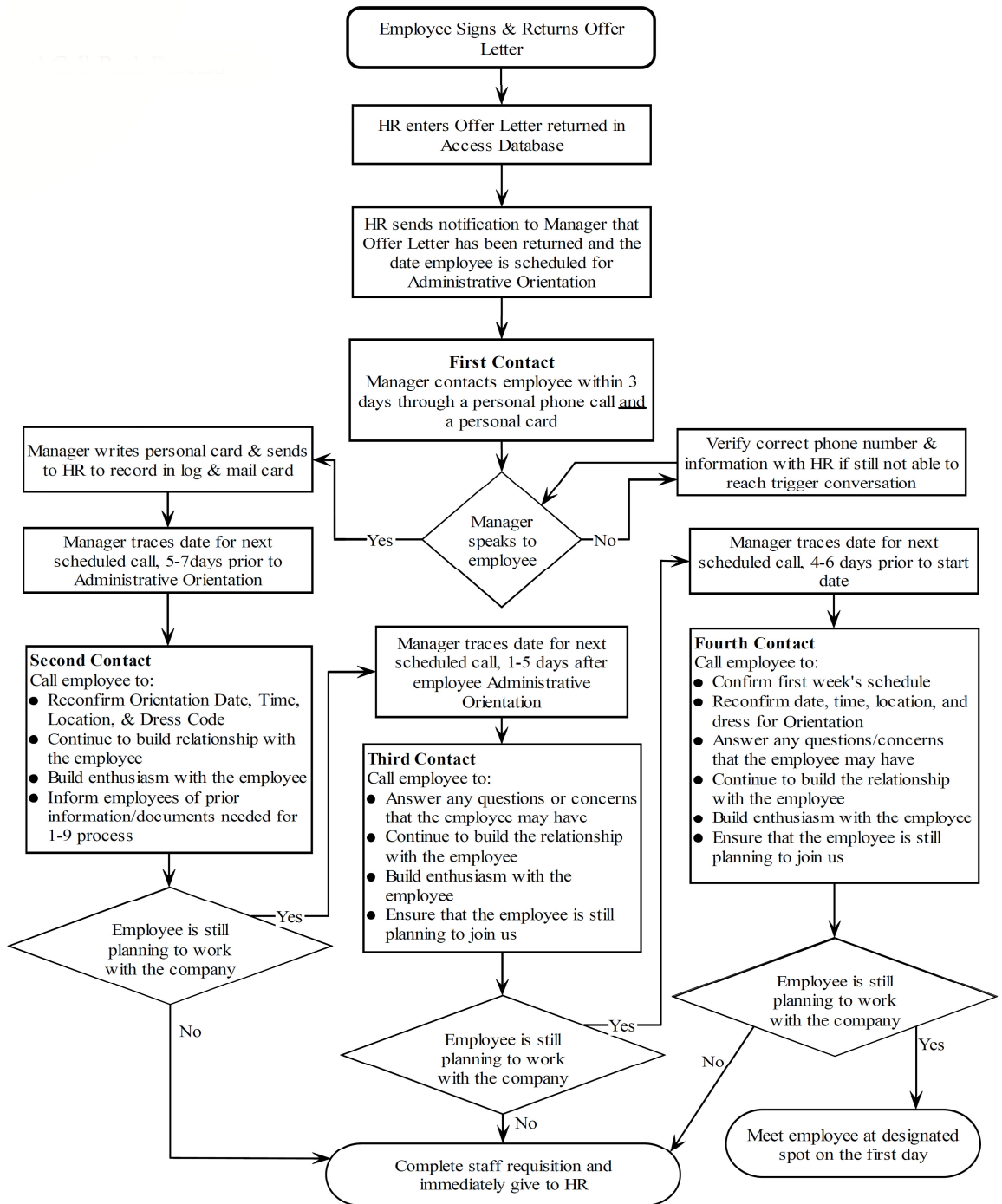
At The Ritz-Carlton, our Ladies and Gentlemen are the most important resource in our service commitment to our guests.

By applying the principles of trust, honesty, respect, integrity and commitment, we nurture and maximize talent to the benefit of each individual and the company.

The Ritz-Carlton fosters a work environment where diversity is valued, quality of life is enhanced, individual aspirations are fulfilled, and The Ritz-Carlton Mystique is strengthened.

Supplement 3. Pre-Employment Call-Back Process

(Internet source [10])



Source: <http://nzfernleaf.wikispaces.com/file/view/The+Ritz-Carlton+Hotel+Co.pdf>

Supplement 4. Some examples of questions from the annual anonymous survey.

(Internet source [10])

STATEMENTS					
	Strongly accept that is wrong		Strongly accept that is not wrong		
UNETHICAL BEHAVIOURS					
Not changing the bed sheets in a guest's room due to heavy workload	5	4	3	2	1
Listening to the radio in a guest's room	5	4	3	2	1
Accessing information about a guest through computer out of curiosity	5	4	3	2	1
Accepting tips to arrange room change for a guest	5	4	3	2	1
Picking up magazines left behind by the guest without reporting to lost and found	5	4	3	2	1
Making a telephone call in a guest's room	5	4	3	2	1
Eating an extra meal in the staff canteen without a valid coupon	5	4	3	2	1
Releasing guest information to friends	5	4	3	2	1
Watching TV in a guest's room	5	4	3	2	1
Eating left-over food from the buffet at the back of the house	5	4	3	2	1
Consuming drink in the bar before the bar is in operation	5	4	3	2	1
Breaking a glass or plate but blaming it on a guest's carelessness	5	4	3	2	1
Not dropping cash tips to the central pool and keeping them personally	5	4	3	2	1
Consuming minibar beverages and charging them to a guest's account	5	4	3	2	1
Collecting left-over fruit from guests' rooms for self-consumption	5	4	3	2	1
Offering free coffee or tea to friends in the restaurant without issuing a captain's order	5	4	3	2	1
Using the toilet in a guest's room	5	4	3	2	1
Realising there is a mistake with the guest's bill and waiting for the guest to come back	5	4	3	2	1
Charging private telephone calls to a guest's account or marking as business calls	5	4	3	2	1
Visiting a doctor and receiving a sick report not to go to work	5	4	3	2	1

Source: <http://nzfernleaf.wikispaces.com/file/view/The+Ritz-Carlton+Hotel+Co.pdf>

Supplement 5. Checking the satisfactions of guests.

(Internet source [10])

Please rate your satisfaction with each of the following:	Very Satisfied	Somewhat Satisfied	Neutral	Somewhat Dissatisfied	Very Dissatisfied
Overall satisfaction with this experience	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Receiving a warm and sincere greeting upon arrival	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Staff greeting you by name	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Staff remembering you as a regular guest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Timeliness of check-in	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ability of the staff to anticipate your needs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cleanliness of the guest room furnishings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Receiving a fond farewell when you checked out	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Did you experience any problems during your stay?					
Yes <input type="checkbox"/> No <input type="checkbox"/>					
If you reported any problems, how satisfied are you with the resolution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Comments:					

Source: <http://nzfernleaf.wikispaces.com/file/view/The+Ritz-Carlton+Hotel+Co.pdf>