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Resignation, Digitalization, and the Hospitality Industry within Hungary

Part 1



Summary

As a result of the Coronavirus pandemic, our lives changed. It affects how we work, how we interact with others, and how we cope with stressful situations. We examine the relationship between digitalization and resignation in the Hungarian hospitality industry in this study. Reviewing the literature on the link between these variables forms the first part of the research. Part two will present actual data in support of the findings in part one. These two parts address the following research question: The impact of COVID-19 on the hospitality job market?; the impact of the resignation wave on businesses trying to restart?; can digitalisation be a solution to these limitations?

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INTRODUCTION

First and foremost, the COVID-19 pandemic had an impact on the job market, especially in the hospitality sector. Due to the COVID-19 pandemic, this sector was subject to most of the restrictions and had the most unknowns. Secondly, the resignation wave was in a way a side effect of the Coronavirus pandemic, although it wasn't directly caused by it. While some sectors were restricted, others were not. In other words, jobs in other markets were not lost in a substantial way, so people started to migrate to the safer job markets. A ripple effect occurred for sectors that lost jobs due to the pandemic and now wish to reopen and recruit. Unfortunately, they are faced with the harsh reality that people do not desire to work in the sector anymore, which means they cannot find employees.

As a new key objective, we propose digital transformation to make the hospitality industry more successful and viable. Industry 4.0 is a part of the digital industrial revolution that was first introduced by the German government (Kagermann et al., 2013). The European agency for SMEs announced in 2019 that our goal should be to become a “resource-efficient European economy” (EC, 2003). Furthermore, digitalization was accelerated by outside forces as well as the COVID-19 pandemic (Neto et al., 2020). Since progress toward digital transformation began a while ago, many of the design principles have already been developed (Hermann et al., 2016).

CORRELATION BETWEEN THE COVID-19 PANDEMIC AND THE RESIGNATION WAVE

Hotel and restaurant lockdowns were among the first to occur. As employers sought to cut costs, they were ruthless, activating a “force majeure” clause in contracts that told staff that their contracts were terminated without legal compensation. After the economy stabilised, the hospitality industry reopened but employers had difficulty finding staff due to a lack of trust (Horn, 2021). According to a McKinsey study cited by Horn, 40% of the hospitality industry's participants expect to quit their jobs in the next six months. This sudden employee firing led to the collapse of social responsibility within the hospitality industry, which is strongly connected to the local community.

Though the lockdowns mostly affected the hospitality industry, the resignation wave movement affected other industries as well, including the medical field. Resignations in this sector are not caused by employers forcing them to leave, but by overworking and burning out. In a survey of doctors in the UK, half said they planned to work fewer hours in the next six months and 21% said they might leave the field. Furthermore, compared to last year, early retirement rates are on the rise (Sheather, 2021).

The COVID-19 pandemic clearly had a ripple effect throughout many industries, causing employees to resign. There are indirect factors involved as well, such as more stressful environments or more tasks at the workplace, as well as direct factors, like being forced to do so.

ARE DIGITIZATION AND DIGITALIZATION THE SAME?

Researchers Li et al. and Sebastian et al. view digitization as the transformation of an analogue task into a digital one (Li et al., 2016:514-528; Sebastian et al., 2017). The concept of digitization is defined by Yoo et al. as the encoding of analogue-form information into a digital format (Yoo et al., 2010). “The increasing use of digital technologies for connecting people, systems, companies, products, and services” (Coreynen et al., 2017:42-53). Essentially, we consider digitization as the conversion of analogue data into digital format, which does not impact value creation activities, as would digitalization.

Digitalization according to Pagani and Pardo is a method to improve existing processes within an organisation to increase employee and/or customer satisfaction through a better user experience (Pagani – Pardo, 2017:185-192). Li et al. researchers also approach the issue from a similar point of view, they believe that digital technologies can be used to alter business processes to achieve certain gains (Li et al., 2016:514-528). “Digitalization involves standardising business processes and is associated with cost-cutting and operational excellence” (Ross, 2017). We believe that digitalization is using digital technologies to improve processes within an organisation to improve user experiences, improve overall product quality, and decrease costs.

Digitalization and digitization have many slightly different definitions, however, at their core they are very different even if they appear similar. Therefore Brennen and Kreiss see digitization as: “the physical process of converting analogue streams of information into digital bits” and digitalization as: “the way a variety of social domains are restructured around the technology of digital communication and media infrastructure” (Brennen – Kreiss, 2016, p. 1-11).

DIGITALIZATION AS AN ORGANIC PART OF AN ORGANISATION

New industry structures are created because of digitalization, while old ones disperse (Gimpel et al., 2018). Employees are taking on a new way of working (Brynjolfsson – McAfee, 2014), which changes how they collaborate with each other and the organisation as a whole. Customers are increasingly choosing with which organisations and products they want to interact (Gimpel et al, 2018) due to new ways of connecting. A digital platform connects customers, products, and organisations, enabling them to interact with one another (Gimpel et al., 2018; Gartner, 2016). It has been suggested that the adoption of new digital technologies will facilitate this connection between customers, products, and organisations to assist in bridging the gap between these three major players (Legner et al., 2017:301-308). There are four stages to digitization: creation, processing, transmission, and actual use (Loebbecke, 2016:357-373) and they can be divided into the following three groups: homogenization of data, reprogrammability, and processing of digital content (Yoo et al., 2010:724-735).

This is not something revolutionary or the culmination of evolutionary steps; it is a part of an evolutionary process that will last for years or perhaps decades (Porter and Heppel-

mann, 2014). In the race to build a successful business, it is crucial to create cutting-edge products quickly and make the necessary changes, which is one advantage of digitization. IoT, blockchains, social media, computing (SMAC) and advanced analytics are among the digital technologies that exist today (Fitzgerald et al., 2014:1-12), so the possibilities are endless. A good example of showcasing the benefits of digitalisation is comparing mobile phones as physical products to software companies like Instagram. Despite the widespread use of mobile phones and huge population reach, it took 75 years for the number of mobile phone users to reach 100 million. In contrast, Instagram reached the same number of users in just a little more than 2 years (Statista, 2017), leveraging digitalization alone.

DIGITAL TRANSFORMATION WITHIN AN ORGANISATION

By focusing on digitalization, the company hopes to increase its productivity by transforming its business model, processes, services, and products. There are ways to trigger changes to the business model of a company within its ICT capabilities, such as data processing, data storage, and data exchange (Carr, 2003) that could lead to digitisation of data and automation of processes. Moreover, this can result in an increase in performance as well as a competitive advantage for one organisation over the other. New digital formats result in lower costs, greater reliability, and greater flexibility (Breeding, 1992). Organisations with an information system can organise, coordinate, share, and automate work (Alter, 1999). This has led to the digitization of processes, services, and products within the organisation's infrastructure over time (Bharadwaj et al., 2013:471–482). “Digital transformation” refers to changes in core business processes, customer interfaces, products and services, as well as the use of information and communication technologies (ICTs) (Federal Ministry for Economic Affairs and Energy, 2017). The data, people, and processes in a successful digital transformation end up working in harmony together and bringing value to the company.

Numerous studies have been conducted to understand how to initiate digital transformation within a business, resulting in the following steps that support this process and help the business achieve its digitalization goals (Legner et al., 2017). Steps include updating employees' digital skills, implementing the build-measure-learn model in the organisation, optimising communication channels with all stakeholders, adopting a customer-focused mindset, and incorporating IT into your business model along with security.

Although the digitization and digital transformation of an organisation can improve its performance, time to market, and overall satisfaction, it can also have a negative impact on employees. It can adversely affect their career satisfaction and motivation to work and can increase depression rates among employees as well (Broughman – Haar, 2017). As a positive note, the implementation of smart technology, artificial intelligence, robotics, and algorithms (STARA) in the organisation did not increase feelings of job insecurity (Smith – Aaron, 2016).

THE STAKEHOLDER OF DIGITAL TRANSFORMATION

The three areas of digital transformation are: external drivers, digital transformation, and strategies (Parker et al., 2016, Van Doorn et al., 2010:253-266). The external drivers are competition, customers, and technology, since those are the essential elements that act like a spark plug to ignite the transition to digital transformation. We can then move on to the second area, which is digitalization, digitization, and digital transformation once the need for digital transformation is identified. Lastly, there is the third area, which involves leveraging a digital business model that combines resources, structure, KPIs, and a strong focus on metrics and monitoring. Due to external forces, the last step is tricky as it involves restarting the process. However, when the process is restarted, the organisation will retain its prior learning and grow from there.

The conversion of analoguedata to digital is a major driving force. It is not the only factor driving digitalization within an organisation, as cost-savings are also an important factor. But even these two aren't as difficult to achieve as digital transformation within an organisation. It can also result in a transformation of the business model since it focuses on the entire organisation and not just a few processes (Kane et al., 2015:1-25). Digital transformation is based on leveraging digitization, digitalization, and digitization as three of the main driving forces to transform a non-digital company into a digitally oriented one.

Since communication is moving online, we must process higher and higher amounts of data that can only be handled in a digital format. E-commerce is expected to reach \$5.88 trillion in 2022 (Statista, 2019). Customer demand is also a driving force since they are adapting to technology at a faster rate than previously. They are becoming more dependent on smart devices such as phones and watches and are becoming more active in the online world. It is because of this change that the customer journey is changing and affecting online and offline sales (Kannan – Li, 2017:22-45). With companies becoming more global, competition is also a driving force. A decade ago, companies such as GE or Exxon ranked among the best within the S&P 500 Index, but now data-rich companies like Apple and Alphabet have taken over the market (Top 10 S&P 500 Stocks by Index Weight). Considering these three driving forces, they form a core part of what initiates the desire towards digital transformation.

Resource control pertains to controlling the organisation's assets and capabilities (Barney, 1991:99-120). Another driving force is to develop or purchase these resources if a company wants to redefine how it offers value to customers. By harmonising the ways of working with digital networking, big data, and digital assets within an organisation, value can be added. As a result, the goal is to leverage resources as driving forces for digital transformation to increase performance. Another key driver is the organisational structure, since not all types of structures are qualified to embrace digital transformation. It is imperative to model the organisation's structure in a way that it will ultimately support this transformation. Providing managers with KPI's is the single most critical factor that drives their decisions. Monitoring revenue and sales growth as well as measuring the customer journey, employee satisfaction and performance is part of the process. Resources, structures, and KPIs work together to ensure the leanest approach toward digital transformation.

DIGITAL TRANSFORMATION WITHIN THE HOSPITALITY INDUSTRY

With the advent of the new digital age, so-called digital platforms have become more of a necessity than an advantage over competitors. Companies that fail to embrace them will lose market share to those who do (Accenture, 2018). Organisations that embrace digital transformation can notice a significant improvement in customer satisfaction and retention (Chathoth et al., 2016). Digital is the future of the hospitality industry, according to Martin Zsarnoczky (Zsarnoczky, 2018).

Even though not all organisations are ready to successfully incorporate digitalization into their day-to-day operations, the knowledge gained in one can be used in another to advance digital transformation in the right direction hence synergy can be created between multiple organisations. In their research, Chudnovsky et al. observed that Russian hotels lack the necessary skills to successfully adopt digital transformation. Therefore, they turned to Germany for assistance, since Germany offers business coaches who assist with the implementation of digital transformations within an organisation (Chudnovsky et al., 2021). By optimising internal processes and improving data processing within the hospitality sector, guests will be better understood, and services will be more customised (Sheresheva et al., 2020).

As part of the digital transformation within the hospitality industry, different technologies are integrated within different elements of the hotel such as its procedures, products, and the physical building. This is with the purpose of improving guest satisfaction and increasing revenue. Digital transformation in hotels is largely driven by the following technologies:

- PMSes and CRM's generate Big Data, which is a large volume of ordered and unordered data.
- Using artificial intelligence to analyse and discover patterns and trends amongst the Big Data.
- Because AI and machine learning share the same ability to learn as humans, both can identify patterns in data and make predictions autonomously. This could be useful in analysing how a change in Coronavirus rates would affect reservation behaviour to manage resources.

All the above-mentioned technologies will be gathered into Business Intelligence to display information in a manageable format.

DIGITAL TRANSFORMATION BUSINESS RESTART CHECKLIST

Many companies are expecting the digital transformation to happen overnight because they do not have the experience to understand how the process works. However, if the experience is gained and the digital transformation steps are followed, there is nothing stopping the organisation from achieving a successful digital transformation.

Globally, digital transformation can be a good strategy for increasing revenue, customer satisfaction, and staying relevant for hospitality organisations. A tech-driven mindset will

also help organisations counter the effects of the Coronavirus and resignation wave.

In accordance with the literature review we conducted regarding digitization, digitalization, and digital transformation; we have compiled the following checklist:

Table 1: Restart Checklist, Source

Step	Content
1	Integrate IT into the business model of your organisation. Along with a customer centric mindset.
2	Ensure that your employees have up-to-date digital skills.
3	Keep an eye on cyber-threats and make sure you are visible online.
4	Collect valuable data, such as Big Data, with the help of a PMS or CRM.
5	Utilise Business Intelligence tools to output results to key business stakeholders.
6	Take advantage of machine learning and artificial intelligence algorithms within your business.

Source: Own creation

The above-mentioned digital transformation business checklist can lead to a successful digital transformation of the business it is implemented in.

CONCLUSIONS

Many job losses within the hospitality industry induced fear among employees. Due to this fear, these businesses lost trust, and when things settled down and they tried to reopen, they struggled to find the necessary staff. This was one of the effects of the resignation wave. In addition to this, even employees who survived the pandemic but saw their co-workers lose their jobs felt fear and a desire to seek another job.

As we saw, digital transformation can have a positive impact on an organisation. The growth of digitalization in companies has been fuelled partly by external factors like the COVID-19 pandemic, followed by the resignation wave, as well as by this new digital age known as Industry 4.0. Essentially, digitalization is a good remedy to combat these two side effects and successfully restart a business. Because of digitalization, organisations will be able to improve processes, resulting in a reduction in the workforce needed. Digitalization will also restore employee confidence, as they will be able to work remotely in case another pandemic occurs like the COVID-19 pandemic.

It is our task in the next part of this article to display data which will illustrate the correlation between the elements, namely resignation and digitalisation within the Hungarian hospitality industry.

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