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EMOTIONAL INTELLIGENCE AND ORGANIZATIONAL RESILIENCE IN LUXURY HOSPITALITY

A Multi-Site Case Study of Grand Horizon Hotels and Resorts

Strategic Recovery Through Human-Centered Leadership and Cultural Adaptation

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ABSTRACT

This case study aimed to discover what changes occurred in Grand Horizon Hotels and Resorts in 2024, after the company invested $120 million in technology and automated numerous processes. Even though the firm expected the alterations to bring it considerable profit and resolve some urgent issues, there were several challenging situations to emerge.

The company witnessed a 14% drop in its net promoter score (NPS), a 20% increase in employee turnover, and a 17% reduction in high-net-worth guests. The present study intended to determine why the outlined changes failed to achieve the expected positive outcome. An action research design was chosen to pursue the exploration, and 120 workers and 200 guests were invited to participate in the research. The main themes examined were the company's response to employee dissatisfaction, brand positioning, and approaches to managing guests.

The findings demonstrated that the Heart and Hearth concept helped the hotel industry to improve guest and employee engagement. In particular, the firm reduced 142 standard operating procedures to 5, allocated $1500 to each worker for recovery, and invested in their emotional intelligence. As a result, NPS increased from -18 to +23 (on average), employee turnover decreased by 38% (reached 11%-22%), employee engagement rose by 35% (peaked at 42%), and revenue per available room grew by 12.8% (reached 16.2%). Furthermore, the percentage of high-net-worth guests who returned raised from 51% to 69%-84%.

Thus, the project was evaluated at $49.2 million with a 10.8 to 1 ratio. Overall, the case study contributed to the service-profit chain concept by providing additional evidence on the criticality of human capital in the hotel industry.

1. INTRODUCTION AND RESEARCH CONTEXT

The luxury hospitality industry is currently facing a challenging landscape where enhanced efficiency and impersonal processes are both significant factors. The former is an integral component of the luxury hospitality industry growth, while the latter runs the risk of alienating clients who are used to receiving

top-notch service. The dilemma in which luxury hospitality providers find themselves was particularly evident in the events which transpired in the Grand Horizon Hotel and Resorts organization in early 2024.

In 2020, the company invested approximately 120 million USD into digital transformation initiatives designed to improve organizational efficiency. The drive towards complete digitization saw the creation of artificially intelligent systems which could predict guest preferences, contactless check-in and checkout procedures, voice-activated room appliances, robotic housekeeping, and data analytics. These digital solutions were implemented across the 68 properties owned by the company spanning four continents.

Unfortunately, the improvements which Grand Horizon expected to observe were not registered in the majority of its locations. In fact, a closer examination of the key performance indicators (KPIs) for the Organization Development function in the 2025 reveals a troubling downward trend which started in late 2024. This paper provides an in-depth analysis of the problem, an evidence-based discussion of the root causes, and a detailed course of action, which took three years to yield positive results.

Table 1: Critical Performance Deterioration (Pre-Crisis Baseline vs. Crisis Onset)

Performance Indicator	Q1 2022	Q4 2025	Change
Net Promoter Score	78	64	-14 pts
Employee Turnover Rate	18%	38%	+20 pts
HNW Repeat Guest Rate	68%	51%	-17 pts
Employee Engagement eNPS	+42	+8	-34 pts

1.1 Research Question and Scope

In this scenario, the user is presented with a common international business conundrum that many luxury hospitality groups face worldwide. The central dilemma is how these companies can balance the need for

increased efficiency via standardization while maintaining the high level of personalized service that is characteristic of the industry. During the course of the memo, the reader will learn how the drive towards simplification and standardization via technology can alienate clients and employees. The author also explains how to build a worldwide team that is emotionally intelligent and culturally aware, identify the organizational structures that can empower truly empathetic global business, and demonstrate the financial benefits of such an approach.

2. LITERATURE REVIEW: THEORETICAL FOUNDATIONS

2.1 Emotional Labor and Organizational Performance

Hochschild's research about emotional labor can be applied to distinguish two types of actors, namely, those who perform surface acting and those who engage in deep acting. Surface acting is when people fake the emotions they do not feel and deep acting is when they truly feel the emotions they are supposed to display. Research evidence shows that surface acting leads to emotional burnout and disengagement that can raise turnover rates and reduce service quality. At the same time, deep acting promotes engagement and psychological well-being of people that lead to positive performance outcomes.

2.2 Service-Profit Chain Theory

Heskett, Sasser, and Schlesinger proposed the service-profit chain concept, which postulates that improvements in internal service quality result in enhanced employee satisfaction and loyalty. The two factors, in turn, lead to improved levels of service quality, which are more likely to satisfy customers and gain their loyalty. In short, the service-profit chain implies that there is a connection between all aspects of a company's performance, and each element is a significant source of revenue and profitability. Multiple studies and research endeavors have confirmed the validity of the service-profit chain for various service industries.

2.3 Self-Determination Theory

The self-determination theory contains such components as autonomy, competence, and relatedness. The researches prove that the effective leader who manages to develop these three areas can raise the performance of his staff, as well as the retention rate and commitment to the company's culture.

2.4 Cultural Intelligence and Global Leadership

Cultural intelligence has been defined as the ability to act appropriately in different sociocultural contexts. Research has shown that behaving appropriately, including tending to customers' needs in various cultural settings, requires an understanding of both universal and culture-specific values. For instance, although

politeness is a universal value, manifestations of politeness, such as the Japanese concept of omotenashi, should be regarded as culture-specific because they cannot be easily adapted to different sociocultural contexts. Thus, taking into consideration the role of cultural intelligence in providing good service to customers in different cultures, it can be concluded that both emotional and cultural intelligence should be taken into consideration.

3. ORGANIZATIONAL CONTEXT

Grand Horizon Hotels and Resorts can provide guests with an opportunity to enjoy their stay in one of the organization's 68 hospitality establishments spread across four continents. Such achievements as cost savings by $2.2 billion and employing around 14,500 people. The company proudly sits in the upper-luxury market, with average daily rates ranging from $380 to $450. From 2020 to 2023, in response to increasing competition, the organization rolled out the NextGen Hospitality program, aiming for $180 million each year through automating and standardizing business processes and improving the standard of hospitality by implementing enhanced operating procedures have been reached. Nevertheless, while doing that, the management faces some significant challenges linked to the decreasing level of customer satisfaction, the employees' reports of their lack of control over the work process, and a high turnover rate among the service personnel.

3.1 Crisis Timeline

In Q2 2024, the results of exit interviews conducted among the company's staff were analyzed. It was reported that 82% of the interviewed employees experienced a feeling of being obligated to conceal their emotions while at work, 79% felt incapable of making independent decisions relative to service, and 76% described their emotional condition at work as depleted. As a response to the identified concerns, in Q3 2024, the management initiated the Heart and Hearth intervention with the scope of four (4) flagship properties, including New York, Paris, Tokyo, and Dubai, where the process will be launched in Q4 2024.

4. RESEARCH METHODOLOGY

This study employed a mixed method design that included both qualitative and quantitative data within an action research design. This study was conducted over an eighteen (18) month period of time. Four pilot properties were chosen as treatment sites and sixty-four (64) other properties were a control group for quasi-experimental comparison purposes. Data gathered for this study were extensive, including guest satisfaction scores, employee engagement assessments, and operational performance scores. As part of this study, employee exit surveys were completed (187), twelve (12) focus groups were conducted with guests, sixteen (16) interviews were conducted with leadership, and one hundred and twenty (120) mystery shopping evaluations were conducted.

5. PROBLEM DIAGNOSIS: ROOT CAUSE ANALYSIS

5.1 Technology Commoditization Paradox

The NextGen Hospitality program was initially focused on improving the efficiency of the operational process. However, this approach had a negative impact on the overall quality of the guest experience. According to the data from the focus groups, 89 percent of guests found the new automatization process as expected, whereas 76 percent requested more care and attention to personal details. The company invested heavily into the process re-engineering, whereas the attention to the relational aspects was neglected.

5.2 Emotional Labor and Surface Acting

Implementation resulted in elaboration of standardized operating procedures from 47 to 142 detailed SOPs prescribing greeting formats, guest name usage, service timing, emotional displays and prohibiting autonomous decision-making. An analysis of exit interview responses indicates that 82 percent felt they had to hide their emotions while interacting with guests, 79 percent indicated that they were unable to make decisions, and 76 percent reported feeling emotionally drained at the end of a shift despite being able to successfully execute guest services within the prescribed time limits.

6. STRATEGIC INTERVENTION: HEART AND HEARTH

Heart and Hearth intervention can be classified into four primary assumptions.

- Firstly, the intervention assumed that empathy is teachable.
- Secondly, the intervention assumed that guiding by principles was more productive than standard operating procedures.
- Thirdly, it was hypothesized that delegating decision-making responsibilities to first-line employees would increase their satisfaction, resulting in higher productivity.
- Lastly, the intervention assumed that emotional intelligence should be tailored in accordance with specific cultures.

The intervention can be grouped into four pillars, namely, the principles, resources, training and feedback, and lessons-learned. The first pillar consisted of five principles for frontline employees that replaced 142 standard operating procedures. The principles were to listen before acting, connecting genuinely, anticipating, showing dignity and respect, and taking ownership of the service recovery.

The second pillar of the intervention was to provide employees with $1500 annual discretionary recovery which did not require permission from a manager for service recovery, experience design, and life events. The third pillar of the intervention was to train general managers and heads of departments about emotional intelligence tailored according to the local cultures while auditing the action plan and capturing feedback through mystery auditing, surveys, and guest comments. The fourth pillar was to analyze the feedback data and use the results for improvement and to capture the lessons learned from the intervention.

7. RESULTS AND OUTCOME ANALYSIS

Table 2: Pilot Property Performance Outcomes (12-Month Period)

Metric	NYC	Paris	Tokyo	Dubai	Control
NPS Change	+22	+23	+18	+21	+1
eNPS Change	+38	+42	+35	+40	-8
Turnover Reduction	41 to 22%	36 to 19%	24 to 11%	39 to 20%	38 to 39%
HNW Repeat Rate	51 to 71%	51 to 69%	71 to 84%	51 to 75%	51 to 50%
RevPAR Change	+14.5%	+12.8%	+16.2%	+15.0%	+1.2%

7.1 Quantitative Results Analysis

Guest Satisfaction: Up and down the line, the pilot properties saw an increase of NPS by 18 to 23 points, compared to just 1 point for the control group properties. Employee Engagement: The pilot properties saw an increase of eNPS from 8 to 35 to 42 on average across the different locations versus -8 for the control group properties. Employee Turnover: There was a decrease in voluntary turnover from 36-41% to 11-22% in the pilot properties whereas there was almost no change in the control group properties. High-Net-Worth Guest Loyalty: The rate at which high-net-worth guests returned increased from 51% to 69 to 84% in the pilot properties. Revenue Performance: There was an increase in RevPAR of 12.8 to 16.2% in the pilot properties compared to just 1.2% for the control group properties.

7.2 Financial Impact Analysis

Table 3: Annual Financial Impact

Financial Component	Calculation	Annual Impact
Turnover Cost Reduction	920 fewer separations x 28,500	+26.2M
HNW Repeat Rate Premium	520 visits x 480 x 15% margin	+37.4M
Discretionary Service Budget	1200 employees x 1500 x 60%	-10.8M
Leadership Development	32 leaders x 45K coaching	-1.44M
Training and Implementation	Principle training, governance	-2.2M
NET ANNUAL IMPACT		+49.2M

8. DISCUSSION AND THEORETICAL CONTRIBUTIONS

8.1 Service-Profit Chain Empirical Validation

This case demonstrates the service-profit chain. The steps in the chain were progressed: the growth of services to passengers resulted in higher employee satisfaction and staff retention, which led to even better service to passengers, resulting in their increased satisfaction and loyalty that generated economic benefits worth 49.2 million dollars per year. All these results were achieved through the implementation of specific empirical relationships at each stage of the service-profit chain.

8.2 Emotional Labor: Deep Acting vs. Surface Acting

The case in question can be used to illustrate emotional labor theory because it demonstrates how Apple's 142-SOP system required employees to perform surface acting. The breach of the eNPS and the resulting high turnover and commoditization of the guest experience were inevitable because they were programmed into the system via mandatory surface acting. The intervention addressed the issue by relying on the concept of deep acting and providing guidance on how to use principles to shape emotional expression depending on the context of the interaction. Overall, the costs of mandated surface acting at the levels described in the case should far outweigh the costs of a principle-based SOP system.

8.3 Self-Determination and Autonomy

The discretionary budget process gave the manager autonomy over the decision-making process. This approach has yielded positive results as it enabled the motivation and increased performance of the employees based on self-determination theory. Tokyo has shown the best results, as the turnover was reduced to only 11 percent due to the high level of autonomy that the service culture promotes.

8.4 Cultural Intelligence Integration

The case in question indicates the necessity of considering the possible presence of different levels of emotional intelligence. Indeed, the practice of Tokyo's Omotenashi is focused on anticipating needs, whereas Western service practices are more linear and explicit. Thus, it could be concluded that leaders with culturally adjusted emotional intelligence could be the most effective. This approach has the best result in terms of turnover (11 percent) and repeat customers (84 percent). Overall, it could be stated that companies should invest in developing the emotional intelligence of their leaders on a global scale.

9. IMPLEMENTATION CHALLENGES AND SOLUTIONS

9.1 Budget Utilization Variance

Tokyo staff spent 12% of the budget; New York – 88%; Paris – 42%, Dubai – 58%. The difference was due to different cultural orientations. Solution: developing culturally contextualized guidelines that would position budget differently in each location but retain the general idea. Tokyo positioned the budget as an emergency reserve that authorized non-monetary solutions; New York – as a resource for immediate problem-solving with governance audits.

9.2 Middle Management Role Transition

Survey data revealed that 72 percent of the exiting managers felt that they were no longer needed. The issue was addressed by redefining the role of the managers as Empathetic Leadership Coaches who were responsible for building the skills of their subordinates. The pay structure was changed so that 40 percent of their compensation was dependent on the eNPS of their team, and 30 percent was based on a reduction in voluntary turnover. By the twelfth month, the eNPS of the managers was back to +32.

9.3 Franchise Asset Owner Alignment

Franchisees claimed that $180 thousand would be required for implementation. The result was a Performance Co-Investment Model that provided 50 percent franchisor coverage. The financial side of the case argued that the payback period would take 5.8 years, while the cumulative 5-year benefits would be worth 77 thousand dollars for each property. In the end, all 30 franchise properties were included in the program, which accounted for 12.8 million dollar of the 49.2 million investment.

10. STRATEGIC LEADERSHIP INSIGHTS

10.1 Operational Excellence Does Not Equal Competitive Advantage

In the luxury service industries, the provision of impeccable services is an expected norm, which any competent competitors can imitate. Automated and technologized services and processes are becoming a new commodity. The personal touch and emotional connection to the underpinning of the services are not easily systematized and imitated. The case shows that emotional moats are more difficult to replicate than operational moats. The guests identified with the emotional connection experienced and became returning customers.

10.2 Principles Enable Deep Acting; Rules Enforce Surface Acting

Organizational design plays a critical role in determining the type of emotional labor. The systems based on rules lead to surface acting with accompanying stress and turnover, whereas the principles-based systems allow for deep acting. The increase in eNPS and the decrease in turnover provide evidence in support of this claim. Moreover, the costs associated with turnover caused by surface acting far exceed those of principles-based systems.

10.3 Discretionary Authority Plus Governance

Well-bounded discretion paired with the guidance of appropriate principles and governance processes provides for the maximum freedom of action and control. The 1500 dollar discretionary budget will help to speed up the decision-making process while providing control through the audit process, thus, my belief that leaders should govern rather than attempt to dictate every decision.

10.4 Emotional Intelligence Plus Cultural Intelligence

Although emotional intelligence provides universal frameworks, the expression and perception of it depend on culture. Companies that disregard cultural differences and introduce their empathy-guided practices elsewhere could find themselves using inappropriate methods. Grand Horizons' most successful locations incorporated emotional intelligence with cultural intelligence components; global companies should consider that cultural intelligence is vital in leadership.

11. LIMITATIONS AND FUTURE RESEARCH

One of the major limitations of this study is that it was conducted among 4 pilot sites of one business, which indicates that extrapolation of results to other industries and businesses might be unreliable. Another limitation is that the intervention was implemented in the context of a competitive job market with a limited supply of qualified workers, which might offset the effects of improved retention. The time frame of the study was also limited to 1 year, which might be insufficient to identify behavioral trends. Further studies are needed to address these limitations, including the need to intervene in different settings, describe mechanisms of impact, examine the sustainability of interventions, and establish variations.

CONCLUSION

The experience of Grand Horizon Hotels and Resorts underscores the importance of people and their emotions in business development and growth. It is impossible to be replaced by technology and process optimization, but rather should complement them through such qualities as guidance principles and inspiration and a sense of discretion and independence, and employees' emotional and cultural intelligence.

The latter enabled the company to design new governance practices that are emotionally aware and therefore incorporate accountability, thus helping the company to recover its lost value (equivalent to $49.2 million) with a tenfold increase in ROI (10.8 to 1).

The case offers several implications for leadership and research. Emotions lie at the heart of everything organizations do, and therefore it is important to prioritize human capital more than ever before and invest in building human-centered sustainable competitive advantages that are based on human factors. Such strategically positioned competitive advantages are difficult to imitate and possess a longer lifespan than technologies and processes, contributing to a distinctive competitive edge and a unique perspective that differentiates the organization in the minds of its customers.

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