ASSESSMENT

OF THE IMPACT OF CONFLICTOLOGY ON SERVICE MANAGEMENT IN BAKU CITY HOTELS

EVALUACIÓN DEL IMPACTO DE LA CONFLICTOLOGÍA EN LA GESTIÓN DE SERVICIOS EN HOTELES DE LA CIUDAD DE BAKÚ

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ABSTRACT

The hospitality industry plays a crucial role in the economic landscape of Azerbaijan, with service management and conflict resolution being key factors in determining the success of hotel enterprises. Understanding the relationship between conflictology and hotel profitability is essential for sustainable growth in this sector. While the impact of conflicts on organizational performance has been studied in various industries, there is limited research specifically addressing the influence of conflictology on service management and profitability in the context of Baku's hotel industry. This study aims to analyze and assess the influence of conflictology on service management in 3- and 4-star hotels in Baku, focusing on the factors leading to voluntary dismissals and their subsequent impact on hotel profitability. Through correlation and regression analysis, the study reveals a very high correlation between hotel service profits and conflict-related cost elements. The research establishes a statistically significant linear regression model between these indicators. The study identifies and quantifies the effects of various conflict-related factors, including dismissals, lost time, sabotage, damage, and reduced employee motivation, on the overall profitability of Baku hotels. The findings highlight the critical importance of optimizing conflict-related costs for the development of the hotel industry in Baku. By effectively managing these factors, hotel enterprises can significantly increase their profits and contribute to the sector's growth. This research provides valuable insights for hotel managers and policymakers, emphasizing the need for improved conflict resolution strategies and service management practices to enhance the economic performance of the hospitality industry in Baku.

Keywords: Hospitality industry, Conflictology, Service management, Conflict resolution, Linear regression analysis.

RESUMEN

El sector hotelero desempeña un papel crucial en el panorama económico de Azerbaiyán, siendo la gestión de servicios y la resolución de conflictos factores clave para determinar el éxito de las empresas hoteleras. Comprender la relación entre la conflictología y la rentabilidad hotelera es esencial para el crecimiento sostenible de este sector. Si bien el impacto de los conflictos en el desempeño organizacional se ha estudiado en varias industrias, existe una investigación limitada que aborde específicamente la influencia de la conflictología en la gestión de servicios y la rentabilidad en el contexto de la industria hotelera de Bakú. Este estudio tiene como objetivo analizar y evaluar la influencia de la conflictología en la gestión de servicios en hoteles de 3 y 4 estrellas en Bakú, centrándose en los factores que conducen a los despidos voluntarios y su posterior impacto en la rentabilidad del hotel. A través del análisis de correlación y regresión, el estudio revela una correlación muy alta entre las ganancias de los servicios del hotel y los elementos de costo relacionados con los conflictos. La investigación establece un modelo de regresión lineal estadísticamente

significativo entre estos indicadores. El estudio identifica y cuantifica los efectos de varios factores relacionados con los conflictos, incluidos los despidos, el tiempo perdido, el sabotaje, los daños y la menor motivación de los empleados, en la rentabilidad general de los hoteles de Bakú. Los resultados destacan la importancia fundamental de optimizar los costos relacionados con los conflictos para el desarrollo de la industria hotelera en Bakú. Al gestionar eficazmente estos factores, las empresas hoteleras pueden aumentar significativamente sus ganancias y contribuir al crecimiento del sector. Esta investigación proporciona información valiosa para los gerentes de hoteles y los responsables de las políticas, y destaca la necesidad de mejorar las estrategias de resolución de conflictos y las prácticas de gestión de servicios para mejorar el desempeño económico de la industria hotelera en Bakú.

Palabras clave:

Industria hotelera, Conflictología, Gestión de servicios, Resolución de conflictos, Análisis de regresión lineal.

INTRODUCTION

Conflictology is the study and analysis of conflicts, focused on understanding their origins, evolution, and dynamics. This discipline aims to develop methods and techniques for resolving conflicts and transforming them into opportunities for improvement. Furthermore, conflictology intersects with fields such as irenology (the study of peace), polemology (the study of war), and conflict management, forming a collaborative nexus that fosters a culture of peace (Gill et al., 2021). Through a scientific approach, the theoretical approaches from the conflictology and service management spheres create systematic ways in which to understand and resolve conflicts in organizational settings. That way, in conflictology, for example, the cultural and conflict management framework is highlighted due to the significance of cultural differences in shaping conflict resolution strategies, encouraging organizations to customize their approaches for better outcomes. The Thomas-Kilmann Conflict Management Model identifies five conflict management styles—competing, collaborating, compromising, avoiding, and accommodating—each of which impacts conflict resolution in different organizational contexts (Altmäe et al., 2013). Additionally, the conceptual framework for conflict management styles examines how varying management styles affect organizational commitment and employee engagement, ultimately influencing overall effectiveness. These frameworks provide a basis for an analysis of the conflict dynamics, on grounds of which resolution strategies can be developed (Vlasova et al., 2021).

Conflictology has become then as a norm and an integral part of modern life in human society, acting as one of the most important factors influencing enterprise management and is one of the main issues concerning humanity. In enterprises, the role of industrial relations, including personal ones, in management is significant. The influence of personal relationships on conflict is connected with the characteristics of these relationships. In general, personal relationships depend more on psychology (Hasanov & Sultanova, 2018). These relationships fundamentally affect the optimal use of employees' professional capabilities.

As in all areas of the economy, increasing the level of employee professionalism is of particular importance in the optimal management of the hotel business (Alirzaev, 2010). That way, increasing the professionalism of hotel employees, for example, determines improved management efficiency across all economic spheres. The tourism industry specifically plays a huge role in Azerbaijan's economy, significantly contributing to the country's economic development (Humbatova et al., 2022). Since the early 21st century, Azerbaijan has experienced substantial growth in its tourism infrastructure, with the construction of modern hotels in cities such as Baku, Ganja, and Nakhchivan, enabling the country to accommodate a growing influx of international tourists. Tourism in Azerbaijan not only generates economic revenue but also creates employment across various sectors, from hospitality to tour guiding services. The industry has also been extended to include adventure, cultural, nature, and medical tourism, which attracts all kinds of visitors and shows the country's real hospitality. Besides, tourism shows Azerbaijan's culture and heritage; thus, it allows guests to feel the rich history and traditions of this country. This helps the local economy, and the contribution it gives to the culture and pride of the country means much for its preservation (Tahir & Rafiq, 2021).

In the modern world, hotel companies provide customers with both traditional services, such as temporary accommodation and meals, and a wide range of additional services. These services include high-quality communications, organization of business events, entertainment programs and concerts, group excursions, medical and wellness programs, access to gyms, as well as "beauty industry" services (Mikhaleva, 2019). From this viewpoint, training conducted at enterprises has a significant impact on optimizing management by enhancing employee professionalism (Alirzaev, 2010). Research reveals that to enhance the professional activity of employees and improve hotel

service management, special program activities are being implemented in the vast majority of hotels in Baku, covering (Tuzunkan & Ozkul, 2013):

- culinary art;

- bartender and waiter/waitress skills;

- work principles for reception and service employees;

- labor standards for employees of the general services department;

- personnel management;

- time management.

It is worthy of note that three of the programs mentioned above, including personnel management, conflictology, and time management programs, are designed for hotel managers. For a hotel to be competitive, all its employees, without exception, must undergo continuous training courses (Chernova et al., 2019). The greatest attention is paid to improving the qualifications of senior managers. Top managers seek internships abroad in leading five-star hotels and famous restaurants. The implementation of these programs in Baku hotels, especially in 3, 4, and 5-star establishments, has a positive effect on improving service quality and increases hotel performance. To further improve hotel service management in Baku, the conflictology program relevant for hotel managers in specific types of program activities has an exceptional role in organizing optimal management of conflicts that arise in hotels and in making better decisions.

Given the elements discussed above, the goal of the paper is to analyze and evaluate the influence of conflict-related costs on service management in Baku hotels and their impact on business profits. The methods used include correlation and regression analysis to determine the relationship between conflict-related cost factors and hotel profitability, as well as the statistical significance of a linear regression model.

DEVELOPMENT

Managing conflicts arising in hotels is of great importance for improving the efficiency of hotel services. The occurrence of conflicts leads to losses and creates conditions for decreased hotel performance, causing a decline in service quality. From this viewpoint, determining the financial costs incurred by conflicts and assessing their economic consequences are of great theoretical and practical importance in hotel service management. Note that "The Dana Measure of the Financial Cost of Conflict (2001)" and "John Ford and Associates (2007)" models provide ample opportunities to quantify the cost factors caused by conflicts in hotel services (Nikolskaya & Jarrouge, 2015). Surveys conducted in this area at Baku Marriott Hotel, Fairmont Baku, and Mercury Baku hotels found that the costs associated with conflicts in these hotels are negligible. In other hotels, including 3- and 4-star establishments, costs arising from conflict-related dismissals, expressed as a percentage of annual payroll costs within conflict-related expenses, were 1.9%. Based on the surveys conducted, the reasons for dismissals were characterized by different numbers and were categorized as shown in Figure 1.

Fig 1. Share distribution of factors leading to voluntary dismissal in 3- and 4-star hotels in Baku, in %.
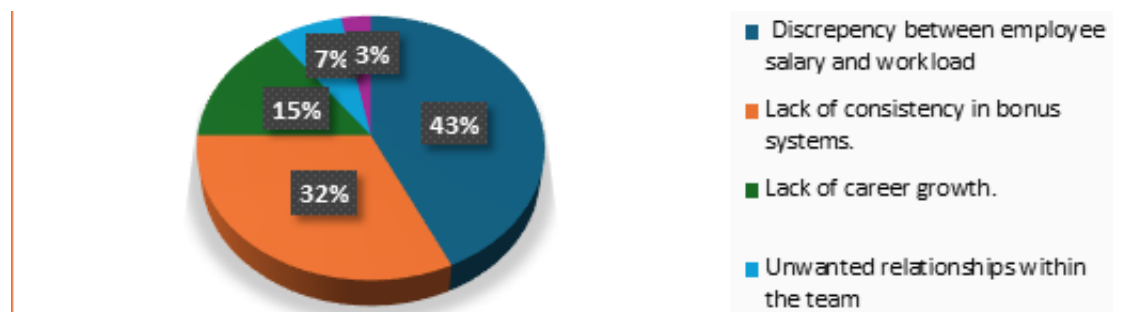
Source. Compiled by the author based on surveys.

As the surveys conducted in 3- and 4-star hotels in Baku suggest, one of the main reasons for voluntary dismissal is the discrepancy between wages and workload. This indicator has the highest share at 43%. The smallest shares are attributed to changes in leadership (3%) and unpleasant relationships within the team (5%). All of these factors are viewed as conflicts and lead to deterioration in management quality. According to statistics, employee dismissals were mainly observed in Baku during 2010-2011, and again in 2020-2021 due to COVID-19. Figure 2 illustrates this more clearly.

Fig 2. Number of employees at hotel-type enterprises, in people.
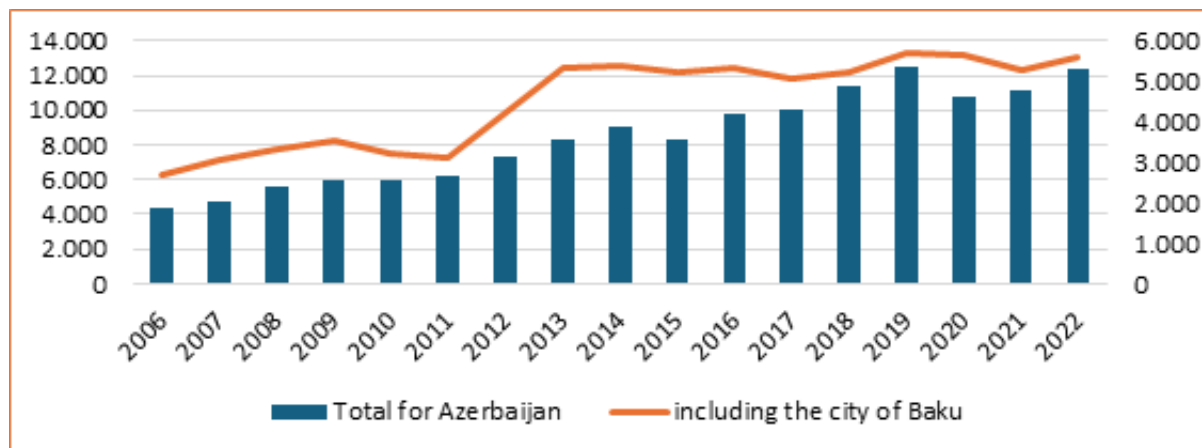
Source. Data was compiled by the author.

As Figure 2 suggests, the number of employees in Baku hotels decreased by 334 people in 2010 and 407 people in 2011 compared to 2009 due to the global financial crisis of 2010-2011. While the decline was 244 people in 2017 and 31 in 2020 due to the COVID-19 pandemic, the decrease in 2021 amounted to 415 people compared to 2019. One of the reasons for this decline was due to the factors indicated in Figure 1, i.e., voluntary resignation. Note that cost items associated with conflict are mainly comprised of costs caused by loss of time, dismissals, sabotage and damage, as well as decreased employee motivation. Taking into account the share of these costs, calculations for Baku hotels for the period 2006-2022 yield the results shown in Figure 3.

Fig 3. Number of employees in hotel-type enterprises, in people.
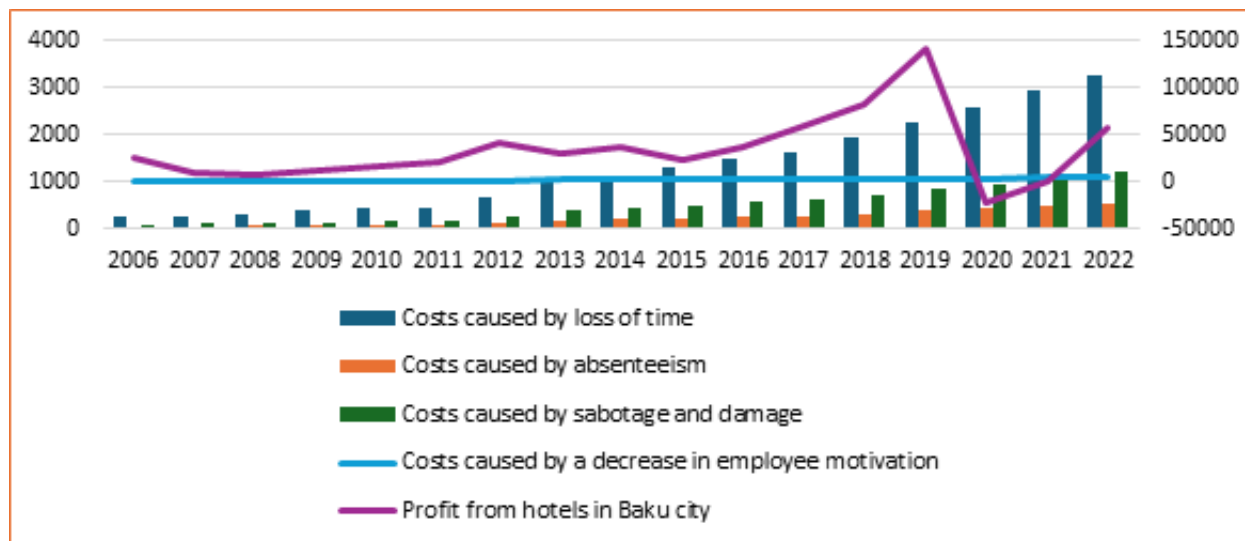
Source. Data was compiled based on the author's calculations.

The profit from hotel services is influenced by many factors, such as loss of time, dismissals, sabotage and damage, as well as decreased motivation, mainly due to increased costs associated with conflicts that arise during hotel operations. It is possible to determine the relationship between conflict-related costs caused by these factors and the profit of hotels in Baku, Azerbaijan, for the years 2006-2022, using the data in the table above. Using the MS EXCEL software package and based on the data in Figure 3 and the income of Baku hotels for 2006-2022, we obtain the following result shown in Table 1.

Table 1. Relationship between the profit of hotels in Baku and the costs of conflicts arising in the management of the hotel business.

Regression Statistics						
Multiple R	0,978979					
R Square	0,958401					
Adjusted R Square	0,939492					
Standard Error	9,175,171					
Observations	17					
ANOVA						
	df	SS	MS	F	Significance F	
Regression	5	2,13E+10	4,27E+09	5,068,531,638	3,17E-07	
Residual	11	9,26E+08	84183770			
Total	16	2,23E+10				
	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%
Intercept	-174,487	490,136	-355,997	4.47E-01	-282,365	-666,088
X1	1,646,969	4,028,739	0,408805	0,000690529	-722,022	1,051,416
X2	-178,425	2,520,126	-0,708	0,000493674	-733,101	376,251
X3	3,319,814	2,150,029	1,544,078	0,000150835	-141,237	8,051,996
X4	-0,34748	2,761,305	-125,839	0,000234304	-0,26028	0,955239
X5	0,4695	0,039188	1,198,084	1.18E-05	0,000383	0,000556

Source. Developed by the author based on the MS EXCEL software package.

According to the results of the Linear Regression Analysis carried out in MS EXCEL software package, the equation will have the following form $Y = 16,47X1 - 178,4X2 + 33,2X3 - 0,35X4 + 0,469X5$. Based on this equation, and the interpretation of regression coefficients (Martin, 2021), it can be concluded that an increase by one unit in the factor (X1), expressing the amount of costs caused by loss of time in the conflict-related cost factors of hotels in Baku, Azerbaijan, causes an increase in the profit of hotels in Baku by 16.47 units; an increase in dismissals (X2) by one unit leads to a decrease in the profits of hotels in Baku by 178.4 units by hotel enterprises; an increase in the cost arising from sabotage and damage (X3) by one unit leads to an increase in the profit of hotels in Baku by 33.2 units by hotel enterprises; an increase in costs by one unit (X4) caused by a decrease in employee motivation leads to a decrease in the profit of hotels in Baku by 0.35 units by hotel enterprises; and an increase in the income of hotels in Baku by 1 unit leads to an increase in the profit of hotels in Baku by 0.47 units.

Since it is important to check the adequacy of the created model, this adequacy can be determined using the F-Fisher criterion as one of the traditional methods. According to Table 1, F- statistics (Fisher criterion) = 50.7. When comparing F-Fisher criterion with the value F_{table} (a; m; n − m − 1) = $F(0,05, 5,11) = 3,2$, it is clear that $F − Fisher\ criterion > F_{table}$ (50.7) > 3.2. This means the adequacy of the established model (1) (Montgomery et al., 2021).

If we calculate the Durbin Watson statistic to determine whether there is autocorrelation in the model (Yadigarov, 2019, p. 325), as it is shown in equation 1.

$DW = \dfrac{\sum_{t=2}^{T}(\varepsilon_t - \varepsilon_{t-1})^2}{\sum_{t=1}^{T}\varepsilon_t^2} = 1,97$	(1)

If we determine the values of the crisis points d_l and d_u in order to check the autocorrelation of the residuals for m=5 explanatory variables and n=17 observation periods using the Durbin-Watson statistics in Table 1 obtained from the MS EXCEL software package, we get the following result shown in equation 2 (Yadigarov, 2019, p. 331):

$d_l = 0,664,\qquad d_u = 2,104$	(2)
Since $d_l = 0,664 < DW = 1,97 < d_u = 2,104$,	

The presence of autocorrelation has not been established, which means that the regression equation as a whole is statistically significant and the established model is adequate. As a result of the study, it is possible to determine the percentage change in the dependent variable by calculating the elasticity coefficient, which expresses how much the resulting factor will change under the influence of causal factors when there is a 1% change in the independent variable for the linear regression equation (3) (Yadigarov, 2022, p. 86).

$E = \dfrac{\alpha_i \times \bar{x}_i}{\bar{y}}$	(3)

In this equation α_i is the coefficient of the above relationship equation. $\bar{x}$ is the average value of dismissals, costs caused by loss of time, costs incurred due to sabotage and damage, costs for motivating employees and income of hotels in Baku by conflict-related cost factors for the periods under study, while $\bar{y}$ is the average profit value of hotels in Baku by hotel enterprises in the Republic of Azerbaijan for the periods under study. If we calculate the elasticity coefficients based on these indicators, we will get the following result based on the established model (equation 4).

$E_1 = \dfrac{\alpha_i \times \bar{x}_i}{\bar{y}} = \dfrac{16,47 * 1315,63}{33580,42} = 0,64527$	
$E_2 = \dfrac{\alpha_i \times \bar{x}_i}{\bar{y}} = \dfrac{-178,4 * 1315,63}{33580,42} = -1,1411$	
$E_3 = \dfrac{\alpha_i \times \bar{x}_i}{\bar{y}} = \dfrac{33,2 * 483,2859}{33580,42} = 0,477811$	(4)
$E_4 = \dfrac{\alpha_i \times \bar{x}_i}{\bar{y}} = \dfrac{-0,35 * 1646,70}{33580,42} = -0,17$	
$E_5 = \dfrac{\alpha_i \times \bar{x}_i}{\bar{y}} = \dfrac{0,47 * 193273}{33580,42} = 2,71$	

Calculations show that an increase in costs by 1% due to the loss of time in hotels in Baku by conflict-related cost

factors in the Republic of Azerbaijan leads to an increase in the profit of hotels in Baku by 0.64%, an increase in absenteeism costs by 1% leads to a decrease in the profit of hotels in Baku by 1.14%, an increase in costs by 1% due to sabotage and damage leads to an increase in the profit of hotels in Baku by 0.48%, an increase in costs by 1% caused by a decrease in employee motivation leads to a decrease in the profit of hotels in Baku by 0.017% and an increase in income by 1% leads to an increase in the profit of hotels in Baku by 2.7%. Note that there is a very high correlation, close to a functional dependence (R^2=0.958), between the income from work and services, dismissals due to conflict-related cost factors, costs due to lost time, costs caused by sabotage and damage and costs of employee demotivation in hotels in Baku, Azerbaijan, and the profit of Baku hotels.

CONCLUSIONS

To assess the financial losses caused by conflicts within hotel enterprises in Baku, an initial research framework was developed, drawing on global models that analyze the causes and costs of conflicts. This framework allowed for the identification of both the conflict's underlying causes and the corresponding behavioral responses. It was found that there is a linear dependence expressed by the regression equation

$$Y = 16.47X1 - 178.4X2 + 33.2X3 + 0.35X4 + 0.469X5$$

between conflict-related cost factors in the Republic of Azerbaijan and the conflict-related costs, as well as the profit and total income of hotel enterprises in Baku. In this dependence, the correlation coefficient approaching one (0.979) on the Chaddock scale indicates that the correlation between the indicators is very high. According to this model, it can be concluded that increasing the profits of hotel enterprises largely depends on reducing the conflict-related cost factors. Therefore, optimization of factors influencing the increase in profits of hotel enterprises in the Republic of Azerbaijan, including conflict-related costs, will affect the development of this sector, leading to increased economic growth. The results of the research suggest that a more experienced approach is needed when intervening in conflict-related issues. Given the existence of conflicts at one level or another within a group, it is advisable to do right by group members rather than exclude them in order to resolve these conflicts.

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