

ARTIGOS

AN ANALYSIS OF CRITICAL MANAGERIAL CHALLENGES IN MACAU

UMA ANÁLISE DOS DESAFIOS CRÍTICOS DE GESTÃO EM MACAU

ABSTRACT

Macau has long been considered to be an example of remarkable economic growth. With the opening of the gaming sector in 2002, the casino and hospitality sector flourished, creating employment opportunities but also imposing several challenges on managers. Since Macau endeavors to be positioned as the center for international business with Portuguese-speaking countries and a platform for trading with China's Greater Bay Area (GBA), it becomes essential for international enterprises to understand the local dynamics. In light of the limited research available, this study aims to identify management challenges from the perspectives of senior executives in different industries based in Macau. Our findings point out that managers must contend with several issues, such as the lack of a skilled local talent pool, high turnover rates, employees' work attitudes, and a tightly controlled immigration policy. It is also imperative for international managers to nurture relationships and pay attention to the local culture. Our results suggest that Macau has to develop a highly skilled local workforce to attract international companies, while local organizations also have to create an attractive working environment to compete in the marketplace.

Keywords: management; managerial challenges; casinos; greater bay area; Macau.

RESUMO

Macau é, há muito tempo, considerado um exemplo de notável crescimento econômico. Com a abertura do setor de jogos em 2002, o setor de cassino e hospitalidade floresceu, criando oportunidades de emprego, mas também impondo vários desafios aos gerentes. Como Macau se esforça para se posicionar como o centro dos negócios internacionais com os países de língua portuguesa e uma plataforma para o comércio com a Área da Grande Baía

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(Greater Bay Area - GBA) da China, torna-se essencial para as empresas internacionais compreenderem a dinâmica local. Diante das limitadas pesquisas disponíveis, este estudo visa identificar os desafios de gestão por meio das perspectivas dos executivos seniores de diferentes indústrias sediadas em Macau. Nossas descobertas apontam que os gerentes devem enfrentar diversos problemas, como a falta de um banco de talentos locais qualificados, altas taxas de rotatividade, atitudes de trabalho dos funcionários e uma política de imigração rigorosamente controlada. Também é imperativo que os gerentes internacionais cultivem as relações e prestem atenção à cultura local. Nossos resultados sugerem que Macau tem que desenvolver uma força de trabalho local altamente qualificada para atrair empresas internacionais, enquanto as organizações locais também têm que criar um ambiente de trabalho atraente para competir no mercado.

Palavras-chave: administração; desafios gerenciais; cassinos; greater bay area; Macau.

1 INTRODUCTION

The multicultural identity of Macau shaped by the Portuguese in the mid-16th century embodies the ideal of a bridge between East and West (MENDES, 2014). In recent years, the connection with Portuguese-Speaking Countries has been the focus of the region. For example, *Forum Macao* which includes Angola, Brazil, Cape Verde, Guinea-Bissau, Mozambique, Portugal, Sao Tome and Principe, and Timor-Leste, was promoted in 2003 as a commercial platform between China and the Lusophone world.

A Portuguese colony for over 400 years, Macau is today a special administrative region (SAR) that is part of China. Situated at the mouth of the Pearl River delta, about 60 km southwest of Hong Kong, the territory includes a peninsula and two islands with a total population of 679,600 and an area of 32.9 km² (DSEC, 2020).

Before the pandemic, Macau was considered one of the top travel destinations in South East Asia. As an example, attracted by the gaming and leisure possibilities, the territory welcomed 39.4 million visitors in 2019 but only 5.9 million in 2020 (DSEC, 2021).

Following the handover to China in 1999 and the opening of casino concessions in 2002, the territory positioned gaming and leisure as the leading economic activities. Government policies further reinforced that tourism and MICE (Meetings, Incentives, Conferences, and Exhibitions) were to be developed in a coordinated manner to strengthen the overall economic activity in the region (CHEN; LUO, 2021). In 2005 the inscription of the “Historic Center of Macau” on UNESCO’s world heritage list further boosted the hospitality industry. But it is Macau’s huge gaming sector that dominates the economy, for example, taxes on gaming revenues accounted for 64.8 percent of the Government’s revenues in 2020 (INTERNATIONAL TRADE ADMINISTRATION, 2022).

The casino economy has driven opportunities for development but has also brought managerial burdens. Therefore, when it comes to setting up a subsidiary or dealing with local organizations, foreign investors must be aware of the issues they may face. In this respect, an important question emerges: what are the critical challenges that managers are likely to encounter in Macau? As limited research has been published on the topic, the unique role of the territory justifies the need for insights into the field of local management. Besides, this study also sets the ground for further research into the area of Macau’s business culture.

2 LITERATURE REVIEW

A booming economy ranked among the wealthiest places in the world (FRASER, 2018), Macau offers great development opportunities. Sheng and Gu (2018) noted that the various employment prospects have attracted large numbers of foreign workers

and professionals to satisfy labor shortages at all levels. The development of local human resources is a critical issue in Macau (CHEN; LUO, 2021; LAMPO; LEE, 2011) due to the rapid expansion of the gaming industry and the strain on local labor (SHENG; GU, 2018). Marques *et al.* (2020) noted that leaders face challenges to hire qualified team members and also in keeping their teams, not only because of organizational challenges, such as the implementation of a consistent career plan but also because of the local job market characteristics. Zhou (2020) found that for most companies in Macau skilled employees are difficult to recruit and maintain. The US international trade Administration (2022) noted that finding local talent can be challenging in Macau, as the explosive growth has led to stiff competition among firms in identifying and retaining high-caliber local managers and staff. Wang *et al.* (2016) noted that promotion opportunities in casinos are rare and usually based on experience, which encourages many employees to job-hop in search of a higher salary. Therefore, when the government approves the opening of new gaming tables the only thing the casino concessionaires can do is raise salaries and compete for the local workforce (MENESES, 2019), a situation that exerts higher pressure upon the labor shortage in non-direct casino sectors. Lam (2011) argued that a combination of poor work attitudes and wide employment choices reduces productivity and adds costs to employers. In particular the lack of competition “spoils” the local employees as some think that their employers need them more than they do, and discourages a work ethic that is typical in more competitive environments. Employees tend to become arrogant and demand higher pay, if not faster promotion, being now in a better position to challenge their expatriate superiors (LAM, 2010). But if low-skilled labor is a scarce resource, recruiting experienced senior management becomes the real challenge. For MacDonald and Eadington (2006) Macau is not a family-friendly environment for experienced

managers, although that perception is slowly changing with several seasoned American, Australian, and European managers now relocating there.

Another issue relates to the quality of service which is inadequate to support the image that the city wishes to communicate internationally. According to Lam (2010), the level of service is poor by any standard. Except for mega-resorts, the city’s below-par service that is provided to visitors can seriously tarnish the international reputation and discourage repeat visits. Further, Cheng and Lee (2008) observed that the adoption of English as an international language is slow as Chinese continues to be used by most people, leading to a relaxed internationalization process. For companies to retain their business advantages, more international and better-skilled language professionals are needed (WONG, 2019).

To compound the numerous challenges, there is vacillation in the policy regarding immigrant labor, which limits the ability to hire foreign personnel. Cheng and Lee (2008) noted that the new casinos and hotel developments, together with their supporting industries, need more workers, but the government’s response has been unclear. Labor migration policy is characterized by vagueness and the institutionalization of a high degree of bureaucratic discretionary powers (DE LANGE; DE SENA, 2019).

Scarcity and abundance are the cornerstones of Macau: the scarcity of resources such as land and labor, against the abundance of the potential market. If Macau is to become a center for MICE activities and a bridge between China and the Lusophone world, both government and private sector will have to exert considerable managerial effort.

3 METHODOLOGY

This study identifies the critical managerial issues in Macau by analyzing primary data collected through semi-structured interviews. According to Flick (2018), a

qualitative approach is preferable for describing situations from the perspective of those involved. By factoring in the inputs from experts in the field, this study assesses the relevance of the findings in the literature review. Open-ended questions were developed to capture opinions based on the participants' management experience in Macau. Based on the literature, it was apparent that the most critical themes concerned human resources, working attitudes, customer service, and immigration policies. Thus, these themes informed the discussion with industry experts.

4 DATA ANALYSIS

The target population for our research included key informants selected from the researcher's network to get insight in a shorter time, in line with Flick (2018). Respondents were required to hold a management position within an international organization. By making use of the themes identified in the literature review, the participants were asked their opinions about the factors that translate into critical issues for managers and invited to share their comments on any additional theme. A total of eight industry experts were approached and deemed sufficient for this exploratory study as their responses tended to converge. The profile of the key informants is reported in Table 1.

Table 1 - Summary of respondents' profile

Demographic Variable	Description	Frequency	Percentage (%)
Gender	Female	4	50.0
	Male	4	50.0
Age Group	18-24	1	12.5
	25-34	1	12.5
	35-44	3	37.5
	45-54	2	25.0
	55>	1	12.5
Education	High School	1	12.5
	Bachelor's Degree	3	37.5
	Master's Degree	4	50.0
Industry	Aviation	1	12.5
	Education	2	25.0
	Financial Services	1	12.5
	Gaming	2	25.0
	Professional Services	2	25.0
Job Title	Director	3	37.5
	Manager	4	50.0
	Senior Advisor	1	12.5
Macau Management Experience (years)	< 5	1	12.5
	5 - 10	6	75.0
	10 >	1	12.5

Source: author's table.

All participants were provided with an explanation of the purpose of the interview and informed that their answers would be confidential and anonymous. The interviews were conducted by the author, in English, with an average duration of 35 minutes per session. The conversations were recorded by using a mobile phone app and subsequently converted into text for further processing. According to Maxwell (2012), the transcriptions were organized into broader themes that are reported in the following table.

Table 2 - Themes Statistics

Themes	Phrase Frequency	Percentage (%)
Talent pool	18	26.5
Turnover	10	14.7
Attract & Retain	10	14.7
Work attitude	9	13.2
Service level	9	13.2
Policies	8	11.7
Other	4	6.0

Source: author’s table.

5 DISCUSSION

This section reports the finding on human resources, employees’ attitudes, quality of services, immigration policy, and other issues experienced by the respondents. These perceptions will be described in turn.

5.1 PERCEPTIONS OF HUMAN RESOURCES

Concerns related to human resources surfaced frequently in the comments, thus confirming the relevance of the issue. The lack of a talent pool was the most frequent remark. The growing gambling industry led many residents to seek employment in casinos since these establishments offered better employment conditions than other sectors. The respondents agreed that competition for labor in Macau is high, as organizations need people with service-related skills.

The service industry is very competitive, and getting good people is critical these days. There is a lack of workers and - no matter the good deal

you offer them - turnover is still high. We have to continuously train the newcomers instead of focusing on the business. Yet as soon as there is the possibility they leave (Informant 1).

Macau residents benefit from job opportunities and a rise in wages due to the competition in the job market. Casinos are among the best employers in town. In 2018 the median monthly wage in the gaming sector was recorded at MOP 20,000 (abt. USD 2,500) against an average of MOP 16,000 (abt. USD 2,000) in other sectors (DSEC, 2020). Short-term earnings seem to be the focus of society. There is a tendency to leave the employer as soon as a better opportunity arises, especially if it comes from the gaming industry, which is eager to recruit people with service skills in their curriculum.

Casinos and hotels are always interested in people coming from specialized service industries because we have extremely well-trained staff. Our sector, when a new casino opens, suffers because our local employees leave us for a better offer, and getting a work permit for new foreign employees is a long procedure that can take several

months to process (Informant 3).

Managers from non-gaming industries have great difficulties recruiting and retaining people in their organizations. The real challenge is to attract workers to move to non-gaming sectors. “A casino pit manager earning over MOP 40,000 (abt. USD 5,000) wanted to study psychology and change career path. That person had to eventually give up this idea after realizing that the new starting salary would have been about one-third of the current salary.” (Informant 2).

One of the direct consequences of the casino economy is that many young people forgo higher education for the prospect of immediate monetary returns. Fresh high-school graduates can easily become dealers (a position that is reserved for the local workforce) and earn over MOP 17,000 (abt. USD 2,125) as a starting salary without the need for further studies which cannot guarantee comparable pay after graduation.

The informants mentioned that the typical strategy to attract and keep employees is to offer competitive salaries and benefits. There is a limited professional pool of candidates in Macau, and the skilled ones have already high-paying jobs. As the packages offered by employers within a given industry are similar, many organizations will have become “the best employer” as an antidote to deal with chronic employee shortages to recruit and retain employees in a tight labor market.

Many [employees] are starting to see the benefits of a good corporate culture and longing for a sense of pride in companies that they worked for. They want to know that they are being valued by their companies. In other words, they are becoming more mature with their choice of employers (Informant 4).

5.2 PERCEPTIONS OF EMPLOYEE’S ATTITUDE

When asked about their views on the working attitude the informants noted that it

varies according to the staff position. Local employees tend to be less committed in junior positions. On the other hand, employees at higher levels tend to be more committed. Also, newcomers tend to forgo opportunities for growth inside the company once a better offer becomes available elsewhere. The lack of young workers’ commitment to their employers is said to be caused by the abundance of jobs available in the market.

People in Macau have a different attitude compared to foreign workers. Immigrants are constrained to work for a specific company by their work permits. As they cannot change jobs easily, they will work hard to keep the job and hopefully get a promotion. Macau residents do not have the same attitude, as they don’t worry about changing jobs especially if it means better pay and conditions. For example, when a new casino opens, they would apply (Informant 7).

“Local employees lack a sense of job pride and loyalty. Foreign executives have stronger self-motivation, a sense of belonging, and a genuine interest to achieve their objectives.” (Informant 8).

Local people tend to show a relaxed attitude towards life and work. In particular, they prefer environments with stable working hours.

Not many here would work like Hong Kong people: trying their best, pushing performance, working overtime most of the week to earn more and advance in their career. Local workers would rather switch to a job with stable working hours as this gives them the possibility to spend more time with the family, or relax (Informant 5).

5.3 PERCEPTIONS OF QUALITY OF SERVICE

Macau has never developed a competent and forward-looking management cadre, and as

a result, local people are not trained in sufficient numbers to fill expatriate positions. With the booming economy, the emergent opinion is that the sector will face a shortage of qualified and experienced professionals. This has led many organizations to compete with each other for the same limited pool of people, and settle for something other than the best.

The level of service in casinos and international hotels has improved a lot during the years. On the other hand, the situation of shops and retailers in the streets of Macau is different. The training and attitude of people working there are variable. Sometimes they do not even meet the minimum requirements. Those employers who can pay more eventually get the best people (Informant 6).

Thus, the shortage of qualified and experienced professionals is critical for companies as this factor may affect the quality of the services provided. But also, a cultural attitude toward customer service is considered important in the delivery of services. “Here in Macau people perform well only what they have been trained to do, and nothing more. There is no mindset for customer service” (Informant 2).

5.4 PERCEPTIONS OF IMMIGRATION POLICY

In recent years Macau appears to be facing labor woes as local workers have started to protest against a lack of protection from imported labor. The government has adopted an interventionist approach to tackle these social issues with a tighter immigration policy. Under local law, non-residents are forbidden to work in Macau unless granted a “blue card”, a special government-issued work permit. Lately, the government has tightened the policy concerning imported workers, as more and more residents complained about losing jobs to the imported labor that usually gets lower

pay. The dominant opinion of the respondents was that it is not possible to sustain growth if the government does not open up to the immigration of qualified workers.

The government should be flexible towards ex-pats, and not be afraid to allow people with qualifications to come and live in Macau. They are not competing with the locals because their expertise at this moment cannot be found here. So, when a company is looking elsewhere, there is a good reason to do so. Expats are not taking local jobs, they came here to work, transfer knowledge and go back to their country after a while, leaving behind a better Macau. Trade unions are only determined to protect the local unskilled labor (Informant 1).

[...] and then there was the case of that restaurant. For some reason, the labor department did not renew their permits, and the company had to temporarily close after having invested millions [of MOP] in the business. Hiring entirely local people means having to pay higher salaries, and there is still no guarantee that local people would accept some type of jobs (Informant 5).

The respondents felt that the government plays an important role in promoting activities (such as training courses) aimed at raising the quality of human resources in Macau, with particular reference to the “less skilled” workforce that emigrated in the past from mainland China.

Some older workers have no idea how to handle customer service or even behave properly in public. There is a need for training that provides the skills to operate in the service industry. The government or other institutions must promote training courses to make these people employable (Informant 7).

It is therefore apparent that the main

challenges that managers face in Macau relate to the management of human resources. It also emerged that employees show variable levels of commitment to their employer, with the tendency to demand more than monetary compensation. But when a talented employee cannot be found locally, organizations have to look elsewhere. Therein lie the challenge for managers to hire qualified foreign personnel due to the tightly controlled immigration policy that limits the potential for growth and expansion of the business.

5.5 OTHER PERCEPTIONS OF MANAGERIAL CHALLENGES

Two additional themes emerged from the interviews. The first is related to the level of bureaucracy that delays the company's actions and therefore business development. The second theme related to the importance of relationships to do business. The two themes are connected as relationships may be the only viable way to circumvent what bureaucracy hinders. "The first thing that comes to mind is the level of bureaucracy, rules, and regulations. There are a lot of procedures that delay and obstruct everything the whole time" (Informant 8).

Concerning the importance of relationships, it should be mentioned that Macau is a small city characterized by a large number of associations representing specific interests in the population. People are organized into groups by their birthplace, by their trade, or simply by a common interest. There are over 4,000 entities, making Macau one of the most intensive areas of associations in the world (Wang, 2010). These associations are very influential among the members of society, economically and politically. "Macau is a small place, and everybody is somehow connected. Managers should pay attention to whom they interact, which includes hiring and firing. This is because of the connections they might have with influential people" (Informant 1).

It was also mentioned that to establish good relationships in the community, managers

should pay attention to "giving face" to important members of local organizations, as it may facilitate business cooperation. This includes inviting key people to open ceremonies or sending cards and small gifts on the occasion of traditional Chinese festivities.

6 CONCLUSION

This study has explored the critical issues facing management in Macau. Several factors were exposed through the literature review, grouped into broad categories (i.e., human resources, working attitude, customer service, and immigration policies), and used to shape a discussion with industry experts. The availability of casino-related jobs has massively benefited the local workforce, functioning as a pull factor to attract immigrant labor. The jobs that the gaming industry was able to offer have charmed many people to work for salaries and benefits that typically exceed those of other sectors.

The most critical challenges are related to the shortage of qualified staff and high turnover. Organizations in Macau face the challenge of attracting and retaining employees when new casinos are about to open; these occasions typically result in salary increases and benefits for newly recruited employees. Even so, local workers are quick to accept better offers whenever available, perhaps due to a lack of career prospects at their current employer.

In terms of work attitude, junior employees tend to be less committed than senior employees. At executive levels, employees tend to be more committed to the organization, and the salary is not the primary concern. For younger workers, the lack of commitment is attributable to the availability of jobs that casinos can provide. It is also common for local laborers to have a relaxed attitude toward their duties, preferring whenever possible to work in positions with stable working hours.

The immigration policy and the level of bureaucracy for certain procedures were perceived as a limitation to the employer's ability to hire qualified foreign personnel, and

regarded as a matter that legislators should solve with urgency. It has been argued that immigrant talents are not in competition with the local workforce at the management level because the skills or expertise needed cannot be found locally, however, the legislation favors employment opportunities for locals.

There seems to be a wide variation when it comes to service quality. What organizations can offer appears to be highly dependent on the skills of the manpower, the degree of internationalization of the company, and the compensation package being offered. Nevertheless, the quality of service in casinos and hotels tends to be higher than what customers can experience in local enterprises.

Additional themes related to the necessity for international managers to develop a network of relationships and pay attention to the local culture. This may be another way to get things done in an easy manner.

To conclude, creating a framework that enables Macau to pursue growth opportunities with confidence is needed to make the city truly attractive to international investors. On one side, Macau must develop a qualified local workforce to attract international firms, while on the other, local organizations must provide an enticing working environment. Until Macau becomes self-sufficient in skilled labor supply, international firms will always require expatriates to run operations, as well as comply with strict immigration policies.

From the analysis, it is apparent that the government has a crucial role to play in defining the strategy that will allow Macau to become a business hub for Portuguese-speaking countries and within the Greater Bay Area. The liberalization of the gaming industry has offered a unique opportunity for the development of the territory, but managerial challenges have emerged as a result. The future fortunes of the region will hinge on how Macau develops a framework that diversifies the economy while also considering the interests of those involved.

7 LIMITATIONS AND FURTHER RESEARCH

This study provides the foundation for further research within Macau's management area; however, some limitations need to be acknowledged. Firstly, the number of industry experts interviewed is relatively limited and restricted to a particular point in time. As a qualitative approach has been adopted, quantitative methods should probe the findings further. Since this study was conducted before the impact of COVID-19, future research should compare our observations with those of managers that have experienced the dramatic challenges brought on by the pandemic.

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