**ABSTRACT**

Hospitality organizations which are increasingly operating internationally create real challenges for their employees and managers to interact and effectively work with people from different cultural environments. Many problems may relate to intercultural communication between managers and employees as well as between employees and hotel guests from different cultural backgrounds. Therefore, the issue of intercultural communication has recently had an increasing reach in the hospitality industry.

Cultural awareness, sensitivity and understanding of cultural differences should be perceived as a critical issue for business success. Therefore, the following questions still need answers from both academics and the business: What kind of challenges does the hospitality industry face in view of the multicultural diversity of its markets? What kind of managers’ skills and abilities, particularly in the case of entry-level managers, are strongly needed today to manage effectively multicultural hospitality workforce? And how may educational programs influence intercultural competence development of tourism and hospitality students to interact effectively in a multicultural environment. The aim of the study is to show that cultural diversity of hotel employees and guests may create unique challenges of cross-cultural service encounters, which may provide an opportunity for service differentiation.

The research problem is to find answers to the questions: how may the challenges that emerge from cross-cultural interactions become a source of hotel competitiveness and how may the educational process contribute to the intercultural competence development, to recruit employees who will be able to operate successfully in a multicultural hospitality environment.

The study problem is discussed in the context of literature review and the previous research conducted in the hospitality setting. Implications for practitioners and educators are also delivered.