

Human Resource Management in the Hotel Industry

Strategy, Innovation and Performance

Kim Hoque

Routledge Research in Employment Relations

Human Resource Management in the Hotel Industry

To what extent have hotels adopted new, more sophisticated approaches to HRM? What factors have encouraged the adoption of these new approaches? How has HRM impacted on organisational performance in the hotel industry?

Over the last decade, human resource management has come to be viewed as the dominant paradigm within which analyses of the world of work have been located. This volume examines the nature and assesses the impact of HRM within a highly under-researched part of the service sector, namely the UK hotel industry.

Common perceptions of management practices in the hotel industry typically include work intensification, high labour turnover, lack of training and poor career prospects, and casualised terms and conditions of employment. Using data from a survey of over 200 hotels, this book challenges such stereotypes by demonstrating that this part of the service sector is just as likely to have experimented with new approaches to HRM as is manufacturing industry. It suggests that primary influences on managerial decision-making in the hotel industry are no different from the primary influences affecting decision-making elsewhere, countering the argument that mainstream management theories are inapplicable within hotels industry. Furthermore, where hotels emphasise the importance of service quality enhancement and where they introduce HRM as an integrated, mutually supporting package of practices, a strong relationship between HRM and organisational performance is identified.

Human Resource Management in the Hotel Industry is essential reading not only for students and researchers with a specific interest in the hotel and catering industry, but also for researchers with a wider interest in the nature and impact of HRM.

Kim Hoque is Lecturer in HRM at Cardiff Business School. He has published widely in the field of human resource management, having conducted research on greenfield site establishments, foreign-owned establishments, the nature and impact of the personnel function and ethnic minorities in employment, as well as conducting research into the hotel industry. He is also the co-ordinator of Cardiff Business School's Equality and Diversity Research Unit.

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To my parents

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Preface

Human Resource Management (HRM) has increasingly come to be utilised as the framework within which unfolding developments in the world of work are interpreted. However, as a theory, HRM has its roots firmly entrenched within a manufacturing paradigm. In addition, the vast majority of the empirical testing of HRM has been conducted within manufacturing organisations. Yet almost 76 per cent of the working population is now employed within services. Unless it can be shown to be relevant within this sector, what future is there for HRM as the 'dominant paradigm' within which unfolding developments within the world of work can be interpreted? The aim of this book is to address this question by evaluating the relevance of mainstream HRM theory within the UK hotel industry.

The book addresses three key issues. The first issue concerns the extent to which hotels have experimented with new approaches to HRM. The second issue concerns the factors that influence HRM decision-making, and whether these factors are any different within the hotel industry than elsewhere. The third issue concerns the relationship between HRM and performance in the hotel industry. These questions are addressed using survey data from 230 hotels, and both quantitative and qualitative methodologies are adopted.

1 Introduction and framework for analysis

By mid-1998, the proportion of the UK employed population working in service sector jobs had grown to 75.7 per cent. The comparable figure in mid-1986 was 68.3 per cent. Over the same period, the proportion of the employed population working within production industries fell from 25.2 per cent to just 18.4 per cent (Office for National Statistics, 1999). These figures clearly demonstrate the size, the growth-rate and the ever-increasing economic importance of the service sector.

The growing importance of the sector is further demonstrated by the enormous power now wielded by service firms worldwide. For example, as noted by Quinn (1992:17–20), Toys R Us now earns three times the revenue of the world's largest toy manufacturer and they are in a position to be able to dictate the products which reach the marketplace, how they are packaged, designed and transported. Such is the power of McDonalds that the butter and fat markets collapsed when they took the decision to switch to healthier products.

Trade in services is now the fastest growing element of international trade, with 20 per cent of world trade and 30 per cent of US exports now being service based (Mathe and Perras, 1994). Several key forces have encouraged this process. Firstly, cultural homogenisation has led to the development of key similarities in consumer preferences across nations. Secondly, electronic point of sale (EPOS) technology is now capable of capturing the data necessary to engage in sophisticated international marketing practices. Thirdly, the deregulation of world markets has led to a loosening or lifting of restrictions on foreign ownership (Segal-Horn, 1994). Service products are becoming increasingly sophisticated, internationally tradable and capable of generating a tremendous amount of wealth, and service sector globalisation has become a reality.

This globalisation will inevitably provide UK service providers with overseas export opportunities. However, UK service providers will also have to cope with intensified competition from overseas. In retailing, for example, incursions by European food retailers such as Aldi into UK domestic markets have caused concern (Knox and Thompson, 1994). If the UK is to compete effectively within increasingly globalised service markets in the face of such pressure, developing an understanding of the factors that enable service providers to generate and sustain competitive advantage is a must.

A lack of service-based empirical research?

At odds with the growing economic importance of services is the lack of empirical research undertaken within the sector. As far back as 1948, Whyte, in his book 'Human Relations in the Restaurant Industry' stated that human relations had only ever been studied in a manufacturing environment and that more attention should be paid to the ever-increasing service industries. Replace 'human relations' with 'human resource management' and Whyte's statement would be as true as we approach the millennium as it was in 1948. Gabriel (1988:6), Rajan (1987:2) and Shamir (1978:295) all make the point that the services remain ever neglected, with there being a scarcity of systematic fieldwork, when compared with the wealth of research undertaken in manufacturing industries. Lucas and Wood (1993) make similar assertions concerning the hotel and catering sector, stating that although today's position is an improvement on ten years ago, there is still precious little published. What there is tends to be removed from the mainstream and confined to specialist journals such as the 'International Journal of Hospitality Management', which probably remain unheard of amongst mainstream management academic circles. The importance of services and the extent to which that importance has increased, is yet to be reflected within empirical research, despite the fact that it is studies of the service sector that will shed the greatest light on the future employment relationship.

By contrast, the wealth of empirical research conducted within manufacturing has revealed evidence of not inconsiderable change in recent times, with companies—sometimes drawing inspiration from Japanese transplants, or from exemplar American companies such as IBM—having experimented with new communication techniques, teamworking, Total Quality Management and new organisational cultures, for example. Whether the same level of experimentation has occurred within the services remains very much open to question.

HRM theory: rooted in manufacturing?

Not only is there a scarcity of empirical research conducted within the service sector, but also the theoretical concept which Storey (1992:2–3) notes has been used to ‘make sense’ of recent developments—Human Resource Management (HRM)—is entrenched within a manufacturing paradigm. For example, Walton’s (1985) highly influential paper, which laid out the differences between commitment and control approaches to the management of human resources, focused entirely on factory workers—service sector workers not meriting a mention. Similarly, the tendency for the services to be overlooked in HRM and industrial relations research is now seemingly being replicated within the emerging debate concerning the impact of HRM on performance. However, the sheer size and economic importance of the service sector relative to the numbers employed in manufacturing, in particular the number of people who actually work on production lines themselves¹, calls into question whether it is any longer, indeed, whether it has ever been, valid to treat factories and the production line as the dominant paradigm by which HRM is conceptualised. Indeed, it is becoming increasingly important for the future validity of HRM to demonstrate that HRM theory, developed within a manufacturing sector ‘production line’ paradigm, is also relevant within the service sectors of the economy. What future is there for HRM as a theory if it is not seen in the services, within which almost 76 per cent of the working population are employed, as a credible approach? By providing a test of the applicability of HRM in a service environment, this is a key focus of this book.

The problematic nature of service sector research

Researchers are faced with a major definitional problem when looking at services, namely what exactly is meant by the term ‘service sector’? This question can be answered superficially by arguing that any firm which is included within Standard Industrial Classification categories 6 to 9 is a service sector firm. SIC sector 6 comprises hotels and catering and distribution (both retail and wholesale), 7 comprises transport and distribution, 8 comprises banking, finance, insurance, business services and leasing, and 9 comprises ‘other’ services. Immediately, the heterogeneous nature of the service sector becomes apparent. This heterogeneity makes generalisations about the services difficult within empirical analyses, unless care is taken to use accurate industry controls and a sample representative of all service sector firms. To complicate matters further, as Quinn (1992) states, a great number of people working for manufacturing companies are in fact performing ‘service’ related functions, such as personnel, sales and marketing, finance, legal work, secretarial work, cleaning and catering. Indeed, Quinn estimates that as much as 65 to 75 per cent of the activity within ‘manufacturing’ firms is actually service related. The

definition of a service based firm or a service based job, is therefore not as straightforward as it first appears.

However, the heterogeneity of the services does not automatically lead to the conclusion that a sector-by-sector approach to research will be preferable. Armistead (1994:28) argues, for example, that industry-level analysis will provide too narrow a basis on which to develop generic propositions concerning the 'service sector' as a whole, and it is therefore preferable to focus on jobs across the services with a similar content. However, this approach would be unable to take into account the impact of industry or sector-specific environmental factors such as product and labour markets, on approaches taken to HRM. For example, the specific seasonal nature of demand experienced in hotels and catering is unique to that sector and is not found in banks or insurance. There may be superficial similarities between the job of a hotel receptionist and that of a bank clerk, but different market and environmental contingencies faced by banks and hotels may result in different approaches to HRM being taken. In testing the impact of a range of external contingencies such as product and labour markets on policy choice, a generic 'lumping together' of service firms could easily result in generalisations, oversights of industry-specific contingencies and a loss of analytical clarity. In terms of operationalisation for research purposes, the 'service sector' is best seen as a generic term encompassing a diverse range of heterogeneous constituent parts. As such, it is preferable to analyse individual parts of the sector rather than services as a whole.

Reflecting this approach, the focus within the analysis to be undertaken here will be on one of the service sector's constituent parts, namely the hotel industry. The hotel industry has seen considerable growth in recent years, with the total numbers employed rising from 279,500 in June 1988 to 318,700 in June 1998 (Office for National Statistics, 1998). However, as Lucas (1995: 14) states, there remains a remarkable dearth of information on human resource management issues in the industry, which, she argues, is all the more surprising given the oft-quoted phrase within the industry that 'people are our most important resource'. The analysis within this book therefore aims to help to fill this gap.

Tests of the relevance of mainstream HRM theory within hotels have several important implications where hotel industry research is concerned. As stated by Lucas (1995:14), a body of literature has developed showing

the sector to be somehow 'different', being characterised by *ad hoc* management, a lack of trade unions and high, possibly unavoidable labour turnover. A view commonly expressed among hotel managers according to Mullins (1993:1), is that these key fundamental organisational differences render inappropriate the general principles of management developed in other industries, as they fail to take into account the unique contingencies facing managers within the hotel industry. Also, the argument that the industry is somehow 'different' is often used to explain why hotel management research tends to be channelled into industry-specific journals and excluded from the mainstream.

However, Mullins (1993:7–8) believes that the only substantive difference between hotels and manufacturing is that the customer is inextricably involved within the process itself, rather than simply being the recipient of the product at the end of it. While it is true that the hotel service cannot be stockpiled and production smoothed out to cope with demand surges, and that it is more difficult to achieve economies of scale because site selection is determined by consumer demands, these differences are, according to Mullins (1993), merely contextual. Everything else that hotel managers have to do, for example, the planning of objectives, strategy-making, ensuring legal requirements are met, and organising, directing and controlling staff, is common to firms in all other sectors. Therefore, the theoretical understanding of 'management' should not be any different in hotels than in the rest of the economy. Those who argue otherwise, suggests Mullins (1993:15), are providing an excuse for lack of improvement. Gilbert and Guerrier (1997) support this position, claiming that there is an increasing realisation of the generalisability of hotel management principles, with managers moving both to and from other sectors of the economy. They also highlight the increasing recognition of the importance of general management qualifications as opposed to industry-specific qualifications. Moreover, given that much of the excellence literature focuses on the individual, it may well be more suited to the hotel industry, where collective relationships are at a minimum.

By analysing the role of HRM within the hotel industry, this book is able to test the assertions made by Gilbert and Guerrier (1997) and Mullins (1993). If it is found that HRM theory provides a suitable framework within which to locate analyses of the hotel industry, there will no longer be any justification to either marginalise hotel industry research into

specialist industry journals, or to ignore HRM theory within hotel industry empirical analyses.

The human resource management model

As the aim of this book is to assess the relevance of HRM within a hotel industry context, it is necessary at the outset to provide a definition of HRM. The definition used here draws strongly on the models presented by Beer *et al.* (1984), Guest (1987) and Walton (1985). These models typify the prescriptive solutions offered in response to new challenges it is argued that companies have faced since the end of the 1970s and the early 1980s. As stated by Piore and Sabel (1984), the conditions that enabled stable, mass production systems to thrive in the past, no longer exist. For example, global competition has increased, product life-cycles have shortened, product markets have become increasingly differentiated and increasingly turbulent, and consumer tastes have become increasingly sophisticated. In addition, competition from low-wage developing countries now precludes the possibility of competition on price or cost factors (Beaumont, 1993:24).

As such, it is argued that Western companies have been under increasing pressure to seek a new approach, involving a re-focusing of activities onto the production of hi-tech, high value-added products. Rather than focusing simply on productivity and cost factors alone, companies must now ensure high quality production, a high level of innovation and production flexibility, in order to be able to take advantage of higher value-added new market niches, as and when they emerge. The new approach to HRM that companies would have to adopt in the face of these challenges is encapsulated within the Beer *et al.* (1984), Guest (1987) and Walton (1985) models.

Implicit within these models of HRM is that if organisations are to achieve the requisite levels of innovation, organisational flexibility and product quality to be able to compete in increasingly turbulent product markets, traditional Taylorist ways of managing and working, well suited to production of standardised goods for large and stable markets, will no longer be adequate. It is no longer sufficient to view workers as unthinking automatons following orders laid down by management. Hence, all of the models of HRM stress the need to generate employee commitment to quality, to encourage workers to take responsibility for quality, to develop systems through which employees can contribute to the process of continuous improvement, and to create an environment where workers feel confident to be innovative and creative. The emphasis is increasingly on what Blyton and Turnbull (1992:4) refer to as 'releasing untapped reserves of human resourcefulness', and getting

workers to go 'beyond contract' —going the extra mile for the company. Getting the 'people' side of the organisation right is therefore seen as the key to the achievement of competitive advantage.

A further source of potential competitive advantage is provided by the inimitability of human resource systems. As they must take into account complex issues of power and resistance to change, effective human resource systems are extremely difficult to copy. By comparison, other resources available to the firm, such as technology, marketing, engineering and financial systems, are all replicable (Becker and Gerhart, 1996:781). If competitive advantage is generated along any one of these dimensions, gains would be short-lived as competitors would be able to copy the systems developed. Being more difficult to mimic, human resource systems are therefore capable of providing sustained competitive advantage.

The centrality of the manner in which human resources are managed in terms of the achievement of competitive advantage has two major implications. Firstly, it becomes essential that HR concerns and HR decision-making become senior management priorities, and not the responsibility of a separate, sub-board level specialist function (Beaumont, 1992:21, 1993:1, 17; Storey, 1992:26–7). This is one element of what Guest (1987) refers to as 'strategic-integration'. Guest (1987) states that as human resources are the most variable resource a company possesses, and the most difficult to understand, they are unlikely to lead to competitive advantage unless fully integrated into the strategic planning process. A boardroom focus on marketing, finance or production for example, will fail to take into account the more complex issues of values, power and company culture. As such, HRM has a rightful place alongside other core management roles at boardroom level.

Secondly, the centrality of human resources to the achievement of competitive advantage results in a philosophy that the precursor of high performance will be the achievement of a set of HR outcomes or goals. HR policies and practices within the organisation should be geared towards the achievement of these goals. The models presented by Beer *et al.* (1984), Guest (1987) and Walton (1985) all make this point. For example, Walton (1985) states that central to the HRM philosophy should be the belief that employee commitment will lead to enhanced performance. The importance of eliciting workforce commitment is also one of the HR outcomes stressed within the model presented by Beer *et al.* (1984). This model also stresses the importance of competence (in terms of attracting, keeping and developing

people with requisite skills and knowledge), congruence (the minimisation of conflict between interest groups) and cost effectiveness (both for the organisation, the individual and society as a whole). The HR goals within the Guest (1987) model are—once again—high commitment, functional and organisational flexibility, high quality (in terms of recruiting and retaining skilled and motivated employees, public image and job performance), and finally, strategic integration (the high profile accorded to HR issues within the business strategy and the incorporation of an HRM perspective within line management decision-making). This latter issue is also stressed by Storey (1992:27), who states that line management should recognise the importance of HRM and engage in behaviour and decision-making which reflects this. HRM should be the intimate concern of line managers. They should ‘own’, implement and act in accordance with HRM principles.

The HR outcomes are therefore seen as the primary or first order goals of the organisation, which, if achieved, will lead to a considerable organisational payoff. Looking first at the goal of commitment, Guest (1987) argues that committed employees will be more satisfied, more productive and more adaptable, more willing to accept organisational goals and values, and to exert ‘extra-role’ effort on behalf of the organisation. Committed workers are also more likely to make effective contributions within continuous improvement processes. Moreover, self-directing workers need less supervision, so cutting overheads in terms of managerial headcount becomes a possibility. Also, if the organisation achieves a coincidence of interest between workers and managers, organisational change is less likely to be viewed with suspicion (Beer *et al.*, 1985:37–8). If the flexibility goal stressed by Guest (1987) is achieved, with a multi-skilled workforce able and willing to move between tasks as the work demands, a more effective utilisation of labour will result. Finally, the goals of quality (Guest, 1987) and competence (Beer *et al.*, 1985) will equip a firm with the skills and resources necessary if the firm is to deal with change in the face of unstable environments.

Achieving human resource outcomes

While the achievement of a set of HR outcomes is seen as the precursor to higher performance within models of HRM, in order to achieve these HR outcomes, organisations have at their disposal a range of HR practices, relating to recruitment, job design, pay systems, communication and training. Particularly emphasised within the HRM literature is the importance of the principle of reciprocity within the design of

these HR practices. If workers are to be expected to be committed to company goals, to be flexible, and to contribute towards continuous improvement processes, the company must provide in return fair treatment, a commitment to employment security and to career development, and a removal of status differences between workers and managers, for example. This is an essential principle. Workers cannot be expected to be committed to the organisation, and play a part in business improvement, unless the organisation is prepared to make a commitment back.

This point is argued by Walton (1985), who stresses the importance of practices emphasising mutuality. He highlights the importance of horizontal and vertical job integration, which enables workers to have responsibility and influence over their work. He also highlights the importance of single status and employment security coupled to retraining where old jobs are eliminated and new ones created, and compensation based on equity gain sharing, stock ownership and profit sharing. Beer *et al.* (1984) state that the key HR policy areas of importance are those relating to employee influence, human resource flows (recruitment, dismissals, promotion decisions, appraisal, training and development), outflows from the organisation, reward systems and work patterns. Guest (1987) emphasises the importance of careful selection, job design, the management of culture, and the importance of the development of values emphasising the organisation—employee linkage. As such, both the formal and psychological contracts offered to shopfloor workers should be akin to those typically offered to managers (Guest, 1989:43).

HRM—its relevance to the hotel industry?

Turning to the hotel industry, the main issue of consideration is whether or not the philosophy or principles underlying the models of HRM discussed here, and the practices stressed within those models, are of relevance. In other words, are there performance gains to be made by adopting the philosophy that as human resources are the key strategic lever within the organisation, competitive advantage is dependent upon the achievement of certain HR goals? In turn, is the achievement of these HR goals dependent upon the adoption of a coherent, strategically integrated package of innovative HRM practices? These are among the central questions that will test the validity of HRM as a concept within the industry.

However, the relevance of HRM within the hotel industry is not simply dependent upon an analysis of the extent to which establishments have adopted the approaches as espoused within the models of HRM discussed above. The mainstream HRM literature contains within it a series of assertions

in relation to a range of factors that potentially influence the approach that a company takes to HRM. A test of the relevance of HRM within hotels must also therefore test whether the influences on HRM decision-making debated within the mainstream literature have the anticipated impact within a hotel industry context. The following sections consider the influences as discussed within the mainstream literature.

Factors influencing approaches taken to HRM

Situational contingency approaches to HRM—the impact of product markets

Product markets are seen as particularly influential within the mainstream literature in determining the approach to HRM that companies are likely to adopt. The approach to HRM described above is all very well where a firm is pursuing a strategy producing high value-added goods or services in a knowledge-based industry, for example (Legge (1995:67) quoting Capelli and McKersie (1987:443–4)). However, as Legge continues, what of situations where the firm is competing within a labour-intensive, high-volume, low-cost industry generating profits through increasing market share by cost leadership? In such organisations, employees are likely to be seen as a variable cost that needs to be minimised. As such, the approach to HRM described within the models presented above may only be applicable in certain product market environments. In other situations, a ‘hard’ approach to HRM emphasising a quantitative, calculative management of headcount might be more appropriate. As Boxall and Dowling (1990:202) state, the full utilisation model of HRM is but one approach to the management of human resources. It is not generic as it excludes all approaches where employees are considered to be expedient, exchangeable factors of production.

This point is made within a range of typologies presented by Miles and Snow (1984), Schuler (1989), Schuler and Jackson (1987) and Tichy, Fombrun and Devanna (1982). Within these ‘situational contingency’ models of human resource management, the key message is that HRM strategy should support, or fit business strategy. As such, whether or not the approach to HRM described by Beer *et al.* (1984), Guest (1987) and Walton (1985) is appropriate should be contingent upon the business strategy of the organisation, which in turn should be dependent upon the nature of the product market within which the organisation is competing. These approaches are therefore underpinned by what Evans and Lorange (1989) describe as a ‘product market logic’.

The more successful the organisation is at achieving fit between product market, business strategy and HR strategy, the more successful it will be in terms of achieving organisational outcomes.

The typologies developed by the 'situational contingency' theorists focus on two main issues. These are firstly, product market strategy, and secondly, growth strategy or organisational life-cycles. Turning first to typologies focusing on product market strategy, Schuler (1989) and Schuler and Jackson (1987) base their analysis on strategy models presented by Miller (1986) and Porter (1980, 1985). They state that, dependent upon the product market environment within which a firm is operating, it will adopt either an innovator, quality enhancer or cost reducer product market strategy (Schuler and Jackson, 1987:208). They must then link HR strategy and business strategy, the rationale being that each strategy will require employees with differing skill levels, differing levels of creativity and concern for quality, differing degrees of willingness to take risks or willingness to accept responsibility and adaptability to change. For example, in an organisation focusing on a cost reduction business strategy, the HR strategy would emphasise the reduction of output cost-per-employee. This would be achieved through the use of non-standard employment, subcontracting and Taylorised working practices such as job prescription, a high degree of specialisation, minimal training and development and a high degree of monitoring. The HR strategy appropriate to firms adopting a quality enhancer business strategy would, by contrast, aim to foster employee commitment to quality and continuous quality improvement. Within the innovator firm, the HR strategy would focus on the development of an environment conducive to the stimulation of creativity. With groups of highly trained specialists working together, the HR strategy would need to elicit a high degree of collaboration, and decentralisation of power to those responsible for innovation. Within the quality enhancer and innovator approaches therefore, there is a far greater scope for the high commitment approach to HRM described above. Where the firm is competing on price, such an approach would be considered inappropriate.

Other models within this tradition also stress the importance of the product market as a determinant of the approach taken to HR strategy. Miles and Snow (1984) look at the rate of innovation as the key contingent variable. The approach to HRM should vary depending upon whether the firm is a prospector (highly innovative), an analyser (moderately innovative)

or a defender (rarely innovative). The more innovative the approach to strategy, the more appropriate developmental approaches to HRM become.

An alternative approach is taken by Kochan and Barocci (1985) and Tichy, Fombrun and Devanna (1982), whose situational contingency typologies relate to organisational life-cycle. Kochan and Barocci (1985) argue that as an organisation progresses through start-up, growth, maturity and decline, human resource activities will vary depending upon the stage of the life-cycle reached. For example, concerning recruitment, the emphasis during start-up would be on the recruitment of the most talented candidates. As the organisation progresses through growth stages, recruitment remains important, but attention also has to be paid to succession planning and the management of internal labour markets. As the organisation progresses into maturity and decline stages, managing labour turnover to effect workforce reductions becomes more important. Kochan and Barocci (1985) trace similar patterns within their model with reference to compensation and benefits, training and development and labour relations. Similarly, Tichy, Fombrun and Devanna (1982) focus on the way in which the structures of businesses change as they develop. The appropriate approaches to selection, appraisal, rewards and development will change as the organisation passes through single product, growth by acquisition of unrelated businesses, diversification and multi-national phases.

Product markets are therefore viewed as instrumental within the mainstream HRM literature in determining the approach to HRM that companies are likely to adopt. Within the context of the hotel industry, being a consumer service, it would be sensible to hypothesise that product market signals will also prove to be highly influential. However, it is by no means a foregone conclusion that hotels faced with particular market demands will choose to meet those demands in the manner predicted by the situational contingency models. As argued above, much HRM theorising has taken place within a manufacturing paradigm. There is no particular reason why, therefore, the techniques widely held as appropriate to a quality enhancer business strategy within manufacturing will be deemed appropriate to a service-based quality enhancer strategy. For example, it may not necessarily be the case that the enhancement of commitment is central to the achievement of quality in a service context, and even if it is, the HRM techniques for maximising commitment in hotels may well differ from those used within a manufacturing setting. Therefore, even if hotels emphasise the importance of product markets within their business strategy, it remains to be seen whether the HR strategy

adopted to achieve the demands of a given business strategy will be as predicted within the situational contingency models of HRM.

The situational contingency models raise a further important question, namely, the approach to business strategy most likely to lead to competitive success in the hotel industry product market. On this issue, much depends upon emerging consumer trends. Within the mainstream literature, there is considerable debate. Piore and Sabel (1984) in their flexible specialisation thesis, argue that with the saturation of consumer goods markets in home markets, with consumer tastes becoming increasingly sophisticated and with the emergence of low-wage industrial economies in South East Asia and Latin America, Western companies have had to refocus their strategies on the high quality production of specialised or customised goods and services. Similarly, Walton (1985) argues that the conditions enabling control models of management to thrive no longer exist. Product markets are no longer characterised by a stable level of demand for mass-produced standardised products and services. Increasingly, instability, argues Walton, is beginning to affect all organisations. Hence a premium is increasingly attached to responsiveness to customer needs.

However, this argument is not without its critics. Hyman (1991) and Pollert (1991) argue that the extent of product market change is overstated. For example, much of the success of Japanese consumer electronics companies is in mature mass markets reaching saturation, where cost control and the use of mass production techniques is equally as important as a focus on innovation, or the provision of customised or batch produced goods.

A similar inconclusiveness in relation to the nature of the hotel industry product market might also be expected. For example, within the hotel industry product market, it remains to be seen whether the provision of service quality is now more important than price competitiveness or tight cost control. This issue must be addressed before conclusions can be drawn concerning the universal applicability of the Beer *et al.* (1984), Guest (1987) and Walton (1985) models of HRM within the hotel industry.

The strategy-making process

While product markets are viewed as the key determinant of HRM within the situational contingency models discussed above, there is a tacit assumption within the situational contingency typologies that the meshing of business strategy and HR strategy is a straightforward, uncomplicated process. However, several writers argue that this is a

somewhat stylised view, which fails to take into account a range of factors that might hinder such a process of integration. As such, product markets may not be as deterministic as immediately assumed.

Firstly, Legge (1995), drawing on the work of Whittington (1993), argues that it is only possible to match HRM policy to business strategy where strategy reflects a 'classical deliberate' approach emerging from a conscious, rational decision-making process. Where strategy is evolutionary or emergent, or where it is processual, emerging in small successive steps, there is no long-term formulated business strategy to which HRM policy can be matched. Therefore, situational contingency models are only able to make predictions concerning the appropriateness of different approaches to HRM in companies which not only consciously attempt to integrate HRM policy and business strategy, but also have a consciously planned, formulated business strategy in the first instance.

The evidence suggests that the classical deliberate approach described by Legge (1995) is far from the norm within the UK. For example, Whipp (1992: 50–1) argues that strategic planning is absent in most British companies. Similarly, Beaumont (1993:18) comments that many companies in the UK have been pursuing an inconsistent set of activities over the 1980s and into the 1990s, involving downsizing, lay-offs and redundancies, while simultaneously emphasising product or service quality. These activities do not add up to a consistent, coherent strategy. Thus, to use Mintzberg's (1987) terminology, strategy in the UK has tended to reflect ad-hoc formation rather than planned formulation. If the fundamental touchstone of HRM is, as stated by Keenoy (1990), that it is meshed with business strategy, what is HRM meshed with in the majority of companies where such strategic analysis does not take place, or lacks consistency?

Secondly, even where there is a well-formulated business strategy, how likely is it that there will be an integration of HRM with that strategy? It is not necessarily the case that this will happen automatically. Indeed, Mabey and Salaman (1995:49) describe the chances of such integration occurring as 'extremely rare'. They argue that the process of formulating a strategy, identifying the key behaviours necessary to implement the strategy and introducing the organisational processes required to generate the required behaviours assumes that senior management have been able to scan the environment for key signals, have analysed those signals, and then have been willing and able to reformulate organisational structures. This, they state, is a 'daunting and demanding list of prerequisite steps for any group

of senior managers'. This list may be made even more daunting by the fact that, as highlighted by Guest (1987) and Sisson and Storey (1990), managers within the UK have typically demonstrated a lack of strategic capability and ability to manage change.

Thirdly, the ability to adopt an HRM strategy appropriate to business strategy may also be partly dependent upon the power and influence held by the personnel or HR function. Whipp (1992) states that where personnel management is undeveloped within an industry, the appropriate strategy is unlikely to emerge. This is supported by Guest and Hoque (1994a) who found that where a firm has a well-developed sophisticated personnel department, it is more likely to be pursuing practices associated with an HRM approach, on the principle that it is the personnel department, or the manager with responsibility for personnel who is the most likely to encourage or champion HRM initiatives. Similar arguments are presented by Marginson *et al.* (1993), using data from the 1992 Warwick Company Level Industrial Relations Survey. He suggests that where there is a personnel or HR director at boardroom level there is a higher likelihood of an integration between HRM strategy and business strategy.

However, Beer *et al.* (1985:27) suggest that a further reason for a poor fit between HRM and business strategy might lie within the HR department itself. If HRM and business strategy decision-making is not integrated, there is the danger that HR departments will develop programmes that line management do not consider relevant. This might occur where there is a difference in perspective between the long-term, people-oriented approach adopted by HR managers and the short-term, profits-oriented approach adopted by line managers. Such differences could explain the introduction of some aspects of HRM in situations where the business strategy suggests a need for a more calculative, cost-conscious approach.

In the context of the hotel industry, the relevant questions therefore concern firstly, whether there is a tendency for strategy-making within the industry to reflect a conscious, planned approach, or an ad-hoc, emergent approach. It is only where a formulated business strategy exists and where a conscious meshing takes place that business strategy would be expected to impact on HR policy choice in the manner predicted by Miles and Snow (1984), Schuler (1989), Schuler and Jackson (1987) and Tichy, Fombrun and Devanna (1982). If strategy-making is conscious and planned, to what extent do hotels make a conscious effort to mesh human resource strategies with business strategy? Also, the ability of management to handle change

within the hotel industry, and the relative power and influence of the personnel function may influence the approach taken to HRM within the sector. Answers to these questions will determine whether issues concerning the strategy-making process, viewed as influential within the mainstream literature, should also be deemed important within the hotel industry.

Workforce characteristics

Several arguments are made within the HRM literature relating to the potential impact of workforce characteristics on HRM policy choice. Firstly, Beer *et al.* (1985:25) raise the contention that the motivation, capacities and potential of the workforce will restrict policy choices available to management. Similarly, Guest (1987) states that many workers will not wish to show high intrinsic motivation at work, and thus attempts to apply innovative HRM techniques to an established workforce will not always be practical (Guest 1987:516). The adoption of HRM will therefore be restricted if the workforce proves resistant to change, or where working practices are entrenched. The take up of HRM may be proportionately higher on greenfield sites where management are given a clean slate, and where they do not have to fight against existing attitudes and existing systems of industrial relations (Guest and Hoque, 1993).

Relating to workforce skill levels, Beaumont (1993:26–7) and Keep (1989) argue that the deficiencies in skills training and in vocational education in the UK, as highlighted by Finegold and Soskice (1988), will potentially hamper the introduction of HRM. Supporting this view, Hendry and Pettigrew (1990: 28) refer to research by Daly, Hitchens and Wagner (1985) and Steedman and Wagner (1987) which examines matched pairs of German and British metal-working and kitchen furniture manufacturers. The research demonstrated that the lack of availability of workers with high-level skills in the UK influenced firms' decisions to concentrate production on the cheaper, mass-produced end of the market.

Existing workforce characteristics are therefore seen as a critical determinant of the approach taken to HRM within the mainstream HRM literature. It is likely that workforce characteristics will be viewed as an equally important determinant within the hotel industry. To assess this issue, it will be necessary to evaluate the extent to which the hotel industry workforce is likely to prove amenable, or is likely to respond to HRM. It may be the case, for example, that overall skill and training levels are too low for an HRM approach to prove viable. Similarly, resistance to change may present a problem. These questions will need to be addressed if it is to be ascertained whether the arguments concerning the influence of workforce characteristics on the approach

taken to HRM discussed within the mainstream literature are relevant within the hotel industry.

The impact of trade unions

It is commonly argued that a trade union presence will militate against the adoption of HRM. Where a union is present, union officials might resist the introduction of innovative HRM practices. In particular, they are likely to resist practices emphasising direct communication between management and employees, thus bypassing traditional union collective bargaining channels. They are also likely to resist practices attempting to elicit employee commitment to the organisation and hence result in a reduction of the perceived need for a trade union amongst the workforce. HRM practices, Beaumont (1992:35) claims, with their emphasis on teamwork, flexibility, employee involvement, participation and commitment, 'drive a wedge' between unions and their members and is therefore logical for union officials to resist the introduction of such practices.

Conversely, it has often been argued that a lack of trade unions will facilitate the adoption of HRM. As Beer *et al.* (1985:32–3) argue, non-union firms will invest heavily in HRM policies including employment security, grievance procedures and open-door policies, maybe offering terms and conditions which are more generous than those in unionised companies, in order to maintain their non-union status.

However, Guest (1995) presents a different viewpoint. He argues that there is a great deal in common between HRM and trade union objectives. For example, both emphasise the achievement of status reductions, job security, skill enhancement and high basic pay. Guest (1995) also argues that much of what has been introduced in the UK under the description of HRM has been piecemeal, unstrategic and somewhat half-hearted, and has had little impact on performance. As such, he argues that unions should champion the introduction of a more strategic HRM approach, instrumentally encouraging management and assisting them in the implementation of high-quality management practices, and also ensuring there is no slippage in the operation of those practices. The union's role therefore becomes one of 'internal consultant', and is legitimated in the eyes of management, as they realise the benefits of joint partnership. This approach is supported by the Trades Union Congress (1994), who argue that unions can play a highly influential role in developing a 'world class workplace'.

The debate within the mainstream HRM literature concerning the relationship between unions and HRM is therefore somewhat inconclusive. In the context

of the hotel industry, it will be somewhat difficult to test empirically the impact of trade unions on HRM, given the lack of recognised trade unions within the industry. Nevertheless, it will be possible to develop hypotheses as to whether managers take advantage of the non-union nature of the industry to experiment with new approaches to HRM or to adopt labour-intensifying or cost-cutting practices.

The impact of labour markets

Beer *et al.* (1985:31–2) argue that where labour market conditions are tight, companies are under increased pressure to ensure the recruitment and retention of the most qualified and capable employees. As such, there will be a greater emphasis on policies relating to wages, career advancement and working conditions likely to attract and keep such staff. Similarly, Ramsay (1991) claims that under tight labour market conditions, managers threatened with potential control loss will attempt to incorporate the workforce by allowing them to participate in management decision-making, thus stifling conflict. As soon as conditions allow, however, they return to a more direct approach. As far as the hotel industry is concerned, this debate raises the question as to whether there is any labour market pressure on management to adopt practices that encourage the recruitment and retention of the most able staff, or to adopt practices aimed at averting workforce recalcitrance.

Organisation characteristics

It is widely acknowledged that in very small establishments, formal HRM practices may be inappropriate. For example, effective communication may be achieved via informal face-to-face contact rather than via expensive and complex formal communication techniques. As such, HRM may be inappropriate within small seaside resort hotels employing only a handful of staff. It will therefore be necessary to take into account establishment size when assessing the extent to which HRM is practised within the hotel industry, or at least the level within the organisation at which it is likely to be practised.

National ownership

A body of literature has developed concerning the relationship between ownership and HRM. Examples include the research on Japanese management (for example Oliver and Wilkinson, 1989, 1992; Trevor and White, 1983; Wickens, 1987; Wood, 1996), which demonstrates that Japanese firms, on the whole, have adopted a more strategic approach to HRM than have their UK-owned counterparts. More recently, attention has focused on

establishments from other national origins. For example, Beaumont, Cressey and Jakobsen (1990), Guest (1996) and Guest and Hoque (1996) find a surprising lack of interest in techniques associated with an HRM approach amongst German-owned firms operating within the UK. The impact of national ownership on the approach taken to HRM within the hotel industry is worthy of further consideration, particularly if a relationship between HRM and performance can be identified.

Impact of financial markets

According to Kirkpatrick, Davies and Oliver (1992:132) and Purcell (1989: 69–71), there has been a rapid trend towards diversification and divisionalisation within the UK. This is because in the UK, the stock market emphasis on short-term financial results has encouraged a policy of decentralisation, as companies attempt to ensure a regular positive cash-flow by operating in a range of product markets, all of which will mature at different times (Sisson and Storey, 1990). This in turn has led to the adoption of M-form company organisation, which is seen as the best way of managing a diversified business. The enterprise is therefore not seen as a unified business but as a collection of businesses.

However, M-form structures render infeasible the concept of a corporate-wide HR strategy. This is because each segment of the business will require different approaches to HRM, depending upon the product market and upon the stage in the product life-cycle reached. HRM decision-making is therefore devolved to divisional level. In the absence of an HRM presence at corporate level however, financial criteria, management accounting, tighter short-run financial controls (Armstrong, 1989) and high accountability of divisional profits (Purcell, 1989) will come to dominate. Such pressure to achieve results in financial terms will preclude the longer term developmental activities relevant to the 'soft' motivation and commitment-oriented aspects of HRM (Kirkpatrick, Davies and Oliver, 1992:142–3). Even if line management had an interest in pursuing HRM goals or where the product market suggested HRM to be applicable, such approaches would be precluded by the immediate imperative of short-term financial performance targets imposed by the corporate centre (Sisson and Storey, 1990).

According to Storey (1992:43), the arguments presented above may well be overstated. He states that there is considerable variation between the HR policies adopted by the divisions within M-form companies, which suggests that there are other factors influencing management behaviour other than simply company structure. He questions whether or not it would be possible to develop unit level HR strategies without corporate management support,

and also notes that competition for investment funds within a group is often dependent upon the ability to demonstrate that advances have been made in terms of HRM.

Nevertheless, the relevance of this debate to the hotel industry will depend upon whether there is any pressure from decentralisation as described by Armstrong (1989), Kirkpatrick, Davies and Oliver (1992) and Purcell (1989) within the hotel industry. If so, it will also be possible to test the extent to which that pressure is likely to restrict the adoption of an HRM approach.

Summary

This chapter has developed a framework that outlines the models of HRM as presented by Beer *et al.* (1984), Guest (1987) and Walton (1985), and highlights the factors that are likely to encourage or restrict the implementation of the approach to HRM as encapsulated within those models. The framework demonstrates that the likely adoption of HRM is dependent upon a range of influences relating to product markets, the resourcing of the personnel department, the ability of managers to handle change effectively, workforce characteristics, union presence, labour market conditions, organisational size, national ownership and financial markets.

The aim of this book is to test the validity of this framework within a service industry context, namely the hotel industry. The first test of the relevance of HRM in the hotel industry concerns the extent to which practices associated with an HRM approach have been adopted. The second test concerns the factors that are likely to influence the approach taken to HRM, in particular, whether the factors viewed as influential within the mainstream HRM literature are also viewed as important within the hotel industry. If managers within the industry have to contend with a range of contingencies not taken into account within the mainstream debates, the suggestion will be that the hotels are indeed somehow 'different', and that the framework outlined above is of limited relevance.

The final test of the relevance of HRM within the hotel industry concerns the relationship between HRM and performance. This is a critical question concerning the applicability of HRM—it would only prove sensible to encourage the wider adoption of HRM in the industry if it can be demonstrated that HRM has a contribution to make to superior performance.

The book tests these issues in the following manner. The following chapter examines the factors that will potentially influence the approach taken

to HRM within the hotel industry, and develops hypotheses relating to the likely impact of these factors. This chapter also develops hypotheses concerning the impact of factors not discussed within the mainstream literature that are considered important within the hotel industry. In drawing out the differences and similarities between the factors seen as potential influences on the approach taken to HRM discussed within the two sets of literature, this is a key chapter in determining the applicability of HRM theory within a hotel industry context.

The subsequent chapters test the hypotheses developed, taking a quantitative empirical approach to examine the extent to which HRM has been adopted, the factors influencing the approach taken to HRM, and also the relationship between HRM and organisational performance. Chapter 3 introduces the empirical underpinning of the book, namely the 1995 Survey of Human Resource Management in the Hotel Industry. Data generated within this survey are compared with data from a sample of manufacturing establishments, to assess from a comparative perspective the extent to which practices associated with an HRM approach have been adopted within the industry. Chapter 4 uses data from the 1995 Survey of Human Resource Management in the Hotel Industry to examine empirically the factors influencing the approach taken to HRM. Chapter 5 provides a corroboration of the results achieved within Chapters 3 and 4 from a qualitative perspective.

Chapter 6 looks at performance issues. A number of studies have recently ascertained a link between HRM and performance. These studies include Arthur (1994), Guest and Hoque (1994b, 1996), Huselid (1995), Ichniowski, Shaw and Prennushi (1994) and MacDuffie (1995). Chapter 6 assesses whether similar performance effects can be identified within the hotel industry. In a similar vein to the multivariate analyses undertaken within earlier studies of the impact of HRM on performance, this chapter evaluates the relationship between HRM and performance within the hotel industry, and also the circumstances within which HRM contributes to superior performance.

Note

- 1 Littler (1989:19) estimates that in 1982 only about 1.4 million people worked in a mass production industry, and the number of direct workers on the line was only half that number.

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