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**Comprehending HR Policies and Practices in the  
Multinational Firm within the Hotel Industry:  
Explaining Variety and Commonality in Countries of Domicile –  
Evidence from Developed Economies and the Transitional Periphery**

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## ABSTRACT

This thesis is a study of similarity and diversity within a major US based hotel MNE encompassing transitional and peripheral countries. The study centres on the application of Human Resource (HR) policies and practices through evidence gathered from seven hotel properties representing the totality of fully owned subsidiaries within its European division, including developed economies (United Kingdom, Germany, and Switzerland) and the transitional periphery (Azerbaijan and Kyrgyzstan). As such, it includes the relatively unresearched *transitional periphery* countries in the Caucasus and Central Asia, while exploring the hotel industry, which has been rather neglected by mainstream studies in International Human Resource Management (IHRM). A comparative analysis highlights both variety and commonality across overseas national capitalist archetypes covering liberal market, coordinated market, and transitional periphery economies (LME, CME, and TPE, respectively). Information was collected from HR executives through quantitative questionnaire and in-depth interviews looking at similarity and diversity according to Whitley's (1999) defining national features of employment and work relations: employer–employee interdependence and employee delegation. Multiple research methods were employed in a process of triangulation, encompassing qualitative data analysis with small sample inferential statistics, document analysis, and participant observation. The key findings suggest considerable, but bounded, variety in the application of HR policies and practices reflecting conflicting pressures within subsidiaries, ranging from head office policies and directives, to those posed by differing institutional contexts and related enforcement capabilities. The latter compelled the MNE to devolve a certain degree of autonomy to overseas HR executives, which was especially evident in relation to compliance with local labour law. In the case of TPEs, this also reflected embedded clanism and clientelism. Despite the HR Manual centring on anticipatory visions and hopes of relentless advancement, this research indicates a persistent disconnect between corporate aspirations and subsidiary HR executive perceptions. Indeed, the firm's sophisticated HR system, in reality, only encompassed a minority of highly skilled core employees, and neglected the vast segment of blue collar workers. From a methodological perspective, the thesis also highlights how surveys and in-depth interviews can yield very different results; whilst the former may lack detail and nuance, they afford respondents a veil of anonymity to express potentially controversial views, especially as close-ended answers involve agreement or disagreement with statements, rather than the active articulation of viewpoints. The thesis concludes with theoretical implications, in three broad areas. Firstly, it locates the tensions between company aspirations and reality within the contemporary sociological literature on *anticipation* (Walsh, 2004); the latter suggests that expectations can serve as a powerful unifying narrative in the absence of corroborating material realities, even if promises of universal betterment remain elusive. Secondly, it highlights the centripetal forces within MNEs whilst rejecting the assumptions of universal country of origin and domicile effects; as such, it highlights the value of recent advances in business systems theory that see the MNE as a partially, and diversely, rooted actor that spans institutional domains in an uneven and contested fashion. Thirdly, the study sheds new light on institutional arrangements in the transitional periphery and deepens the emerging conceptualisation of the Transitional Periphery capitalist archetype.

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## *Glossary*

<b>CME</b>	Coordinated Market Economy
<b>FDI</b>	Foreign Direct Investment
<b>GDP</b>	Gross Domestic Product
<b>HCN</b>	Host-Country National
<b>HR</b>	Human Resource
<b>HRM</b>	Human Resource Management
<b>IHRM</b>	International Human Resource Management
<b>KPI</b>	Key Performance Indicator
<b>LME</b>	Liberal Market Economy
<b>MME</b>	Mixed (Mediterranean) Market Economy
<b>MNE</b>	Multi-National Enterprise
<b>PCN</b>	Parent-Country National
<b>PMS</b>	Performance Measurement System
<b>ROI</b>	Return On Investment
<b>SME</b>	Small and Medium Enterprises
<b>TCN</b>	Third-Country National
<b>TPE</b>	Transitional Periphery Economy
<b>VOC</b>	Varieties Of Capitalism

## ***PART 1: INTRODUCTION, CONTEXT, AND METHODS***

### **PART 1: INTRODUCTION**

This part begins with an Introduction Chapter overviewing the study by addressing all its key components, with special reference to research aims and objectives, areas in which there are opportunities to make a contribution to knowledge, and the research methodology employed. Next, Chapter 2 introduces relevant theories of institutions and comparative HRM, and represents the first of two chapters constituting the thesis' literature review. This Chapter addresses the effects institutions exert on MNE subsidiaries before examining HRM implementation challenges encountered by firms operating internationally. Thereafter it provides a rationale for the usage of Whitley's (1999) Business Systems Model to explore HR policies and practices implementation by an MNE's overseas subsidiaries. Chapter 3 reviews the existing research on HRM in the hotel industry and defines the research context. Particular emphasis is given in relation to the specific features of employment in the hotel industry, including high labour intensity and similarly high employee turnover rate. The last chapter of this part (Chapter 4) provides an account of the research methods deployed and how validity and reliability are attained through triangulation (combining participant observation and document analysis with quantitative and qualitative data collection).

## **CHAPTER 1: INTRODUCTION TO THE STUDY**

### **1.1 Chapter 1: Introduction**

This is a study of Human Resource (HR) policies and practices in a hotel industry Multinational Enterprise (MNE), centring on the case of a US hotel chain's subsidiaries in both mature and fluid institutional settings. This research is rooted in the comparative capitalism literature and attempts to shed new light on the nature of institutional effects on firms that cross national boundaries (Brewster and Wood, 2015; Walker *et al.*, 2014; Wood *et al.*, 2014). The focus is on the hotel industry, a particularly labour intensive service sector, but one that has been relatively neglected in the comparative study of MNEs' application of HR policies and practices (Hoque, 2013; Lee-Ross and Pryce, 2010; Baum, 2007; Higgins-Desbiolles, 2006; Marchante *et al.*, 2006). The literature on comparative capitalism has tended to concentrate on more mature markets (Peltonen and Vaara, 2012); this study seeks to bring a new body of evidence on the effects of institutions on the multinational firm from more fluid institutional settings, and draw out key theoretical implications.

Much of the literature on International Human Resource Management (IHRM) focuses on comparisons of a limited cross-section of countries (Tarique and Schuler, 2010). In seeking to add to this literature, the research centres on a single multinational firm spanning both mature and emerging markets. Since it has been recognised that there is significant heterogeneity in the hotel industry (Kazlauskaite *et al.*, 2011), focussing on a premium chain cannot provide fully comprehensive insights; however, this research still provides a much closer and direct comparison of variations in HR policies and practices according to locale than would otherwise be the case, where organisation structure remains consistent (Niewiadomski, 2013). Further, it seeks to examine differences of contextual effects on a single, and mature, organisational setting.

The hotel industry is directly affected by the seasonality of tourists, and the latter's (and, indeed, business travel) sensitivity to fluctuations in the business cycle (Riley *et al.*, 2002). This volatility directly impacts HRM practice within an industry that is particularly labour intensive (Reisinger, 2001). Hotel-related employment opportunities, however, create jobs and the income generated has a substantial economic consequence through a

“multiplier” effect, especially if a destination relies primarily on tourism as its main economic driver (Pender, 2005, p.8). The hotel industry has attained a global profile with increasing importance in many national economies, placing local businesses in direct competition with large multinational hotel chains (Endo, 2006; Pine and Qi, 2004; Mathews, 2000). Based on growth trajectories (UNWTO, 2011), in 2015 international tourist arrivals in emerging economy destinations are expected to exceed those in the advanced world. In the period 2010 to 2030, Asia and the Pacific, the Middle East, and Africa are expected to increase their respective share of tourist arrivals from 22% to 30%, 6% to 8%, and 5% to 7% (UNWTO, 2011). In comparison over the same time span, the developed economy destinations of Europe and America are expected to shrink from 51% to 41%, and 16% to 14% respectively (UNWTO, 2011). Hence, the recognition by scholars about the contribution of tourism to the welfare of local economies worldwide provides additional support for its further study and understanding (Tang and Tan, 2013; Brida and Risso, 2009).

## **1.2 Travel and tourism industry: state of play and future trends**

The travel and tourism industry is one of the most important economic sectors of the global economy. In 2014 it contributed 227 million jobs (9.4% of total employment) and generated US\$ 7.6 trillion, accounting for 9.8% of global Gross Domestic Product (GDP) (WTTC, 2015). In 2014 the share of spending on both inbound and domestic for business travel purposes was 23.4% as opposed to leisure that totalled 76.6% (WTTC, 2015).

After a decline between 2008 and 2009 linked to the global financial crisis, 2010 featured a recovery in international tourism, most notably in developing countries (WTTC, 2011). Specifically, 2010 demonstrated a strong improvement after the drop of 4% recorded in 2009, whereby international tourism arrivals in 2010 reached 935 million representing an increase by almost 7% on the previous year (UNWTO, 2011). Most recent figures suggest a 4.7% growth in tourist arrivals in 2014 as compared to 2013, translating into 1.14 billion international overnight visits (UNWTO, 2015). According to the same source, the tourism industry has been growing steadily since its low point in 2009, demonstrating significant resilience. Over the next ten years, it is estimated that the total travel and tourism contribution to GDP will increase by 4.2% per year to US\$ 11 trillion, equivalent to 10.3% of global GDP (WTTC, 2014). In terms of labour, forecasts indicate that by 2024,

10.2% of the total workforce will be directly or indirectly employed in travel and tourism corresponding to 347 million jobs (WTTC, 2014).

### **1.3 Research aims and objectives**

This research focuses on overseas subsidiaries of a US multinational hotel chain. Existing research has identified a process of “Anglo-Saxonization” drive by US MNEs (Gooderham *et al.*, 2006; Ferner and Quintanilla, 1998, p.711; Gooderham *et al.*, 1998). HR policies and practices emanating from head office have a homogenising effect on overseas operations (Pudelko and Harzing, 2007; Martin and Beaumont, 1998). Other studies have, however, indicated that local institutional isomorphic pressures may force US MNE subsidiaries in the opposite direction to conform to the local business context (Cantwell, 2009; Jackson and Deeg, 2008a). Therefore, the first research aim is to shed light on the following proposition:

- i) US multinationals have a strong homogenising effect according to which subsidiaries in countries of domicile are likely to follow standardised, and similar, HR policies and practices.**

Based on the premise that US MNEs feature a more standardised, formalised, and centralised approach than those originating from other countries (Almond, 2011; Harzing and Sorge, 2003), the next aim is to explore whether this central control may vary depending on national contexts in which subsidiaries operate (Edwards *et al.*, 2007). In other words, where institutional restraints are weaker, MNEs will have more flexibility to take on board country of origin practices. Conversely, where the local institutional environment is more mature, firms will be under greater pressure to adapt what they do in light of local practices and conventions. Efforts to ensure integration of international operations leads global businesses originating from liberal market economies (LMEs) (Amable, 2003), such as the US, to resort to tighter central controls particularly in countries with weakly regulated, and fluid, labour markets (Belizon *et al.*, 2013).

The second research aim, therefore, suggests the following proposition:

- ii) **When local formal and informal regulations and enforcement capabilities are fluid and weaker, country of domicile HR policies and practices are less likely to be adapted to suit local formal and informal regulations and associated social ties.**

Hence, this research explores from the perspective of HR executives the above aims/propositions, through the following objectives:

- 1) **To identify, within the context of the hotel industry, the degree of autonomy overseas subsidiary HR executives have in setting their HR policies and practices versus head office guidelines;**
- 2) **To compare and contrast the HR policies and practices encountered across overseas subsidiaries of the case study firm;**
- 3) **To evaluate the divide between formal organisational rules and strictures, and actual practice;**
- 4) **To compare and contrast the application of HR policies and practices between different strata of the workforce;**
- 5) **To locate and explore the wider theoretical implications of any homogeneity or diversity within the literature of comparative capitalism and the lessons for applied HR policies and practices.**

#### **1.4 Potential contribution to knowledge**

This thesis sets out to understand variations of HR policies and practices across overseas operations of MNEs, based on evidence gathered from overseas subsidiaries of a US MNE hotel chain located in both developed economies (United Kingdom, Germany, and Switzerland) and the transitional periphery (Azerbaijan and Kyrgyzstan). Consequently, this is attained by, first, comparing subsidiaries operating in developed economies with those in the under-investigated post-Soviet transitional countries on the periphery belonging to the Caucasus and Central Asia; second, imparting new insights on people management in hotel multinationals; and, thirdly, illustrating tensions between formal company approaches and processes typified, as will become apparent, from the HR Manual and ‘real world’ practice. Finally, this study draws out the implications of the findings for theory and practice.

This study compared differences in HRM implementation according to national capitalist archetypes. The latter include liberal market, coordinated market, and transitional periphery economies (LMEs, CMEs, and TPEs, respectively). The aim is to reveal whether variations in HR policies and practices occur owing to different types of capitalism by contrasting more mature, functional, and closely knit institutional settings with weaker, less closely coupled, and more fluid ones. This analysis is conducted by focussing on HRM in the hotel industry which has been relatively under-studied (Davidson *et al.*, 2011; Lucas and Deery, 2004) when compared to other sectors such as manufacturing, banking, airline, and retail (Sun *et al.*, 2007; Guerrier and Deery, 1998). Moreover, the research encompasses economies with weaker institutions; this adds to the existing literature which has been traditionally focused on studying developed economies such as Central European contexts where institutions are reasonably stable, functional, and advanced (Batt and Hermans, 2012; Laruelle and Peyrouse, 2012; Morley *et al.*, 2012; Delbridge *et al.*, 2011). It is important to note that this research does not seek to explore country of origin effects because the focus is exclusively on subsidiaries in a single organisational case.

Reflecting the sector, the case study firm has a highly segmented workforce. Firstly, there is the differentiation between managerial, core “well-paying professional jobs and low-wage, low-skill” blue-collar jobs (Otis, 2009, p.54). Secondly, there is a demarcation between blue-collar workers employed directly by the hotel through standard contracts and subcontracted, or outsourced, external workforce. As Ferus-Comelo (2015) argues:

“Despite the rising quantity of jobs, tourism-related employment is overwhelmingly seasonal translating into under-employment for most hotel workers (...) and the dramatic rise of precarious work for the majority of the five-star hotel staff, representative of changing employment practices in the new economy”. (p.72).

This multiple-tier HRM approach results from the nature of the industry which, although being labour-intensive, features particularly high cyclicality and seasonality that mandates the application of mechanisms to promote numerical flexibility (Lai and Baum, 2005). Inevitably, this affects both the extent of employer-employee interdependence (Whitley, 1999) and the propensity of the organisation to invest in its people (Yang, 2010).

Furthermore, implications for the people-side of business are compounded by the need to ensure consistency in higher-end service provisioning. Since the luxury hotel market targets customers demanding personalised service, it is of great interest to explore how a large and globally branded premium chain combines the task of delivering upscale service while keeping labour costs down (Davidson *et al.*, 2011; Nankervis, 2000).

Lastly, this research seeks to clarify the purpose and consequences of the HR Manual, which is typical of the kind found in global organisations spanning many and diverse host countries, towards the goal of maintaining consistency and alignment to corporate identity, policies, and practices across overseas subsidiaries (Lucas and Deery, 2004). While the HR Manual rigorously sets out policies and practices, the study reveals that it is ultimately aspirational by expressing vision and hope about operating practices and how they are supposed to work. The interplay between organisational rhetoric and host-country institutional context constitutes a central concern of the study. As is common practice, the MNE under examination deploys the HR Manual as a mechanism for seeking to create corporate alignment (Morris *et al.*, 2009) in subsidiaries operating in varying institutional contexts, with disparate managerial teams, and, in some instances, employing few or no parent country nationals as expatriates. It could be argued that HR Manuals would be less important if the organisation were making greater usage of parent country expatriates and if foreign MNE operations were limited to home-country-like regions of the English-speaking world within the Anglo-Saxon context. What this study finds is that workers located in contexts dissimilar from the MNE home country interpret the HR Manual differently while going through the motions in order to satisfy head office expectations.

There are three main theoretical implications resulting from the research. The first contribution reviews the constant tension between company aspirations, ideology, myths, and guidelines embodied in the HR Manual, and reality. Although the HR Manual epitomises hopes of homogenisation and relentless advancement, practice suggests a persistent disconnect between corporate rhetoric and reality across operations in the countries of domicile.

Secondly, this thesis contributes to knowledge by addressing the MNE as a partially institutionally rooted international actor that responds to pressures affected by varying institutional contexts in order to attain its global business strategy. Here, the findings point towards significant investment in e-HRM online infrastructure, covering the main

facets of HRM in an attempt towards ensuring seamless control and global alignment across operations. Another area characterised by attempts towards homogenisation include anti-union measures undertaken to head-off efforts in the formation of employee representative bodies. In other areas, however, the MNE had to adapt local realities, most notably in having to comply with local labour law and informal conventions.

The third theoretical implication concerns the application of HR policies and practices encountering pressures across differing institutional contexts. In terms of labour law and vocational education, these show the effect of fluid and weak regulation and enforcement capabilities. Most critically, although previous research and literature underlines the strong homogenising effect of US MNEs, the research findings indicate that in TPEs the legal and educational system, as well the predominant clientelism and clanism, resist such effects. Thus, the study contributes original knowledge to the growing body of international business research on the very novel concept of the TPE capitalist archetype (Wood and Demirbag, 2015).

In focusing on the five-star global hotel industry, this research provides new insights into a key component of the ecosystem of multinationals. Although the hotel industry consists mainly of small and micro businesses (Davidson *et al.*, 2011; Brotherton, 1999), analysing a global hotel chain is of particular interest because it is capital intensive and plays a considerable role within foreign direct investment (FDI) in the tourism system of a country (Endo, 2006; Kundu and Contractor, 1999). Consequently, this focussed single-company study offers a much-needed, and finer, understanding of developments in IHRM (cf. Geringer *et al.*, 2002). The present research work is unique because, by assessing the application of HRM in overseas hotel properties, it addresses different national capitalist archetypes and variations in HR policies and practices across both mature and fluid institutional contexts (Wood and Demirbag, 2012). The role of MNEs has been a much neglected issue in the early theoretical literature on comparative capitalism; nonetheless, recent developments and extensions of business systems theory have begun to address this (Morgan, 2012). Within this emerging research area, some of the initial findings of the present thesis have already been published<sup>1</sup>.

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<sup>1</sup> Serafini, G.O. and L.T. Szamosi (2015) Five star hotels of a Multinational Enterprise in countries of the transitional periphery: A case study in human resources management. *International Business Review*, 24 (6), p.972-83.

## 1.5 Overview of the research methodology

This study analyses the application of HR policies and practices in selected subsidiaries of a global hotel chain. For the purpose of safeguarding anonymity, the company is referred to as HotelCo. HR executives located in HotelCo represent the primary research participants from varied locations in its European division. Specifically, the study is centred on the totality of seven fully-owned and operated hotel properties: three in Germany and one each in Switzerland, United Kingdom, Azerbaijan and Kyrgyzstan. Unlike the other two common hotel operations modal choices, namely franchise agreement and management contract (Gannon and Johnson, 1997), full ownership-operation by upscale hotel chains in Europe usually occurs in about one in three properties (Turner and Guilding, 2010). From the outset, after having secured access to an otherwise closed industry (King *et al.*, 2011), the researcher's intentions were to analyse the situation in depth as opposed to breadth. Throughout the study, comparisons across institutional contexts occur at two different levels: by setting developed economies against emerging ones of the transitional periphery, as well as by contrasting the CME, LME, and TPE national capitalist archetypes.

Evidence was initially collected through the application of a quantitative questionnaire to gather comparable data from differing national contexts in order to consolidate a base consisting of core factual information in a standardised manner (Geringer *et al.*, 2002). This provided an anonymous forum for participants to express their views, allowing for more contentious issues to be aired than might have been possible from face-to-face discussions. Predetermined questions were used to ensure consistent understanding by participants (Hair *et al.*, 2011) via an e-mailed survey in English. Given that the research respondents were both highly proficient in English and particularly knowledgeable about the survey topic, language barriers were minimal. The resulting seamless understanding of the survey, despite being administered in English, allowed for even "extreme response styles" (Harzing, 2006, p.257).

In terms of the statistical elaboration of the findings, this research applies small sample inferential statistics since it analyses the input obtained from seven respondents corresponding to the total number of fully company-owned and operated hotel properties. Consequently, the researcher used appropriate nonparametric small sample tests for both the ordinal and nominal data collected. The Mann-Whitney U Test was implemented for

ordinal data since it pertains to the parametric independent-groups t-test while comparing the mean ranks of two independent groups; essentially, it is the equivalent of the Kruskal-Wallis Analysis of Variance test with the difference that the latter applies to three and more unrelated samples (Weinberg and Abramowitz, 2002). Instead, the Fisher's Exact Test for 2 x 2 Tables was used to process nominal data collected because of its capability to perform statistical cross-tabulation analysis. This is analogous to the Chi-square Test which enables the identification of the contingency significance between two classification types, but is more appropriate to small sample statistics (Agresti, 1992).

While the survey centres on broad measures of HR policies and practices according to a recognised template developed by Whitley (1999), deeper evidence gathering was driven through semi-structured qualitative interviews involving the same pool of respondents who answered the quantitative questionnaire. The advantage of obtaining input from HR executives lies in their being the most appropriate respondents due to their comprehensive awareness of both intended and applied HR, similarly to the work of other scholarly researchers (Huselid *et al.*, 1997; Arthur, 1994). Involving HR executives in this HR-specific research presents two main benefits. First, there is the assurance of maximum understanding of the pre-determined and well-defined topics of the survey because respondents are informed and possess specialised knowledge (Saunders *et al.*, 2007). Since the research is relevant to the profession of participants, these people are more motivated to complete the electronically self-administered survey on their own (Hair *et al.*, 2011).

Moreover, this study features the application of two additional research methods, namely document analysis and participant observation. Hence, on the one hand, further corroboration of quantitative and qualitative evidence is sought by examining HotelCo and HotelCo-related documents freely available on the Internet. On the other hand, the role of the researcher as participant observer in an overseas subsidiary of HotelCo adds to the internal validity of the research. Consequently, the most robust methodological feature presented in this study is the application of triangulation (Rothbauer, 2008) which focuses on inductively deriving meaning from evidence through a multiple, structured, approach by comparing and contrasting differences in results. Interestingly, the combined application of research methods featuring extensive document analysis and participant observation is rarely found in literature related to MNEs (Bainbridge and Lee, 2014).

## **1.6 Unique position of the researcher**

As mentioned, an additional aspect of this study revolves around the researcher being an experienced HR executive working at an international subsidiary of HotelCo operating in the context of South East Europe during the opening and intermediate phases of the study. While, at first glance, the position of “participant observer” (Angrosino and Mays de Pérez, 2000, p.674) seems particularly advantageous because it offers an insider’s insights, it also presents challenges. As this researcher covers multiple roles spanning from participant to observer and interviewer, he is in the unique position to deepen the analysis not only in terms of interpreting HotelCo documents, but also offering an expert viewpoint regarding HotelCo HRM in practice. Challenges emerge from the fact that the researcher knew his respondents ahead of the study and each were well aware that he was employed at HotelCo. Possible biases (cf. Dorfman, 1996) could be reflected in the rather conventional answers frequently offered by participants who would be careful not to say anything misaligned to HotelCo HRM rhetoric as expressed in the HR Manual, and the disjuncture between the latter and the survey findings. Thus, the researcher’s position necessitates multiple methods and sources (Hui and Triandis, 1985) in order to gain a fully nuanced view on whether the MNE’s overseas subsidiaries engaged with HR policies and practices as expected and intended by head office, or if they simply went ‘through the motions’.

## **1.7 Scope of the study**

This thesis aims to offer new insights into HRM practice in a major MNE, whose activities span a very diverse set of contexts. The focus is on the upper segment of the hotel industry, otherwise referred to as ‘five-star’; such properties offer superior product-branded services on a standardised global basis. The research interest to explore this type of MNE draws from the fact that this company affirms both internally, via its HR Manual, and externally, through its corporate internet site, that its success in providing exclusive products and services is due to its employees’ authentic dedication to hospitality, professionalism, and firm engagement. Its rhetoric proclaims that an inherent element of business strategy, adding to sustainable competitive advantage, concerns the application of modern HR practices.

This research set out to investigate a sample of seven hotel properties representing all of the wholly owned and operated subsidiaries in the European division of HotelCo. Focusing on hotel properties which head office exerted full control over avoids addressing subsidiaries affected by complex agency challenges posed by relationships of the hotel firm with property franchisee and owning companies, respectively.

The study involves only overseas subsidiary HR executives. Concentrating on a distinct category of executives to the exclusion of other stakeholders such as, for instance, managers from other departments or line employees, may have limited the variety of input sources. Due to HotelCo's binding instructions there was neither the possibility to expand the sample beyond HR executives to encompass managers in other departments nor to include line employees. Again, as the hotels were largely ununionised, it was not possible to develop a basis of comparative data through interviewing union representatives.

Lastly, this research considered country of domicile pressures, while not investigating parent country institutional forces. This boundary was dictated by the need to render the study manageable. Since it was exploring a single organisational case, the researcher could not ascertain if procedures implemented in the country of origin were typical of the US paradigm or not. Hence, the study is not one of country of origin effects, but how practices vary according to country of domicile, and whether this variation can be explained by differences in institutions.

## **1.8 Study structure**

The structure of this research features three main parts. The first part encompasses the introduction, literature review, and research method chapters. In particular, while the literature review addresses both institutions and comparative HRM, as well as HRM in the hotel industry context, the research method chapter illustrates the study foundation and instruments aimed at gathering evidence relative to the specific research aims and objectives set. Next, the second part presents the research findings, analysed through both qualitative and quantitative evidence, while integrating document analysis and participant observation. The third and last part of this study discusses key empirical findings, theoretical implications, recommendations for HRM practice, and conclusions.

## **CHAPTER 2: INSTITUTIONS AND COMPARATIVE HRM**

### **2.1 Chapter 2: Introduction**

This literature review chapter focuses on the effect host country institutions exert on HR policies and practices applied by overseas subsidiaries of a MNE. After exploring the nature of home country effects, the relative importance of country-of-domicile effects which lead to organisational isomorphism are evaluated. Finally, the literature on comparative capitalism's relevance to understanding varieties of HRM is drawn out.

For the purposes of this study, the landmark Dunning and Lundan (2008) definition of a MNE is adopted, which states that:

“A multinational or transnational enterprise is an enterprise that engages in foreign direct investment (FDI) and owns or, in some way, controls value-added activities in more than one country”. (p.3).

Mainly, host country effects have either been understood from a cross-cultural or an institutionalist standpoint. The former approach holds that (Lau and Ngo, 2001; Bartlett and Ghoshal, 1989), owing to a pressure for multiculturalism, MNE practices are in line with varying cultural contexts according to national boundaries. The latter, instead, focuses on the role of institutions whereby, as Kostova and Roth (2002) maintain, businesses operating in the same environment will inexorably end up applying similar practices, thus turning isomorphic with each other. Consequently, the ensuing sections aim at reviewing the broad critical areas of literature concerned with key current debates on HRM practice applied by MNEs throughout their subsidiaries, institutional theoretical accounts, as well as convergence and divergence explanations.

### **2.2 Institutional effects on subsidiaries of MNEs**

The implementation of HR policies and practices by MNEs face two key challenges: on the one hand, centralisation and global integration pushing for standardisation, while, on the other, decentralisation and local responsiveness pulling towards localisation (Rosenzweig, 2006). Consequently, a MNE must define the extent according to which its country-of-origin practices meet host-country needs. In fact, scholarly research suggests

that home-country influences exert strong pressures on management systems, the culture of the organisation, as well as the application of human resource management processes (Lau and Ngo, 1996; Rosenzweig and Nohria, 1994). In particular, Taylor *et al.* (1996) indicate that MNEs, by drawing on their home-country competitive advantage, tend to implement homogeneous HRM systems in their overseas subsidiaries. Researchers have long shown that this attempt is especially successful when the gap between the parent and host countries in terms of cultural and legal distance is limited as occurs with US and UK MNEs operating in the Anglo-Saxon world (Ferner and Quintanilla, 1998). Yet, a recent study by Zheng (2012) addresses the numerous and, at times, insurmountable challenges to homogeneous HRM implementation experienced by US MNEs operating subsidiaries in quite different markets as China, for instance.

To illustrate the complexity of the interaction between home and host country forces, in their research of Eastern European transition economies, Jindra *et al.* (2009) highlight that technological diffusion and spillovers towards the development of host-country economies are a direct consequence of a MNE subsidiary role and its technological competence. Further, in this geographic area representing an ideal HRM “test-bed” owing to its recent Communist past (Brewster, 2004, p.373), Lewis (2008) indicates that one of the most precious contributions of MNEs to their subsidiaries and the broader society are the training and developmental opportunities offered to the local workforce. As Kostova (1999) argues, the transfer of organisational practices within a MNE is effective provided that the social, organisational, and relational dimensions are fulfilled. Equally important, Ferner and Edwards (1995) indicate that MNEs should also be considered as structures of power whereby operational outcomes are the effect of a dynamic interplay among resource possession and exchange, formal authority, and vested interests. Within this viewpoint, the transfer of best practices is greatly facilitated by coercive comparisons that allow for the exertion of pressures on local management and its workforce to align accordingly (Sisson *et al.*, 2003). Nonetheless, Martin and Beaumont (1998) contend that MNEs should exert a viable pressure on their subsidiaries following the example of a model company such as ABB (p.690). Specifically, they remark that internal benchmarking should, on the one hand, consider the local context in terms of culture and institutions and, on the other hand, the capability and motives of local management to apply best practices.

In contrast with Minbaeva *et al.* (2003), Szulanski (1996) indicates that the diffusion of best practices within an organisation has to be fostered by eliminating “internal stickiness” (p.29) caused by elements beyond purely motivational aspects. Further, the scholar argues that barriers to knowledge transfer are caused, firstly, by the inability of the workforce to identify, appreciate, and implement new knowledge; then, lack of depth of knowledge; and, last, by ineffective communication and poor interpersonal relationships. As Edwards (1998) contends, if there is prevalence of environmental elements favouring synergies and appropriate organisational “maturity” conditions in a global MNE, there may be cases of “reverse diffusion” (p.696) according to which practices are even transferred from the international subsidiaries to other subsidiaries and domestic operations of the organisation.

### **2.2.1 Institutions and home country effects**

Ferner and Varul (2000) argue that the HRM practice of MNEs is critically affected by the dominant country of origin model, which is conditioned by the home national business system. This conclusion results from an analysis of the highly structured German institutional framework determining a considerably reactive and administration-centred HRM practice which is quite different from the strategic HRM approach proper of the ‘Anglo-Saxon’ or LME model. Thus, parent country (i.e., home country or country-of-origin) effects represent a category of elements exerting pressures on the way multinationals operate and, ultimately, their approach to HRM. Thus, MNEs from different home countries apply HRM in different ways for the very reason that, according to Ferner (1997):

“Even the most global of companies remain deeply rooted in the national business systems of their country of origin (...). Even where the home base does not account for the bulk of sales, operations and employment, the home nation is almost always the primary locus of ownership and control”. (p.19).

As illustrated by Chang *et al.* (2007), the pressures exerted onto a MNE in order to be aligned with home country institutional environments represent “push forces” (p.405). These result from the MNE degree of embeddedness in its home country business system (Ferner, 1997). Consequently, home country effect can take many forms as demonstrated in numerous studies comparing practices in MNEs across different countries (Collings and Dick, 2011). In particular, nationality of ownership is a critical determinant of MNE

approach to HRM as illustrated by comparing US MNEs with Japanese and EU MNEs (Ferner, 1997). Indeed, while the former tend to centralise and standardise HRM practice, Japanese and EU MNEs are more adaptable to the local settings.

It has been argued that MNEs primarily gravitate around their home country (Hejazi, 2007) as demonstrated in their concentration of assets, sales generated, as well as the marked tendency to fill key positions at the executive level with parent country nationals (Edwards *et al.*, 2007). The latter play a key role in transferring knowledge as well as the approach to HRM and industrial relations followed by head offices (Edwards *et al.*, 2007). Consequently, overseas assignments could become a prerogative of head office nationals (Ondrack, 1985), thus reflecting an ethnocentric focus by MNEs (Mayrhofer and Brewster, 1996). Indeed, there are some organisations which are very successful in adopting only parent country policies as happens, for instance, with US oil and gas firms as well as Chinese construction MNEs whose operations are almost entirely staffed by expatriates (Corkin *et al.*, 2008; McSherry, 2006; Wood, 2004). While in the former home-country expatriates are vital to ensure the skilful execution of highly technologically sophisticated operations, the latter are particularly effective and competitive owing to their low-cost, but solidly trained, and committed Chinese expatriate labour force. These instances illustrate that ethnocentricity is one of the available avenues towards attaining convergence and internal consistency on a global scale (Lau and Ngo, 2001).

In summary, MNEs may be affected by parent country pressures towards a dominant global model on several fronts, namely: management systems, corporate culture, and HR policies and practices (Schuler and Rogovsky, 1998; Taylor *et al.*, 1996; Rosenzweig and Nohria, 1994). Thus, it is critical to recognise the link parent country effects have with institutions. As firms are located in the centre of a composite interaction web, their effective relationship with “producer groups, employees and other firms” (Hall and Thelen, 2009, p.8) is directly affected by institutions. Consequently, the parent country institutional framework also influences the approach businesses have to their international operations.

### 2.2.2 Host-country effects and organisational isomorphism

The implementation of HRM by a MNE is, however, a complex process which is conditioned by the *modus operandi* of subsidiaries in countries of domicile and their dynamic interplay vis-à-vis the organisation head office. In studying HRM practice in 249 U.S. subsidiaries of foreign-based MNEs from Canada, Japan, and Europe, Rosenzweig and Nohria (1994) demonstrate that, broadly, subsidiary-level HR policies and practices are strongly aligned with locale. Hence, the extent of “local isomorphism” (p.241) as the authors argue, is determined by the founding method, the reliance on local inputs, the ratio of expatriates within the workforce of the subsidiary, the closeness of communication with head office, and the need for internal organisational consistency. According to DiMaggio and Powell (1983, p.150) there are three main forms of isomorphic outcomes, each determined by particular processes: firstly, “coercive isomorphism” relates to the pressures onto an organisation as occurs through the imposition of law, for instance; secondly, “mimetic isomorphism” indicates efforts of an organisation to copy successful practices adopted by other organisations; and, last, “normative isomorphism” describes the adjustment of an organisation to what is regarded as appropriate in a particular environment (cf. Kostova and Roth, 2002; Haveman, 1993). Such theories of local isomorphism seek to understand what firms do in different contexts from a sociological standpoint; in contrast, the socio-economic literature on comparative capitalism explicitly seeks to compare what occurs in different institutional settings, and roots this within broader trends in capitalist development (Brewster and Wood, 2015).

According to Jackson and Schuler (1995), local environment and culture play a key role in the application of HR policies and practices. Along this line, a study by Beechler and Yang (1994) on Japanese subsidiaries operating in the USA shows that local circumstances decisively influence a MNE’s ability to transfer parent-country practices abroad. Due to particular local constraints, businesses are mostly unable to accurately replicate home countries’ practices in their international subsidiaries and thus opt for a locally isomorphic approach (Rosenzweig and Singh, 1991). Indeed, even between similar national business systems such as the American and the British, transfer of HR practices from the US parent company to the UK subsidiary is often impeded by local stakeholders. A case in point is offered by the analysis of Ferner *et al.* (2005a) reporting challenges experienced by a MNE in implementing a corporate diversity policy.

## 2.3 HRM in multinational enterprises

### 2.3.1 Approaches to managing MNE subsidiaries

Perlmutter (1969) and then Heenan and Perlmutter (1979) identified four major global strategies related to the management of overseas subsidiaries. First, the **ethnocentric** approach maintains that values, culture, and strategic decisions are defined by the expectations of the mother company, thus offering very limited power or autonomy to the subsidiaries overseas. Since these are predominantly managed and controlled by expatriates or former staff at the head office, locals have minimal input on policies and practices as communication occurs through directives elaborated and issued by head office.

Second, the **polycentric** approach (Heenan and Perlmutter, 1979; Perlmutter 1969) is characterised by a softer pattern according to which each international subsidiary is considered as an autonomous business unit, controlled and managed by local managers. Notwithstanding, fundamental decision making related to financial and strategic issues is a prerogative of head office featuring exclusively managers from the parent company. Still, local managers are given higher profile tasks which reflect their deeper understanding of local requirements in areas such as marketing, production, and HRM (Mohrman and Worley, 2009). Consequently, subsidiaries are allowed a greater degree of autonomy enabling the application of HR and employee relations practices which are aligned with the culture and regulatory framework of the host country.

The **regiocentric** approach (Heenan and Perlmutter, 1979) is characterised by further devolvement by head office. Decision making and HRM are implemented on a regional or geographical basis, however top positions are still held by nationals of the parent company's country. Nevertheless, regional managers maintain enhanced power and autonomy even if these are limited within the confines of the region where they operate.

Lastly, the **geocentric** approach (Heenan and Perlmutter, 1979) reflects the global trend of firms whereby overseas subsidiaries are managed by combining home country and parent company managers. Within this perspective, it is vital for organisations to nurture a corporate environment characterised by a seamless exchange of ideas, values, information, and best practices. Nonetheless, as Edwards *et al.* (2007) contend, often

MNEs encounter insurmountable challenges in their effort to transfer HR policies and practices in a standardised fashion. Thus, it appears that an homogenising approach may result ineffective in consistently replicating HR policies and practices across varied national contexts.

Subsequently, by adopting a geocentric approach, organisations aim to develop overarching regional or global strategies, policies, and practices shared internally without the decisive influence of any particular culture, either of the home or of the host country (Ring *et al.*, 1990). Still, following the categorisation by Chang *et al.* (2007, p.405), “pull forces” are all those tensions a MNE faces in order to conform to the institutional environment of the host country (i.e., country of domicile). In particular, local settings may hamper MNEs in their efforts to transfer home country practices throughout their overseas subsidiaries. Thus, host country institutions represent the main obstacles against the standardisation of practices across MNEs (Brewster *et al.*, 2008) and hence pulling towards localisation (Myloni *et al.*, 2004; Beechler and Yang, 1994).

Beyond the above model illustrating the four different approaches to managing subsidiaries of multinationals, there are two additional *modi operandi*, namely diffuse diversity and mix and match approaches. According to Brewster *et al.* (2008), diffuse diversity relates to “a huge range of different practices within and across national economies” (p.333) whereby no clear approach is visible. Instead, mix and match approaches identify patterns whereby some practices are commonly encountered in both the parent and the host countries (Buckley and Ghauri, 2004). In particular, Buckley and Ghauri (2004) contend that even if the global economy is converging through the efforts of MNEs, still there are “conflicts between markets and national policies” (p.82) that hamper global integration. Beyond such conflicts, location and ownership strategies of MNEs to co-ordinate global activities are confronted with the issue of distance at cultural, institutional, and geographical levels (Beugelsdijk *et al.*, 2010). As suggested by Johnson and Vanetti (2005), operational inconsistencies and differentiations from home country standards could be minimised across MNE subsidiaries through tight control by means of extensive codification through corporate manuals, for instance (Ciabuschi *et al.*, 2011).

Although the context of countries of domicile may affect the consistent implementation of HR policies and practices by overseas subsidiaries of MNEs (Müller, 1999b), Lane (2006) argues that institutions must not be seen as “totally constraining actors” (p.84). In

fact, Ferner *et al.* (2001) observe that, as occurs in Spain featuring a highly regulated labour market, MNEs have managed to attain a degree of flexibility allowing for the preservation of elements proper of their home style.

Lastly, given the considerable importance of MNE subsidiaries to overseas economies in terms of FDI, Schnitzer (1999) indicates that:

“An implicit or self-enforcing contract is sustained by a MNE’s threat to withdraw”. (p.1131).

Within this framework, the risk for a host country to see a MNE shifting its operations to a more convenient overseas destination allows the subsidiary to gain the necessary freedom to replicate HR policies and practices emanating from head office. Thus, MNEs may capitalise on such threat to ensure their policies are diffused throughout their overseas subsidiaries.

### **2.3.1.1 Staffing in MNEs**

According to Ployhart (2006), staffing represents:

“The process of attracting, selecting, and retaining competent individuals to achieve organizational goals”. (p.868).

Consequently, the stages of internationalisation by Heenan and Perlmutter (1979) reviewed above suggest there are implications on staffing MNEs. If an organisation is aiming at maintaining a strong corporate identity in its overseas subsidiaries then the ethnocentric approach is commonly followed. To illustrate, according to Mayrhofer and Brewster (1996), European MNEs are especially keen on arranging their HRM staffing actions along ethnocentric lines. Nonetheless, Colakoglu *et al.* (2009) highlight that staffing strategies present advantages and disadvantages in terms of knowledge transfer and integration depending on the profile of subsidiary managers. Namely, the authors contend that parent-country nationals (PCNs), host-country nationals (HCNs), and third-country nationals (TCNs) feature singular knowledge bases that offer specific benefits under different circumstances thus affecting subsidiaries’ performance and, ultimately, their standing within the MNE network.

Furthermore, Gong (2003) argues that the MNE workforce composition results from the distribution of PCNs, HCNs, and TCNs across its subsidiaries. Thus, the scholar highlights that national heterogeneity is the key variable determining a subsidiary staffing composition which, in turn, modifies outcomes at various levels such as affective, behavioural, cognitive, strategic, and, ultimately, financial. Indeed, the consideration of national heterogeneity is all the more actual due to the imperative to contain payroll costs even in relation to an expensive expatriate workforce. According to Tarique *et al.* (2006), overseas assignments of PCNs have become exorbitant in terms of administration and support expenditures thus urging MNEs to use a more inclusive approach. This would allow MNEs to capitalise on the effective deployment of TCNs and HCNs depending on the environment at strategic, national, and organisational levels.

Thus, policies originated by the MNE head office affect the staffing process and the overall HRM practice implementation by subsidiaries worldwide. As Harzing (2001) notes, there is a sheer difference in approaching international transfers of managers in MNEs owing to MNE home country, location of host regions, and cultural gaps. The result is that management transfers occur for several distinct reasons: namely, position filling, management development as well as coordination and control. From a global perspective, staffing affects a MNE approach to innovation, organisational learning, and corporate integration (Collings *et al.*, 2009). According to Mäkelä *et al.* (2009) the staffing strategy of a MNE determines not only its human but also social capital with direct effects on the management of “knowledge stocks and flows” within the organisation (p.1273).

### ***2.3.1.2 The expatriate workforce***

In the volatile era of globalisation, Bartlett and Ghoshal (2003) suggest that MNEs are required to strike a balance among local, regional, and global customer demands through the use of a structured approach to global staffing. Apart from the need to apply a strategic approach to staffing arrangements as urged by Collings and Scullion (2006), Bonache *et al.* (2007) highlight that MNEs must not only manage the complexity of expatriate programs, but also the substantial challenges presented by repatriation. A historical digression on overseas assignments and their success and failure rates indicates that expatriates are faced with overwhelming challenges related to their families (Hays, 1974). As Forster (2000) indicates, in the UK the international manager is actually a myth due

to the fact that while MNEs are expanding more globally, their home-country workforce is not. The author contends that while constant international relocations are psychologically unbearable for most employees and their dependants, long-term international assignments pose serious challenges to employees' career prospects once repatriated. An alternative would be to expose PCNs to the MNE international operations through enriching short-term overseas exposures which, at the same time, enable the reinforcement of the MNE guidelines at subsidiary level. In this same line, Collings *et al.* (2007) agree that conventional international assignments require an urgent review triggered by supply-side, cost-related, demand-side, and career considerations. This is all the more possible because nowadays MNEs are able to provide short-term tasks, commuter assignments, international business travel, and work through virtual teams.

A properly structured approach to expatriation involves critical issues spanning from business strategy, to selection and pre-departure, compensation, performance management, repatriation, and career management (Bonache *et al.*, 2001). Still, research by Harris and Brewster (1999) highlights that reality is far from ideal; in fact, employees embarking on an expatriation program often get to know of such an opportunity in quite casual situations, such as a conversation over coffee (p.497). More disconcertingly, the authors reveal that the HRM department often becomes involved later on in the process, thus limiting it to cover a merely bureaucratic role (Harris and Brewster, 1999, p.499).

Notwithstanding frequent shortcomings, Caligiuri *et al.* (2009) maintain that international assignment selection systems should be able to define the compatibility of candidates to a new work environment. The authors argue that appropriate selection processes would accurately forecast the success of an expatriation program by considering factors such as psychological and biodata information, personality characteristics, language capability, and previous international exposure. Fine-tuning of such predictive instruments is extremely important because their efficacy contributes in optimising expatriation expenditures (Hippler, 2009). Indeed, expatriates are necessary to compensate for shortages in managerial and technical skills in subsidiaries relatively with knowledge transfer and strategic control, thus ensuring integration and cohesion on a global scale.

From a business cost-benefit viewpoint, the return on investment (ROI) of expatriation is far from clear. An extensive study by McNulty *et al.* (2009) showed that MNEs do not implement formal procedures to gauge expatriate ROI, but rather apply informal practices

which are often inconsistent with the global strategy. According to the authors, there are two possible approaches to the ROI assessment of expatriation. Firstly, it may be considered as a separate cost requiring estimation. Secondly, expatriation could be addressed as an inherent expenditure of doing business on a global scale, thus requiring a broader HR impact perspective in calculating the ROI. In both cases, however, global firms are ill-equipped to calculate expatriation ROI (Welch *et al.*, 2009). An additional variable increasing the ROI calculation complexity is the element of retention following repatriation. As previously stated, the prospect of repatriation critically challenges employees' career thus often leading to resignations and increased workforce turnover. Thus, van der Heijden *et al.* (2009) contend that, since MNEs are foreseen to boost career support to their repatriating employees, this is expected to impact positively on the ROI by increasing employee loyalty and retention.

## **2.4 Institutional approaches**

### **2.4.1 Definition of institutions**

The institutional standpoint maintains that institutions are the critical elements affecting both choices and behaviours of social actors. Indeed, while there are many different ways to understand institutions, at the very basic, they represent, according to North (1994):

“Humanly devised constraints that structure human interaction. They are made up of formal constraints (e.g., rules, laws, constitutions), informal constraints (e.g., norms of behaviour, conventions, self-imposed codes of conduct), and their enforcement characteristics. Together they define the incentive structure of societies and specifically economies”. (p.360).

Further, Aoki (2007) conceptualises that institutions are:

“Self-sustaining, salient patterns of social interactions, as represented by meaningful rules that every agent knows and incorporated as agents' shared beliefs about the ways how the game is to be played”. (p.7).

The debate about the role of institutions in the economy and society as a whole cannot be foregone because it is unquestionably demonstrated that “Capitalism itself is impossible without a solid institutional base” (Campbell, 2004, p.1). As noted by Granovetter (2005) and Nelson and Sampat (2001), institutions represent key elements shaping economic

performance of all social actors, including organisations and their corporate governance. In fact, institutions establish norms that support behavioural conformity throughout any social transaction: this ensures stability and predictability upon which growth depends (Gani, 2011; Streeck, 2011; Amable and Palombarini, 2009; Ostrom, 1998).

#### **2.4.2 Institutions and host country effects**

Although institutions operate in both home and host countries, the vast majority of institutionalist literature continues to focus on the latter (Phillips *et al.*, 2009). This is due, according to Chan *et al.* (2008), to the fact that:

“The performance of foreign affiliates is also influenced by the institutional context of the host country in which the affiliate is embedded, because host country institutions affect the costs of engaging in business activities and the strategic choice of action”. (p.1192).

The two main approaches in studying the role of institutions in host countries have been, on the one hand, the DiMaggio and Powell (1983) conceptualisation, and, on the other hand, the literature on comparative capitalism. While the former assumes isomorphism, the latter argues that institutional features can influence practice in both host and home country.

#### **2.4.3 Home and host country institutional influences: the mixed effect**

According to Shen (2005), it is possible to develop a mixed HRM model which is widely applicable and results from the interaction among home HRM system, firm-specific, and host-contextual factors. Additionally, the presence of expatriates in subsidiaries influences the HRM practice application of MNEs. In analysing American and European firms operating in Japan, Simonin *et al.* (2009) confirm that internal consistency with HR policies and practices is stronger when there is a marked presence of expatriates in subsidiaries. Nonetheless, they find that this staffing approach may be counterproductive as expatriates tend not to acquire and disseminate knowledge related to the local market. On this issue, a study by Fey *et al.* (1999) on HR practices of foreign firms in Russia indicates that hiring host-country employees featuring work experience with other foreign organisations is particularly effective. In fact, thus MNEs equip themselves with a local

workforce displaying a fitting attitude and behaviour. Based on this premise, the authors contend that character is the main challenge and not the mastering of specific, acquirable skills.

Consideration of, and accommodation to, local circumstances are thus imperatives if policies are to be conveyed successfully across subsidiaries. As Edwards *et al.* (1999) argue, consistent application of employment practices in MNEs is influenced by elements such as the country of origin, the extent of production integration, the degree of internationalisation of organisational structure, as well as the kind of product markets. Consequently, homogeneous HRM implementation across overseas subsidiaries ultimately depends on the interaction between structural elements and political processes within a MNE, which they refer to as the “Bi-directional relationship between structure and politics”. (p.286). Further, Almond *et al.* (2005) suggest that the functions of a MNE are critically affected by both the local institutional environment where the organisation is set to operate and the very internal political processes within the firm. Along these same lines, Brewster *et al.* (2008) offered evidence to the fact that, while multinational corporations tend to have a more distinctively international approach to HR from local firms, nonetheless their country-of-origin effects seem relatively weak. This conclusion underlines the tendency of MNE subsidiaries to accommodate themselves to the local reality through a dual approach which advocates a harmonisation between isomorphism and their particular business philosophy. Kostova and Roth (2002) agree with the dual perspective and add that MNE practices are adopted, implemented and internalised according to the dynamic interplay between the institutional environment of the host country vis-à-vis the relational context within the multinational firm.

Another question relates to whether host country effects prevail over parent country ones. In particular, the position of Turner *et al.* (1997a; 1997b) whereby MNE subsidiaries tend to become similar to local businesses has been refuted by Geary and Roche (2001) who, by taking the example of Ireland as the previous authors considered, maintain that country of origin effects are stronger the weaker the system of industrial relations within the host country. Such tendency emerges in the case of Swedish multinationals whereby erosion, but not removal, has affected the Swedish system of employment relations (Hayden and Edwards, 2001), thus indicating that MNEs maintain a certain degree of embeddedness in their country of origin. Further, this is also corroborated by Ngo *et al.* (1998) who

illustrate that, in the capitalist and open settings of Hong Kong, HR practices differ among businesses depending on their country of origin.

Still, the specific national features of the host country may inhibit or thwart progressive management practices thus leading a MNE subsidiary to diverge from organisational practices and forms heralded by head office (Aguilera and Dencker, 2004). Indeed, the case of Germany is quite indicative because the implementation of highly structured vocational training as a result of the collaboration between state, unions, and industry forces the latter to operate under strong institutional constraints. The evidence purported by Müller (1999b) reveals that institutional features of the German system facilitate the implementation of some aspects of HRM and hinder others. Additionally, the diffusion of higher value added managerial strategies is likely to occur in supportive institutional contexts (Webster and Wood, 2005).

On the whole, as Hendry (1996) indicates, organisations expanding internationally need to address country-specific institutional factors in order to successfully apply HR policies and practices. Consequently, while MNEs may aim to universal HR policies and practices implementation, actual reality indicates that in an increasingly competitive global market there is the need to consider host-country specific factors (Rugman and Verbeke, 2001).

#### **2.4.4 Institutions and sustained competitive advantage**

Studies by Barney (1991) illustrate that sustained competitive advantage is attained through business processes that depend on valuable and rare resources which are also costly to imitate; among these:

“Human capital resources include the training, experience, judgment, intelligence, relationships, and insight of individual managers and workers in a firm”. (p.101).

Therefore, the capabilities of a MNE in terms of staffing practices rely on the examination of the social context with which resource selection decisions are related. This dynamic thus reflects institutional isomorphism (DiMaggio and Powell, 1983) and corroborates the legitimacy of a firm (Meyer and Rowan, 1977). However, institutional theorists argue that firms sometimes may not take rational decisions due to their social embeddedness

(Oliver, 1997). This turns them isomorphic to such an extent that, according to Oliver (1997), they become “Compliant, habitual, unreflective, and socially defined”. (p.699).

It seems, therefore, that organisations need to attain the necessary legitimacy (Suchman, 1995) in order to be successfully accepted within the business sector they operate. In the case of MNEs, legitimacy is to be analysed from the perspectives of both the host country and the MNE head office. In fact, both of these legitimacies, which are referred to as “external” and “internal” respectively (Collings *et al.*, 2010, p.579) are at the root of the “institutional duality” concept elaborated by Kostova and Roth (2002).

#### **2.4.5 National differences according to varieties of capitalism**

The most noteworthy contemporary accounts seeking to explain the nature and degree of national differences can be grouped into two main strands of literature (Wood *et al.*, 2009). Firstly, there is the dichotomous model which separates varieties of capitalism (VOC) into two main systems of corporate governance, the liberal and coordinated market economies – commonly referred to as LME and CME (Hall and Soskice, 2001; Dore, 2000). Secondly, the multi-variety models includes both Amable’s (2003) proposition about the existence of a diversity of capitalism and Whitley’s (1999) business systems theory.

Unlike the literature centred on national labour movements, varieties of capitalism analyses contend that firms represent the fulcrum of the economic activity of a nation (Hall and Gingerich, 2009). In fact, since firms mirror the wider social context in which they are located, they feature a particular variety of capitalism that reveals their specific way of interacting with other market participants encompassing suppliers, employees, stakeholders, trade unions, clients, and business associations (Hall and Thelen, 2009). Furthermore, those particular relationships depend, in turn, on the institutional support offered to them by the political economy framework which varies from country to country (Farndale *et al.*, 2008). As Amable (2003) pointedly remarks:

“Firms or organisations cannot be considered in isolation. They compete under the influence of macrolevel institutions, and these institutions influence the growth path of nations (...). Therefore, economic outcomes are likely to depend on institutional configurations; and the characteristics of national institutions, along with more strictly economic characteristics,

will determine, for instance, the accumulation of physical capital, the investment in R&D, the type of education of the labour force, etc. – and hence the growth path”. (p.28-9).

Indeed, economic actors such as owners and investors, managers, white- and blue-collar employees interact differently. Their interrelation, which is both cooperative and competitive, distinctively varies depending on market economies (Whitley, 1999). According to Soskice (2003), the latter obtained a clear identity particularly in the most advanced countries towards the end of the 1980s and the mid-1990s in function of the production regimes in place.

#### **2.4.6 The dichotomous model of capitalist diversity**

Given that markets are defined at national levels, according to Hall and Soskice (2004) there are two main categories of capitalism defined by the extent of their market coordination: the uncoordinated or liberal market economies (LMEs) where firms reflect the decisions of stock market investors (Godard, 2002); and, the business-coordinated market economies (CMEs) which, instead, filter such pressures (Culpepper, 2005). The first rely critically on the forces of competitive markets as occurring in the Anglo-Saxon economies and Ireland; in fact, there is very limited nonmarket coordination among companies and the unions' role is dramatically reduced and the state exerts limited intervention remotely. The second main pattern features a strategic co-ordination as happens in continental North Western Europe (such as Germany, Switzerland, and Sweden) whereby there is noteworthy nonmarket coordination among companies both directly and indirectly by virtue of the framework-setting role of the state and the dynamic presence of unions. Interestingly, the literature on comparative capitalism (Hall and Soskice, 2004) focuses on a single institutional dimension and considers economies in the Mediterranean area as a separate case from those in North Western Europe.

Lending from the new institutionalist perspective (Crouch, 2005), when put into a HRM framework, LMEs and CMEs influence the generation of two distinctive corporate governance systems whereby employees and firms are set to adjust accordingly. On the one hand, employees in LMEs accommodate their skills to the positions and functions made available. On the other hand, depending on the characteristics of the labour force, firms in CMEs adjust selection criteria and target training and development programs to maximise employee performance. This ultimately reveals the extent according to which

the financial capital utilises the human capital in distinct national corporate regimes (Psychogios *et al.*, 2010). Hence, CMEs feature a solid industry base strengthened by top-level specialisation, industry-based development of vocational training standards, and technology transfer and diffusion, whose highly skilled employees benefit from job security obtained through industry-defined union representation. By focussing on production excellence, CMEs emphasise manufacturing of high quality characterised by value-adding processes (Hall and Soskice, 2001; Thelen, 2001). Fundamentally, CMEs are regenerated through continuous “systemic checks and balances” (Brookes *et al.*, 2005, p.406) by virtue of “institutional complementarities in the macroeconomy” (Hall and Gingerich, 2009, p.450).

Oppositely, Kitschelt *et al.* (2003) argue that the unstructured, uncoordinated nature of LMEs is the consequence of a deeply rooted political conviction, according to which:

“Political interference with market allocation is inefficient and countries that interfere the least with competitive markets will prove superior to their competitors”. (p.438).

As a result, LMEs present intense competition in the cutting-edge industrial activities as well as in the lower value service sector where, respectively, radical innovation and low cost strategies guide business decisions.

Given this, a corporate governance system affects the position, function, as well as the skills of the workforce thus impacting on the HR policies and practices implemented, such as employee recruitment, selection, training, and development. From a wider angle, social, political, economic, as well as educational institutions determine the governance settings in which firms compete (Hall and Gingerich, 2009). As Williamson (1996) notes, the institutional framework determines the extent according to which the “Integrity of a transaction, or related set of transactions, is decided”. (p.11). Taken to a higher level, since institutions are at the centre of webs of social relations, they critically determine the persistence of practices thus defining national distinctiveness (Crouch, 2005).

Consequently, institutions generate frameworks that are specific according to the extant form of capitalism. According to Soskice (2003), broadly these relate to the financial, industrial relations, education, training, and intercompany systems. Further, Psychogios *et al.* (2010) contend that the legal system also plays a critical role in ensuring legislation

enforcement. This is especially evident in the case of transitional economies where weak institutions favour high level of corruption hampering economic development.

In CMEs, regardless if they belong to Northern Europe or the Japan/South Korea variant (Soskice, 2003), there is the widespread tendency to motivate the generation of long-term co-operative relations among stakeholders, such as between companies, or companies and employees, or companies and their owners. At the opposite end of the spectrum, firms belonging to LMEs display a marked incapability to coordinate their actions collectively vis-à-vis the state in order to form suitable institutional frameworks. Subsequently, in this context institutional changes are often attained through decisions by the courts.

According to the categorisation of Soskice (2003), the financial system represents the first constituting element of the institutional framework in an economy. Thus, in CMEs stable shareholder pattern together with constant monitoring of the firm's reputation and performance by stakeholders not only facilitate the attainment of large scale company financing, but also limit the eventuality of hostile takeovers. Nevertheless, the fact that LMEs permit hostile takeovers contributes to the marked availability of high-risk capital markets, thus determining banks' willingness to finance investments in breakthrough technologies, for instance.

Second, the industrial relations system in CMEs considers that unions play a key role in workplace employee representation and wage bargaining; oppositely, in LMEs industrial relations are widely company-based and uncoordinated (Soskice, 2003). Further, Botero *et al.* (2004) reveal that civil law markets such as CMEs have more articulated laws on employment and industrial relations than LMEs.

Next, the education and training system in CMEs tends to be strong in vocational training with close linkages to industry (Soskice, 2003). Instead, in LMEs, while the situation is weaker in vocational training with limited company involvement, emphasis occurs in doctoral programs implemented by prestigious educational institutions in the Anglo-Saxon world (Bosch and Charest, 2008).

Lastly, the intercompany system reflects the extent of business associations' dynamism and subsequent consensus based standard and rule setting within industries (Soskice, 2003). While CMEs tend to feature stability and alignment in the name of inter-firm

coordination (Jackson and Deeg, 2008b), LMEs are characterised by firm anticollusion policies that, while giving to the market the prerogative to set standards, hamper the possibility for technological diffusion.

#### **2.4.7 The multi-archetype models**

The other strand within the literature of comparative capitalism aims to identify the degree of heterogeneity across economies: this leads to the formulation of “national institutional archetypes” (Wilkinson and Wood, 2012, p.383). Particularly, as Amable (2005) stresses, institutions are:

“Political economy equilibriums that correspond to a compromise between conflicting social actors. By fixing the rules of the game, institutions suspend but do not abolish social conflicts”. (p.371).

As recently stated by Goergen *et al.* (2012, p.501), the most noteworthy multi-archetype models are those advanced by Amable (2003), Whitley (1999), and La Porta *et al.* (1999). Thus, first, Amable (2003) through cluster analysis identifies five types of capitalism: market-based (or neo-liberal), social-democratic, Asian, Continental European, and South-European models. He maintains that, by considering the existence of institutional domains involving product markets (i.e. labour markets, social protection, financial systems, education, and training), such domains complement each other in a unique fashion depending on the type of capitalism as well as social ties and arrangements (Crouch *et al.*, 2005).

On the other hand, Whitley (1999) identifies six separate archetypical business systems which differ according to two main variables, namely ownership co-ordination and employee relations (p.43). Geographically, these are to be located in Northern and Southern Europe, North America as well as in the Far East (Wood and Frynas, 2006).

Finally, La Porta *et al.* (1999) consider legal systems as the pivotal institutional element that affects the rights on property thus defining rules and practices of social interactions across different national contexts Goergen *et al.* (2012, p.502). Consequently, the purpose of such archetypes is to allow for deeper insight in terms of the specific nature of

economies, the differences among them, as well as the competencies and adaptations required of firms in order to thrive in particular national contexts (Wood *et al.*, 2009).

Nonetheless, critics of both the dichotomous and multi-archetype models proposed by the VOC literature maintain that these feature several weak points (Wood *et al.*, 2012). In particular, they observe the excessively pervasive role of institutions defining the totality of the systems' functions (Streeck, 2005); secondly, the models' economic systems are not as uniform and coherent as described (Deakin *et al.*, 2006; Kenworthy, 2006); and, finally, these typologies project a static setting while, in reality, it is dynamic with the economic system relentlessly changing (Schneider and Paunescu, 2011).

Thus, studies by Hancke' *et al.* (2007) and Lane (2007) expand the analysis of capitalist archetypes towards VOC in mixed (Mediterranean) market economies (MMEs), and post-Communist countries, respectively. Concerning the former, which is also referred to as "Mediterranean Capitalism" (Goergen *et al.*, 2012, p.512) this encompasses countries of Southern Europe, namely Spain, Portugal, Italy, and Greece. While the national capitalist archetypes featured by these countries do not identify either with CMEs or LMEs, yet they possess characteristics to be found in both capitalisms. As for the latter, after the collapse of the Soviet Union in the 1990s post-Communist countries have attracted FDI because of their dynamic prospects and attractive investment conditions offered (Bevan *et al.*, 2004), and/or through the opportunities to access resources or markets. Although these newly formed independent states represented attractive frontiers in which to expand overseas operations, a clear divide soon emerged between the Central and East Europe and the more remote Caucasus and Central Asia regions where Azerbaijan and Kyrgyzstan are respectively located. In fact, while the former adapted quickly to open market economy conditions, the latter instead lost momentum in the process thus assuming the status of transitional periphery economies (TPEs) (Huw Edwards, 2006).

Incidentally, even scholarly interest differs for these regions: while for Central and East Europe there is an increasing number of empirical studies (cf. Dalton and Druker, 2012), the TPE Caucasus and Central Asia regions have been surprisingly neglected by academic research to date (Yalcin and Kapu, 2008; Harry, 2006; Lackó, 2000). This is particularly astonishing if one considers that even if Azerbaijan and Kyrgyzstan were unsystematic in their economic development path since gaining independence (Szamosi *et al.*, 2010), these countries feature a critical geo-political strategic positioning (Tsygankov, 2006),

vast natural resources (Bilgin, 2007; Dorian, 2006), and rich cultural heritage (Kantarci, 2007) that provide attractive investment opportunities (Zeybek *et al.*, 2003) in general, and more specifically in the developing hotel industry (Papatheodorou *et al.*, 2010; Marat, 2009).

Thus, the VOC literature fails to identify these transitional post-communist economies because it focuses on the analysis of “advanced capitalist countries” (Lane, 2005, p.231). In trying to delineate the TPE national capitalist archetype of post-Soviet economies there is the need to distinguish these from the Central Eastern Europe nations (Tridico, 2012). Indeed, TPEs are characterised by weak and fluid institutional arrangements, uneven institutional coverage, and the persistence of informal clan based networks that have proved remarkably resilient to modernisation efforts, even in the Stalin era (Roy, 2007; Collins, 2006). A closer analysis of the institutional and economic peculiarities of the CIS countries thus leads to a further detailed profiling (Lane, 2005). As Bohle and Greskovits (2007) maintain, Azerbaijan is part of the CIS-3 cluster together with Russia and Kazakhstan because of the state-run economy heavily relying on exports of oil and natural resources. On the other hand, the more remote Kyrgyzstan fits in the wider Central Asia cluster which presents similar traits to pre-growth East Asia (Stark, 2010). Unlike Azerbaijan, it is a very poor country (Atik, 2014) which, however, since independence has embarked in ambitious privatisation programs under authoritarian regimes (Lane, 2005; Spechler, 2004).

#### **2.4.8 Business systems theory**

As illustrated by Kostova *et al.* (2008, p.995), the seminal work of Whitley (1999) on business systems theory is centred on MNEs from an institutional perspective. Differently from authors on institutionalism and comparative capitalism such as Amable, and Hall and Soskice who focus mainly on the role of institutions in host countries and the possible benefits these present to firms (Aguilera and Jackson, 2003), Whitley (1999) considers MNEs as a vital element of his business systems theory (cf. Foss, 1999b). This is distinct from the general neglect of MNEs in the influential Hall and Soskice collection (2001). In particular, Whitley (1994b) argues that forms of capitalism, while affecting the systems of economic coordination and control, determine the nature and behaviour of firms. This

leads to the emergence of unique economic models known as *business systems*. According to the scholar (Whitley, 1999), business systems are defined as:

“Distinctive patterns of economic organisation that vary in their degree and mode of authoritative coordination of economic activities, and in the organisation of, and interconnection between, owners, managers, experts, and other employees”. (p.33).

Business systems can be compared and contrasted if, according to Whitley (Wood *et al.*, 2014), five main kinds of economic actors and their respective relationships are evaluated: the providers and users of capital, customers and suppliers, competitors, firms in different sectors, employers, and different kinds of employees. Although potentially there could be a wide variety of business systems, this does not occur because of their interconnection with institutions. Therefore, this multi-variety model seeks to analyse firms from two distinct angles: first, to illustrate their interactions within the wider institutional context they are set to operate; and, second, to identify if particular business practices are related to specific sets of countries (Brookes *et al.*, 2005; Foss, 1999b).

Consequently, there are some clear differences between the dichotomous model of Hall and Soskice (2004) and the multi-archetype model proposed by Whitley (1999). While the dichotomous model draws a neat distinction between CMEs and LMEs, Whitley’s business systems theory expands its focus to include a wider variety of mechanisms and structures to define market relations. Since the business system model also considers the long-term interdependence between employers and employees, this allows for the examination of whether particular patterns at firm level are linked to national institutional realities and archetypes.

Furthermore, Harcourt and Wood (2003) note that Whitley’s national archetypal business systems include almost all of the advanced societies while representing potential alternatives for economic development and growth of nations. In particular, Whitley’s multivariate model (1999) includes the following business systems: fragmented, coordinated-industrial-district, compartmentalised (‘Anglo-American model’), state-organised, collaborative (‘the Rhineland model’), and coordinated (‘the Japanese model’). Consequently, this national archetypal Business Systems Model enables grouping national contexts according to their distinctive type of coordination and control systems (pp.41-4).

### **2.4.9 Limitations of the comparative capitalism literature and application of Whitley's model**

A focus of analysis on the developed world represents the critical shortcoming of comparative capitalism literature. Nonetheless, it remains relevant because it provides template for defining how particular institutional features impact on practice. Whitley's (1999) business system theory sees firms occupying centre stage within the business system's web of interactions, more explicitly than does the VOC literature. As a result, Whitley's model allows for a more straightforward analysis of the effects of institutions on firms' application of HRM (Wood *et al.*, 2012, p.42).

Since this research aims to examine HR policies and practices implementation by an MNE's overseas subsidiaries, the application of Whitley's (1999) Business Systems Model is chosen for two main reasons: first, it enables the analysis of the interplay between the organisation and its foreign business systems in terms of HRM practice; second, it groups countries according to a very much bigger range of national archetypal business systems (Whitley, 1999). Further, as opposed to Hall and Soskice (2004) and Amable (2003), Whitley's (1999) approach is preferred owing to its marked sociological imprint (Foss, 1999a) and its more extensive emphasis on employee relations owing especially to Whitley's background as a sociologist. In fact, it is argued that employer-employee interdependence and delegation to employees represent the two key elements upon which the interrelationship between employers and employees rests (Whitley, 1999). While the former refers to the kind and level of training and development as well as job security, the latter relates to the degree of participation and involvement of employees (Wood *et al.*, 2009; Whitley, 1999).

According to Whitley (1999), national business systems are defined by the degrees of ownership and non-ownership coordination as well as variations in practices implemented at firm level in several areas. These pertain to the level of cooperation between customers and suppliers and between competitors, the ways in which organisation and control occur, the range of resources and activities implemented through managerial hierarchies, the extent of organisational integration, and the long-term interdependence of employers and employees. In fact, the analysis of the bonds that exist between employee and employer indicates the degree according to which genuine power is assigned within the organisation

(Amable, 2003; Whitley, 1999), the nature of internal corporate governance, and the dynamic interplay between power and equity (Hoepner, 2005).

In sum, organisations expanding operations beyond their national borders find themselves pressed to conform to both the domestic as well as the host country business systems. As Morgan (2012) argues, however, the national business systems approach defines that the most critical pressure exerted upon MNEs originates from the institutional contexts of countries of domicile. These determine the boundaries for the allocation of resources based on which firms compete and cooperate in overseas economies. Hence, this research is rooted in the comparative institutional analysis.

#### **2.4.10 Institutional approaches: benefits and challenges**

Broadly, scholars of comparative HRM have tended to favour either the cultural<sup>2</sup> oriented (Romani, 2004; Ferraro, 2002) or the institutional approaches (Hotho and Pedersen, 2012;

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According to proponents of the cultural approach (Hofstede and McCrae, 2004; Trompenaars and Woolliams, 2003; Smith *et al.*, 1996; Hofstede, 1993, 1984, 1980) different national cultural contexts influence distinctively the way business is conducted by overseas subsidiaries of MNEs. Since HRM is concerned with an organisation's human asset, the role of culture is capital in order to understand the way employees behave and thus perform. In fact, according to Hofstede (1984), a prominent researcher in the field, culture is mainly built around values and is defined as being:

“The collective programming of the mind which distinguishes the members of one human group from another”. (p.21).

In his landmark research, Hofstede (1980) defined that HRM policies and practices may not be valid across different countries because of divergence from local laws, customs and cultures as consistently demonstrated by Zhang (2003). Equally, cultural differences could affect how the HR function is deployed across borders by global organisations. In 1980, he was able to study how cultures differentiate from country to country by examining an impressive amount of around 117,000 responses to employee attitude surveys held between 1967 and 1973 administered at the subsidiaries of a MNE (IBM) in 71 countries (Hofstede and McCrae, 2004). The vast amount of data related to work-related values led Hofstede (1993) to forge a model aiming at representing a universally valid taxonomy of cross-cultural dimensions, namely Uncertainty Avoidance, Masculinity-Femininity, Individualism-Collectivism, Power Distance, and Short-Long Term Orientation. These cultural differences manifest themselves at multiple organisational levels within a MNE: according to Glover and Wilkinson (2007), management need to come to terms with so-called tensions that relate to both the external and internal environments of an organisation when trying to apply strategies to a subsidiary of a foreign MNE. Thus, the extension of societal culture to business reality leads to the construct of organisational culture, which Schein (2010) defines as:

“(…) pattern of shared basic assumptions learned by a group as it solved its problems of external adaptation and internal integration, which has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems”. (p.18).

Sorge, 2004) to explain the economic dynamics and outcomes of societies and their actors. A most recent strand of research has embraced the institutional perspective because scholars recognise its ability to integrate social complexities by taking into account all elements embedded in the context, such as economic rules, social actors, institutions, organisations, as well as behaviours (Djelic, 2010; Whitley, 2006). In particular, Whitley contends that the institutional approach allows for a fine-grain examination linking systems with business realities (Whitley, 2006). This rational approach not only relies on concrete evidence, but also, most importantly, facilitates comparative analyses across capitalisms in identifying the influence of institutions upon MNEs (Jackson and Deeg, 2008a; Whitley, 2006). Consequently, since this research focuses on a comparative analysis within a MNE, the institutional approach is adopted.

However, there are also drawbacks in adopting an institutional approach. As Pierson illustrates (2000), there are three key limitations, namely: first, the assumption that social actors feature exclusively an instrumental behaviour; second, the observation that

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The strength of the resulting dynamic system can prove instrumental for organisations in ensuring workforce behavioural alignment and control towards organisational success, particularly in the overseas subsidiaries of a MNE (Schneider *et al.*, 2013; Kotter and Heskett, 1992).

Supporters of the cultural oriented approach argue that it attempts to explain or foresee human behaviour where, in practical contexts, the mere consideration of economic, political or institutional factors may reveal inadequate (Hofstede, 2002). As Chapman maintains (1996), the virtue of the cultural approach is that it has sparked much fruitful debate on the effects of culture on business and management: more recently, Amable (2008) recognises the undeniably mediating effect of culture on business systems and organisational capabilities through its influence, for instance, on behavioural norms (p.781) or the perception of fairness (p.783).

However, fervent critics of the cultural approach including McSweeney (2002a; 2002b) remark that it is too superficial because it ignores the many complexities of societies. Further, doubts are cast on the reliability of the cultural approach as represented by the much-publicised work of Hofstede with its universalistic assertions. In fact, it claims to be able to analyse national cultures while its research population base is not only narrow but also homogenised as it draws from studies of intra-company IBM employee surveys, thus revealing inadequacies in the research methodology (McSweeney, 2002b). Additionally, Shenkar (2001) recognises that the culture-orientated approach tends to be deficient because of two main reasons. First, it ignores the existence of corporate culture which further compounds the culture construct as these reciprocally influence each other. Second, cultural distance is a very sensitive concept because it is reduced or boosted by a plethora of factors such as globalisation and inevitable cultural frictions. Nonetheless, the most determining critique to Hofstede's cultural framework is that the set polarities of cultural dimensions are fixed thus implying that cultures remain mostly unchanged over time. As a result, an individual belonging to a particular national context should feature exclusively the cultural characteristics identifiable with the related nation's culture. Apart from the fact that this viewpoint does not consider the fluidity of cultural exchanges occurring nowadays, it also "Runs the risk of oversimplification, if not stereotyping". (Ess and Sudweeks, 2005, p.184).

In the final analysis, since cultural explanations fail to properly "capture" the social reality" (Ailon, 2008, p.898) they attempt to describe, the institutional theory is better set to consider and interpret the nuances of contemporary society (Brookes *et al.*, 2011). Consequently, while another approach to compare organisations is the cultural approach such as the one proposed by Hofstede, however this is not followed in the thesis owing to the aforementioned critiques.

institutions do not necessarily occur following a long-term design; third, the consideration that institutions may have effects triggering consequences that are not the intended ones. Perhaps, the most pointed critique to the institutional perspective is that it features simplified behavioural assumptions (Hall and Taylor, 1996). These, in turn, lead to a deterministic modelling of interplays where mechanically actions originate from a context (Hay and Wincott, 1998) in which “calculating automatons” (p.952) operate.

#### **2.4.11 Convergence, divergence, and path dependency: effects on HR policies and practices**

A central issue scholars investigate about national business systems relates to interactions between each other: do they converge, diverge, or follow a predictable direction following past developments? Depending on the paradigm chosen by nations, firms would adjust accordingly thus affecting also HR policies and practices applied (Wood *et al.*, 2011).

According to the VOC literature, since each paradigm respectively features a distinctive comparative institutional advantage, the deriving national business systems tend to increase the persistent diversity between them (King and Steward, 2003; Iversen and Pontusson, 2000). As a result, firms adapt locally owing to isomorphism as well as to host-country institutional and regulatory forces, specificities in customer needs, and the possibility to gain from local economies of scale (Farndale *et al.*, 2008). For example, in the dichotomous model, firms in LMEs are supported at the expense of undermined unions by virtue of their increased exit options, thus allowing for further deregulation strengthening their competitive advantage (Peters, 2008). However, this also worsens social tensions (Bhavsar and Bhugra, 2008). On the other hand, given that CMEs strategically rely on coordination which is at the basis of competitive advantage of businesses, deregulation is kept in check to prevent the rupture of the balanced relationship among stakeholders, namely unions, employees, and firms (Crouch, 1995). Thus, the recognition of shared interests by both capital and labour allows CMEs to quell social conflicts and boost solidarity among classes (Crouch and Streeck, 2000).

Moving beyond the dichotomous LME/CME model, business systems theory offers an interpretation that sees firms playing a central role in the globalisation, with far reaching consequences for host regimes (see Table 2.1). Whitley (1999, p.119) identifies three main determinants of such development. Firstly, businesses involved in exporting

activities contribute to the growth of international trade thus devaluing the ways according to which economic activities occur at domestic level. Secondly, the internationalisation of firms transmutes them into multinational entities whereby managerial control and coordination widens across countries. This affects not only the business system they belong to, but also the host economies in which they operate. Thirdly, the parallel opening of capital markets at a global level enables organisations to attain financial resources from overseas markets independently from domestic financial institutions.

**Table 2.1: Comparing strands of the comparative capitalism literature**

	<b>Summary of approach</b>	<b>Broad weaknesses of this strand of literature</b>	<b>Capturing roles of diverse stakeholders – particularly labour relations</b>	<b>Potential for explaining economic crisis and systemic change</b>
<b>Varieties of capitalism</b>	How the nature of relationships between a firm and its institutional context leads to competitiveness	Tends to discuss abstract institutions rather than real-world events; ignores regional differences; ignores diversity in systems and dependencies; ignores the fact that dysfunctional system may endure.	Short-term and long-term relationships with stakeholders– including employees. Firm spheres include industrial relations system, vocational education and training, and employee commitment. However, ignores security of tenure, unionisation and turnover.	<i>Both strands of comparative capitalism literature fail to take account of temporal diversity and do not adequately integrate the political dimensions of systemic change</i>
<b>Business systems theory</b>	Relationships between a firm and its internal and external stakeholders	Does not carefully evaluate why states are competitive; too much reliance on stylised ideal types	Includes discussions of corporatism and neo-corporatism (state–worker relations), firm-level employee–employer interdependence, and unionisation.	

(Wood *et al.*, 2014, p.391)

Consequently, the path dependency concept assists in putting into perspective the relationship firms develop with institutional systems. In particular, while Djelic and Quack (2007) recognise that such systems are mightily and stably integrated within national societies, they are affected by interactions across countries as well as by the so-called “Higher-order transnational institutional frames”. (p.162). Thus, since the perspective of path dependency places firms within an institutional framework that changes gradually and predictably (Deeg and Jackson, 2007), still Morgan (2005) asserts

that firms retain a primary role over institutions since they are perceived as “strong” while institutions are understood as “weak” (p.424).

Firms’ strength lies in their capacity to decide in a co-ordinated fashion the way to operate as they see fit according to the institutional context, as opposed to institutions which do not feature a centralised decision-making process (Morgan, 2005). Thus, as Morgan and Quack (2006) maintain, beyond the existence of path-dependent processes within societies, influences from a globalised world economy push towards “cross-border transfer and emulation” (p.406) causing a path-diverting process. Nonetheless, beyond the ethnocentric approach, convergence and homogeneity frameworks also press firms towards the application of worldwide practices (Brewster *et al.*, 2008) in line with the neo-liberal rational standpoint originating from the US (Amable, 2011; Mudge, 2008). In particular, owing to the fact that the world is becoming nationless and borderless (Ohmae, 1996, 1990, 1989), it seems that over time economies will become increasingly more similar thus converging towards a mainly Anglo-American free market model. Subsequently, Chow (2004) notes that pressures originated by the internationalisation of markets and globalisation trends push towards the application of similar HR policies and practices. Firms capable to implement homogenised practices across different national contexts which apply organisational capabilities globally are likely to attain greater efficiencies (Kostova and Roth, 2002; Grant, 1996) through the diffusion of best practices which could be converging towards the American model, or not. In terms of uniformity of HR policies and practices, the merging of the world community into a ‘global village’ (McLuhan, 1964) appears to facilitate the accommodation of HR policies and practices especially across similar countries (Pudelko and Harzing, 2007; Sera, 1992). Furthermore, a firm’s brand consistency is expected to benefit from the uniform application of HR practices worldwide (Farndale and Paauwe, 2007).

Thus, organisations pursue practices enabling the maximisation of economic objectives in their quest for competitive advantage “Guided by unambiguous preferences and bounded rationality”. (Gooderham *et al.*, 1999, p.507). In particular, business strategy features a dual and opposing approach to human resources management: the calculative or hard approach versus the more humanistic, soft, or collaborative orientation (Poutsma *et al.*, 2006; Truss *et al.*, 1997; Legge, 1995). While these two extremes are not mutually exclusive (Gooderham *et al.*, 1999), a stronger emphasis on high-value-added approaches otherwise referred to as “High performance work practices” (Huselid, 1995, p.635)

indicates that competitive advantage is attainable through noteworthy investment in HR policies and practices while ensuring a mutually rewarding employer-employee interdependence (Pfeffer and Veiga, 1999).

To the opposite, cut-throat competition critically pushes organisations to converge downwards to low-road strategies in a race towards lowering costs, which, in HR terms, translates into extremely calculative and hard approaches (Wright *et al.*, 2005; Legge, 1995; Schlesinger and Heskett, 1991) reflecting “Bleak house theories of globalization”. (Wood *et al.*, 2011, p.31). Indeed, the use of extensive outsourcing, decisions of MNEs to relocate operations to destinations with cheap labour, and attempts to worsen employment conditions worldwide, for instance, are being triggered by global-scale development towards the enhancement of efficiencies while pursuing lowest possible cost standards (Contractor *et al.*, 2010). The only solution reversing this vicious circle and converging towards high-road HRM strategies mandates organisations to focus on higher-value-added segments, thus enabling competition to focus on dimensions other than costs (Batt, 2000). The critical-evaluative model by Legge (1995), however, defines HRM as being a new rhetoric to conceal the labour intensification and casualisation sought by firms requiring high volume as well as an increasing market share to maintain their profit margins. These pressures thus tend towards implementing HR policies and practices which, according to Legge (2003), address “Employees as a variable input and a cost to be minimised”. (p.214).

## 2.5 Chapter 2: Conclusion

This chapter overviewed the key institutional dimensions potentially affecting HR policies and practices applied by overseas subsidiaries of MNEs. Following a comparison of home and host country pressures, it could be argued that the MNE straddles institutional domains and is less subject to pressures from countries of origin and domicile than single nation firms. After reviewing the literature on Varieties of Capitalism, an evaluation of the related business system theory then followed. The distinctive advantage of the latter over VOC literature consists not only in more explicitly focusing on the central role that firms play within the unique patterns of economic organisation featured in local contexts, but also in identifying the key dimensions of firm level practice that are likely to differ. Since the business system theory enables a more direct analysis of

institutional pressures on firms' application of HRM, this chapter makes the case for applying Whitley's conceptualisation of the key dimensions of firm level practice as the basis for comparative analysis. Finally reference is made to the convergence, divergence, and path dependency debate on change in national business systems and their effects on HR policies and practices.

## CHAPTER 3: CONTEXT OF RESEARCH - HRM IN THE HOTEL INDUSTRY

### 3.1 Chapter 3: Introduction

In this chapter, the literature review concentrates on HRM practice in the hotel industry which belongs to the broader travel and tourism sector, one of the largest and most dynamic industrial sectors worldwide. In fact, travel and tourism (WTTC, 2013a) figures among the world's largest employers whereby:

“[Its share of global employment is] greater than that for the auto manufacturing and chemicals manufacturing industries combined, across every region of the world”. (p.63).

Nonetheless, there is still only a limited range of scholarly research on HRM in the hotel industry (Solnet *et al.*, 2013) with particular reference to businesses operating in emerging economies (Law *et al.*, 2012). Hotels represent “The most visible component of the tourism economy” (Zampoukos and Ioannides, 2011, p.26) that critically depend on employees to deliver (Baum *et al.*, 1997; Kusluvan *et al.*, 2010). Broadly, the hotel industry is identified with all businesses providing, according to Brotherton (1999):

“A contemporaneous human exchange, which is voluntarily entered into, and designed to enhance the mutual wellbeing of the parties concerned through the provision of accommodation and food or drink”. (p.168).

The global expansion of tourism and, subsequently, of the hotel industry is accompanied by two specific trends: on the one hand, consumers expect more quality and variety in the services and products they purchase while, on the other hand, competition among firms is fierce both nationally and internationally. Thus, competitive superiority in this industrial sector is attained on the grounds of service quality, customer satisfaction, and business performance (Augustyn and Ho, 1998). A key pre-requisite is the effective implementation of HR policies and practices because hotels critically depend on employees' behaviour towards customers (Tsaur and Lin, 2004). Still, HRM in the hotel sector appears to have a segmented workforce approach leading, as Davidson *et al.* (2011) maintain, to “The emergence of a dual labour market”. (p.511). This is an embedded characteristic that scholars identified since the 1980s when studying manpower flexibility

management in the broader services sector to which hotels belong (Guerrier and Lockwood, 1989; Mangum and Mangum, 1986).

Hence, there is a neat differentiation between employees belonging to the core category, comprising of managerial and sophisticated professions, and the numerous workforce employed in flexible, precarious blue-collar jobs, who perceive “Their career opportunities within the organisation as limited or absent”. (Su *et al.*, 2011, p.159). Consequently, following Davidson *et al.*’s (2011) pointed remark, “The rhetoric of most hospitality company websites extols the virtue of “their people”, but they are mainly referring to the core employees”. (p.509).

In terms of business typologies, hotel organisations share a most common services framework whereby accommodation is compounded with a number of supporting facilities such as specialty restaurants, shopping arcade, wellness centre, which can escalate to a very sophisticated range of services depending on the competition and the market addressed (King, 1995). For the purposes of this research, emphasis is given to MNEs operating in the upper segment of the industry, otherwise referred to as “international hotel chains” which offer five-star product-branded services on a standardised global basis (Whitla *et al.*, 2007, p.778).

### **3.2 Differences in HRM implementation: MNEs vs. local hotels**

Although rising, multinational organisations still represent a minority of all businesses operating in the hotel industry; local small and medium sized hotel enterprises (SMEs) prevail globally as argued by Dodds and Graci (2012). Since this results in intrinsic lack of professional and business skills, insufficiency of funds, and unstable business performance, most SMEs are evidently disadvantaged when it comes to competing on HRM grounds with larger organisations (Baum, 1999).

Consequently, the hotel industry is theatre to a most striking contradiction. Despite the fact that theoretical propositions and empirical evidence clearly indicate that HRM effectiveness is key to service quality, customer satisfaction, business sustainability, profitability, and competitive advantage, the reality of many local hotel organisations indicates these straggle in terms of sound HR policies and practices implementation and employment conditions (Cho *et al.*, 2006). In practice, the role of the HRM department

within such organisations is given minimal importance compared to other business functions such as Sales, Marketing, and Finance (Rutherford and O'Fallon, 2007; Haynes and Fryer, 2000; Kelliher and Johnson, 1997; McEvoy, 1984). This weakens the credibility of the motto widely expressed by hotel managers according to which employees are the most important asset and key to success in relation to service quality, consumer satisfaction, as well as business performance (Losekoot *et al.*, 2001; Maher, 1993).

The main reason behind this inconsistency can be traced back to the industry's labour-intensive character and reliance on external labour markets providing for an easily replaceable, low-paid, and marginal workforce (Davidson *et al.*, 2006; Bohle *et al.*, 2004; Robson *et al.*, 1999). Consequently, very high labour costs reduce profit margins in a markedly seasonal business environment (Jolliffe and Farnsworth, 2003). Unsurprisingly, therefore, hotel industry SMEs have a poor reputation, even among college undergraduates (WTTC, 2013b; Baum, 2002; Kuslivan and Kuslivan, 2000; Choy, 1995; Wood, 1992) because most often they are perceived as not only offering definite duration and precarious employment with few opportunities for job enrichment and career advancement, but also paying uncompetitive compensation for working anti-social hours.

As Baum (2006) maintains, it is vital for hotel MNEs to develop their workforce to be "More flexible and adaptive to constant change" (p.133) at both operational and managerial levels. Thus, Ford and Heaton (2001) contend that, due to the considerable intangible aspects inherent to the service experience (Lashley, 1998), the hotel industry has developed unique competencies in service provision that businesses in many other industrial sectors may even consider implementing. This is because while the hotel industry is particularly capital- and labour-intensive, its logistics and supply chain processes can be as sophisticated as in manufacturing businesses (Dimou *et al.*, 2003).

Since the hotel industry is focused on providing service excellence in an extremely competitive environment (Dubéa and Renaghanb, 1999), hotel MNEs aim to build a solid commitment to service so as to guide employee behaviour while having customer needs in mind (Teare, 1995). In turn, this reflects on managerial skills of MNE hotel professionals which differ substantially from those required in the manufacturing industry. Specifically, hotel service delivery challenges demand managers to be highly competent in staffing, organising, and leading the workforce (Bowen and Ford, 2004).

Therefore, staffing represents a crucial HRM priority because it ensures hotel property employees feature the service attitude and behaviour expected by MNE's head office (Ladhari, 2009). Nonetheless, taking the local UK hotel market as an example, despite upgrading recruitment and selection efforts, historically personnel practices in hotel SMEs remained poor from the mid-eighties up to the end of the nineties (McGunnigle and Jameson, 2000; Price, 1994; Kelliher and Johnson, 1987). In the mid-nineties, however, that same local market indicated that large and foreign-owned hotels were featuring a more advanced approach to personnel management (Kelliher and Johnson, 1997), even if, overall, as compared with other business sectors in Great Britain, the hotel industry featured a striking divergence in the application of HRM. This was particularly highlighted by the markedly "retaining control/cost control" approach (Lucas, 2002, p.211) to operations management, impacting negatively on employee motivation.

Moreover, the hotel industry historically has been featuring a low level of unionisation (Tanke, 2001) which in the UK, for instance (Lucas, 1996), saw a decline in union membership in the 1980s from 6% to 3%. The relegation of unions to a minor role and their incapacity to emerge in the hotel industry are caused by four main reasons. First, the overwhelming majority of hotel businesses belongs to the national SME category with a paternalistic style of management (Piso, 1999; Rowden, 1995). Second, the nature of hotel industry is varied and fragmented (Ingram, 1999; Harrington and Akehurst, 1996). Third, the workforce composition features, on the one hand, dissimilar employee profiles (including young students, women, transient workers, and minorities), while, on the other hand, the widespread presence of irregular work arrangements such as part-time contracts, internships, outsourcing, and subcontracting practices (Soltani and Wilkinson, 2010). Lastly, internal job markets are weak (Deery and Jago, 2002) and coupled with considerably high turnover rates (ILO, 2001; Price, 1994).

In the final analysis, as research by Wilton (2006) suggests, the efficient and effective application of formal and strategic approaches to HRM is directly proportional to the size of the hotel organisation. Hotel MNEs, owing to their resources and scale, seem to be better set than local hotel SMEs to take advantage of the systematic implementation of contemporary HR policies and practices (McPhail and Fisher, 2008).

### 3.3 Approaches to managing MNE subsidiaries of hotel organisations

Even if the hotel industry figures among the most internationalised in the service sector (Littlejohn, 1997) and despite the tendency of markets towards global standardisation of products and services, still hotel MNEs have to adjust to local demands peculiar to national markets and environments.

An ethnocentric orientation assumes that practices developed in the parent country of a MNE are either superior to others or do not require modifications owing to similarities with other countries (Geppert and Clark, 2003). Thus, if ethnocentrism and polycentrism represent the extremes of a continuum whereby the former supports the use of home country expatriates in subsidiaries overseas and the latter advocates the employment of local nationals, a geocentric approach stands in the middle as it maintains the use of a mixture of home, host, and third country nationals (D'Annunzio-Green, 1997). Consequently, hotel organisations implementing an ethnocentric approach develop strategies in the parent country and rely on expatriated nationals to manage local staff in host countries in order to determine the right implementation of organisational structure and processes (Edstroem and Galbraith, 1977). Contrariwise, polycentric organisations maintain a market-driven strategy based on divergence since they assume that products and services need to be accommodated depending on customer segments. Emphasis is shifted towards divisional or, even, unit-level managers and the practices they establish (Roper *et al.*, 1997). Yet, a geocentric business approach strikes a balance between ethnocentrism and polycentrism because it is world oriented and characterised by a supra-national framework (Perlmutter, 1969). While this is the case of leading world hotel chains such as Holiday Inn and Hilton according to Nickson (1997), for instance, still their early worldwide business expansion by their founders was characterised by the “Dissemination of American management and operating techniques”, together with the attempt “To diffuse "best practice" techniques of modern hotel management”. (p.187).

Hotel organisations applying a regiocentric approach tend to mix geocentrism with polycentrism in an effort to satisfy the opposed needs of standardisation and customisation. A shining example of this formulation is the implementation by Hilton of the “‘Wa No Kutsurogi’ Service” program (Teare, 1993, p. 65) to cater to the specific needs of the Japanese traveller thus addressing the demand for customisation within a multicultural context (Pullman *et al.*, 2001). Indeed, market drivers influence strategic

decisions of consumer-driven hotel businesses to cater to the needs and expectations of both local and international customers. Efforts to provide unique hotel services to capitalise on market potential push hotel organisations towards local responsiveness thereby fragmenting the competitive context (Bender *et al.*, 2008; Whitla *et al.*, 2007). Nonetheless, hotel MNEs may be forced to adjust to local realities because of the investment environment, political stability, nature of institutions, and employment law of the host countries where MNE subsidiaries operate (Thite *et al.*, 2012; Guillet *et al.*, 2011; Royle and Ortiz, 2009).

In conclusion, hotel MNEs need to focus on decision-making processes which are globally oriented in order to maintain their brand power and penetration across geographic locations. This effort is additionally compounded by the type of hotel business model expansion whenever this splits ownership from management. In fact, where hotels are not owned and operate either through franchise or management contract agreements, it appears that the local owning company tends to put its interests above those of the hotel MNE with the risk of damaging brand uniformity (Whitla *et al.*, 2007; Brotherton and Adler, 1999).

### **3.4 HRM in the hotel industry MNEs**

Contractor and Kundu (1998a) found that the entry mode of hotel MNEs into new markets is determined by country-, environment-, and firm-specific variables. Interestingly, the researchers indicate that 65.4% of hotel international operations are contracted through non-equity agreements, such as franchise arrangements, management contracts and strategic alliances (Contractor and Kundu, 1998a, p.328). Thus the availability of varied business expansion modes overseas enables hotel organisations to expand their unique service brands fast and globally. Further, a most recent study by Graf (2009) indicates that stock markets react abnormally whenever the entry mode of the hotel chain fits with the specificities of the host country. In particular, investors' responses appear to be favourable to management contracts in developing countries and franchise agreements in developed countries, respectively, because of the anticipated benefits resulting from the hotel firms' strategic orientation, contractual control, and formality of business operations (Yan *et al.*, 2007). Notwithstanding, the successful implementation of HR policies and practices in overseas subsidiaries depends on the sound interaction between owning entity

and the hotel management company which either runs the business on their behalf through a management contract, or allows the hotel to operate under a franchising agreement (Gannon *et al.*, 2010).

For hotel MNEs, emphasis on quality in all production and service processes is of utmost importance and, therefore, HRM plays a strategic role in strengthening this vision within the organisation (Maxwell *et al.*, 2004). In 1999 Hilton, for instance, introduced a worldwide customer service quality initiative named “Equilibrium” which was accompanied in parallel by HRM strategic actions branded “Esprit” (Maxwell and Lyle, 2002; p.251). Specifically, the latter involved, beyond revamped staffing procedures, HR policies and practices targeting employee assessment, compensation, benefits, recognition, career tracking, and discipline. Other hotel chains have placed HRM at the core of their business strategy along with marketing and operations (Aung, 2000). In the case of Accor, for instance, talent management initiatives occur through the direct involvement and support of hotel General Managers (Yeung, 2006).

Nonetheless, despite the international expansion of hotel chains and the subsequent globalisation of the HRM function, a closer examination of local contexts demonstrates the existence of unique challenges pertaining to the political, national, and cultural settings, which require the overseas subsidiary HR executives to adapt accordingly (Naama *et al.*, 2008; Costa, 2004; Lu and Chiang, 2003). Indeed, Boxall (1995) argues that differences in workforce capability, labour productivity, and employment systems affect HRM, thus suggesting it needs to be modified from country to country. Moreover, labour markets critically affect the quality of service professionals. To this end, governments may contribute to the establishment of MNEs through, among others, the education of local nationals in hotel vocational professions (Baum and Szivas, 2008; Kuslivan and Karamustafa, 2001). Also, training professionals located in overseas subsidiaries are urged to enrich and customise training programs to local settings, as revealed by Lim and Wentling (1998).

Equally important, labour shortage is a ubiquitous challenge to be found even in populous China. Besides the lack of qualified labour force, there is the unwillingness for university graduates to join the hotel industry (Zhang and Wu, 2004). Alarming, however, surveys by Magnini and Honeycutt (2003) and Shay and Baack (2004) indicate things are further compounded by the high failure rate of expatriated hotel managers. In fact, there are

telling discrepancies emerging between the expatriated managers' responses about self-perception of performance and subordinate-rated managerial effectiveness feedback.

In conclusion, local specificities compel HRM to adjust to the "Think globally and act locally" perspective (Hocking *et al.*, 2007, p.513). While head office initiates global HR policies and practices, it then falls upon the overseas subsidiary HR executives to decide and act the best way fitting with the local context (Enz, 2009). An example of such an approach is offered by Zuehl and Sherwyn (2001) who contend that, after analysing employment termination practices in a sample of countries, MNEs uniformly feature general guidelines which are nonetheless adjusted by the overseas subsidiary HR executives to suit regulations of the local context.

### **3.4.1 Peculiarities of employment in the hotel industry**

Customers (which in hospitality jargon are referred to as 'guests') and employees interact asymmetrically in the hotel service (Shamir, 1980) because it is the role of the latter to offer and of the former to receive, provided they want to (Jones and Sasser, 1995). This exchange is based on the assumption that customers must pay for services with the understanding that they would not harm or disrupt the hotel, other customers as well as service providers (Radolovic, 2010). There are three key aspects to the host-customer relationship: first, the service provider does not hold a superior position in terms of a particular knowledge vis-à-vis the receiver as would happen with a doctor, an engineer or an economist, for instance; second, often the host is economically more affluent and of higher status than the service provider, something which is evident in upscale hotel establishments (Goeldner and Ritchie, 2006); third, especially in customer-contact departments, tipping is an important source of income, something that gives the customer a certain degree of control over employee behaviour (Azar, 2007).

These basic elements, plus the existence of intense competition, put the customer in a position of advantage and control that presses hotel organisations to forge in all employees an attitude of total customer satisfaction (Heart, 1988). The main challenge faced by hotel professionals are the multiple roles they need to cover simultaneously (Dev and Olsen, 1989). On the one hand, while they aim to serve the needs of the customer they have still to focus on the control of the transaction so as to do it effectively. On the

other hand, service providers need to perform according to the organisation brand standards, policies, and practices together with maintaining their personal emotional balance and self-esteem. Consequently, within this perspective, the HRM department is expected to significantly contribute to the actualisation of true hospitality and the successful delivery of products and services (Wilton, 2006).

#### **3.4.1.1 Labour intensity**

Boddewyn *et al.* (1986) recognised the importance of service MNEs by predicting that “By the year 2000, more than half of the world's multinational enterprises will be in services”. (p.54). Indeed, about twenty years later, a report by UNCTAD (2004) proved this forecast right, while indicating the ascending role of workforce in MNEs’ service provision. Nonetheless, Lowell (1999) vividly contends that:

“World-class talent has enormous scale effects as interaction costs fall because it can be leveraged across ever greater geography. It underlies most opportunities to specialise. It is the ultimate source of all intangible capital. It underpins all the other components of intangible capital necessary for global success. And, unfortunately, it is in short supply”. (p.182).

The hotel industry critically relies on its workforce as products and services offered are pervaded by the human element (King, 1995). As a result, contrary to other industries such as manufacturing and agriculture, hotel businesses cannot radically downsize owing to the omnipresent human factor that determines labour intensity both in front- and back-of-the house job positions (Nankervis, 2000). Further, the very characteristics of the hotel service complicate the employment relationship between the hotel and its workforce: intangibility, perishability, heterogeneity, variability, simultaneity of production and consumption, and inseparability (Reisinger, 2001).

Overall, experts maintain that the level of labour intensity is also affected by the extent of tourism development of a particular destination and its infrastructure as well as the type of business (Baum, 2006). Consequently, payroll represents the main cost faced by an industry with high cyclicity and tight profit margins (Woodworth and Mandelbaum, 2010). This results in a compression of salaries and wages often below industry average as well as in hotel MNEs seeking forms of precarious labour arrangements including

casual work, subcontracting, and outsourcing (Gonzalez *et al.*, 2011; Lamminmaki, 2011; Cairncross and Kelly, 2008).

### **3.4.1.2 Employee turnover challenge**

Seasonality and contingency represent the main causes for alarmingly high turnover rates, especially at the lower ranks (Wood, 1992). Indeed, some researchers have even commented that the hotel industry features a “labour turnover culture”. (Davidson *et al.*, 2010, p.452). An International Labour Organisation report on the hotel, catering, and tourism sector (ILO, 2001) shows that in 1997 the U.S. featured a 51.7% turnover rate for line employees compared to 30% in Asia and 42% in the UK. To illustrate, for the same period in the UK hotel industry turnover was second only to retail trade with 43.5% and far ahead of construction with 25% (ILO, 2001). The ILO (2001) additionally highlights that on average 25% of the total workforce was on a part time contract in 15 EU countries, while this figure climbed to about 50% for Northern countries such as the UK, Denmark, and the Netherlands. As Iverson and Deery (1997) maintain, this overarching turnover culture is further exacerbated by sheer seasonal fluctuations of tourism demand as well as unforeseen and uncontrollable circumstances of social, economic, and political nature.

As previously observed, the hotel industry offers employment ranging from the unskilled to the highly skilled, thus determining a sheer contrast in workforce composition between employees at the periphery versus those at the core (Brien, 2010; Knox, 2010). The resulting workforce segmentation depending on the level of employee indispensability to the organisation is reflected in job satisfaction ratings and corresponding turnover rates. In fact, ILO (2001) statistics confirm that in 1997, turnover rates in the US lodging industry for supervisors and property managers were about a fifth of those related to line employees. Further, the research of Lai *et al.* (2008) indicates that peripheral hotel employees are often considered costs rather than resources. This suggests that the difference between hotel professionals and blue-collar employees rests in the fact that the former identify themselves in their profession and enjoy more stable working conditions, while the latter are exposed to contingent labour arrangements owing to their disposability (Hjalager and Andersen, 2001). Nonetheless, the hotel industry (Hui and Hsin-Wei, 2009) itself appears to often contribute to high turnover rates because of poor HR practices and working conditions. Particularly, these include unattractive compensation, absence of career planning, uncertainty of employment, as well as long and unsocial working hours

(Boella and Goss-Turner, 2005). The result is that many qualified employees end up seeking better professional opportunities in other industrial sectors. Thus, employment opportunities in hotels especially attract the “secondary labour market” (Price, 1994, p. 47), which is constituted by students, housewives, school dropouts, and unqualified workers who are not distinctly dedicated to a specific industry. Despite having limited alternative occupational choices, these job-seekers appreciate working in contact with people and search for a convenient source of income even on a contingent basis (Curtis and Lucas, 2001; Walsh, 1990).

Hence, research evidence (Deery and Shaw, 1999) indicates that employee turnover has both positive and negative consequences. On the positive side, it facilitates managerial efforts to accommodate labour to business level fluctuations (Graham and Lennon, 2002). On the negative side, uncontrollably high turnover levels cause stress and workload increases for the remaining employees impacting their engagement and loyalty to the firm. Further, systemic staff and skills shortages impede the development and improvement of products and services, increase replacement costs, and eliminate the benefits of training. The resulting extreme working conditions ultimately determine a plunge in customer satisfaction that translates in revenue losses (Lee and Way, 2010).

#### ***3.4.1.3 Nature of hotel jobs and related labour markets***

Recent statistics indicate that jobs in the hotel industry are mostly unskilled or semi-skilled since only 36% of jobs concern managerial, supervisory, skilled, and craft positions (Riley, 2014). This reality has favoured widespread perceptions that jobs in hotels are of low quality resulting in a downward pressure in terms of compensation and working conditions (Simons and Enz, 1995). Given the practical nature of the business, managers in the hotel industry emphasise the operational skills and on-the-job training capability of the workforce, something that does not necessarily demand particular qualifications (ILO, 2001). Additionally, this facilitates the transferability of skills which also justifies the high employee mobility across the broader hotel and hospitality sector (Deery and Jago, 2002). By taking into consideration its high labour intensity, considerable turnover rate as well as the critical share of unskilled and semi-skilled jobs over total workforce, it can be argued that the hotel industry is generally characterised by a weak internal labour market. In fact, the particular nature of the business prevents the

majority of establishments from fostering a well-organised work environment with clear standards in terms of job description, performance evaluation, pay, and promotion.

Interestingly, as employment in the hotel industry is especially open to women, a feminisation of work (Woods, 1999) occurs whereby they would cover mainly mothering roles (e.g., housekeepers, waiting staff) or glamorous roles (e.g., in reception, sales, and marketing positions). Nonetheless, the extent of workforce feminisation in the hotel industry depends on the social, cultural, and religious settings as well as the broader position of women within the society of countries of domicile (Matias *et al.*, 2009; Burrell *et al.*, 1997).

### **3.5 Summary**

The literature review chapters highlight the extent to which there are institutional pressures occurring from both home and host countries, when an organisation decides to expand its operations internationally. Research suggests that country-of-domicile effects prevail given the need to accommodate overseas subsidiaries' operations to the local environment. These adjustments influence the way corporations are governed, the strategy according to which human resources are managed, and a firm's impact on the host country context (Dore, 2008).

Consequently, drawing from Whitley's theory on business systems and other salient strands of literature on comparative capitalism, the ensuing research work seeks to investigate the application of HRM in the hotel industry, and how HR policies and practices vary according to setting. The following chapter illustrates the research method implemented.

## **CHAPTER 4: RESEARCH METHODS**

### **4.1 Chapter 4: Introduction**

The central importance of HRM to the hotel industry is stressed by Guerrier and Deery (1998):

“The hospitality industry does provide a wonderful environment in which to explore some of the current issues in organisational studies and human resource management. It is a global industry and therefore provides an opportunity to compare different management styles and approaches; to examine, for example, East Asian management approaches or the changing management styles in the ex-communist countries of Central and Eastern Europe”. (p.154).

Brotherton (1999) argues that the hotel industry, following its internationalised profile, offers fertile grounds for cross-national comparisons. Consequently, through a cross-national comparative study, the aim of this research is to examine HR policies and practices within a MNE operating in the hotel industry, and attain new insights into their application in countries of domicile. Subsequently, in looking at a global hotel company, the central focus is on variations in the defining features of firm practice within national institutional contexts, as enunciated by Whitley (1999). According to Whitley (1999), firms operating in different institutional settings tend to favour distinct forms of employee relations, varying according to employer-employee interdependence and delegation to employees (Brookes *et al.*, 2005; Whitley, 1999). In particular, while the first construct assists in identifying the elements leading to a higher emphasis on the internal labour market, the latter relates to the extent according to which management allows for collective employee participation.

### **4.2 Research contributions**

Since this study is focused on countries of domicile, it explores overseas subsidiaries of a case study US hotel MNE. Interest in this typology of MNEs is vivid because US MNEs appear to be particularly strong in imposing a country of origin model. Following the work of Gooderham *et al.* (2006, 2004, 1998) and Ferner *et al.* (2005a, 2005b, 2004), existing research evidence indicates US MNEs are especially prone to promote

homogenous practices in line with the country of origin. Other studies by Morgan (2012) and Whitley (2012) suggest that MNEs are subject to both country of origin and host country effects. Moreover, it is argued that fluid or emerging institutional frameworks are less likely to impose a national stamp on practices owing to their “institutional voids”. (Khanna and Palepu, 1997, p.42). Hence, in fluid or emerging settings, it could be assumed that it is more likely that practices are similar and in line with whatever the firm wishes to impose. On the contrary, in some more mature institutional frameworks such as CMEs with relatively strong countervailing stakeholder power, there is likely to be stronger pressures to adapt to suit local formal and informal regulations and social ties, which cause a departure from the dominant corporate way of doing things.

Additionally, this research features an underlying peculiarity: hotel MNEs have to be locally present to serve a national market while ensuring the provision of globally standardised products and services (Edwards, 2011). This pursuance of normalisation of work processes by hotel MNEs from a strategic standpoint affects the way global HR policies and practices are shared and implemented across subsidiaries. This need for homogeneity pushes hotel MNEs to develop and implement common workforce management practices across different national contexts. According to Edwards (2011), hotel MNEs belong to that category of businesses which are highly visible to consumers. Subsequently, uniform HR policies across borders are an essential requirement in order for the hotel chain to preserve brand identity and consistency. Thus, in the current globalised reality of MNEs additional research is needed to understand the modality as well as the degree of reach and power exerted from the MNE centre to the periphery (Brewster and Mayrhofer, 2009; Quintanilla and Ferner, 2003).

### **4.3 Operationalisation of concepts**

This study is focused on the two core dimensions of work and employment relations identified by Whitley (1999). The first dimension is the degree of employer-employee interdependence, which includes two sub-dimensions. First, the willingness of the organisation to invest in its people indicated by the extent to which an organisation is committed to training and development. Second, the relative security of tenure enjoyed by employees which is reflected by the dominant form of contract (e.g., permanent, temporary, or fixed term), the frequency of redundancies, the methods used to downsize, and the use of outsourced labour. The second dimension of Whitley’s (1999) framework

concerns the amount of delegation to employees. This relates to the level to which managers are eager to allow employees greater discretion in the performance of tasks as well as financial participation, the extent to which employers bargain with employee representatives and, last, mechanisms for employee involvement, communication, and feedback (Marchington *et al.*, 1993). Consequently, these sets of indicators are useful in order to test through HR policies and practices comparisons if the application of HRM by a MNE tends to be similar or different across a range of countries (Brewster *et al.*, 2008). Ensuing summary table (Table 4.1) identifies the designated aspects of HR policies and practices involved in the research and the corresponding survey questions that represent ‘specific variables’.

**Table 4.1: Defining features of HRM practice**

(Source: Brewster *et al.*, 2008, p.327; Whitley, 1999)

FEATURE	SUB-DIMENSIONS	SPECIFIC VARIABLES
<b>Employer–employee interdependence</b>	1. Training and development (proportion of employees to receive further training, amount of organisational resources devoted to development T&D)	<ul style="list-style-type: none"> <li>• Annual wage bill</li> <li>• Annual training budget</li> <li>• Number of employees trained in the last calendar year</li> <li>• Implementation of a formal analysis of training needs</li> </ul>
	2. Security of tenure (forms of contract, prevalence of downsizing, use of outsourced labour)	<ul style="list-style-type: none"> <li>• Decrease in the number of employees over the last 3 years</li> <li>• Number of jobs lost within the last 3 years</li> <li>• Methods employed to decrease the workforce within the last 3 years (Compulsory redundancy / Voluntary redundancy / Outplacement / Non-renewal of fixed-term contracts / Outsourcing)</li> <li>• Use of forms of non-standard employment (Precarious, contingent and temporary work arrangements through temp agencies / Casual work arrangements / Fixed-term contracts / Subcontracting / Outsourcing)</li> <li>• Total Full time workforce headcount</li> <li>• Total Part time workforce headcount</li> <li>• Number of Casual Employees/Workers employed on average</li> <li>• Number of Contract Employees/Outside Labour employed</li> <li>• Outsourcing of entire function/s</li> <li>• Number of workers employed by an outsourced company under a Contract Service agreement</li> <li>• Current number of employees within workforce headcount (i.e. Full Time plus Part-Time employees) on a fixed-term contract</li> </ul>
<b>Delegation to employees</b>	1. Representative participation (collective bargaining, works councils)	<ul style="list-style-type: none"> <li>• Recognition of a union for the purposes of collective bargaining</li> <li>• Percentage of workforce belonging to a trade union</li> <li>• Type of agreement mostly used to determine the level of basic pay (Nationwide collective work agreement / Industry sector collective work agreement / Company agreement / Individual contractual agreement)</li> <li>• Relative importance of elements determining salary levels (Achievement of group objectives / Performance review / Job responsibility / Severity of working conditions / Employee age / Seniority / Training level / Experience)</li> </ul>
	2. Financial participation	<ul style="list-style-type: none"> <li>• Forms of financial participation applied (Employee share options / Profit sharing / Group bonus / Performance-pay)</li> </ul>
	3. Functional participation and upward communication	<ul style="list-style-type: none"> <li>• Forms of upward communication applied (Employee surveys / Suggestion programs / Employee grievance programs / Employee participation to quality circles / Employee participation to team meetings)</li> </ul>
	4. Effectiveness of formal downward communication	<ul style="list-style-type: none"> <li>• Forms of downward communication applied (Feedback / Recognition / Coaching / Performance evaluation / Departmental meetings / General employee meetings / Quality committee meetings / Company intranet)</li> </ul>

#### **4.4 Research objectives**

Since this thesis sets out to comprehend the application of HR policies and practices in overseas subsidiaries of a US hotel MNE from the viewpoint of HR executives, research objectives to attain are:

- 1) To identify, within the context of the hotel industry, the degree of autonomy overseas subsidiary HR executives have in setting their HR policies and practices versus head office guidelines;**
- 2) To compare and contrast the HR policies and practices encountered across overseas subsidiaries of the case study firm;**
- 3) To evaluate the divide between formal organisational rules and strictures, and actual practice;**
- 4) To compare and contrast the application of HR policies and practices between different strata of the workforce;**
- 5) To locate and explore the wider theoretical implications of any homogeneity or diversity within the literature of comparative capitalism and the lessons for applied HR policies and practices.**

Therefore, contribution to knowledge emerges at different levels, because this study is expected to:

- Highlight differences and similarities in HR policies and practices in multinational hotel chains in different national contexts;
- Offer a deeper understanding of the interdependence between MNE head office and property-based HR executives, and the level of delegation to the latter within a leading hotel MNE;
- Illustrate common characteristics which may constitute defining features of practice in the country of origin or an emerging global model;
- Shed further light on the constraints on innovation in HRM practice in different national settings, and explores ways in which these constraints may be overcome;
- Contribute, at a theoretical level, to the emerging body of literature that applies comparative capitalism to the study of MNEs;
- Describe the relative strength of country of origin versus country of domicile pressures in a service sector industry;
- Provide further insights on the nature of institutional effects in fluid versus mature environments.

#### 4.5 Identification of concepts supporting the research

Investigating HR policies and practices comparatively across national borders requires the definition of key concepts supporting the research. Thus, while the degree of autonomy of HR executives concerns the theory related to management of overseas MNE subsidiaries (Heenan and Perlmutter, 1979; Perlmutter, 1969), the analysis related to the possibility of HR policies and practices across subsidiaries converging on a global scale draws from observations about pressures exerted by a common homogenising force over HRM (Brewster *et al.*, 2008). To this end, Whitley's (1999) national archetypal Business Systems Model is instrumental in explaining, through a clustering process, the link between host country and the implementation of HR policies and practices by overseas subsidiaries of a hotel MNE. More in detail, the ensuing tables (Table 4.2 – Table 4.6) summarise the constructs, questionnaire items, and the upholding literature for each of the research objectives.

**Table 4.2: Research objective (1): supporting concepts**

*To identify, within the context of the hotel industry, the degree of autonomy overseas subsidiary HR executives have in setting their HR policies and practices versus head office guidelines.*

Constructs	Questionnaire Items	Supporting Literature
<b>Localised decision-making vs. head office control</b>	<ul style="list-style-type: none"> <li>• decentralisation</li> <li>• autonomy</li> <li>• head office performance measurement system</li> </ul>	(Arthur, 1994) (Fenton-O'Creedy <i>et al.</i> , 2008) (Gammelgaard <i>et al.</i> , 2011) (Mahlendorf <i>et al.</i> , 2012) (Peccei and Rosenthal, 2001) (Perlmutter, 1969)
<b>Relationship with locale</b>	<ul style="list-style-type: none"> <li>• PCN (Parent Country Nationals) / HCN (Host Country Nationals) / TCN (Third Country Nationals)</li> <li>• staffing policies: ethnocentrism vs. national heterogeneity</li> </ul>	(Colakoglu <i>et al.</i> , 2009) (Gong, 2003) (Mayrhofer and Brewster, 1996) (Tarique <i>et al.</i> , 2006)
<b>HRM practices</b>	<ul style="list-style-type: none"> <li>• employer-employee interdependence</li> <li>• delegation to employees</li> <li>• results-oriented appraisals</li> <li>• performance-related rewards and recognition</li> <li>• job descriptions</li> <li>• employment security</li> <li>• recruitment / selection</li> <li>• training / development</li> <li>• employee involvement</li> <li>• line managers' HRM involvement</li> </ul>	(Banker <i>et al.</i> , 1996) (Becker and Gerhart, 1996) (Brewster <i>et al.</i> , 2015) (Delery and Doty, 1996) (Gooderham <i>et al.</i> , 1999) (Guest, 1997) (Huselid, 1995) (Legge, 1995) (Macduffie, 1995) (Nishii <i>et al.</i> , 2008) (Poutsma <i>et al.</i> , 2006) (Truss <i>et al.</i> , 1997) (Youndt <i>et al.</i> , 1996)

**Table 4.3: Research objective (2): supporting concepts**

*To compare and contrast the HR policies and practices encountered across overseas subsidiaries of the case study firm.*

Constructs	Questionnaire Items	Supporting Literature
<b>Standardisation</b>	<ul style="list-style-type: none"> <li>• business system</li> <li>• institutions</li> </ul>	(Beechler and Yang, 1994) (Brewster <i>et al.</i> , 2008) (Buckley and Ghauri, 2004) (Edwards <i>et al.</i> , 2007) (Myloni <i>et al.</i> , 2004)
<b>Head office control</b>	<ul style="list-style-type: none"> <li>• minimisation of host country inconsistencies</li> </ul>	(Geppert and Clark, 2003) (Johnson and Vanetti, 2005)
<b>HRM practices</b>	<ul style="list-style-type: none"> <li>• employer–employee interdependence</li> <li>• training and development (proportion of employees to recently receive further training, amount of organisational resources devoted to training and development)</li> <li>• security of tenure (forms of contract, prevalence of downsizing, use of outsourced labour)</li> <li>• delegation to employees</li> <li>• representative participation (collective bargaining, works councils)</li> <li>• financial participation</li> <li>• functional participation and upward communication</li> <li>• effectiveness of formal downward communication</li> </ul>	(Brewster <i>et al.</i> , 2008) (Croucher <i>et al.</i> , 2006) (Whitley, 1999) (Whitley and Czaban, 1998)

**Table 4.4: Research objective (3): supporting concepts**

*To evaluate the divide between formal organisational rules and strictures, and actual practice.*

Constructs	Questionnaire Items	Supporting Literature
<b>Communication of HRM policies and practices</b>	<ul style="list-style-type: none"> <li>• target setting</li> <li>• training and development</li> <li>• corporate intranet</li> </ul>	(Parry and Tyson, 2011) (Ruël <i>et al.</i> , 2004) (Sparrow <i>et al.</i> , 2004)
<b>Corporate HR Manual</b>	<ul style="list-style-type: none"> <li>• people management rules and policies</li> </ul>	(Grugulis, I., <i>et al.</i> , 2000) (Harzing and Sorge, 2003) (Kim <i>et al.</i> , 2003)
<b>Attainment of goals in compliance with organisational guidelines</b>	<ul style="list-style-type: none"> <li>• performance appraisal</li> <li>• workforce engagement</li> </ul>	(Björkman <i>et al.</i> , 2008) (Ferner <i>et al.</i> , 2004) (Karatepe, 2013) (Myloni <i>et al.</i> , 2004)

**Table 4.5: Research objective (4): supporting concepts**

*To compare and contrast the application of HR policies and practices between different strata of the workforce.*

Constructs	Questionnaire Items	Supporting Literature
<b>Reward management</b>	<ul style="list-style-type: none"> <li>• compensation practices</li> <li>• incentive schemes</li> </ul>	(Kline and Hsieh, 2007) (Namasivayam <i>et al.</i> , 2007) (Wu <i>et al.</i> , 2013)
<b>Identification with core workforce</b>	<ul style="list-style-type: none"> <li>• performance appraisal objective</li> <li>• career planning</li> </ul>	(Cerdin and Brewster, 2014) (Deery and Jago, 2002) (Moriarty, <i>et al.</i> , 2012) (Zopiatis <i>et al.</i> , 2014)
<b>Workforce segmentation</b>	<ul style="list-style-type: none"> <li>• standard versus non-standard jobs</li> <li>• subcontracting</li> </ul>	(Hoque, K., 2013) (McNamara, <i>et al.</i> , 2011) (Woolfson, <i>et al.</i> , 2014)
<b>Employee representation</b>	<ul style="list-style-type: none"> <li>• collective work agreement</li> <li>• employee unionisation</li> </ul>	(Alberti, G., 2014b) (Davidson <i>et al.</i> , 2006) (Knox, 2010)

**Table 4.6: Research objective (5): supporting concepts**

*To locate and explore the wider theoretical implications of any homogeneity or diversity within the literature of comparative capitalism and the lessons for applied HR policies and practices.*

Constructs	Questionnaire Items	Supporting Literature
<b>Host country business system</b>	<ul style="list-style-type: none"> <li>• clustering according to the archetypal Business Systems Model identifying types of capitalism</li> <li>• emerging markets: division into transitional (post-communist) and emerging markets</li> </ul>	(McMahan <i>et al.</i> , 1998) (Whitley, 1993) (Whitley, 1994b) (Whitley, 1999)
<b>Influence of institutions on firms as regulative, normative, or cognitive parameters</b>	<ul style="list-style-type: none"> <li>• impacts of local laws and regulations vs. local norms, customs and conventions</li> </ul>	(Czaban and Whitley, 2000) (Hung and Whittington, 1997) (Jackson and Deeg, 2008a) (Mayer and Whittington, 1999) (Whitley, 1991) (Whitley, 1994a) (Whitley, 1996)
<b>HRM implementation in overseas subsidiaries</b>	<ul style="list-style-type: none"> <li>• push/pull influences over HRM policies</li> </ul>	(Farley <i>et al.</i> , 2004)
<b>HRM high-road approach</b>	<ul style="list-style-type: none"> <li>• knowledge sharing</li> <li>• brand identity and consistency</li> <li>• emphasis on collaborative and high performance work practices</li> </ul>	(Bae and Lawler, 2000) (Farndale and Paauwe, 2007) (Pfeffer and Veiga, 1999) (Pudelko and Harzing, 2007) (Wright and Kehoe, 2008)
<b>HRM low-road approach</b>	<ul style="list-style-type: none"> <li>• calculative and hard HR approach</li> <li>• focus on cost</li> </ul>	(Batt, 2000) (Legge, 1995) (Webster <i>et al.</i> , 2006) (Wright <i>et al.</i> , 2005)

## 4.6 Research Design

### 4.6.1 The research strategy and findings

The research concerns a sample of HotelCo's overseas properties in the widely implemented "cross-sectional" procedure thus providing a "snapshot" at a particular point in time of specific occurrences and their connections (Saunders *et al.*, 2007, p.148), something that can be effectively attained via the use of a questionnaire. Consequently, a drawback of this choice is that it prevents from obtaining data over a given time period. This would have happened with a "longitudinal" approach allowing for a "causal inference" as is the case with studies related to organisational change (Birdi *et al.*, 2008, p.476).

Since this research is planned to occur at two sequential stages, initially data are collected through an e-mailed survey, and analysed quantitatively. Then, additional evidence is gathered and examined qualitatively through individual in-depth interviews following a semi-structured list of questions. Such a strategic approach reflects the "mixed method" research (Tashakkori and Teddlie, 1998, p.3), illustrated also by Saunders *et al.* (2007, p.145). Even if feedback from HotelCo subsidiaries was provided directly and solely by the respective HR executives following explicit HotelCo requirements, still this paper offers a unique insight into the process from the very management representatives in charge of implementing HR policies and practices at hotel property level. Further, evidence concerns the totality of fully owned and operated subsidiaries located in the European division of HotelCo which number seven hotels. Consequently, the small sample size allows to collect quantitative and qualitative data from more extensive questionnaires and semi-structured interview lists than would normally be the case. Moreover, depth of analysis of a specific number of cases through a multiple method research approach is enriched by the use of participant observation, which belongs to the naturalist enquiry tradition of ethnographic inductive research (Johnson, 2004; Gill and Johnson, 2002). Consequently, the utilisation of participant observation is instrumental because, as Gill and Johnson (2002) argue, the ethnographic approach:

"Allows the fieldworker to use the socially acquired and shared knowledge available to the participants to account for the observed patterns of human activity". (p.124).

As addressed in the Introduction chapter, the researcher is an expert of the case study hotel MNE organisational context owing to the HR executive position covered at a HotelCo overseas subsidiary. Consequently, this thesis provides the researcher the opportunity to try a new methodology owing to three main elements: first, the advantage offered by a small sample size; next, the fact that the research concerns an under-studied industrial sector operating also in transitional periphery economies that are mostly *terra incognita* for scholars (Yalcin and Kapu, 2008); and, last, the peculiar status of the researcher who is practitioner, participant, observer, and interviewer at once, thus offering multiple viewpoints which strengthen the inductive research process (Quinn Patton, 1999). Additionally, the utilisation of multiple observational methods enables triangulation (Denzin, 1970). The researcher thus attains to complement and corroborate findings from the quantitative questionnaire and in-depth interviews with document analysis and participant observation (Vennesson, 2008).

In summary, the wealth of information obtained allows for direct comparison across subsidiaries in differing economic clusters (Pudelko and Harzing, 2007). Underlying issues are revealed, compared, and contrasted by considering all cases in parallel rather than independently (White *et al.*, 2003). Research findings are thus presented in Chapters 5, 6 and 7 within ensuing Part 2 according to the following structure:

1. Introduction
2. Key findings based on participant observation and documents
3. Evidence based on in-depth interviews
4. Evidence based on quantitative survey
5. Evidence based on company documents and additional participant observation insights
6. Discussion and conclusions

Document analysis and participant observation integrate the illustration of research findings from two distinct angles: first, by establishing the ‘what’ or, otherwise, a common language of understanding (Rezgui, 2007) which explains key concepts and practices found in the sampled hotels and the meaning the specific organisation attributes them. Next, since the researcher covers the critical role of participant observer, an additional analysis is featured after in-depth interviews and quantitative findings expositions, in order to compare the latter with the researcher’s own inside knowledge and understanding. By reviewing evidence surfacing from both in-depth interviews and

survey questionnaire, this researcher is in an advantageous position to explain the ‘why’ of findings (Vinten, 1994).

#### **4.6.2 Research case study**

The company under consideration is a hotel MNE that, for the purpose of safeguarding anonymity, is referred to as HotelCo. This offers a unique research opportunity to understand the influence exerted by the MNE’s head office towards overseas subsidiaries. Further it is of interest to explore an industry where MNEs are more spatially bound than would be the case with many other employers. In fact, the peculiarity of international hotel chains is that they cannot, unlike manufacturing and some services such as call centres, move to locations of lowest possible cost in a race-to-the-bottom strategic choice (Contractor *et al.*, 2010; Wright *et al.*, 2005). Rather, hotel MNEs have to base their decisions primarily on consumer demand, which results in overseas subsidiaries being present in some extremely high wage and heavily regulated contexts (Contrepolis and Jefferys, 2010; Knox, 2010; McDowell *et al.*, 2007). This makes hotels a very intriguing case because they cannot simply exit markets to avoid regulation as a blanket policy, since they need to be where customers are. Thus, hotel MNEs are compelled to optimise their strategy according to the particular context and business settings (Timo and Davidson, 2005). Nevertheless, hotel MNEs may choose to leave a specific market altogether if the costs of labour, for example, are so great as to make for uncompetitiveness.

In the final analysis, using a case study organisation that operates globally within the fast growing service sector enables to explore the relationship between corporate guidelines and application of HR policies and practices across different national contexts, thus contributing to the debate on the nature and application of HRM in the hotel industry.

#### **4.6.3 Profile of research participants**

At the time of the research, participating HR executives were in charge of the HRM function within their respective overseas subsidiary HotelCo operation. Therefore, while safeguarding the confidentiality and anonymity commitment of the researcher, ensuing is an attempt to profile respondents who contributed to the study by both filling in the quantitative survey and answering in-depth interview questions. The typical participant was a female local employee aged between 36 and 40 who, besides holding a university

degree, had also attained an additional professional qualification in HRM. In terms of seniority, the average respondent was working in the assigned hotel property for the past 6 to 10 years, while, relatively with total years of service at HotelCo, the mean period was 10 years. Thus, it is inferred that the average participant had been working most of their employment time with HotelCo in the same overseas subsidiary. This observation reveals that sample HotelCo HR executives were not particularly mobile, which is an aspect coinciding with evidence supported by literature (Dowling *et al.*, 2008). To the contrary, other senior hotel operational positions shift properties more frequently such as in the Kitchen, Food & Beverage Service, and Front Office departments (Brotherton, 2012; Sims, 2003). Overall, as noted by Riegel (2011), there is evidence suggesting that in the hospitality industry:

“Turnover rates can reach as high as 200 or 300 percent in rank-and-file positions, and management turnover, at least at the operations level, can approach 100 percent in some organisations”. (p.449).

Consequently, another fundamental rationale as to why the researcher surveyed HR professionals exclusively, is grounded on the premise that these are much more likely to stay longer with HotelCo and, particularly, at their assigned property. Since all other employee categories are affected by high turnover rates, it is quite reasonable to assume that these potential respondents would not have had the necessary deep and broad experience with HR policies and practices at HotelCo as required by the study.

Hence, the research did not include workers' voices, even if these would have added further evidence from a differing standpoint. The participant observer did not engage with unions or works councils because sample properties did not feature any of these forms of employee representation. Besides representing a MNE requirement, no employees were interviewed due to two main further reasons: firstly, in different settings the relative position of workers varied greatly; and, secondly, due to the HR executive status of the interviewer, employees were very likely to feel intimidated thus jeopardising sincerity of opinions. Additionally, since this thesis is about comparing and contrasting on a consistent and standardised knowledge basis, the inclusion of workers' voices would have caused great inconsistencies due not only to variations in relative employee power, but also to challenges in approaching employees. Indeed, in some contexts approaching employees would have been constrained by the usage of heavily subcontracted and outsourced labour. Therefore, the researcher appreciates that he could have devoted more

attention to workers' voices, if primarily the case study MNE would have permitted access to. However, this would offer a fertile ground for further research as an ethnographic study.

#### **4.6.4 Ethics related to the study**

The research adheres to the University of Sheffield's Ethics Policy, and ethical clearance was obtained through its normal processes. Designated same-level HR executive respondents were duly informed in advance about the researcher's role as participant observer (cf. Gold, 1958), the research aims, and objectives. Consequently, the researcher was able to further enhance authentic communication patterns which were already established through "pre-existing relations of trust". (Lofland, 1971, p.71). The resulting three key benefits are noteworthy, especially if one considers the high "refusal rate" in management research (Gill and Johnson, 2002, p.135). Firstly, this research accesses the real world of HRM application at the level of MNE overseas subsidiaries. Secondly, evidence is gathered by involving in the study the most qualified professionals. Thirdly, the hierarchical proximity between the researcher and respondents as well as the awareness of the latter about the role of the former as participant observer, allow for more analytical reflection (Robson, 2003). These advantages are certainly no simple matter because studies of management urge the researcher to penetrate the secrecy covering organisations and particularly their sensitive managerial functions such as HRM. Furthermore, the specific industrial sector explored by this study has a reputation of not being particularly open to academic research. The fact that HotelCo gave permission only to approach HR executives should not surprise because, according to Kusluvan *et al.* (2010), traditionally only management participates in hotel-related HRM research. Furthermore, the limiting conditions imposed by the case study firm reveal a symptomatic close stance towards academic research by the hotel industry as opposed to the extraversion of other sectors, such as pharmaceuticals (King *et al.*, 2011).

The main disadvantage to the peculiar position of the researcher concerns his very presence as for the bulk of the study as both observer and colleague, thus affecting the situation under examination (Quinn Patton, 1999). Consequently, even if this approach is justified to further knowledge, the main difficulty facing the participant observer is to ensure objectivity and detachment (Delbridge and Kirkpatrick, 1994). This indeed

appears to be an insurmountable challenge of moral order (Gill and Johnson, 2002) because it is virtually impossible to separate researchers from their values and biases (Easterby-Smith *et al.*, 2008), even if genuine efforts occur to recognise and discount them in the process of interpreting the social world (Saunders *et al.*, 2007). Thus, any observation formula features advantages and disadvantages (Robson, 2003). Yet, the unrepeatable and time-consuming participant observation allows for the internalisation of the respondents' standpoint which would be impossible to occur if the researcher assumed a dispassionate view (Douglas, 1976). In fact, even if the researcher acted as spectator, issues would emerge related to ethnocentrism and the subsequent inability to understand the others' position (Buckley and Chapman, 1997). Lastly, since respondents were aware that this was a study featuring a researcher who was also a colleague of theirs, and therefore were easily identifiable, the resulting responses could be biased (Saunders, 2011; Welch *et al.*, 2002).

Given that in the context of social sciences any research conducted is a social situation, there is the concrete possibility of researcher bias as well as of distortions resulting from the differing assumptions of the researcher and participants. To this end, the construct of reflexivity is particularly pertinent as it identifies a pervasive process affecting all stages of the research by representing a:

“Critical reflection both on the kind of knowledge produced from research and how that knowledge is generated”. (Guillemin and Gillam, 2004, p.274).

For instance, although the method chosen defines how the researcher comes in contact with the study object while remaining separated from it, still Clough and Nutbrown (2007, p.28) argue that this is something impossible to attain. Things are further complicated by a classic problem in Western philosophy referred to as “intersubjectivity”, according to which human beings experience both the physical and social world in a unique way through their own sensory states thus determining the impossibility of “knowledge of other minds” (Schutz, 1954, p.265).

Consequently, from a sociological perspective, this problem of uniqueness of consciousness and experience determines ethical and moral challenges with inevitable bias and politics implications because the investigator needs to interpret others' motivation and actions. For instance, objectivity challenges may appear at various levels,

particularly in relation to researcher and researched, difference and power, sensitivity towards the position of others, and, last, the key role of language in mediating experiences (Payne, 2000). While all social science research should feature the utmost goal of being a value-free activity (Kvale, 1995), still Dachler and Enderle (1989) argue that research is basically a political endeavour whereby there cannot be any neutral position on the side of the researcher. Still, in the words of Angrosino and Mays de Pérez (2000), this “May be a non-issue which is neither desirable nor feasible” (p.674) owing to the intrinsic values and biases of the researcher. It results that participant observation, when used in combination with other qualitative and quantitative research methods as well as document analysis, critically enriches triangulation across independent data collection methods (Denzin, 1970).

Lastly, there is an issue of practical nature linked to the fact that the researcher, who was simultaneously a participant observer, was engaging respondents while covering the role of HR executive at a different HotelCo subsidiary, thus being an active employee of the explored case study MNE. Consequently, although informed consent was obtained from research participants, in the process respondents may have interpreted the researcher’s role from a dual standpoint: while they may have seen themselves as interacting with a colleague candidly seeking to further his studies, however they may have understood his actions as the result of instructions ordered from above. The researcher had the responsibility to keep the study distinct from his executive position in order to ensure that information gathered from research participants was not going to be reported to the HotelCo organisation. Thus, respondents were duly informed that any information gathered during the research was solely for the purposes of the thesis and not used to enforce non-compliance with organisational policies and practices.

#### **4.6.5 Research implementation**

The implementation of the research demanded advance approval and support by senior management at HotelCo. To this aim, an agreement was signed with the Managing Director of HotelCo’s European division in order to commit the researcher towards conducting the survey and in-depth interviews within specific guidelines in line with The University of Sheffield’s Ethics Policy. Apart from the requirement to ensure voluntary, anonymous, informed, and confidential participation to designated respondents covering the position of HR executive, HotelCo mandated the researcher to not disclose any

HotelCo confidential and proprietary information possessed by virtue of his active employment position as HR executive.

Once organisational backing was obtained and access to selected respondents secured at the highest corporate level of HotelCo, the next phase consisted of e-mailing individually to respondents the description of the survey, their participation rights, and the use of data collected. Respondents were given the guarantee as to their voluntary participation to the survey under complete anonymity and confidentiality, and were informed about the option of not contributing to the exercise (cf. Stangor, 2004). Consequently, respondents participated to the survey with an informed consent which offered them a thorough picture about the scope of the research in advance, while being ascertained that confidentiality and anonymity were safeguarded (cf. Saunders *et al.*, 2007). Within two weeks from the initial mailing, a follow-up e-mail from head office occurred to encourage respondents' participation and support to the researcher's work.

Overall, the research was split into four sequential stages, whereby the first was the preliminary collection of critical information from the top HR executives at head office to inform the development of the questionnaire. The second stage of the research involved piloting the questionnaire to highlight any possible issues or problems that could have occurred when administering the survey. Then, the questionnaire was distributed to HR executives at sampled HotelCo properties. The application of a purely quantitative data collection and analysis method enabled the comparison of results from different locations. Lastly, stage four consisted in a further semi-structured follow-up interview phase with the same HR respondents to attain in-depth qualitative data enriching the interpretation of results.

#### **4.6.6 Sample characteristics and economic clusters under investigation**

Quantitative and qualitative evidence was gathered through the contribution of HR executives from seven HotelCo hotel subsidiaries representing the totality of European divisional properties wholly owned and operated by the global hotel chain under examination. The distinctive benefit deriving from studying this type of overseas hotel properties consists in focusing on subsidiaries onto which the MNE in question exerts the strongest form of control because of it being the exclusive owner and operator (León-

Darder *et al.*, 2011). Consequently, the decision to exclude other types of business arrangements such as franchising and management contract agreement (Contractor and Kundu, 1998b) stems from the need of the researcher to avoid considering hotels operating under business relationships in which the role of HotelCo is reduced because influenced by third parties. In fact, it is quite common for franchised and contracted properties to experience operational disagreements between franchisor and franchisee, and management company and owner, respectively (Pine *et al.*, 2000). Conversely, these conflicts that relate to “principal-agent problem” (Kehoe, 1996, p.1486) and result from differing self-interests of the concurring parties, do not exist in the case the property is fully owned and operated by the hotel MNE.

Since explored overseas subsidiaries belong to different business systems, the research allows for comparisons across subsidiaries onto which HotelCo exercises “high levels of direct control” (Brookes and Roper, 2010, p.1500). In particular, three main economic cluster typologies are represented as follows:

- 1) **Coordinated Market Economy (CME)**: by subsidiaries located in Germany (three) and Switzerland (one);
- 2) **Liberal Market Economy (LME)**: by one subsidiary operating in the United Kingdom;
- 3) **Transitional Periphery Economy (TPE)**: by subsidiaries operating in Azerbaijan and Kyrgyzstan (one in each country).

#### 4.6.7 The questionnaire

A quantitative survey method was used to collect and analyse data related to the implementation of HR policies and practices in a global hotel chain. As Saunders *et al.* (2007) point out, quantitative surveys are a “Popular and common strategy in business and management research” which enable “Easy comparisons and appear to be authoritative”. (p.92). Hence, the questionnaire aims to illustrate and measure the opinion of a specific sample of respondents in relation to HR policies and practices. Thus, a primary research data analysis results from self-administered e-mailed surveys addressed to respondents identified through a non-probability sampling technique (Couper and Bosnjak, 2010, p.529). In order to prevent being too direct, the demographics and personal information unit was placed at the end of the questionnaire so as to allow for

respondents' profiling. Specifically, respondents were asked to answer questions grouped under the following titles:

- A. Autonomy in relation with HRM decisions
- B. Communication and information flows
- C. Employer-employee interdependence
- D. Delegation to employees
- E. Host-country specific factors determining the application of HRM practices in MNE hotel chain subsidiaries:
  - a) Selection methods
  - b) Compensation practices
  - c) Performance appraisal practices
- F. About expatriates
- G. Workplace information and demographics

Since the survey attempts to reveal and measure quantitatively the opinion of a defined sample of respondents in relation to a variety of issues, participants were asked a set number of questions which featured pre-determined answers, either multi choice or requiring an evaluation based on a 5-point Likert scale (Dawis, 1987, p.484). Nonetheless, in order to give respondents the freedom to indicate an answer not corresponding to the provided choices, an additional 'other' category was added to certain questions (Pallant, 2005, p.8).

The decision by the researcher to conduct the quantitative data collection through an e-mailed survey requires an overview of its benefits and drawbacks which are inherent to any research tool (Lefever *et al.*, 2007). While e-mail surveys first appeared in the 1980s, web-based surveys were introduced the following decade (Evans, 2005). Nowadays, the web is used by an ever-increasing number of social scientists (Van Selm and Jankowski, 2006). The administration of the survey electronically and not via the traditional media such as paper and telephone presents both pros and cons. In terms of strength, e-mailed surveys are particularly efficient and effective in reaching the targeted sample. Also, since the follow-up process is quick, precise and almost cost-free, the response rates are considerably increased (Alessi and Martin, 2010; Baruch and Holtom, 2008; Downing and Clark, 2007; Fricker and Schonlau, 2002). Moreover, e-mailed surveys are particular flexible in their layout, format, and variety of questions, allowing the researcher to administer tailor-made questionnaires according to their audience (Ganassali, 2008; Gunter *et al.*, 2002).

Then, e-mailed surveys are respondent-friendly because they allow research participants to conveniently fill them in at their own pace, while enabling to save answers temporarily in order to return to the survey completion at a later stage (Van Selm and Jankowski, 2006; Evans, 2005). Lastly, while in some cases respondents may perceive the whole procedure as cold and impersonal (Dillman and Smyth, 2007), in this study this represents a key advantage because it affords respondents a veil of anonymity to express potentially controversial views. This is especially due to the close ended answers involving agreement or disagreement with statements, rather than the active articulation of viewpoints. This is of particular importance given the researcher's own former association with the company, and the extent to which managers may be reluctant to express controversial or dissenting views on a face to face basis with a present or former peer.

Nevertheless, e-mailed surveys present disadvantages: first, the very fact that they are so easy and immediate may damage their reputation and be considered as "junk mail" by recipients (Evans, 2005, p.201). The key weakness of e-mailed surveys concerns privacy and security issues in terms of respondents' traceability (Singh *et al.*, 2009; Rosenfeld *et al.*, 1996), process integrity of data transfer, and the appropriate usage of data collected (Singh *et al.*, 2009). Thus, it is crucial that researchers using e-mailed surveys commit to the application of quality criteria concerning privacy and confidentiality (Andrews *et al.*, 2003, p.188). Indeed, another major drawback is that, despite efforts to reassure respondents about anonymity and confidentiality, the possibility of identification (Singh *et al.*, 2009) may push respondents to take a defensive stance and thus answer in a less candid fashion (Rosenfeld *et al.*, 1996).

Lastly, in this research the case study hotel MNE supported the researcher's work. Thus, the accompanying letter addressing respondents plus the subsequent follow-up e-mail message by HotelCo head office ensured that the maximum response rate was attained. Furthermore, as respondents were computer literate, proficient in English, and competent with the subject matter of the research, the possibility of misunderstandings was minimised.

#### **4.6.8 Methods of data analysis: survey**

The possibility to turn data into numbers renders surveys measurable and easier to be assessed and understood (Stangor, 2004). Since the aim of this study is the identification of causes and relationships, descriptive and inferential statistics assist in drawing meanings from research findings (Blaxter *et al.*, 2006).

With regards to statistical data analysis, clustering is the most appropriate approach because it allows for recognition of patterns, commonalities, and differences between groups of subsidiaries belonging to distinct national capitalist archetypes, same as occurs in the comparative capitalism literature (cf. Jackson and Deeg, 2008a, p.549). Further, in terms of data management and analysis, a specialised software package is used in order to ensure speed and accuracy of data processing. IBM SPSS (Statistical Package for the Social Sciences) version 20 is the computer-based package selected for the processing of inferential statistics.

##### **4.6.8.1 Small sample statistics**

Descriptive and inferential statistics of this research are based on a sample of seven hotels representing 100% of the wholly owned and operated hotel properties belonging to the European division of HotelCo. Despite the indecision of scholars to define the threshold below which a sample is recognised to be small (Mason, 2010), nonetheless there is general agreement in characterising a sample of seven as requiring distinct forms of data analysis (Campbell, 2006; Turner *et al.*, 2006; Lewis, 2001; D'Esposito *et al.*, 1999). However, while social and behavioural scientists observe that “The sample size used in qualitative research methods is often smaller than that used in quantitative research methods” (Dworkin, 2012, p.1319), some authors (Dworkin, 2012, p. 1320) contend that 25-30 participants represent the lower acceptable sample limit allowing a research to be based on sufficient evidence. Conversely, other scholars believe that setting an a priori lower limit does not take into account critical aspects related to sample participants. According to Guest *et al.* (2006), these are the respondents’ competence with the subject matter under examination and their degree of homogeneity. Subsequently, the researcher is potentially capable to attain saturation even with a limited sample, because “The collection of new data does not shed any further light on the issue under investigation”.

(Mason. 2010, p.2). In fact, through mathematical proof, Romney *et al.* (1986, p.325) demonstrated that a sample constituted of as few as four highly competent participants with the domain of enquiry attains to deliver precise information with an impressive confidence level of 0.999. Thus, if an exploratory study features a low concern about generalisability and rather focuses on inductively finding meaning from evidence through a structured approach, then sample size has a restricted significance on the ultimate research aims (Crouch and McKenzie, 2006; Guest *et al.*, 2006).

#### ***4.6.8.2 Two independent variable groups***

Broadly, there are two options available in order to establish comparisons within the small research sample counting two hotel properties in TPE, four in CME, and one in LME. The first scenario relates to deploying small sample inferential statistics by setting TPE against CME subsidiaries to the exclusion of the LME hotel property. Thus, by neglecting the latter which incidentally belongs to the same Anglo-Saxon economic cluster as the MNE's parent country (Gooderham *et al.*, 2006), the deriving inferential statistics would offer insights on the application of HR policies and practices in quite different overseas host country economies, namely TPE and CME. Since in "The deregulated UK (...) there are relatively few institutional or statutory constraints on employment relations practices" (Ferner and Quintanilla, 1998, p.711), the close "institutional proximity" (Parry *et al.*, 2008, p.2035) between the US and the UK (cf. Hall and Soskice, 2001) would seem not to offer much to the research analysis as compared to the insights expected to be attained by considering the effects on HRM application in markets which are distinctively foreign to the MNE home country.

The other scenario, instead, is inclusive: it addresses the two TPE cluster properties located in emerging countries compared to five properties in developed economies covering both CME and LME clusters. The research would thus illustrate relationships concerning HR policies and practices used by a US MNE across "heterogeneous contexts" (Meyer *et al.*, 2011, p.236) representing transitional periphery and developed economies subgroups. For the purpose of this research, the latter option was implemented.

#### **4.6.8.3 Descriptive statistics**

The sample size enables the use of sample mean as the sole measure of central tendency while renders irrelevant addressing measures of dispersion such as standard deviation (Howell, 2009). Together with quantitative evidence gathered in the form of nominal, ordinal, and ratio measurements data, descriptive statistics appear in the ensuing formats:

- a) Mean score of the CME economic cluster
- b) Mean score of the LME economic cluster
- c) Mean score of the TPE economic cluster
- d) Mean score across developed economies' clusters providing equal weighting to each economic cluster typology (CME and LME)
- e) Mean score of all responses (OVERALL)

Consequently, in this research the quantitative questionnaire and in-depth interviews aimed to create “categories from the data and then to analyse relationships between categories” (Charmaz, 1990, p.1162).

#### **4.6.8.4 Inferential statistics**

Due to the restricted sample of the study, there is a limited availability of tests producing meaningful inferential statistics from comparisons across economic clusters (Guest *et al.*, 2006, p.76). Still, nonparametric statistics (Kramer and Rosenthal, 1999) provide the necessary tools: indeed, they enable inferences through robust testing procedures while not demanding strict population distribution assumptions which are mostly unknown, as opposed to parametric statistics (Lawal, 2014). In fact, the latter require the definition of assumptions related to population parameters encompassing the median, mean as well as the standard deviation in order to attain inferences from samples to populations (Johnson and Bhattacharyya, 2010). On the contrary, the variety of analogous tests featured by nonparametric statistics produces exact probability values (*p*-values) to be compared against set critical values according to levels of confidence (Lind *et al.*, 2005). Therefore, statistical tests in this research consider 5% as standard level of significance, following the guidelines of the eminent statistician Sir Ronald Fisher (1960):

"It is usual and convenient for experimenters to take 5 per cent as a standard level of significance". (p.13).

Since nonparametric tests are almost as powerful as parametric ones under broad assumptions of the population to which the sample belongs to, they are also referred to as “distribution free methods”. (Freund *et al.*, 2010, p.157). By formulating a prediction, the researcher aims at inferring whether a difference emerges only because of chance or, instead, there exists a relationship.

#### ***4.6.8.5 Nonparametric tests: an overview***

Nonparametric tests applicable to small research samples aim to reveal if any differences in the gathered data result from pure chance or from an underlying relationship (Hollander *et al.*, 2014). Broadly, nonparametric tests belong to two main categories, ordinal or nominal, depending on their level of measurement (Sprent and Smeeton, 2007). The first kind of tests at ordinal level includes, among others, the Wilcoxon signed ranks, Spearman Correlation Coefficient, Friedman, Kruskal-Wallis, and the Mann-Whitney U tests (Corder and Foreman, 2009). The second type of tests at nominal level encompasses, for instance, the binomial sign, goodness of fit, chi-squared, and Fisher’s Exact tests (Coolican, 2013).

In sum, the choice of the small sample nonparametric test statistics to apply to this research primarily depends on the type of comparison to be conducted. Following the preceding description of variable groups under examination, it derives (Salvatore and Reagle, 2002) that, firstly, the tests need to compare two independent groups. The secondary condition that needs to be respected is the possibility to conduct tests without any assumption on the normality of distribution of data. The third condition relates to the applicability to nominal and ordinal measures.

#### ***4.6.8.6 Nonparametric test for ordinal data: Mann-Whitney U Test***

The choice of the Mann-Whitney U test is justified by the fact that namely it applies for comparisons of differences between two independent groups with not normally distributed ordinal dependent variables (Gibbons and Chakraborti, 2003, p.268). The Mann-Whitney U test corresponds to the parametric independent-groups t-test while comparing the mean ranks of two independent groups (Burns and Burns, 2008; Salvatore and Reagle, 2002; Breslow, 1970; Kruskal and Wallis, 1952). In the case that the

comparison related to more than two samples, then the researcher would have opted for the use of the Kruskal Wallis Analysis of Variance which is “Considered as an extension of the Mann-Whitney U test to three or more populations using unrelated samples”. (Weinberg and Abramowitz, 2002, p.549).

Since respondents provided their opinion through an ordinal response or a 5-point Likert scale, inferential statistics are obtained through the Mann-Whitney U Test which is the most suitable test for the specific ordinal research data collected. Namely, the objective is to compare the differences between two independent groups identified as transition market TPEs and CMEs/LME developed economies with not normally distributed ordinal dependent variables. As mentioned before, this 2x5 independent group testing is so small that it belongs to the minimum category of cases contemplated in statistical tables with  $\alpha < 0.05$  (Sani and Todman, 2008, p.188-9).

#### ***4.6.8.7 Nonparametric test for nominal data: Fisher’s Exact Test***

Further, this study seeks inferential statistics through the analysis of contingency tables by means of Fisher’s Exact Test for 2 x 2 Tables (Gibbons and Chakraborti, 2003, p.532) which explores categorical response data from independent variables. This test specifically applies to small samples through the computation of exact  $p$ -values (Agresti, 1992; Little, 1989; Yates, 1984; Siegel, 1957). Indeed, Fisher's test performs broadly the same statistical cross-tabulation analysis as Chi-square Tests in aiming at identifying the significance of the association (contingency) between two classification types (Agresti, 1992, p.132). Moreover, Fisher's test is particularly suitable for circumstances of less than five expected frequencies per each cell (Agresti, 2007, p.48).

Consequently, the ensuing inferential statistical analysis features the application of Fisher’s Exact Test in the context of categorical data derived from nominal variables emerging from “unordered scales”. (Agresti, 2007, p.2). These result from two independent groups identified as transition market TPEs and CMEs/LME developed economies.

#### **4.6.9 In-depth interviews**

Complementarily to the survey questionnaire, the ensuing administration of semi-structured and internet-enabled interviews enriches data collection even if this presents subjectivity bias (Simons, 2014). In fact, as Bryman and Cramer (1999, p.1) maintain, combining quantitative and qualitative approaches offers a more thorough research outcome because they build on each other's strengths. These semi-structured in-depth interviews thus enable the researcher to reveal and understand the 'why' of things in what Saunders *et al.* refer to as obtaining "explanations and meanings". (2007, p.326). The systematically collected data is thus processed, interpreted, and reported so as to highlight any emerging patterns and topics addressing the original research aims according to "thematic analysis". (Spencer *et al.*, 2014, p.271).

#### **4.6.10 Document analysis**

The research further aims to corroborate quantitative and qualitative evidence through the analysis of both HotelCo and HotelCo-related documents that are openly available on the Internet. These documentary secondary data sources, which represent a specific category of artefacts (Robson, 2003) and can be either recent or historical, are particularly instrumental because they illustrate the HotelCo country of origin viewpoint both quantitatively and qualitatively (Bryman, 2005, p.189). In fact, according to Krippendorff (1980) the analysis of the documents' content should assist in establishing "Valid inferences from data to their context". (p.21). Thus, further supporting information on HotelCo corporate practices can be obtained from organisational and industry association documents, notices, letters, the corporate internet homepage, blogs, and popular media such as newspaper and magazines (Sleeman, 2002; Hakim, 1982).

On the positive side, this type of analysis presents three key strengths: firstly, it is stable because it may be examined any time without the risk of corrupting the source (Altheide *et al.*, 2010). Secondly, as documents are created independently from the case study, they are unobtrusive providers of exact details which usually cannot be manipulated to affect the research outcomes (Love, 2003). Thirdly, as documents could encompass a vast array of informative resources, a broad longitudinal coverage may be attained in terms of both time and space (Hakim, 2004).

In terms of drawbacks, document analysis may present a problem of confidentiality. Since organisations are often restive to divulge internal documents, researchers may thus be prevented access to documents which otherwise would add to the study (Yin, 2014). Further, the availability of company documentary material to examine is influenced by two biasing elements, namely “selective deposit” and “selective survival”. (Gray, 2009, p.267). The former refers to the storage and disposing of records according to company directives. The latter, instead, concerns the degree according to which employees actually abide by such directives. Lastly, as Finnegan (2006) notes, the researcher’s bias needs to be taken into account as this affects the very selection of documents to analyse, their relevance to the research topic, and the researcher’s ability to interpret the meaning of the documentary data.

#### **4.6.11 Participant observation**

This study was undertaken by a veteran of HotelCo HR with executive experience in all aspects of HRM practice. At the time of the research, the participant observer was employed in an overseas subsidiary of HotelCo operating in Greece. The capitalist archetype of this nation is associated with, despite a comprehensive body of (albeit changing) labour legislation, weak law enforcement (Theodoropoulou, 2015) accompanied by diffused clientelism (Myloni *et al.*, 2004) and a noteworthy underground economy (Yfantopoulos 2013; Psychogios and Wood 2010). While state intervention has traditionally been extensive in Greece, industrial relations have been deregulated in recent years (Koukiadaki and Kretsos, 2012). As such, participant observation is likely influenced by the experiences of operating as management in a “Mediterranean Capitalism” or “Mixed Market Economy” context (Goergen *et al.*, 2012, p. 512) which is closer to that of the TPE, than to either the CME or LME ones.

The objective of the practitioner-researcher (Shaw, 2005) was related to the wider MNE workplace, meaning that the focus of the study encompasses overseas subsidiaries other than the one in which the author was employed. The peculiarity of the researcher’s position vis-à-vis the object of the study sets him as participant observer in the context of the social research undertaken, thus adding to its internal validity (Gray, 2009). Such depth of exposure, it is argued, is a necessary condition for the researcher to be immersed

in the cases to be explored (Easterby-Smith *et al.*, 2008) and draws its roots from the disciplines of anthropology and sociology (Gold, 1997; Platt, 1998).

The main advantage of being a participant observer stems from the fact that the extensive experience developed in relation to the full employee HR cycle of induction, training, and performance, as well as related policies and practices featured in the case study firm allowed the researcher to develop an insider perspective of a social group (cf. Robson, 2003, p.311). Consequently, unlike the pure observer who utilises an observation instrument to research, the participant observer represents the very research instrument (Hammersley and Atkinson, 2007). This is particularly true for management studies whereby the researcher, in order to examine business reality in depth, needs to relate with organisations as if they were tribes (Roy, 1952), hence the link with anthropology and sociology. Participant observation then becomes a most critical source of validation (Adler and Adler, 1994) because it represents a solid and legitimate point of reference to the researcher corroborated by direct knowledge and judgment (Adler, 1987), that can be used to complement and contrast other research techniques such as questionnaires and interviews (Yin, 2009). By having experienced the environment directly, the researcher is able to examine complex situations while untying themselves from depending on the honesty of respondents (Douglas, 1976).

According to Agar (1983), having knowledge from within allows the participant observer to elaborate on nuances that may be missed by an outsider. In fact, since the latter would inevitably incur in “breakdowns” (Agar, 1983, p.32), they would be prevented from digging deeper into the emerging social world’s evidence and thus reveal connections and implications (Becker and Geer, 1978). It results, therefore, that observational study is critically founded on experiencing and inductively investigating the social world in which the researcher is immersed rather than testing hypotheses about an organisation not known a priori (cf. Becker, 1958, p. 653). Consequently, while being this new context of interplay scientifically valid and reliable (Glaser and Strauss, 2009; Wiseman, 1974) as shown in the study by Kuhlmann (1992), it offers the grounds for “collaborative research” (Angrosino and Mays de Pérez, 2000, p.675) by establishing a dialogue between the researcher and the study respondents. Nevertheless, with participant observation go both detail and the potential for bias; it is hoped that through the usage of multiple methods (including an anonymous survey), a detailed picture may be gained that allows room for different perspectives.

#### **4.6.12 Core documents - The HR Manual: usage and gaps**

Given that the hotel MNE under examination originates from the United States of America, the HRM model applied reflects the classical US approach as further confirmed by participant observation. Following Brewster's (2004) analysis, companies embracing the US HRM tradition assume that "Their prescriptions are intended to apply in all circumstances" (p.368), and thus proclaim to always have the solution for any issue. Among the necessary pre-conditions is that unions in country of domicile markets must be absent or otherwise exert minimal influence, an aspect that nonetheless may be not evident in Europe (Brewster, 2004). Consequently, the set of an MNE's prescriptions in the form of policies and procedures is featured in the HR Manual that represents both a how-to-do book and a statement of belief systems expressing what the MNE would like things to be. Indeed, as scholars belonging to the "universal" (Brewster, 1999) US HRM tradition maintain (Huselid *et al.*, 2005),

"The HR management policies and practices that a firm adopts represents one of the key levers it can use to execute its strategy and to achieve its desired financial results". (p.127).

Contrariwise, later contextual research by Brewster and Wood (2015) indicate that, at a closer look, reality is much more nuanced than it seems, thus challenging the deterministically assertive US HRM approach. As the scholars argue:

"The policies may be standardised but there is a lot of evidence that practices are not". (Brewster and Wood, 2015, p.129).

For instance, policies may be in practice changed, ignored or circumvented in countries of domicile in matters related to diversity and equal treatment (Klarsfeld *et al.*, 2012). The resulting gap between corporate aspirations and how things actually occur in reality in the overseas subsidiaries could challenge the credibility of the HR Manual as a universally applicable tool. Therefore, a key concern of this thesis is probing the disjuncture between aspirational narratives and practice.

#### 4.7 Limits in the research method

Despite HotelCo operates around the globe, still the sample allowed to be surveyed was limited to the category encompassing the totality of fully owned properties within the European division, which, at the time of the research, counted seven subsidiaries. Consequently, this research ignored the overwhelming majority of hotel properties which were operated under management contracts and franchise agreements.

Responses were obtained exclusively from HR professionals following HotelCo's request, thus leaving out of the research process both top management and all other levels of the hierarchy as well as workers' voices which would otherwise have contributed different perceptions of managerial strategies, employment relationships, and HR policies and practices overall (cf. Brookes *et al.*, 2005). Since this research asked company HR executives to assess the HRM function, there is the concrete possibility of bias in the results by a tendency to exaggerate successes and minimise failures. In particular, as representatives of management, HR executives tend to have a vested interest in projecting in-firm practices positively (Brookes *et al.*, 2005).

Due to the involvement of HR executives only, the researcher was able to reach solely the intended HR policies and practices (Khilji and Wang, 2006). Furthermore, the very role of participant observer presented unique challenges emerging from the researcher's professional involvement with HotelCo, even if this allowed to complement the study with additional ethnographic evidence. Indeed, following Tedlock's argument (2000, p. 465), participant observation could appear a contradiction in terms because it associates two opposing elements: while "participant" indicates emotional involvement, "observation" relates to objective detachment (p.465). Consequently, the methodological challenge for the participant observer was to strike a balance between these opposing forces in order to attain scientific objectivity to the best extent possible while avoiding "going native" (van Marrewijk, 2014, p.36).

In sum, the homogeneous group of respondents prevented the valuable inclusion of other viewpoints as well (Hannon *et al.*, 1995; Healey and Rawlinson, 1993) because it represented a small proportion of stakeholders who had interest in defending their specific professional role within the organisation. In seeking to gauge managerial practices, unions as well as works councils may have provided a very different perspective.

However, the absence of these forms of statutory employee representations in the context of sampled subsidiaries rendered this option not valid. Even if this single industry inductive analysis has its merits, nonetheless findings are relatively specific, and cannot be as easily generalised as opposed to multi-industry studies that provide the opportunity to facilitate the understanding of issues more broadly. Thus, and bearing in mind the aforementioned limitations to the research, caution is advised in drawing general conclusions.

## ***PART 2: FINDINGS***

### **PART 2: INTRODUCTION**

This part presents findings concerning the period 2010-2012, by grouping them in chapters. Initially in Chapter 5, the study analyses key employment dimensions of HRM practice encompassing selection, compensation, and performance appraisal in order to assess the extent of autonomy the MNE devolved to overseas HR executives across differing institutional contexts. Next, the research addresses evidence pertaining to Whitley's (1999) two core dimensions of work and employment relations. In Chapter 6 the study investigates delegation and, in particular, communication and information flows as well as delegation to employees. In Chapter 7 the examination of research findings centres on the employer-employee interdependence by exploring training and development as well as security of tenure. The structure of each chapter features three analysis components. First is a presentation of the findings in relation to the in-depth interviews. Then, an investigation of quantitative survey responses follows by elaborating on descriptive and small sample inferential statistics. Lastly, the analysis focuses on triangulation, by combining evidence from document analysis and participant observation with the preceding qualitative and quantitative findings. As such, the utilisation of multiple, and independent, research methods should avail stronger levels of validity and reliability.

## **CHAPTER 5: AUTONOMY AND OTHER HOST-COUNTRY SPECIFIC FACTORS**

### **5.1 Chapter 5: Introduction**

This chapter aims to identify areas of HR policy and practice set by head office as opposed to those left to local subsidiaries. It then explores variations in country of domicile effects on the ability to implement key head office employment HR policies and practices related to employee selection, compensation, and performance appraisal. Lastly, it addresses the role of the Company Manual as an aspirational statement and the gaps between its ambitions and depictions of reality, from actual HR policies and practices implementation, which will become more evident in ensuing Part 2 chapters.

### **5.2 Autonomy in relation to hrm decisions**

#### **5.2.1 Introduction**

This section seeks to reveal the extent according to which subsidiary HR executives perceive the relative impact of HotelCo head office and local regulation on what they do. With regards to the former, specific reference is made to two key elements: firstly, the parent company degree of influence over a set of subsidiary-level financial and non-financial HRM variables; secondly, the HR Manual and whether the application of this homogenising tool is monitored. Concerning the impact of local institutions, the research investigates the perception of respondents relatively to the effect of local laws and regulations on the ability of HR executives to implement head office HR policies and practices.

### 5.2.2 Key findings based on participant observation and documents

The power the hotel MNE has over international subsidiaries in countries of domicile emerges from the performance measurement system (PMS) used. This reveals head office influence on international properties in terms of HRM matters. According to Mahlendorf *et al.* (2012), a PMS features:

“A well-defined set of financial or non-financial performance indicators. The sophistication of PMS varies; there may be only some simple accounting numbers in use or very detailed and linked performance indicators, which may also show cause and effect linkages. An example of a very sophisticated PMS is the Balance Scorecard, while reliance on profit and loss budgets represents a very simple PMS, for instance”. (p.715).

Therefore, the information collected from respondents allows to illustrate the performance expectations MNE head office had from subsidiaries for both finance- and non-finance-related HRM decisions.

Finance-related HRM areas cover, firstly, **wage setting** which concerns the regular procedure defining wage levels per job positions. This is completed once a year by the hotel management and derives from the budget approved by HotelCo head office. Next, **investment in training and development** addresses the amount of time and money spent in training and development initiatives on a yearly basis. These encompass employee orientation sessions, departmental skills training, learning and development activities by both internal and external trainers, as well as the online learning platform as per MNE’s documentation (HotelCo, 2012). Then, workforce composition decisions that affect **job security** pertain not only to the ratio of standard employment versus non-standard, precarious, contingent, and temporary work arrangements but also to the perception from the side of the workforce that their employment is secure and cannot be unilaterally and adversely changed or eliminated as a result of arbitrary decisions by management.

According to participant observation, HotelCo considers part-time jobs as a form of **standard employment** because it is reckoned that the only difference between part-time and full-time employees consists in the former working a fraction of the total hours corresponding to the standard full-time work week. Thus, regardless if HotelCo subsidiaries may feature either, or both, zero-based and set weekly hour part-time contracts depending on the law of the land, in any case these would be accompanied by

notice of termination clause featuring severance pay requirements, overtime pay as well as payment of leaves related to holidays, pregnancy and any other terms and conditions defined by the related collective work agreement if applicable.

Instead, literature conventionally tends to include part-time employment within the category of **non-standard employment** (Junor, 1998; Tilly, 1992) encompassing precarious, contingent, and temporary work arrangements through temporary agencies, casual work agreements, fixed-term contracts, subcontracting, and outsourcing. Indeed, there is the general assumption that standard work arrangements can only be associated with full-time employment (Kalleberg, 2000; Tregaskis, 1997). Other factors observed by the researcher relating to workforce composition concern the use of **expatriates** as well as the decision to utilise **subcontracted labour**. The former could be senior managers originating from either the HotelCo home country, the USA, in which case they are referred to as parent country nationals (PCN), or another country, whereby they are considered as third country nationals (TCN). The latter, instead, concerns any cost-saving solution whereby outside vendors would supply the labour to complete either a part of, or a whole, work. The areas of hotel mostly affected by subcontracting arrangements include housekeeping, kitchen cleaning, and security. The last finance-related HRM area for which head office influence is examined concerns **incentive scheme decisions** that cover both monetary and non-monetary compensation with the aim to motivate the workforce (HotelCo, 2015).

Conversely, non-finance-related HRM issues affected by head office regard two main areas for which formal assessment occurs on a yearly basis, namely performance management and employee engagement. According to HotelCo practice, the former encompasses individual target setting and performance evaluation as well as career planning. While **individual target setting decisions** identify the performance targets of each individual employee on a yearly basis, **individual performance evaluation decisions** relate to the evaluation of the performance of an individual employee against mutually agreed goals at the end of the yearly cycle (HotelCo, 2012). Depending on the aggregate year-on-year performance record, a hotel subsidiary then proceeds towards **career plan decisions** that define the next career steps of an employee. The other non-financial-related area that HotelCo is keen to formally monitor on a yearly basis addresses **engagement** (HotelCo, 2012), which lately has become a key HRM notion (Guest, 2014;

Townsend *et al.*, 2014). Yet, engagement is not a totally new idea in business literature, since Kahn (1990) some decades ago pioneered its definition as being:

“The harnessing of organization members' selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances”. (p.694).

Based on its claimed HRM focus, HotelCo has thus been collaborating with perceived world-class research-based performance management consulting companies, specialised in assessing employee engagement in MNEs via proprietary employee opinion surveys. This feedback system was expected to allow HotelCo and its subsidiaries attain a thorough insight on the way in which employees at HotelCo treat each other and the quality of the resulting interaction. HotelCo makes no secret to the external audience about the application of this practice, the consultancy agency it collaborates with, and the relevant awards won. Indeed, the HotelCo corporate site and its company-initiated employee blog emphasise the particularly positive impressions employees have about the engagement survey, which support the overall HotelCo best workplace rhetoric (HotelCo, 2013). The importance attributed to the resulting performance indicators stems from the purported conviction of HotelCo's top corporate leadership that the higher the engagement score the better the service quality and, ultimately, the stronger the customer loyalty (HotelCo, 2012). Yet, the efficiency of consultants is debatable, and, indeed, as it will become apparent subsequently, abiding concerns remained as to customer service quality, most notably in TPE based hotels.

Relatively with employee relations, HotelCo refers to **works council** as the organisation of employees into a representing body at property level according to specific statutory rights. Conversely, **union recognition** relates to the acknowledgement at hotel level of employees belonging to a labour union internal to the property. In this respect, and in line with the home country HRM tradition, HotelCo Corporate Manuals and documents declare that the firm prefers to interact directly with its employees rather than dealing with a labour union and any type of intermediary employee representation (HotelCo, 2015; 2012). At the time of the research, sample properties in all institutional contexts did not feature any works councils or unions. This suggests that management, while following the explicit corporate will, was effective in creating the necessary circumstances which prevented the formation of employee-initiated representation bodies at subsidiary level.

Nonetheless, this was certainly not an isolated case. In fact, even in a country with a rich industrial relations tradition involving employee participation such as Germany, during the period of this research statistics show that “In 2011, only 10% of all eligible workplaces had a works council in West Germany (9% in the East)”. (Ellguth and Kohaut, 2012, as cited in Fulton, 2013, online). This converges with the observation by Grund and Schmitt (2013) according to whom works councils are “Not present in all appropriate establishments”. (p.4). Further, statistics indicate that especially large companies were much more likely to feature works councils, since “In workplaces with more than 500 employees, 88% had works councils in West Germany and 92% in East Germany”. (Ellguth and Kohaut, 2012, as cited in Fulton, 2013, online).

Lastly, while **health and safety** encompasses all company policies addressing precautions for a healthy and safe work environment, **discipline** details company policy and processes to follow in case of employee non-compliance with organisational guidelines (HotelCo, 2012).

### 5.2.3 Evidence based on in-depth interviews

As the research sets out to gauge the national context’s main institutional pressures exerted onto HRM, the key areas investigated pertain to personnel administration, selection, performance appraisal, training and development, motivation and compensation, and benefits. It emerges that the legal framework through the labour law critically influenced the application of HRM across national capitalist archetypes. As shared by a CME respondent,

Of course, the labour law is key in order to be legally compliant. There are also different kinds of laws applying to other areas plus the specific ones of the particular state and the ones that apply to the hotel industry. Thus, before taking whatever decision, there is the need to double-check it against the legal framework at the aforementioned levels. More than all other institutions, the legal system exerts the most decisive influence on the operation of the business.

Same as respondents, participant observation underscores that HotelCo itself urged explicitly local subsidiary management to give top priority to full compliance with local legislation before HotelCo policies and practices. Interestingly, none of participating HR

executives reported any noteworthy conflict between HotelCo guidelines especially pertaining to employee relations matters and local legal dispositions. It seems rather that both systems run in parallel, thus justifying the respondents' perception that HotelCo guidelines were detailed up to a point, so as to prevent any possibility of contradiction with local laws.

Additionally, however, only properties operating in TPEs indicated another local institution negatively affecting HRM application: the national education system. In fact, in the post-communist countries under consideration, respondents seemed to agree that study curricula have remained mostly unchanged since the Soviet era. Consequently, it appears that subsidiaries operating in those economies needed to feature employee training courses aimed specifically at embedding a quality customer service attitude, which is essential in world-class hotels (Lam and Chen, 2012). Indeed, the Soviet-era study curriculum in CIS countries still focussed on ambitious agendas involving scientific knowledge and technical skills rather than training people into low-end service occupations, such as waitressing or chambermaiding (Sondergaard and Murthi, 2012). Consequently, there was a perceived gap in terms of customer service skills and attitude training (Das *et al.*, 2010), which subsidiaries in TPEs needed to compensate for. This may also reflect social attitudes; the former Soviet Union placed a particular prestige on industrial and agricultural work, and, in a society with an objective of rendering class obsolete, certain types (or even demeanours) of service work could be seen as intrinsically inequalitarian. This legacy may have persisted: Akçali (2015) argues for more effective tourism education in TPEs, standardised in order to ensure quality service provision to an international clientele. Further, research by DeYoung (2008) underlines the existence of a characteristic paradox in TPEs' education system whereby there are "Increasing university enrolments without economic demand for highly skilled workers". (p.1).

The resulting occupational needs mismatch leads to under- or un-employment among university graduates and those working in service sector areas such as hotels, tourism, and retail being overqualified. Of course, one cannot blame individual job seekers for pursuing the best career possible; again, changing the nature of labour supply does not necessarily ensure consistent or sustainable demand. Conversely, such challenge was not mentioned by HR executives operating in developed economies and especially in CMEs. Apparently the education system there duly prepared students with appropriate skills and customer service demeanour to professionally embark in a hotel career. In fact, in CMEs

a range of trade and service occupations are relatively well rewarded, requiring formal apprenticeships with associated prestige on qualification. This enabled properties to focus on more advanced training and development content application.

As for the hierarchy, subsidiaries considered top management a case apart whereby key positions including the General Manager, as well as executives in Finance, Sales, Marketing, Food & Beverage Service, Kitchen, and HR were handled separately with the closer influence of HotelCo head office. Since these positions are of strategic importance to the MNE, respondents maintained that there is a tighter reporting and approval mechanism between subsidiaries and HotelCo head office in terms of career advancement and salaries' administration for key top managers. Further, the only bonus program administered centrally by the HotelCo head office concerned senior management, exclusively (HotelCo, 2012). A CME HR executive seemed to agree with the approach by commenting that:

Indeed, KPIs relate to the top management performance tracking system and its resulting bonus scheme. HotelCo rewards their most valuable team in their view, in an approach that is sensible because they cannot afford to include the whole workforce into the bonus program. Further, this program ensures loyalty from this group of people which is closest to the HotelCo top leadership.

According to participant observation, guidelines instructed that the bonus was proportionally paid according to the extent with which KPIs were attained and surpassed. These related not only to measures revealing outcomes of each individual hotel's revenue management strategy and customer satisfaction indexes, but also employee engagement survey scores. In other words, managers were more likely to get a higher bonus if employees reported that they were more engaged. Yet, in contexts where computers were scarce, managers could easily monitor or influence what was inputted in the case of staff with limited education lacking domestic computer access and IT acumen, requiring assistance to complete their returns.

Next, in relation with financial-related HRM areas, HR executives agreed that it was of utmost importance to respect the budget by implementing whatever measures were necessary and allowed by the local legal system; this would suggest a tendency to default to what was legally and logistically possible, rather than working towards the parent country model or the HR Manual's aspirations.

In fact, as one respondent indicated:

HotelCo influence reveals itself in terms of the budget approved. Once this is set, then the local property has room to manoeuvre the way it sees more fit, but always within the approved budget guidelines.

The same degree of autonomy emerges with regards to the extent according to which HotelCo affects subcontracting decisions: in fact, all respondents believed that, at the least, the influence was not strong.

On the other hand, the influence of HotelCo on more abstract non-financial HRM areas appeared to be prevalent because of their irrelevance to host country labour legislations and regulations. Participants across properties agreed that HR policies and practices on subjects such as engagement as well as investment in people encompassing, among others, training and development, performance management, and career planning converged towards corporate guidelines. Qualitative evidence testified an overwhelming alignment to head office directives, as expressed by TPE respondents according to whom:

Head office has a major impact in seeing the procedures duly administered within deadlines and with appropriate employee participation (...). There are certain guidelines towards which we need to move. Employee engagement is key in having employees speak up because they care.

Further, while a CME respondent stressed that:

Head office gives the neat directions to follow.

Another same-cluster colleague went at length with the ensuing comment:

Head office give the guidelines in terms of thinking and the way the company would like things working. This, as a result, clarifies employees what to expect, thus to the extent that they agree with head office approach, there is no actual pressure exerted. Such is the way I feel. Overall, the company has a very modern and future-oriented approach, always seeking to renew HRM material, content, and procedures. Thus, I feel comfortable with the influence of head office on the aforementioned non-financial HRM aspects.

Lastly, the LME respondent's answer was even more suggestive relatively with employee engagement to corporate business philosophy and values:

This move towards having genuine people serving customers while providing genuine hospitality means that the company is moving towards providing more flexibility away from standards. The constant, however, that remains are the values that guide employee actions and behaviour because employees feel emotionally engaged to such values.

Further, besides the availability of extensive training material and ongoing internal communication campaigns, participants believed in their role in filtering HotelCo influence and adapt it to their context, if necessary. As summarised by a CME HR executive:

There is a great influence by head office as they provide the structure underpinning these HRM areas. The big challenge is their implementation because this needs to suit to the circumstance in order to ensure credibility. To this end, the role of the local HR executive is key.

Therefore, it emerges that overseas HR executives were keen on customising the application of corporate training initiatives in order to maximise their impact on subsidiary performance. Further, in commenting about the HotelCo level of guidelines' standardisation of HRM finance related versus non-finance related areas, a LME HR executive drew a neat distinction by noting that:

This tendency [to less detail] is perceived particularly in areas outside Finance, because this matter must feature clear, strict, and fixed policies and procedures. Beyond Finance, the local property is therefore given room to change policies as appropriate, thus offering freedom to local subsidiaries to adjust and thus operate in a manner which suits spontaneously to the locally unique circumstance.

Thus, respondents generally agreed that they were comfortable with the autonomy they experienced in setting their property's local HR policies, especially in non-finance related areas. They saw it as necessary in order to support overseas properties to cope with local conditions. At the same time, alignment to corporate guidelines was monitored via self-administered checklists, regular communication with head office, and spot checks by internal auditors. Again, this appears to accord managers some room to game the system, reporting compliance whilst underplaying quotidian deviances. Also, respondents maintained that the consistent application of HR policies and practices was facilitated by

the unifying role of the MNE corporate culture, which they perceived to be strong and nurturing a sense of belonging. Indeed, a CME participant went as far as to indicate that the competitive advantage of the subsidiary was due to:

The work environment and its very unique culture.

Although the examined properties were non-unionised, yet MNE guidelines required overseas subsidiaries to strictly comply with compensation dispositions set by the law and nation- or industry-wide collective work agreements. How, given this, the firm managed to evade unions would represent a major study in its own right, which goes beyond the scope of this thesis.

A further dimension is the nature of the gap between reporting and reality. An example of this can be encountered in the TPE subsidiaries, which sets them apart from those located in CME and LME settings. Resulting from the pervasive unofficial economy (Morris and Polese, 2014), it appears that candidates quite often had undocumented previous work experience. Consequently, a TPE respondent admitted that:

We are their first officially registered employer.

In other words, rather than create unnecessary difficulty for new employees, or red tape for the company, self-reported information was taken at face value. Again, this would enable lower salaries to be paid than would be the case if formal procedures were followed based on preceding work experience. This also highlights the extent of poor law enforcement capabilities in TPEs as opposed to CMEs and LMEs, despite formal claims that employees' job security was quite protected by the law. This discrepancy explains the statistically significant difference across clusters illustrated in the ensuing quantitative section (see Table 5.3).

#### **5.2.4 Evidence based on quantitative survey**

The questionnaire initially examined the influence of HotelCo, expressed by its PMS, onto a set of main subsidiary-related HRM areas. As shown in Table 5.1, consideration of *individual target setting decisions* by subsidiaries revealed that overall the parent company influence was perceived as strong across clusters, followed by *individual*

*performance evaluation decision*. Apparently, HotelCo was critical for defining, first, individual performance targets to be then used as terms of reference during performance evaluations. The next higher overall mean score was *career planning decisions*, which appears to indicate that, within the performance management perspective, head office influenced career decisions. Next, subsidiary-level decisions on *engagement* as well as *investment in training and development* were somehow affected by head office. In particular, as far as *engagement* is concerned, CME and LME respondents agreed that head office influence was ‘strong’ with a mean score of 4.00. Conversely, TPE respondents felt that HotelCo influence was ‘not strong’ (mean score of 2.00), possibly reflecting the consequences of a marked institutional and cultural distance from head office. The application of the Mann-Whitney U Test in Table 5.1 reveals that there was a statistically significant difference between TPE, and CME and LME subsidiaries in terms of *engagement* at  $\alpha < 0.05$ . Quite interestingly, these diverging HR executives’ responses via anonymous and confidential questionnaires contradict the uniform evidence gathered through in-depth interviews and reviewed in the preceding section. Thus, methodological implications of this find are explored in depth in 5.2.5.

The ensuing neutral responses related to *investment in training and development* reveal a tendency by head office to allow the local HR executive room to add to the training and development blueprint to suit local conditions. A similar flexibility in terms of *job security* was accorded to employees.

On the other side of the continuum, the influence of head office on *incentive scheme decisions* and *wages* was perceived somehow as ‘not strong’. The last two variables with the lowest overall mean score were *use of expatriates* and *use of subcontracted labour*: these possibly indicate that corporate involvement in decisions on these aspects of workforce composition was quite limited and responsibility was mostly devolved upon subsidiaries. Hence, the influence of head office appeared to be perceived more limited in relation with job security, incentives and wages setting, use of expatriates, and deployment of subcontracted labour, as opposed to individual target setting and performance evaluation decisions.

Next, the survey questionnaire attempted to probe the extent to which targets set by the parent company impacted compensation decisions for each of the hierarchical levels. Table 5.2 clearly reflects the dynamic that the higher levels of the hierarchy appeared to

be more closely affected than the lower levels because the earlier had a much more immediate and strategic connection with corporate head office than the latter (cf. Treviño *et al.*, 2008). Consequently, while the mean score for *Executive Committee Members* was the highest, progressively it decreased for *Department Heads, Managers, Team Leaders and Assistant Managers* and, last, *Guest Service Staff*.

Table 5.3 presents the quantitative survey responses on the extent according to which local laws and regulations represented an obstacle towards the implementation of head office policies and practices over a number of HR areas. Responses highlighted that while local laws and regulations seemed not to impair the ability to apply head office policies and practices related to *usage of works councils, health and safety, wages, and training and development*, the opposite occurred in relation with *union recognition, collective bargaining, and redundancies*. In particular, a statistically significant difference emerges in relation with *union recognition* and *collective bargaining*: in both instances, CME and LME subsidiaries' mean scores were 3.50 and 3.00, respectively, while TPE subsidiaries reached a 5.00 highest score. By revealing this noteworthy divergence through the application of the Mann-Whitney U Test in Table 5.3 at  $\alpha < 0.05$ , inferential statistics indicate differing perceptions across subsidiaries about the impact of local labour law on the ability to implement head office policies concerning union recognition and collective bargaining.

Next, *wages* and *training and development* were the variables showing agreement on the lack of local legal system's impact on subsidiary-level ability to implement head office policies and practices. Regardless of locale, case study hotel properties seemed to experience a relative autonomy in respect to these variables. Specifically, *training and development* seemed to be the least affected by local laws and regulations. Possibly, this was due to the fact that, beyond essential legally required training guidelines, it rested with the subsidiaries to administer courses as needed.

The extent according to which subsidiary-based HR executives agreed that for most tasks head office had provided a well-defined set of rules and policies with regard to people management is summarised in Table 5.4. The overall moderate mean score reveals that participants were not quite persuaded that corporate people management rules and policies were well-defined, since responses gravitated around 'neither disagree nor agree'. Thus, any perceived unclarity could allow local managers more room for interpretation

or manoeuvre. The following question (Table 5.5) specifically addressed the need raised by the preceding query to explore more in detail whether the HR Manual defined courses of action concerning specific employee relations matters. Apart from the relatively high score recorded for *discipline*, all other topics concerning *redundancies*, *wage setting*, *promotions*, and *use of subcontracted labour* featured overall neutral mean scores. This suggests that the HR Manual was more articulated with regards to areas that could be directly affected via internal policies and procedures such as *discipline*. On the other hand, descriptive statistics indicate that apparently HR executives shared the perception that the HR Manual accepted that head office could not impact on legally regulated areas such as *redundancies*, *wage setting*, *promotions*, and the *use of subcontracted labour*, and/or that these represented areas where local subsidiary managers should feel free to push the limits as far as was possible.

The last question of this section (Table 5.6) aimed to illustrate the degree according to which respondents perceived head office continuously monitored subsidiaries to ensure that rules and policies were followed. The uniformly neutral responses across subsidiaries indicate the head office's moderate direct control approach to ensure that organisational rules and policies were adhered to.

**Table 5.1: Autonomy from head office in relation to HRM decision making**

Please, indicate the strength according to which the below occurs:					
<i>In our hotel, the influence of the parent-PMS on...</i>	<u>CME</u> MEAN	<u>LME</u> MEAN	<u>TPE</u> MEAN	<u>CME+LME</u> MEAN	<u>OVERALL</u> MEAN
<b>A</b> ...individual target setting decisions is...	4.25	3.00	4.00	3.63	<b>4.00</b>
<b>B</b> ...individual performance evaluation decision is...	4.00	4.00	3.00	4.00	<b>3.71</b>
<b>c</b> ...career plan decisions is...	3.25	4.00	4.00	3.63	<b>3.57</b>
<b>d</b> ...engagement is...	4.00	4.00	2.00	4.00	<b>3.43 (*)</b>
<b>e</b> ...investment in training and development is...	3.50	3.00	3.50	3.25	<b>3.43</b>
<b>f</b> ...job security is...	3.50	2.00	2.50	2.75	<b>3.00</b>
<b>g</b> ...incentive scheme decisions is...	3.25	2.00	2.50	2.63	<b>2.86</b>
<b>h</b> ...wages is...	3.50	1.00	2.50	2.25	<b>2.86</b>
<b>i</b> ...use of expatriates is...	2.75	2.00	2.50	2.38	<b>2.57</b>
<b>J</b> ...use of subcontracted labour is...	2.25	2.00	2.50	2.13	<b>2.29</b>

**Note:**

- Likert scale range: (1) Not Very Strong (5) Very Strong
- (\*) MANN-WHITNEY U TEST: there is a significant difference ( $\alpha < 0.05$ )

**Table 5.2: Link of target setting with compensation**

Please, indicate the extent to which you agree with the following statement according to the below 5 employee levels:					
<i>Targets derived from the parent-PMS play an important role in the compensation of:</i>	<u>CME</u> MEAN	<u>LME</u> MEAN	<u>TPE</u> MEAN	<u>CME+LME</u> MEAN	<u>OVERALL</u> MEAN
<b>a</b> Executive Committee Members	4.00	4.00	5.00	4.00	<b>4.29</b>
<b>b</b> Department Heads	3.50	2.00	5.00	2.75	<b>3.71</b>
<b>c</b> Managers	3.25	2.00	4.00	2.63	<b>3.29</b>
<b>d</b> Team Leaders and Assistant Managers	2.75	1.00	2.50	1.88	<b>2.29</b>
<b>e</b> Guest Service Staff	2.75	1.00	2.50	1.88	<b>2.29</b>

**Note:**

- Likert scale range: (1) Strongly Disagree (5) Strongly Agree
- (\*) MANN-WHITNEY U TEST: there is a significant difference ( $\alpha < 0.05$ )

**Table 5.3: Impact of local labour law on ability to implement head office policies and practices**

Local laws and regulations impact our ability to implement head office policies & practices related to:	<u>CME</u> <u>MEAN</u>	<u>LME</u> <u>MEAN</u>	<u>TPE</u> <u>MEAN</u>	<u>CME+LME</u> <u>MEAN</u>	<u>OVERALL</u> <u>MEAN</u>
<b>a</b> Union recognition	3.50	3.00	5.00	3.25	<b>3.86 (*)</b>
<b>b</b> Collective bargaining	3.50	3.00	5.00	3.25	<b>3.86 (*)</b>
<b>c</b> Redundancies	3.50	5.00	3.50	4.25	<b>3.71</b>
<b>d</b> Usage of works councils	3.25	5.00	1.50	4.13	<b>3.00</b>
<b>e</b> Health and safety	2.50	4.00	3.50	3.25	<b>3.00</b>
<b>f</b> Wages	2.25	3.00	1.50	2.63	<b>2.14</b>
<b>g</b> Training and development	2.25	2.00	1.50	2.13	<b>2.00</b>

**Note:**

- Likert scale range: (1) Strongly Disagree (5) Strongly Agree
- (\*) MANN-WHITNEY U TEST: there is a significant difference ( $\alpha < 0.05$ )

**Table 5.4: Provision of people management rules and policies by head office**

	<u>CME</u> <u>MEAN</u>	<u>LME</u> <u>MEAN</u>	<u>TPE</u> <u>MEAN</u>	<u>CME+LME</u> <u>MEAN</u>	<u>OVERALL</u> <u>MEAN</u>
For most tasks the head office have provided a well-defined set of rules and policies with regard to people management.	3.50	4.00	3.00	3.75	<b>3.43</b>

**Note:**

- Likert scale range: (1) Strongly Disagree (5) Strongly Agree
- (\*) MANN-WHITNEY U TEST: there is a significant difference ( $\alpha < 0.05$ )

**Table 5.5: People management areas and corporate manuals**

For most situations in the following areas there are corporate manuals from head office, that define the courses of action to be taken in managing people:	<u>CME</u> <u>MEAN</u>	<u>LME</u> <u>MEAN</u>	<u>TPE</u> <u>MEAN</u>	<u>CME+LME</u> <u>MEAN</u>	<u>OVERALL</u> <u>MEAN</u>
<b>a</b> Discipline	3.75	2.00	3.50	2.88	<b>3.43</b>
<b>b</b> Redundancies	3.50	2.00	3.00	2.75	<b>3.14</b>
<b>c</b> Wage setting	3.25	4.00	2.50	3.63	<b>3.14</b>
<b>d</b> Promotions	3.50	2.00	2.50	2.75	<b>3.00</b>
<b>e</b> Use of sub-contracted labour	3.25	4.00	2.00	3.63	<b>3.00</b>

**Note:**

- Likert scale range: (1) Strongly Disagree (5) Strongly Agree
- (\*) MANN-WHITNEY U TEST: there is a significant difference ( $\alpha < 0.05$ )

**Table 5.6: Head office monitoring of rules and policies application**

	<u>CME</u> <u>MEAN</u>	<u>LME</u> <u>MEAN</u>	<u>TPE</u> <u>MEAN</u>	<u>CME+LME</u> <u>MEAN</u>	<u>OVERALL</u> <u>MEAN</u>
Head office continuously monitor to ensure that rules and policies are not violated.	3.50	2.00	3.00	2.75	<b>3.14</b>

**Note:**

- Likert scale range: (1) Strongly Disagree (5) Strongly Agree
- (\*) MANN-WHITNEY U TEST: there is a significant difference ( $\alpha < 0.05$ )

### 5.2.5 Evidence based on company documents and additional participant observation insights

This section suggests that HotelCo head office influenced the application of policies and practices in host country subsidiaries in an uneven manner, with the greatest autonomy being accorded in terms of wages and tenure. More specifically (Table 5.1), respondents appeared to agree that head office impacted more on non-finance rather than finance-and law-related HRM areas. Indeed, the HR Manual itself (HotelCo, 2012) describes in higher

detail those policy aspirations and instructions on HRM subjects which the HotelCo believes are desirable and/or more feasible to implement across overseas subsidiaries.

For instance, the HR Manual presents in great detail the perceived win-win situation deriving from the open policy on diversity and inclusion, which seeks to make all members of the HotelCo workforce feel comfortable by being themselves at work. Yet, this represents a high purpose bordering on utopia in an industry which not only features deeply embedded task-oriented and autocratic leadership styles (Nyberg *et al.*, 2011), but is also ripe with stereotypes (Luoh and Tsaur, 2011; Furunes and Mykletun, 2007), as further experienced by the participant observer as well. Moreover, the HR Manual features detailed theoretical models, videos, and training material on these contemporary topics (HotelCo, 2012), by proclaiming their application to constitute a *must* dictated by market needs and customer preferences. Respondents' viewpoint and participant observation would suggest that the document is remarkably articulated on subjects pertaining to, for instance, job design, HR planning, recruitment, selection, and development. In contrast, it was rather more superficial in relation to personnel administration areas concerning not only employment laws (which would naturally vary from context to context), but also compensation, and other industrial relations issues. As subsidiaries were formally expected to respect and apply local regulations, responses gathered from HR executives together with participant observation suggest that top priority was total compliance to local labour law followed by alignment to corporate HRM guidelines featured in the HR Manual (HotelCo, 2012). Still, as noted above, the spirit of the law does not always appear to have been followed, an example being the formal recording of past employee work experience in the TPE subsidiaries.

Once financial targets were set in terms of yearly payroll budget, they were posted on a centralised electronic platform (HotelCo and Related Software Provider, 2007). The subsidiary HR executive was tasked with co-operating closely with the Finance executive to ensure the attainment of payroll and other subsidiary-specific HR performance targets. While apparently HotelCo head office was available for consultation, it expected the host country HR executives to manage human resources while attaining employee satisfaction, engagement, and, in any event, preventing strikes and respecting the law (HotelCo, 2012). At the same time, the imposition of strict budget guidelines was likely to encourage harder line and more short-termist approaches. As experienced by the participant observer, this caused introversion among hotel HR executives, with them limiting contacts with head

office to a formal level and only when absolutely necessary. As expected to emerge more clearly next, HotelCo's arms' length approach vis-à-vis its overseas subsidiaries appears to be critical in offloading a great deal of the responsibility for the attainment of financial targets onto host country HR executives.

The statistically significant difference emerged between clusters relatively with the perceived influence on engagement (Table 5.1) offers a noteworthy insight into the nature and extent of influence HotelCo had on subsidiaries. Whilst in-depth interviews depicted a HotelCo wielding a uniform influence across clusters in engagement, respondents' feedback via anonymous and confidential questionnaires indicates that this was not the case: in fact, TPE respondents recorded a markedly lower score than CME and LME ones. Despite the efforts by HotelCo to impart a particular way of doing things to its overseas subsidiaries, the outcome in terms of engagement reveals a different story. Based on participant observation, HotelCo corporate engagement 'warmly encouraged' subsidiary employees to get involved regardless of whether they believed in it or not, or supported it in their day to day work. This situation reflects what Bridges (1986) indicates as happening to employees, for instance, during organisational transitions whereby there is a time "When the best one can do sometimes is to go through the motions". (p.25). Further, the application of inferential statistics is instrumental in revealing not only an empirical, but also a methodological find.

Indeed, a noteworthy disparity between the input collected from in-depth interviews and quantitative survey responses surfaced. In the former, research participants seemed quite evangelical at times, and tended to project a consistent message in terms of how the company would have liked to think things were working, whilst the latter revealed rather more diversity in practice. In face to face interviews, respondents may be more likely to give an official line, but may depart from it, or at least stray a little more from the official line, in an anonymous survey. Clearly, HotelCo at the time of the research either was not able to get its overall HR message across sample properties that well in reality or there was a lot more diversity, despite all the rhetoric of internal coherence. This observation is in contrast with a lot of the social research literature suggesting that surveys are a bit anodyne, and interviews are better in capturing feelings (Giddens and Sutton, 2010; Easterby-Smith *et al.*, 2008; Rubin and Babbie, 2008; Stangor, 2004).

Another telling find relates to the apparent limited effect HotelCo had on investments in training and development indicated in the quantitative survey. Participant observation revealed that, although HotelCo promoted a deep commitment to workforce training and development both internally through the HR Manual, employee handbook, and externally via its website (HotelCo, 2015; 2012), in practice this was not happening as systematically as the official message purports. This was possibly due to subsidiary budget constraints which affected the funds allocated to train and develop employees. The resulting heterogeneity could be noticed, for instance, in the lack of provision of corporate training programs in certain properties owing to their impact on payroll cost, as opposed to other more financially sound properties, which had the sources to run such programs and thus contribute high-potential human capital for internal careers within the global HotelCo. Linking training budget with each hotel's financial situation could indicate a possibly varied application of training across the properties of HotelCo, which would thus contradict the MNE's formal intentions, as stated on the HR Manual and publicised on the company website.

Table 5.2 summarises the linkage between target setting and compensation for different employee levels. Participants highlighted that any linkage was largely confined to senior managers, while the lower ranks were left out of the process. This reality is corroborated by participant observation whereby the only corporate-sponsored pay-related-to-performance program (HotelCo, 2012) concerned the senior management team to the exclusion of the rest. This circumstance leads to two observations. Firstly, the discrepancy into which HotelCo incurred whereby, despite its corporate rhetoric (HotelCo, 2015; 2012) about passionately encouraging team work and the advantage of collective effort, the benefits from the latter appeared to be more visible to senior management than others. Secondly, the exclusion of subsidiary rank and file from participation to the aforementioned pay-related-performance program, is proof of a workforce segmentation, a phenomenon which is particularly established in the hotel industry whereby employees are split into two broader categories: on the one hand, those covering positions from supervisors (*team leaders*) and above (Edwards and Bélanger, 2009), and, on the other hand, the blue collar workers in low-wage occupations (Otis, 2009).

Relatively with the impact of local labour law on the ability to implement head office policies, respondents declared that the strongest pressure was felt on union and collective bargaining matters (Table 5.3). In particular, compliance with employment regulations

involving labour issues and compensation administration was seen as fundamental, as stressed also in the in-depth interviews. Yet, these were the very HR areas (see Table 5.1) where corporate oversight was weakest. It seems therefore that corporate directives stepped back in matters reckoned to be of sensitive institutional nature in the countries of domicile; this means that they would be less likely to be held accountable for any major infractions. Statistically significant differences emerged across clusters relatively with *union recognition* and *collective bargaining* entries which demonstrated a clear divide in perception between, on the one hand, TPE subsidiaries and, on the other hand, CME and LME ones (Table 5.3). In fact the former indicated that on these matters they experienced a much stronger influence from local laws and regulations than the latter.

However, the HR Manual stresses that the company prefers to interact directly with its employees rather than dealing with labour unions (HotelCo, 2015; 2012). Further, the influence of local labour law and regulations on the application of HR policies and practices in countries of domicile seemed to weaken in key areas such as job security, health and safety, wages, and training and development. This possibly results from, on the one hand, the tendency of the law in the countries under review in either form or practice to offer discretion to subsidiaries to manage their business, or, on the other hand, the realisation by participants that the multinational anyway administered workplace issues at a much higher standard than the minimum one imposed by the law and the competition as a broader business practice (HotelCo, 2015).

In summary, job security, health and safety, wages, and training and development matters did not figure among the top HR areas affected by HotelCo head office (see Table 5.1); participant observation confirms in these areas a degree of autonomy to the local HR executive, owing to the weaker institutional pressure as well. This would occur provided that the subsidiary HR executives manoeuvred within approved budget as per in-depth interview feedback. Moreover, as further corroborated by the participant observer, the editability of corporate training and internal communications shared across properties, suggests that HotelCo actively encouraged the local adaptation of content to the host-country audience (although of course, to avoid additional work, such adaptations could, in practice, be quite slight). In contrast, areas of the HR Manual, such as employee competencies model, were not editable (HotelCo, 2012).

Participants' responses confirmed the uneven effects of central organisational policies (Table 5.4): they neither agreed nor disagreed on whether head office provided well-defined people management rules and policies. Participant observation confirmed the sample's feedback because the HR Manual, despite being particularly detailed in internal matters of corporate policy in both ambitions and implementation guidelines, was vague on aspects related to unions, job security, wages, and subcontracting (HotelCo, 2012). This could be taken as an invitation for local HR executives to adopt as hardline policies as possible, or an opportunity to forge progressive accommodations with employees; however, given that there was little active support for the latter (and the formal opposition to unions), it is likely that in most circumstances, the former represented the default mode. Additionally, the researcher's viewpoint coincides with feedback of respondents (Table 5.5) according to whom, apart from discipline, there was uncertainty on whether the HR Manual adequately defined the courses of action to be taken in areas such as redundancies, wage setting, promotion, and use of subcontracted labour.

Lastly, HR executives offered input into whether head office continuously monitored to ensure that rules and policies were adhered to. This uncertainty (Table 5.6) was confirmed by participant observation: HotelCo's head office control, both on-site and remotely, mainly centred on financial budget alignment matters and issues with a global legal implication as, for instance, occurred with compliance to the global customer data privacy policy implementation.

### **5.2.6 Discussion and conclusions**

The preceding research analysis moves over two parallel lines of investigation: on the one hand, the strength of influence of the parent company head office on the subsidiary HRM implementation; on the other hand, the impact local laws and regulations have on the ability of local HR executives to apply head office policies and practices. Local regulations' effect showed specifically on the compulsory institutional training matters that HotelCo subsidiaries were required by local regulatory authorities to integrate within their curriculum, such as occupational health and safety, first aid, fire and emergency evacuation, and food safety, as confirmed not only by participant observation, but also by research in hotel occupational health issues and practices (cf. Hsieh *et al.*, 2013; Buchanan *et al.*, 2010). Further, according to the responses of HR executives, labour law

compliance was dealt with at subsidiary level where there was the due competence and consideration of local labour law dispositions and enforcement capabilities. Indeed, it would be surprising if this were not the case: the overseas HR executives needed to have the authority and competence to manage HR areas affected by the labour law in accordance with local regulations.

Given the varied inputs obtained, evidence shows that there was a statistically significant difference between the perception of CME versus LME and TPE respondents relatively with the extent according to which local laws impacted their ability to implement head office policies concerning union recognition and collective bargaining issues (Table 5.3). The revealing comment by a TPE respondent admitting the widespread presence of undeclared employment in the local labour market and the fact that the HotelCo subsidiary resulted to be a case apart in its law abidance, point to alarmingly weak enforcement capabilities in TPEs as opposed to CMEs and LMEs. This sheer disparity therefore justifies the emergence of a statistically significant difference between HR executives' perceptions.

Qualitative and quantitative evidence together with participant observation underline that institutional "labour relations factors" (Brookes *et al.*, 2011, p.68) did have a considerable influence on host country practices. It emerges from responses as well as participant observation and company documents that compliance to the local legal directives was top priority: then, once this imperative was honoured, alignment to corporate policies and procedures followed (HotelCo, 2015; 2012). Since job security was mostly determined at the host-country level as a result of the HotelCo arm's length approach, the mandatory guidelines establishing tight labour cost parameters urged overseas HR executives to seek flexible and low-cost employment arrangements while still complying with the local labour law. Even if this is further analysed next (see Chapter 7), overseas subsidiaries proceeded to large-scale utilisation of casual employment arrangements to drastically reduce labour costs, such as outsourcing and subcontracting particularly in LME and CME subsidiaries. Thus, while it appears that in the stable and tightly regulated CMEs there were "high levels of job security regulations" (Emmenegger and Marx, 2011, p.729), downward pressures from the country of origin may have undermined employees' feeling of job security in CME subsidiaries (cf. Kitson *et al.*, 2000). Contrariwise, TPE subsidiaries operated in a lightly regulated yet unstable and fluid institutional

environment featuring remnants of the monolithic Soviet-era labour law mixed with radical labour deregulation attempts (Lucas *et al.*, 2004).

Since all HR executives neither agreed nor disagreed over the statement that head office provided a well-defined set of rules and policies with regard to people management, it appears that the HRM approach by HotelCo towards global organisational integration occurred through local adaptation and responsiveness. Nonetheless, this might also represent an abrogation of responsibilities by HotelCo head office, leaving it to subsidiaries to do what they could get away with. Thus, a remarkable disparity emerges from the contents of the HR Manual. As explained by Mellahi *et al.* (2013), accommodation of MNEs' HR policies and practices to local context has a higher probability to occur "With regard to HRM practices that are difficult to diffuse, control and manage, and require sensitivity to local institutional pressures". (p.2363). Indeed, it is a balancing act MNEs often perform in overseas subsidiaries as illustrated by Hartmann *et al.* (2010) in their research of subsidiaries of MNEs operating in China. From a different angle, the HR executives' indecision to express a clear position on whether HotelCo head office provided a well-defined set of rules and policies with regard to people management, may reveal the respondents' intentional hesitation to openly express their viewpoint to a colleague-researcher.

The understanding that HotelCo implemented a detached approach is strengthened by the feedback according to which the parent company did not seem to tightly monitor on HRM rules and policies to ensure these were not violated. Specifically, quantitative and qualitative evidences together with participant observation and document analysis converge to suggest that, in terms of finance-related HRM, head office defined the main payroll and related financial commitments within the subsidiary budget framework, while leaving compliance to labour law, compensation administration, and employee relations to be handled by the local HR executives.

Consequently, the HotelCo approach broadly defined finance-related HRM matters and then shifted to local subsidiaries the detailed management of labour relations issues. While this *modus operandi* could reflect a 'laissez faire' approach devolving a certain autonomy to country of domicile HR executives, at a deeper analysis evidence indicates a dissociation of corporate pressure from HRM aspects pertaining, namely, to the details

of job security, wages, use of expatriates<sup>3</sup>, and of subcontracted labour. These areas were left to HR executives at subsidiaries to handle as they best saw fit. Relatively with findings, these may appear counter-intuitive since normally firms have central policies regarding the deployment and management of expatriates. To this end, it is critical to discern between senior level expatriates managed by HotelCo head office and locally hired foreign immigrants covering line to junior management positions employed according to local work contract (Inkson *et al.*, 1998).

Overall, it emerges that HotelCo reckoned it was in its best interest to respect the local labour law in countries of domicile subsidiaries on account of its visibility and reputation as well as “liability of newness”. (Hillman and Wan, 2005, p.325; Stinchcombe, 1965, p.148). The latter in fact relates to the lack of external legitimacy in the host country business system experienced by overseas subsidiaries in new and foreign markets. This is of concern especially to hotel operations located in emerging TPEs whereby it is vital to safeguard organisational compliance to the local legal system. On the other hand, it is well possible for MNEs’ overseas properties to be less sensitive relatively with the legal compliance among their suppliers (Nadvi, 2008). Consequently, this approach by HotelCo underlines an arm’s-length relationship with its subsidiaries on matters pertaining to labour relations issues, as well as employment and job protection directives. Based on participant observation and document analysis (HotelCo, 2015), it thus emerges that the co-operation with the Finance executive was key in order to ensure the faithful application of budget constraints. Thus, while the subsidiary HR executive role was to, on the one hand, closely collaborate with the Finance executive and comply with budgetary strictures to ensure payroll and related costs were within budget, they also had to implement solutions for the attainment of specific HR performance targets. Evidence, therefore, confirms the earlier findings of Rosenzweig and Nohria (1994) concerning influences on HRM in MNEs according to whom:

“HRM practices with precise or mandated local norms most closely resemble local practices, whereas those HRM practices that have to do with executives or speak to the internal decision making of the firm tend relatively more to resemble the parent's practices”. (p.241).

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<sup>3</sup> The further examination of expatriate employment across sample properties is of limited interest because it occurred only in TPE subsidiaries located in Azerbaijan and Kyrgyzstan.

Subsequently, head office clout was perceived more intensely over more abstract, non-finance related HRM matters which sought to enable workforce to express their full talent through purported efforts to establish a genuinely caring work environment (cf. Dries, 2013). According to scholarly research, as US MNEs tend to promote their HRM model abroad, they appear to exert closer control in non-LME countries of domicile (Fenton-O'Creevy *et al.*, 2008) because they are more effective in transferring their HRM paradigm in other similar Anglo-Saxon countries than elsewhere (Gröschl, 2011; Gooderham *et al.*, 2006).

Nonetheless, it emerges that there is a statistically significant difference in the perception of head office influence on employee engagement across clusters (Table 5.1). Therefore, it can be inferred that, although HotelCo exerted pressure on local subsidiaries, in some countries of domicile perhaps workforces experienced the application of HR policies and practices in a rather disengaged way as if just going through the motions. This aspect is further exacerbated by the educational system mismatch featured in TPEs. A perceived lack of training or exposure to modern customer service associated with a world-class hotel chain, was seen as a major challenge, with workforces misaligned with HotelCo performance requirements. Thus, TPE subsidiaries appeared as having lower employee performance standards, owing to possible shortfalls in local labour capabilities. This highlights difficulties encountered in realising the ambitions expressed in Corporate Manuals (HotelCo, 2015; 2012) while attempting to leverage apparently strong homogenising tools towards attaining the engaged application of HR policies and practices across overseas subsidiaries. For instance, with regards to TPEs, even centralising organisations as the Communist party in the Soviet Union never managed during their 80-year rule to impose internal coherence in their Central Asia provinces and had to assimilate local institutional practices such as the clan-based system (Roy, 2007; Collins, 2006).

As an example of employees of HotelCo going through the motions, the participant observer reports the experience of implementing a mandatory internal training on compliance to code of conduct matters, for which a global blanket campaign was rolled out from head office. Despite the official prescribed training took place as per mandated with attendance records being duly compiled and sent back to head office, doubts were cast on the effectiveness of the training action revealing a mismatch between HR Manual aspirations and the actual educational outcome. As it became evident, applying the

prescribed training procedures faithfully did not automatically result in a subsequent perfect application of the code of conduct as per corporate ambition. In fact, although the training focussing on the much-publicised whistleblowing policy was neatly understood by employees, it encountered both institutional and cultural challenges in the context of subsidiaries (see also section 6.2.5).

Further, respondents indicated that, in reality, head office target setting affected exclusively the compensation of a single workforce category at subsidiary level, namely top management. Owing to their strategic function within overseas hotel properties, this employee category is the closest to head office than all other employee ranks. The exclusive participation to a corporate incentive program thus portrays a segmentation of the workforce. The special focus on employees belonging to top management is justified by Nohria and Ghoshal (1994) who recognise that senior management represent the “nexus of headquarters-subsidiary relations” (p.491) due to their proximity to head office. Further, Roth and O’Donnel (1996) maintain that the critical importance of hotel top hierarchical team resides in their being:

“Accountable for market or country-based performance but must increasingly be concerned with the contribution the subsidiary makes to the competitive position of the corporation as a whole”. (p.679).

To sum up, hotel level HR executives appeared to have a certain degree of autonomy especially in those areas affected by the local labour law. Within this perspective it is possible to argue that HotelCo issued HR policies and practices on a global scale, however the parent company selectively left room for adjustment according to local institutional context whenever convenient. At a different level, this first section highlights an important methodological issue emerging from the juxtaposition of qualitative and quantitative responses on HotelCo influence on engagement. While oral replies were aligned to conventional corporate speak and desires, this did not happen with written survey responses. The resulting statistically significant difference underscored a dissociation which is likely to have occurred owing to the interviewees’ consciousness of “Being engaged in interviews rather than conversations”. (Bryman, 2012, p.622). Consequently, following the preceding analysis, the anonymity and confidentiality of quantitative surveys allowed respondents to express a straightforward opinion which was nonetheless curbed in the subsequent qualitative interviews.

### **5.3 Host-country specific factors determining the application of HRM practices in MNE hotel chain subsidiaries: selection methods**

#### **5.3.1 Introduction**

Line managers consider employee selection a most value-adding HRM procedure because it determines the composition of their teams (Hughes and Rog, 2008; O'Reilly and Pfeffer, 2000). Given the critical impact of employee selection on total organisational performance (Chand and Katou, 2007; Becker *et al.*, 1997), this section focuses on job categories under standard work contract employment. The aim is to reveal if there are specific host-country factors influencing the selection process as well as its methods, and identify possible variations across economic clusters where HotelCo overseas subsidiaries operated.

#### **5.3.2 Key findings based on participant observation and documents**

The first standard step for a job seeker to take in order to apply for work at any HotelCo subsidiary is the compilation of an **application form** which requires the candidate to provide specific personal and professional information. This task, which may be completed by filling in a specific document in person at the hotel HR department or online (HotelCo, 2015), determines the subsequent course the job application follows, namely: either approval for further screening, or acceptance but kept on hold until a fitting job opportunity becomes available, or outright rejection. If the job application is successful, a variety of selection tools is potentially available according to circumstance (HotelCo, 2012).

Therefore, candidate selection may be performed by using the following tools specific to HotelCo, either singularly or in combination: **assessment centres, psychometric tests, group interviews, competency-based individual interviews, CV data, reference checks, simulations, and probation period**. Apart from the first three tools which, as examined in the ensuing analysis, are very rarely used, the other selection procedures are regularly applied by HotelCo subsidiaries. Further, **recommendations** whereby a person proposes another one for hire are quite frequent occurrences which the HR executive needs to handle tactfully while ensuring due compliance to the established selection procedure (HotelCo, 2012). Especially hiring recommendations initiated by employees

are favoured by HotelCo because they originate from the social network of incumbent workforce. These so-called ‘employee referrals’ are linked to employee rewards for any successful hirings (HotelCo, 2015).

Next, this section examines the approach of HotelCo towards internal and external labour markets and their respective **recruitment** streams (cf. Jackson *et al.*, 2012, p.196-8). According to its publicised business philosophy, HotelCo states both in its internal communication material and its website that top priority is to grow the workforce from within (HotelCo, 2015; 2012). Thus, external recruitment actions purportedly occur after internal ones are unsuccessful (HotelCo, 2012). Upfront then, there is the need to qualify the difference between trainee and apprentice, because these employee categories feature high potential staff for further development through the ranks. Trainee is a recruit receiving basics job training or an incumbent employee featuring identified capabilities gaps in the process to resolve through training and development activities. Trainee, therefore, is staff with a secondary qualification receiving informal or internally certified on the job training. Apprentice, instead, is a recruit who is undergoing an on the job training towards a formal vocational qualification. Consequently, while the totality of subsidiaries under investigation featured trainees, hotel apprentices were employed only in CME properties, and not in those operating in LME and TPE institutional contexts. In fact, as Bosch and Charest (2008) contend, in countries such as Germany and Switzerland the educational system is closely knit with the industry towards the attainment of vocational qualifications. Oppositely, the UK and much more Azerbaijan and Kyrgyzstan institutional contexts are foreign to these collaborative workforce development programs between the state and industry.

Lastly, it is necessary to preliminarily clarify that ensuing exploration of selection methods concerns standard employment job positions at HotelCo’s overseas subsidiaries. Nonetheless, it is worth noting that in terms of non-standard employment, data available show that, on December 31, 2012, its average ratio over total workforce was 26.92%, 16.75%, and 0.56% in CME, LME, and TPE subsidiaries, respectively. This indicates, once more, a neat workforce segmentation which is endemic to the hotel industry operating in developed economies. Consequently, core and qualified employees become separated from non-core, low-skilled, blue-collar workers leading, as Bernhardt *et al.* (2004) argue, to a “sharp rise in inequality”. (p.33). In fact, as the authors stress, it is the latter group whose menial job is pervasively affected by fixed-term, variable shift

duration, temporary occupation, and subcontracting arrangements, in order to compress labour cost and adjust it to a fluctuating business volume. Since hotel MNEs are usually floated on the stock exchange, as is the case of HotelCo, it is imperative to maintain labour cost under control in an industry where payroll approaches 60% of a hotel's overall expenses (Parkinson, 2006, p.335).

Therefore, HotelCo payroll strategy mandates a labour force segmentation that manifests itself from the early stage of employee selection and constantly re-surfaces in all areas of HRM practice illustrated throughout the Findings' Part. While the selection methods explored next apply only to standard-contract employment candidates who are served the internal recruitment rhetoric, this is not the case for non-standard contract workforce. In fact, this specific category of workforce which belongs to the wider blue-collar tier, is employed according to subcontracting and outsourcing agreements which devolve recruitment and selection costs to outside agencies, thus enabling maximisation of workforce flexibility through labour casualisation (Holmes, 2012).

### **5.3.3 Evidence based on in-depth interviews**

A noteworthy emerging evidence is the widespread use of individual interviewing as the main selection method. Contrariwise, assessment centres, psychometric tests and group interviews were implemented only sporadically, or not at all. Since the study concerns the period 2010-2012, HR executives' feedback and participant observation point to the global economic situation as the main cause of a very limited activity in terms of recruitment and selection for standard employment positions. In that time span, hires in the sampled hotels totalled only 32 and 10 in CME and TPE subsidiaries, respectively, for positions encompassing full- and part-time contracts.

To the contrary, the LME subsidiary did not proceed to any hiring for standard-employment jobs. With these premises, HR executives applied conventional selection methods broadly recognised as successful by practitioners. Indeed, as Zibarras and Woods (2010) contend, the most frequently applied selection methods are "The CV, followed by the 'traditional triad' (Cook, 1991) of application form, interview and references". (p.507). Consequently, the following comments by respondents illustrate that assessment centres and group interviews were, if at all, very rarely contemplated as

selection tools. Instead, research participants appeared to be more accustomed with psychometric tests due to past experience. As a CME HR executive noted:

Assessment centres are not used. Instead, the company-approved psychometric tests would be more appropriately used for outside recruitment for managers. Otherwise, the classical interview process is mostly used.

Thus, relatively with the use of psychometric tests, it appears that head office expected the utilisation of the centrally-approved standard model for external recruitment and selection purposes, which nevertheless came at an additional charge. This constraint led subsidiary HR executives to forego psychometric tests altogether and thus resort to more locally adapted selection methods (Myloni *et al.*, 2004).

Also, a CME respondent further reinforced by the LME HR executive, agreed by sharing that assessment centres, psychometric tests, and group interviews were:

Not used at this stage as not appropriate, as the number of applicants does not justify this. Currently, we rely on the interview and trial work.

It emerges that during the selection process, hotel HR executives were focused on understanding not only the technical expertise of the candidate, but also their “social and aesthetic skills”. (Warhurst and Nickson, 2007, p.109). This purpose was obtained through a two-pronged approach: one-to-one individual interview together with trial work, or work sampling. As a CME respondent stressed:

Because circumstances are not appropriate: in fact, assessment centres and group interviews require many applicants for one or few positions. As for psychometric tests, these are ill-suited for the hospitality industry because there is the need to assess live the manners, self-presentation, and guest-contact skills of the candidates. To this end, the classical selection interview is particularly appropriate.

This evidence stresses the respondents’ conviction that, owing to the peculiarity of hotel professions, psychometric tests were unsuitable for assessing candidates’ social and customer-contact skills. Indeed, the ensuing feedback by a CME HR executive is symptomatic of the emphasis the selection process gave to examining candidates’ suitability to front-line positions:

Currently, we rely on interview and trial work selection processes. More specifically, in technical line positions like Front Office, Kitchen and Food & Beverage Service, first they do half day trial work, then they are interviewed by the line manager, next by the HR executive and last by the General Manager.

This reply prompts additional observations related to the sequence of the selection stages: not only did the work trial precede the individual interview, but also the first management representative screening the candidate was the line manager with whom, if the selection concluded successfully, the new hire would have worked with. Moreover, as the HR executive interview occurred before the candidate last met with the General Manager, the order followed reveals the prominent role conferred to operational departments in handling recruitment and selection. Indeed, this gives credit to Renwick's HRM concept in which line managers cover a "centre-stage" role. (2003, p.262). Since the process flow gave a primary screening role to Operations over HR, it emerges that line managers were charged with the initial critical task of selecting candidates by examining first the quality of the trial work and then by interviewing them individually.

This priority of line management over HR when hiring line employees, therefore, suggests that departmental managers had to be duly trained in selection procedures, which points towards their noteworthy involvement with HR-related tasks reflecting current business practices (Kuvaas *et al.*, 2014; De Jong *et al.*, 1999). Nonetheless, from the opposite side, the above interviews' sequence may indicate that the involvement of the HR executive in the secondary stage relegated them to a non-core and administrative role in the selection process. This implication is further corroborated by a study of Welch and Welch (2012) regarding the role of HR executives in international projects, which suggests that their contribution to staff recruitment and selection is mainly limited to "The maintenance of the company's personnel database" (p.606). Unsurprisingly, therefore, respondents next offered in unison a negative answer to the question on whether they used innovative and creative selection means, such as simulations. Indicatively, a TPE participant offered a most representative answer by stating that:

The ones [innovative selection methods] mentioned as such, no. However, situational interviewing is particularly used for customer-contact positions, such as when hiring for Reception, Restaurants and Bars Service jobs. This is, however, within the one-on-one selection interviewing framework to see the reaction of the candidates.

Even when asked about creative selection methods, respondents returned back to the familiar competency-based individual interviewing (cf. Kessler, 2012) that they enriched with a situational approach (cf. Latham *et al.*, 1980). Undoubtedly, therefore, respondents considered individual interviews the most effective selection method that they extensively used, which is also the case with most organisations.

Next respondents' input relatively to probation period demonstrates that this was contemplated by labour law in all countries under examination, which converges with Standing's (2008) observation about the diffused application of this selection method by businesses in most national contexts. Further, HR executives uniformly advised that the legal system allowed for contracts to be renewed a limited number of times on fixed terms, before being turned indefinite. To illustrate the level of flexibility reached by labour law even in former Soviet countries (cf. Lehmann and Muravyev, 2012), a TPE respondent commented about probation period that:

This is critical because it reveals concretely how much the candidate fits with the job. These three months, once completed, leave way to a determined duration contract up to 2 years. If the contract lasts beyond this period, the contract is then renewed indefinitely.

Further both CME and LME respondents agreed by stressing that probation period:

Yes, it is clearly stated by law: disrespect of the related guidelines leads to consequences. There are no dispositions by head office in this respect.

As for legal implications, these concern only the need of clearly spelling out the details of the probation period in the contract presented to the employee (cf. Suazo *et al.*, 2009).

Next, respondents addressed the role of recommendation in the selection process: namely, they distinguished two different streams being the internal, also known as 'employee referral', and external. The former related to endorsements originated internally which involved employees recommending a candidate from their personal social network, such as an acquaintance, a friend, or, even a relative (Shinnar *et al.*, 2004). Indeed, as a TPE respondent commented:

Employee recommendation award system boosts the number of candidacies: however, as for its assistance to select quality employees, on this there are mixed feelings.

The latter, instead, related to recommendations originated externally by, for example, business partners and local authorities (Morgan *et al.*, 2013). Both scenarios offered an additional recruitment avenue as shared by a TPE respondent:

It is an alternative avenue for recruitment: still, however, the screening process reveals the extent according to which the candidate fits with the job and the company. Also, reference checks are carried out.

However, as all respondents emphasised, recommendations primarily worked in justifying the connection between the candidate and the recruiter, thus reinforcing the viewpoint of Judge and Higgins (1998) according to whom:

“[Recommendations] cannot always be accepted as completely impartial reports about the applicants’ worthiness for the position”. (p.218).

Purportedly, the deriving application nonetheless followed the established procedure as per policy whereby, according to the LME respondent:

Certainly, the source is considered – yet, the candidate is always channelled to go through the full selection process.

This view was further stressed by a CME respondent, stating that:

Who is recommended is directed through the conventional selection process. Then, based on the outcome, we are free to decide what to do next.

Overall, it seems that while recommendations did occur during the hiring process (cf. Segalla *et al.*, 2001), respondents affirmed that they implemented relevant policy consistently to ensure a fair treatment to all applicants (cf. Schinkel *et al.*, 2013). The above statements represent what may be considered as ‘by-the-book’ answers as could be expected from overseas subsidiary HR executives, apart from the abovementioned response offered by the LME participant. In fact, it admitted that the source was considered thus suggesting that who recommended possibly played a role in the recruitment and selection process, thus potentially biasing its outcome even in a subsidiary operating in a liberal market economy of the developed world.

However, Myloni *et al.* (2004) stress the noteworthy importance of recommendations in subsidiaries located in host countries featuring fluid and weak institutional settings analogous with the TPE countries under consideration. There, subsidiaries adapt to local customs by giving importance to recommendations because these may not only provide a guarantee about the quality of the candidate, but also be part of a broader mechanism within a society where clientelism and quid-pro-quo exchanges are rooted. This is more striking in TPEs, where the clan system and the resulting pervasive tribal solidarity is deeply established in the fabric of society (Temirkoulov, 2004).

The last question is centred upon internal recruitment and the advantages it offers to MNE subsidiaries (cf. Whelan and Carcary, 2011). In particular, as one TPE respondent indicated:

Internal recruitment is very critical, especially as the local workforce education is clueless on world-class hospitality standards: thus, it is important to develop the labour force from within. Head office does not really affect these decisions.

Therefore, as recruiting internally at host-country level was a policy heralded by head office and apparently implemented, the latter seemed not to influence related decisions. As the LME respondent maintained:

To the best extent possible, internal recruitment is promoted throughout any openings in the hierarchy: this further strengthens the culture of the HotelCo subsidiary.

Indeed, a CMEs respondent characteristically indicated:

At our property, internal recruitment is particularly common in situations whereby trainees are promoted to cover standard line positions.

This comment indicates the company's focus on internal recruitment which especially favoured apprentices: if screened successfully, these were given priority over external applicants in covering non-managerial positions. Therefore, the organisation emphasised employee development and thus assured a constant stream of applicants at apprenticeship level. These would then be developed through the ranks, same as would occur to promising recruits receiving basics on job training in TPE and LME subsidiaries (cf. Briscoe and Schuler, 2004).

In the final analysis, even if apprentices and trainees joined HotelCo subsidiaries with a basic skill level, yet their growth potential and service-oriented attitude together with lower payroll costs than external recruits rendered them exceptionally convenient in filling vacant line job positions. These related most frequently to F&B Service, Kitchen, and Front Office operational departments which suffer from incessantly high turnover rates. Thus, internal recruitment represented a key measure to counter the shortage of external applicants to fill line positions where employee turnover was particularly marked, as customary in the hotel industry. Although this circumstance is further analysed in the ensuing Chapter 7 on employer-employee interdependence, yet these findings are a faithful reflection of earlier research outcomes by Hinkin and Tracey (2000). In fact, the authors underline that it seems that practically nothing has changed in terms of turnover challenges from the start of the Millennium until now.

Thus, even if employees were provided opportunities for internal advancement, nonetheless these were not enough to ameliorate a quite high turnover rate. This outcome would suggest four probable underlying causes (cf. Kusluvan, 2003, p.6). First, gains from promotion were probably quite slight, resulting from an industry known for its low pay, especially at the lower hierarchical levels (Ogbonna and Harris, 2002). Second, internal promotion could have been arbitrary or perceived as such owing to poor supervision (Gentry *et al.*, 2007). Third, the broadly documented very low employee loyalty affecting the hotel industry (Mohsin *et al.*, 2013); and, last, a culture of poaching among competitors owing to the unattractiveness of the industry (see also 3.4.1.2) facing skill shortages at rank-and-file level in a characteristically high labour intensity sector (Cho *et al.*, 2009; Lashley, 2000). In the final analysis, the above could also suggest that for many basic positions, employment in HotelCo subsidiaries is a job of last resort.

#### **5.3.4 Evidence based on quantitative survey**

Starting from application forms as a selection method (cf. Snell and Bohlander, 2013), responses in Table 5.7 show that these were widely used across all properties regardless of economic cluster and position. This reflects earlier findings by Shackleton and Newell (1994) according to whom application forms represent a very common selection practice businesses implement for external recruitment purposes. Minor yet indicative differences

appear to emerge relatively with the use of application forms for positions at executive level. It seems that there were some instances showing that not all properties were able to cover their top positions internally.

Specifically, TPE respondents did not indicate using application forms for executive selection, which shows that they filled internally vacant top management positions through the recruitment of high-potential candidates developed from within the subsidiary, or by attracting expatriate candidates from other properties. Application forms for top management positions in the LME subsidiary appeared meaningless because of the prestigious location of the property: in fact, beyond attaining to recruit internally within the operation, it easily attracted overseas applicants within HotelCo owing also to a minimal language barrier. The latter category of internal applicants sought to climb the career ladder by moving to a prime destination demanding only proficiency in English, which anyway represents a basic requirement for any hotel professional nowadays (Rogerson-Revell, 2007; Smith and Cooper, 2000).

Instead, differences emerge in CME subsidiaries where two out of four properties used application forms for executive selection, thus indicating that they recruited externally even to fill in vacant positions at the highest level of the hotel property hierarchy. Two factors possibly may explain this circumstance. Firstly, by considering an earlier observation related to the broad unattractiveness of hotel industry further documented by literature (Harris, 2009; Wildes, 2007), there are unsocial working hours and the comparatively low wages curbing employees' interest in career advancement within HotelCo subsidiaries. Thus, a shortage of internal candidates may have urged CME properties to fill vacant top management positions with local external candidates in the eventuality they did not manage to retain high-potential employees. The latter, in fact, if they were not attracted to embark on assignments with expatriate status to build a career internationally, could have decided to leave the industry altogether. The second reason lies in the language barrier impeding the transfer in of overseas candidates (Harzing *et al.*, 2011). In fact, according to participant observation, full proficiency with the German language was a mandatory requirement in order to ensure understanding with host-country employees and, most importantly, customers.

Responses in Table 5.8 relate to the use of assessment centres in selection which represent a complex and costly procedure lasting even a few days, consisting of interviews, simulations, group exercises, psychometric tests, and exams (Campbell and Bray, 1993). Thus, assessment centres are particularly useful in evaluating candidates for management-level positions. Since respondents indicated that employee turnover was mostly generated by departures at blue-collar, rank-and-file, and junior supervisor levels, this type of selection tool was used sparingly. Further, TPE subsidiaries did not use assessment centres at any level of the hierarchy; top management positions were mostly covered by expatriates with previous overseas experience, rendering the use of assessment centres inappropriate or even irrelevant.

Contrariwise, assessment centres were used in two out of four CME subsidiaries at line level and in the LME property for top management positions. On the one hand, in the case of the two German properties assessment centres appear to be used also in the selection of apprentices. This indicates the close connection of professional education to industry featured in the CMEs' business system (Fazekas and Field, 2013; Müller, 1999a) whereby assessment centres are instrumental in thoroughly profiling candidates and thus matching them to a suitable career prospect. On the other hand, the LME subsidiary utilised assessment centres in their traditional sense for the selection of candidates at the top of the hierarchy. This dynamic indicates that, differently from other subsidiaries, the LME subsidiary resorted to an articulate tool to select its top management.

Psychometric tests (Table 5.9) represent a sophisticated selection tool (Scholarios, 2013) geared towards the optimisation of person-job fit (Carless, 2005; Caldwell and O'Reilly, 1990), particularly during large-scale external recruitment campaigns (Wolf and Jenkins, 2002). The noteworthy costs of acquiring psychometric tests prevent their large-scale use, unless economically viable (Bedford and Ineson, 1995). Since, as per HR executives' feedback and participant observation, no sampled hotel property featured any opening or reopening in the 2010-2012 period, there were no properties undergoing any mass selection tasks requiring the use of psychometric tests. Data indicate that these were used for senior and top management positions by several properties across the CME and TPE clusters where half of the respective respondents implemented psychometric tests. Instead, the LME subsidiary utilised them only for top management positions.

On the contrary, individual interviews were pervasively used (Table 5.10) by all subsidiaries at all levels hinting that an intense customer-contact industry such as hotels mandated the recruiter to interview candidates personally and separately (Huffcutt, 2011; Judge *et al.*, 2000; MacHatton *et al.*, 1997). The ensuing one-to-one interaction led recruiters to obtain a thorough impression of the candidate's key personality aspects, namely in terms of communication, customer interaction, demeanour, and social skills which are of fundamental importance in hotel services (Hurrell *et al.*, 2012). A slight minority of subsidiaries comprising of one out of three CME properties and one out of two TPE properties responded that they did not use individual interviews in the case of executive-level selection. This occurred possibly because top level selection process was arranged by head office, thus strengthening the MNE's control structure (Gupta and Govindarajan, 1991).

Subsequently, survey participants were asked about whether competency based questions were used as a selection method. The very fact that answers to this question (Table 5.11) resemble preceding responses (Table 5.10) demonstrates that, in the process of defining if candidates fit with the organisation, selection interviews utilised questions based on competencies to ensure their consistent application (Müller, 2013). Further, this indicates the pivotal role corporate-originated competencies had in the implementation of HRM at subsidiary level, starting from the crucial selection process (Ulrich *et al.*, 1989).

Group interviews (Table 5.12) were used more sparingly as they involve the presence of a panel of interviewers addressing a candidate in a pressure setting (cf. Robertson and Makin, 1986). This type of selection method is especially appropriate for recruitment at the managerial level. Relatively with CME properties, respondents suggest that group interviews were implemented in one in four for junior and middle managerial positions, in two out of four for senior management positions and, last, one in four for top positions. As for the other clusters, one TPE respondent indicated that this selection method was used for selecting at line employee level. Thus, interviewers afforded to evaluate candidates based on standardisation and the economy of time: instead of having candidates undergo separate individual interviews, they would rather be interviewed by a panel of interviewers in one single session (Dixon *et al.*, 2002).

Most respondents across the three clusters confirmed that CV Data (Table 5.13) were thoroughly used to select candidates in any positions. Thus, it emerges that subsidiaries did require the submission of a CV in order to set a solid base onto which develop the selection process, as confirmed by scholarly literature (Tsai *et al.*, 2011; Macan and Dipboye, 1988). However, one TPE respondent indicated that CV data were applied only for executive management roles which were customarily filled with expatriates, as opposed to the other positions lower in the hierarchy featuring locals. The reason for CV data not being applied in relation with the latter could be traced to the fact that, since emerging CIS economies feature a widespread “hidden enterprise culture” (Williams, 2006, p.4) spurring unofficial labour (Johnson *et al.*, 1997) in the “informal sector” (Dibben and Williams, 2012, p.563), local candidates could be wary of detailing their previous work experiences in the embedded “informal economy” (Morris and Polese, 2014, p.2; Williams and Round, 2008; Williams and Round, 2007) and thus opt not to indicate them in their curriculum vitae (Gasimov and Gurbanov, 2013).

The above observation links with evidence emerged previously (see also 5.2.3) in which a TPE respondent indicated that their subsidiary is often the first official employer for new hires with previous work experience, as the preceding employers apparently failed to register the candidates with the labour authorities. Hence, by receiving partially completed and unreliable CVs, the subsidiary recruiter had to face the additional burden to collate information on work experiences during the selection interview so as to attain a complete picture of the candidate (cf. Jelf, 1999; Brown and Campion, 1994).

A similar response pattern is then noticed across clusters in the succeeding question asking whether references (Table 5.14) are used as selection method. In fact, as these offer an insight into the candidate’s personality based on past work experiences, references appear to offer a useful cue for interviewers complementing both the competency-based individual selection interview and the CV Data (Harshman and Chachere, 2000). However, in one TPE subsidiary this selection method was not used for locals because undependable, since candidates tended to be reticent about revealing their previous work experiences.

The questionnaire unit exploring the application of selection methods then addresses more advanced solutions such as simulations (Table 5.15). Given that the totality of responses was negative, the overall traditional use of selection methods across clusters

was once more confirmed. This reduced creativity, which is nonetheless symptomatic of the hotel industry (Bedford and Ineson, 1995), could have also been induced by the low recruitment activity occurring in the period under consideration. A further reinforcement of this observation is the fact that the overwhelming majority of subsidiaries relied on some form of probation period (Table 5.16) as a supplementary selection method which is a classic solution for testing the person-job-organisation fit (Givord and Wilner, 2015). Still, among CME subsidiaries, one property out of four in all job categories up to Department Heads Members and two out of four at Executive Committee level did not resort to probation period. A negative input was recorded also in the case of TPE subsidiaries whereby in senior and top positions one out of two properties did not use such selection method. This reveals that, in the case of CME and TPE subsidiaries, higher up in the hierarchy, there was a tendency towards not applying probation periods which could have possibly turned counterproductive to the motivation of newly hired expert senior professionals (Niehoff and Moorman, 1993).

Based on the preceding findings which are quite telling about the conservative approach of HotelCo subsidiaries to selection, it could be assumed that sampled hotels also relied on recommendations. Indeed, as illustrated in Table 5.17, descriptive statistics point towards an overwhelming agreement between HR executives across clusters about the use of recommendations. This attitude towards recommendations reflects the position of scholars (Hurrell and Scholarios, 2014; Kuo, 2009; Berger and Ghei, 1995) according to whom recommendations offer an additional guarantee of a candidate's behaviour and capability to duly represent a firm in customer contact settings.

Lastly, the questionnaire led HR executives to offer insights on internal versus external recruitment sources (Table 5.18). Again, as in the previous question, there is uniformity in the answers across clusters. Relatively to line Guest Service Staff, all respondents agreed that recruitment was mixed, meaning both internal and external. Yet, both apprenticeship programs and traineeship opportunities represented key internal recruitment streams complementing line employees recruited outside the subsidiaries. Further, participants appeared to agree that, in the name of internal recruitment motto of "promoting from within" (Messmer, 2004, p.10), recruitment was occurring mostly internally to almost always internally for Team Leaders and Assistant Managers up to Executive level positions. This approach indicates efforts at the subsidiary level to ensure that vacancies from junior leadership positions and upwards were filled by internal

candidates, thus supporting the HotelCo's claimed profile as a hotel MNE focused on employee development.

**Table 5.7: Use of selection method - application forms**

Please indicate if you make use of the <i>application forms</i> selection method in your hotel according to the following job categories:		<u>CME</u>	<u>LME</u>	<u>TPE</u>
<b>a</b>	Executive Committee Members	Yes: 2 No: 2	Yes: 0 No: 1	Yes: 0 No: 2
<b>b</b>	Department Heads Managers	Yes: 4 No: 0	Yes: 1 No: 0	Yes: 1 No: 1
<b>c</b>	Team Leaders and Assistant Managers	Yes: 4 No: 0	Yes: 1 No: 0	Yes: 2 No: 0
<b>d</b>	Guest Service Staff	Yes: 4 No: 0	Yes: 1 No: 0	Yes: 2 No: 0
<b>Note:</b> • (*) FISHER'S EXACT TEST: there is a significant difference ( $\alpha < 0.05$ )				

**Table 5.8: Use of selection method - assessment centres**

Please indicate if you make use of the <i>assessment centres</i> selection method in your hotel according to the following job categories:		<u>CME</u>	<u>LME</u>	<u>TPE</u>
<b>a</b>	Executive Committee Members	Yes: 0 No: 4	Yes: 1 No: 0	Yes: 0 No: 2
<b>b</b>	Department Heads Managers	Yes: 0 No: 4	Yes: 0 No: 1	Yes: 0 No: 2
<b>c</b>	Team Leaders and Assistant Managers	Yes: 0 No: 4	Yes: 0 No: 1	Yes: 0 No: 2
<b>d</b>	Guest Service Staff	Yes: 2 No: 2	Yes: 0 No: 1	Yes: 0 No: 2
<b>Note:</b> • (*) FISHER'S EXACT TEST: there is a significant difference ( $\alpha < 0.05$ )				

**Table 5.9: Use of selection method - psychometric tests**

Please indicate if you make use of the <i>psychometric tests</i> selection method in your hotel according to the following job categories:		<u>CME</u>	<u>LME</u>	<u>TPE</u>
<b>A</b>	Executive Committee Members	Yes: 2 No: 2	Yes: 1 No: 0	Yes: 1 No: 1
<b>B</b>	Department Heads Managers	Yes: 2 No: 2	Yes: 0 No: 1	Yes: 1 No: 1
<b>C</b>	Team Leaders and Assistant Managers	Yes: 0 No: 4	Yes: 0 No: 1	Yes: 0 No: 2
<b>D</b>	Guest Service Staff	Yes: 0 No: 4	Yes: 0 No: 1	Yes: 0 No: 2
<b>Note:</b> • (*) FISHER'S EXACT TEST: there is a significant difference ( $\alpha < 0.05$ )				

**Table 5.10: Use of selection method - individual interviews**

Please indicate if you make use of the <i>individual interviews</i> selection method in your hotel according to the following job categories:		<u>CME</u>	<u>LME</u>	<u>TPE</u>
<b>a</b>	Executive Committee Members	Yes: 3 No: 1	Yes: 1 No: 0	Yes: 1 No: 1
<b>b</b>	Department Heads Managers	Yes: 4 No: 0	Yes: 1 No: 0	Yes: 2 No: 0
<b>c</b>	Team Leaders and Assistant Managers	Yes: 4 No: 0	Yes: 1 No: 0	Yes: 2 No: 0
<b>d</b>	Guest Service Staff	Yes: 4 No: 0	Yes: 1 No: 0	Yes: 2 No: 0
<b>Note:</b> • (*) FISHER'S EXACT TEST: there is a significant difference ( $\alpha < 0.05$ )				

**Table 5.11: Use of selection method - competency based questions**

Please indicate if you make use of the <i>competency based questions</i> selection method in your hotel according to the following job categories:		<u>CME</u>	<u>LME</u>	<u>TPE</u>
<b>a</b>	Executive Committee Members	Yes: 3 No: 1	Yes: 1 No: 0	Yes: 1 No: 1
<b>b</b>	Department Heads Managers	Yes: 4 No: 0	Yes: 1 No: 0	Yes: 2 No: 0
<b>c</b>	Team Leaders and Assistant Managers	Yes: 4 No: 0	Yes: 1 No: 0	Yes: 2 No: 0
<b>d</b>	Guest Service Staff	Yes: 4 No: 0	Yes: 1 No: 0	Yes: 2 No: 0
<b>Note:</b> • (*) FISHER'S EXACT TEST: there is a significant difference ( $\alpha < 0.05$ )				

**Table 5.12: Use of selection method - group interviews**

Please indicate if you make use of the <i>group interviews</i> selection method in your hotel according to the following job categories:		<u>CME</u>	<u>LME</u>	<u>TPE</u>
<b>a</b>	Executive Committee Members	Yes: 1 No: 3	Yes: 0 No: 1	Yes: 0 No: 2
<b>b</b>	Department Heads Managers	Yes: 2 No: 2	Yes: 0 No: 1	Yes: 0 No: 2
<b>c</b>	Team Leaders and Assistant Managers	Yes: 1 No: 3	Yes: 0 No: 1	Yes: 0 No: 2
<b>d</b>	Guest Service Staff	Yes: 0 No: 4	Yes: 0 No: 1	Yes: 1 No: 1
<b>Note:</b> • (*) FISHER'S EXACT TEST: there is a significant difference ( $\alpha < 0.05$ )				

**Table 5.13: Use of selection method - CV data**

Please indicate if you make use of the <i>CV data</i> selection method in your hotel according to the following job categories:		<u>CME</u>	<u>LME</u>	<u>TPE</u>
<b>a</b>	Executive Committee Members	Yes: 4 No: 0	Yes: 1 No: 0	Yes: 2 No: 0
<b>b</b>	Department Heads Managers	Yes: 4 No: 0	Yes: 1 No: 0	Yes: 1 No: 1
<b>c</b>	Team Leaders and Assistant Managers	Yes: 4 No: 0	Yes: 1 No: 0	Yes: 1 No: 1
<b>d</b>	Guest Service Staff	Yes: 4 No: 0	Yes: 1 No: 0	Yes: 1 No: 1
<b>Note:</b> • (*) FISHER'S EXACT TEST: there is a significant difference ( $\alpha < 0.05$ )				

**Table 5.14: Use of selection method - references**

Please indicate if you make use of the <i>references</i> selection method in your hotel according to the following job categories:		<u>CME</u>	<u>LME</u>	<u>TPE</u>
<b>a</b>	Executive Committee Members	Yes: 3 No: 1	Yes: 1 No: 0	Yes: 1 No: 1
<b>b</b>	Department Heads Managers	Yes: 4 No: 0	Yes: 1 No: 0	Yes: 1 No: 1
<b>c</b>	Team Leaders and Assistant Managers	Yes: 4 No: 0	Yes: 1 No: 0	Yes: 1 No: 1
<b>d</b>	Guest Service Staff	Yes: 4 No: 0	Yes: 1 No: 0	Yes: 1 No: 1
<b>Note:</b> • (*) FISHER'S EXACT TEST: there is a significant difference ( $\alpha < 0.05$ )				

**Table 5.15: Use of selection method - simulation**

Please indicate if you make use of the <i>simulation</i> selection method in your hotel according to the following job categories:		<u>CME</u>	<u>LME</u>	<u>TPE</u>
<b>a</b>	Executive Committee Members	Yes: 0 No: 4	Yes: 0 No: 1	Yes: 0 No: 2
<b>b</b>	Department Heads Managers	Yes: 0 No: 4	Yes: 0 No: 1	Yes: 0 No: 2
<b>c</b>	Team Leaders and Assistant Managers	Yes: 0 No: 4	Yes: 0 No: 1	Yes: 0 No: 2
<b>d</b>	Guest Service Staff	Yes: 0 No: 4	Yes: 0 No: 1	Yes: 0 No: 2

**Note:** • (\*) FISHER'S EXACT TEST: there is a significant difference ( $\alpha < 0.05$ )

**Table 5.16: Use of selection method - probation period**

Please indicate if you make use of the <i>probation period</i> selection method in your hotel according to the following job categories:		<u>CME</u>	<u>LME</u>	<u>TPE</u>
<b>a</b>	Executive Committee Members	Yes: 2 No: 2	Yes: 1 No: 0	Yes: 1 No: 1
<b>b</b>	Department Heads Managers	Yes: 3 No: 1	Yes: 1 No: 0	Yes: 1 No: 1
<b>c</b>	Team Leaders and Assistant Managers	Yes: 3 No: 1	Yes: 1 No: 0	Yes: 2 No: 0
<b>d</b>	Guest Service Staff	Yes: 3 No: 1	Yes: 1 No: 0	Yes: 2 No: 0

**Note:** • (\*) FISHER'S EXACT TEST: there is a significant difference ( $\alpha < 0.05$ )

**Table 5.17: Importance of recommendation to the selection process**

	<u>CME</u> MEAN	<u>LME</u> MEAN	<u>TPE</u> MEAN	<u>CME+LME</u> MEAN	<u>OVERALL</u> MEAN
How important is recommendation to the selection process of a potential candidate by your hotel?	4.50	5.00	4.00	4.75	4.43

**Note:** • Likert scale range: (1) Not Very Important (5) Very Important  
• (\*) MANN-WHITNEY U TEST: there is a significant difference ( $\alpha < 0.05$ )

**Table 5.18: Internal vs. external recruitment**

How is recruitment mainly occurring in your hotel by job category, internally or externally?		<u>CME</u> MEAN	<u>LME</u> MEAN	<u>TPE</u> MEAN	<u>CME+LME</u> MEAN	<u>OVERALL</u> MEAN
<b>a</b>	Executive Committee Members	1.50	2.00	2.00	1.75	1.71
<b>b</b>	Department Heads	1.75	2.00	2.00	1.88	1.86
<b>c</b>	Managers	2.00	2.00	2.00	2.00	2.00
<b>d</b>	Team Leaders and Assistant Managers	2.00	2.00	1.50	2.00	1.86
<b>e</b>	Guest Service Staff	3.00	3.00	3.00	3.00	3.00

**Note:** • Likert scale range: (1) Always Internally (4) Always Externally  
• (\*) MANN-WHITNEY U TEST: there is a significant difference ( $\alpha < 0.05$ )

### 5.3.5 Evidence based on company documents and additional participant observation insights

As the preceding analysis illustrates, the HotelCo approach to recruitment in the sampled properties featured the application of traditional employee selection tools. Therefore, the sequence of steps characterising the hiring process appeared to rely on the use of a mix of tried and tested tools that the HotelCo's overseas HR executives considered of proven

reliability and validity. Further, the broader hotel industry conventionally reckons these as effective. Job application collection and processing represented the cornerstone in the candidates' screening process for which HotelCo had also established a thorough online platform. This system, which was attained with the collaboration of a leading global specialist vendor, was able to process job applications generated by both internal and external applicants with the ambition to provide recruiters a massive pool of potential candidates to select from (HotelCo, 2015; HotelCo and Related Software Provider, 2012).

Thus, HotelCo equipped its recruiters with a supposedly powerful tool to counter employee turnover and skills shortage, which candidates could easily reach through the HotelCo website (HotelCo and Related Software Provider, 2012). Particularly, HotelCo head office recognised that information technology could have been advantageous on two main aspects. Firstly, it appeared to ensure there was always a pool of applicants available especially in the category mostly affected by high turnover represented by hourly workers, mostly part-time and seasonal (HotelCo, 2015). Secondly, the online platform enabled sifting through large quantities of job applications while featuring also an automated correspondence procedure replying directly to candidates about the outcome (HotelCo and Related Software Provider, 2012).

HotelCo claimed that this online application platform was especially successful when approaching university candidates. Since these were educated and computer literate, the software appeared to offer the capability to tap into high potential talent to be subsequently developed from within through structured long-term corporate training programs (HotelCo, 2015). Lastly, by investing in the creation of an online job application processing system, HotelCo reckoned it had attained measurable results. According to corporate rhetoric, these were to be found in the increased retention through a sharper selection procedure, the reduction by half of advertising costs, and the impressive shortening of the cycle time from recruitment to hiring, since it resulted that the right candidates were pre-screened and evaluated much faster (HotelCo and Related Software Provider, 2012). Once the online system produced a shortlist of suitable applicants to advance in the selection process, the concerned HR specialist reviewed the data reported on the curriculum vitae in order to obtain a full understanding of the candidates' profile (HotelCo, 2015).

Yet, according to participant observation, a major lacuna presented by the online recruitment system relates to the accessibility challenges experienced by applicants at two levels: first, the need to be able to use the computer; second, the necessity to be sufficiently proficient in English and the other languages in which the online recruitment platform is available, such as German. Consequently, in the former instance, the inability, lack of confidence, or, worse, inaccessibility to computer use owing to physical disabilities as in the case of blind people (Lazar *et al.*, 2012), prevent certain categories of candidates from applying online. Incidentally, this category of people left out of the selection system featuring, for example, also minorities and elderly workers, represents potentially the target candidate group covering mostly precarious blue-collar line positions.

Given the pervasive use of outsourcing and subcontracting in CME and LME subsidiaries (average ratio of nonstandard employment over total workforce was 26.92% and 16.75%, respectively), it could be inferred that HotelCo subsidiaries possibly managed to access that specific pool of candidates principally through the strategic cooperation of employment agencies. On the other hand, the availability of the online platform in English and the main languages spoken all the world over such as Spanish, French, and German, prevented access to natives in countries which did not possess a sufficient command of those languages.

According to participant observation, the unavailability of the online application system in Azeri and Kyrgyz languages of the transitional periphery awkwardly imposed native candidates to apply for a job in their own country while compiling an application form in a foreign language. While potentially risking to appear offensive to transitional periphery candidates, the online platform yet managed to filter out those candidates not possessing a good command of the language featured in the system. Subsequently, hotel properties in the transitional periphery benefitted from the online recruitment platform only in the selection of local candidates adequately proficient in English. Instead, they would resort to the traditional on-site job application for, mostly, blue-collar workers with elementary command of English as a foreign language owing to the minimal use of outsourcing and subcontracting employment agencies. Quite tellingly, the average ratio of nonstandard employment over total workforce in TPE subsidiaries was only 0.56%. In sum, it can be argued that the online recruitment system functions as an initial screening out tool of candidates that do not fulfil two main requirements: computer skills and literacy as well

as an adequate command of, at least, a language in which the online recruitment platform is available.

Therefore, based on the above observations comparing developed economies with the transitional periphery, it appears that properties in developed economies whose languages are featured in the online recruitment platform take best advantage from it since they can choose from a much more numerous and diverse applicant database, as opposed to subsidiaries in the transitional periphery. Hence, the corporate claim that this online application platform was especially successful with approaching university candidates links with the above inferences. Indeed, this internet-based tool was specifically addressed to high potential global talents to populate the ranks of the upper workforce segment. Oppositely, due to the barriers analysed, blue-collar workers were ultimately left out of the sophisticated job application online system.

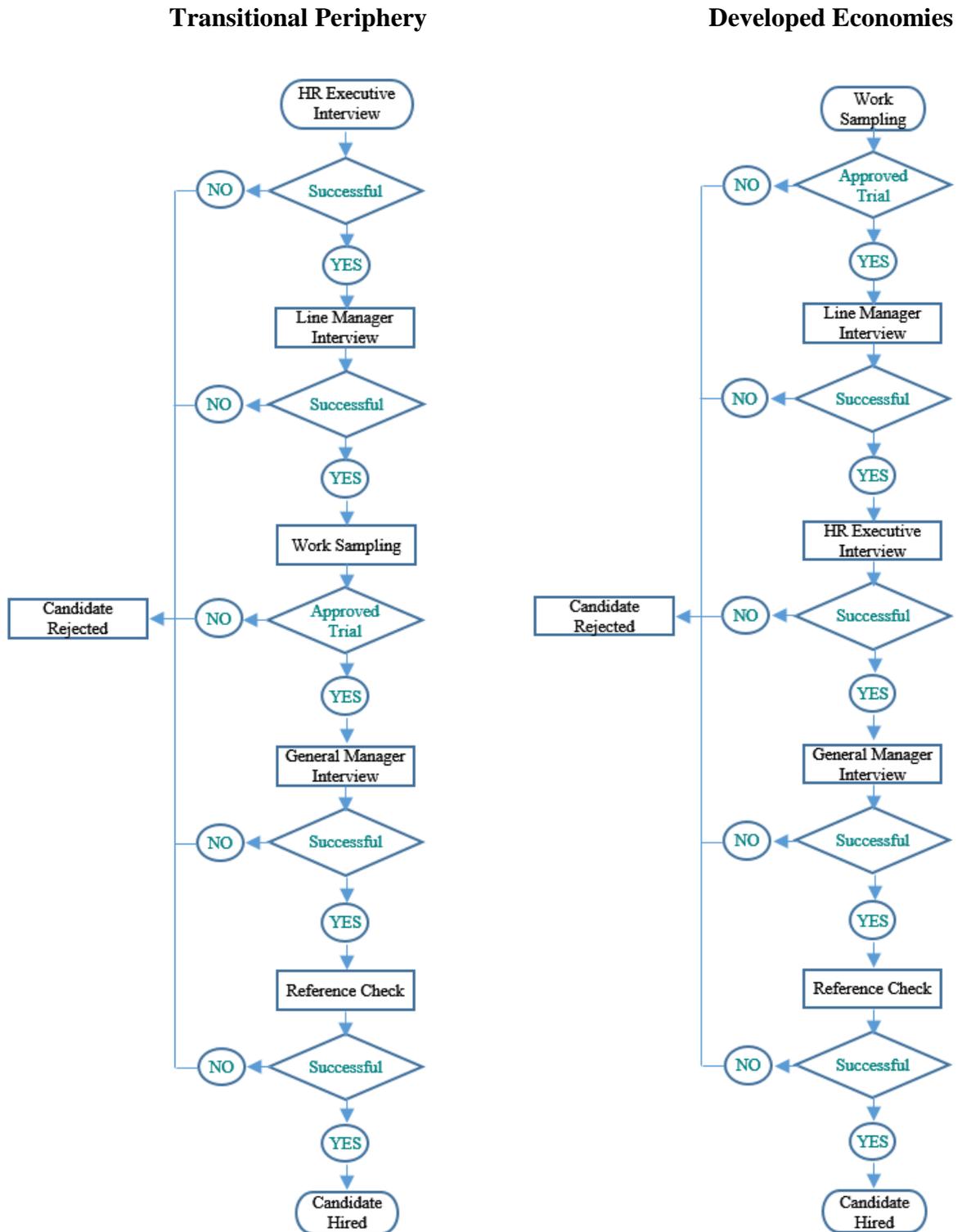
The competencies model of HotelCo informed the selection process, particularly in terms of the structure of and approach to competency-based interviews. In fact the definition of both core and leadership skills was instrumental in focusing the selection efforts at line and managerial levels, respectively (HotelCo, 2012). The availability of the so-called “interview guides” (HotelCo, 2012) coupled with a highly publicised and branded corporate culture (HotelCo, 2015; 2012) were supposed to direct recruiters throughout the selection process. This suggests the emergence of the aspirational aspect of the HR Manual whereby, on condition that interviews occur following the HotelCo corporate competencies model and related interview grid, then employee selection will be occurring successfully. As revealed by the in-depth interviews with the support of participant observation, rank-and-file candidates screened at the sample HotelCo subsidiaries underwent usually two distinct interviews with the HR executive and the concerned line manager before meeting with the General Manager. Further, the performance by candidates of job sampling especially in skilled positions such as in Kitchen, Food & Beverage Service, and Front Office added validity to the selection process, since recruiters were able thus to obtain a demonstration of skills’ level before taking the final decision. As in-depth interview evidence reveals, the application of job sampling occurred in LME and CME subsidiaries, while this was not mentioned by TPE respondents.

Based on participant observation, the possible key reason for this occurrence relates with the evidence that in developed economies the turnover rates were so high in skill-specific line departments that it was not time- and cost-effective to have candidates screened by the HR executive first, if top priority was skill proficiency assessment by the line manager. Contrariwise, in the transitional periphery the overall average voluntary turnover rate was much lower and controllably set at 10%, compared to 20% and 50% of CME and LME subsidiaries, respectively. This enabled overseas TPE subsidiaries to operate 'by-the-book' as expected by the HR Manual whereby the first to interview was the HR executive who decided whether to forward the candidate to the line manager for further screening. If the line manager approved the candidate, then the last interviewer was the General Manager. The ensuing flowcharts (Figure 5.1) summarise the different recruitment procedures according to locale for rank-and-file employees.

Once references, background, and employment checks were performed by HR executives as expected by HotelCo guidelines (HotelCo, 2012), the hiring procedure usually led to a probation period. According to participant observation, this condition was stipulated by contract and was further reiterated in the employee handbook. Even if questions arise in relation with the utility of this selection measure (see also 5.3.6), respondents were keen on its application as emerged from in-depth interviews. In fact, hotel properties were thus able to forego payouts in case of contract terminations during the probation period, which were likely to occur due to the high turnover rates.

Further, according to participant observation, HotelCo advised overseas subsidiary HR executives to be particularly supportive of corporate rhetoric towards promoting from within (HotelCo, 2012). Hence, as this promise was emphasised in internal employee communications, external recruitment purportedly occurred whenever there were no suitable internal candidates. In the case, therefore, that external recruitment was necessary, HotelCo urged to capitalise on recommendations originated by employees because, by knowing the organisation from within and through their diverse social network, they were apparently able to attract the best talent for HotelCo (HotelCo, 2012).

**Figure 5.1 Variations in selection procedure for skilled rank-and-file positions (Front Office, Kitchen, Service departments): transitional periphery vs. developed economies**



### 5.3.6 Discussion and conclusions

Input provided by HR respondents revealed that, during the economically turbulent three-year period under consideration (2010-2012), the seven HotelCo subsidiaries were very cautious in proceeding with new hires. This weak hiring activity coupled with a customary approach to selection hindered the application of more creative and, most importantly, scientifically approved contemporary employee selection methods. In fact, same as occurs in the broader hotel industry (Chan and Kuok, 2011), participants confirmed their reliance on the traditional triad (Cook, 1991) comprising of application form, interview, and references, despite their lack of sophistication and questionable predictive ability (McGunnigle and Jameson, 2000; Muchinsky, 1979).

Particularly, traditional interview represents the selection method almost universally used across business sectors and regardless of size (Nikolaou and Judge, 2007; Hodgkinson *et al.*, 1995), even if researchers indicate its noteworthy unsatisfactory reliability and technical validity (Lockyer and Scholarios, 2004). Practitioners, nonetheless, use selection interviewing because it is perceived as immediate, simple to administer, and inexpensive (Warhurst and Nickson, 2007). Still, the application of structured and situational interviewing techniques represents an upgraded approach (Riley, 2014; Cook, 2009) to selection interviewing towards its consistent implementation (Barclay, 2001; MacHatton and Baltzer, 1994). According to participant observation, HotelCo subsidiaries customarily trained and involved line managers in competency-based selection processes. Nonetheless, as Keenan (1995) and Buckley *et al.* (2000) argue, interviewer training cannot compensate for selection interview shortcomings involving, for instance, biases, perception errors, and stereotyping (Paraskevas, 2000) that inevitably affect ratings (Kataoka *et al.*, 1997).

Consequently, research findings urge practitioners to aim for a structured approach to selection interviewing corroborated by “personality and ability tests” (cf. Chamorro-Premuzic and Furnham, 2010, p.51) in order to attain a more articulate and scientifically solid selection procedure (Lockyer and Scholarios, 2004). Interestingly, HR executives mentioned the existence of an official company-approved psychometric test which was, however, very rarely used. Thus, while the HR Manual (HotelCo, 2012) claimed that a HotelCo officially approved psychometric test was available, subsidiaries were reluctant to use it for, possibly, two main reasons according to participant observer: cost and

impracticality. While the implementation of the officially-approved psychometric was with charge, it also was quite unworkable due to its one-size-fit-all model and its availability mainly in English and, possibly, key languages spoken the world over. Indeed, these challenges reflect earlier research by Cascio and Aguinis (2008) and Bedford and Ineson (1995).

Hence, it is perhaps surprising to observe how a hotel MNE, despite the irrefutable evidence of the link between excellent customer service and quality of employee selection process (Self and Dewald, 2011; Kilic and Okumus, 2005) and brand image (Burmam and Zeplin, 2005; Lievens *et al.*, 2002), forewent the regular application at subsidiary level of advanced human resource selection methods. In fact, despite arguable higher costs, these progressive service-specific testing solutions (Hogan *et al.*, 1984) feature a sensibly higher predictive ability in terms of job-position fit which ultimately renders them much more effective than the conventional triadic approach. Therefore, as scholars argue (Dawson *et al.*, 2011), complementing structured interviews with targeted psychometric tests corroborates assessors' understanding of whether candidates feature the necessary service orientation and organisational fit. This would also reveal the social and aesthetic skills so critical in the upscale end of the hotel business (Harkison *et al.*, 2011; Teng and Barrows, 2009).

Interestingly, evidence gathered indicates that respondents often compounded the triadic approach to selection with work sampling for skilled rank-and-file positions in Front Office, Service, and Kitchen departments. According to scholars, this practice increases the validity of the overall selection process as it tends to consolidate the candidates' assessment towards a sound hiring decision (Anderson and Witvliet, 2008; Schmidt and Hunter, 1998). On the other hand, once hired, new employees were very likely to join the HotelCo subsidiaries on a probation basis before, according to earlier evidence, usually seeing their contract turned to a limited duration agreement that would, eventually, turn indefinite.

Although probationary employment is supposed to represent a sifting mechanism (Loh, 1994) endorsed by the labour law in the host countries under consideration, yet its use as a selection method can backfire on several fronts. While the newly hired candidate's motivation decreases owing to the persistent feeling of dispensability, any mismatch and subsequent replacement would impinge on the expecting team's performance (Chen,

2005). These consequences deriving from harmed feelings of job insecurity impacting negatively on employee performance stand in sharp contrast with the HR Manual caring rhetoric about employee-centred work environment. A further counterintuitive employee-side consequence is that, as research by Ichino and Riphahn (2005) illustrates, employees' absenteeism tends to sharply increase once the probationary employment is over.

Further, HotelCo overseas subsidiaries gave top priority to internal recruitment due to its noteworthy practical and economic advantages, beyond head office rhetoric about the MNE's nurturing work environment keen on developing employee careers. Apart from being instrumental to workforce stabilisation (Fisher and McPhail, 2011) since they know the organisational environment and thus accommodate quickly to changes, internal recruits experience higher job satisfaction and commitment to the MNE when promoted, which moderate "the importance of wages as a key issue" in the eyes of these employees (McPhail and Fisher, 2008, p.471).

In the final analysis, internal recruitment and selection constitute the primal strategic HR policies and procedures to counter the main challenge of the hotel sector consisting, as Rowley and Purcell (2001) argue, in a perennial shortage of key front-line operational departments. Additionally, Enz (2009) contends that this represents a worrying issue in the volatile and labour-intensive hotel industry, as it demonstrates its incapacity, starting from a suboptimal employee selection process, to generate commitment to that particular category of customer-contact human capital that heralds a hotel MNE brand (Marco-Lajara and Úbeda-García, 2013; Cho *et al.*, 2006).

Within this framework, the rhetoric HotelCo applies in supporting employee referral as a key source for external applicants is quite surprising. By claiming the important recruitment role of incumbent employees in recommending candidates from their social network and then rewarding them for any successful hires, HotelCo head office is persuaded to be able to man its subsidiaries with best talent, as explicitly stated in the HR Manual (HotelCo, 2012). Yet, as emerged from in-depth interviews, overseas subsidiary HR executives seem to contradict this rhetoric by expressing doubts on the effectiveness of the employee referral procedure.

## **5.4 Host-country specific factors determining the application of HRM practices in MNE hotel chain subsidiaries: compensation practices**

### **5.4.1 Introduction**

This section intends to shed light on compensation, which is surprisingly a rather unexplored area of HRM (Gupta and Shaw, 2014) and, particularly, in the hotel industry (Tracey, 2014), despite its proven impact on employee performance (Demerouti *et al.*, 2014; Gomez-Mejia *et al.*, 2010). Starting from an exploration about the effect of collective work agreements on employee compensation while noting the absence of unions at property level, the analysis then shifts focus on individual contract practices as well as market forces' influence on pay scales. Lastly, evidence illustrates the perception of HR respondents relatively with the effect of selected determinants on salary levels, the interplay between fixed and variable compensation, and the implementation of recognition programs.

### **5.4.2 Key findings based on participant observation and documents**

According to the approach by HotelCo (HotelCo, 2012), which coincides with broad definitions provided by business literature, *nationwide collective work agreement* relates to salary levels agreed on a national scale within the host country which concern all workers, regardless of industrial sector. Next, *industry sector collective work agreement* concerns compensation levels applied to the hotel industry exclusively. Both aforementioned agreements are the result of negotiations occurred externally to the organisation by nation-wide or sector-wide unions with the body representing the side of the employers. In case a subsidiary is not compelled to implement either of the two forms of agreement imposed by law, salaries could be specified by *company agreement* reached between the employer and the union formed by employees internally to the subsidiary. Alternatively, in the absence of a hotel union, management may resort to define salaries with each employee separately thus utilising an *individual contractual agreement*.

However, as subsidiaries operate within competitive markets, the need to attract candidates in demand urges subsidiaries to define salaries while considering their *market value* (HotelCo, 2012), which would affect as a consequence the *hotel pay scale* (HotelCo,

2012). Additionally, other factors within the organisation that could affect compensation levels encompass *achievement of group objectives*, *performance review*, *job responsibility*, *severity of working conditions*, *employee age*, *seniority*, *training level*, *experience*, and *expertise* (HotelCo, 2012). To illustrate, *achievement of group objectives* relates to the performance results attained collectively by a group that may determine a pay rise. Further, the yearly *performance review* aims to put professional and career development into perspective, thus eventually leading to a pay improvement based on attainment of employee performance goals.

Also, according to participant observation, *job responsibility* is understood as the requirements deriving from an employee's work that may affect the pay level. The latter may be also determined by the *severity of working conditions*, which specifically concern the hardship an employee needs to withstand, as would occur in case work involves handling of dangerous material or particular physical and emotional strain, for instance. Next, while *employee age* represents a possible determinant following its importance in terms of professional maturity, *seniority* addresses the years of service concerning the tenure relevant to the current job position: both these elements could influence pay levels based on collective work agreements or the law. Lastly, the ensuing factors relate to skills level acquired either through *training level*, *experience*, or *expertise*. On the one hand, *training level* concerns the extent of development opportunities successfully completed leading an employee to attain qualifications. On the other hand, skills and knowledge resulting from *experience* and *expertise* differ because while in the former they grow as a result of a number of years of application, in the latter skills and knowledge exist independently of the number of years, possibly, owing to an innate talent (HotelCo, 2012).

#### **5.4.3 Evidence based on in-depth interviews**

The ensuing semi-structured interviews analysis begins with exploring the relative importance of nationwide and industry-sector collective work agreements. It emerges that, from an institutional standpoint, nationwide and hotel industry-sector collective work agreements specifically affected industrial relations in CMEs.

Thus, as declared by a CME participant in relation to line positions:

Collective work agreement for hotels is applied and complied to.

Differently, both TPE and LME respondents stated that, as there are no nationwide and industry-sector collective work agreements to abide by in administering compensation practices, there is the obligation to pay, at least, a minimum wage set by law, which corresponds to evidence from research by Bosch and Weinkopf (2013). Thus, in the words of a TPE respondent:

The laws in this respect are particularly simplified. There are no sector collective work agreements and organisations are expected to respect the minimum wage set on a yearly basis by the Labour Ministry.

Further, the LME participant stressed that:

Employees receive individual contracts according to the UK law.

In fact, in order to be able to ensure that the LME property featured attractive salaries in a particularly competitive hotel market such as the UK (Kline and Hsieh, 2007), compensation levels for all the hierarchy were constantly reviewed and related pay scaled adjusted accordingly through:

Information [which] is regularly obtained via industry salary surveys.

On the other hand, CME and TPE respondents resorted to market value considerations only for managerial level positions for which, apparently, there was the need to understand the external business environment to ensure retention of human capital. Thus, as summarised by a CME participant:

Industry survey pay scales are applied for managerial positions. For all other positions these are irrelevant because we pay according to the hotel collective work agreements.

Nonetheless, the input of a TPE respondent was more explicit:

Pay scales are defined particularly for managerial positions by considering internal and external market conditions. This enables the retention of managers and high potential key employees.

These findings further corroborate the workforce segmentation argument since, regardless of institutional context, pay determination for key and high potential employees was linked to compensation levels occurring in the external labour market. As noted by participant observation, the HotelCo HR system provided for measures to define attractive compensation packages for core employees, while those of blue-collar workers were not contemplated to the same extent. To illustrate, a recent study of room attendants' compensation by Lloyd *et al.* (2013) further supports this standpoint in suggesting that blue-collar position features compensation levels which are inelastic vis-à-vis the quality rating of hotels, whereby "The causal link between product market strategy, skills and pay is decoupled for room attendants". (p.267). Consequently, cost considerations represent a key determinant of payroll stagnation for non-core employees.

Next, the analysis shifts to examine whether sample properties applied any sort of variable pay on top of fixed compensation (Burke and Hsieh, 2006). Evidence suggests that there were some selected departments such as Sales and Front Office for which there was the possibility to specifically track the performance of employees. This represents a necessary requirement in order to compensate employees with a fairly calculated proportional extra bonus, as argued by Merk (2014). However, a CME participant stated that for employees in those departments:

By no means [extra bonuses are] a critical compensation to be able to live on.

Also, while a TPE respondent agreed that:

The variable pay is minimal, not stable and not guaranteed. Thus, the fix part represents the overwhelming share of compensation by far.

The LME participant further observed in support to the pay structure approach implemented:

Even if the variable pay is minimal, however current arrangements enable employees to receive a steady pay regardless of business conditions.

Relatively to the administration of benefits, all respondents agreed that, as expressed by a TPE respondent:

The law does not affect benefits. It defines compensation administration.

Still, the requirement to comply with tight hotel payroll budgets limited the possibility to award benefits. Consequently, Finance executives covered a pivotal role in the decision-making process to implement this non-wage compensation form because they obviously have the best insights on the overseas subsidiary's financial situation (Burgess, 2007). Thus, with regards to group medical insurance, for instance, the TPE cluster featured differing approaches whereby in one property it covered all employees, while in the other it was limited only to top management. As for CME subsidiaries, these applied the benefit to top management as per corporate guidelines, while not extending it to the rest of the workforce because, as stated by a respondent:

[Group medical insurance] is not [offered to all employees] in Germany as health insurance is of quality.

Moreover, the LME respondent revealed that in their particular property,

The management and top management are entitled to group insurance benefits. All other employees are offered a pay cash insurance enabling them to pay for a discounted insurance service through the company.

Lastly, focus shifts on the role of recognition programs campaigned by head office (Wong and Ladkin, 2008), whereby, in the words of a TPE participant:

Employee efforts in going 'the extra mile' are rewarded through the HotelCo recognition program that includes vouchers as well as cash prizes. Vouchers and cash prizes are used in combination. However, vouchers are particularly valued as give flexibility and are money equivalent.

Indeed, the other TPE participant reinforced the advantages of the recognition program run in their property by affirming that:

As the country is geographically far away and it is very expensive to travel, the recognition system features travel prizes which are very much sought after. These are the top prizes; ensuing are the classic internal prizes such as the use of the hotel outlets and useful gifts like coffee mugs, T-shirts, and so on. To render the system more flexible, vouchers are featured in order to offer more flexibility to winning employees. These vouchers can be for either internal or external use, depending on the case.

In the name of offering employees a cash-equivalent prize in the form of a voucher, the LME respondent shared that:

Yes, vouchers are paid out: these are cash equivalents which are much appreciated. Although this recognition program is a head office policy, the choice of the prizes is left to our discretion.

Conversely, a more conventional approach was implemented by CME subsidiaries as they excluded cash equivalent prizes. In fact, as a CME respondent commented:

Just prizes and gifts related to the use of internal hotel goods and services are awarded. Although this recognition program is a head office policy, the choice of the prizes is left to our discretion.

Thus, it can be inferred that in CMEs tax considerations may have prevented subsidiaries from awarding cash-equivalent vouchers. In fact, if they were treated as regular compensation, they would have further burdened an already heavily taxed payroll (cf. Burda and Weder, 2010).

Lastly, respondents agreed that consistency in the administration of compensation was maintained through pay scales that, while taking into account legal constraints as analysed previously, integrated also market considerations in order for the subsidiaries to feature competitive salaries fitting to the business context they operated. This is also reasonable because, as Bygren (2004, p.221) maintains, employees do tend to compare their compensation levels with those experienced by others in their occupation within and outside the organisation, and in the wider labour market context. This outcome is neatly illustrated by the varied responses gathered. While the highly articulated CME

environment prompted respondents to reply that equity in compensation practices was ensured by:

Complying with the guidelines of the collective work agreement for hotels.

The LME respondent, in line with liberal characteristics of their institutional settings, advised that fairness was nurtured because it was:

Based on the market and the salary grid.

On the other hand, the unstable economic settings of TPEs presented unique challenges which were foreign to developed economies since, as shared by a respondent:

External surveys are used to assess where this subsidiary stands compared to other business. However, the big challenge is the very high inflation rate which increases year after year and compensation cannot keep pace. As for head office, they are not involved with such details related to local reality. Still, the point of reference for all is the budget, which is set on a yearly basis and needs to be respected.

Although the HR Manual illustrated broader legal compensation principles and guidelines, overseas subsidiary HR executives were responsible to approach this critical matter in a way that was adjusted to locale, thus attempting to achieve labour cost containment while taking into account institutional pressures (Cullen and Parboteeah, 2010). Thus, in structured CME settings compensation levels were set through collective work agreements, which generally covered blue-collar positions. Instead, in the fluid and lightly regulated LMEs and TPEs the exclusive point of reference were the minimum wages set by law. Apart from the legal constraint to respect this mandatory threshold, the absence of unions allowed management to set pay according to scales which needed to be attractive, especially to talented candidates for core positions, yet realistic within the financial boundaries set by labour market. Nonetheless, the compensation of blue-collar and non-core workers was affected by stagnation and compression across clusters owing to the competition posed by legal, well-established alternative work arrangements, such as outsourcing and subcontracting.

Thus, broadly, differences across national capitalist archetypes emerge at two distinct levels: first, between CMEs and LMEs/TPEs in terms of the regulation of national business system structures which reflects Whitley's business system model (1999); second, between LMEs and TPEs in relation with institutional maturity, functionality as well as the degree of certainty experienced by citizens which derives from the solidity of the court system (Djankov *et al.*, 2003). Although more evidence on this subject appears next, there are indications that in LMEs HR systems often do not have benign outcomes for employees (King and Rueda, 2008), whilst HRM practice in TPEs of the Caucasus and Central Asia has a long way to go, owing to those regions' patchy involvement and insufficient enforcement of labour market policies within the liberal paradigm (Aslund, 2012).

#### **5.4.4 Evidence based on quantitative survey**

Evidence collected (Tables 5.19-20) reveals that nationwide and, especially, industrial sector collective work agreements affected the definition of compensation in CME subsidiaries at the non-managerial hierarchical ranks. Alternatively, LME and TPE properties considered individual contractual agreement as well as, in particular, market value and hotel pay scale as the main elements determining compensation throughout the hierarchy for standard work contracts (Tables 5.21-23). Therefore, collective work agreements seem to apply to CMEs, and not to LMEs and TPEs, as further suggested by literature (Harcourt and Wood, 2007; Woolfson, 2007; Soskice, 2003). Still, CME respondents provided equivalent answers to LME and TPE participants with reference to management-level pay which integrated also market value considerations.

Consequently, the absence of unions in sampled properties led management to approach the issue of compensation at a local and individual level in both TPE and LME subsidiaries, thus reflecting a dynamic also revealed in the literature by Psychogios *et al.* (2014). Nonetheless, the "Implicit decentralisation of collective bargaining" (Eichhorst and Marx, 2011, p.85) to the management at property level occurred also in CME subsidiaries for the hierarchical levels not covered by external collective work agreements. Further, properties operating in highly deregulated and competitive settings took into account the market value of job positions and accordingly set pay scales for all the hierarchical levels in order to be able to attract and retain candidates (Galuscak *et al.*,

2012). As the application of inferential statistical testing does not reveal any statistically significant difference across clusters, it appears that industrial relations occurring both in developed and transitional periphery economies tend to converge (Blanpain and Baker, 2010).

Table 5.24 focuses on ranking job- and employee-specific items according to their relative importance in determining salary levels. While job responsibility and expertise were both rated highest, however the former seems to differ significantly across clusters. This variation might be ascribed to the fact that in TPE subsidiaries, as there was shortage of qualified professionals, it was their expertise that was of utmost priority. Besides, through due completion of skills and supervisory competencies training programs, eventually candidates would have been developed to take on more responsibility as defined in their job description (Vaiman and Holden, 2011). All clusters agreed that experience was also a major element determining salary levels. Indeed, since an employee's skills and knowledge are supposed to mature over the years, they undoubtedly represent valued human capital (Ribarova, 2010).

As performance review follows, it nonetheless reveals a differing perception between developed and transitional periphery economies with the former appearing to attribute a stronger importance. This could be attributed to the unfamiliarity of the TPE workforce with the performance appraisal review (Vaiman and Holden, 2011), rendering it an unreliable factor in determining salaries. Next, training is perceived to be mildly impacting salary determination in terms of completion of training programs. The lower half of the ranking list shows achievement of group objectives, severity of working conditions, seniority, and employee age having a reduced impact on compensation levels.

To conclude, statistical inferential testing does not indicate any statistically significant difference across clusters, thus possibly prompting an overall convergence in practices among sampled MNE subsidiaries.

**Table 5.19: Work agreement type - nationwide collective**

Please indicate if, in your hotel, a <i>nationwide collective work agreement</i> mostly determines the level of basic pay for the following job categories:		<u>CME</u>	<u>LME</u>	<u>TPE</u>
<b>a</b>	Executive Committee Members	Yes: 0 No: 4	Yes: 0 No: 1	Yes: 0 No: 2
<b>b</b>	Department Heads	Yes: 1 No: 3	Yes: 0 No: 1	Yes: 0 No: 2
<b>c</b>	Managers	Yes: 1 No: 3	Yes: 0 No: 1	Yes: 0 No: 2
<b>d</b>	Team Leaders and Assistant Managers	Yes: 1 No: 3	Yes: 0 No: 1	Yes: 0 No: 2
<b>e</b>	Guest Service Staff	Yes: 1 No: 3	Yes: 0 No: 1	Yes: 0 No: 2

**Note:** • (\*) FISHER'S EXACT TEST: there is a significant difference ( $\alpha < 0.05$ )

**Table 5.20: Work agreement type - industry sector collective**

Please indicate if, in your hotel, an <i>industry sector collective work agreement</i> mostly determines the level of basic pay for the following job categories:		<u>CME</u>	<u>LME</u>	<u>TPE</u>
<b>a</b>	Executive Committee Members	Yes: 0 No: 4	Yes: 0 No: 1	Yes: 0 No: 2
<b>b</b>	Department Heads	Yes: 1 No: 3	Yes: 0 No: 1	Yes: 0 No: 2
<b>c</b>	Managers	Yes: 1 No: 3	Yes: 0 No: 1	Yes: 0 No: 2
<b>d</b>	Team Leaders and Assistant Managers	Yes: 3 No: 1	Yes: 0 No: 1	Yes: 0 No: 2
<b>e</b>	Guest Service Staff	Yes: 3 No: 1	Yes: 0 No: 1	Yes: 0 No: 2

**Note:** • (\*) FISHER'S EXACT TEST: there is a significant difference ( $\alpha < 0.05$ )

**Table 5.21: Work agreement type - company**

Please indicate if, in your hotel, a <i>company agreement</i> mostly determines the level of basic pay for the following job categories:		<u>CME</u>	<u>LME</u>	<u>TPE</u>
<b>a</b>	Executive Committee Members	Yes: 0 No: 4	Yes: 0 No: 1	Yes: 0 No: 2
<b>b</b>	Department Heads	Yes: 0 No: 4	Yes: 0 No: 1	Yes: 0 No: 2
<b>c</b>	Managers	Yes: 0 No: 4	Yes: 0 No: 1	Yes: 0 No: 2
<b>d</b>	Team Leaders and Assistant Managers	Yes: 0 No: 4	Yes: 0 No: 1	Yes: 0 No: 2
<b>e</b>	Guest Service Staff	Yes: 0 No: 4	Yes: 0 No: 1	Yes: 0 No: 2

**Note:** • (\*) FISHER'S EXACT TEST: there is a significant difference ( $\alpha < 0.05$ )

**Table 5.22: Work agreement type - individual contractual**

Please indicate if, in your hotel, an <i>individual contractual agreement</i> mostly determines the level of basic pay for the following job categories:		<u>CME</u>	<u>LME</u>	<u>TPE</u>
<b>a</b>	Executive Committee Members	Yes: 4 No: 0	Yes: 0 No: 1	Yes: 1 No: 1
<b>b</b>	Department Heads	Yes: 2 No: 2	Yes: 0 No: 1	Yes: 1 No: 1
<b>c</b>	Managers	Yes: 2 No: 2	Yes: 0 No: 1	Yes: 1 No: 1
<b>d</b>	Team Leaders and Assistant Managers	Yes: 0 No: 4	Yes: 0 No: 1	Yes: 1 No: 1
<b>e</b>	Guest Service Staff	Yes: 0 No: 4	Yes: 0 No: 1	Yes: 1 No: 1

**Note:** • (\*) FISHER'S EXACT TEST: there is a significant difference ( $\alpha < 0.05$ )

**Table 5.23: Work agreement type - market value and hotel payscale**

Please indicate if, in your hotel, market value and hotel pay scale mostly determine the level of basic pay for the following job categories:		<u>CME</u>	<u>LME</u>	<u>TPE</u>
<b>a</b>	Executive Committee Members	Yes: 4 No: 0	Yes: 1 No: 0	Yes: 2 No: 0
<b>b</b>	Department Heads	Yes: 4 No: 0	Yes: 1 No: 0	Yes: 2 No: 0
<b>c</b>	Managers	Yes: 4 No: 0	Yes: 1 No: 0	Yes: 2 No: 0
<b>d</b>	Team Leaders and Assistant Managers	Yes: 0 No: 4	Yes: 1 No: 0	Yes: 1 No: 1
<b>e</b>	Guest Service Staff	Yes: 0 No: 4	Yes: 1 No: 0	Yes: 1 No: 1

**Note:** • (\*) FISHER'S EXACT TEST: there is a significant difference ( $\alpha < 0.05$ )

**Table 5.24: Rating of salary determinants according to importance**

In your hotel, how would you respectively rate the following items based on their relative importance in the determination of salary levels?		<u>CME</u> MEAN	<u>LME</u> MEAN	<u>TPE</u> MEAN	<u>CME+LME</u> MEAN	<u>OVERALL</u> MEAN
<b>a</b>	Job responsibility	4.25	5.00	3.50	4.63	<b>4.14</b>
<b>b</b>	Expertise	4.00	4.00	4.50	4.00	<b>4.14</b>
<b>c</b>	Experience	4.00	4.00	4.00	4.00	<b>4.00</b>
<b>d</b>	Performance review	4.25	4.00	2.50	4.13	<b>3.71</b>
<b>e</b>	Training level	3.50	3.00	4.00	3.25	<b>3.57</b>
<b>f</b>	Achievement of group objectives	3.25	4.00	2.00	3.63	<b>3.00</b>
<b>g</b>	Severity of working conditions	3.50	3.00	1.50	3.25	<b>2.86</b>
<b>h</b>	Seniority	2.75	2.00	3.00	2.38	<b>2.71</b>
<b>i</b>	Employee age	1.75	1.00	1.50	1.38	<b>1.57</b>

**Note:** • Likert scale range: (1) Not Very Important (5) Very Important  
• (\*) MANN-WHITNEY U TEST: there is a significant difference ( $\alpha < 0.05$ )

### 5.4.5 Evidence based on company documents and additional participant observation insights

As indicated in the HotelCo HR Manual, overseas subsidiary HR executives were primarily responsible to ensure that compensation practices suited the context of the individual location (HotelCo, 2012). Through corporate rhetoric underlining that the most valuable asset were talented employees (HotelCo, 2015; 2012), HotelCo urged subsidiary HR executives to retain this employee category through appropriate and fair compensation, while considering the dynamics of the local labour market. Namely, HotelCo identifies talent with the skills employees feature that are critical to the company's sustained success based on leadership expectations. Hence, the HR Manual stresses that HR executives need to bring to the company the most qualified talent, as well as retain and develop high performers (HotelCo, 2012). Therefore, this corporate stance justified the varied approach to compensation across workforce strata and in different economic clusters. According to participant observation, HotelCo expected that properties applied labour law dispositions consistently, besides labour market considerations. This referred in principle to the eventuality in which compensation levels

were affected by collective work agreements. These could have been either external in the form of nationwide or industrial sector bargaining, or internal through company-level collective work agreements which resulted from negotiations of local hotel management with unions or other employee representative bodies, if the subsidiaries featured any (HotelCo, 2012).

Further, respondents provided a ranking relatively to the factors affecting the definition of salary levels. The fact that job responsibility, expertise, and experience topped the list was justified by HotelCo's template communication both internally and externally which was imbued with the word 'responsibility' as occurred, for instance, in the HR Manual, job descriptions, as well as job advertisements (HotelCo, 2015). This approach, therefore, demanded from the "right person" (HotelCo, 2015) a proactive stance within a customer-centric service environment that capitalised on the workforce talent, expertise, and experience. Conversely, given that employee age and seniority are evidently correlated (Govaerts *et al.*, 2011), and do not necessarily lead to outstanding performance (Weyland, 2011), these had a lowest effect on compensation levels and thus appeared at the opposite side of the continuum.

Performance review had a quite restricted impact on salary levels because HotelCo explicitly approached it from a developmental standpoint. Specifically, head office expected performance review to be a focussed discussion on comparing actual performance with previously agreed criteria and goals, leading to the compilation of an employee performance development plan (HotelCo, 2015). The official HotelCo view, therefore, was centred on primarily supporting rather than identifying under performers for removal. In practice, however, as further analysed in detail (see also 5.5.3 and 5.5.5), the procedure generated key information which possibly affected the decision to retain or terminate employees. Also, from a different viewpoint, HotelCo head office HR specialists indicated that the advantage of this procedure was that it prevented performance review from becoming the yearly occasion to discuss compensation matters (HotelCo, 2012).

Then, training level played a lesser role in compensation, perhaps because HotelCo would consider training participation per se of no value unless it added to the employee improved skill and expertise levels. This could be probably owed to the complexity

inherent in assessing training impact on work performance. In fact, as research by Saks *et al.* (2010) reveals, companies often do not evaluate training because, most importantly:

“It is difficult to isolate the effects of training among many other variables that might also be having an effect on employees and the organization”.  
(p.323).

Still, however, evidence gathered shows that in the context of emerging market subsidiaries affected by skills shortage, the completion of training programs appeared to impact compensation.

Relatively with achievement of group objectives, this was an element affecting employee compensation both selectively and marginally. In fact, while top management was the only employee category benefiting from an official corporate incentive compensation program (HotelCo, 2012), evidence reveals that in the very few other instances where achievement of group objectives was implemented by individual properties, this contributed an inconsequential variable amount above fixed pay. Lastly, severity of working conditions played a minor role in the determination of pay levels owing to HotelCo’s purported global *modus operandi* committed to the implementation of best workplace safety policies and practices (HotelCo, 2015). According to participant observation, these indeed often appeared to be much stricter than the legally prescribed standards, especially in emerging economy host countries. In terms of benefits, overseas HotelCo subsidiaries were mandated to administer a health benefits plan only to top management, while leaving open the possibility for subsidiaries to include other hierarchical levels depending on their judgment and, most importantly, the available budget, as occurred in TPE subsidiaries.

In sum, evidence indicates a tendency by HotelCo to award perks to the exclusive benefit of the local highest hierarchical level, who represents strategic top talent to further develop globally (HotelCo, 2015). In parallel with compensation practices, property-based HR departments were requested to run the corporate-sponsored recognition program. According to its distinctive approach, HotelCo allowed properties to include awards fitting their specific context. Overall, however, it was the primary responsibility of the hotel HR executive to ensure that payroll, both variable and fixed, benefits, as well as the recognition program respected the approved budget (HotelCo, 2012).

### 5.4.6 Discussion and conclusions

Qualitative and quantitative analyses indicate that being part of HotelCo urged overseas hotel properties to approach compensation practices broadly from a similar standpoint consistent with the MNE's "global strategic standardisation" aims (Dowling *et al.*, 2008, p.177). Hence, inferential statistical testing does not allow the identification of statistically significant differences between subsidiaries operating in developed economies compared with those in transitional periphery. Nonetheless, a closer look offers the opportunity to identify nuances across clusters which reveal adaptation to local context. It emerges that HotelCo expected its overseas subsidiary HR executives to understand local institutional and market forces. In so doing, they were able to define the necessary approach to compensation practices ensuring that, on the one hand, industrial relations dispositions were complied with while, on the other hand, salary levels were competitive to attract suitable talent. Hence, if a hotel was compelled to abide by a collective work agreement, this would have originated externally, either nationwide or industry-wide as occurred in CMEs, exclusively.

Otherwise, since there were no unions in the sampled properties, it rested on management to set attractive, consistent, and fair pay scales. These not only had to respect the minimum wage defined by law as in the case of TPE and LME subsidiaries (cf. Hasanov, 2013; Adam-Smith *et al.*, 2003), but also were required to necessarily address competition by incorporating market value considerations. Consequently, local hotel management could define specific compensation practices without the interference of a hotel-level employee representative body (Dundon and Gall, 2013; Glen, 2006).

Questions related to the perception of salary determinants reveal that sample HR executives weighed the most those factors that pertained to workforce talent, which motivated employees take on responsibilities spelled out in job descriptions (Walsh and Taylor, 2007). Thus, expertise and experience were the individual dimensions with the highest importance because, ultimately, they allowed employees to add critical value to their job position (Stahl *et al.*, 2012). Furthermore, HotelCo corporate-sponsored recognition program represented a means to praise workforce exceeding performance expectations (Moncarz *et al.*, 2009). Thus, while bonus programs related only to a fraction of the workforce, the recognition program concerned the wider employee base. Even if the program's indirect contribution to compensation was minimal, if at all, as in the case

of CME properties, yet the use in LME and TPE subsidiaries of cash-equivalent vouchers were popular with employees owing to their noteworthy flexibility (Jackson *et al.*, 2012).

Lastly, evidence reveals that HotelCo mandated subsidiaries to include top local executives in a corporate-branded incentive compensation scheme as well as provide them the benefit of a globally operated health insurance coverage (HotelCo, 2012). Since this employee category represented the highest hierarchical level, it is clear that corporate HRM compensation strategy was to directly affect top local talents, while leaving the matter relatively to the rest of the hotel workforce to be addressed by overseas subsidiary HR executives. Nonetheless, as evidence reveals, budget constraints, a characteristically low-earnings industrial sector such as hotels (Lucas, 2004), as well as a development-focused performance appraisal review neatly disjoined from compensation discussion, were main factors leading to a conservative approach relying on fixed pay (cf. Heneman and Werner, 2005). Although the above consequence perhaps benefited employees because their pay was stable independently of the business cycle, however it contradicted HR Manual's rhetoric on attractive compensation (HotelCo, 2015). Indeed, this conservative approach to compensation prevented overseas HotelCo subsidiaries to strategically approach compensation with innovative and creative practices according to the general trend nowadays (Wood and de Menezes, 2011; Lemieux *et al.*, 2009).

Despite, as mentioned, the industry has a poor reputation in terms of pay attractiveness, still there is room for progressive compensation practices in hotels as demonstrated by the experience of Marriott hotels, for instance (Fischer *et al.*, 2003). By collaborating closely with Mercer, a leading consulting agency, in analysing a massive five-year employment database, Marriott was able to assess and revamp its compensation practices through a total reward approach that was met with enthusiasm by its workforce. This exercise allowed Marriott to uncover two main elements: first, that even if employees demanded a guaranteed base pay, yet they were also appreciating variable compensation on top according to their performance level. Second, that by administering benefits with an inclusive approach, they were going to boost employee motivation and reduce voluntary turnover. In the words of Fischer *et al.* (2003), until then at Marriott:

“In effect, benefits were structured to keep people out when they should have been structured to get them in as fast as possible”. (p.22).

This led to a change of benefits management towards allowing all employee categories to benefit from total rewards from the very start of employment according to their entitlements. The experience of Marriott provides a shining lesson to the hotel MNEs on the steps a leading global competitor took to upgrade its compensation strategy. Despite the purported inclusive spirit exuding from the HR Manual, it appears that in actual practice HotelCo administered benefits with an exclusive approach, while missing to have a pay system enabling its employees to gain a noteworthy extra reward for outstanding performance.

## **5.5 Host-country specific factors determining the application of HRM practices in MNE hotel chain subsidiaries: performance appraisal practices**

### **5.5.1 Introduction**

The performance appraisal policy and practice featured in the HR Manual and training material further support the HRM rhetoric and discourse of HotelCo. Hence, this section explores the application of performance appraisal involving employees under a standard work agreement. Indeed, scholarly research has rather disregarded performance appraisal practices in the hotel sector as opposed to manufacturing because of three main reasons (Tracey, 2014). Firstly, the customary high employee turnover rate afflicting the industry prevents the establishment of any long-term view to the process, contradicting the very rhetoric surrounding performance appraisal (Pizam and Thornburg, 2000). Secondly, the short employee tenure removes the possibility to link the evaluative process to a merit pay system, pushing MNEs to use performance appraisal as a developmental tool or, a mere cursory informative session (Hinkin and Tracey, 2000). Thirdly, given that hotel service quality is affected by a multitude of factors beyond employees' control, management is pervasively involved in constantly monitoring customer satisfaction through, for instance, mystery shoppers' programs, tight brand standard plans, and online customer feedback portals, rather than employee coaching (Hoque, 2013).

By limiting rank-and-file employees' responsibility and involvement in assuring quality service provision, the likely result is the relegation of the performance appraisal process to an annoying and time-consuming routine as often perceived by both appraisors (Sweeney and McFarlin, 2010) and appraisees (Cardy and Leonard, 2011).

Therefore this section illustrates the approach HotelCo used to manage such a delicate aspect of the professional life of employees (Poon, 2004), owing to the emotional charge affecting both the appraiser and appraisee in the performance appraisal process (Brown *et al.*, 2010). To illustrate, despite business management research suggests performance appraisal to be a key stage of the performance development process owing to its impact on organisational achievement (Aguinis *et al.*, 2011; Chen and Kuo, 2004), business practice shows involved parts often enter the process reluctantly (Kreitner, 2009). Further, the analysis explores favouritism, which scholarly research indicates to be inherent to the process due to its subjectivity (Spence and Keeping, 2011), and measures taken to limit it. This section ends by defining the primary objectives that, in the opinion of respondents, characterised the application of performance appraisal practice in their respective HotelCo subsidiary.

### 5.5.2 Key findings based on participant observation and documents

The ensuing analysis centres on three key performance appraisal areas and their application across different workforce strata. Firstly, it addresses **personal interview between supervisor and subordinate** since this represents the most conventional approach to performance appraisal (Torrington and Taylor, 2009) which is followed by HotelCo (HotelCo, 2015; 2012). Secondly, the focus is on **360-degree appraisal**, which is a popular multi-direction feedback approach from different levels, namely superiors, direct reports, and peers (HotelCo, 2012). This appraisal system is especially suited for managerial performance assessment and leadership development (Fleenor *et al.*, 2008). Thirdly, **goal setting and follow up** (HotelCo, 2012) outlines the structured procedure whereby appraisors follow up on employee performance achievements by comparing them with previously agreed aims. Next, attention is given to the sensitive issue of **favouritism** and the frequency according to which HR respondents perceived its occurrence. HotelCo recognises that this may indeed happen and affect the objective implementation of the performance appraisal process (HotelCo, 2013). Therefore, as

experienced by participant observer, the performance appraisal system featured in the HR Manual (HotelCo, 2012) and the related training material are highly structured and informative with the purported aim to prevent from, and warn about, any possibility of favouritism appraisors may experience during the evaluation process. Yet, in applying these organisational strictures, HotelCo assumes without any guarantee that things would work in the manner intended to.

The ending part of this section examines perceptions across sample properties about the primary objectives of performance appraisal practices, while considering that these may serve a number of goals (Fletcher, 2008). More in detail, HotelCo claims through the HR Manual as well as through internal and external corporate communication that performance evaluation lays the grounds for **career development**. By envisioning their future, employees build their career within the HotelCo overseas subsidiary to eventually move across the globe (HotelCo, 2012). Again, this is a HotelCo's ascribed aspiration, which nonetheless does not mean it occurs in reality. In fact, although HotelCo presents performance appraisal always from an optimistic perspective, ensuing evidence reveals instead that there are losers as well in the application of this practice.

Therefore, **performance assessment** is the absolute process of marking individual performance accomplishments in order to obtain a thorough employee profiling (HotelCo, 2015). **Succession planning** refers to the opportunity performance evaluation offers to delineate high-potential employees in the line of succession for all job positions so as to ensure the organisation is duly manned uninterruptedly (HotelCo, 2015; 2012). Further, performance appraisal outcomes eventually provide the basis for separate discussions on **bonus allocation** and **pay review** (HotelCo, 2012). Specifically, performance assessment relies on objective setting mechanism which, at regular intervals, evaluates employee **goal achievement** (HotelCo, 2015; 2013). As the performance appraisal process enables management to monitor employees' job execution, there is also the opportunity to verify also their **compliance with Standard Operating Procedures** and document this accordingly (HotelCo, 2015). Lastly, performance appraisal practices may be used for **redundancies** (Boswell and Boudreau, 2000) so as to corroborate employee termination as well as layoff decisions, by identifying poor performers based on the aforementioned profiling.

### 5.5.3 Evidence based on in-depth interviews

Qualitative evidence gathered indicates an overall agreement among HotelCo subsidiaries that individual interviews represented a personalised and straightforward approach to performance appraisal that contributed to tightly bonding superiors and subordinates. As commented by a TPE respondent:

This is the most convenient fashion of discussion which (...) allows for a personal touch having the two parts coming in direct and complete communication.

According to respondents, there was a highly structured training program that HotelCo offered to ensure that, on the one hand, concurring parts entered the process duly prepared and informed, and, on the other hand, the procedure was implemented consistently.

Thus, a CME participant believed that personal interview:

Enables the straightforward discussion between supervisors and the reports whose performance they are responsible for. Head office is very detailed on this procedure and offers guidelines to follow also through dedicated training modules.

Further, the LME respondent stressed the influence of head office through training towards ensuring that the articulated approach to individual performance appraisal interviews was constantly demonstrated:

This is [occurring] as per head office policy which is well detailed and supported by training material. As for the questions, head office advises a pattern.

According to participant observation, HotelCo appeared keen to provide a highly structured performance appraisal system built around an employee competencies framework. Apart from the HR Manual instructing HR executives on how to administer all phases of the process, online and classroom training materials were used to educate both appraisers and appraisees. A monitoring system sought to ensure these dedicated courses were duly attended to by having HR executives reporting back to head office about training participations. According to participant observation, although HotelCo rhetoric in the HR Manual was assertive in ensuring the performance appraisal template

was faithfully implemented throughout the hierarchy, this was questionable for three main reasons.

Firstly, workforce segmentation separating core employees with career prospects from blue-collar workers undertaking low-skilled jobs, prompted that performance appraisal related to the former while being irrelevant to the latter employee category. This circumstance was potentially even more challenging if HotelCo's overseas properties subcontracted or even outsourced operational departments (e.g., Kitchen Cleaning and Housekeeping). Nonetheless, also among senior managers and supervisors who might have reached a career bottleneck or ceiling, performance appraisal was insignificant because they had developed themselves through competence and expertise in their work. Therefore, performance appraisal was likely to be more effective in the case of young, high-potential, key employees in junior management positions as well as students eager to develop a career within a global hotel chain. Consequently, performance appraisal, by being an essential element for career planning and development, was better received by ambitious employees, and thus easier for managers to administer with them.

Secondly, the aspiration of HotelCo to have the performance appraisal seamlessly applied on a global scale often clashed with language and cultural barriers, especially in the institutional settings of non-Anglo-Saxon country contexts. Thus, while employees in LME subsidiaries did not experience such challenges, these showed in overseas operations located in CMEs and, especially, in emerging TPEs. As experienced by the participant observer, employees of subsidiaries operating in the latter settings were highly likely to simply go through the motions or ignore aspects of performance appraisal altogether.

Thirdly, open two-way communication rarely occurred during performance appraisal, despite HR Manual dispositions giving emphasis on approaching the process from a purely developmental standpoint. Since HotelCo's performance appraisal model was predicated on a linear top-down approach, it was utopic to expect subordinates, and especially blue-collar workers at the mercy of the rising casualisation of their work, to freely express themselves. In fact, the outcome of the appraising process would have potentially affected their compensation increase prospects and their overall future within HotelCo. Thus, crisis periods such as the one under consideration (2010-2012), and especially unstable and arbitrary institutional settings of the kind found in TPEs, would

have aggravated the recurrent poor manager-employee communication and lack of trust usually characterising the performance appraisal process (Pulakos and O'Leary, 2011).

As the performance appraisal occurred annually, survey participants addressed the role of day-to-day feedback owing to its perceived benefit to employees in helping them realise how they were performing in the eyes of their superiors. Supposedly, this constant input on their performance allowed employees to undergo the formal appraisal process without surprises (Mone and London, 2014). Thus, as per one TPE respondent, feedback was:

Used quite often as the main benefit is that the feedback is given in a timely fashion.

Additionally, the other TPE respondent noted that if feedback were written, then not only it became official, but also contributed to documenting performance throughout the year and ensuring employees were aware. Thus, feedback was reckoned to be valuable because of:

Its immediacy and informal nature render it relatively reliable. If done in writing, this is more official and a document of reference.

As for the LME participant, given that the approach to performance appraisal was assertively developmental, the further provision of feedback occurring on a daily basis was perceived to be instrumental in preventing surprises during the official performance appraisal occasion, and thus the eventuality of any disagreement or, even, litigation (Walsh, 2012). Consequently, it was noted that overall:

Things are made safer from a legal standpoint because the review is used only for developmental purposes.

Despite the exclusive developmental perspective given to performance appraisal, the lack of implementation of alternative approaches other than the standard top-down is perplexing. In fact, the next question explores 360-degree appraisal, which represents a quite popular multiple-point feedback with demonstrated effectiveness, especially in the development of leadership skills (Atwater *et al.*, 2007). Namely, all respondents agreed they did not implement any such approach, and if this ever happened, it occurred in the past.

Thus, as a TPE respondent admitted, 360-degree appraisal was:

Implemented in the past but very sparingly. Would be most useful if used more often.

Also, while a CME participant commented that it was:

Once done ad hoc as part of a development program for management.

Another respondent from the same cluster added that the 360-degree appraisal occurred formerly and saw the participation of the HR department:

It has been done once as part of a development program for the HR management team, only.

The LME respondent, instead, seemed feebly promising by advising the 360-degree appraisal was done:

Only for the management, twice as part of a leadership training program endorsed by head office. There are plans to repeat the exercise in the future as well.

Contrariwise, all participants agreed that goal-setting and follow-up were eagerly applied as they identified the benefit of such an approach on employee motivation towards ongoing improvement (cf. Latham, 2004). As a TPE respondent illustrated, property goals were agreed at head office level and then it was the task of the local hotel management to render them into individual objectives:

Goals give purpose and render employees motivated to perform accordingly. After being agreed between property and head office, then these are reproduced according to employee level and position. These latter stages are defined locally, as goals need to be translated locally to be pertinent to each job position and level.

Further, a CME participant linked the goal-setting approach with employee long-term growth, whereby:

Employees are motivated because they are offered a developmental perspective. Although no pay issues are discussed, yet there is the opportunity to clarify career progression steps.

Nonetheless, the LME respondent observed that the level of personal drive towards constant professional betterment varied among employees:

There are, however, some employees with particularly high potential who feature an innate drive towards self-development. These, in fact, are the ones who will be particularly motivated towards goal setting and follow-up.

Next, participants offered their viewpoint on favouritism which they considered to be a phenomenon to be tightly controlled, which has consequences on the level of trust in the workplace as contended by Harrington and Rayner (2011).

According to a TPE respondent, in fact, as departmental managers were in charge of the performance appraisal process:

Fairness and the reduction of favouritism is safeguarded through close checking [of performance appraisals] – one by one by the HR leader and their team. If there is any question, things are followed up with the assessors. HR does not instruct the procedure execution – however, there is close monitoring.

The LME participant was of the same opinion, as:

The way the system is set up renders subjectivity inevitable and thus favouritism with it. Control is the only solution.

According to a CME respondent, while appearing to admit the rare occurrence of favouritism in the performance appraisal process, the professedly articulated HotelCo model appeared to be effective in stemming this negative phenomenon, which is:

A human tendency, however the sound HotelCo culture, clear guidelines and open communication work to limit its manifestation and possible negative effects.

Indeed, existing research has demonstrated the role of politics surrounding appraisals inequity in the evaluations (Dhiman and Maheshwari, 2013) and the deriving widespread resentment of injustice employees experience (Rowland and Hall, 2012). Subjectivity emerges in evaluations owing to the cognitive and motivational conditions of raters: this results in the inconsistent application of standards (Ibrahim *et al.*, 2014) potentially

invalidating the performance appraisal process. As experienced by the participant observer, the HR Manual and training material addressed these interferences to the successful completion of the performance appraisal processes, in an attempt to ensure that appraisers conducted performance evaluations in an objective manner. This assumed an unbiased process and, again, participant observer remarks that the HR Manual depicted the HotelCo's ambition of a perfect scenario, on condition that training to convening parts was duly implemented. What is known, however, is that people can be quite creative in evading company structures in this area. For instance, raters often use performance appraisals as a tool to manipulate employees, both to punish or to motivate (Poon, 2004), as well as to condition the perception their superiors have of their effectiveness in leading teams (Golman and Bhatia, 2012).

Despite inevitable shortfalls in performance appraisal practices (Tovey *et al.*, 2010), respondents contended that succession planning was a major benefit deriving from their implementation. As a TPE respondent underlined:

Indeed, performance appraisal is key for succession planning.

Nonetheless, LME and CME respondents added that the degree of importance and urgency of succession planning fluctuated according to circumstance. In fact, as a CME respondent noted:

Yes, it is important, however depends on employee personality, department, function, and business circumstances.

This observation, therefore leads one to consider that succession planning relies on three main factors: firstly, there is the need to identify employees with drive and the potential to be promoted. Secondly, some operational departments with high turnover such as Kitchen and Food & Beverage Service require tight succession planning, as opposed to administration division. Additionally, other functions consider this practice with a more limited sense of urgency, as occurs in Housekeeping and Kitchen Cleaning. Indeed, these low-skill departments while offering very limited career advancement opportunities, make extensive use of casual and/or external workforce. Thirdly, in phases of business expansion succession planning is evidently a top priority, as opposed to contraction

periods such as the one under consideration, whereby efforts aim to contain, if not reduce, headcount (Rothwell, 2010; Hayes and Ninemeier, 2009).

Subsequently, the analysis shifts focus to review whether bonus allocation and pay review were disjoined from the performance appraisal process. Respondents agreed that this was appropriate to prevent discord, owing to the implicit admission across all clusters that subjectivity could not be eradicated from the performance appraisal process. As expressed by a CME participant:

The focus on development is most appropriate to performance appraisal.

Overall, the perspective of linking performance appraisal to bonus and compensation was considered too challenging as, in the words of a TPE respondent, this would have led to a situation whereby:

A complex mechanism would need to be set up with goals linked to KPIs, which would be easily exposed to mismanagement.

Thus, as contended by the other TPE participant:

It is right to keep the two things separated: motivating employees with more bonus based on goal achievement is open to mishandling and misunderstandings by reducing the value of work relations to a pure calculative exchange. Mixing things up would detract the developmental aspect of performance appraisal.

According to the LME respondent, this was a beneficial outcome which was due to head office assertiveness on the matter across all properties on a global scale:

Head office influences this because they set the procedure that all subsidiaries are requested to consistently implement.

On the other hand, HR executives admitted that employees were likely to enter the performance appraisal process with expectations related to a positive impact on their compensation in case goals were met. Thus, a TPE participant commented:

They may have expectations however they know that this may happen at a separate occasion.

Instead, the LME respondent straightforwardly advised that employees were keen on discussing their compensation matters:

Yes, as soon as an opportunity presents itself.

This evidence reveals the likelihood that indeed appraisees might enter the performance appraisal process with a different agenda than the one the appraiser wished to follow, as corroborated in a research of Liao *et al.* (2009).

Still, a CME participant noted that any attempt to discuss compensation matters in coincidence with the performance appraisal review needed to be neutralised:

This is put into perspective by the discussion on career future.

Nonetheless, HotelCo's HR Manual aspirations urged overseas subsidiary HR executives to constantly and consistently apply corporate guidelines for a development-oriented performance appraisal. As a TPE respondent stressed:

HR makes sure that everyone will have their discussion done by closely monitoring the actual application of performance appraisal system. Critical importance is given to management and employees' training and re-training on how to efficiently conduct this procedure.

Overall, respondents expressed satisfaction with the application of performance appraisal. Hence, a CME participant shared that the procedure:

Is working fine – but most importantly there is the need of constant monitoring to ensure things happen.

Further as stressed by the LME respondent, the highly structured top-down approach to performance was effective in that:

Benefits are particularly evident for those ear-marked high-potential employees.

On the other hand, the perception of performance appraisal practices by the workforce might differ according to locale. In fact, all respondents agreed with the input of the CME respondent according to whom:

Yes, employees here like to be given goals and then have their performance measured against those goals. This works best if there is constant feedback on a regular basis, and not waiting till the next performance appraisal meeting.

Nonetheless, the lack of familiarity with the procedure added to the challenge for properties in the transitional periphery. As a TPE respondent commented:

This is very unique. Employees never experienced this before and there are mixed reactions at first. The educational level plays a role: those better educated are much more open and take the procedure constructively. Any negative impressions are tackled by ensuring all employees are duly trained by the HR executive, by preventing department heads administering the procedure directly with their reports without having the latter been duly introduced to this key procedure.

Lastly, in-depth interviews for this section explored cases in which appraisals reported extreme performance ratings. In the case of over-performing employees, respondents across clusters advised that, as per HotelCo policy:

Performance is closely monitored and ear-marked employees are then considered for the next suitable position opening within the property and, very importantly, in the chain overseas.

In the case of consistently under-performing employees, there was the need to proceed gradually, initially by discussing the matter with the concerned employee (cf. Shields, 2007). As a CME respondent neatly illustrated:

Certainly, what is valid here is that there is 'no surprise'. Thus, regardless of the performance appraisal, close monitoring of each employee's daily performance is assessed and feedback timely given directly to them to prevent anybody to get unfairly upset. If this counselling does not work, handling follows disciplinary action if needed or dismissal can be effected while ensuring thorough documentation as per clearly mandated by the labour law. Head office detailed guidelines are consistent with this approach.

This was echoed by the LME participant, who stressed that:

There are the well-known procedures whereby the situation is raised straightforwardly to the employee. As per legal dispositions, there is the need to document all steps leading to the dismissal.

Additionally, a TPE respondent commented that, since the law protected employees, any termination decision:

Needs to be thoroughly justified and documented through discussions, correction plans, and disciplinary actions. According to the labour law, it is very difficult to terminate an employee.

Despite the HR Manual rhetoric which was echoed by respondents, participant observation nonetheless reveals that performance appraisal functioned as a pressure tool for employees with below-par performance since it represented an undeniable record in the individual employee file. Thus, even if the appraisal document was professed to be beneficial to workforce for performance development, nonetheless it was also particularly useful for overseas subsidiary HR executives in building a case towards employee dismissal, something the latter were well aware about.

#### **5.5.4 Evidence based on quantitative survey**

The analysis of responses reveals that personal interview between supervisor and subordinate was the fundamental employee performance appraisal method applied across clusters. In fact, performance interviewing appears pervasive as it was implemented at all hierarchical levels (Table 5.25), thus demonstrating that the formal top-down approach was entrenched across all subsidiaries. Nonetheless, performance appraisal did not contemplate job positions under non-standard employment, such as temporary, outsourced, and subcontracted workforce. It seems, therefore, that HotelCo was broadly aligned with the customary approach to performance appraisal implemented in the hotel sector (Woods *et al.*, 1998).

The rare use of 360-degree appraisal further corroborates this observation (Table 5.26): only one TPE property replied that they utilised this method for managerial level and above. Hence, as the advanced 360-degree employee appraisal practice was confined to middle and senior managers, it appears that rank-and-file employees got the basics, as

also noted by participant observation. This finding additionally reinforces the workforce segmentation argument, which is, as often noted, endemic to the hotel industry. Consequently, it is surprising that none of the five subsidiaries operating in developed economies' clusters (CME and LME) used such a method for any hierarchical level, possibly resorting to it in case of focused and limited-scale leadership developmental initiatives (Rutherford and O'Fallon, 2007). Nevertheless, since goal setting and follow up (Table 5.27) featured in all sample properties and throughout the hierarchy, the deterministic approach to performance management (Mowles, 2011) by HotelCo was further confirmed.

Next, participants broadly indicated (Table 5.28) that favouritism was 'not often' occurring. Since none of the HR executives offered an outright negative answer, responses implicitly suggest that favouritism occurred to a somewhat limited extent. By examining developed economy clusters, it seems that lower hierarchical levels were more frequently prone to favouritism than the higher ones. By considering workforce segmentation in hotels between the broader management team versus blue-collar workers, the sheer divide between the two categories could have determined that the former was assessed on the basis of clear and measurable results attainment, hence the application of a corporate-wide bonus programs only to top senior management, as earlier illustrated. Instead, the widespread state of constant uncertainty affecting the numerous blue-collar workers' segment most likely determined that this employee category entered the performance appraisal process with diffidence. Since there was the perception that some measure of favouritism and/or bias might decide their future employment status (Arasli *et al.*, 2006; Hall and Brown, 2006), it could be argued that employees were induced into exercising political skills to influence the process in their favour.

Next, the analysis shifts to consider the primary objectives of the performance appraisal process. Starting from career development (Table 5.29), respondents appear to agree that performance appraisal occurred in order to offer a long-term development perspective to employees, ultimately leading to some form of career progression. However, a minority of respondents in CME and TPE seemed to have an opposite viewpoint concerning the lower hierarchical levels. Possibly, this is due to the fact that concerned respondents might have perceived career planning to be more relevant and realistic for team leader positions and above (cf. McCabe, 2005). Instead, performance assessment (Table 5.30) was considered to be a critical objective for all properties as indeed management relied on this

tool to define the individual performance profile of their workforce in terms of potential for promotion or eventual removal (cf. Kane *et al.*, 2013).

Again, the survey identifies general agreement in relation to succession planning (Table 5.31), as it was viewed as particularly important for performance appraisal concerning managerial positions and above. Conversely, respondents identified that bonus allocation was not a key aim of the performance appraisal process (Table 5.32). This further stresses earlier evidence about the broader decoupling of performance appraisal from variable compensation systems such as bonus calculation. Likewise, pay review appeared not to represent a primary objective of the performance appraisal process (Table 5.33). This supports earlier evidence according to which HR Manual and training material instructed subsidiaries to separate compensation issues from the performance appraisal process. As Shields (2007) maintains, this would turn to an exclusively developmental tool, reflecting the purported aims expressed by the HotelCo rhetoric.

Nonetheless, one CME property provided an opposite view, suggesting that perhaps the industrial sector collective work agreement might compel the subsidiary to also discuss compensation matters in conjunction with the yearly performance review. This indicated that the development-focused global HotelCo performance appraisal system, when applied in CME settings, could be subject to local institutional forces mandating the link of performance appraisal to compensation. As Festing *et al.* (2012a) argue, in the German context “Compensation is seen as a highly relevant purpose of performance management” (p.837) owing to the broader industrial relations tradition coupled with the noteworthy influence exerted by employee representative bodies such as unions and works councils (Müller, 1998). Consequently, it seems that German employees expect compensation matters to be discussed within the performance appraisal process.

Concerning goal achievement (Table 5.34), two instances in CME and TPE clusters disagree that this aspect represented a main objective of the performance appraisal process. Specifically, these properties expressed an opposing viewpoint in relation to lower-tier positions. Indeed, according to participant observation, assessment of goal achievement was rather of primary importance to management team members. Consequently, this points to HotelCo’s approach towards career planning and talent development being basically relevant to the hotel subsidiaries’ key personnel. On the other hand, even if the HR Manual aspired that broader property-wide goals be made

specific for each job position across the hierarchy in a cascade-like tailor-made fashion, in practice this complex and time-consuming procedure rarely, if at all, materialised as intended. Instead, the result was often a vague goal-setting exercise to the lower tier of employees, whereby performance objectives ended-up functioning as mere descriptive reminders of behavioural expectations according to brand standards.

The last two likely critical purposes of the performance appraisal process explored were compliance with standard operating procedures and usage for redundancies. In both cases, the majority of respondents expressed the opinion that these did not represent primary goals in the appraisal process, thus reflecting HR Manual corporate rhetoric. Nonetheless, in relation to compliance with standard operating procedures (Table 5.35), two CME properties stated that it represented a main goal: one considered this to occur for positions up to Team Leader while the other considered the occurrence to be valid throughout the hierarchy. Interestingly, this feedback was expressed by properties located in national capitalist archetypes characterised by quality orientation and respect of standards (Gallie, 2007). Further, this response seems to corroborate the preceding comment according to which compliance is particularly relevant to the lower tier of the workforce.

In the case of usage for redundancies (Table 5.36), respondents appear to agree this did not represent a pivotal goal of the performance appraisal process, apart from one TPE research participant who expressed an opposite viewpoint in relation with the rank-and-file employee category. Incidentally, this links with evidence analysed next (see 7.4.2), indicating that one of the TPE cluster properties experienced the highest workforce decrease in the period under consideration. Consequently, despite HotelCo's ever-positive and growth-centred rhetoric surrounding performance appraisal process, HR executives were likely to take into consideration performance appraisal documentation in the event of employee number reduction decisions, which nonetheless represents a plausible outcome (Yu, 2012).

Lastly, owing to the prevalent homogeneity of responses, the application of inferential statistical tests did not uncover any statistically significance differences between the broader economic groupings of developed and transitional periphery economies. This results from the fact that this is one area of standardisation which might be explained from two separate viewpoints. Firstly, since performance appraisal was primarily developmental, the stakes were quite low, so subsidiaries were more willing to follow the

official line. Secondly, it is one HRM practice for which it is quite easy to monitor compliance (i.e. if performance appraisals are happening or not, as adverse to whether they actually work).

**Table 5.25: Performance appraisal method – supervisor-to-subordinate personal interview**

Is personal interview between supervisor and subordinate used as employee performance appraisal method for the following job categories?		<u>CME</u>	<u>LME</u>	<u>TPE</u>
<b>a</b>	Executive Committee Members	Yes: 4 No: 0	Yes: 1 No: 0	Yes: 2 No: 0
<b>b</b>	Department Heads	Yes: 4 No: 0	Yes: 1 No: 0	Yes: 2 No: 0
<b>c</b>	Managers	Yes: 4 No: 0	Yes: 1 No: 0	Yes: 2 No: 0
<b>d</b>	Team Leaders and Assistant Managers	Yes: 4 No: 0	Yes: 1 No: 0	Yes: 2 No: 0
<b>e</b>	Guest Service Staff	Yes: 4 No: 0	Yes: 1 No: 0	Yes: 2 No: 0
<b>Note:</b> • (*) FISHER'S EXACT TEST: there is a significant difference ( $\alpha < 0.05$ )				

**Table 5.26: Performance appraisal method – 360-degree appraisal**

Is 360-degree appraisal used as employee performance appraisal method for the following job categories?		<u>CME</u>	<u>LME</u>	<u>TPE</u>
<b>a</b>	Executive Committee Members	Yes: 0 No: 4	Yes: 0 No: 1	Yes: 1 No: 1
<b>b</b>	Department Heads	Yes: 0 No: 4	Yes: 0 No: 1	Yes: 1 No: 1
<b>c</b>	Managers	Yes: 0 No: 4	Yes: 0 No: 1	Yes: 1 No: 1
<b>d</b>	Team Leaders and Assistant Managers	Yes: 0 No: 4	Yes: 0 No: 1	Yes: 0 No: 2
<b>e</b>	Guest Service Staff	Yes: 0 No: 4	Yes: 0 No: 1	Yes: 0 No: 2
<b>Note:</b> • (*) FISHER'S EXACT TEST: there is a significant difference ( $\alpha < 0.05$ )				

**Table 5.27: Performance appraisal method - goal setting and follow up**

Is goal setting and follow up used as employee performance appraisal method for the following job categories?		<u>CME</u>	<u>LME</u>	<u>TPE</u>
<b>a</b>	Executive Committee Members	Yes: 4 No: 0	Yes: 1 No: 0	Yes: 2 No: 0
<b>b</b>	Department Heads	Yes: 4 No: 0	Yes: 1 No: 0	Yes: 2 No: 0
<b>c</b>	Managers	Yes: 4 No: 0	Yes: 1 No: 0	Yes: 2 No: 0
<b>d</b>	Team Leaders and Assistant Managers	Yes: 4 No: 0	Yes: 1 No: 0	Yes: 2 No: 0
<b>e</b>	Guest Service Staff	Yes: 4 No: 0	Yes: 1 No: 0	Yes: 2 No: 0
<b>Note:</b> • (*) FISHER'S EXACT TEST: there is a significant difference ( $\alpha < 0.05$ )				

**Table 5.28: Influence of favouritism in the performance appraisal process**

In your hotel, how often, do you think, does favouritism influence the performance appraisal process per job category?		<u>CME</u> MEAN	<u>LME</u> MEAN	<u>TPE</u> MEAN	<u>CME+LME</u> MEAN	<u>OVERALL</u> MEAN
<b>a</b>	Executive Committee Members	1.75	1.00	2.00	1.38	1.71
<b>b</b>	Department Heads	1.75	2.00	2.00	1.88	1.86
<b>c</b>	Managers	1.75	2.00	2.00	1.88	1.86
<b>d</b>	Team Leaders and Assistant Managers	2.00	4.00	2.00	3.00	2.29
<b>e</b>	Guest Service Staff	2.25	4.00	2.00	3.13	2.43

**Note:**

- Likert scale range: (1) Not Very Often (5) Very Often
- (\*) MANN-WHITNEY U TEST: there is a significant difference ( $\alpha < 0.05$ )

**Table 5.29: Career development as primary objective of performance appraisal process**

In your hotel, is <i>career development</i> the primary objective of the performance appraisal process?		<u>CME</u>	<u>LME</u>	<u>TPE</u>
<b>a</b>	Executive Committee Members	Yes: 3 No: 1	Yes: 1 No: 0	Yes: 2 No: 0
<b>b</b>	Department Heads	Yes: 3 No: 1	Yes: 1 No: 0	Yes: 2 No: 0
<b>c</b>	Managers	Yes: 4 No: 0	Yes: 1 No: 0	Yes: 2 No: 0
<b>d</b>	Team Leaders and Assistant Managers	Yes: 4 No: 0	Yes: 1 No: 0	Yes: 1 No: 1
<b>e</b>	Guest Service Staff	Yes: 3 No: 1	Yes: 1 No: 0	Yes: 0 No: 2

**Note:**

- (\*) FISHER'S EXACT TEST: there is a significant difference ( $\alpha < 0.05$ )

**Table 5.30: Performance assessment as primary objective of performance appraisal process**

In your hotel, is <i>performance assessment</i> the primary objective of the performance appraisal process?		<u>CME</u>	<u>LME</u>	<u>TPE</u>
<b>a</b>	Executive Committee Members	Yes: 3 No: 1	Yes: 1 No: 0	Yes: 2 No: 0
<b>b</b>	Department Heads	Yes: 4 No: 0	Yes: 1 No: 0	Yes: 2 No: 0
<b>c</b>	Managers	Yes: 4 No: 0	Yes: 1 No: 0	Yes: 2 No: 0
<b>d</b>	Team Leaders and Assistant Managers	Yes: 4 No: 0	Yes: 1 No: 0	Yes: 2 No: 0
<b>e</b>	Guest Service Staff	Yes: 3 No: 1	Yes: 1 No: 0	Yes: 2 No: 0

**Note:**

- (\*) FISHER'S EXACT TEST: there is a significant difference ( $\alpha < 0.05$ )

**Table 5.31: Succession planning as primary objective of performance appraisal process**

In your hotel, is <i>succession planning</i> the primary objective of the performance appraisal process?		<u>CME</u>	<u>LME</u>	<u>TPE</u>
<b>a</b>	Executive Committee Members	Yes: 3 No: 1	Yes: 1 No: 0	Yes: 1 No: 1
<b>b</b>	Department Heads	Yes: 3 No: 1	Yes: 1 No: 0	Yes: 1 No: 1
<b>c</b>	Managers	Yes: 3 No: 1	Yes: 1 No: 0	Yes: 1 No: 1
<b>d</b>	Team Leaders and Assistant Managers	Yes: 3 No: 1	Yes: 1 No: 0	Yes: 0 No: 2
<b>e</b>	Guest Service Staff	Yes: 3 No: 1	Yes: 1 No: 0	Yes: 0 No: 2

**Note:**

- (\*) FISHER'S EXACT TEST: there is a significant difference ( $\alpha < 0.05$ )

**Table 5.32: Bonus allocation as primary objective of performance appraisal process**

In your hotel, is <i>bonus allocation</i> the primary objective of the performance appraisal process?		<u>CME</u>	<u>LME</u>	<u>TPE</u>
a	Executive Committee Members	Yes: 0 No: 4	Yes: 0 No: 1	Yes: 0 No: 2
b	Department Heads	Yes: 0 No: 4	Yes: 0 No: 1	Yes: 0 No: 2
c	Managers	Yes: 0 No: 4	Yes: 0 No: 1	Yes: 0 No: 2
d	Team Leaders and Assistant Managers	Yes: 0 No: 4	Yes: 0 No: 1	Yes: 0 No: 2
e	Guest Service Staff	Yes: 0 No: 4	Yes: 0 No: 1	Yes: 0 No: 2
<b>Note:</b> • (*) FISHER'S EXACT TEST: there is a significant difference ( $\alpha < 0.05$ )				

**Table 5.33: Pay review as primary objective of performance appraisal process**

In your hotel, is <i>pay review</i> the primary objective of the performance appraisal process?		<u>CME</u>	<u>LME</u>	<u>TPE</u>
a	Executive Committee Members	Yes: 0 No: 4	Yes: 0 No: 1	Yes: 0 No: 2
b	Department Heads	Yes: 1 No: 3	Yes: 0 No: 1	Yes: 0 No: 2
c	Managers	Yes: 1 No: 3	Yes: 0 No: 1	Yes: 0 No: 2
d	Team Leaders and Assistant Managers	Yes: 1 No: 3	Yes: 0 No: 1	Yes: 0 No: 2
e	Guest Service Staff	Yes: 1 No: 3	Yes: 0 No: 1	Yes: 0 No: 2
<b>Note:</b> • (*) FISHER'S EXACT TEST: there is a significant difference ( $\alpha < 0.05$ )				

**Table 5.34: Goal achievement as primary objective of performance appraisal process**

In your hotel, is <i>goal achievement</i> the primary objective of the performance appraisal process?		<u>CME</u>	<u>LME</u>	<u>TPE</u>
a	Executive Committee Members	Yes: 4 No: 0	Yes: 1 No: 0	Yes: 2 No: 0
b	Department Heads	Yes: 4 No: 0	Yes: 1 No: 0	Yes: 2 No: 0
c	Managers	Yes: 4 No: 0	Yes: 1 No: 0	Yes: 2 No: 0
d	Team Leaders and Assistant Managers	Yes: 3 No: 1	Yes: 1 No: 0	Yes: 1 No: 1
e	Guest Service Staff	Yes: 3 No: 1	Yes: 1 No: 0	Yes: 1 No: 1
<b>Note:</b> • (*) FISHER'S EXACT TEST: there is a significant difference ( $\alpha < 0.05$ )				

**Table 5.35: Compliance with standard operating procedures as primary objective of performance appraisal process**

In your hotel, is <i>compliance with standard operating procedures</i> the primary objective of the performance appraisal process?		<u>CME</u>	<u>LME</u>	<u>TPE</u>
a	Executive Committee Members	Yes: 1 No: 3	Yes: 0 No: 1	Yes: 1 No: 1
b	Department Heads	Yes: 1 No: 3	Yes: 0 No: 1	Yes: 0 No: 2
c	Managers	Yes: 1 No: 3	Yes: 0 No: 1	Yes: 0 No: 2
d	Team Leaders and Assistant Managers	Yes: 2 No: 2	Yes: 0 No: 1	Yes: 0 No: 2
e	Guest Service Staff	Yes: 2 No: 2	Yes: 0 No: 1	Yes: 0 No: 2
<b>Note:</b> • (*) FISHER'S EXACT TEST: there is a significant difference ( $\alpha < 0.05$ )				

**Table 5.36: Usage for redundancies as primary objective of performance appraisal process**

In your hotel, is <i>usage for redundancies</i> the primary objective of the performance appraisal process?		<u>CME</u>	<u>LME</u>	<u>TPE</u>
<b>a</b>	Executive Committee Members	Yes: 0 No: 4	Yes: 0 No: 1	Yes: 0 No: 2
<b>b</b>	Department Heads	Yes: 0 No: 4	Yes: 0 No: 1	Yes: 0 No: 2
<b>c</b>	Managers	Yes: 0 No: 4	Yes: 0 No: 1	Yes: 0 No: 2
<b>d</b>	Team Leaders and Assistant Managers	Yes: 0 No: 4	Yes: 0 No: 1	Yes: 0 No: 2
<b>e</b>	Guest Service Staff	Yes: 0 No: 4	Yes: 0 No: 1	Yes: 1 No: 1
<b>Note:</b> • (*) FISHER'S EXACT TEST: there is a significant difference ( $\alpha < 0.05$ )				

### 5.5.5 Evidence based on company documents and additional participant observation insights

As customary among MNEs (Keough, 2008), HotelCo also embraced and divulged the standard aspirational cliché according to which *our employees are our most valuable asset*. Specifically, at HotelCo authentic hospitality is a “calling” generated by a passionate and engaged workforce as stated in the preface to the HR Manual (HotelCo, 2015; 2012). Further, the corporate site underscores the *fundamental* role of employees to the firm’s success (HotelCo, 2015). These messages were claimed to be core to HotelCo HR philosophy around which the HR system gravitated, as noted also by participant observation. Indeed, scholars maintain (Bolton *et al.*, 2013) that employees turn into assets the moment they act and behave in unison with corporate leadership. To this end, the HR Manual emphasised the importance of organisational culture representing an unmistakable set of expected common beliefs leading employees to behave, make decisions, and solve problems according to guidelines (HotelCo, 2012). As Duberley *et al.* (2000) argue, performance appraisal is instrumental in order to assess whether employees demonstrate expected behaviours and underlying competencies.

Consequently, the ultimate ambition of the HR Manual was to render performance appraisal a most constructive stage towards ongoing employee performance development to the benefit of stakeholders, namely employees themselves, their superiors, the MNE, and its customers (HotelCo, 2012). It was thus necessary to educate both appraisors and appraisees in the specific HotelCo performance appraisal guidelines through training, simulations, and role playing so as for the concurring parts to experience a fruitful and motivating performance appraisal process as intended. To ensure clarity, the HR Manual

stressed that HotelCo competencies' model represented the cardinal point of reference against which employee behaviour was assessed (HotelCo, 2012). As participant observation attests, despite an articulate framework supporting HotelCo's aspirations to address all workforce strata, in actual practice the MNE's performance appraisal scheme materialised as wished only for a very specific category of employees. In fact, these were high-potential and resourceful management team members, key staff, and apprentices, to the exclusion of blue-collar workers.

Next, in relation to bias affecting performance appraisal, HotelCo indirectly admitted it may occur. Proofs are the sections of training material dedicated to raising appraisors' awareness and educate them accordingly (HotelCo and Related Software Provider, 2013). The HR Manual (HotelCo, 2012) nonetheless claimed that training, competencies and the neatly-enunciated organisational culture ensured transparency to the practice. Still, in reality there was a lacuna between HotelCo head office issuing policies and procedures to be used on a global scale, and claims that the performance appraisal process actually worked regardless of locale. Historically, process control had been increasingly tight as witnessed by the researcher himself: from a traditional pen-and-paper process, it had gradually turned to an online process allowing head office to be a few clicks away from accessing anyone's performance appraisal anywhere in the world. Consequently, with HotelCo being uncompromising on the centrality of performance appraisal, overseas subsidiary HR executives' overwhelmingly predictable answers reflected the imperative they felt to complete the process according to deadlines, and dreading the need to apologise for any delays or misuses. Hence, often appraisors and appraisees entered the process reluctantly, and completed it offhandedly.

The resulting 'going-through-the-motions' approach generated performance appraisal reviews mostly gravitating toward the average and above, while singling out evident cases in either directions for promotion or warning. Further, as supported by participant observation, in practice blue-collar lower tier employees were likely to be disappointed by performance appraisal on two fronts. Firstly, the claim that performance appraisal was purely developmental and decoupled from any compensation review clashed with employees' legitimate expectations of a positive outcome on their pay for a job consistently well done. Secondly, the rhetoric about building a career appeared to relate to the upper and high-potential tier; hence, the lower tier realised that performance appraisal did not, apart from some exceptions, deliver on the promise of career

advancement owing to limited opportunities available and the nature of their jobs. In fact, career progression was evidently attainable only for high-potential employees either within the hotel property, or in any other within the global hotel chain.

Therefore, blue-collar workers, together with, possibly, management team members who reached a career ceiling or bottleneck, were overwhelmingly indifferent about the outcome of their performance appraisal, unless it exposed them as underperformers. On the other hand, given relentless business pressures, most appraisors saw this process as an annoying, mechanistic routine to do at the very last moment, if not an outright waste of time. This research cannot conclusively prove the above, because, as expected, sampled overseas subsidiary HR executives were quite careful in their answers. Yet, participant observation underlines that a minority of employees was ultimately experiencing properly conducted performance appraisals in line with company aspirations and enjoying the benefits of it as anticipated and divulged by HotelCo rhetoric.

Relatively with leadership development involving the top tier, HotelCo head office also provided the opportunity to use a company approved 360-degree appraisal template, even if at an extra cost. Despite representing an attractive alternative performance assessment tool to the official top-down approach (HotelCo, 2012), properties used this quite rarely. Nevertheless, owing to the pervasive hierarchical command and control approach typical of the hotel industry, the official corporate approach to performance management was explicitly built on a straightforward application of the classic vertical format. Therefore, all subsidiaries used invariably the one-way supervisor-to-subordinate performance appraisal practice with which, as claimed in the HR Manual, HotelCo presumed to establish a solid goal-setting and follow-up mechanism. This, in turn, was expected to support the primary goals of performance appraisal concerning talent improvement, career development, and succession planning (HotelCo, 2012), as also perceived by respondents.

Lastly, in the eventuality of terminations and redundancies, the HR Manual does not make any reference to using performance appraisal forms in order to justify decisions (HotelCo, 2012). Yet, as emerged by a HotelCo's overseas subsidiary actual practice and corroborated by participant observation, past performance assessment forms were very likely to represent corroborating documentation that could be used as reference.

### 5.5.6 Discussion and conclusions

Evidence gathered reveals an organisation that based its performance appraisal system on a conventional top-down approach throughout the hierarchy. Even the upper workforce tier at HotelCo, where more progressive forms of leadership development initiatives could be implemented (McCauley *et al.*, 2010), was dominated by this conventional approach to performance appraisal. Indeed, all respondents commented that a particularly successful multisource approach such as 360-degree assessment either was never implemented, or, if so, it was done in past isolated occasions for the management team. It seems, therefore, that despite HR Manual's (HotelCo, 2012) claims about the 360-degree assessment representing a prime leadership skills developmental tool, the organisation fundamentally endorsed, and its overseas subsidiary HR executives consistently applied, a traditional system tightly connecting managers to their reports (Bernardin *et al.*, 2012). At the same time, this unidirectional approach reinforced hierarchical status whereby subordinates were constantly on the receiving end, while preventing them to participate in a developmental exercise involving their superiors, as expected in the 360-degree assessment, for instance.

The resulting conservatism in performance appraisal matters, which is symptomatic of the hotel industry at large, is at the root of a lack of creativity in the implementation of alternative evaluation approaches (Ahmad *et al.*, 2010). Further, however, reasons preventing the application of innovative performance assessment options other than the official performance appraisal template could be sought at three different levels. Firstly, budget considerations render the use of such alternatives sporadic because of the costly expenses involved. Secondly, for 360-degree assessment to run effectively, for instance, considerable time is needed to train participants and raters to handle the development evaluation procedure appropriately (Hensel *et al.*, 2010), thus posing the question as to whether in reality 360-degree assessment works in any way better than the conventional top-down appraisal. Thirdly, at a deeper level there it is necessary to define whether the management group to undergo the 360-degree assessment is committed to take into account also the feedback on their performance provided by reports and, most importantly, act on it (Armstrong and Taylor, 2014).

Therefore, it is possible that overseas subsidiary HR executives safely resorted to the by-the-book use of the official corporate performance appraisal procedure. This gravitated around the proven relationship between goal-setting and follow up along the lines of a highly structured competencies model (London *et al.*, 2004). Further, HotelCo guidelines instructed to avoid any compensation discussion to be linked with the performance appraisal process in order to keep it focussed on the appraisee's development (Hunt, 2014). By applying performance appraisal from a purely developmental perspective, HotelCo management aspired to utilise it as an additional critical tool aligned with selection and compensation practices to, as per Johnson (2009), "Disseminate and reinforce displays of culturally acceptable behaviour". (p.27). Hence, performance appraisal would not only draw the workforce into perceiving their job as part of a long-term career goal, but also earmark high potential employees for succession planning purposes (Groves, 2007).

As evidence revealed although in a limited scale, favouritism emerged especially in relation with the lower hierarchical levels, with the risk of jeopardising any positive contribution performance appraisal could offer. Nevertheless, the downplaying of this occurrence by gathered responses points toward overseas subsidiary HR executives' overall prudence in expressing viewpoints contrary to the corporate rhetoric. Hence, the application of inferential statistical tests does not uncover any statistically significant difference between the developed and transitional periphery economic clusters.

In the final analysis, the ideology expressed in the HR Manual stressed the need to establish the purely developmental character of the performance appraisal practice by urging management and employees to perceive this similarly, and separate the procedure from any others related to bonus allocation and pay review (HotelCo, 2012). As experienced by participant observer, however, in practice especially blue-collar line employees overwhelmingly linked their compensation with performance evaluation outcomes due to the short-term perspective instilled by the nature of their jobs. Inevitably, this association was likely to produce disappointment leading to resignations or withdrawals. Instead, the category of workforce encompassing skilled management, key personnel, trainees, and apprentices, owing to its ambitions and high potential, gave priority to career planning towards building internal capabilities over the longer term. They perceived that their compensation would ultimately increase since their growing talent would be rewarded by the company through promotion. By revealing such a set of

fundamental clashes between HotelCo aspirations and what really occurred in practice between different workforce segments, the performance appraisal becomes eventually a myth. Indeed, as Grote (2002) argues, performance appraisal will always be an arduous task because of its inherent judgemental element whereby a superior evaluates a subordinate.

## **5.6 Chapter 5: Conclusion**

This chapter illustrates that head office influence was most pronounced in terms of targets and performance indicators. The usage of outside HR consultants may have at least partially caused this by encouraging the setting of ambitious targets as KPIs represent a standard ‘prescription’ of outside consultants. Head office influence was least pronounced in terms of wages, tenure, job security, and training and development. Emerging emphasis on cost cutting as well as anti-union/unitarist philosophy suggests strong pressure on local managers to work towards a low wage/ security model, especially in terms of the peripheral workforce. The study also found internal labour segmentation between those with more secure jobs and contingent labour, and, indeed, that a top-down emphasis on cost cutting encouraged more usage of the latter. Other areas of head office influence, such as performance appraisal, were focused on managers and it appears that there was some room for ‘gaming’ the system (e.g., employee opinion surveys).

As noted above, the Company Manual represented both an aspirational and an operational document. More specifically, in terms of issues such as rewards and tenure, and indeed, diversity and inclusion, it was clearly very aspirational, rather than a detailed description of reality. In other areas, for example, target and performance orientation and anti-union stance, it emerges to be rather more prescriptive. However, even in this case, there were departures from the spirit of the Company Manual in practice; the system was ‘harder’ and less developmental than a reading of the Manual might suggest. Again, when it came to recruitment, formally espoused processes were often adjusted or treated skeptically by local managers.

In terms of key differences across national capitalist archetypes, HR policies and practices implementation in CMEs and LMEs were primarily affected by the labour law. In the case of TPEs, an influential contextual feature was an educational system failing to supply a workforce trained and exposed to modern customer service associated with world-class hospitality. Evidence also showed that TPE hotel properties operated in a context featuring a widespread presence of unofficial labour; this points to weak labour law enforcement capabilities when compared to CME and LME subsidiaries.

Another disparity between the transitional periphery and developed economies was in terms of the utilisation of casual and external workforce arrangements. While in TPEs these forms of employment only recently became legal, in both CMEs and LMEs their large-scale usage was instrumental in attaining formative labour cost reductions. The widespread employment of apprentices in CME subsidiaries points to a divide existing between this national capitalist archetype and the LME and TPE. In countries such as Germany and Switzerland, the state educational system collaborates with industry in order for apprentices to obtain professional qualifications, as opposed to the deregulated LME and lightly regulated and fluid TPE institutional environments. Additionally, in Germany (as is typical with CMEs), compensation levels are generally defined by collective work agreements, normally pertaining to blue-collar jobs. In the more fluid LME and TPE labour markets, the minimum wage was set by law, albeit that the latter was relatively low. Lastly, attempts by HotelCo to separate performance appraisal from pay review ran into legal barriers in CMEs. This also appears to reflect common values shared by many German employees, when compared to those located in LME and TPE deregulated labour markets.

## **CHAPTER 6: DELEGATION**

### **6.1 Chapter 6: Introduction**

This chapter explores evidence pertaining to delegation, which represents one of Whitley's two core dimensions of work and employment relations (1999). The analysis proceeds by focusing on its sub-dimensions: first on communication and information flows, and then participation. Hence, the initial section attempts to reveal, according to perceptions of subsidiary HR executives, the degree of alignment the sampled hotel properties had to the MNE's corporate HRM model vis-à-vis what local companies in the hotel industry typically did. Next, the investigation concentrates on those initiatives constituting the pillars upon which trustworthy and cohesive teams are founded, namely employee performance monitoring, career planning, and employee improvement suggestions. The ensuing section systematically examines elements representing Whitley's delegation sub-dimension, which indicate the extent according to which management allows for employee financial participation, involvement, and feedback.

### **6.2 Communication and information flows**

#### **6.2.1 Introduction**

Ensuing is the examination of the perceptions overseas subsidiary HR executives had with regards to communication and information flows, which HotelCo aspirations (HotelCo 2012) claim to be instrumental in attaining employees' cohesion around the firm's ideology and values. The underlying belief maintains that employees would thus be committed to ongoing performance improvement according to corporate guidelines. Hence, this section centres especially on how employees voiced their opinions to hotel properties' management and whether the available upward communication avenues were used as intended.

### 6.2.2 Key findings based on participant observation and documents

HotelCo claims (2012) that its **corporate HRM model** enables it to be the preferred brand for employees, customers, and owners in each of the markets it operates. Although more on turnover will emerge in Chapter 7, overseas subsidiary HR executives indicated that the yearly average voluntary turnover coefficient was around 10%, 20%, and 50% for TPE, CME, and LME clusters, respectively, which is mostly just as high as competitors. Nonetheless, the preferred brand rhetoric of the hotel MNE was contradicted by reality. Yet, the HR Manual professes that, by nurturing a passionate and engaged workforce with a strong customer service orientation in a caring work environment, HotelCo brand is in any case safeguarded and consistently improved.

Within this proclaimed and hopeful model, managers are called to play a pivotal role because they determine the quality of relationships in their respective teams and, ultimately, employees' success (HotelCo, 2012). Thus, HR executives need to support and develop managers towards establishing cohesive teams, faithfully reflecting head office ambitions divulged via internal and external communication channels. Since managers, beyond their operational duties, need to shape attitudes and inspire customer-centric behaviours through their leadership role, they are best set to **monitor employee performance** and assess it via both formal and informal evaluation initiatives (HotelCo, 2012). Briefly, these relate on the one hand, to the informal feedback sessions that are supposed to occur incessantly, and, on the other hand, to the yearly performance development cycle activities which eventually feed into **career planning** (HotelCo, 2012). The last concept researched relates to **employee improvement suggestions** which is supposed to foster upward communication flow. Within this process, managers facilitate line employees to openly feed them their viewpoint on a number of issues. This may occur in a formal or an informal fashion, through a suggestion box collecting written messages or regular individual as well as departmental meetings, for instance (HotelCo, 2015; 2012).

### 6.2.3 Evidence based on in-depth interviews

This interview segment begins with a general question on which, between local and head office pressure, exerted the stronger influence over HRM practice implementation. Apart from TPE respondents, the other overseas subsidiary HR executives indicated that at property level the application of HRM was both in line with the corporate model of HotelCo and in line with what local competitors in the sector did. Instead, TPE HR executives maintained that the HRM approach they applied stood out compared to local companies, thus revealing HotelCo head office had the stronger influence on HR practices implementation.

Specifically, this was mostly evident in the case of Kyrgyzstan, for instance, a country featuring a hotel tradition limited to the mountain resorts receiving internal tourism from the Union of Soviet Socialist Republics (USSR) up until its demise in 1991 (Thompson, 2004). Consequently, the unicity of the US-inspired HRM approach of the local HotelCo subsidiary was prominent as affirmed by the respondent. However, TPE HR executives noted that although HotelCo subsidiaries' HRM approach was unique if compared to local independent hotels, nonetheless it was similar to that implemented by local subsidiaries of competing hotel MNEs. Thus, according to a TPE respondent:

We see the arrival of new aggressive top global competitors in the market. (...) [There are] a number of hotels belonging to world-class luxury global hotel chains, together with local restaurants and hotels. I worked, both in small and large properties and the HR budget varied as a consequence. Particularly, the larger concern I worked for is particularly competitive versus this property in areas such as selection interviewing, benefits flexibility, innovation, and training.

Further, respondents noted that host-country binding forces were, apart from the legal system, the educational system as well as labour market challenges. For instance, the latter was evident for specific positions in a CME subsidiary operating in Switzerland. As testified by the relevant HR executive, in that country working in hotels was not very attractive for locals, particularly in line positions:

Recruitment is an aspect of HRM particularly affected by the local circumstance whereby working in hospitality is not at all attractive, at least at line customer-service level. Same with us, our competitors feel the pressure resulting from a limited pool of applicants. This local pressure

certainly surpasses the one exerted by head office as it is of vital importance to the sustainability of the business.

The deriving recruitment challenge thus affected equally both the Swiss HotelCo subsidiary and its local competitors, as documented also by scholarly research. In fact, according to Ingram and Fraenkel (2006), the shortage of suitable candidates is an ongoing problem faced by hotels operating in Switzerland.

Despite these local compelling factors, respondents expressed a widespread conviction that the way challenges were overcome was rather innovative vis-à-vis local competitors within the hotel industry. Therefore, as summarised by the UK respondent, in relation to single national settings:

Convergence is defined by the labour law which has an overarching influence on the way HRM is applied. As compared to other competing hotels, this HotelCo subsidiary implements HRM in a quite advanced way.

Next to be investigated is monitoring of employee performance: specifically, participating HR executives were asked to identify who had the primary responsibility for this pivotal communication process. Unanimously, respondents agreed that line managers being the leaders of their respective teams, needed to bear the responsibility for this process because they were accountable for the performance of their reports and were in contact with them on a constant basis. Nonetheless, all respondents further contended that they were personally in charge of making sure that not only managers and employees were duly trained, but also that the whole process was successfully implemented. As summarised by a CME respondent:

Of course, line managers are responsible for the performance of their team members. HR must track progress on performance management process and oversee that it is consistently and timely applied. Nonetheless, HR is accountable for the due training of both appraisors and appraisees.

Indeed, the above viewpoint is widely supported by academia whereby line managers and direct supervisors are mainly responsible for monitoring employee performance since this is at the core of the firm's integrated HRM system (Lawler *et al.*, 1984).

Further, Purcell and Hutchinson (2007) stress the vital role of line managers as “deliverer of the HR practices”, since:

“There is a form of symbiotic relationship between front-line managers and HR practices”. (p.16).

Hence, the superior’s deep knowledge of the report’s job and performance is likely to determine the successful implementation of performance management (Chiang and Birtch, 2010). Thus, respondents were persuaded that the main contribution of the subsidiaries’ HR departments to performance management rested in overseeing its sound implementation. In line with HotelCo’s rhetoric, they stressed that this was attained by ensuring that, most importantly, both local appraisers and appraisees were trained in the application of the company performance management system.

From an opposite angle, respondents were then asked to express their opinion on whether they agreed that employees had the opportunity to suggest improvements openly to management. Participants answered in unison that they believed this was happening in their respective subsidiaries. Yet, they also agreed that the way and extent of this upward communication differed from country to country as these were moulded by factors such as local culture, the personality of individual employees, and the subject of concern. All respondents claimed that employees were motivated to speak upwards by the open style of the management team and the work environment which they perceived as caring. As summarised by a CME HR executive:

Employees do take advantage of the many forms of communication available and do not hesitate to get involved. This participative attitude is very much fostered by the open organisational culture that characterises this HotelCo subsidiary.

Nonetheless, it appears that respondents tended to speak more as advocates of their organisation, because participant observation reveals that individual employee voice varied in intensity depending on which workforce segment the employee belonged to. In fact, the marked workforce stratification characterising hotels often prevent genuine, honest, and unfiltered communication to reach top management because of fear of retaliation (Hung *et al.*, 2012).

Although HotelCo rhetoric urged subsidiaries to give voice to lower strata employees in the name of organisational open communication for ongoing improvement (HotelCo, 2012), blue-collar workers' employment uncertainty drove them to be cautious, especially when commenting outcomes of management decisions. Hence, lower-tier employees usually either did not speak up, or offered input which was constructively neutral, particularly when asked through the official communication avenues. As a result, and despite the variety of internal communication channels detailed in the HR Manual (HotelCo, 2012) and explored in the ensuing section, the grapevine represented the prime collector of lower-strata employee voice. According to participant observation, hotel managers were very well aware of this reality, which scholars further confirm to be particularly established in hotels due to the grapevine's powerful role and efficacy in informal employee communication (Underwood, 2011; Brownell, 1990). Consequently, those employees who supposedly were more prone to use official communication channels as intended, belonged to the upper employee tier because of their safer employment position.

Additionally, institutional variations may have affected the way employees entered the communication process overall. Drawing from the research on dynamics of non-union employee voice according to VOC context illustrated by Barry *et al.* (2014, p.522-40), it can be inferred that in stable settings such as CME and LME where institutions are reliable and citizens feel their rights are safeguarded, employees are inclined to communicate with confidence and straightforwardly. On the other hand, the arbitrariness permeating institutional reality in weak, unstable, and authoritarian environments such as in TPE, tends to mold citizens' behaviour accordingly, which determines a circumspect communication style. This, in turn, appears in the distrust local workforce feels towards official communication avenues as well as the uneasiness in speaking up for fear of exposing themselves and suffer retaliation within a traditionally paternalistic work environment (Gorton *et al.*, 2004).

On another front, when subsidiary HR executives were asked about their own possibility to communicate upwards with head office, there seems to be a differentiation between divisional head office and US global central offices.

While with the former there was a forthcoming two-way communication, with the latter communication was characterised by one-way, top-to-bottom formality, as illustrated by a CME respondent:

The communication relationship with head office at divisional level is quite open and dynamic. This is opposite to the type of communication with US corporate headquarters which is formal and top-bottom.

The preceding comment reveals an interesting aspect related to differences experienced in the interactions subsidiary-based HR executives had with parent MNE headquarters and divisional head office, respectively. Thus, it emerges that the HotelCo's US main corporate office approach towards subsidiaries occurred from a formal hierarchical standpoint which was perceived by host-country HR executives as a detached, one-way, and top-bottom communication process that mostly discouraged reverse vertical communication (cf. Ambos *et al.*, 2010; Egelhoff, 2010). As geographic distance determines the need for the establishment of intermediary divisional head office, this is better set to facilitate the complex corporate communication process through a closer interaction with the overseen subsidiaries (Mahnke *et al.*, 2012; Maley and Kramar, 2010; Bouquet and Birkinshaw, 2008). By being able to monitor subsidiaries more tightly, divisional offices manage to lead the latter to increase their performance, as demonstrated by Ambos and Birkinshaw (2010).

Next, in-depth interviews seek to examine another aspect of communication related to performance development, which is whether career planning represents an integral component of the performance management system of employees. Although respondents agreed that this was happening, they recognised that a pivotal condition for career planning to be soundly established was that relationships between employees and their superiors had to be trustworthy. Indeed, scholars agree in underscoring that trust represents the key pre-condition for the performance management and subsequent career planning processes to occur seamlessly (Hartmann and Slapnicar, 2009; Young and Perrewé, 2000). Further, trust represents a key determinant towards nurturing risk-taking behaviour and ongoing performance enhancement, besides fostering healthy work relationships (Colquitt *et al.*, 2007).

Then, respondents expressed the belief that employees' personality and their level of ambition were catalytic towards their thorough commitment to performance improvement. Particularly, career planning was a major motivator for job applicants to overseas subsidiaries located in developed LME and CME economies, because they were expecting it from a MNE. As research shows, firms competing in the global market realise that offering career opportunities results in win-win situations for both the organisation and its workforce (Dickmann and Harris, 2005). Even if employees gather experience in set duration international assignments, these represent the pillars on which to subsequently build international careers (Doherty and Dickmann, 2009). Nurturing employees' expected career prospects works towards strengthening their engagement (Slåtten and Mehmetoglu, 2011; Dickmann *et al.*, 2008) and openness to training and development initiatives (Bulut and Culha, 2010), which impact positively on job satisfaction and performance as well as employee competence (Kong *et al.*, 2012; Kraimer *et al.*, 2011).

Again, line managers (Kuvaas and Dysvik, 2010) play a critical role in trustworthily supporting and implementing this bundle of essential HR policies and practices. Any "internal misalignment" (Dickmann and Doherty, 2008, p.158) may harm the engagement of workforce which, with special regard to CMEs and LMEs, nowadays consider themselves particularly mobile either through company support or their own independent initiatives (Andresen *et al.*, 2014; Doherty *et al.*, 2011). Consequently, as noted by the UK respondent:

Employees of the HotelCo subsidiary expect career planning to be part of the employment culture because it is a multinational entity: they associate the hotel with the start of a career progression either locally or globally. Although trust does play a role, yet, there is the need to be realistic as career opportunities are limited. Thus, efforts are particularly focused in identifying those true high potential employees that indeed represent fitting candidates to fill in possible future job vacancies within the framework of a succession plan. Head office influence is minimal because the procedure is administered locally.

As a CME HR executive further commented:

With regards to management level and above, things become more complex: ensuing career steps could arise anywhere outside the property because careers may have reached a ceiling, thus the global hotel chain may offer opportunities never thought of that may be accepted or rejected by

the employee. It is at this level that the influence of head office is critical to further the development of managerial level employees.

Conversely, career planning in the emerging TPE countries of Azerbaijan and Kyrgyzstan was an uncommon feature that required information campaigns to educate the workforce about international career perspectives. As shared by a TPE respondent:

Lately career planning has received a boost with management level team. This was the result of an extensive information and training campaign in collaboration with divisional head office that offered an interesting outcome. The result was an increased confidence in building a growing career prospect within HotelCo because of the overall trust in management commitment to career planning.

As hinted by respondents, career planning fundamentally related to high potential and managerial level employees to the exclusion of blue-collar and line employees. Consequently, workforce segmentation determined that the former saw also the involvement of head office in arranging for opportunities overseas. With regards to the latter employee category, the procedure was administered locally and demanded a long-term patient attitude by the side of employees because, realistically, opportunities for local advancement were limited, if non-existent.

In the final analysis, the preceding answers illustrate aspects of HotelCo's talent management approach. Indeed, it is critical for a MNE to capitalise on career planning in order to consolidate the link among subsidiaries located around the globe, nurture local staff morale (Sparrow, 2012), and ensure support in case of skills shortage, for instance (Schuler *et al.*, 2011; Farndale *et al.*, 2010; Bhatnagar, 2007; Sparrow and Budhwar, 1997).

Still, the seamless implementation of career planning and talent management initiatives are hampered by three main factors. Firstly, as McDonnell *et al.* (2010) assert, the localisation of products and services diminish the flexibility for candidates in embarking on an overseas assignment. Indeed, host-country distance in terms of culture and institutions (Mäkelä *et al.*, 2010) impedes potential employees from those nations to move abroad, as occurs with TPE countries with a state Socialist past (Bohle and Greskovits, 2007). Secondly, the geographic distance of a subsidiary and its employees from the corporate network hub (Mäkelä *et al.*, 2010) represents per se a noteworthy challenge

against relocation, which places TPE candidates again at a disadvantage compared to those originating from developed LME and CME economies. Thirdly, research has demonstrated that, despite MNEs' rhetoric in favour of talent management within a coherent HRM strategy, global businesses still often suffer from an approximate administration of employee career development internationally (McDonnell *et al.*, 2010). Consequently, as Preece *et al.* (2013) contend, the role of regional offices is catalytic towards assisting overseas subsidiaries at the MNE periphery in co-ordinating and applying career planning initiatives across the region, at the least.

#### **6.2.4 Evidence based on quantitative survey**

The examination of whether HRM implemented in the case study HotelCo subsidiaries was in line with the corporate model of HotelCo, or tended to reflect what local companies in the hotel industry typically did suggested (Table 6.1) that all responses converged towards neutrality. Thus, despite the distinctiveness of the HotelCo HRM corporate model, still it appears that overseas subsidiaries could not prevent becoming isomorphic with local hotels. In fact, there might be unavoidable local forces that influenced both local firms and HotelCo subsidiaries, since they derived from local "institutional prescriptions" (Fey *et al.*, 2009, p.697).

Next, the research turns to examine the extent according to which HR executives agreed with the opinion that local senior HR management were the primary responsible for monitoring employee performance at lower levels. Regardless of location, respondents disagreed and indicated that they perceived themselves as not having a direct role in the process (Table 6.2). This viewpoint expressed by overseas subsidiary HR executives indeed reflects Guest's observation that the task of HR management is to support such "High involvement work systems". (2002, p.337).

Further to the earlier observation that all properties under consideration were non-unionised, there was the need to establish if, in terms of upward communication, employees were given a voice to openly express to management their viewpoint. In line with HotelCo's purported modern approach to HRM practice, Table 6.3 indicates that responses tended towards a moderately strong agreement that in all subsidiaries employees were offered the opportunity for upward feedback.

Lastly, focus is on career planning which is vital in giving perspective to the management of workforce performance. Hence, HR executives were asked to express whether they agreed that in their respective subsidiaries career planning was an integral component of the employee performance management system. As in the previous question, Table 6.4 shows that responses reflect an overwhelming agreement between HR executives thus stressing that career planning was perceived to be a necessary passage for any employee wishing to grow professionally.

Given the overall homogeneity of responses, the application of inferential statistics does not indicate the emergence of any statistically significant difference across clusters.

**Table 6.1: Extent of subsidiary alignment to HotelCo corporate HRM model**

<b>Please select the option, that in your opinion, best completes the following sentence:</b>				
<i>Human Resource Management practices applied in my hotel are ...</i>				
<u>CME MEAN</u>	<u>LME MEAN</u>	<u>TPE MEAN</u>	<u>CME+LME MEAN</u>	<u>OVERALL MEAN</u>
2.75	3.00	2.50	2.88	2.71
<b>Note:</b>				
1 Primarily in line with the corporate model of HotelCo.				
2 More in line with the corporate model of HotelCo - Less in line with what local companies in the hotel industry typically do.				
3 Both in line with the corporate model of HotelCo and in line with what local companies in the hotel industry typically do.				
4 Less in line with the corporate model of HotelCo - More in line with what local companies in the hotel industry typically do.				
5 Primarily in line with what local companies in the hotel industry typically do.				
(*) MANN-WHITNEY U TEST: there is a significant difference ( $\alpha < 0.05$ )				

**Table 6.2: Monitoring of employee performance**

<b>Please, indicate your level of agreement with the following statement:</b>					
<i>In my subsidiary, monitoring of employee performance at lower levels should be a primary concern of local senior HR management.</i>	<u>CME MEAN</u>	<u>LME MEAN</u>	<u>TPE MEAN</u>	<u>CME+LME MEAN</u>	<u>OVERALL MEAN</u>
	2.25	2.00	2.00	2.13	2.14
<b>Note:</b>					
• Likert scale range: (1) Strongly Disagree (5) Strongly Agree					
• (*) MANN-WHITNEY U TEST: there is a significant difference ( $\alpha < 0.05$ )					

**Table 6.3: Employee opportunities for suggestions**

<b>Please, indicate your level of agreement with the following statement:</b>					
<i>Employees are provided with the opportunity to suggest improvements openly to management in the way things are done.</i>	<u>CME MEAN</u>	<u>LME MEAN</u>	<u>TPE MEAN</u>	<u>CME+LME MEAN</u>	<u>OVERALL MEAN</u>
	4.25	4.00	4.50	4.13	4.29
<b>Note:</b>					
• Likert scale range: (1) Strongly Disagree (5) Strongly Agree					
• (*) MANN-WHITNEY U TEST: there is a significant difference ( $\alpha < 0.05$ )					

**Table 6.4: Employee career planning**

Please, indicate your level of agreement with the following statement:					
<i>Career planning is an integral component of the performance management system of employees.</i>	<u>CME</u>	<u>LME</u>	<u>TPE</u>	<u>CME+LME</u>	<u>OVERALL</u>
	MEAN	MEAN	MEAN	MEAN	MEAN
	4.25	4.00	4.50	4.13	4.29
<b>Note:</b> <ul style="list-style-type: none"> <li>• Likert scale range: (1) Strongly Disagree (5) Strongly Agree</li> <li>• (*) MANN-WHITNEY U TEST: there is a significant difference (<math>\alpha &lt; 0.05</math>)</li> </ul>					

### 6.2.5 Evidence based on company documents and additional participant observation insights

Responses gathered suggest that the application of HR policies and practices as intended by head office is affected by local factors (cf. Farndale and Paauwe, 2007). Consequently, regardless of economic cluster, efforts of the subsidiary-based HR executives aimed to manage the opposing forces between local isomorphic institutional pressures and global corporate guidelines. Research participants indicated that the established relationship with head office was valuable in order to maintain HR policies and practices application aligned with corporate directives. Through the support of head office, MNE subsidiaries were able to differentiate themselves from local competitors, as shown in the case of TPE emerging economies (Ananthram and Nankervis, 2013; Ambos and Mahnke, 2010). On the other hand, evidence and participant observation shed light on the type and frequency of upward communication from overseas subsidiaries to head office, which depended on three main elements.

Firstly, unless geographically close, even at the regional level, head office was very likely to not recognise the challenges occurring in host countries, thus prompting the property-based HR executive to find solutions by themselves. Secondly, there was always the fear that, by speaking up to head office, there might be negative consequences for the property-based General Manager, which could backfire. Consequently, the HR executive was reduced to have a warm, yet formal, communication with head office while making sure their superior was always informed in a timely manner to prevent the property being unnecessarily exposed to head office. Since the overseas subsidiary HR executive with the assistance of the General Manager was in charge of guaranteeing HotelCo directives were implemented by the book, they made sure this happened at property level. Thirdly, as participant observer witnessed through the use of the HR Manual (2012) as well as training material via both intranet and online self- and class-learning modules, global HR

policies and practices were ultimately detailed to such an extent that there was no need to consult anyone at head-office level for time-wasting clarifications. Thus, participant observation indicates that the highly articulated instructions and training manuals were incidentally useful in keeping subsidiaries at an arm's length, by diverting any potential enquiring property-based HR executive to seek answers in the corporate material first.

As gathered evidence illustrates, the allocation of responsibilities relatively to employee performance monitoring signals an HRM practice focused on workforce development (HotelCo, 2015). In fact, while line managers covered a pivotal role because in charge of the process, HR executives contributed with facilitating and overseeing its successful administration. Additionally, HotelCo featured a variety of formal internal communication and employee suggestion channels and encouraged upward communication and information flows (HotelCo, 2015). The aspiration was thus to ensure alignment and understanding among all levels of hierarchy which, ultimately, nurtured unity of purpose (Hutchinson, 2014). According to respondents, although employees took advantage of internal communication avenues differently according to locale, the essence of the process appeared to be safeguarded. It surfaces that employees were provided with the opportunity to suggest improvements openly to management in the way things were done. Incidentally, these answers reflected the expectations of HotelCo, according to which the ultimate aspiration is to have any employee in any property communicate with anyone at any level on any issue (HotelCo, 2012).

Participant observation, nonetheless, indicates that there were instances in which the highly sophisticated and expensive communication infrastructure was not as effectively used as intended by HotelCo and expressed in the HR Manual. To illustrate, HotelCo featured an online whistleblower system, which the participant observer was involved in divulging to the workforce of his assigned overseas property. This system potentially enabled anyone who realised any issue anytime and anywhere, such as management wrongdoing for example, to post an anonymous comment in the dedicated online portal and immediately notify the very top hierarchy and the legal department at head office. The introduction of this extremely powerful communication channel was accompanied by a training campaign rolled out globally, which mandated the participant observer to run dedicated obligatory training sessions.

Yet, the application of the whistleblower system principally met four obstacles. Firstly, in EU-based properties, the legal system challenged anonymous claims and allegations as testified by the German experience up to recently (Deutsche Welle, 2015). Secondly, in host countries with fluid and weaker institutional contexts and where people did not know where they stood, employees were discouraged to speak for fear of being exposed and left unprotected. In settings characterised by powerful social ties, such as tribes and clans in Azerbaijan and Kyrgyzstan for example, it was highly unlikely that an employee would initiate any allegation, even anonymous. Thirdly, the participant observer gathered first-hand reactions from employees who openly commented during training sessions that they would not favour this communication channel. Basically they felt that, in case they were discovered, the peer pressure would be so unbearable that they would eventually leave the company. Fourthly, in order to be used effectively, the whistleblower system required basic computer and internet literacy as well as knowledge of English, or any of the other common languages spoken the world over in which the system was translated. Consequently, participant observation suggests that blue-collar workers in overseas subsidiaries were not likely to utilise this communication avenue. HotelCo's workforce segmentation determined the mismatch between intended and actual audiences to which this HR policy was directed.

The by-the-book application of HR Manual guidelines generated a gap between the expressed aspirations as well as formal organisational rules and strictures, and actual practice. Nonetheless, where the gap was too wide, then the corresponding part of the HR Manual was simply ignored, even if it were potentially of key importance to remote host-country subsidiaries. Although the aspirations expressed in the HR Manual depicted a HotelCo corporate management willing to establish a boundary-free communication gateway leveraging online technology, yet feedback on training underlined significant implementation challenges. Nonetheless, according to participant observation, it seemed as if HotelCo's approach was that, no matter what, the system would work out one way or the other.

The last question addresses career planning, which represents a key employment aspect since it gives the workforce a perspective on their professional future (Crawshaw, 2006; Renwick, 2003). As expected, all respondents agreed that career planning was an integral component of the performance management system of employees. Since HotelCo could not possibly satisfy all employee ambitions because the availability of job openings varied

continually also depending on location (HotelCo, 2015), the hotel chain alternatively featured lateral career moves aimed at maximising employee flexibility in taking on new tasks and responsibilities (HotelCo, 2015). According to scholarly research, these developmental initiatives are particularly beneficial because they solidly prepared employees for their ensuing promotion (Ulrich, 2013; Glen, 2006). As per participant observation, such viewpoint was integrated in HotelCo HR Manual and represented a pivotal aspiration of the hotel MNE in order to ensure business continuity.

Hence, the deterministic belief was that, on condition that career moves either vertical or lateral took place, HotelCo would secure its seamlessly consistent operations. Nonetheless, it appears that in practice career planning rhetoric related to the top-tier workforce, since at that level HotelCo could manage to actualise the promise of long-term view employment (HotelCo, 2015). By encouraging this category of employees towards lateral development first, they would be then better prepared to cover a position of higher responsibility once the opportunity arose within a solid succession management practice (McDonnell, 2011; Busine and Watt, 2005). On the contrary, for the low-skilled blue collar workers the lateral-before-vertical development rhetoric translated into higher demands for flexibility usually without concrete opportunities for advancement. Nonetheless, a striking contrast between the two workforce levels derives from the nature of work contract, by virtue of which, as analysed in ensuing Chapter 7, the higher tier enjoyed secure employment as opposed to the lower stratum that suffered from employment casualisation.

Thus, while indeed structured career planning and actualisation through progressive advancement applied to the upper workforce tier, the same did not apply to blue-collar workers. Owing to relentless pressures to tightly control costs, management straightforwardly compelled this lower tier to be flexible as a primary condition to safeguard their employment. As an example, job descriptions for blue-collar workers were succinctly informative yet vague, as per participant observation. Consequently, these represented a summary document provided to the employee within their hiring packet and very likely to be never read: the reason being that the actual job description, instead, occurred at the floor level, by attentively listening to the daily instructions given by supervisors, who, incidentally, belonged to the higher workforce tier.

### 6.2.6 Discussion and conclusions

Isomorphism with local settings is a key topic addressed by the questionnaire, whereby respondents were asked to indicate if HR policies and practices applied in their respective subsidiaries were primarily in line with the corporate model of HotelCo or in line with what local companies in the hotel industry typically did. Most respondents indicated that overall overseas subsidiaries were halfway between the two extremes, apart from TPE overseas subsidiary HR executives who suggested that their properties diverged from local competitors. Indeed, as Brewster and Bennett put it (2010), MNE subsidiaries in ex-communist countries:

“Can to an extent manipulate their environment and, to some extent, stand outside the national recipe”. (p.2585).

Nevertheless, relatively with developed economies, findings collected suggest an instance of strong isomorphic forces occurring in a CME setting. It emerged that in recruitment matters, the Swiss subsidiary operated less in line with the corporate model of HotelCo and more in line with what local companies in the hotel industry typically did. Since this detail was obtained by confronting in-depth interview with questionnaire survey responses, it results that the former was instrumental in revealing this nuance which the latter could not identify due to the very nature of quantitative questions.

Next, in relation with monitoring employee performance, all HR executives regardless of location disagreed with a statement indicating that they should be primarily involved with this process concerning workforce at lower levels. Their feedback prompted further investigation in the subsequent semi-structured interviews that were instrumental in defining where primary responsibility for monitoring employee performance rested. Hence, respondents agreed that, since line managers worked closely with their respective teams, they should also bear the main responsibility for the successful application of this process. Overseas subsidiary HR executives, therefore, perceived their role to be to train on and coach for the sound application of performance management as well as track that the process occurred faithfully according to HotelCo guidelines and within a set time frame.

Next, respondents agreed in indicating that employees in overseas subsidiaries were offered the opportunity of upward feedback. When examining this same circumstance in relation with communication between overseas subsidiary HR executives and head office, an interesting find emerged: while, on the one hand, divisional offices were perceived to be accessible and welcoming feedback, parent country head offices appeared to be distant, formal, and instructing through top-bottom communication.

Finally, respondents maintained that career planning did represent an integral component of the performance management system of employees. Qualitative interviews further showed that respondents believed that, for career planning to run successfully, there were two conditions that needed to be respected: trustworthy relationships between appraisors and appraisees, and a long-term view. Thus, for the former to occur, there was the need of genuine commitment by appraisors, which evidence suggests this was not always the case. As for the latter, although employees in LME and CME subsidiaries expected career planning, yet the process needed to be approached with a long-term perspective because job openings were limited. Thus, respondents indicated that the patient personality and ambition of employees were key in order to wait for the suitable opportunity. Yet, as also corroborated by participant observation, blue-collar workers were left out of the elaborate HRM system. In fact, head office involvement occurred in relation to career development of high potential upper-level employees with the prospect to leave the subsidiary for an international career.

Further, evidence gathered contradicts HotelCo's career development rhetoric because workforce located in TPEs at the MNE periphery were at a disadvantage compared to their counterparts in LMEs and CMEs in taking on international assignments. Apparently, head office decision makers may tend to choose candidates closer to them based on "predispositions and biases". (Vaiman *et al.*, 2012, p.928). In other words, as argued by Mellahi and Collings (2010) according to whom "Social and geographical distances [act] as key factors which hinder the development of subsidiary employees to corporate élites" (p.148), the actual operationalisation and reality of career planning collide with the dreams, visions, aspirations, and the broad HotelCo rhetoric expressed in the HR Manual and the other internal and external communication avenues.

The above suggests a disconnect between the ways a MNE aspires things to run and how these actually happen in reality, which reflects a recurring gap scholars have long been studying (cf. Legge, 1995). Additionally, from an institutional standpoint, the more fluid and uncertain the institutional contexts are, not only the more people rely upon HotelCo management myths, aspirations, legends, stories, and belief systems, but also the more evident variations in people behaviour appear.

Consequently, in TPE settings, HotelCo features a workforce prone to embrace the corporate ideology and rhetoric based on organisational “social constructions” (Morgan *et al.*, 2001, p.1). Their distinctiveness places overseas subsidiaries in stark contrast with the weak surrounding institutional environment and local competitors (cf. Whitley, 2009). Yet, evidence stands as proof of the divide between corporate rhetoric and actual practice by showing that the transitional periphery hotels were less likely to benefit from international transfers as much as properties located in developed economies.

### **6.3 Delegation to employees**

#### **6.3.1 Introduction**

This section seeks to analyse the level of participation and involvement of employees (Wood *et al.*, 2009; Whitley, 1999). Namely, this is addressed through “delegation to employees” (Whitley, 1999, p.39) which is a core dimension identified in Whitley’s model determined by a management-initiated authority sharing process (Brookes *et al.*, 2005; Whitley, 2002, 2001, 1999). Consequently, the researcher aims at illustrating the degree according to which managers allow for employee financial participation as well as the implementation of processes for employee involvement, communication, and feedback (Marchington *et al.*, 1993).

### 6.3.2 Key findings based on participant observation and documents

In terms of employee financial participation, with the exclusion of **employee share options** and **profit sharing**, HotelCo applies tailor-made **performance-related bonuses** which are either **group-** or **individual-based**. In the case of the former, if a HotelCo property manages to attain set values for a specific mix of KPIs, then a bonus is awarded. Since this group-based bonus involves exclusively the top hierarchical level of the subsidiary as per corporate policy (HotelCo, 2012), once more the workforce segmentation argument emerges. Relatively with individual-based bonuses, these are based on a software-enabled system that, by comparing actual individual employee performance with pre-set targets, identifies the top performers and calculates their bonus accordingly beyond their regular pay (HotelCo, 2012).

Further, the research considers aspects related to two distinct communication processes. Firstly, upward communication includes **employee surveys, suggestion programs, employee grievance programs, team meetings and briefings, quality circles, open door policy, and group meetings with the General Manager**. Secondly, downward communication comprises **feedback, recognition, coaching, performance evaluation, team meetings and briefings, notice boards, company newsletter, general employee meetings, quality committee meetings, and company intranet**. More in detail, starting from the first category, **employee surveys** are an extensively used tool: they may be produced either internally or externally. In the second case, these are supplied by a purportedly highly reputed global consulting company aiming to gather employees' opinions relatively to their experience with the HotelCo workplace (HotelCo, 2015).

By processing opinion surveys contributed online, the consulting company enables overseas subsidiary management up to HotelCo's CEO based at the US head office, to obtain a thorough picture about employee engagement aggregately, or, separately, by brand, division, region, location, and even subsidiary department. Indeed, as also corroborated by participant observation, HotelCo considers employee engagement as the ultimate indicator of employee satisfaction and motivation (HotelCo, 2012). Employee opinion surveys are administered once a year contemporaneously by all HotelCo properties and are accompanied by an extensive information campaign featuring dedicated seminars, posters, and reminders. Further, even the CEO traditionally sends personally to employees an e-mailed message just before the survey to encourage

participation and contribution of genuine opinions. Once the survey is over and results are officialised, then another message is sent by the CEO to thank employees for their assistance and dedication.

**Suggestion programs** span from the classical pen-and-paper information box to electronically enabled communication platforms urging the input of ideas on specific topics while possibly awarding a prize to the employee whose suggestion is implemented (HotelCo, 2015). **Employee grievance programs** offer the opportunity to the workforce to formally express a concern to or a complaint against the overseas subsidiary management without fear of retaliation (HotelCo, 2012). Additionally, **team meetings and briefings** are key interdepartmental communication opportunities for employees to offer suggestions or raise questions on aspects of their work (HotelCo, 2015). Also, **quality circles** are occasions for selected team members from various departments to discuss quality improvement aspects. Further, **open door policy** relates to the attitude team leaders and managers are supposed to display in order to warmly welcome spontaneous communication from their reports and motivate them to voice their opinions freely (HotelCo, 2012). Lastly, **group meetings of line employees with the General Manager** are supposed to offer the latter insights right from the employee base about issues that concern them, as well as feedback relatively to managerial decisions affecting customer service, for instance, or hotel operations in general.

Relatively to the category of downward communication, this section firstly examines **feedback** (HotelCo, 2012) which corporate rhetoric considers as the backbone of performance management. In fact, it is supposed to provide employees with an informal, constant, and timely information about managerial perception of the execution of their duties. On the other hand, **performance evaluation** (HotelCo, 2015) represents the yearly formal written procedure whereby appraisors assess appraisees' job performance against previously agreed targets. Next, employee **recognition** purportedly relies on a system that swiftly acknowledges any member of the workforce who excels (HotelCo, 2015). To this end, HotelCo features an internally branded recognition program tied with prizes ranging, for example, from memory gifts to dinner at the main hotel restaurant for employees and their families. Further, **coaching** represents the developmental process whereby team leaders and managers support their reports' performance by providing advices and assistance towards the achievement of set goals (HotelCo, 2012). In terms of the plethora of internal communication media available, **notice boards**, which may even be electronic,

are placed in strategic hotel back-of-the-house locations and are regularly updated with information related to hotel operations, customer service, events, and employee relations matters (HotelCo and Digital Signage Supplier, 2015).

Other media include the locally produced **company newsletter** as well as the HotelCo **intranet** (HotelCo, 2015; 2012). While the former represents a HR department-initiated practical tool to ensure employees are informed on latest developments and reminded of key events, the latter enables the global workforce to also read news about HotelCo and its subsidiaries the world over. Lastly, relatively with gatherings, **general employee meetings** offer the General Manager and the executive team the opportunity to regularly convoke all workforce and present latest developments as well as issues and ideas (HotelCo, 2015). Other forms of gathering include **team meetings and briefings**, and **quality circles** which represent also valuable occasions for management to communicate their message to reports. Thus, through the parallel existence of articulate upstream and downstream communication processes, the alleged intention of HotelCo is to ensure all workforce is duly informed and engaged towards the attainment of corporate goals both on a local and global scale (HotelCo, 2015).

### 6.3.3 Evidence based on in-depth interviews

As noted earlier, none of the HotelCo overseas subsidiaries in the sample featured a trade union. Incidentally, this evidence is aligned with explicit statement featured in the HR Manual whereby HotelCo stresses that the MNE favours the direct interaction with its employees over dealing with a labour union (HotelCo, 2015; 2012). Nonetheless, even if it appears to claim not to be anti-union, according to ensuing evidence corroborated by participant observation, measures taken by HotelCo seem to indicate that it was anti-union in practice. This is demonstrated by the fact that, despite all respondents stressed that their employees were free to decide if they wished to belong to and be represented by a trade union, in practice, things were quite the opposite. In fact, no employee was a union member in LME and TPE, with the exception of CME subsidiaries where it emerged that a tiny minority belonged to a union outside the property (4.50%) as described next (see 6.3.4).

Interestingly, a TPE respondent's comment summarised the viewpoint of all sampled overseas subsidiary HR executives:

Yes there are governmental guidelines regulating the function of trade unions, however their existence is not imposed in private firms. Union representation is weak in businesses.

Indeed, research by Drahokoupil and Myant (2015) suggests that the role of unions both in Azerbaijan and Kyrgyzstan is particularly weak. While the former economy is a fuel-exporting country dominated by an authoritarian "oligarchic/clientelistic capitalism" (p.160), the latter is a frail "remittance- and aid-based economy" (p.168) essentially relying on localised trading. The virtually non-existent role of unions in TPEs intersected with the homogenisation of labour laws internationally (Paik *et al.*, 2011). Further, the hotel sector has a well-established reputation of being characterised by very low union representation (Hoque, 2013; Head and Lucas, 2004). Yet, both CMEs and LME respondents added to the previous statement by underscoring that:

Employees decide about being represented via a trade union.

On the other hand, employee age did play a role in terms of their union awareness (Fitzenberger *et al.*, 2011; Goerke and Pannenberg, 2007; Brook, 2002). As noted by a TPE respondent:

There are two categories of employees: the younger (about 90% of the workforce) have not got any clue. However, the older do know about this, refer to it and express their longing for such representation from time to time.

This viewpoint was also shared by a CME respondent, according to whom:

Some of them may miss it as a way to counter heavy workload. However, the large majority do not miss it because they do not know what it is all about. Plus, turnover does not facilitate the establishment of a union representation.

Further, another CME respondent addressed the irrelevant role of unions owing to the openness of management, whereby employees:

Do not care about unions because they have no experience with them and, most importantly, employees know better how to deal with their issues of concern directly to management rather than through a representation body.

This stance was further reinforced by the LME participant whose words underscored the traditional weak role unions have in the Anglo-Saxon business setting. Thus, management in the UK property encouraged employee voice because:

Employees do not feel the need [of unions] because the hotel management is pretty much open to communication at all levels.

The above responses suggest that HotelCo subsidiaries, in line with corporate wish, took systematic measures to prevent the formation of unions. This corroborates the position of Baum (2007) according to whom, in the context of the majority of tourism businesses, historically “Trade unions were of but marginal relevance within the sector”. (p.1387). Nonetheless, HotelCo purportedly compensated for the absence of unions by embracing an “Effective leadership and a positive employment culture” (Sherwyn and Wagner, 2011, p.466), which is a widespread practice across US hotel and hospitality businesses. Yet, participant observation argues that endemic high turnover rates across overseas properties were useful to a company which was against union formation, since they assisted in lowering employee age and preventing the development of relationships between employees. Thus, by employing young personnel, HotelCo subsidiaries featured employees who were more prone to absorb the precepts of the corporate culture face value, especially when surrounded by a supposedly quality focused work environment (Royle, 2000). In fact, as a TPE respondent put it:

Certainly, the quality of the work environment prevents the formation of unions. This is an explicit head office HRM strategy.

Indeed, the LME participant agreed by stressing that:

Apart from fostering an open and welcoming work environment, the ease of access to management and their subsequent responsive attitude does indeed prevent union formation. This people-oriented approach belongs to the way HotelCo understands doing business.

Further, a CME respondent added that:

Whatever the case, this management style prevents union formation. Of course, however, there must be the realisation that management needs to be trustworthy and balanced in their demands so that, by ensuring fairness, employees do not feel the need to revert to a union representation to further their claims.

Nonetheless, the following statement of a CME respondent epitomised the deliberate handling of the union issue by stating that they did:

Not think it is a coincidence, but rather the result of a healthy work environment that impedes the formation of unions. This definitely results from the HotelCo organisational culture overall emanating from head office. In fact, a union is mostly needed when there is unfair treatment, when employers do not fulfil their duties, there is no secure workplace and basics are missing, like uniforms (...). These are the topics workforce brings to the attention of the union. In our environment, people go directly to their manager to talk about issues of their concern to get a solution or, otherwise, raise their point at different communication occasions like the regular meetings with the General Manager and the HR executive who are always open to listen to employees. Indeed, we are offering employees a sounding board, something like a works council that we do on our own.

The above statement reflects the observation by Addison *et al.* (2004) according to whom there is a widespread conviction among managers that:

“[They] can institute adequate systems of communication and decision-making without the impediment of autonomous works councils”. (p.257).

It should be noted, however, that this CME property made extensive use of non-standard employment solutions to contain labour cost (cf. Eichhorst *et al.*, 2015; Vanselow *et al.*, 2010) thus attaining a remarkable non-standard to total workforce ration of 34.4%.

In terms of financial participation, regardless of locale HR respondents indicated that head office first had to approve programs before implementation by subsidiaries. A certain degree of rigidity and limited creativity emerged because, as stated by the LME respondent, for any local initiative:

There is the need to submit to head office for approval before implementation.

Employee share options were not applied by any subsidiary together with profit sharing, thus reflecting the characteristic passivity and conservatism of the hotel sector relatively to financial incentives to the broad employee base (Atkinson and Brown, 2001; Rowley and Purcell, 2001). Only in one TPE subsidiary there was a program involving retail and spa departments, which was calculated depending on the revenue attained. However, this was very narrowly applied and excluded the overwhelming majority of the workforce from participating to a similar program, as customary in the US hotel industry (Namasivayam *et al.*, 2007). Respondents then commented on tips and service charge distribution which were administered locally without head office involvement. While these sources did add to employees' compensation, they did not reflect the least the structured program of performance related group bonus which, instead, was run for the hotel top management team. Indeed, all respondents agreed with a CME participant who commented that:

Yes, there is the top management team performance-related group bonus based on the hotel's KPIs. This is a head office policy.

This performance related group bonus concerned top management only and was calculated based on the total hotel workforce performance according to an approach commonly found in hotel MNEs (Hallowell *et al.*, 2002). Still, there was one CME hotel property that distributed a so-called *Christmas Bonus* depending on hotel yearly profitability, which represented:

A locally-run reward program that allows for a wider workforce payment of bonus occurring on Christmas based on the hotel performance. However, it is calculated based solely on the revenue achieved in the fiscal year, and not on the wide array of indexes that characterise management bonus program. This bonus is paid evenly only to standard hired employees after one year of service and occurs every year, on a pro-rata base depending on performance. Outsourced

employees are not allowed to participate as their work contract is stipulated with the outsourcing company.

It surfaces that, even if this program broadened the involvement of employees towards ripening the benefits from an economically successful year, it nonetheless excluded the participation of a noticeable workforce subgroup. Hence, outsourced employees were explicitly neglected, adding to the marginalisation of this workers' category, which is a topic further analysed in ensuing Chapter 7.

With regards to performance-related individual bonus, structured approaches were applied to functions where individual employee performance impact could be unambiguously measured such as in Front Office and Sales (Ahearne *et al.*, 2007). The following answer by a TPE respondent summarised the practice valid also for all the other properties:

Front Office individual performance is tracked by an outside company that releases statistics on a quarterly basis. [Relatively with] Sales department individual performance is rewarded through an internal tracking software that concerns MICE business sales [Meetings, Incentives, Conferences, and Exhibitions].

Therefore, individual bonus administration required the involvement of an outside company specialised in sales training and monitoring which, as described by respondents, was compensated via a commission calculated on the sales volume generated. Incidentally, the emerging evidence about a leading global hotel organisation establishing outsourcing relationships with external vendors on incentive administration matters reflects a current general trend in businesses (Mol *et al.*, 2014).

In terms of internal communication, in-depth interviews reveal that the upward communication method employees mostly took advantage of was open and straightforward verbal discussion. As commented by both TPE respondents:

Open, direct communication is much valued as it fits with local mentality. Especially, one-to-one meetings are very productive and work for the local mentality. People want to speak eye-to-eye. Also, the regular monthly meeting of the employee committee with the General Manager is particularly popular as employees speak straight to the top. Minutes of such meetings strengthen the connection loop and follow-up as there is trust that what was said will be actioned upon.

Much in the same line, the LME participant noted that:

The most effective upward communication tool employees appreciate and make use of are the regular limited-scale meetings directly with the General Manager.

Interestingly, the response by a CME respondent took things much further by linking personality and leadership role of superiors to the success of upward communication in motivating employees to speak up, thus reflecting the viewpoint of Men and Stacks (2013):

Free, open, informal talk work best. Employees want to be able to come and talk spontaneously. For this to work, you need a supervisor with the leader's personality, charisma and, certainly, not arrogant. This is the cardinal point, which is then followed by the other communication tools that are made available. Thus, selection of supervisors is a most critical aspect to successful HRM implementation. Then, of course, daily meetings/briefings do play their role. Department heads' direct communication with their team members is of critical importance and taken much advantage of.

The above comment boldly attempted to decouple the HotelCo formal communication channels from the leadership skills supervisors should demonstrate. Through this, the CME respondent maintained that genuine communication with reports was primarily nurtured by leading through the power of example. Consequently, it was recognised that if oral communication occurred truthfully, then all other forms of communication would be successful. Indeed, trust, openness, friendliness, and respect were recurring themes for respondents since these determined the quality of communication and overall relationship between employees and management. As a TPE HR executive put it:

Since I, as HR executive, come from an operational background with a considerable experience, I win the respect of employees. When they talk to me, I know what they are talking about.

Further, another respondent from a CME pointed to the attitude of management, whereby if they were next to employees according to HR Manual aspirations, these were supposedly motivated to communicate upwards because of:

The overall work culture coupled with a proactive stance of managers who are urged not to sit in their offices but rather be present out in the department. This approachability motivates employees to talk to their managers without fear.

Indeed, the LME respondent asserted that overall in upward communication from employees:

The management style is of critical importance.

Concerning opinion surveys, which scholars recognise to be useful for businesses in recording employees' engagement with their job (McPhail *et al.*, 2008), respondents agreed that they were tools to reveal the employee engagement index mainly to HotelCo head office. As corroborated by participant observation, respondents' viewpoint reflected the divulged approach by HotelCo which stressed the importance of management dedication in building a positive work environment at hotel property level. As the LME respondent noted:

Opinion survey is a tool: for this subsidiary, the most critical element of all is to ensure the nurturing of an engagement culture. Opinion survey results have been particularly encouraging thus testify our management efforts towards a quality work environment.

Despite the intentions of HotelCo and its overseas subsidiary HR executives, a revealing caveat emerges. In fact, apart from the need to regularly change the format of the opinion survey to raise interest among employees to fill it in, respondents suggested that there were challenges deriving from cost containment imperatives, which hampered the realisation of employee suggestions involving expenditures. The deriving incongruity rendered employee opinion surveys useless in the eyes of employees, thus indicating a circumstance which Saari and Judge (2004) argue diminishes the effectiveness of employee opinion surveys.

In fact, according to a CME participant:

Employees are very much interested; however, it is critical to renew the opinion survey to maintain their interest. Further, a deeper issue and challenge is that in these times of great sensitivity to costs and expenditures any solution involving money is closely scrutinised. Thus, not being able to correspond jeopardises the efficacy of this communication exercise.

This evidence points towards a critical gap between the official view and reality from two distinct perspectives, as further corroborated by participant observation. Firstly, it shows that HotelCo needed to entirely refresh the survey format at regular intervals in order to generate and maintain employee interest in this articulate upward communication system. Secondly, and most critically, it emerges that opinion surveys became irrelevant in times of economic downturn and when HotelCo subsidiaries were primarily focussed on cost cutting.

Another challenge with employee opinion surveys consisted in the delay employees experienced between the points in time when upward input was submitted, feedback was received, and management addressed the issues raised. In fact, participant observation suggests that results feedback might have taken up to two months to be sent from the consulting company to HotelCo management and its properties. Thus, an aggregate delay of four months was customarily reached, by also considering the time needed by department heads and supervisors to consult employees and finalise action plans addressing issues emerging from opinion surveys' input. From both the employee and managerial standpoint, this waiting time was deleterious because it undermined the recency factor that was so critical to keep alive the interest of employees on the survey outcome. The resulting contradiction exposed the immediate feedback rhetoric predicated in the HR Manual. Consequently, owing to the delayed follow-up and action over the input of employees, opinion surveys were, according to a TPE respondent:

Not seen, however as an opportunity to speak up, in general, though. As an opinion survey is nevertheless vague, it is tough to trust that feedback will be actioned upon because employees do not see the commitment.

Consequently, according to participant observation, these shortfalls damaged the efficacy of a costly employee opinion survey administered on a global scale simultaneously. Notwithstanding, respondents insisted unanimously, and in line with corporate aspiration,

that the use of opinion surveys and the overall variety of upward communication avenues were particularly beneficial to employee relations. According to a TPE participant:

Benefits are numerous: namely, employee awareness and their open feedback to management thus informing them about how they feel and think about the company. From the HR executive standpoint, they can see a 'clear picture'.

In this same line, a CME HR executive maintained that:

Provided that supervision occurs effectively, the results are that genuine communication ensures a motivated and focused workforce delivering in a quality work environment.

Instead, the LME respondent stressed that for upward communication:

There are only benefits to this: of course, there has to be genuine communication and follow-up to nurture quality employee relations.

In the application of the various upward communication solutions, HR executives further noted that head office was demanding the respect of guidelines, especially relatively with the employee opinion survey administration. Participant observation further noted that this was occurring because HotelCo top management was eager to obtain input from the global workforce on their engagement level. Consequently, while information reached head office, the latter was able to keep workforce at arm's length because it was the responsibility of the overseas subsidiary HR executives to address issues arising at hotel property level.

In relation to institutions, all respondents stated that broadly these did not affect the application of internal communication practices, with the exception of two basic requirements: first, respect of confidentiality; and, second, due translation of corporate communication documents into the local language. Evidently, the latter applied to overseas subsidiaries operating in CME and TPE contexts.

Relatively with downward communication, respondents argued that the wider the spectrum of channels available, the higher the probability to ensure workforce was duly informed and aware.

As commented by the LME respondent:

All the mix of downward communication tools is used, because each has its benefit and employees appreciate the fact that the HotelCo cares to make them fully aware. As for head office, their communication to the employee base occurs via the intranet.

Further, a CME HR executive noted that:

Employees have a positive perception of downward communication initiatives, particularly the general employee meetings where useful information is shared with dynamism. However, all the other familiar forms are much appreciated, with special reference to [employee] newsletter where they like reading about themselves and seeing their picture on it.

The input of a TPE respondent further demonstrated the scale of investment involved to ensure the workforce was timely updated:

The full variety of internal downward communication tools is used, together with electronic notice boards in key back-of-house locations for all employees to see, such as the employee restaurant.

Thus, according to another TPE research participant, HR executives were resourceful in order to attain consistent and seamless downward communication, the result of which:

Ensures the best information coverage is attained. As the content is the same and gets reproduced in different formats, there is no room for confusion and prevents communication gaps.

Nonetheless, the LME respondent indicated that:

Communication is beneficial whichever its direction as long as it is genuinely meant. In order to be effective, it is critical to understand the virtue of each communication channel. For example, we send out messages to employees' smartphones and e-mail addresses. They are mostly very young and technologically aware, thus they appreciate our communicating with them in a way best fitting their communication style. However, there is always the need to follow-up on communication.

Indeed, a CME participant agreed that a:

Variety of communication is crucial to ensure that the message reaches out to all workforce: in fact, things are rendered even more complicated because employees work in shifts and thus alternative means need to be used. One of these is the use of employee e-mail addresses. However, the best way is to reach the employee personally as per tradition.

Consequently, a further CME respondent argued that, for downward communication to happen successfully, there was again the need to link it to the leadership role of superiors (cf. Clark *et al.*, 2009):

Variety of communication tools represents the technical aspect of the process. Supervision and the leadership that goes with it ensure seamless communication. Problems arise when there is a discrepancy between communication tools and supervision.

In closing, head office provided overseas subsidiaries with broad and intense upward and downward communication processes based on a variety of tools. Particularly, however, evidence suggests that the employee engagement survey represented the main upward feedback system from, figuratively, the very bottom to the very top of the hierarchy. Nonetheless, it surfaces that field HR executives were especially concerned with managers' and supervisors' leadership skills and capabilities. In fact, as Men (2014) argues, these determine the truthful involvement of employees in an intense and constructive communication process.

#### **6.3.4 Evidence based on quantitative survey**

Initially, the researcher set out to identify the forms of financial participation applied by HotelCo subsidiaries. Starting from share options (Table 6.5), findings reveal that no property sampled used it. This perhaps derives from the ownership structure of HotelCo hereby, as a MNE general policy, there are no differences to approaches to share ownership across settings. The same occurs for profit sharing (Table 6.6), apart from one TPE case where spa and retail shop supervisory and line-level employees received an amount depending on the sales generated. Next (Table 6.7), executive committee members were the only workforce group eligible for a performance related group bonus across the respondent subsidiaries. Nonetheless, in one CME subsidiary employees

received a *Christmas Bonus* depending on yearly hotel performance according to a subsidiary-specific policy, which reflects a common practice in Germany (Logemann, 2012).

Otherwise, as per HR Manual (HotelCo, 2012) and participant observation, the top management performance related group bonus was a program tightly monitored by head office that paid out a sum on a yearly basis, depending on the achievement of previously agreed KPIs. While attainment of these goals was the result of a collective effort, the bonus was to the exclusive benefit of the top of the hierarchy. This detail further corroborates the workforce segmentation discourse. In fact, such practice underlines the particular care reserved to the upper employee tier, and particularly to that employee category that was closer to head office and more strategically important at subsidiary level.

Lastly, performance related individual bonuses (Table 6.8) applied to specific departments whose performance could be measured against set objectives related to each employee. Namely, as also corroborated by participant observation, Sales and Front Office functions did feature such programs as it was easier to track individual performance. Most often while the former was managed internally, the latter was run by an external company that trained Front Office employees, followed through their performance, and administered the corresponding bonus payouts.

Next, following the earlier evidence according to which all sampled overseas subsidiaries did not feature any official employee representative body, respondents indicated that they did not negotiate compensation directly with unions (Table 6.9). Still, there was a small share of CME subsidiary employees (4.50%) who were registered to a trade union outside the subsidiary (Table 6.10). As for the definition of minimum wages, while CME hotel properties complied with the amounts set by the hotel sector unions at their respective national levels, LME and TPE subsidiaries considered the minimum nationwide wage defined by law. This evidence tends to indicate a common aspect experienced by LME and TPE properties in terms of unstructured institutional context, as opposed to the highly regulated labour relations featured in CME settings.

Reflecting the imperatives of modern management about internal communication practices (Kalla, 2005), HotelCo subsidiaries' respondents indicated that they offered employees a variety of avenues (Table 6.11) in order to bring issues to the attention of

the hotel leadership. According to evidence gathered, meetings were particularly common as they were used continually in all clusters' subsidiaries. On the one hand, there were departmental team meetings and briefing that offered the opportunity to communicate upwards to department heads. On the other hand, there were well-established group meetings with the participation of line employees and the General Manager with the exclusion of management and supervisors in between. This last type of meeting was particularly favoured as it provided the General Manager with unfiltered access to the base of the hierarchy. Thus, by giving employees a voice to be heard at the very top of the subsidiary, HotelCo adopted practices which, according to Gollan (2007) are broadly found in non-union firms.

Respondents claimed that an open door policy was almost standard practice, further testifying to the fact that HotelCo subsidiaries promoted verbal communication due to its immediacy. According to overseas subsidiary HR executives, this upward information avenue was appreciated by employees regardless of locale, with both CME and LME clusters featuring a mean of 5.00, although TPE subsidiaries were at a slightly lower 4.50. This small difference might be due to the fact that only TPE properties featured expatriate managers whereby two challenges might arise. First, as per respondents, employees could feel uncomfortable in speaking up to a manager for fear of disrespect according to local mentality. Second, there might be apprehension linked to potential distortions because of "cultural or linguistic barriers". (Clark and Geppert, 2006, p.346).

Next, employee surveys were also widely used, especially, as examined, those initiated and administered yearly on a global scale by head office. These centrally sponsored surveys were motivated by the ambition of HotelCo corporate leadership to define the level of workforce engagement, without however impeding subsidiaries from administering local surveys as well. Ensuing at a sensibly lower frequency of use were employee grievance programs, possibly underscoring findings by Voss (2006) according to whom, while Western European clusters are more familiar with structured grievance procedures, the opposite is valid for emerging market workforces. In particular, in stable institutional settings employees are more confident to use a system that enables them to complain about their work, as opposed to fluid and weaker environments. Other less frequently used means of generating upward communication included suggestion programs and quality circles, perhaps indicating that these might be indeed integrated into the preceding upward communication avenues (White *et al.*, 2009).

Lastly, evidence on downward communication (Table 6.12) interestingly shows that HotelCo subsidiaries primarily relied on written communication avenues (Welch and Jackson, 2007). Notice boards as well as company newsletters aimed for a consistent information stream towards employees, which was summarily reinforced through general employee meetings. These three forms of collective downward communication were continually used by all cluster subsidiaries, followed by team meetings and briefings, thus underscoring the critical task employee gatherings have in sustaining team performance (Meng-Lei *et al.*, 2009). Next, respondents indicated that performance evaluation, feedback, recognition, and coaching were also used, which could be interpreted in view of the contribution of these elements to workforce performance management and engagement (Bakker and Demerouti, 2008), and their link with the coaching role of managers and supervisors (Bozionelos and Bozionelos, 2010).

Nonetheless, the ranking shows that company intranet and quality company meetings seemed to be applied less frequently. Relatively with the former, indeed the use of company intranet might be hampered by two main factors: the limited access the numerous operational workforce had to PC stations, as noted by participant observation; and, despite head office uniformity ambitions, the varied and unpredictable behaviours subsidiary employees might display when left to confront online corporate systems and processes (Morris *et al.*, 2009).

Finally, quality committee meetings represented the least used avenue of downward communication. Again, same as encountered in the previous table (6.11), it appears that this kind of meetings might routinely not be held as stand-alone gatherings in the sampled hotels, but integrated in the many forms available of downward communication. In fact, given the intensive operational nature of hotels and the varied types of jobs involved, participant observer witnessed that meeting time was reduced to the essentials, whereby issues of quality were addressed in the meetings with the General Manager or through team gatherings and briefings. For the economy of time owing to business pressure, several communication tasks could be thus informally combined, as also found to be customary in business by Marchington and Suter (2013).

**Table 6.5: Use of employee share options**

Do you make use of <i>employee share options</i> ?		<u>CME</u>	<u>LME</u>	<u>TPE</u>
<b>a</b>	Executive Committee Members	Yes: 0 No: 4	Yes: 0 No: 1	Yes: 0 No: 2
<b>b</b>	Department Head Managers	Yes: 0 No: 4	Yes: 0 No: 1	Yes: 0 No: 2
<b>c</b>	Team Leaders and Assistant Managers	Yes: 0 No: 4	Yes: 0 No: 1	Yes: 0 No: 2
<b>d</b>	Guest Service Staff	Yes: 0 No: 4	Yes: 0 No: 1	Yes: 0 No: 2
<b>Note:</b> • (*) FISHER'S EXACT TEST: there is a significant difference ( $\alpha < 0.05$ )				

**Table 6.6: Use of profit sharing**

Do you make use of <i>profit sharing</i> ?		<u>CME</u>	<u>LME</u>	<u>TPE</u>
<b>a</b>	Executive Committee Members	Yes: 0 No: 4	Yes: 0 No: 1	Yes: 0 No: 2
<b>b</b>	Department Head Managers	Yes: 0 No: 4	Yes: 0 No: 1	Yes: 0 No: 2
<b>c</b>	Team Leaders and Assistant Managers	Yes: 0 No: 4	Yes: 0 No: 1	Yes: 1 No: 1
<b>d</b>	Guest Service Staff	Yes: 0 No: 4	Yes: 0 No: 1	Yes: 1 No: 1
<b>Note:</b> • (*) FISHER'S EXACT TEST: there is a significant difference ( $\alpha < 0.05$ )				

**Table 6.7: Use of performance related group bonus**

Do you make use of <i>performance related group bonus</i> ?		<u>CME</u>	<u>LME</u>	<u>TPE</u>
<b>a</b>	Executive Committee Members	Yes: 4 No: 0	Yes: 1 No: 0	Yes: 2 No: 0
<b>b</b>	Department Head Managers	Yes: 1 No: 3	Yes: 0 No: 1	Yes: 0 No: 2
<b>c</b>	Team Leaders and Assistant Managers	Yes: 1 No: 3	Yes: 0 No: 1	Yes: 0 No: 2
<b>d</b>	Guest Service Staff	Yes: 1 No: 3	Yes: 0 No: 1	Yes: 0 No: 2
<b>Note:</b> • (*) FISHER'S EXACT TEST: there is a significant difference ( $\alpha < 0.05$ )				

**Table 6.8: Use of performance related individual bonus**

Do you make use of <i>performance related individual bonus</i> ?		<u>CME</u>	<u>LME</u>	<u>TPE</u>
<b>a</b>	Executive Committee Members	Yes: 0 No: 4	Yes: 0 No: 1	Yes: 0 No: 2
<b>b</b>	Department Head Managers	Yes: 4 No: 0	Yes: 1 No: 0	Yes: 2 No: 0
<b>c</b>	Team Leaders and Assistant Managers	Yes: 4 No: 0	Yes: 1 No: 0	Yes: 2 No: 0
<b>d</b>	Guest Service Staff	Yes: 4 No: 0	Yes: 1 No: 0	Yes: 2 No: 0
<b>Note:</b> • (*) FISHER'S EXACT TEST: there is a significant difference ( $\alpha < 0.05$ )				

**Table 6.9: Union recognition for collective bargaining**

Do you recognise a union for the purposes of collective bargaining?		<u>CME</u>	<u>LME</u>	<u>TPE</u>
		Yes: 0 No: 4	Yes: 0 No: 1	Yes: 0 No: 2
<b>Note:</b> • (*) FISHER'S EXACT TEST: there is a significant difference ( $\alpha < 0.05$ )				

**Table 6.10: Workforce belonging to a union**

	<u>CME MEAN</u>	<u>LME MEAN</u>	<u>TPE MEAN</u>	<u>CME+LME MEAN</u>	<u>OVERALL MEAN</u>
What percentage of your workforce belongs to a trade union?	4.50%	0.00%	0.00%	2.25%	1.29%
<b>Note:</b> <ul style="list-style-type: none"> <li>(*) MANN-WHITNEY U TEST: there is a significant difference (<math>\alpha &lt; 0.05</math>)</li> </ul>					

**Table 6.11: Forms of upward communication**

Please indicate if you make use of the following forms of upward communication in your hotel:					
	<u>CME MEAN</u>	<u>LME MEAN</u>	<u>TPE MEAN</u>	<u>CME+LME MEAN</u>	<u>OVERALL MEAN</u>
<b>a</b> Team meetings/briefings	5.00	5.00	5.00	5.00	5.00
<b>b</b> Group meeting of line employees with the General Manager	5.00	5.00	5.00	5.00	5.00
<b>c</b> Open door policy	5.00	5.00	4.50	5.00	4.86
<b>d</b> Employee surveys	5.00	4.00	5.00	4.50	4.86
<b>f</b> Employee grievance programs	4.25	4.00	3.50	4.13	4.00
<b>g</b> Suggestion programs	4.25	2.00	4.00	3.13	3.86
<b>h</b> Quality circles	4.75	2.00	2.50	3.38	3.71
<b>Note:</b> <ul style="list-style-type: none"> <li>Likert scale range: (1) Not Used At All (5) Used Continually</li> <li>(*) MANN-WHITNEY U TEST: there is a significant difference (<math>\alpha &lt; 0.05</math>)</li> </ul>					

**Table 6.12: Forms of downward communication**

Please indicate if you make use of the following forms of downward communication in your hotel:					
	<u>CME MEAN</u>	<u>LME MEAN</u>	<u>TPE MEAN</u>	<u>CME+LME MEAN</u>	<u>OVERALL MEAN</u>
<b>a</b> Notice boards	5.00	5.00	5.00	5.00	5.00
<b>b</b> Company newsletter	5.00	5.00	5.00	5.00	5.00
<b>c</b> General employee meetings	5.00	5.00	5.00	5.00	5.00
<b>d</b> Team meetings/briefings	5.00	5.00	4.50	5.00	4.85
<b>f</b> Performance evaluation	5.00	4.00	4.50	4.50	4.71
<b>g</b> Feedback	4.50	5.00	4.50	4.75	4.57
<b>h</b> Recognition	4.50	5.00	4.50	4.75	4.57
<b>i</b> Coaching	4.25	5.00	4.00	4.63	4.28
<b>l</b> Company intranet	4.50	2.00	3.50	3.25	3.86
<b>m</b> Quality committee meetings	4.00	2.00	1.50	3.00	3.00
<b>Note:</b> <ul style="list-style-type: none"> <li>Likert scale range: (1) Not Used At All (5) Used Continually</li> <li>(*) MANN-WHITNEY U TEST: there is a significant difference (<math>\alpha &lt; 0.05</math>)</li> </ul>					

### 6.3.5 Evidence based on company documents and additional participant observation insights

A review of the corporate site (HotelCo, 2015) as well as HR documents openly available indicates the approach of the organisation towards wages and benefits of its associates (HotelCo, 2015; 2012). However, there is no reference to the performance-related group bonus only for the top executive committee of the hotel hierarchy, which includes the General Manager and the most senior executives. The fact that only one property in seven run a bonus program spanning over all hierarchy levels suggests that in practice HotelCo did not promote financial participation across its wider employee base, thus further strengthening the case for a segmented workforce.

Additionally, performance-related individual bonus were applied only for specific cases in which employee performance measurements could be objectively attained. Front Office and Sales departments fulfilled this requirement, since bonuses could be calculated based on revenue generation per employee, for instance. Indeed, according to Merchant and Van der Stede (2007), absolute measurability and accountability of results are critical pre-conditions for such programs to run successfully. Given the processing of sensitive information and, possibly, the involvement of a vendor, guidelines were handled confidentially between HR, Finance, and the concerned department. Lastly, tips represent an interesting case: while it was understood that they were a noteworthy source of additional income, HotelCo did not address them in any documents. As per participant observation, tips were an issue kept at arm's length and delegated to the concerned operational departments to manage, because they were best set to decide about tips allotment. Yet, as hotel managers did know which job positions were receiving what tips, these amounts were inevitably considered in the definition of compensation levels, as commonly practiced in hotel and foodservice businesses (Lynn, 2005).

Next, evidence gathered reinforces earlier observations indicating that sampled hotel properties prevented union formation, following head office wish expressed in the HR Manual (HotelCo, 2012). Nonetheless it also reveals the aspiration of HotelCo to boost employee engagement at subsidiary level through intense internal downwards and upwards communication processes illustrated in corporate material (HotelCo, 2015; 2012). To this end, for example, workforce unity rhetoric was supposedly further reinforced by the corporate intranet which, among others, featured a portal with the contact details of all employees worldwide regardless of their hierarchical position. Although basic data were input in the system by the HR department directly, employees were required to upload their own photo in an effort to personalise the database and motivate communication across the global workforce. Yet, participant observer noticed that there was significant reluctance among employees in uploading their picture, despite attempts by HR to monitor the faithful application of the corporate directive. Quite tellingly, however, profiles without pictures related mostly to blue-collar workers.

Further, HotelCo documents literature (HotelCo, 2015; 2012) proclaimed the virtues of managers who, through their leadership and behavioural integrity, inspired employees and fostered caring workplaces. This was reflected in HR executives' answers

emphasising managers' purportedly open attitude in giving employees a voice both informally and formally, and developing individual employees' performance through appraisal, feedback, recognition, and coaching. Such heavily publicised managerial commitment, together with structured training and development initiatives (HotelCo, 2015; 2012), aspired to create a positive work environment, thus determining those conditions that, as also Raub and Robert (2012) argue, offer employees possibilities for growth.

According to participant observation, compliance to institutional directives in all countries was attained by HotelCo through translating internal communication material and safeguarding confidentiality of employee opinions expressed through the much-publicised employee opinion survey. With regards to the former, employee communication material was translated in the local language and displayed in the notice board as well as posted on the intranet as required (HotelCo, 2015). Concerning the latter, information material featured a detailed statement stressing the commitment of HotelCo in safeguarding confidentiality (HotelCo, 2015).

Relatively with the annual employee opinion survey, participant observation notes that HR Manual rhetoric conferred to it the role of upward communication channel *par excellence* because it provided HotelCo head office direct access to details of workforce engagement in all subsidiaries globally. Hence, the keenness of the MNE in obtaining a survey format closer to its expectations led to two overhauls in a span of eight years with two different world-renowned consulting firms. These upgrades were aimed at simplifying the questions and accelerate the process by moving the employee opinion survey online. Indeed, qualitative responses gathered from overseas subsidiary HR executives agreed that updates were necessary to energise the interest of the workforce in the procedure.

Still, evidence suggests that HotelCo's efforts were misdirected because they did not take into account four key challenges according to participant observation. Firstly, historically the delay workforce experienced between the moment its opinion was contributed and hotel management followed-up on surveys' input was so long, that interest in the procedure was lost and surpassed by other pressing issues. Secondly, challenges surfaced in terms of interpretation of questions due to language and cultural barriers. In both survey template upgrades, the ambition of HotelCo was to enable all employees to individually

contribute their opinion at a set time of the year, thus establishing it as an official ‘tradition’ and an ‘event’ of sorts. Initially the pen-and-paper format was, by general confession, too long and complex, as it featured about 80 questions. Although the procedure was afterwards taken online, it still required much explanation and assistance by the survey administrator. Then, the exercise was switched to, supposedly, a more easy-to-understand and fast-to-fill questionnaire with the aim to spark lively discussions and actions within teams once survey results were obtained. Hence, although the subsequent format was more attractive as it contained less than 15 questions, deciphering them revealed a new set of challenges. In fact, these were asking opinions on straightforward statements, which, however, were often interpreted differently from the intended meaning. A case in point, for instance, was a statement related to *friendship at work* (HotelCo, 2013) that caused much discussion even beyond the overseas property employing the participant observer, following discussions with other HotelCo HR colleagues. In fact, especially blue-collar workers were puzzled since it was hard for them to imagine a genuine friendship born in the workplace, owing not only to their subordinate position versus management, but also the precariousness of their job. Also, in light of the economic crisis triggering widespread employment uncertainty, reference to feelings of friendship and of engagement itself were perceived as amiss, thus rendering the question irrelevant in the eyes of employees.

Thirdly, employees became well-aware that the protracted economic crisis and cut-throat competition, prompted HotelCo properties to even more tightly control costs, as repeatedly emphasised in general employee meetings and departmental briefings, for instance. Thus, there was the widespread realisation that any input involving expenditures was going to be, most likely, ignored.

Fourthly, management and workforce knew that the opinion survey customarily occurred in the third quarter, as also promoted in the calendar of global HRM activities issued at the end of the preceding year. Since the engagement score recorded at property level was one of the KPIs based on which bonuses of the property’s executive committee were calculated, there existed the concrete possibility that bias, either voluntary or involuntary, might affect opinion surveys in two main ways. Firstly, it was highly probable that opinions expressed by property-based management tended to inflate the engagement score by overrating the merits of its leadership as well as by, in turn, being forgiving with its upward assessment of management at head office. Apart from the fact that this approach might have been politically in their best interest to advance their career, for

instance, managers could have been aware that, despite reassurances of anonymity and confidentiality, the higher their position, the easier their identification. Secondly, owing to their numerosity, blue-collar workers were much harder, if not impossible, to identify: consequently, their likely tendency to underrate and assess management work severely could have reduced the engagement score. To counter and attain more favourable scores from a useful proportion of responses at around 90%, managers might have been tempted to game the system by taking harsher decisions in periods far away from the dates of the survey, and blue-collar ingratiating initiatives in the months closer to the survey dates.

Quite peculiarly, though, a yearly global-scale initiative was also established around the same time when the corporate opinion survey was introduced, and happened usually about three months *before* the opinion survey. This event consisted of a corporate festivity occurring simultaneously in all properties the world over, with the unambiguous aim to express HotelCo's gratitude to blue-collar workforce for its commitment to the hotel chain success. Unfortunately, despite HotelCo's aspirations and rhetoric expressed internally and externally through company site (HotelCo, 2015), blogs (HotelCo, 2013), business sites (HotelCo and Business Site, 2015) and social media (HotelCo and Facebook, 2013), this celebrative occasion was marred by critique expressed by the lower workforce tier, most frequently. Indeed, during these festive days participant observer noticed that employees often aired negative, even cynical, comments stating that every day they should have felt special about working at a HotelCo property, and not simply during rare occasions planned by head office.

Another questionable element emerging was HotelCo's assumption that it featured a strongly defined identity that could be easily embraced throughout its global workforce as intended. Thus, a fundamental characteristic of the firm's aspired organisational culture was its heralding of the 'rags-to-riches' myth, about which US MNEs are particularly pronounced (Harrington and Boardman, 2009). This leads to the divulgence of any such cases in the HR Manual, intranet, training material and corporate site (HotelCo, 2015, 2012), as also noted by participant observation. Indeed, it emerges from qualitative evidence gathered that there were instances of employees rising through the ranks. Namely, there is the case of a TPE respondent who moved to several operational positions before being promoted to HR executive position. The question, however, is whether such rotation policy, which is highly publicised (HotelCo, 2012), worked *per se*, or whether employees went through the motions regardless if they believed in the

procedure. In fact, for instance, there could be pressing labour cost considerations giving no choice to a high potential employee but to follow a pre-determined development track before reaching the desired job.

Consequently, it is critical to stress that what employees understood out of HotelCo rhetoric may have differed substantially from the intended meaning. These discrepancies may arise owing to different national regulations whereby in weaker and uncertain institutional settings such as in TPEs, prestige, signs, and symbols are much more important than in stable contexts such as CMEs and LMEs. According to participant observation, the most telling example is offered by the aforementioned global celebration days. In order to ensure employees had a memorable experience, HotelCo produced an articulate document listing suggested initiatives and activities management in each hotel could arrange to honour and express gratitude to its workforce. Since instructions were issued by parent-country US head office, a contradiction emerged between that Anglo-Saxon approach and the one featured in the local environment experienced by the participant observer. In fact, the settings in which the latter operated were rather fluid and unstable and thus more similar to a TPE environment. Participant observer noted that some of the suggestions provided by US head office were not appropriate to the MME context. For instance, an activity emphatically promoted by head office, but never occurred during the research period, involved switching work roles, usually for a day: a classical template involved a manager and a janitor. While Anglo-Saxon institutional settings have an embedded tradition of these sort of symbolic exercises evidently to bring closer the highly segmented workforce, in weaker institutional settings such initiatives would be considered inconceivable. Consequently, it was very likely that, while janitors themselves would have considered this activity as mockery, managers would not have done things perceived as humiliating, since in their work context they needed to prove themselves in all sorts of ways in order to hold their position.

Thus, HotelCo's head office displayed an idealistic approach by expecting that people in very different contexts would behave as it intended to. By drawing from participant observation, it seems that HotelCo divulged instructions with the hope that everything would be done right, regardless if the host-country context was similar or different from the parent-country. Evidently, there were no assurances this would occur even in the long term, as revealed by the case of Azerbaijan and Kyrgyzstan. In these TPE nations, and the broader Caucasus and Central Asia regions, the clan system is so powerful that not

only the Communist Party did not manage to eradicate in 80 years of dominance, but it was also infiltrated by it. Once the USSR collapsed, the clan-based institutional system resurfaced intact (Schatz, 2013). As such, in this region, it was highly improbable for HotelCo to mould behaviours that countered such locally established social ties. Consequently, at these TPE properties management and employees would have gone through the motions of the celebrating activities, but not necessarily in the spirit HotelCo predetermined.

Further, within the rhetoric of best workplace practices, HotelCo affirmed that an open door policy was implemented almost continually, same as claimed by most MNE organisations nowadays. According to participant observation, practice of this policy was inconsistently applied across different workforce strata. Given the tight hierarchical order featured in hotels together with a marked workforce segmentation, it was highly unlikely that employees reached the door of their manager without first duly informing their immediate supervisor. In fact, since bypassing a direct superior represented a serious *faux pas*, the very principle of spontaneity underpinning the open door policy was compromised. Additionally, if an employee belonged to the blue-collar lower tier, the fear of retaliation discouraged them to take advantage of the open door policy. In the same vein, participant observer witnessed the failure of a HR department initiative consisting of placing a desk in a high-traffic back-of-house location with a HR employee at set hours, supposed to assist employees with any employment-related enquiries. Even if this would have represented, in principle, a positive initiative to bring HR matters closer to the workforce as well as to listen to their concerns, this was ignored, thus adding to HotelCo aspirations that did not materialise as intended.

Additional challenges undermining HotelCo's upward communication initiatives emerged from the articulated procedure for handling employee grievances. This is detailed in Corporate Manuals (HotelCo, 2015; 2012), and the related seminar material the participant observer used to educate employees on the use of this procedure. Same as occurred with the open door policy, it was poorly taken advantage of, especially in the fluid and weaker institutional context in which the participant observer operated. Consequently, reasons for these formal communication break-downs, particularly with the lower workforce tier, most often lay in the relationship blue-collars established with their respective departmental supervisors who planned their shifts and influenced their quality of work.

Since the HR department was perceived as a distant entity representing HotelCo head office in the hotel subsidiary, employees ultimately considered that HRM practice was fundamentally enforced by departmental leadership. This observation converges with a CME HR executive's far-reaching response about the importance for supervisors to have charisma and leadership skills, given that for any issue, from minimal to essential, employees were primarily seeking their support. Accordingly, the most critical communication link from employees' viewpoint occurred between them and their supervisors, thus relegating the HR executive to a rather auxiliary role, as an administration specialist to consult for procedural reasons. These observations converge with earlier comments (see 5.3.3) about the increasingly prominent role line managers cover in the implementation of HR policies and practices, as also underscored by Renwick (2003).

Still, the HR Manual (HotelCo, 2015; 2012) aspired to represent the cardinal points of reference for management and employees alike. It results that this was more so in TPEs, because expatriate managers operating there needed to indoctrinate employees new to working in a world-class hotel chain such as HotelCo. Consequently, expatriate managers were more likely to rely on the HR Manual in order to tap into the secure perspective offered through its legends, rituals, storytelling, and value system, thus elevating the document to represent a critically stabilising tool in the HotelCo's global expansion. The instrumentality of the HR Manual was additionally underscored by the fact that HotelCo utilised home country expatriates on a very limited scale. Therefore, the HR Manual was supposed to ensure that everything was closely connected by imposing a central culture, knowledge, and ideology in HotelCo's drive to expand into countries, with different institutional contexts, and with managerial teams comprising host-country and third-country nationals.

In the final analysis, the HR Manual would have not represented a central topic if parent-country nationals were employed in overseas properties on a large scale, and if operations were limited to Anglo-Saxon contexts. Nonetheless, emphasis given to the HR Manual would differ on whether the institutional context were stable and developed, or if the environment were weakly regulated and uncertain. In the former environment the importance of the HR Manual tended to be downplayed since employees were broadly accustomed to accessing such organised information material throughout their work

experiences. In the latter institutional setting, the HR Manual would rise to become a sort of fetish owing to its newness whereby it could be encountered only in the few MNE subsidiaries operating in TPEs. Subsequently, in transitional economies the HR Manual tends to represent a book which not only outlines processes (Smale *et al.*, 2013; Morris *et al.*, 2009), but also expresses aspirations by promising a perfect near future if only certain rituals or rules were adhered to (Rhodes *et al.*, 2008).

### 6.3.6 Discussion and conclusions

A noteworthy contribution of this section lies, among others, in addressing how HotelCo's subsidiaries handled the absence of unions. The response obtained from HR executives indicates that sampled hotel properties did not feature a recognised union. Purportedly, respondents indicated that open management style was instrumental in preventing union formation, among others. Still, evidence emerged from in-depth interviews indicates that there were several factors that impeded the formation of unions. On the one hand, there was the endemically high turnover characteristic of the hotel industry (Tracey and Hinkin, 2008) coupled with the weaker role of unions nowadays (Benson and Brown, 2010). On the other hand, the young age of employees played a role, since they were either unaware of unions or unwilling, and even fearful, to take a conflicting stance against management (Dundon and Rollinson, 2004). Additionally, the widespread use of outsourcing and subcontracting, especially in CMEs and LME, hampered the possibility of union formation within subsidiaries. This was due to the establishment of an alienating "triangulated employment relationship" (Peck and Theodore, 2007, p.173) between the outsourced employee, the *de facto* employer represented by the hotel property, and the *de jure* employer corresponding to the outsourcing agency (Peck and Theodore, 2007, p.183).

Consequently, management resorted to a purportedly people-centred approach as a possible measure not to exacerbate employee conditions which would impact negatively on customer service (Chiang *et al.*, 2008). Findings suggest that the absence of unions was not a coincidence, but rather the concurrence of industry characteristics coupled with explicit HRM strategic choices emanating from the US MNE.

Incidentally, research by Parry *et al.* (2008) leads to the conclusion that:

“A rather constant thread in research programmes in the USA has been the link between HRM practices and union avoidance”. (p.2036).

These observations contradict HR respondents’ comments about the possibility for employees to decide whether to be represented by a union: basically, circumstances were such that even if employees wished to do so, there were no sufficient conditions for this to occur. Therefore, according to participant observation, the HR Manual was instrumental in conveying HotelCo’s aspirations and ambitions to the generally young rank-and-file employee audience. In fact, the HR Manual confidently promises ideal prospects to the workforce if only certain traditions and rules were respected.

The next topic examined in this section relates to financial participation. Findings reveal that subsidiaries were reticent to apply innovative approaches because, beyond the likely complexity (Lusardi and Mitchell, 2014) and implementation challenges (Festing *et al.*, 2012b) they could present, there was the obligation to get head office’s prior approval if the proposed alternative differed from corporate guidelines. Consequently, the sole program hotels were mandated to apply concerned a performance related group bonus administered by corporate office that saw the participation of the hotel property executive team, only. The emerging contradiction indicated that the presumably most critical property-level workforce team was entitled to benefit from a program which was, however, calculated based on the performance of the total workforce. In other words, the achievements of the total group benefited only the top team, since the bonus was not supposed to be proportionately cascaded to the rest of the workforce.

This aspect reveals an unbalanced approach of HotelCo to financial participation preventing distributive and procedural fairness (Cohen-Charash and Spector, 2001; Gilliland, 1994; Niehoff and Moorman, 1993) across all hierarchical levels (Gonzalez, 2004). Otherwise, noteworthy collective property-initiated financial reward programs concerned only two cases: the first related to a small scale profit sharing program for the teams of a retail shop and spa in a TPE property, while the second concerned a performance related group bonus paid out to all workforce administered in a CME subsidiary in the form of a *Christmas Bonus*, which depended on the hotel’s yearly performance. With regards to individual programs, structured plans approved by head

office were utilised by departments where each employee's performance could be objectively and unequivocally measured, such as in Front Office and Sales departments.

Further, evidence from the examination of the many forms of upward and downward communication illustrates the varied application of corporate guidelines at subsidiary level in order to, on the one hand, supposedly give every employee a voice while, on the other hand, ensure that messages sent to the workforce were seamlessly received and duly understood by an engaged workforce (Welch, 2011). While head office motivated hotels to utilise all necessary communication avenues, respondents underlined that they had the flexibility to decide the approach that best suited their specific circumstance. Yet, common trends across hotel properties emerged with regards to preferences for both upward and downward communication.

Particularly, in terms of upward communication, employees' favourite approach was verbal, first collective and then individual. For instance, a preferred meeting involved a committee of line employees discussing issues directly with the General Manager. Next, workforce took advantage of individual upward verbal communication and, last, written such as in suggestion programs. Conversely, in downward communication management relied mainly on written forms of communication, first with a collective and then an individual approach. Therefore, newsletters and bulletin boards were much taken advantage because of their clarity (Robbins and Judge, 2012). Next, there was verbal collective communication as in the case of general employee meetings as well as departmental meetings and, last, oral individual forms of communication such as feedback, coaching, and follow-up. In unison, and as expected, HR respondents stressed that the use of many communication tools was beneficial to the extent that messages were consistently reproduced, clutter was avoided, and, most importantly, that management inspired trust. It was in fact noted that, regardless of cluster, if the leadership consistently walked the talk then genuine communication followed, as also evidenced by Simons *et al.* (2014) in a recent study.

Further, responses were unsurprisingly homogeneous as emerged both in the in-depth interviews and questionnaire surveys thus revealing an overall alignment of properties to the guidelines of corporate leadership. As evidence indicates across clusters, institutional pressures on the front of unions were very weak owing to labour market deregulation affecting especially LMEs and TPEs (Thelen, 2012; Upchurch, 2012). The only strict

legal disposition affecting internal communication mandated the translation of content from English into the local language of TPEs and CMEs as well as the protection of confidentiality in opinion surveys.

A final observation relates to the dual role of HR executives interviewed, who acted as both respondents, commenting on the implementation of HR policies and practices, and ambassadors of HotelCo. Indeed, the researcher was aware that they were very much more likely to report how things were supposed to work, rather than how they actually did. Nonetheless, this section affords to illustrate that, despite HotelCo greatly emphasised formal communication, talking ‘at’ employees was not the same as engaging ‘with’ them, because the much divulged corporate culture and the related rhetoric appeared to be fundamentally irrelevant to blue-collar workers.

As detected in several instances through participant observation, limitations in involving HR executives in this research emerge in their assumption that the system was working in a clearly aligned and harmonious fashion which, as evidence suggests, was not always the case. Indeed, the repeated emphasis of respondents about the critical role covered by line managers in the actualisation of HR policies and practices testifies of an arm’s length approach emerging even between the HR executive and lower tier employees. By reflecting on the noteworthy experience gathered as HR executive, the researcher argues that most of his time and energy was allocated in managing managers, rather than blue-collar workers. Moreover, the distance from the latter became even more pronounced in cases of outsourcing or subcontracted labour (see Chapter 7).

## 6.4 Chapter 6: Conclusion

The key findings of this chapter indicate that, whilst communication and openness were stressed in the Company Manual, these occurred rather less so in reality, especially when it came to the rank and file. Specifically, career planning tended to, in practice, only work for more senior managers. Although the Company Manual stressed that employee opinion surveys were important, in actual practice, it was possible for managers to 'game' them, particularly when low skilled and insecure workers were involved. Again, the Company Manual ascribed a lack of unions to an open culture. However, this was likely, at least in part, to reflect high staff turnover, reluctance of younger employees to engage with unions owing to insecurity and/or a lack of awareness about the role of unions, and large-scale usage of both part-time as well as outsourced and subcontracted labour.

Once more, differences between national capitalist archetypes emerged in several instances. First, career planning was a major motivating factor sought for by job applicants in developed economies: indeed, global careers were expected to be the case from a MNE of the calibre of HotelCo. Compared to TPE candidates, it appears that CME and LME applicants were at a net advantage in being able to move between countries with fewer visa barriers. In fact, the former were less willing to relocate owing to host country distance in terms of geography, culture, and institutional context from the corporate network hub. This reality contradicts Corporate Manual rhetoric on career development offering opportunities to the global workforce. Relatively to internal communication, a highly articulated online infrastructure was created to facilitate upward communication but it encountered a variety of challenges depending on context. Further, according to participant observation, a case in point was the whistleblower system, which was hampered by contextual circumstances. Specifically, limited legal protection prevented the system's productive application especially in CME subsidiaries, while in TPEs the deeply-rooted local clan system, with tight social ties, would be highly unlikely to approve of any anonymous allegation process. Likewise, the MNE faced a varied operationalisation of grievance procedures. Since in CMEs and LMEs institutions are more predictable, grievance actions would be more feasible than in TPEs, where an uncertain and authoritarian institutional context led to a distrust of local workforce towards formal upward communication mechanisms for fear of retaliation.

## CHAPTER 7: EMPLOYER-EMPLOYEE INTERDEPENDENCE

### 7.1 Chapter 7: Introduction

The research goal of this last findings chapter is to provide empirical evidence related to employer-employee interdependence. This represents the other core dimension to delegation upon which the interrelationship between employers and employees rests, according to Whitley's (1999) template. The examination of sampled hotel properties centres on sub-dimensions of interdependence, namely training and development, and security of tenure (Wood *et al.*, 2009; Whitley, 1999) for the 2010-2012 period. According to corporate HotelCo material, rhetoric purported an organisation keen in nurturing a caring workplace where employees were encouraged to openly express their viewpoints to management (HotelCo, 2015; 2012). Interestingly, a link emerges with the mainstream HRM literature whereby, as scholars stress, "positive-sounding areas" (Edwards, 2009, p.375) of employment are treated in breadth and depth, while the so-called "darker side of HRM" (Redman *et al.*, 2013, p.462) topics related with "the 'exit' phase of the employment relationship" are treated rather more sparsely (Boselie *et al.*, 2005, p.73).

### 7.2 Key findings based on participant observation and documents

#### 7.2.1 Training and development

The **annual training budget** over the **annual wage bill** ratio produces the customary index utilised to define the extent of investment on training and development made by HotelCo fully owned properties. Specifically, this is characterised by expenses incurred for employee training by a HotelCo subsidiary during the financial year starting 1 January and ending 31 December and the corresponding total compensation amount paid to the workforce for the same period. A general figure indicating the scale of **participation to training** is represented by the percentage of standard workforce undergoing training on a yearly basis. On the other hand, it is critical for HotelCo subsidiaries to also perform a **training and development needs analysis** in order to ensure training offered is contextual, and addresses concrete developmental needs across the hierarchy (HotelCo, 2015; 2012).

### 7.2.2 Security of tenure

HotelCo workforce security of tenure is affected not only by actual decisions related to workforce headcount, but also by their mode of implementation. As emerged from preceding Chapters 5 and 6, workforce stratification characterises hotel properties, whereby there is a demarcation between managerial, core professionals, and low-wage blue-collar workers. Further, however, lower-tier workforce separates into two main segments, namely **standard** and **non-standard**. While the former comprises full- and part-time employees under the HotelCo subsidiary payroll, the latter encompasses workers on precarious, contingent, and fixed-term work contracts, either directly with the hotels or through agencies collaborating on a subcontracting or outsourcing basis. In case the organisation needs to proceed with workforce reduction, it is customary first to target non-standard employment forms before affecting standard employment arrangements. Lastly, **job creation** occurs when additional job positions are made available thus requiring new hires.

## 7.3 Evidence based on in-depth interviews

### 7.3.1 Training and development

As expected, respondents agreed that training and development programs offered by HotelCo represented a distinctive sign of quality: indeed, HotelCo professed to be deeply committed to workforce development through state-of-the art training facilities and content. This converges with scholars' arguments that workforce education is a desirable element affecting the quality of work environment and reputation of firms (Ulrich and Smallwood, 2005). Hence, as broadly perceived by HR executives, the overwhelming majority of job applicants recognised also that training was a desirable benefit. Indicatively, the training HotelCo offers spans from core professional skill development to leadership courses aiming to offer each employee the opportunity to grow in their positions (HotelCo, 2015; 2012).

Yet, evidence suggests that training provided by HotelCo seemed not to represent a critical determinant for choosing to apply for work at a HotelCo subsidiary, but rather as observed by a TPE HR executive:

This is valid upfront only for a minority of applicants. For the rest, this benefit is recognised at a later stage. Nonetheless, university recruits and school trainees do appreciate training opportunities offered very much.

Thus, candidates motivated to apply owing to developmental opportunities were students and ambitious professionals in high-profile departments as, for example, Sales, Front Office, and Food & Beverage Service. These would ultimately establish themselves in the upper workforce tier, by considering employment at HotelCo as a step towards further international growth within the hotel chain, or eventually outside in another organisation belonging to the same or other industrial sector. Since evidence from all cases under examination underlines that compensation almost always represented the key motivator for candidates to seek employment with a HotelCo subsidiary, it is inferred that this circumstance fundamentally applied also to the numerous lower-tier blue-collar workers. However, as claimed by respondents, once employment began then employees did realise the value of quality training and development opportunities offered.

Consequently, the intended outcome by HotelCo appears to consider training and development programs as workforce retention tools increasing employee job satisfaction together with career prospects (Hinkin and Tracey, 2010). The unintended consequence is, nonetheless, that even a consistently educated workforce yet without being offered advancement opportunities risks to become stuck and disengaged (Keeble-Ramsay and Armitage, 2014). The end result is that they may seek to leave the HotelCo subsidiary and either join competitors within the same or another industry (Preece *et al.*, 2013) or, for instance, seek career opportunities abroad through “self-initiated expatriation” (Howe-Walsh and Schyns, 2010, p.261). Although respondents were well aware of these possibilities, yet they emphasised the strategic value HotelCo placed in training because, according to corporate rhetoric, this was the vehicle for an educated workforce to progress in their career by linking successful training curriculum completion with promotions and transfers.

As characteristically noted by a TPE HR executive:

For employees willing to develop into a managerial position we have created a special development plan blending classroom and online training experiences. Growth within the company is linked to the development of technical expertise as well as management and leadership skills attained.

This practice seemed to be reinforcing head office ambitions whereby training represented a vital function supporting brand penetration, consistency, and expansion in markets across the globe (Huang and Tansley, 2012; Minbaeva, 2005; Minbaeva *et al.*, 2003). Further on this, a CME respondent highlighted:

Beyond the basic legal requirements related to institutional training courses such as first aid, health and safety at work, and fire training, HotelCo offers a vast array of training material to use: still, while head office influence on training guidelines is decisive, however it manages to leave room also for local adaptation and content creation.

As noted by participant observer, a degree of flexibility in the development and delivery of training content was necessary to accommodate the differing professional preparation of the workforce across host countries. Feedback from respondents indicates that CME and LME subsidiaries were at a net advantage compared to TPE hotel properties owing to the quality vocational training offered by the national educational system as revealed in Chapter 5. The resulting additional tailor-made educational initiatives represented an extra burden not incurred by subsidiaries in developed economies. As commented by a CME respondent:

The education level in Germany is very good and this also affects the quality of service provision and the level of training provided because newly hired employees come already prepared. In fact, they know the basics plus also feature the appropriate demeanour to handle direct customer contact successfully.

Lastly, all respondents agreed that, in line with HotelCo approach to adult learning, training was successfully delivered if it was attractive to the audience (cf. McArdle, 2007).

Thus, combining educational initiatives with fun and memorable experiences was claimed to be indispensable, as contended by a CME respondent:

By ensuring employees are satisfied with training sessions' delivery and content, workforce is motivated towards attending training which is delivered in nice settings.

Indeed, according to scholarly research (Börner *et al.*, 2012), attention to the emotional dynamics according to which adults learn constitutes a sign of excellent workforce training offered by forward-thinking and customer-centric organisations.

### **7.3.2 Security of tenure**

Since from an institutional standpoint, security of tenure is critically affected by host country labour laws, there are important structural differences between the post-communist TPEs on one hand, and the Western European LMEs and CMEs on the other hand (Wood *et al.*, 2014). Evidence shows that HotelCo subsidiaries in TPEs experienced much less labour flexibility options versus subsidiaries operating in LMEs and CMEs in terms of part time employment, casual workforce, and use of subcontracting and outsourcing arrangements. Indeed, the law in both TPE countries under consideration defined that for part time employees there was a mandatory minimum amount of hours that needed to be respected corresponding to 50% of monthly hours for full time employees.

Conversely, since in LMEs and CMEs there was no such legal disposition, the amount indicated in the individual part-time contract represented the minimum limit of hours an employee was required to work, unless the contract was zero-based. Next, and most significantly, the labour law in the TPEs did not permit hotels to employ casual workforce whereas in the LMEs and CMEs casual labour was a well-established practice that subsidiaries could utilise by either managing the work contracts themselves, or devolving the procedure upon external agencies (De Cuyper *et al.*, 2008). According to participant observation, the latter optimised labour cost compression because of vendors' capability to arrange for ad hoc and last-minute external workforce assistance, an aspect reckoned to be particularly beneficial "for very cyclical businesses such as tourism" (Hutchinson, 2014, p.189). On the other hand, labour law in TPEs had introduced outsourcing practices fairly recently. Even if in principle TPE subsidiaries could implement outsourcing

arrangement by law, still they were making very limited use of. This was because the local business environment only in the last two years before this research took place matured enough to feature some professional outsourcing services, matching the high quality standards demanded by HotelCo requirements.

Since this challenge was, instead, absent in LMEs and CMEs, extensive outsourcing deals of strategic nature could be struck owing to the vast experience of world-class suppliers present in those countries (Espino-Rodríguez and Padrón Robaina, 2005). Consequently, as the circumstance of a CME HR executive illustrated, flexibility of workforce arrangements enabled the HotelCo subsidiary to maximise labour cost control because:

We are featuring an overwhelming number of full time employees and a tiny minority of part time employees. This way, we nurture job stability. Nonetheless, we could not prevent the use of outsourcing solutions whereby suppliers are paid for the work completed and we do not handle the pay of their workforce.

Further, all respondents agreed that proceeding into subcontracting and outsourcing arrangements entailed the critical need to define areas of responsibility in terms of who reported to whom, while ensuring that such collaborations assisted hotels to best control cost of low-skilled and labour intensive departments such as Housekeeping and Kitchen Cleaning. Typically, therefore, according to the LME HR executive, clarity and closeness of strategic collaboration with vendors determined the successful implementation of subcontracting and outsourcing arrangements, as also stressed by Belcourt (2006). In fact:

There are some strict guidelines, for example with regards to who gives instructions to these outsourced employees: once the exact requirements are made clear to the outside company, then they are left to deliver without any intervention of the hotel. As for head office, no particular guidelines are offered.

Usually, the arrangement with the subcontracting or outsourcing company involved an on-premises supervisor providing outsourced employees with due training and direction. Thus, by clearly defining this chain of command, HotelCo subsidiaries could also manage to prevent outsourced employees from seeking equal employment rights and benefits as the regular HotelCo subsidiaries' workforce (Zuberi, 2011).

Consequently, TPE hotel properties suffered a rigid labour cost on account of historical restrictions against outsourcing that considerably weighed upon profitability as opposed to HotelCo subsidiaries in LMEs and CMEs. Despite this, wages would of course be a lot lower in TPEs than in CMEs and LMEs, yet subsidiaries operating in the developed economy clusters appeared to be much more nimble in accommodating payroll expenses to business levels (cf. Espino-Rodríguez and Lai, 2014). Further, respondents agreed, in line with head office recommendations, on the purported importance to consistently maintain open communication with employees about details concerning their actual or possible employment casualisation depending on business conditions, an aspect that scholarly research indicates to occur when organisational survival is threatened in turbulent times (Townsend and Wilkinson, 2013). As shared by a TPE participant:

People got used to flexible employment and part-time employment was well accepted. The key is to make candidates aware upfront about the flexible arrangement of work hours. Such clarification from the beginning prevents misunderstandings later.

The above statement was additionally reinforced by a CME HR executive, who commented that there was the need to:

Talk straight about the details of the contract and the inherent flexibility to which newcomers have to accommodate. In all this process, head office is not involved.

Interestingly, this evidence suggests the arm's length approach HotelCo implemented vis-à-vis its subsidiaries relatively with labour casualisation.

Next, respondents argued that downsizing, irrespective of host country, represented a substantial challenge because labour law was particularly strict, since it demanded thorough explanations to the labour authorities. In fact, as noted by a CME respondent:

Any proposed downsizing actions need to be thoroughly justified as they are subject to close scrutiny by the authorities. As for head office, they leave the subsidiary to judge actions as appropriate.

Hence, it is indicative that during the 2010-2012 period subsidiaries in all clusters proceeded mainly with low-impact workforce reduction methods (Sitlington and Marshall, 2011) such as natural attrition, no replacement of departed employees, transfers

to other properties, replacement of leaving expatriates with locals, non-renewal of fixed-term contracts, and reduction of contingent employment. As commented by a TPE respondent:

In the past owing to political turmoil, our business level was affected and the subsidiary was obliged to reduce its workforce. One way to obtain this was to prevent the renewal of definite duration contracts. The other was not to extend employment beyond the probationary period. Also, another low-impact measure is to substitute leaving expats with locals.

The same approach was echoed by a CME respondent, according to whom:

In times of uncertainty, the extensive use of limited duration contracts was very instrumental in containing payroll costs because upon their expiry management could choose whether to renew or stop. The resulting reduction by attrition was a very sound solution offering flexibility.

Nonetheless, only one hotel property was compelled to take drastic measures involving redundancies. This occurred in the CME subsidiary operating in Switzerland, whose HR executive described that:

A sudden drop of business volume in the past compelled us to resort to downsizing. The solution was offered by a mix of initiatives: while limited duration contracts were not renewed and leavers not replaced, there was also the inevitable need to terminate some employees while offering them outplacement services. In all the process, open and ongoing communication with the employees was particularly vital in order to maintain the team together.

This limited-scale downsizing was nonetheless accompanied by outplacement services which were offered to assist concerned employees in securing their employment in analogous positions with other employers. Further, the experience of the participant observer suggests the employment protection measure was taken by the HotelCo subsidiary in order to prevent public outcry, besides avoiding any negative consequences on the reputation of a leading world-class hotel chain which proclaims to be people oriented. Much more so, given the typology of the country of domicile and the resulting contextual pressures which led to outplacement decisions in the name of employment protection. Instead, most probably terminations without outplacement services would have occurred in case the subsidiary's context happened to be a neoliberal and deregulated LME or TPE labour market, for instance (Eger, 2003). In fact, Switzerland is a case in

point as a model nation featuring stable, consensus-oriented industrial and political relations (Sousa-Poza, 2004), where, according to Schmid (2001):

“One encounters a qualified form of industrial relations, in as far as labour market coalitions are able to stabilize their relationships on the basis of a long-term, implicit or explicit, contract. The main characteristic of this contract is the mutual exchange of behavioural guarantees: the obligation of both parties to the principle of trust, the agreement on an absolute peace accord, and the acceptance of the problem-solving and decision-making procedures laid down in the contract are integral parts of this qualified form of industrial relations”. (p.452).

Consequently, the stability featured in the institutional context of Switzerland, the safeguarding of peaceful industrial relations, and the upkeep of employment protection are rooted on both cultural and historical grounds (Harcourt and Wood, 2007). Recurring to outplacement services, therefore, was a one-way decision for a subsidiary operating in a country of domicile with an economy built around employment protection and human capital development. Furthermore, efforts of the involved HR executive aimed to handle the outplacement procedure with due care so as to not only support departing employees’ goodwill (Alewell and Hauff, 2013), but also constructively manage the “downsizing survivor reactions” affecting the remaining employees (Maertz, *et al.*, 2010, p.276).

As for employee movement across properties, while in TPE subsidiaries career planning transfers for host country nationals in the period under consideration did not occur, still expatriates were shifted to other locations to be replaced by locals. Thus, TPE hotel properties were unable to use international transfers of host country nationals to reduce their payroll. Conversely, as CME subsidiaries were able to take advantage of this solution to decrease their workforce, evidence points once more to the divide between core and peripheral properties. In fact, as shared by CME respondents, while transfers in did not occur as hampered by language barrier since German was a necessary requirement, still:

Transfers out did happen towards EU countries and Gulf States. Positions were usually from Kitchen and Food & Beverage Service, without excluding other departments. In the process, head office got involved depending on the hierarchical level and profile of the position.

Questionnaire evidence suggests that hires in the 2010-2012 period occurred in TPE and CME subsidiaries, while none occurred in the LME hotel property. In both TPE and CME

subsidiaries, new hires related mostly to line positions with the apparent goal to compress labour cost wherever possible. In fact, a CME respondent's feedback is indicative of how they handled a middle management headcount reduction with an equivalent increase in line employees:

Two positions were suppressed at managerial level and, at the same time, four new positions were added at the rank-and-file status. In this move head office was not involved, but rather local management took the decision.

Additionally, by comparing the dynamics of these hires in CME vis-à-vis TPE subsidiaries, one can observe that the majority of new contracts in the former was full time, while the opposite happened to the latter. Thus, in the words of a CME respondent:

Local German workforce appreciates stability and loyalty. Further, part-time employment in an industry with salaries already compressed reduces income to a point that it may be not even worth working.

It emerges that hiring on a part-time basis essentially risked to turn working at a CME HotelCo property unattractive. In fact, as the same CME respondent admitted:

All other competition hotels seek for the similar applicant profile. Thus, it is critical to maintain the promise of a career because losing reliability in the job market is particularly dangerous.

Therefore, while most possibly these full-time contracts could have been of limited duration just in case of any unexpected business downturn, it seems that CME subsidiaries were compelled to hire on a full-time basis because this was the only sure way to be competitive in the local labour market. Oppositely, it appears that TPE hotel properties arranged mostly new part-time contracts because they were not facing an equivalent competition over recruitment.

The last group of semi-structured questions concerning tenure addresses the revealing aspect of voluntary turnover. Instead of considering total turnover which can be defined as "The movement of members across the boundary of an organisation" (Price, 2001, p.600), the participant observer focused on voluntary turnover because it specifically identifies the share of workforce that is leaving an organisation because of their choice. Based on the nature of their "antecedents of turnover intent" (Lambert *et al.*, 2001, p.238),

this ratio suggests a firm's manpower planning effectiveness as well as questions the firm's ability to attain its HRM strategic goals (Steel *et al.*, 2002).

Thus, overseas subsidiary HR executives reported that yearly average ratio of voluntary turnover was usually around 10%, 20% and 50% for TPE, CME and LME clusters, respectively. The distribution of these figures across national capitalist archetypes reflects the expected leading trend in the Anglo-Saxon business system following VOC considerations, which are further reinforced by labour market statistics. In fact, for instance, according to a CIPD (2008) survey, hotel, catering, and leisure industry features the highest turnover among all UK industrial sectors at 41% in a country with about the lowest average job tenure in the OECD (CIPD, 2013, p.2). Indeed, the hotel industry has a longstanding "turnover culture" (Iverson and Deery, 1997, p.71) reputation that is ongoing and heralded, for instance, by the US labour market where voluntary turnover in hotels reached 41.90% in 2013 representing the top figure across all industries (The US Bureau of Labour Statistics, 2014).

All respondents identified Kitchen, Food & Beverage Service, and, to a lesser extent, Front Office, as the main departments impacted by voluntary turnover. A CME participant summarised its causes especially at blue-collar, rank-and-file, and junior supervisor positions as follows:

Kitchen are very much affected – either transferred or leaving to the competition (other restaurants and hotels). The issue is that this industry in Germany is in a process of salary compression and de-layering thus structurally it pushes workforce to resign if they wish to improve their standards of living.

As the LME respondent agreed with this statement, they additionally noted that:

In the 2010-2012 period, turnover has been stable even if it was a bit less than 2007-2008. Hospitality in the UK provides many jobs and the fact that the industry in question was affected by the crisis to a limited extent contributed to maintaining turnover to its usual level.

On the other hand, a TPE participant indicated that:

Voluntary turnover is now at 10% and it has been increasing since 2010. This is because the inflation rate increased much more than pay. Thus, people may have been prompted to leave in search of better compensation prospects elsewhere.

Consequently, this last observation suggests the critical importance awarded to compensation as motivator for the workforce not only to apply initially for a job at HotelCo, but also to seek employment elsewhere in order to safeguard their living standards. Quite interestingly, however, when asked about the impact of turnover on operations and whether its rate was controllable, respondents agreed that it was manageable even if each cluster reached its conclusions differently.

In fact, while a TPE participant considered that:

Yes, it is very much low and manageable: thus, there is constant flow of 'fresh blood' in the organisation at a very sustainable speed. If they leave, employees do so primarily because they have found something that pays them better.

A CME respondent admitted that:

The impact is manageable, even if it is not always easy. However, we know the seasonality of turnover and thus take our precautionary measures.

And, lastly, the LME participant contended that:

Yes it is manageable: despite the high turnover rate, the labour market is very well supplied thus replacements are indeed found.

In conclusion, findings underline that HR executives were well aware of the voluntary turnover challenge which they factored into their manpower planning. Nonetheless, they recognised to possess the necessary tools to counter the incessant voluntary efflux of employees. As workforce replaceability allowed for manageability of turnover as contended by respondents, it emerges that employees leaving mostly belonged to the low-skilled blue-collar workforce category. In this respect, workforce segmentation was instrumental in neutralising any negative impact alarmingly high voluntary turnover rates might have had on hotel operations. Further, this reality underscores the lack of attention

to rank-and-file employees, who were written out of the sophisticated HR system. As findings repeatedly suggest, although HotelCo HR rhetoric was addressed to the totality of the workforce, in reality HR policies and practices fundamentally concerned the upper workforce tier, encompassing supervisory and managerial-range positions covered by core as well as high-potential employees.

## **7.4 Evidence based on quantitative survey**

### **7.4.1 Training and development**

The proportion of annual training budget over annual wage bill represents a critical ratio expressing the emphasis an organisation gives to workforce training and development. By observing Table 7.1, CME and LME subsidiaries tend to have similar proportions in the region of 0.7% (0.77% and 0.65%, respectively). Instead, TPE properties feature a ratio almost three times higher than the average in the CME and LME subsidiaries. Even if this variance is not sufficient to generate a statistically significant difference between economic clusters, yet it might be indicative of the training intensity occurred in TPE hotels. In fact, TPE subsidiaries seem to have been particularly urged to develop their workforce towards compensating for the vocational service and hospitality skills gap (cf. Horwitz, 2011; Johnson, 2008). As for the yearly proportion of employees receiving training over total regular workforce, comprising full-time and part-time employees, all clusters reveal a 100% score, or close to it. This appears to prove that HotelCo rhetoric was turned to action with workforce formation taking place regardless of locale, and thus hotel subsidiaries demonstrating their commitment to total employee attendance to training and development initiatives. These results indicate the emphasis subsidiaries claimed to give to trained workforce in upholding the HotelCo brand quality and consistency across varying business settings. Hence, no statistically significant differences emerge across the economic clusters examined.

Table 7.2 reports the feedback obtained with regards to the frequency according to which training and development needs analysis occurred. Again, the application of the Mann-Whitney U Test does not reveal any statistically significant difference between the economic clusters under consideration. However, it appears that TPE and CME subsidiaries were the most active in the application of training and development needs

analysis both to management- and line-level employees. Indeed, these results could reflect the differences among clusters' profiles as well as the singular challenges encountered by subsidiaries operating in differing business systems. Data on training and development needs analysis reflect the subsidiaries' application to provide consistent service across varied contexts. Thus, while the difference in frequency between CME and LME hotel properties could point to the formers' dedication to tighter and more intensive training as customarily occurs in a CME context, the even higher scores recorded for TPE subsidiaries might hint to increased monitoring efforts owing to the critical vocational formation needs of their workforce. Indeed, in the case of a workforce unfamiliar with world-class professional training, it is vital to maintain a tight and individualised training needs analysis procedure in order to successfully target developmental initiatives (Aguinis and Kraiger, 2008; Gould *et al.*, 2004) and thus obtain beneficial "organisational-level outcomes" (Tharenou *et al.*, 2007, p.252).

Further, evidence implies that training and development needs analysis for line employees occurred more frequently than for management in CME and TPE subsidiaries, while remained unvaried in LME properties. This could be explained by the fact that firms' urgency for training was mostly centred on the high-turnover lower ranks of the hierarchy rather than the managerial-level organisational echelons, possibly reflecting a pressing focus on induction training and making it better, rather than an ongoing commitment to employee development.

**Table 7.1: Investment on training and development**

Please, indicate the yearly figures for:		<u>CME</u> MEAN	<u>LME</u> MEAN	<u>TPE</u> MEAN	<u>CME+LME</u> MEAN	<u>OVERALL</u> MEAN
<b>a</b>	% of annual training budget over annual wage bill	0.77%	0.65%	1.91%	0.71%	<b>1.08%</b>
<b>b</b>	% of employees to receive training over total standard workforce (Full Time+Part Time)	100.00%	94.97%	97.58%	97.49%	<b>98.59%</b>
<b>Note:</b> • (*) MANN-WHITNEY U TEST: there is a significant difference ( $\alpha < 0.05$ )						

**Table 7.2: Frequency of training and development needs analysis**

Please, indicate the yearly figures related to the frequency (in months) of training needs analysis for:		<u>CME</u> MEAN	<u>LME</u> MEAN	<u>TPE</u> MEAN	<u>CME+LME</u> MEAN	<u>OVERALL</u> MEAN
<b>a</b>	Management (from junior managers and above)	4.25	12.00	4.00	8.13	<b>5.29</b>
<b>b</b>	Employees (up to supervisors)	3.50	12.00	1.50	7.75	<b>4.14</b>
<b>Note:</b> • (*) MANN-WHITNEY U TEST: there is a significant difference ( $\alpha < 0.05$ )						

### 7.4.2 Security of tenure

Owing to business level fluctuations due to the global financial crisis occurred just before the period under consideration (2010-2012), Table 7.3 reveals that all three clusters' subsidiaries had to incur workforce reductions. The biggest challenge occurred in TPE subsidiaries with a job loss ratio over total standard workforce of 10.54% (Table 7.4). Instead, the LME and CME cluster rates appeared to be more moderated at 5.92% and 6.66%, respectively. These differences between TPEs on the one hand and LMEs and CMEs on the other, suggest higher volatility of the former compared to the more stable and labour-flexible latter developed economies.

Relatively with the methods used to decrease the workforce (Table 7.5), almost all of the subsidiaries resorted neither to compulsory nor voluntary redundancies, but rather chose to use low-impact measures such as non-renewal of fixed-term contracts. In fact, only in the aforementioned CME instance there was the need to use outplacement services in order to reduce workforce owing to a sudden drop in business (see 7.3.2). Nevertheless, subsidiaries in all clusters used the non-renewal of fixed-term contracts as a solution in order to quickly adjust their payroll to compensate for lower business levels. Interestingly, however, CME and LME subsidiaries were able to transfer workforce personnel to other properties in an effort to reduce their headcount, reflecting answers given to in-depth interviews. Instead, as this solution was not accomplished by TPE subsidiaries, evidence corroborates findings from the previous section whereby it was noted that hotels at the periphery of the MNE network encountered noteworthy challenges in transferring employees.

Moreover, sampled hotel properties overwhelmingly did not resort to outsourcing in order to reduce workforce, apart from a marginal utilisation by a TPE subsidiary. This evidence could possibly indicate two circumstances: firstly, that CME and LME hotels did not use additional outsourcing solutions because these were already pervasively and optimally implemented and there was no room for outsourcing more functions. Secondly, that the labour law and the broad business context in ex-Soviet nations were progressively maturing, which favoured the cautious implementation of outsourcing agreements (cf. Karhunen and Kosonen, 2013), even if these were already quite common and extensively used in HotelCo subsidiaries operating in developed economies.

Table 7.6 illustrates workforce distribution across three main categories, namely full time, part time, and nonstandard workforce. While, within the standard workforce, employment on a full time basis was strong across all sampled properties at an average of 72.18%, part time employment share acutely fluctuated depending on the pressures of institutional and market nature. In fact, while in CME subsidiaries part time contracts (1.72%) were almost prohibitive because not attractive, the reverse occurred in the LME property (10.73%), possibly owing to its more deregulated labour market, and even more in TPE hotels (25.76%) where part-time agreements represented a critical option to attain payroll flexibility. Instead, nonstandard labour appeared to be rather used in developed economies subsidiaries with particular reference to CME and, to a lesser extent, LME properties. With the average ratio of nonstandard employment over total workforce at 26.92% and 16.75% respectively, these clusters revealed the considerable use of contingent employees to maximise labour efficiencies. Yet, the very low TPE subsidiaries' nonstandard employment ratio set at 0.56% indicates that, while no casuals could be employed because forbidden by law, feasible outsourcing arrangements were quite limited because of the rare availability of professional services suppliers in these particular markets.

As Table 7.7 indicates, the critical issue of labour cost containment urged HotelCo subsidiaries to use diverse, nonstandard forms of employment. The variety of options available, however, was dependent on the flexibility offered by the host country labour law. Thus, while CME and LME subsidiaries were able to capitalise on the benefits offered by casual and outside work arrangements, the legal system in TPEs prevented hotel properties to use these particularly effective payroll-reducing options. As expected, this observation is further validated by inferential statistics whereby the Fisher's Exact Test reveals that there was a statistically significant difference between transitional periphery and developed economy clusters. While all sampled properties utilised fixed-term contracts, CME and LME subsidiaries additionally resorted to temporary and external workforce to control their payroll. Still, the extensive use of these forms of precarious employment arrangement could harm employee trust (cf. Svensson, 2012; Kalleberg, 2000).

Regarding job creation in the period 2010-2012 (Table 7.8), CME and TPE respondents advised that they also hired employees. Conversely, feedback from the LME participant indicated that there was no standard workforce increase for the same period. Thus, while

for CME subsidiaries the percentages of full- versus part-time hires was 71.88% and 28.12% respectively, the exact opposite occurred in TPE properties whereby the figures were 20.00% and 80.00%. This difference perhaps could be interpreted in the light of differing business contexts. The structured and competitive CME labour environment compelled to hire especially at full-time status; instead, the unstable and lowly competitive TPE labour market allowed for the use of part-time contracts in most cases. Lastly, as Table 7.9 shows, the creation of new positions was concentrated at line-employee level in both CME and TPE subsidiaries.

**Table 7.3: Workforce decrease**

	<u>CME</u>	<u>LME</u>	<u>TPE</u>
Has the number of employees at your hotel decreased over the last three years?	Yes: 1 No: 3	Yes: 1 No: 0	Yes: 1 No: 1
<b>Note:</b>	• (*) FISHER'S EXACT TEST: there is a significant difference ( $\alpha < 0.05$ )		

**Table 7.4: Job loss ratio over total standard workforce**

	<u>CME</u> MEAN	<u>LME</u> MEAN	<u>TPE</u> MEAN	<u>CME+LME</u> MEAN	<u>OVERALL</u> MEAN
Within the last three years, what is the ratio of jobs lost over total standard workforce (Full Time+Part Time employees)?	6.66%	5.92%	10.54%	6.29%	4.65%
<b>Note:</b>	• (*) MANN-WHITNEY U TEST: there is a significant difference ( $\alpha < 0.05$ )				

**Table 7.5: Methods used to decrease the workforce**

Within the last three years, what methods did you utilise to decrease the workforce?	<u>CME</u>	<u>LME</u>	<u>TPE</u>
<b>a</b> Compulsory redundancy	Yes: 1 No: 3	Yes: 0 No: 1	Yes: 0 No: 2
<b>b</b> Voluntary redundancy	Yes: 0 No: 4	Yes: 0 No: 1	Yes: 0 No: 2
<b>c</b> Transfer	Yes: 1 No: 3	Yes: 1 No: 0	Yes: 0 No: 2
<b>d</b> Outplacement	Yes: 1 No: 3	Yes: 0 No: 1	Yes: 0 No: 2
<b>e</b> Non-renewal of fixed-term contracts	Yes: 4 No: 0	Yes: 1 No: 0	Yes: 2 No: 0
<b>f</b> Outsourcing	Yes: 0 No: 4	Yes: 0 No: 1	Yes: 1 No: 1
<b>Note:</b>	• (*) FISHER'S EXACT TEST: there is a significant difference ( $\alpha < 0.05$ )		

**Table 7.6: Ratio of standard (Full Time and Part Time) and nonstandard workforce over total workforce**

	<u>CME</u> MEAN	<u>LME</u> MEAN	<u>TPE</u> MEAN	<u>CME+LME</u> MEAN	<u>OVERALL</u> MEAN
What is the ratio of <b>full time</b> (standard workforce) over total workforce (Full Time+ Part Time+Casuals+ Outsourced Labour)?	71.36%	72.51%	73.68%	71.94%	72.18%
What is the ratio of <b>part time</b> (standard workforce) over total workforce (Full Time+ Part Time+Casuals+ Outsourced Labour)?	1.72%	10.73%	25.76%	6.23%	9.88%
What is the ratio of <b>nonstandard workforce</b> (Casuals+Outsourced Labour) over total workforce (Part Time+Full Time+Casuals+Outsourced Labour)?	26.92%	16.75%	0.56%	21.84%	17.94%
<b>Totals</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Note:</b>	• (*) MANN-WHITNEY U TEST: there is a significant difference ( $\alpha < 0.05$ )				

**Table 7.7: Use of nonstandard forms of employment**

Do you make use of any of the following forms of nonstandard employment?		<u>CME</u>	<u>LME</u>	<u>TPE</u>
<b>a</b>	Temporary work arrangements through temp agencies	Yes: 4 No: 0	Yes: 1 No: 0	Yes: 0 (*) No: 2
<b>b</b>	Casual work arrangements	Yes: 4 No: 0	Yes: 1 No: 0	Yes: 0 (*) No: 2
<b>c</b>	Fixed-term contracts	Yes: 4 No: 0	Yes: 1 No: 0	Yes: 2 No: 0
<b>d</b>	Contract employment/Outside labour	Yes: 3 No: 1	Yes: 1 No: 0	Yes: 2 No: 0
<b>e</b>	Contract service agreement	Yes: 3 No: 1	Yes: 1 No: 0	Yes: 2 No: 0
<b>Note:</b> • (*) FISHER'S EXACT TEST: there is a significant difference ( $\alpha < 0.05$ )				

**Table 7.8: Job creation ratio per type of standard employment agreement**

Within the last three years, what is the ratio of jobs created versus type of standard employment agreement (Full Time+Part Time)?		<u>CME</u>	<u>LME</u>	<u>TPE</u>
<b>a</b>	Full Time	71.88%	-	20.00%
<b>b</b>	Part Time	28.12%	-	80.00%
<b>Totals</b>		<b>100.00%</b>	<b>-</b>	<b>100.00%</b>

**Table 7.9: Job creation ratio versus job category**

Within the last three years, what is the ratio of jobs created versus job category?		<u>CME</u>	<u>LME</u>	<u>TPE</u>
<b>a</b>	Executive Committee Members	-	-	-
<b>b</b>	Department Heads	3.13%	-	-
<b>c</b>	Managers	-	-	10.00%
<b>d</b>	Team Leaders and Assistant Managers	-	-	20.00%
<b>e</b>	Guest Service Staff	96.87%	-	70.00%
<b>Totals</b>		<b>100.00%</b>	<b>-</b>	<b>100.00%</b>

## 7.5 Evidence based on company documents and additional participant observation insights

### 7.5.1 Training and development

The strong emphasis placed on learning and development is at the basis of HotelCo HRM strategy, according to the MNE rhetoric (HotelCo, 2015). Further, admittedly it represents a powerful means to attract particularly hotel and hospitality school graduates (HotelCo, 2015). Thus, subsidiary HR executives are expected to display strong skills in the areas of planning, executing, and collaborating with employees and managers in order to create a learning environment. In each hotel property training needs should be promptly identified and addressed in parallel with the execution of the monthly training plan (HotelCo, 2012). These efforts would entail a pervasive training commitment proclaimed on notice boards, newsletters, and posters, accompanied by state-of-the art training room and facilities. Indeed, all respondents claimed uniformly to be committed to developing an educated workforce. Further, in this process towards not only ensuring that all

employees attend training but also constantly analysing employees' training needs, HotelCo purportedly aspired to attain its brands' global success.

As participant observation indicates, a reflection of this ambition is the online global learning management system offering employees access to training courses and related resources anytime and anywhere (HotelCo, 2012). Nonetheless, as the HR Manual indicates (HotelCo, 2012), HotelCo expects that every member of the hierarchy encourages training initiatives.

In fact, beyond departmental skills training, supervisors complement HR executives in supporting the integration of new hires in the unfamiliar work environment (HotelCo, 2015). Further, owing to their leadership clout in influencing employee behaviour, the senior leadership team is tasked to play a critical role in nurturing training and development initiatives by ensuring education is genuinely valued as a priority according to HotelCo aspirations (HotelCo, 2012). Consequently, the HotelCo HR rhetoric places training and development at the epicentre of a collective effort towards equipping the workforce with skills and knowledge to attain performance goals (HotelCo, 2015). By emphasising on training, the HR Manual pursues to embed in its workforce the conviction that successful training attendance is a key pre-requisite to career planning and advancement.

Yet, participant observation indicates that HotelCo head office HR training and development ambitions clashed with property-level labour-cost control imperatives on three main instances. Namely, first, attendance at HR-department delivered training for lower tier employees was generally occurring on induction days. Second, once blue-collar hires, who were overwhelmingly engaged on a part-time and/or non-standard basis, reached their assigned departments, then it was highly improbable to have them attend HR-led training courses again, unless mandated by head office. In fact, additional training would have not only disrupted tight operational schedules, but also weighed on departmental payroll cost. Often, however, even if not openly confessed, it was also the case that lower-tier employees themselves did not take training seriously because they might consider it a waste of time featuring repetitions or learning matters not readily applicable. Third, participant observation indicates that, beyond operational responsibilities, departmental trainers were overloaded with skills training delivery tasks, which needed to be squeezed within or between shifts. Oppositely, upper tier employees,

who were working stably on full-time contracts, could take best advantage of all forms of training and thus leverage the necessary conditions for professional advancement.

### **7.5.2 Security of tenure**

Participant observation suggests that, same as customarily occurs with MNEs' rhetoric (Redman *et al.*, 2013), also HotelCo featured a dearth of Corporate Manuals and material dealing specifically with workforce reduction measures and alternatives. Perhaps, it was so because, as also noted by Keenoy and Schwan (1990), these would have contradicted the pervasive optimism of limitless business expansion exuding from official corporate rhetoric. Consequently, HotelCo HR material dealing with this uncomfortable and sensitive topic was limited to two instances. First, official guidelines provided instructions on handling individual cases of employee poor performance, discipline, and firing procedure (HotelCo, 2012). Second, training material on managing layoffs and terminations was made available online through the corporate platform featuring third-party, off-the-shelf, and standard self-help training.

In order to avoid resorting to costly downsizing options, sampled hotel properties chose flexible external workforce arrangements wherever applicable and convenient, which was a practice extensively applied by HotelCo in its home country subsidiaries. Yet, to illustrate, the MNE's reliance on precarious employment arrangements in the US led to unions' reactions and public opinion backlash. Tensions degenerated and caused long, bitter conflicts and boycotts from trade unions nationwide (Chicago Tribune, 2011; Huffington Post, 2011; The New York Times, 2009), which even included threats to expand protests to a global scale in overseas hotel operations (France24, 2013; The Guardian, 2012). Finally, this highly publicised dispute within HotelCo's domestic market was resolved in 2014 (The Boston Globe, 2014; WGBH, 2014). Since then, media coverage reported a noteworthy improvement in employee job satisfaction accompanied by HotelCo's revived reputation as preferred employer (Fortune, 2014). For HotelCo, 2014 was a record year in terms of awards won as a great place to work in, among others, the US, Europe, and particularly in the CME and LME countries contemplated in this research (HotelCo, 2015). Time will tell if these awards are the result of a credible, genuine, and engaging commitment to nurturing excellent workplaces, or a brilliant, though temporary, public relations exploit (cf. Mahon *et al.*, 2014; Momeni, 2009).

## 7.6 Discussion and conclusions

### 7.6.1 Training and development

Research participants unanimously claimed that training occurring at their respective subsidiaries was thorough and world-class. This was deriving not only from the guidelines of head office, but also from the conviction that a duly prepared workforce offered hotel products and services consistent with the global brand. Besides, training represents the hallmark of quality that should increase the reputation of a MNE in the labour market (Kalargyrou and Woods, 2011). Apart from a specific category of candidates encompassing vocational school apprentices and ambitious professionals, however, HR respondents admitted that the majority of applicants were motivated to seek employment at a HotelCo subsidiary because they were attracted mainly by the compensation offered. Subsequently, employees might have started to appreciate the value of training offered by HotelCo after being hired.

As per data gathered, subsidiaries were driven to ensure that all employees attended training courses, also because this was linked with the potential for promotion and career advancement according to corporate rhetoric featured in the HR Manual. Nonetheless, even if subsidiaries were allowed by head office to accommodate training content and delivery to their specific circumstances and to render it as more attractive, memorable, and fun as possible, still a key issue remains unsolved, thus fuelling again the tension between aspirations expressed in the HR Manual and actual reality. In fact, contrarily to corporate rhetoric's optimism, since the number of openings available was limited, HotelCo subsidiaries could not evidently satisfy all employees' career development ambitions. Consequently, as training without career advancement was likely to produce a disconnect (Yang *et al.*, 2012), there was the possibility that workforce, by becoming disengaged with HotelCo and its subsidiary, was subject to poaching by competitors, if they did not leave by themselves first.

Another contradiction emerges in relation with the online training platform which corporate rhetoric claimed all employees could access anywhere and anytime. As noted by participant observation, the material was primarily available in English, thus automatically excluding from use any employee not possessing adequate command of this language, and/or lacking the necessary equipment and computer skills to run the

online educational programs. Hence, this evidence offers additional proof that HotelCo's articulate HR system, contrarily to corporate ideology, values, and ambitions actually pertained to a specific category of employees who would certainly benefit from it. This segment is proficient in English, computer literate, self-motivated, and has sufficient free time to take advantage of online training. Most likely, this category of employees is constituted by core, talented, and skilled employees HotelCo is keen to invest on and retain.

Lastly, evidence highlights that emerging market subsidiaries appeared to invest more in relation to training than those located in developed economies even if inferential statistics do not produce a statistically significant difference. The frequency of training and development needs analysis implementation seemed to be higher in TPE subsidiaries than in CME and LME properties, thus testifying the need of the former to have a tighter monitoring of training outcomes especially at line employees' level. In fact, this highlights the extra educational effort required from TPE subsidiaries to fill in the customer service skills gap of its local workforce. Oppositely, due to the lower frequency of training and development needs analysis, the LME subsidiary appeared to reflect the characteristics proper of its broader context whereby investment in human capital development tends to be weaker than in CMEs (Goergen *et al.*, 2012). Indeed, the latter cluster featured a larger ratio of annual training budget over annual wage bill, even if the difference was not particularly meaningful.

### **7.6.2 Security of tenure**

Findings clearly reveal the extent according to which host country labour law affected the application of HR policies and practices in HotelCo subsidiaries, especially in relation with the use of contingent and precarious employment. Thus, independently from cluster, respondents indicated that labour law rigidities were particularly challenging in case subsidiaries opted for compulsory redundancies as a "last resort strategy". (Redman *et al.*, 2013, p.467). Apart from the complexity in obtaining labour authorities' approval, respondents were aware of the negative impact any drastic workforce reduction initiative would have had on the firm's reputation in the labour market. Thus, findings indicate that there was only one case within the CME cluster in which a subsidiary proceeded to compulsory terminations because of a sudden drop in business. Nonetheless, the

downsizing was accompanied by outplacement services which the host country institutional context compelled the Swiss subsidiary to offer.

Thus, research participants' inputs converge in suggesting that management in the sampled hotel properties overwhelmingly chose alleged "softer alternatives" in downsizing, which would have both complied with the law and prevented manifest social outcry (Goergen *et al.*, 2013, p.1057). As per participant observation, these low-impact labour cost reduction options encompassed use of set duration contracts, employee natural attrition whereby leaving employees would not be replaced, emphasis on part-time rather than full-time contracts, hiring locals to replace departing expatriates, use of contingent non-standard labour such as casual, subcontracted, and outsourced employees. National legal settings defined the boundaries within which it was possible for subsidiaries to use some or all of the above alternatives in order to counter hotel business volatility (Goergen *et al.*, 2013). Thus, TPE subsidiaries suffered from much less flexibility than CME and LME properties because, for instance, the labour law in TPE sampled countries forbade both hiring employees on a casual basis and part-time employment less than half of the hours of full time work.

Hence, this divergence between transitional periphery and developed economic clusters in the use of flexible work arrangements shows neatly in a statistically significant difference in relation to casual employment. Further, even if the law in TPEs had recently approved the use of outsourced employees, yet there were few professional providers that matched the quality requirements of HotelCo subsidiaries. It surfaces, therefore, that such challenges were not encountered by subsidiaries in CMEs and LMEs, thus placing them at a net advantage versus TPE properties in terms of labour cost reduction capability. Additionally, evidence suggests that CME and LME subsidiaries were better set to exploit payroll-reducing opportunities deriving from overseas transfers.

Next, findings reveal that overseas subsidiary HR executives apparently supported consistently open communication with employees on employment matters, especially in challenging times. Admittedly, as scholars argue, in these circumstances it is critical to be straightforward with the workforce in order to avoid any misunderstandings in relation to work contracts (Aylott, 2014). The fact that subsidiaries under consideration would utilise low-impact labour cost reduction measures indicates the coordinated efforts of management in matching labour with business levels to avoid resorting to drastic

decisions (cf. Ananthram and Nankervis, 2013). Further, in the three-year period under consideration (2010-2012), TPEs and CMEs proceeded with new hires as well.

A closer analysis reveals that CME subsidiaries were compelled to proceed with mostly full-time hires while TPE hotels performed them overwhelmingly on a part-time basis. Quite tellingly, the CME HR respondent noted that offering full-time job was the *conditio sine qua non* for being attractive in the competitive local labour market, something not occurring in TPE subsidiaries. Consequently, even if overseas subsidiary HR executives claimed to nurture an employee-friendly work environment, calculative and labour-cost reduction initiatives were of paramount importance, as also noted by participant observation in three key instances. First, the type of contract forms and their mix depended on labour market circumstances. Thus, for instance, in case the pool of applicants were not contended by the competition, most probably the CME subsidiary would have offered part-time rather than full-time contracts to maximise its manpower flexibility (cf. Davidson and Wang, 2011). Second, by extensively using fixed term contracts, employers attained payroll cost adaptation to business volume while avoiding severance payments. Third, findings about the use of outsourcing arrangements reveal HR respondents' remarkable diligence to ensure that this category of employees reported exclusively to their respective supervisors from the outsourcing company in order to receive guidance at work. Thus, apart from securing a tighter chain of command, this demarcation served to prevent outsourced labour from raising demands for the same rights as standard employees (Rubery *et al.*, 2002). Such labour cost compression options were not only instrumental to counter the sheer business cyclicity, but also represented fundamental mechanisms to promote numerical flexibility. In fact, as Lamminmaki (2011) contends:

“Particular characteristics predisposing hotels to outsourcing include the broad range of activities undertaken, the high labour content associated with many hotel activities, and the volatile nature of demand for a hotel's services”. (p.963).

Differently from the other sampled hotel properties, the LME subsidiary did not proceed to any hires: thus, it could be inferred that most probably it was able to adjust to less critical business fluctuations through the usage of established non-standard employment synergies.

Once more, garnered evidence reveals that sampled hotel properties had a markedly segmented workforce. Incidentally, recent studies indicate that the low-skilled blue-collar labour tier suffers growing concerns due to outsourcing or casualisation measures to cut costs, which enhance employment insecurity (ILO, 2010). According to participant observation, these practices were diametrically opposed to HotelCo's widely divulged corporate rhetoric about workforce engagement, commitment, and loyalty spelled out in all the internal and external employee communications means. To illustrate, these included, besides the HR Manual, employee handbook, training material, back-of-house posters, company intranet, as well as external recruitment handouts, company website, and the corporate-initiated workforce blog (HotelCo, 2015; 2013; 2012).

Fundamentally, head office resorted to distance itself from overseas subsidiaries through an arm's length approach, since it primarily expected the latter to attain payroll budget goals. As Baum (2012) suggests in a research conducted on behalf of the International Labour Office (ILO), the dissociation hotel MNE head offices establish with property-level matters emerges, for instance, relatively with information held about migrant workers. Once again, workforce segmentation draws the line, because in Baum's research:

“Larger organisations were aware of the extent to which senior posts were held by non-nationals within their property but generally reported that line positions were a matter for local decision making in terms of recruitment, selection and/or the use of agency sources and such information was not held centrally”. (p.21).

Although, as noted by participant observation, HotelCo head office did not instruct hotels to attain standardised lowest labour cost, yet pressure in this direction was so severe that overseas subsidiary HR executives scrambled to attain whatever options were available to unendingly compress labour cost. Within these challenging circumstances, and owing to the basic HR executive's imperative to comply with the local labour law, participant observation remarked that administrative tasks became of central importance to the hotel HR department as a whole. These tasks included the bureaucratic procedures related, for instance, to hiring, terminations, payroll and benefits administration, annual and maternity leaves' entitlements, together with all the related formal communication with the labour authorities.

Consequently, beyond the utilisation of part-time employees, hotel properties resorted to enlisting agencies that procured contingent workers belonging to, as von Hippel *et al.* (1997) characterise, the “Wandering underclass in the labour pool”. (p.93). This practice was well established in developed economies, while it was relatively new in TPEs. Namely, research conducted by Ernst and Young (2013, p.11) indicates that in 2013 organisations in the UK outsourced 17% of their business, compared to 15% recorded in Germany. According to this report covering Europe, UK and Germany are among the top countries in which outsourcing services are most used. Hence, the stable and deregulated UK labour market offers a particularly fertile ground for the utilisation of outsourced and subcontracted labour. Especially in the hotel and catering sector (Garson, 1999), businesses resort to these drastic forms of payroll-reducing arrangements through agencies that may tap also into the broad availability of illegal labour that has infiltrated precarious work in the UK. Although there is no evidence that this reality applies to HotelCo, scholarly research shows that the LME labour market, by featuring the absence of tight labour authorities’ monitoring together with immigration policies producing “institutionalised uncertainty” (Anderson, 2010, p.311), gives space to the existence of such practices (Alberti, 2014a, 2014b; Alberti *et al.*, 2013).

The imperative to minimise labour cost prompted a CME subsidiary to proceed in replacing middle management positions with line employees. Thus, wage differentials actually allowed the hotel subsidiary to hire more employees than the number of suppressed managerial positions. Since there was no evidence of deskilling, but simply how a job was described, the hotel property attained to use lower ranked and cheaper labour for the same work. Consequently, in their ongoing quest for payroll cost reductions, HotelCo subsidiaries would also take decisions impacting workforce which were in line with de-layering attempts. This finding is quite interesting since it appears from the in-depth interview answers that the new line employee jobs created were not less skilled. Hence, evidently the HotelCo subsidiary took this decision in order to use cheaper labour.

This calculative approach (cf. Ritzer, 2007) is further corroborated by respondents’ comments underlining that, despite noteworthy voluntary turnover rates especially in CME and LME subsidiaries, circumstances were nonetheless manageable because mainly limited to blue-collar, rank-and-file, and junior supervisor positions in labour-intensive departments such as Housekeeping, Kitchen, and Food & Beverage Service. Thus, training appears to function as the necessary mechanism to quickly integrate low-skill

hires in the new, simplified work environment, however with debatable results according to participant observation.

Consequently, it appears that overseas subsidiaries of a world-class global hotel chain, owing to pressures exerted on them by the economic and institutional context in which they operate, may take decisions that blemish the image of preferred employer they are so keen to promote to both their internal and external audiences. In other words, since sampled hotels appeared unable to avoid following a labour cost-cutting path, they were likely to hurt employee trust and brand loyalty which training and organisational citizenship initiatives struggled to establish (cf. Pearce, 1993). Indeed, the mean figure related to the share of contingent labour over total workforce in the developed economies cluster (21.84% - Table 7.6), underscores that HotelCo prominently applied non-standard labour cost compression practices.

In the final analysis, lower-tier blue-collar workforce of sampled HotelCo hotel properties was quite possibly enduring the implications of flexible labour options in the form of widespread “precarious work” arrangements (Kalleberg, 2009, p.1), the strident divide between standard and non-standard employment (cf. Deery and Jago, 2002; Kalleberg *et al.*, 2000; Smith, 1994), and the overwhelming negative feeling of dispensability by being treated as a cost, not a resource (cf. Soltani and Wilkinson, 2010). Conceivably, the resulting concerns were quite likely to deter especially rank-and-file employees from communicating with HotelCo management as openly and genuinely as the latter would wish, regardless of the information avenues available (cf. Davis-Blake *et al.*, 2003).

## 7.7 Chapter 7: Conclusion

In terms of training and development, this chapter illustrated the relative capability overseas HotelCo properties had in adjusting training actions to local realities. Although it could have been simpler or cheaper to stick to core company materials, subsidiary HR executives sought to add a stronger, more locally relevant component. There were two main reasons for this. Firstly, the uneven preparation of workforce to hospitality professions across contexts compelled TPE hotel properties to compensate for the dearth of education and training when compared to LME and CME subsidiaries. Nonetheless, the substantially higher yearly voluntary turnover rates recorded in developed economy subsidiaries as opposed to transitional periphery hotels (50% and 20% in LME and CME subsidiaries respectively versus 10% in TPE properties) meant that a large proportion of training in the former focused on basic induction training.

Next, the chapter's investigation of security of tenure revealed the usage of large amounts of outsourced labour to impart numerical flexibility in developed economies. This enabled subsidiaries in LMEs and CMEs to optimise the accommodation of payroll to business levels, as opposed to TPE subsidiaries suffering a more rigid labour cost. In fact, the former reached an average ratio of nonstandard employment over total workforce of 16.75% and 26.92% respectively, while the latter featured a negligible 0.56%. Additionally, widespread deployment of highly contingent labour meant that in developed economies many employees covered vulnerable positions. As such, this workforce segment was likely more unwilling to openly express views, despite the MNE's formal commitment to openness.

Lastly, the job loss ratio over total standard workforce in the 2010-2012 period was highest in TPE hotel properties (10.54%) as opposed to LME (5.92%) and CME (6.66%) subsidiaries. These variations across institutional contexts revealed a higher volatility in TPE versus more stable and labour-flexible LME and CME developed economies. Further, evidence emerged about a limited-scale downsizing in the CME context of Switzerland, which was accompanied by outplacement services to line employees. The latter appears as indicative of the strength of country of domicile and institutional pressures in the name of employment protection. Instead, it could be assumed that this would have been highly unlikely to occur in neoliberal and deregulated LME or weakly enforced and fluid TPE institutional settings.

## **PART 2: CONCLUSION**

This part elaborated on findings concerning key HR policies and practices applications, as well as Whitley's (1999) two core dimensions of work and employment relations, namely delegation and employer-employee interdependence. It emerges that even if head office effect varied according to HR areas, its expectations were categorical in terms of respect of, and delivery on, set budget performance targets. It would appear that the unequivocal anti-union stance and preclusion of independent employee representative bodies from entering the workplace were instrumental for the MNE to influence the labour force with minimal interference. Aspirational features of the Company Manual suggest that this reflected internal unity and employees' direct engagement to the firm. Yet, findings point to a persisting disconnect between corporate ambitions and actual reality; it seemed that in many cases, workers shunned unions not as a result of high levels of organisational commitment, but rather insecurity. This reflected the tension between the corporate rhetoric of endless harmony and progress and the reality of things.

Indeed, the quest for payroll cost efficiencies pushed subsidiaries towards a low wage/low security model. Specifically in CME and LME hotel properties, this was associated with extensive usage of outsourcing and subcontracting arrangements in parallel with worryingly high employee voluntary turnover rates. It seems the sophisticated HRM system of the case study MNE pertained to the core stratum of managerial and professional employees, and not blue collar labour force. Findings reveal that labour law and its enforcement as well as national educational system represented key elements either hampering or facilitating the application of HR policies and practices. Additionally, deeply-embedded rules and informal norms also countered the seemingly strong homogenising effect of US MNEs, as proven by the clan system pervading TPE nations of the Caucasus and Central Asia regions.

### ***PART 3: DISCUSSION AND CONCLUSION***

#### **PART 3: INTRODUCTION**

The third and last part of the thesis coincides with the final chapter dedicated to discussion and conclusion. After a preliminary structured analysis of key findings corresponding to each of the first four research objectives, Chapter 8 then centres on addressing the fifth research objective. This concerns the identification and examination of theoretical implications deriving from the study. Three main implications are illustrated in relation with tension between company aspirations and reality, centripetal forces within MNEs, and the emerging conceptualisation of the Transitional Periphery capitalist archetype. Next, the illustration of a noteworthy find of methodological nature reveals the opposing results surveys and in-depth interviews may, at times, deliver when investigating identical issues. This part ends with recommendations for future research and study limitations.

## CHAPTER 8

### 8.1 Chapter 8: Introduction

This thesis has focused on exploring the implementation of HR policies and practices by fully-owned overseas subsidiaries belonging to a US hotel MNE's European division, and comparing variations in practice across operations in CME, LME, and TPE capitalist archetypes. The research contributes to knowledge *inter alia* on two planes. Firstly, evidence originated from the hotel industry, a traditionally closed sector to scholarly research that has been relatively neglected by the mainstream literature on comparative HRM. Secondly, this analysis encompasses subsidiaries located not only in mature institutional contexts, but also in the weaker and fluid transitional periphery institutional ones of the post-Communist Caucasus and Central Asia regions which have remained rather unexplored by literature (Yalcin and Kapu, 2008; Harry, 2006; Lackó, 2000). Although scholars suggest that "charting the landscape of HRM" (Brewster *et al.*, 2010, p.148) in post-Communist countries is problematic, when studying this context they overwhelmingly investigate Central European nations where institutions are reasonably stable, functional, and mature (Aslund, 2012; Horwitz, 2011).

One benefit of this study involves the comparison of transitional periphery countries (Azerbaijan and Kyrgyzstan) with mature examples of liberal market (UK) and coordinated market economies (Germany and Switzerland) (Hall and Soskice, 2004, 2001; Dore, 2000) in terms of Whitley's (1999) multivariate model. In seeking to compare firm level practices, Whitley's explicitly firm-centred approach was utilised, which argues that work and employment relations practices differ according to *delegation* and *interdependence*.

Central to the employment contract is the exchange of labour power for wages. This represents an indeterminate exchange with firms seeking to evaluate both the quality and quantity of work delivered via performance appraisal, and set pay through variations in compensation schemes (cf. Hyman 1989). Prior to the employment contract there is the process of recruitment and selection, a further dimension of HRM practice integrated herein. Each of these practices appears to be affected by the degree of autonomy accorded to the subsidiary in setting HR policies and practices. This final Chapter reviews the main

empirical findings in relation to the original research objectives and illustrates the theoretical implications that have emerged. Lastly, after illustrating an unexpected finding of a methodological nature, this thesis provides recommendations for HRM practice, advises areas for future research, and concludes by outlining the study's limitations.

## **8.2 Addressing the research objectives**

### **8.2.1 Degree of autonomy of overseas subsidiary HR executives**

The first objective related to identifying the degree of autonomy hotel HR executives in overseas subsidiary had in setting their HR policies and practices versus head office guidelines. Respondents depicted a MNE with a strong company identity which was committed to providing its workforce with training and career development opportunities within a quality work environment. Based on the findings it is suggested that, according to corporate rhetoric, HotelCo was keen to consistently attain its business goals on a global scale through the concerted efforts of an educated, united, and effective workforce.

To this end, the HR Manual played a pivotal role at two distinct levels: firstly, it conveyed the ultimate corporate aspirations of HotelCo; secondly, it featured descriptions of processes aimed at enabling country of domicile HR executives to replicate them. Initially, the evidence gathered seemed to point towards HotelCo attempting to secure homogeneity in practice in its fully-owned overseas properties through the promotion of a unifying narrative related more to non-finance, than finance-and law-related, areas of HRM. The respondents' viewpoints and that of the participant observer suggest that the HR Manual was remarkably articulated on subjects pertaining to, for example, job design, HR planning, recruitment, selection, training and development, thus providing detailed implementation guidelines.

What this study has revealed, however, is some variation between the aspirations purported by the HR Manual and actual practice. In relation to the latter, HotelCo allowed subsidiary HR executives to incorporate 'appropriate' local content, provided that the original corporate material message was not disregarded. Evidence suggests that the local adaptation of the HR Manual's content was desired. Nonetheless, findings indicate that, surprisingly, the HR Manual dealt superficially on matters related to personnel

administration involving employment law, compensation, unions, job security, wages, outsourcing, and subcontracting. This could, in fact, be perceived either as an ‘invitation’ to local HR executives to ‘autonomously’ implement policies as strictly as possible, or as an opportunity to bring about gradual improvements in employment terms. However, given that it appeared that there was little active support for the latter, it is likely that in most circumstances the former represented the customary approach. Yet, subsidiaries were ‘mandated’ to conform to local regulations affected by the respective national institutions while considering the two main challenges affecting HRM practice in the hotel industry. Firstly, the need to provide consistent service provision renders hotels particularly labour-intensive. Secondly, the cyclical nature of the industry, which is heavily impacted by seasonal fluctuations as well as consumer preferences and customs, represents a continual challenge to HR (Jolliffe and Farnsworth, 2003).

It was found that HotelCo promoted numerical flexibility in order to moderate payroll cost to business volume. This was achieved through a combination of the following according to labour laws specific to the institutional context: adjusting of working time, use of subcontracted or outsourced labour, and rounds of redundancies and hiring. A consequence of this reality was the segmentation of the workforce which subsequently impacted employer-employee interdependence in terms of job security as well as people oriented investment. This led to a HRM approach which fundamentally discriminated between the upper employee tier, and “cheap labour” (King and Rueda, 2008, p.279), reflecting the renowned workforce segmentation of core versus peripheral employees posited by Kalleberg (2000). Regardless of institutional context, it emerged that HotelCo applied an arm’s length, rather than a prescriptively directive approach in this area, thus distancing head office from subsidiary reality. Therefore, HR executives based in overseas properties consistently aimed at attaining payroll cost reductions by cutting labour supply and/or wages while striving to act, however, within the legal framework of their country of domicile (see 5.2.3).

Thus, as respondents stressed that their most critical professional challenge was to ensure payroll expenses remained within budget, it appears that HR professionals were resorting to measures representing accommodation, if not surrender, to the prevailing operational pressures and business imperatives expressed by line managers (cf. Mäkelä *et al.*, 2013).

### **8.2.2 Application of HR policies and practices across overseas subsidiaries**

The second objective centred on comparing and contrasting the HR policies and practices encountered across overseas subsidiaries of the case study firm. This task was hampered by primarily ‘uniform’ responses that underscored subsidiary homogeneity which echoed corporate rhetoric (see 5.5.3, 6.2.5, 6.3.3). While on first impression it could be inferred that subsidiary alignment resulted from a strong homogenising effect which is typical of US MNEs (cf. Fenton-O’Creedy *et al.*, 2008), the insight of participant observation is conducive in appreciating that the evidence produced is more subtle than it appears.

A historical observation may suffice to corroborate this standpoint by taking into consideration the TPE context. It should be noted that even centralising organisations such as the Communist party in the Soviet Union never managed to impose internal coherence, especially in their practices applied to the Caucasus and Central Asia regions, where tribal and clan systems are pervasive (Gullette, 2007; Collins, 2002). It is worth noting that even as a homogenising organisation per se, the Communist party still had to encompass the clan-based system endemic in these remote regions (Roy, 2007). Therefore, one can question what incontrovertible chances US MNEs may have in succeeding to impose their standardising force. If the Communist party failed to destroy local clan systems across nearly a century of domination and deportations then the probabilities of US MNEs attaining their thorough integration ambitions are slim. Hence, as Parry *et al.* (2008) argue, context imposes boundaries on homogenising actions in the TPEs of the former Soviet Union. Indeed, the clientelist and clan systems continue unabated, and regulate the institutional reality of both the Caucasus (The Economist, 2015; Meissner, 2011) and Central Asia regions (Minbaeva and Muratbekova-Touron, 2013).

The evidence herein indicates that, where regulations are fluid and weaker, the HR Manual, by virtue of the organisational rhetoric it supports, gained in importance (see 7.3). Consequently, HotelCo sought through the Manual to promote the idea of a common corporate culture, knowledge, and ideology to subsidiaries located in countries of domicile with an entirely different institutional context from the MNE’s parent country. In the case of TPEs, for instance, the endemic institutional weakness and arbitrariness (Demirbag *et al.*, 2015) conditioned people to not take things for granted; seemingly

immutable features of regulation and practice, therefore, may be disrupted. Scholarly research reveals that workers in more peripheral post-communist economies are accustomed to experiencing the absence of the 'rule of law' with widespread usage of "informal employment" arrangements governed by implicit contracts (Williams and Round, 2008, p.369) and payment either in arrears (Earle and Sabirianova, 2002; Howell, 1996) or in kind (Clarke, 1998). Therefore, the MNE's HR Manual elevates its importance with its embedded 'secure perspective' comprising myths, symbols, legends, and routines, thus becoming a fetishised point of reference for the whole hierarchy (cf. Adams *et al.*, 2009). The study also revealed the institutional effects of countries of domicile deriving from the national educational system, particularly with regard to vocational training. CME subsidiaries benefitted from a strong educational system, based on apprenticeship, which allowed investments in training to focus on advanced professional formation, backed up by greater security in employment. Instead, the opposite occurred in LME and, much less, in TPE contexts where subsidiaries provided training from the 'pure' industry basics in order to make up for national training system inefficiencies with a disproportionate emphasis on induction to compensate for high staff turnover rates (see 5.3).

Outsourcing and subcontracting practices were applied particularly in CME and LME as opposed to TPE, where the practice was still in an embryonic state (see 7.3.2). In the latter national capitalist archetype, besides the outcome possibly reflecting the residual effect of past regulation, it could also be the case that labour was so cheap and easy to eliminate that it was not worth hassling with subcontracting and outsourcing. Management also prevented the formation of employee unions. Indeed through its HR Manual, HotelCo was particularly unequivocal in its aversion to dealing with unions (see 5.2.5). This reflects its rather antagonistic stance against trade unions which is commonly seen as a key characteristic of US MNEs (Brewster, 2004).

In contrast to the highly structured CME labour market, LME's stable yet lightly regulated and enforced environment enabled more formalised and flexible employment practices. According to Garson (1999), these are found in outsourcing and subcontracting agencies especially serving the hotel, hospitality, and catering sector. As underlined herein, there is no evidence that HotelCo was involved in any form of illegal work or actions; yet, this is something that scholarly research (Evans *et al.*, 2007, p.86) has

demonstrated affects the broader hotel sector through external employment agencies that assist in dramatic reductions in labour costs (see 7.6.2).

### **8.2.3 Formal organisational rules and strictures versus actual practice**

The third objective was centred on evaluating the divide between formal organisational rules and strictures, and actual practice. Within this investigation, the HR Manual played a pivotal role as a vehicle of corporate aspirations expressing visions and hopes related to operating practices, and the way they are supposed to work, by detailing procedures and implementation instructions (Lawler *et al.*, 2011). Thus, an underlining philosophical question emerges relating to the critical challenges management faces in handling the tensions deriving from the gap between head office ambitions and practice, and the intended practices versus the reality of things (Darwish *et al.*, 2015).

The faithful application of HR policies and procedures at face value often encourages employees go through the motions according to “ceremonial adoption” (Collings and Dick, 2011, p.3850), which in this case was likely to make them attribute differing meanings to their actions from the ones intended by HotelCo head office. Additionally, there were cases of disconnect leading to the “bending of policy” (Brewster and Wood, 2015, p.131) surfacing in instances where HR policies and procedures were not only “ignored”, but also “obstructed” (Schotter and Beamish, 2011, p.215). For example, the cases in which management and employees did not contemplate swapping roles on occasion of the yearly workforce celebration days belong to the former category (see 6.3.5), while the reluctance to apply the whistleblower online platform concern the latter (see 6.2.5).

### **8.2.4 HR policies and practices and different workforce strata**

The fourth objective focussed on comparing and contrasting the implementation of HR policies and practices between different workforce strata. The wealth of both quantitative and qualitative evidence indicated that the hotel MNE’s rhetoric along with HR policies and practices ultimately led to workforce categorisation. As suggested throughout the Findings’ Part, the blue-collar workforce segment was excluded from enjoying most of

the benefits deriving from a highly sophisticated HR system. This reflects the standpoint of Batt and Hermans (2012), according to whom applied HRM:

“Ignores large portions of the working population who are contingent, freelance, part-time, independent contractors, or immigrants”. (p.11).

Despite the Manual’s claims of HotelCo having a strong identity and culture, it seems that these were irrelevant to the bulk of janitors and blue-collar workers that were employed under precarious conditions (see 7.6.2) in subsidiaries (cf. Alberti, 2014a).

The evidence points towards hotels featuring an unusually strongly segmented workforce divided into multiple strata whereby, in practice, attention to rank-and-file employees was missing to such an extent that they were almost ‘written out of the system’. Proof of this is offered by the participant observer who identified that the overwhelming share of his working time was dedicated to managerial and upper-tier workforce issues and administrative tasks as opposed to rank-and-file employee matters.

This study, therefore, suggests that even the lower tier is marked by a further segmentation: relatively better off blue-collar workers who are under the hotel payroll with a standard work agreement which may be either full- or part-time; and, an external workforce employed by the properties through subcontracted or outsourced arrangements (see 6.3.6). Although both these segments endured being excluded from the articulated HR system, it was the latter that were in a far more precarious position. Indeed, subcontracted or outsourced workforce were not considered in the HR Manual even if represented a sizable share of the total workforce in LME and CME subsidiaries (26.92% and 16.75% on average, respectively – see Table 7.6). Further, in-depth interviews revealed two calculative instances whereby measures were taken to marginalise and neglect outsourced and subcontracted workers as a result of the “distancing flexibility” sought (Lai *et al.*, 2008, p.135). The first related to the chain of command whereby LME hotel management was instructed to communicate guidelines to the *in situ* supervisor of the outsourcing or subcontracting agency in order to, among other things, discourage expectations from this category of workers to demand standard employees’ rights (see 7.3.2). The second is that, even in regulated CME hotel properties, there was considerable variation between core and outsourced workers including the denial to outsourced CME employees to a Christmas Bonus entitlement, which was, instead, contributed to the

standard workforce. A Christmas Bonus is a convention common in many continental European CMEs, which is calculated based on yearly profitability levels achieved collectively and, logically, also through the efforts of outsourced workers (see 6.3.3).

Evidence further suggests that HotelCo emphasised employee training as the key HRM practice to maintain brand identity and ensure service quality and consistency (see 7.3). Training appears to cover a primary role because the performance appraisal system gravitated around employee development while excluding any compensation discussion (see 5.4.6). Thus, training offered through an articulated platform was instrumental towards performance improvement and career goal attainment because, ultimately, capability gaps were identified and resolved through such activities.

The high turnover rates in CME and LME subsidiaries at the blue-collar, rank-and-file, and junior supervisor levels still, however, suggest that a lot of training resources were spent on basic induction which leads to the observation that, ultimately, the firm was training for competitors who ‘poached’ staff (see 7.6.1). In fact, there are elements challenging the intended aims of training as a critical investment in people as suggested through HotelCo rhetoric. On the one hand, the explicit linkage of training to career progression related mostly to the upper tier workforce. For blue-collar workers the claimed developmental approach to performance appraisal possibly meant that they simply went ‘through the motions’ of the process, while receiving feedback that they could ‘make of it what they would’. Additionally, the participation in the training of blue-collar employees was hampered by incessant workload pressures where the possibilities for blue-collar workers to participate in training sessions, other than induction, were slim (see 7.5.1). Thus, at a deeper level of analysis, the rhetoric purporting a MNE offering career advancement opportunities to its entire workforce was essentially contradicting reality; in fact, the blue-collar segment was, once again, left out of the system. Instead, training initiatives were finding fertile grounds in the upper and talented workforce tier that would develop into the necessary “global pool of people” destined to work in key organisational positions (Sparrow *et al.*, 2011, p.39).

This research reveals that the aforementioned workforce stratification occurred along the lines provided by the definition of talent according to the case-study MNE. In fact, its HR Manual (HotelCo, 2012) illustrates that talent represented the skills that were of utmost importance for the company in order to attain sustained success based on leadership

expectations. Hence, the Manual stressed that HR executives were tasked with bringing to the company the most qualified talent, as well as retaining and developing high performers (HotelCo, 2012). It seems that the higher the level of talent possessed, the better the chances were to become part of the organisations' core workforce segment: this evidently concerned managerial and professional employees with critical skills for HotelCo's competitive advantage. Conversely, the absence of critical talent placed employees on the organisational periphery, under precarious and casual work agreements.

Therefore, a further gap between aspirations and reality emerged in relation to HR Manual rhetoric about employees working together as a strong team and representing HotelCo's most valuable asset. In practice, this was valid only for a core workforce minority. For instance, HR policies and practices related to performance appraisal, benefits and pay-for-performance administration, training and career development opportunities specifically benefitted the first employee segment of talented workers to whom MNE rhetoric was addressed. Conversely, not only did the second vulnerable and precarious blue-collar employee segment remain left out of the elaborate HR system, but it was also affected by an incessant turnover rate. Respondents stated that, despite noteworthy voluntary turnover rates especially in CME and LME subsidiaries, circumstances were still manageable, suggesting that, basically, departing blue-collar workers did not affect the talent capital of the HotelCo subsidiaries (see 7.6.2).

The stratification of the workforce within the investigated MNE seems to reflect the broader "new class division" process (Latimer and Munro, 2015, p.427) affecting developed economies. Yet, this reality is not addressed in the HR Manual. Instead, it features inclusive MNE rhetoric that recognises the unique value and contribution of all job positions to sustained company success (HotelCo, 2012).

## **8.3 Theoretical implications**

### **8.3.1 Tension between company aspirations and reality**

In numerous instances this thesis manages to reveal the gap between corporate aspirations and reality. For example, a statistically significant difference emerged in the perception of head office influence on employee engagement across clusters (see 5.2.5). Although in-depth interviews indicate HR executives' eagerness in declaring that HotelCo wielded uniform influence across clusters in terms of employee engagement, the feedback obtained via anonymous and confidential questionnaires points to the opposite. Evidence suggests that TPE hotels featured a significantly lower score than CME and LME subsidiaries. Despite the apparently strong homogenising effect of the US MNE on its overseas properties and the application of yearly 'state-of-the-art' engagement surveys accompanied with rich and informative internal marketing campaigns, participant observation further underscores that subsidiary employees were urged to get involved in this process regardless of whether they believed in it or not.

According to the anthropological and sociological literature on expectations, grass-roots aspirational movements such as cargo cults (Lawson and Garrod, 2001; Barnard and Spencer, 1996) may unify on the promise of universal future prosperity if certain prescriptions are followed. In contrast, top down, managerial driven aspirational narratives may be similarly optimistic (e.g., organisational success, workplace security, inclusive and empowering culture, etc.) and prescriptive, but rank and file buy in is more likely to be conditional or even 'lip service' oriented. In other words, their capability to promote organisational unity and common purpose may be more limited, but may be compensated by even more wishful thinking.

The triangular comparison of in-depth interview responses, survey answers, document analysis as well as participant observation leads to the emergence of several telling instances in which a gap between corporate ambitions expressed in the HR Manual and reality occurred. For example, this research highlights the rhetoric about a workplace featuring an open policy on diversity and inclusion where employees would feel comfortable by 'being themselves' at work. In reality, though, participant observation converges with scholarly research in having some doubts on this. In fact, hotel companies

not only usually feature deeply embedded task-oriented and autocratic leadership styles (Nyberg *et al.*, 2011), but are also often pervaded by stereotypes emerging in the preference to recruit employees of younger age, for instance (Luoh and Tsaur, 2011; Furunes and Mykletun, 2007).

Another discrepancy between corporate ambition and reality surfaced in the case of the introduction of a new, global, and anonymous online whistleblowing procedure. Despite the initiative being accompanied by due rhetoric and detailed application guidelines, the participant observer noted employees appeared reluctant to activate the procedure. Indeed, this key requirement for the system to operate as envisioned was challenged due to two main reasons. First, there was the unwillingness of employees to apply it on institutional and cultural grounds which did not approve anonymous allegations (see 6.2.5). Second, resulting from the preceding determinant, the application of the whistleblowing policy was hampered by the dearth of EU laws protecting whistleblowers (Deutsche Welle, 2015; Yeoh, 2014).

This research also uncovers several mismatches between employee and management preferences. Indeed, while employees primarily favoured immediacy through verbal and collective communication, HR respondents indicated that management gave top priority to written messages (see 6.3.6). Further, diverging attitudes emerged in relation with occurrences linked to the performance appraisal and the workforce celebration days, which were organised based on a detailed calendar of events (cf. Guyer, 2007). During those set occasions, head office, subsidiary-level management, and workers entered into close collaboration, even if following “quite different trajectories” (Guyer, 2007, p.418). For example, the HR Manual professed that the top-down appraisal process had to be experienced by the manager and the employee exclusively with a developmental mindset, without addressing any compensation matters (see 5.5.6). Instead, participant observation notes that it was next to impossible to decouple performance appraisal from any compensation review because employees were expecting a positively rated performance to be accompanied with a corresponding impact on their pay. Also, although the performance appraisal was claimed to be instrumental for the professional advancement of employees, the latter were convinced that it would represent a prime point of reference on which decisions related to redundancies would have been made (see 5.5.5). In the second instance, the yearly celebration days also revealed the divergence between corporate ambition and how things happened in reality (6.3.5). In fact, the spirit with

which employees lived these planned activities varied from corporate wishes and aspirations. As highlighted, participant observation indicated that key activities such as role changing between managers and janitors were opposed to by both parties. While the former would feel their prestige was blemished, the latter tended to perceive this event as a mockery. Moreover, there were cases in which HR Manual dispositions in the name of a better HR service provision to the employees did not materialise. For example, participant observation reports about a project related to the creation of an HR information desk in a high-traffic ‘back-of-house’ location. Although an HR employee was supposed to assist employees with any employment-related enquiries and concerns at set hours, the initiative was quickly abandoned since it was not utilised as expected (see 6.3.5).

Nonetheless, the business approach of HotelCo as divulged in the HR Manual is permeated by an “anticipatory regime” (Adams *et al.*, 2009), marking:

“A shift from regimes of truth to regimes in which anticipation is formed through modes of prediction and instrumentality (...) binding subjects in affective economies of fear, hope, salvation and precariousness oriented temporally toward futures already made ‘real’ in the present”. (p.260).

In other words, what the literature on aspirations alerts us to is that, in situations where it is not possible to impose order or realise specific developmental objectives, aspirations may be deployed as a unifying device with narrative providing a mechanism for coping with a very much more disorderly reality. Ultimately, the MNE aims at the seamless operative alignment of its overseas subsidiaries to the corporate model through the unifying force of the HR Manual into which aspirations and practices conflate. In reality, however, drawing from Walsh’s (2004) work on aspirations, it can be argued that workers perceive HR policies and practices in their own subjective way, even if they appear to comply with HR Manual guidelines, deadlines, and traditions, while being bombarded with internal corporate communication rhetoric. In fact, in the words of Guyer (2007):

“People everywhere live with comparable exhortations and rhetorics now, whose terms of reference, such as dates on the calendar, give the impression of us all living in the same world at the same time, although the lived disciplines and ruptures create quite different trajectories”. (p.418).

The study of Walsh (2004), for instance, depicts how people cope with disorder or fragmentation, and highlights “The significant roles that deception and knowledge differentials play” in partially or unregulated economic activity (p.225). Consequently, the HR Manual functions as repository of all corporate aspirations, besides constituting an outline of processes, which conveys the promise of a perfect near future if certain rituals or rules were adhered to. If applied faithfully, the corporate rhetoric maintained that it would have allowed overseas properties to differentiate themselves from both local and equivalent global competitors (see 5.2.3). As noted by participant observation, HotelCo’s aspirations and ambitions were a main feature of the HR Manual which was addressed to a prevalently young workforce that was probably better set to accept and seek to apply guidelines at face value (see 6.3.6).

Fundamentally, HotelCo’s rhetoric divulged that, in any case and no matter what, the system would work one way or the other. This surfaced in competency-based selection interview (see 5.3.5), training and development (see 5.2), and career planning (see 7.5.1), whereby such formal processes varied from the reality, most notably in TPE subsidiaries. Again, a feature of aspiration was not only the fetishisation of procedures (whether they work or not), but also the unswerving optimism in the prospect of general prosperity (cf. Walsh, 2004). Here, the divide between organisational rules and strictures, and actual practice neatly emerged in the analysis of performance appraisal procedures (see 5.5.3). Evidence showed that the ideology expressed in the HR Manual emphasised the exclusively developmental character of performance appraisal practices. Yet, participant observation suggested that in practice employees inevitably linked their compensation with performance evaluation results and that the results were not always benign.

Consequently, the first novel theoretical implication contributed by this study relates to the tension between company wishes, rhetoric, ideology, and actual reality. In fact the latter is messy and ad hoc, thus forcing HR executives in countries of domicile to be overwhelmingly focussed on day-to-day problem solving rather than on more strategic activities. Evidence thus points to a noticeable discrepancy between desired and talked HRM, and what happens in practice.

Taken to another level, this dissonance also surfaces in the way in which HRM is taught as opposed to its real application. In fact, business schools educate prospective managers by centring upon proclaimed and intended HR policies and practices while avoiding to

critically reflect upon HRM practice and its subsequent application flaws (Griggs *et al.*, 2015; Van Buren III and Greenwood, 2013). Indeed, this default emerges in the business literature at large, whereby authors have historically been giving emphasis to aspired HRM (Edwards, 2009) while avoiding its negative-sounding aspects (Redman *et al.*, 2013; Boselie *et al.*, 2005). Ironically, as taught HRM does not address the abovementioned tensions, college educated MNE head office HR specialists cultivate the assumption that HR policies and practices unfold as predetermined across country of domicile subsidiaries. As the thesis contends, this is certainly not the case, thus raising the question whether HRM is taught credibly in the first place.

Hence, the HR Manual rises to symbolise the deeply-seated conviction MNEs have that their aspirations, ideologies, and expectations would materialise across all institutional contexts within which they operate. This reflects the anticipatory stance illustrated by Pollock and Williams (2010) according to whom, in challenging circumstances:

“*Any vision if handled and communicated by enough reliable and trusted actors [assumes sufficient credibility to assume it] could become true*”. (p.529, italics in original).

In divulging anticipatory visions and hopes of relentless advancement (Adams *et al.*, 2009) through the HR Manual and other powerful internal communication means such as the corporate intranet, what MNEs do can be located in the “sociology of expectations” literature (Borup *et al.*, 2006, p.285). Borup *et al.* (2006) argue that anticipation can be key in mobilising and committing resources, a possible example being company stakeholders towards the attainment of organisational strategic aspirations.

Yet, this thesis underlines the pervasive effect of the aspiration-versus-practice tension whereby visions and hopes expressed in the HR Manual collide with reality. Lending from the argument by Pollock and Williams (2010), it seems that MNEs thus fail to consider the actual work required in producing corporate expectations because there is the assumptions that better futures are attained if only policies are orderly and faithfully implemented. This view, however, does not take into account the necessary temporal horizons which, as Guyer (2007) argues, allow for:

“Planning and hoping, of tracing out mutual influences, of engaging in struggles for specific goals”. (p.409).

### **8.3.2 MNE as a partially institutionally rooted international actor**

The second theoretical implication relates to the peculiarity of how the firm, as a partially institutionally rooted international actor, affects the application of HRM through its overseas subsidiaries. As Regnér and Edman (2013) argue:

“While MNEs are exposed to highly complex pressure across regulative, normative, and cognitive institutions, they also respond forcefully”.  
(p.276).

MNE subsidiaries then act in ways offering competitive advantage through strategic HRM responses to constraints exerted by the institutional environment (Oliver, 1997). Consequently, this thesis contributes to knowledge by illustrating how a MNE within the hotel industry internationalises its operations across different institutional contexts (cf. Whitley, 2012; Morgan, 2012, 2005; Morgan and Quack, 2005; Morgan *et al.*, 2001).

A consequence deriving from the purportedly strong homogenising effect of US MNEs (Fenton-O’Creivy *et al.*, 2008) is the establishment of relatively seamless lines of control supported by significant investments in e-HRM online technology. As findings reveal, these surfaced at all main HRM levels, encompassing recruitment and selection, performance appraisal, employee personal and compensation records, opinion survey, training and compliance records, grievance, and whistleblowing practices. Under such initiatives, head office could instantly have a clear and comprehensive picture about HR policies and practices application in all countries of domicile. As Parry and Tyson (2011) argue, ultimately corporate MNE offices strive to attain control of overseas operations through e-HRM functioning as a unitarist mechanism for, supposedly, more effective decision making. These findings help to enrich the most recent comparative and international HRM research. In fact, this has been expanded by Brewster and Wood (2015) who address efforts by MNEs to ensure, via latest online technology, that overseas subsidiary operations ‘perfectly’ comply with HR policies and practices dictated by corporate office.

Another distinguishing element in HRM practice deriving from the tradition of US MNEs relates to HotelCo’s antagonism towards unions. Apart from being addressed in the HR Manual, this indeed occurred in practice whereby none of the sampled properties was unionised. It was evident that HRM actions in subsidiaries were undertaken in the name

of their best usage of employee talent and had to occur without external interference. Consequently, this was obtained through subsidiary-level HR executives 'preventing' the formation of property-based unions. To this end, for instance, employee turnover was instrumental. Incidentally, this non-existent role of unions also meets with the homogenisation of labour laws internationally (Paik *et al.*, 2011). An arm's-length relationship appears to have been established between MNE head office and the subsidiaries on context-specific matters such as labour relations issues as well as employment and job protection directives. It results, therefore, that, on condition that the budget is respected and that the labour law of the country of domicile is consistently implemented, subsidiary-level HR executives experienced a significant degree of autonomy. This could be taken as an invitation for local HR executives to use their discretion to implement either as many hardline policies as possible or to attain progressive improvements with employees. Nonetheless, given that MNE head office seemed to provide little active support for the latter owing to its arm's length approach, it is likely that, in most circumstances, the former represented the company's established *modus operandi*.

The variegated workforce composition was key to attaining labour cost adaptation to changes in business level and wage compression. The resulting multiple segmentation of workers represented a strategic HRM response towards competitive advantage. As findings reveal, standard-contract blue-collar workers were virtually ruled out of the sophisticated HRM system which was more applicable to talented core employees, let alone workers under non-standard employment agreements. In fact, wherever local institutional context were favourable such as in LME and CME, HotelCo subsidiaries appeared to take extensive advantage of non-standard employment forms.

A further HRM practice affected by the firm itself relates to financial benefits administration. HotelCo handled the matter with an approach which rewarded its workforce with unique talents. Hence, it offered a centrally administered group bonus program only for strategically important top management, even if it was calculated based on the contribution of the totality of the workforce. The other talented category of employees enjoying a form of financial participation consisted of Sales and Front Office staff. This occurred because there was the possibility to specifically monitor and quantify employee performance outcomes based on revenue generated, which represents an essential condition for individual bonuses to be paid out (Merk, 2014).

Finally, training and development was the fulcrum of organisational success according to HotelCo corporate rhetoric divulged online via its corporate site and intranet as well as through the HR Manual, employee handbooks, and posters. By offering a plethora of training content, subsidiary-based HR executives had the opportunity to promote training to attract prospective candidates and motivate incumbent employees to consider such training as a necessary passage towards a brighter career. Training embraces the ‘rags-to-riches’ myth, about which US MNEs are particularly pronounced (Harrington and Boardman, 2009). Findings indicate that the performance appraisal process was exclusively focussed on employee training and development, thus preventing any discussion on promotion or pay rise to occur. One is, however, induced to conclude that training could have been possibly considered a currency of exchange whereby employees develop their talent now, perform accordingly and, based on their critical contribution to HotelCo success, would then expect to be rewarded sometime.

### **8.3.3 Comprehending the transitional periphery capitalist archetype: challenges to MNE homogenising pressures**

In emerging economies such as TPEs, MNEs appear to feature a workforce, and especially managers, willing to embrace the corporate ideology, rhetoric, and corresponding guidelines, which stand in stark contrast with the weak surrounding institutional environment and local competition. As shared by TPE respondents, this resulted from the fact that the particular context lacked a tradition in world-class hotel MNE-type HRM implementation. In fact, there were many instances in which the workforce was exposed to unfamiliar non-financial HRM areas related to engagement, as well as investment in people encompassing, among others, training and development, performance management, and career planning.

Nonetheless, the HRM approach to transitional periphery countries of domicile concerning finance and law related matters helped in ensuring the respect of budget constraints, while complying with the local labour law *in primis*. As illustrated, the labour law in TPEs had been recently deregulated to allow for outsourcing and subcontracting practices, even if part-time employment still could not be less than 50% of full-time employment. Consequently, these critical structural differences between the post-

communist TPEs on one hand, and the Western European LMEs and CMEs on the other (Wood *et al.*, 2014), limited the labour flexibility options of HotelCo subsidiaries in TPEs versus those operating in LMEs and CMEs, even if wages were a lot lower in the TPEs. Incidentally, this latter element, compounded with a very high inflation rate, rendered recognition prizes particularly sought after by TPE employees, as opposed to LME and CME ones. Further, the widespread insecurity experienced by employees resulting from the weak, unstable, and arbitrary institutional settings maintained voluntary turnover rates in TPE subsidiaries at a limited 10%, compared to 20% and 50% of CME and LME hotel properties, respectively. From a TPE subsidiary perspective this was positive, because the moderate turnover rate helped in retaining employee talent cultivated through the rich training material available. Yet, as illustrated, TPE properties incurred an additional noteworthy burden resulting from tailor-made training programs to educate their workforce. Thus, TPE subsidiaries were at a net disadvantage compared to CME and LME properties because the local educational system did not provide quality vocational schools for hotel professions.

Still, the major differences between the application of HRM in TPE as opposed to CME and LME subsidiaries resided at two distinct levels: the law and what the law means; and, the clan system. In relation to the first distinctive element, the researcher managed to shed light on it while addressing contextual setting differences (see 5.2.3), whereby it emerged that new hires often obtained their first official hiring in the TPE subsidiary. When exploring the selection process in TPE properties, it surfaced that CV data and references were not reliable selection tools (see 5.3.4); candidates often concealed previous work history and references resulting from employment in the “informal economy” (cf. Morris and Polese, 2014, p.2; Williams and Round, 2008, 2007). The aforementioned findings, therefore, by admitting the common occurrence of unofficial employment, pointed towards poor law enforcement capabilities in TPE in contrast with CME and LME subsidiaries. This is key evidence revealing how labour law is perceived and complied with, by placing the overseas MNE subsidiary at odds with what local businesses typically practice.

Alternatively, the well-documented pervasiveness of the clan system in both the Caucasus and Central Asia contexts (The Economist, 2015; Minbaeva and Muratbekova-Touron, 2013; Schatz, 2013; Meissner, 2011; Gullette, 2007; Roy, 2007; Collins, 2002) indicates that it may well have affected the application of HR policies and practices. In this research,

bias and favouritism are addressed through employee selection (see 5.3.3) and the performance appraisal processes (see 5.5.3). Despite the fact that TPE respondents unanimously agreed with their CME and LME counterparts, one cannot ignore the overpowering effect of the clan system and the deriving favouritism and clientelism. As argued, what chances could there realistically be for a US MNE to homogenise HRM subsidiary practices in TPE properties, while a ruthless Communist party in the Soviet Union never succeeded to impose internal coherence and had to assimilate local clan-based institutional practices over many decades?

Overall, this study adds to the comparative capitalism literature by elaborating on the very novel concept of a TPE capitalist archetype which has recently emerged (cf. Wood and Demirbag, 2015).

#### **8.4 Research methodology and an unexpected find**

This research has profited from the application of a mix of methods enabling a varied collection of findings and a multifaceted analysis (cf. Bryman, 2012). In fact, triangulation was attained by complementing quantitative and qualitative research methods with document analysis and, most importantly, participant observation. This juxtaposition was instrumental since respondents, being active HR executives themselves, tended to provide similar and conventional answers aligned with corporate rhetoric. Therefore, participant observation afforded the opportunity to dig deeper and illustrate that the way companies want things to happen is often not the same as how things run in reality.

An unexpected empirical find occurred during the elaboration of evidence related to employee engagement (see 5.2.6). Fundamentally, a discrepancy surfaced between verbal feedback and survey responses, showing a statistically significant difference between the latter as opposed to the converging answers offered during in-depth interviews. This illustrates an interesting methodological point because, when interviewed, respondents appeared quite evangelical at times, and tended to project a consistent message in terms of how the company would have liked to think things were working. In line with Guyer's argument (2007), it seems that the promising attitude of these management

representatives indicated a near perfect future if only certain rituals or rules were adhered to. Instead, questionnaires revealed a great deal of diversity in practice.

Consequently, this indicates that either the company was not able to get its overall HR message across that well in reality, or it did allow quite a lot of diversity, despite all the rhetoric of internal standardisation. The comparison of these parallel inputs shows that respondents from big organisations, in face to face interviews, are likely to give an official line, but may depart from it, or at least stray a little more from the official line, in an anonymous survey context. In contrast, a lot of the social research literature suggests that surveys are a bit neutral, and interviews are better in capturing feelings and nuances (Giddens and Sutton, 2010).

### **8.5 Recommendations for HRM practice and areas for future research**

Since reality is more nuanced than it appears, questions emerge in relation to the strong homogenising effect of US MNEs on local subsidiaries. The present study cannot define if this is owed to the very nature of the labour-intensive hotel industry and this consequently represents an area for future research. There are instances suggesting limitations to managerial power, as managerial efforts are undertaken to impose HR policies and practices on workforces located in countries with national capitalist archetypes diametrically different from US home country. The very fact that employees behaved in a compliant fashion as if ‘going through the motions’ does not necessarily indicate that they attributed to those actions the same meaning intended by head office; a seemingly unified discourse of aspirations may mask variety in interpretation. Instances of policy bending as well as obstructing or ‘going through the motions’ were identified. This was due not only to the close communication overseas subsidiary HR executives maintained with divisional offices, but also the observation that corporate HR offices were staffed with executives with rich and varied international hotel experience.

Drawing from Brewster and Wood (2015), another recommendation concerns the further exploration of measures implemented by MNEs to attain alignment to corporate HR policies and practices across subsidiaries. The aim could be to assess whether corporate alignment is, ultimately, feasible or a myth. If it is the latter, then research may seek to attain a fuller understanding of what the implications are for day to day management.

This reality is further exacerbated by the imperative to operate with a low payroll cost in all subsidiaries, which suggests that two main consequences need to be extensively analysed: workforce segmentation; and, the arm's length approach of the MNE. While the former is endemic to the highly cyclical hotel industry, the latter results from efforts to contain labour cost in ways compliant to country of domicile laws. Findings in a CME subsidiary additionally show that calculative HRM considerations led to the substitution of managerial positions with lower paid line employees; in other words, a degrading of job status, but not necessarily of role (see 7.3.2). Thus, an interesting question to research further could be the knock-on effect of these staffing decisions on customer service.

At a different level, an additional observation surfaces concerning the reiterated labour-intensive characteristic of hotels and the extent to which they manage workforces efficiently, with special reference to blue-collar employees. Although this could not effectively be 'tested' in the present thesis as it was not a key research objective, hotel organisations might be labour intensive owing to either the nature of work, or critical inefficiencies. Hence, the MNE's distancing arm's length approach may generate more costs than the ones it attempts to eliminate because it is debatable if management, in so doing, are really solving the HR challenges concerning rank-and-file employees.

By resorting to cheaper subcontracting and/or outsourcing alternatives rather than dealing with the problem directly, it appears that HotelCo management may have expected to attain three main benefits: first, keep wages down; second, eliminate the occurrence of strikes; and, last, exert higher pressure on the labour force. This does not mean that labour was more efficient; rather, it could have led to a tendency to use ever increasing amounts of low cost labour as a means of 'solving' structural HR problems. Such alternatives seemingly allow managers to drastically reduce nominal payroll expenses. Thus, future research might investigate how workers respond to increases in workloads by, for instance, working slower and more methodically, or by being less attentive to details in executing their tasks. To illustrate, this would occur with chambermaids 'soldiering' or working at being seen to do large amounts of (often cursory) cleaning in guestrooms to attain the "control of the labour process" (Darlington, 2014, p.115). Additionally, in terms of avoiding strikes, managers may be successful in many contexts to prevent unions' actions through the employment of an external workforce via outsourcing and subcontracting. While this research does not feature substantial evidence in this respect, the protracted and documented bitter disputes HotelCo had with unions in its country of

origin may have not only damaged its reputation, but also triggered 'hidden' employee responses and impacted its overseas operations as well; a possible example of this being subsequent industrial action in France (see 7.5.2). Hence, it appears that cheap outsourcing and subcontracting labour practices in hotels may generate more challenges than they try to solve. According to Ritzer (2007), this is further exacerbated by the lack of empathy towards customer service experienced by precarious and external workers. Future research will need to uncover if these alternative cost-cutting employment arrangements achieve the benefits expected.

Last, this thesis was focused exclusively on fully owned properties. A future research area could investigate HRM practice applied in country of domicile hotel properties managed through franchise agreement and management contract in order to also address complex agency challenges arising from the relationship of hotel MNEs with franchisees and owning companies, respectively.

## **8.6 Research Limitations**

This study considers the input provided by a small sample of overseas subsidiary HR executives operating in fully owned hotel properties of a hotel MNE. The sample could not be enlarged to encompass more properties and respondents from diverse workforce strata, departments, and positions because of explicit and binding conditions imposed by the case study hotel chain on the researcher.

Despite their limited effects, the guidelines set by HotelCo presented a number of unforeseen benefits. First, the study is on the totality of properties fully owned by the US MNE hotel chain operating in its European division. In other words, the research focused on those properties which head office influenced directly, without any agency issues that might be associated with hotels operating under franchising agreements or management contracts. Secondly, the identical ownership pattern across properties allowed for equivalent comparisons. Last, even if restricted, the sample covered diverse national capitalist archetypes characterising the examined geographic region.

In terms of small sample inferential statistics, the Mann-Whitney U Test was used for ordinal data as it corresponds to the parametric independent-groups t-test, while being the equivalent of the Kruskal-Wallis Analysis of Variance with the difference that the latter applies to three and more unrelated samples. Relatively with nominal data collected, the Fisher's Exact Test for 2 x 2 Tables was used owing to its capacity to present analogous statistical cross-tabulation analysis as the Chi-square Test, which enables the identification of the contingency significance between two classification types. Yet, the application of the aforementioned tests indicated few cases presenting statistically significant differences. This was also the result of responses which were generated by a category of executives with a vested interest in depicting positively HR practices occurring in their respective subsidiaries.

Consequently, despite challenges originating from a narrow sample, the study has validity because it attained to offer highly detailed research through, on the one hand, the extensive use of quantitative and qualitative research methods, and, on the other hand, the unique contribution of participant observation. Besides detailing the methodological advances in the study, Chapter 4 underlines that the researcher not only covered the role of participant observer, but also provided an insider's interpretation of document analysis owing to practitioner experiences. Using a combination of methods allowed for the capturing of a base consisting of a limited range of core factual information in a standardised manner leading the analysis to a deeper exploratory level.

The application of triangulation based on a combination of research methods was instrumental in inductively deriving meaning from evidence through a multiple, structured approach. The restricted number of respondents constituted an opportune sample allowing for an "analytic, inductive and exploratory" study (Crouch and McKenzie, 2006, p. 496). As such, it was possible to collect evidence from anonymous surveys and in-depth interviews administered to the same pool of respondents. Further, according to Merriam (2014), generalisations based on detailed small sample research may thus occur: each case is, theoretically, a potential representation of another situation because "The general lies in the particular". (p. 225).

Indeed, this reflection draws from an earlier famous argument by Erickson (1986) according to whom:

“The search is not for *abstract universals* arrived at by statistical generalization from a sample to a population, but for *concrete universals*, arrived at by studying a specific case in great detail, and then comparing it with other cases studied in equally great detail”. (p.130, italics in original).

Despite recognising that it would have represented, in principle, a fertile ground for further study, the exclusion of workers' voice was justified by considering that it would have prevented the examination of equivalent data as this thesis was focused on comparing and contrasting. In fact, while union representation was absent in the sampled properties, in many contexts the extensive use of outsourced labour would have hampered access to workers. Besides, high turnover rates for blue collar staff would make union organising extremely difficult. Further, if the participant observer would have conducted interviews with employees themselves, there was also the risk to affect study outcomes owing to the power imbalance threat the researcher would have imposed as active HR executive, at the time, within the same MNE. Last, as emerged in the analysis, the MNE under consideration was explicitly not favouring unions, consequently there would have been potentially very few people available to talk to.

The researcher acknowledges that in some contexts unions are stronger, and affected by the capitalistic archetype the economy may fall into (Walker *et al.*, 2014). Consequently, even if a consistent, standardised knowledge base was essential in order to apply basic comparisons according to this thesis' research design, exploration of workers' voices would represent an area of future ethnographic research.

Lastly, this study did not compare country of origin effects as it was not a key objective. Consequently, as no conclusions may be reached on whether any effects of the country of origin are typical of the US paradigm or not, this study is centred on how practices vary according to country of domicile, and whether these variations can be explained by institutional differences. Nonetheless, the varied scope of national capitalist archetypes featured in the survey and, particularly, the in-depth exploration of the very novel concept of TPE capitalist archetype, presented multiple advantages. Namely, these were the assessment of both the extent according to which local institutional forces affected the

implementation of corporate HR policies and practices, and the nature of the interplay between head office and fully owned subsidiaries of the case study US MNE hotel chain.

## **8.7 Chapter 8: Conclusion**

Despite conventional wisdom as to a supposedly strong homogenising effect within US MNEs, reality appears to be more nuanced in relation to HRM applied to overseas subsidiaries, at least in the case of the study firm. As emerged in this thesis, institutional varieties expressed in terms of, mainly, differing labour laws, educational systems, and associated social ties such as clanism in TPEs, prompted overseas MNE subsidiaries to adjust to local settings in line with the nature and relative strength of institutional arrangements. Although there has been growing recognition that what host country MNE subsidiaries do is a mix of home and host country institutional pressures, this thesis highlights the extent to which the process is uneven, contingent, and subject to contestation and redefinition.

The study also revealed a tension between corporate aspirations, ideology, and implementation guidelines featured in the HR Manual, and actual practice. The literature on aspirations alerts us to the extent to which, in challenging circumstances, a discourse of expectations may act as a substitute for coherence and progress. At the same time, whilst unifying constituents around a particular narrative do transpire, invariably actual implementation is forever postponed into the future. Again, a feature of such narratives is inclusive prosperity; in reality, attempts at implementation may render the most vulnerable worse off (Walsh, 2004). Indeed, whilst promising organisational progress benefitting all, the implementation of specific HR systems flowing from the HR Manual meant that some employees were rendered in a more precarious position in terms of tenure and incomes.

Despite its ambitions, this study attains to reveal that hotel MNE chain tended to default to an arm's length approach, devolving to subsidiary HR executives operating in countries of domicile the responsibility to deliver products and services with the lowest possible payroll cost, yet within the boundaries set by the local labour law. In fact, since the industry is labour-intensive, payroll expenses compression is vital for competitiveness. This consideration urges overseas subsidiaries to apply calculative labour-cost reducing practices which deepen the endemic workforce segmentation, if not multi-layering. Also,

distancing by head office impacts the attitude of the workforce in relation to company HR policies and practices, leading to 'going through the motion' attitudes from the side of employees. Invariably, as the literature on the labour process alerts us, precarious workers may respond through the traditional methods of 'soldiering' and 'slacking', the best efforts to commodify their labour time notwithstanding (Klotz and Buckley, 2013).

Epitomising the gap between rhetoric and practice, the employee engagement opinion survey 'ritual' represented a case in point. In fact, respondents indicated that employees had low expectations, and, indeed, the results were released late; moreover, survey participants could be easily identified in the case of small teams and at the managerial level thus compromising the process. This led to the exercise being treated with a great deal of cynicism.

Lastly, the research unveiled a statistically significant difference in terms of employee engagement between national capitalist archetypes, reflecting both the strength and consistency of institutional coverage, and differing regulatory traditions. Dualistic labour forces and a tendency to an arm's length HR management across national boundaries stood in sharp contrast to the rhetoric of unity and shared HR strategies. This disconnect may have served to alienate substantial layers of blue-collar and non-standard employed workforce. In the end, it seems that the sophisticated HR espoused applied mainly to core, privileged, and upper-tier core employees in mature economies.

## ***ENDNOTES***

### **Research philosophy**

As Guba and Lincoln (1994) maintain, the researcher's utmost priority is to clarify which paradigm is applicable to study before addressing the issue of research methods. Since a paradigm represents a theoretical orientation or, more simply, the philosophical lens through which one sees the world (Tashakkori and Teddlie, 1998), interprets it, and organises their experience (Feilzer, 2010), Guba and Lincoln (1994) observe that:

“Both qualitative and quantitative methods may be used appropriately with any research paradigm. Questions of method are secondary to questions of paradigm, which we define as the basic belief system or world view that guides the investigation, not only in choices of method but in ontologically and epistemologically fundamental ways”. (p.105).

Consequently, a researcher in social sciences ought to identify all those influences that affect the actualisation of their research from a philosophical standpoint. In particular, firstly, the role of theory in relation to social research is of paramount importance as it defines the method according to which research is undertaken. As Gill and Johnson (2002) argue, theory represents:

“A formulation regarding the cause-and-effect relationships between two or more variables, which may or may not have been tested”. (p.228).

In this respect, Creswell (1994, p.83) proposes that theories can be classified according to three main categories, namely “grand”, “middle-range”, and “substantive”. As their title imply, the former relate to the domain of natural sciences, while the next, although not revolutionary, yet assist in interpreting the world. Finally, the latter classification represents theoretical efforts at detail level to explain and further the boundaries of knowledge, even if they are not generalizable as Merton (1967) contends. Nonetheless, Creswell (1994) maintains that a collection of substantive theories with same propositions is conducive to the creation of a middle-range theory.

A researcher, then, may apply either a deductive or inductive model of enquiry depending on whether they wish, respectively, to empirically examine existing theory (Fossey *et al.*,

2002) or formulate a theory based on data collected, (Thomas, 2006; Strauss and Corbin, 1998).

Secondly, premises of ontological, epistemological and methodological nature (Saunders *et al.*, 2007; Guba and Lincoln, 1994) are cardinal in order to define the perspective of the researcher in relation with the object of their study. Thus, Guba (1990) comes to the conclusion that a researcher's paradigm is the result of their ontological, epistemological, and methodological propositions leading to "A basic set of beliefs that guides action". (p.17).

### **Social research methodology**

Since the present research work belongs to the domain of social sciences, there is the preliminary need to identify and describe methods and tools available to attain the research objectives while considering their respective benefits and drawbacks. Thereafter, the ensuing section illustrates the strategy which offers the appropriate research orientation towards designing and implementing social inquiry.

First of all, the methodological question as to how the world is understood and known about is answered with an epistemologically founded answer: either with a quantitative or qualitative research approach (Bernard, 2000). Although exclusive and distinct, their contrasting features make it possible to have both approaches used in a combined fashion in a same study leading to a so-called mixed method research (Alise and Teddlie, 2010; Greene, 2008). This represents the third major "research paradigm" together with quantitative and qualitative approaches (Johnson *et al.*, 2007, p.112).

Nonetheless, it is critical to identify the neat differences existing between quantitative and qualitative research strategies at three distinct levels, namely relationship between theory and the research object, then, epistemological perspective, and, last, ontological viewpoint (Bryman, 2012, p.36). Thus, initially, while quantitative research aims at testing a theory through a deductive process, qualitative research goes the opposite way by using research data to create a theory following an inductive path. Next, from the epistemological standpoint, since quantitative research strategy utilises measurement, it is favoured by natural sciences and heralded by positivism. On the other hand, the absence

of measurements renders the qualitative approach particularly fit to interpretivism which focuses on the study of social phenomena and human behaviour in general. Finally, the ontological standpoint of a quantitative research strategy is objectivism as opposed to qualitative research approach that features constructivism. Metaphorically, as Reinharz argues (1979) “There appears to be a connection between gender and style of knowing”. (p.7). Thus, while quantitative research is seen to correspond more to the male ‘hard’ approach to discovery, qualitative research seems more compatible to the female, “softer style of knowing”. (Oakley, 1999, p.5; Reinharz, 1979, p7).

At this point it is appropriate to refer to pragmatism, a philosophical school of thought which emerged in the United States at the end of the nineteenth century (Benton and Craib, 2001). In particular, pragmatism attempts to overcome the tensions arising from opposing stances such as that between positivist and interpretivist research philosophies and from the conflict between epistemological and ontological considerations (Saunders *et al.*, 2007) by setting them aside and thus taking the discourse to a different level. Thus, the pragmatist approach centres on research objectives answering specific questions similarly to grounded theory (Feilzer, 2010; Brannen, 2005), which uses an inductive orientation to investigate data obtained both through qualitative and quantitative research (Strauss and Corbin, 1998).

Thus, real-world research, in its efforts to seek solutions as well as to explain, validate, and confirm is urged to use a blend of varied research methods in what Gill and Johnson (2002) describe as “multimethod research” (p.200). According to Gill and Johnson (2002, p.162-3), the assessment of any research methodology needs to occur against three main criteria: “internal validity”, “external validity”, and “reliability”. While “internal validity” relates to the capability of the research to find what it is supposed to find, “external validity” refers to possibility to generalise the results of a scientific inquiry. In particular, this generalisation may be examined at two distinct levels: at the level of the population (“population validity”) with reference to any possible generalisation beyond the research sample and reaching out to the outer population, or, alternatively, at the level of the context (“ecological validity”) examining whether research findings can be extrapolated to other settings. Finally, “reliability” addresses the extent according to which the research may produce consistent results independently from the researcher. In the final analysis, whichever path a researcher chooses, there is the need to justify their decision

in order to ensure that the discovery process is an informed activity from a theoretical standpoint.

### **Selected research approach: critical realism**

According to Saunders *et al.* (2007, p.10) a research process is identified through a set of distinct elements, mainly epistemology, theoretical perspective, research approach, research methodology, access to information and ethical issues, timeframe, data collection methods, and data analysis. Given the researcher's focus on comparative institutional analysis, critical realism informs the research methodology.

To justify this choice, reference needs to be made to the fact that since this study represents management research, critical realism provides the means to understand the social structures determining phenomena which are the research object per se (Easton, 2010). Further, however, critical realism maintains that research can change the social world in which the study object is embedded while admitting to the existence of multiple factors interacting with each other at different levels, namely structures, procedures, and processes (Downward *et al.*, 2002). This ultimately leads to the identification of recommendations for change directed to the organisation the study focuses on (Fairclough *et al.*, 2002).

As Easton (2010) argues, critical realism is a recent research orientation endorsed by many disciplines, including sociology (Sayer, 2000) and management (Ackroyd and Fleetwood, 2004). Its roots date back to the seminal work of Bhaskar (1983; 1978) which combines transcendental realism and critical naturalism and determines critical realism's unique methodological tools as opposed to natural sciences. More specifically, the fundamental assumption of critical realists towards the 'truth' is that there is a world which "Exists independently of our knowledge of it". (Sayer, 1992, p.5). As Smith (2006) illustrates:

"While our knowledge of the world (transitive) constitutes a part of the world (intransitive) the existence of the world is not dependent upon this knowledge". (p.200).

Further, as opposed to natural sciences, critical realism in social sciences is concerned with social structures and the role that human agency plays among them (Al-Amoudi and Willmott, 2011). Matters are rendered more articulated because critical realism maintains that, beyond structures, there are mechanisms and forces to be interpreted and understood so as to obtain a thorough view of the social world and its causalities (Ryan *et al.*, 2012). The necessity to go deeper in the analysis of social structures is, in fact, urged by Sayer (2000), who argues that:

“A particular mechanism can produce completely different actions at different times, and inversely, the same event can have completely different causes”. (p.58).

Through the ensuing process of stratification there is possibility to go beyond what is immediately observed thus identifying emergent objects, which result from the interplay of different strata (Kaidesoja, 2009). As opposed to empirical realism and interpretivism, the ontology featured by critical realism interprets reality from three distinct perspectives resulting from the stratified approach: the empirical, the actual, and the real (Miller and Tsang, 2010). While the ‘empirical’ domain relates to what is humanly experienced and known, the ‘actual’ domain refers to what happens regardless of whether people perceive it or not. Consequently, the “real” domain consists of structures and their related mechanisms (Elder-Vass, 2008, p.458) hence the pivotal importance of proofs to support any inferential activity as predicated by inferentialism (Brandom, 2009). From a scientific standpoint, the inferential mode characterising critical realism is termed “retroduction” (Fleetwood and Hesketh, 2010, p.243), whereby, according to Lawson (1996):

“Retroduction, in contrast to both induction and deduction, is to move from the level of the phenomenon identified to a different "deeper" level in order to explain the phenomenon, to identify a causal mechanism responsible”. (p.413).

Thus, it is fundamental to observe that management research is a social science demanding particular procedures to understand social reality as opposed to natural sciences that are concerned with the biological and physical worlds. While the latter can be studied in laboratories under high control settings within closed systems through the use of universal laws and theories, this is not possible to attain in the former. In fact, in contrast with the empiricist viewpoint that argues about the existence of constant regularities, critical realism demands social researchers to start their analysis from

concrete “open” systems (Nielsen, 2002, p.732) in order to then illustrate the underlying causal mechanisms which cannot be constructed in a determined fashion highlighting the set repetition of social phenomena. As Reed (2005, p.1638-9) asserts, critical realism represents a most influential methodological principle for the study of contemporary organisations and management within unique historical and institutional contexts of capitalist economies. To illustrate, a fundamental position deriving from a critical realism perspective is the argument that in capitalist economies the social system, while relying on paid work, not only distributes resources unevenly but also presses for development in a varied and unequal fashion (Jessop and Sum, 2006, p.117). In practical terms, what critical realism allows is the usage of a theoretical framework that recognises the spatially uneven nature of capitalist development, and the role of social structures in the making and reconstitution of difference as a proto-scientific starting point for empirical analysis and further theory building. Consequently, critical realism links with contemporary comparative institutionalist theory through its recognition that changes in, for instance, inter-firm relations and the role of governments, are originated by particular reforms occurring in well-defined circumstances (Jessop, 2002). In this respect, Leca and Naccache (2006) argue that:

“Methodologically, critical realism also provides a robust ontological basis for the most recent evolutions in the methods used by institutional analysts”. (643).

Owing to the fact that this management research considers with particular emphasis the effect of institutions on HRM, critical realism prevails over other methods exactly because its approach to institutional analysis offers a more thorough understanding of actions by social actors and their subsequent embeddedness within institutions and structures. Thus, for instance, institutional logics are used to explain an earlier mentioned construct such as organisational isomorphism (Leca and Naccache, 2006, p.643). In the final analysis, critical realism accomplishes to illustrate both the consequences of institutions as well as the effect of social actions upon institutional realities by understanding institutions through the lenses of political economy tradition and utilising research tools complementarily (Alvesson and Deetz, 2001, p.61).

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## Appendix A: Survey questionnaire

### SECTION A: Autonomy in relation to HRM decisions

“Performance Measurement System (PMS): a well-defined set of financial or non-financial performance indicators. The sophistication of PMS varies, there may be only some simple accounting numbers in use or very detailed and linked performance indicators, which may also show cause and effect linkages. An example of a very sophisticated PMS is the Balance Scorecard, while reliance on profit and loss budgets represents a very simple PMS, for instance.” (p. 715)

Mahlendorf, M. D., et al. (2012) Influencing foreign subsidiary decisions through headquarter performance measurement systems. *Management Decision*, 50 (40), p. 688-717.

#### 1 Please, indicate the strength according to which the below occurs:

In our hotel, the influence of the parent-PMS on...

	Not Very Strong	Not Strong	Neither Not Strong Nor Strong	Strong	Very Strong
...individual target setting decisions is...					
...incentive scheme decisions is...					
...engagement is...					
...individual performance evaluation decision is...					
...career plan decisions is...					
...wages is...					
...job security is...					
...use of expatriates is...					
... use of subcontracted labour is...					
...investment in training and development is...					

#### 2 Please, indicate the extent to which you agree with the following statement according to the below 5 employee levels:

A. Targets derived from the parent-PMS play an important role in the compensation of:

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
<b>Executive Committee Members</b>					
<b>Department Heads</b>					
<b>Managers</b>					
<b>Team Leaders and Assistant Managers</b>					
<b>Guest Service Staff</b>					

B. Local laws and regulations impact our ability to implement head office policies and practices related to:

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
<i>Wages</i>					
<i>Health and safety</i>					
<i>Union recognition</i>					
<i>Collective bargaining</i>					
<i>Redundancies</i>					
<i>Usage of work councils</i>					
<i>Training and development</i>					
<i>Other: please, specify.....</i>					

C. For most tasks the head office have provided a well-defined set of rules and policies with regard to people management

Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
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D. For most situations in the following areas there are corporate manuals from head office, that define the courses of action to be taken in managing people:

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
<i>Discipline</i>					
<i>Redundancies</i>					
<i>Promotions</i>					
<i>Wage setting</i>					
<i>Use of subcontracted labour</i>					

E. Head office continuously monitor to ensure that rules and policies are not violated

Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
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**SECTION B: Communication and information flows**

3 Please select the option, that in your opinion, best completes the following sentence:

*Human Resource Management practices applied in my hotel are:*

A	<i>Primarily in line with the corporate model of HotelCo.</i>
B	<i>More in line with the corporate model of HotelCo - Less in line with what local companies in the hotel industry typically do.</i>
C	<i>Both in line with the corporate model of HotelCo and in line with what local companies in the hotel industry typically do.</i>
D	<i>Less in line with the corporate model of HotelCo - More in line with what local companies in the hotel industry typically do.</i>
E	<i>Primarily in line with what local companies in the hotel industry typically do.</i>

**4 Please, indicate your level of agreement with the following statements:**

A. *In my subsidiary, monitoring of employee performance at lower levels should be a primary concern of local senior HR management.*

Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
-------------------	----------	-------------------------------	-------	----------------

B. *Employees are provided with the opportunity to suggest improvements openly to management in the way things are done.*

Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
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C. *Career planning is an integral component of the performance management system of employees.*

Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
-------------------	----------	-------------------------------	-------	----------------

**SECTION C: Employer-employee interdependence**

5 **What is your annual wage bill (in US Dollars)?**

6 **What is your annual training budget (in US Dollars)?**

7 **How many employees had training in the last calendar year?**

8 **Please, fill in the empty space indicating the number of months in the following statements:**

- a) **In my property, a formal analysis of training needs for management occurs every ..... months.**
- b) **In my property, a formal analysis of training needs for employees occurs every ..... months.**

9 **Has the number of employees at your hotel decreased over the last three (3) years?**  
*(please, consider the total workforce as being the sum of full-time and part-time employees - This figure excludes Casual Employees/Workers, Contract Employees/Outside Labour and Contract Service)*

Yes	No
-----	----

→ *If your answer is "no", then please skip to **QUESTION 13***

10 **Within the last three (3) years, how many jobs were lost?**

.....
-------

- 11 **Within the last three (3) years, what methods did you utilise to decrease the workforce?**  
Please, select all that apply

<input type="checkbox"/>	<i>Compulsory redundancy</i>
<input type="checkbox"/>	<i>Voluntary redundancy</i>
<input type="checkbox"/>	<i>Transfer</i>
<input type="checkbox"/>	<i>Outplacement</i>
<input type="checkbox"/>	<i>Non-renewal of fixed-term contracts</i>
<input type="checkbox"/>	<i>Outsourcing</i>
<input type="checkbox"/>	<i>Other: please, specify ...</i>

- 12 **Do you make use of any of the following forms of non-standard employment?**

	Yes	No
<i>Temporary work arrangements through temp agencies</i>		
<i>Casual work arrangements</i>		
<i>Fixed-term contracts</i>		
<i>Contract employment/Outside labour</i>		
<i>Contract service agreement</i>		
<i>Other (please specify) .....</i>		

- 13 **Within the last three (3) years, how many standard employment jobs were created?**  
(Please, consider the sum of full-time and part-time employees - This figure excludes Casual Employees/Workers, Contract Employees/Outside Labour and Contract Service)

.....

- 14 **Please, specify the number of jobs created per type of standard employment agreement as follows:**

type of employment agreement	Number of jobs created
<i>Full time</i>	
<i>Part time</i>	

- 15 **Please, specify the number of jobs created per job category as follows:**

Job category	Number of jobs created
<i>Executive Committee Members</i>	
<i>Department Heads</i>	
<i>Managers</i>	
<i>Team Leaders and Assistant Managers</i>	
<i>Guest Service Staff</i>	

**SECTION D: Delegation to employees**

- 16 **Please tick all that apply in relation with whether you make use of the following forms of financial participation in your hotel for each job category:**

	Executive Committee Members	Department Heads Managers	Team Leaders and Assistant Managers	Guest Service Staff	Not Applicable
<i>Employee share options</i>					
<i>Profit sharing</i>					
<i>Performance-related group bonus</i>					
<i>Performance-related individual bonus</i>					
<i>Other (please specify) .....</i>					

17 Do you recognize a union for the purposes of collective bargaining?

Yes	No
-----	----

18 What percentage of your workforce belongs to a trade union?

..... %
---------

19 Please indicate if you make use of the following forms of upward communication in your hotel:

	not used at all	not used	neither not used nor used	used	used continually
<i>Employee surveys</i>					
<i>Suggestion programs</i>					
<i>Employee grievance programs</i>					
<i>Team meetings/briefings</i>					
<i>Quality circles</i>					
<i>Open door policy</i>					
<i>Group meeting of line employees with the General Manager</i>					
<i>Other: please specify .....</i>					

20 Please indicate if you make use of the following forms of downward communication in your hotel:

	not used at all	not used	neither not used nor used	used	used continually
<i>Feedback</i>					
<i>Recognition</i>					
<i>Coaching</i>					
<i>Performance evaluation</i>					
<i>Team meetings/briefings</i>					
<i>Notice boards</i>					
<i>Company newsletter</i>					
<i>General employee meetings</i>					
<i>Quality circles</i>					
<i>Company intranet</i>					
<i>Other: please specify .....</i>					

**SECTION E: Host-country specific factors determining the application of human resource management practices in multinational hotel chain subsidiaries**

**PART E(1): SELECTION METHODS**

21 Please indicate in the box all that apply if you make use of the following selection methods in your hotel per job category:

	Executive Committee Members	Department Heads Managers	Team Leaders and Assistant Managers	Guest Service Staff
<i>Application forms</i>				
<i>Assessment centres</i>				
<i>Psychometric tests</i>				
<i>Individual interviews</i>				
<i>Competency based questions</i>				
<i>Group interviews</i>				
<i>CV data</i>				
<i>References</i>				
<i>Simulation</i>				
<i>Probation period</i>				
<i>other (please specify) .....</i>				

22 How important is recommendation to the selection process of a potential candidate by your hotel?

Not Very Important	Not Important	Neither Not Important Nor Important	Important	Very Important

23 How is recruitment mainly occurring in your hotel, internally or externally?

Please, select by job category from the list below

	Always Internally	Mostly Internally	Mostly Externally	Always Externally
<i>Executive Committee Members</i>				
<i>Department Heads</i>				
<i>Managers</i>				
<i>Team Leaders and Assistant Managers</i>				
<i>Guest Service Staff</i>				

**PART E(2): COMPENSATION PRACTICES**

- 24 **Through which agreement is the level of basic pay, mostly, determined in your hotel?**  
*Please, select by job category from the list below*

	Executive Committee Members	Department Heads	Managers	Team Leaders and Assistant Managers	Guest Service Staff
<i>Nationwide collective work agreement</i>					
<i>Industry sector collective work agreement</i>					
<i>Company agreement</i>					
<i>Individual contractual agreement</i>					
<i>Market value and hotel pay scale</i>					
<i>Other: please, specify ....</i>					

- 25 **In your hotel, how would you respectively rate the following items based on their relative importance in the determination of salary levels?**  
*Please, rate accordingly*

	Not Very Important	Not Important	Neither Not Important Nor Important	Important	Very Important
<i>Achievement of group objectives</i>					
<i>Performance review</i>					
<i>Job responsibility</i>					
<i>Severity of working conditions</i>					
<i>Employee age</i>					
<i>Seniority</i>					
<i>Training level</i>					
<i>Experience</i>					
<i>Expertise</i>					
<i>Other: please, specify ....</i>					

**PART E(3): PERFORMANCE APPRAISAL PRACTICES**

- 26 **What is the employee performance appraisal method (if any) used for the following job categories?**  
*Please, select by job category from the list below*

	Executive Committee Members	Department Heads	Managers	Team Leaders and Assistant Managers	Guest Service Staff
<i>Personal interview between supervisor and subordinate</i>					
<i>360-degree appraisal</i>					
<i>Goal setting and follow up</i>					
<i>Other: please, specify ...</i>					

- 27 **Critics have argued that performance appraisal is always a subjective process. In your hotel, how often, do you think, does favouritism influence the performance appraisal process?**  
Please, evaluate statement according to job category

	Not Very Often	Not Often	Neither Not Often Nor Often	Often	Very Often
<i>Executive Committee Members</i>					
<i>Department Heads</i>					
<i>Managers</i>					
<i>Team Leaders and Assistant Managers</i>					
<i>Guest Service Staff</i>					

- 28 **In your hotel, what is the primary objective of the performance appraisal process?**  
Please, select by ticking all that apply

	Executive Committee Members	Department Heads	Managers	Team Leaders and Assistant Managers	Guest Service Staff
<i>Career development</i>					
<i>Performance assessment</i>					
<i>Succession planning</i>					
<i>Bonus allocation</i>					
<i>Pay review</i>					
<i>Goal achievement</i>					
<i>Compliance with Standard Operating Procedures</i>					
<i>Usage for redundancies</i>					
<i>Other: please, specify ...</i>					

**SECTION F: About expatriates**

- 29 **For each of the following origin categories, please indicate the current total number of expatriates in your hotel:**

- A. **PARENT COUNTRY NATIONALS** (Expatriates from the company home country - i.e. the USA) >...#.....
- B. **HOST COUNTRY NATIONALS** (hotel subsidiary host country nationals) >...#.....
- C. **THIRD COUNTRY NATIONALS** (Expatriates from a country other than the company home country)

COUNTRY	#
....	

→ If your hotel does not feature expatriate workforce (i.e., PARENT COUNTRY NATIONALS and/or THIRD COUNTRY NATIONALS), then please skip to SECTION F

**30 Please, can you supply some details on the employment of expatriates in your hotel by writing in the box below (e.g., Why did they choose the *expatriate* status? Were expatriates given a choice on their relocation first, or not? What length of service do they have? What position are they covering in your hotel, and what was the one held before, and where? Etc.):**

**31 Level of education.**

*Please, indicate how many expatriates have completed ...*

- ... compulsory education
- ... secondary school
- ... under graduate (bachelor or similar)
- ... graduate / post graduate (masters degree, doctorate or similar)
- ... none of the above

**32 Number of previous expatriate assignments (on average, per expatriate).**

*Please, indicate how many expatriates correspond for each of the below categories:*

- 1 to 2
- 3 to 4
- 5 to 6
- more than 6

**33 Communication and integration of expatriate workforce with host country employees in your hotel.**

*Please, indicate the extent to which you agree with the following statements.*

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
<i>Language is a problem for expats in communicating with the local workforce in your hotel.</i>					
<i>Non-verbal language sometimes leads to misunderstandings and conflicts between expats and local workforce in your hotel.</i>					
<i>Foreign workers need to make more effort to learn local language in your hotel.</i>					
<i>Expats try to express their ideas clearly in your hotel.</i>					
<i>There is a different mentality in doing business between expats and host country employees in your hotel.</i>					
<i>Expats have difficulty in adapting to the local culture in your hotel.</i>					
<i>Expats are assisted by host country nationals to adapt to the local culture in your hotel.</i>					
<i>Overall, expats are satisfied with their relationship with host country employees in your hotel.</i>					

**34 Expatriate workforce motivation: in your opinion, why do expatriates working in your hotel choose international assignments?**

Please, rate the following motivators according to importance

	Not Very Important	Not Important	Neither Not Important Nor Important	Important	Very Important
Career-building					
Salary					
Interest in meeting new cultures					
Move away from home to improve living standards					
Seeking challenging opportunities					
Other: please, specify ...					

**SECTION G: Workplace information & demographics**

Last, we need you to please provide some information about you and your workplace to help us interpret this questionnaire.

**35 Which country are you personally located in?**

**36 Which is the hotel you work for?**

**37 When did the hotel you work for start operations?**

Please, select the suitable range from the list below

1960 and before	1961-1965	1966-1970	1971-1975	1976-1980	1981-1985
1986-1990	1991-1995	1996-2000	2001-2005	2006-2010	2011 and after

**38 Accommodation: how many of the below categories does your hotel feature, respectively?**

- \* Guestrooms
- \* Apartments
- \* Villas
- \* Other: please, specify ....

**39 What is the total Full time workforce headcount for your hotel?**

This figure excludes Casual Employees/Workers, Contract Employees/Outside Labour and Contract Service

**40 What is the total Part time workforce headcount for your hotel?**

This figure excludes Casual Employees/Workers, Contract Employees/Outside Labour and Contract Service

**41 On average, how many Casual Employees/Workers does your hotel employ?**  
 Please note: "Casual Employees/Workers" refer to employees with no employment contract or any guarantee right to work who are periodically needed by the hotel (eg. for events service)

**42 How many Contract Employees/Outside Labour does your hotel employ?**  
 Please note: "Contract Employees/Outside Labour" refer to employees working for an outside service provider who fill positions otherwise usually held by workers paid on the regular hotel payroll (eg. in housekeeping).

**43 Do you outsource any entire function?**

Yes	No
-----	----

If 'Yes':

**A. Which one/s functions are outsourced?**

**B. How many workers in your hotel are employed by an outsourced company under a Contract Service agreement?**

Please note: "Contract Service" workers refer to employees working for an outside company providing specific type of service under a contract out agreement (eg. Security, specialized cleaning of kitchen areas).

**44 At present, how many employees within your workforce headcount (i.e., Full Time plus Part-Time employees) are on a fixed-term contract?**

**45 What is your job title?**

Please, select from the list below

- Human Resources Area Director
- Human Resources Director
- Training Director
- Human Resources Manager
- Training Manager
- Other

**46 How long have you been working for this hotel?**

Please, select the suitable range from the list below

Under 1 year	1 - 5 years	6 - 10 years
11 - 15 years	16 - 20 years	21 - 25 years
26 - 30 years	Over 30 years	

**47 In total, for how long have you been working for HotelCo?**

Please, select the suitable range from the list below

Under 1 year	1 - 5 years	6 - 10 years
11 - 15 years	16 - 20 years	21 - 25 years
26 - 30 years	Over 30 years	

48 Please, select from the list below the answer that best describes your educational background:

- High school diploma
- Some college/some university
- College diploma
- University degree
- Post-graduate degree
- Doctoral degree

49 What is your gender?

Male Female

50 What is your age?

*Please, select the suitable range from the list below*

Under 20 years	20 - 25 years	26 - 30 years	31 - 35 years	36 - 40 years
41 - 45 years	46 - 50 years	51 - 55 years	56 - 60 years	Over 60 years

51 Are you an expatriate or local?

52 Do you hold a professional qualification in HRM?

Yes	No
-----	----

A. If 'Yes', could you please specify:

.....
-------

## ***Appendix B: In-depth interview questions***

### **A Autonomy in relation to HRM decisions**

- 1 Overall, HRM key areas are personnel administration, PLUS "selection, performance appraisal, training and development, motivation and compensation, and benefits". Which do you consider are the main institutions that critically influence the implementation of which HRM practices to your national context?
- 2 How much influence do you think head office has over non-financial HRM indicators (such as engagement, investment in training and development, individual performance evaluation decisions, career plan decisions)?
- 3 How much influence do you think head office has over financial-related HRM areas (such as wages, job security, use of expatriates, use of subcontracted labour)?
- 4 Are there some minimum wage levels set by law?
- 5 What is your degree of autonomy from head office in setting wages?
- 6 Do you have to bargain with a union or other representative body?
- 7 KPIs (Key Performance Indicators) set by the head office are more relevant to compensation at the higher levels of the organization (senior management). Would you agree with this and why do you think this is not cascaded to the lower ranks?
- 8 How strong is the influence of local legislation on employee relations topics? How does it affect your ability to implement head office policies and practices at your property?
- 9 To what degree do you believe HRM rules and policies from head office are detailed and standardized?
- 10 How comfortable do you feel in this situation, accordingly? Do you think this is the result of a particular HRM strategy for overseas properties? Please, explain.
- 11 How autonomous are you in setting your property's local HR policies? How do you ensure your initiatives remain within the guidelines of head office? Does head office over check / liaise with you on your particular policies or practices?
- 12 How do you feel about the level of overall freedom you have in setting local HR policies?
- 13 How do you perceive the influence of head office onto the hotel? Too much? Too little?
- 14 How does head office affect the way you operate?
- 15 What is the influence of head office country culture on operations?
- 16 Have you worked in other hotel Companies? In what countries? How does the HRM applied there compare with HRM implemented in your current position?
- 17 Have colleagues of yours (not in HR) worked in other hotel Companies? What about colleagues of yours in HR? How have either perceived the differences between their old property and here in relation to the impact of head office?
- 18 Based on your experience or feelings, does the way HRM occurs here represent a unique approach - or is it common across the hotel industry in your country? Or is it a copy paste approach from head office?

**B Communication and information flows**

- 1 Which HRM practices are more influenced by local pressure, meaning that their implementation is similar to what occurs in other local businesses? How does it compare to the pressure exerted by head office?
- 2 Performance monitoring of the non-managerial workforce is not really a primary concern of local senior HR management. Would you agree with this? Why / why not? Who is responsible, then?
- 3 To what extent do employees actually take advantage of the upward communication avenues in place? Under what situations do you feel they would be more hesitant to suggest improvements? Do you feel the same upward communication relationship with head office? (i.e., can you feed ideas of improvement to them and they listen?)
- 4 Is it critical to feature career planning as an integral component of the performance management system of employees? Of managers? Do employees / managers trust management's commitment to the realization of such planning? What influence does head office have on this?
- 5 How do employees perceive career planning as part of the employment culture?

**C Employer-Employee interdependence**

**1. Training and development**

*(proportion of employees to recently receive further training, amount of organizational resources devoted to training and development)*

- 1 What factors motivate locals to apply for a job in a multinational hotel chain as HotelCo?
- 2 What companies do you feel you are competing against for the same pool of applicants?
- 3 What is your unique competitive advantage in attracting them? What flexibility do you wish you had in attracting them?
- 4 How do locals perceive the training offered by your property?
- 5 Do opportunities for in-organization training motivate them to apply for a job at HotelCo?
- 6 Is it an advantage / benefit for their subsequent career opportunities inside HotelCo? Outside HotelCo?
- 7 Are locals self-motivated to attend training?
- 8 How do you motivate locals to attend training?
- 9 In what areas and how does the legal framework establish training guidelines? How does head office influence training guidelines?

**2. Security of tenure**

*(forms of contract, prevalence of downsizing, use of outsourced labour)*

- 1 The labour law allows for Part-Time workers: however, is there by law a guaranteed minimum number of hours that they need to work per week?
- 2 How flexible is the law with regards to Casual/Extra Staff employment? What are the legal provisions in this regard? What influence does head office have on Casual/Extra Staff employment?
- 3 Is there any legal guideline defining the full-time vs. part-time mix versus Casuals versus Outsourcing? Are there head office guidelines defining the full-time vs. part-time mix versus Casuals versus Outsourcing?
- 4 Given the privatization process and labour law reforms, how does the 'casualization' of the workforce (move towards temporary workers) meet with the employment security mentality of the past? How have head office views changed regarding this?
- 5 What did you do in order to help your workforce adapt to the casualization of employment? How has head office helped you adapt to the casualization of employment?
- 6 Do you comply with local labour law in all areas? If not, why not?
- 7 Do labour inspectors come and check the application of labour law? Does head office do the same?
- 8 Do labour inspectors go consistently also to other local competitors/businesses not belonging to any MNE?
- 9 The law allows for outsourcing. Are there strict guidelines imposed by the state? By head office?
- 10 How strict are the guidelines re downsizing set by the state? By head office?
- 11 How did you articulate your downsizing actions in the past? Did you take any active lay-off measures or was it attained through softer measures such as attrition and internal transfer? Where did the transfers led employees to which properties – overseas or within the compound?
- 12 Internal transfers are a way to decrease workforce size: what types of positions are usually shifted around? Do these include managerial-level positions? Can you give some recent examples of these? How does head office impact these decisions?
- 13 In 2013, how many transfers occurred from other HotelCo subsidiaries to your location?
- 14 Has an international relocation option ever been offered to you? Have you accepted / declined? Why?
- 15 Has there been recently any elimination of standard employment jobs (part time and full time employment)? Has there been any increase or decrease in non-standard employment (casuals, outsourced employees)? Has head office been involved in this?
- 16 Has there been recently any increase in standard employment headcount? What was the profile (ie. Level, functional role, status) of the positions created in the period under consideration? Has head office been involved in this?

**D Delegation to employees**

**1. Representative participation** (*collective bargaining, work councils*)

- 1 What are the most important features of national legislation regarding trade unions? What about from head office?
- 2 How do employees perceive the absence of unions in your Hotel?
- 3 Relatively to union representation at your property, at what level is it happening? Why so? Is this the same in other hotels in your country? Or for other businesses?
- 4 If union representation is non-existent or minimal, is this a coincidence – or is there a conscious anti-union strategy? Does head office influence this?

**2. Financial participation**

- 1 Have you ever considered applying 'Employee share options'? If not, why? Did head office influence this?
- 2 Have you ever considered applying 'Profit sharing'? If not, why? Did head office influence this?
- 3 Have you ever considered applying 'Performance-related group bonuses'? If not, why? Did head office influence this?
- 4 Have you ever considered applying 'Performance-related individual bonuses'? If not, why? Did head office influence this?
- 5 With regards to pay-related-to performance systems: apart from recognizing it by level, do you recognize it by functional area as well? Can you give some examples of this?

**3. Functional participation and upward communication**

- 1 Upward communication as in the form of employee opinion surveys: how do employees feel about this process? How do these upward communication practices compare with what happens with local businesses? Does head office do the same with you?
- 2 Do institutions (government) support or hamper such practices? What about head office support?
- 3 Which is the upward communication method employees mostly take advantage of?
- 4 In your property, what factors are in place so that employees feel open to come and talk with management about any issues that bother them?
- 5 What are the benefits to employee relations resulting from the wide use of upward communication? Have you identified any problems with this?

**4. Effectiveness of formal downward communication**

- 1 What are the benefits to employee relations deriving from an intensive use of a wide variety of downward communication avenues? Have you identified any problems with this?
- 2 With regards to downward communication – e.g. newsletter / notice boards / general employee meetings – how do employees perceive such initiatives? Does head office do the same?

- 3 What are the benefits of intense downward communication in so many forms? What are the hazards / problems of this?
- 4 How do these compare with what happens with local businesses?
- 5 Do institutions (government) support or hamper such practices? What about head office?

**E (1) Host-country specific factors determining the application of HRM practices in MNE hotel chain subsidiaries  
→ SELECTION METHODS ←**

- 1 How often are 'Assessment centers', 'psychometric tests' and 'group interviews' used? What, do you think, are the benefits and limits of such techniques in your context?
- 2 How often are innovative and creative selection means such as 'Simulation' used? (Does head office have any documents / policies on this)?
- 3 Is 'Probation period' widely used? Are there any legal implications? Is this set by head office?
- 4 How strong is the pressure of recommendation and connection to recruit people?
- 5 Is recommendation important in the selection process? Does it show to assist in the selection quality of the employee?
- 6 With regards to internal recruitment, is this applied extensively for non-managerial positions? How does head office impact your decision making in internal recruitment?

**E (2) Host-country specific factors determining the application of HRM practices in MNE hotel chain subsidiaries  
→ COMPENSATION PRACTICES ←**

- 1 Are 'Nationwide' and 'industry-sector' collective work agreements regularly applied? Why?
- 2 What is the benefit of applying 'Individual contractual agreement' arrangements?
- 3 Do you use 'market value and hotel pay scales' across the hierarchy? Is the definition of a salary the result of internal and external considerations?
- 4 How does the use of several forms of variable compensation compare with the application of fixed compensation? What are the related pros and cons? Are there legal implications / rules on this?
- 5 Pay and benefits: how are they set? Do they occur by free will or by law? Does head office impact these? Is there a minimum set on a yearly basis?
- 6 Do you offer group insurance benefits to everyone? Is this head office policy?
- 7 Do you offer vouchers (coupons), instead of pay raises, to motivate improved performance as part of the locally implemented recognition program? Is this head office policy?
- 8 In which ways is fairness of compensation ensured? How does head office get involved in this?

**E (3) Host-country specific factors determining the application of HRM practices in MNE hotel chain subsidiaries  
→ PERFORMANCE APPRAISAL PRACTICES ←**

- 1 Is personal interview a widely used method for performance appraisal? Why so? Does head office have a set of interview questions that should be asked?
- 2 Is informal/non-written feedback consistently applied? Are there legal rules about feedback at the country level? What about the impact from head office?
- 3 How often to you use 360° appraisal? For which hierarchical level, mostly? Is it perceived only as an ad hoc tool? Does head office participate in the design of 360° appraisal?
- 4 How do you motivate employees to work towards the achievement of performance goals? Are goals set by head office or locally?
- 5 In which levels of hierarchy is favoritism more likely to happen? What measures are taken to contain it? What forms of favoritism are more common (e.g., hiring or pay)?
- 6 Performance appraisal process is widely recognized to be critical for succession planning: do you agree? Why?
- 7 What are the benefits of not considering bonus allocation and pay review as primary objectives of the performance review process?
- 8 Do employees have expectations after goal achievement to have also an increase in their salary or some type of other benefit?
- 9 How is the performance appraisal process working? How does this benefit the employees?
- 10 Are there locally any legal guidelines affecting the application of performance appraisal practices? Does head office do this as well?
- 11 How do local institutions support performance appraisal practices? What about head office's support?
- 12 How does this meet with the local mentality?
- 13 How do you deal with consistently under-performing employees? Are there head office guidelines?
- 14 Do you have the possibility to fire employees based on local legal guidelines? If yes, do you practice it?
- 15 How do you deal with consistently over-performing employees? Are there head office guidelines?

**F About Expatriates**

- 1 Language differences usually represent important obstacles to overcome. Where are the challenges mostly identified?
- 2 Mentality differences usually represent important obstacles to overcome. Where are the challenges mostly identified?
- 3 What measures do you take to close the aforementioned possible mismatches?
- 4 The economic/career element is often reported as the most critical motivator for an expatriate move. How is the income gap with locals dealt with?
- 5 What is the most common profile of employees shifted around properties?
- 6 Are expats from third countries (TCN) used? Where are they from? EU? Non-EU? Is there any head office influence on this?

- 7 Do you employ HCN impatriates (i.e., employees from the host country who used to work for the MNE in other overseas assignments)? Is there any head office influence on this?
- 8 How does the local workforce perceive the role of TCN expatriates?
- 9 What is the reaction of locals to the other categories of expats?
- 10 Do PCN affect the influence of home country policies and procedures? To what extent?
- 11 Do expats reduce the gap between the parent and host countries in terms of cultural and institutional distance? If so, how?
- 12 How is “trust and mutual respect” attained and maintained between expats and local workforce in order to safeguard the bonding of the hotel team?
- 13 How do sports and social activities help to achieve this “harmony”? Is there any head office influence on this?
- 14 Value-adding HR activities represent the soft part of HR that makes a difference in the motivation of the employees. Is it common for local companies to feature employee socialization activities such as sports and social? Is there any head office influence on this?

**G Local workplace questions**

- 1 TURNOVER coefficient: does it differ depending on types of employees?
- 2 What is the ratio of VOLUNTARY turnover? What is the ratio NON-VOLUNTARY TURNOVER (exits)? Please, compare the period 2010-2012 vs. NOW
- 3 What is the impact of turnover on operations? Is the rate manageable?
- 4 How would you describe the impact on HR policies and practices of the crisis 3-4 yrs ago? Versus today? Versus 2-3 yrs out? In which areas has this been most evident?
- 5 Do corruption, political arrangements, cronyism, patronage and nepotism, political connections paternalistic attitude of local managers and supervisors affect HRM in your Hotel, if at all?