

# **Management Practices, Productivity and Performance in the Hotel Industry**

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**Thesis submitted in part fulfilment of the requirements of the degree of Doctor of  
Philosophy.**

**November 2008**

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thesis.

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the spine.

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***to my father***

## Summary

The research reported in this thesis investigates the impact of the effective use of management practices on performance and productivity in the hotel industry, a low skilled, labour intensive service activity, with an especial attention been paid to Human Resources practices. This research was motivated by a need to understand how service sector activities are organised for high-performance, acknowledging its importance to the economy in terms of number of employees and contribution to the GDP. This research stands in the confluence of two distinctive but complementary research traditions: one arising from HRM and the other from productivity studies.

The literature reviewed proved to be controversial and contradictory about how superior levels of performance could be achieved and sustained in the sector. On the one hand, a number of studies suggested that due to its intrinsic characteristic the industry has not modernised its work organization processes and employment practices and, for this reason, is incapable of fully exploiting the benefits of a better qualified workforce. In this case the emphasis is placed on process standardisation. On the other hand, a number of studies show that HRM practices are capable of yielding superior levels of performance in the sector. Here the emphasis is placed on service quality. The review also identified an elusive link between management practices and productivity.

In order to address these issues three studies were conducted. Study one, consisted in a series of interviews with hotel managers seeking to understand how the industry is organised and how important concepts previously identified are applied on a day-to-day basis. The main findings arising from this study suggested a performance model based on lean structures supported by a numerically flexible workforce. In the next step, I moved on to investigate the existence of a management practices-performance link in a sample of 213 hotels in the UK. The main findings from this studies suggested that only a few practices are clearly associated with performance, the existence of different levels of importance to practices according to market segment and a better performance of HR practices when compared to operational ones.

The third study was designed to investigate the linking mechanism between practices and performance. The study was conducted with a sample of 31 companies, all located in the same city, in an attempt to reduce the influence of externalities on performance. In spite of the fact that the study failed to identify this link, it succeeded in identifying a strong association between practices and a number of different productivity metrics, suggesting an important role of the research design to this kind of investigation.

Practical and theoretical implications of this research are discussed at the end of each study.

## **Dissemination Activities Arising from this Research**

### **Conference Paper**

Peixoto, A. L. A. (2008). *Understanding the Relationship between Management Practices and Performance in the Hotel Sector*. To be presented at the III Brazilian Congress of Work and Organizational Psychology, Santa Catarina, Brazil.

### **Working Paper**

Siebers, P.; Aickelin, U.; Battisti, G.; Celia, H. Clegg, C.; Fu, X.; De Hoyos, R.; Iona, A.; Petrescu, A. and Peixoto, A. (2008). *Enhancing Productivity: The Role of Management Practices*. AIM- Advanced Institute of Management Research: London.

### **Report to Companies**

Peixoto, A. L. A. (2006). *Praticas de Gestao e Performance*. Relatorio Preliminar de Pesquisa.

Peixoto, A. L. A. (2006). *Management practices and Performance*. Preliminary Research Report.

Peixoto, A. L. A. (2008). *Productividade e Performance na Industria Hoteleira*. Relatorio Final de Pesquisa.

Peixoto, A. L. A. (2008). *Productivity and Performance in the Hotel Industry*. Feedback Research Report.

### **Presentation**

Peixoto, A. L. A. (2007). *Management Practices and Productivity in the Hotel Industry*. Presentation at European Congress of Work and Organizational Psychology, Stockholm, Sweden.

## **Acknowledgements**

I wish I had a better domain over the language to properly express gratitude for all those whose invaluable support, during this long and stressing journey, I will always be in debt with. Initially, I would like to express my gratitude for both my supervisors: Chris Clegg and Kamal Birdi, for their words and guidance, the best one could have.

Many thanks to our top-level secretarial staff, Maggie, Vicky, Kate, Bekki and Catherine, always there whenever I needed with a smile on their faces.

During my stay in Sheffield I met a few but very good friends coming from many different places around the world. Some I am still in contact with, some I will never see or hear again. They shared with me the burden of this journey. They will always be in my heart.

I think I never properly expressed the importance of my father's example and support throughout my life and I am afraid I never will....

And above all, I have to acknowledge the love and patience of my life partner Carol, for her unconditional support throughout this period.

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## List of Acronyms

AIM	Advanced Institute of Management Research
CBI	Confederation of Business Industry
DTI	Department of Trade and Industry
DV	Dependent Variable
EP	Employees' Performance
ESRC	Economic and Social research Council
GM	General Manager
HC	High Commitment
HI	High Involvement
HoD	Head of Department
HPO	High Performance Organization
HPWP	High performance Work practices
HPWS	High Performance Work Systems
HR	Human Resources
HRM	Human Resources Management
ICT	Information and Communication Technologies
IV	Independent Variable
NQAS	National Quality Assurance Standard
OCB	Organisational Citizenship Behaviour
OECD	Organization for Economic Co-operation and Development
OP	Operational Performance
R&D	Research and Development
RBV	Resource Based View of the firm
SD	Standard Deviation
SVQ	Service Quality

## **Appendices**

Appendix A - Exploratory Study Interview Guide

Appendix B - Ibis and PTI organizational Chart

Appendix C - Customer Satisfaction Survey (full version Ibis)

Appendix D - Study 2 and 3 Managers Questionnaire (English)

*Advances in Industrial and Organizational Psychology must come from both scientists and practitioners and, in particular, from those who successfully blend both science and practice.*

Marvin Dunnette - Handbook of  
Industrial & Organizational Psychology.

## **1. Introduction and Research Rationale**

The emergence of a service economy has posed to researchers and practitioners a series of challenges. Among them, the one of improving not only organisational performance in service sectors but also their overall productivity levels. Much of the available framework used to understand current developments are based on industrial settings and characteristics, and there are some concerns that new concepts and propositions will be needed in order to account for differences in the nature and structure of a service economy. Internal and external factors have reshaped services imposing a greater demand for quality and consumer care, providing grounds for the introduction of more innovative management practices (Lucas, Marnova, Kucerova and Vetrokova, 2004).

There is some strong evidence to suggest that human resources have an important role to play in these matters. So far, much of the attention has been captured by what is called knowledge work, a kind of spin off from the widespread use and application of information and communication technologies. However, a great deal of jobs and work positions are being created in labour intensive, low-skilled service sectors whose activities can not be outsourced or off-shored. It is unclear how HR can contribute to enhancing performance and productivity levels in such business environments.

This research is placed at the confluence of these ongoing debates, seeking to contribute answers to some of these questions. I will set the discussion within the scope of the hotel industry.

The reasons for choosing this particular activity are straight forward: The hotel industry (together with restaurants) is responsible for a European market worth €154.2 billion and employs 11 million people<sup>1</sup> (Urbanski, 2007). At the same time, the World Tourism Organization forecasts an annual growth rate in the number of hotel nights, an internationally accepted measure of tourism (OECD, 2005) of about 3.6 -4.0% until 2020, meaning a net growth of over 60% over the next 12 years, putting pressure on available resources and services (UNWTO, 2006). However, over 80% of UK establishments are typically characterised as being small and medium-sized businesses, something that is usually regarded as a sign of low productivity indices. In fact, hotels and restaurants are the second greatest contributors the productivity gap between the UK and the US when the differences are assessed in terms of value-added per worker (AIM, 2003).

HR is an important topic within Hospitality journals and has been part of their research agenda for almost twenty years. In spite of the growing importance of the sector, its theory has evolved more or less independently from mainstream business related areas and investigation basically replicates what has been done elsewhere (Lucas and Deery, 2004), making it difficult to find original contribution to the field relative to manufacturing (Kamoche,2003).

The Hotel industry has also been described as being labour intensive (Nankervis and Debrah, 1995) with labour costs being responsible for more than 25% of total costs (Urbanski, 2007). At the same time, HR practices applied in the industry have been described as unstable (Kamoche, 2003). It evolves in an extremely competitive environment subject to seasonality, driving employers towards labour cost minimization strategies (Krakover, 2000). As a consequence, the sector is associated with outcomes such as high turnover, atypical labour, disciplinary and grievance cases, little or no employee organization and minimal staff participation in decision

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<sup>1</sup>Eurostat figures for the year 2003.

making processes. Employees are seen as a commodity to be controlled and constrained (Head and Lucas, 2003). Following the typology developed by Arthur (1994) we could say that in the hotel industry HR systems place more emphasis on control rather than on employees' commitment.

It is not difficult to realise that, at least in theory, labour intensive industries can take advantage of effective utilization of human resources management as a strong foundation for competitive advantage (Nankervis and Debrah, 1995). Having said so, it is now possible to enunciate my main research questions:

**Q1-** To what extent can a conceptual framework developed to understand the relationship between the effective use of management practices and performance within manufacturing activities be applied to address service sectors issues in general, and in the Hotel industry in particular?

**Q2-** What is the relationship between the effective use of "high-performance" management practices and performance in hotels?

**Q3-** What is the role played by people/human resources practices in enhancing performance and productivity in hotels?

I will try to answer these questions by undertaking three different studies, each designed to provide information and data for the following one, not only deepening the existing understanding of these frameworks and practices but doing so from different perspectives. At the same time, each individual study is relatively independent from each other and no particular reading order is needed. In the next chapters I will describe the research process in full detail.

This study also fits into my personal story in two very distinctive ways. In more general terms, this research closes a cycle that begins when I did my first degree in Management. After many years of professional practice I went back to the university pursuing an academic career. This path took me to a degree in Psychology and afterwards to an MSc in Management where I had the opportunity to investigate the use, diffusion and effectiveness of modern management practices in manufacturing. It

is possible to say that this research is a development of my masters' studies with a difference that now the target is the service sector. I think it is unnecessary to mention differences in scale and scope between these two studies.

Another important aspect, behind the choice of the hotel industry as a subject of study in this thesis, has to do with the fact that hospitality is a core part of an economic development strategy based on increasing tourism activities in the region where I come from. In this way, this was an opportunity to acquire a deeper understanding about this particular activity I knew nothing about. Here, there is an underlying statement of a desire to contribute to something meaningful to the place where I live.

It is very likely that this combination of personal experiences, mixed qualifications and future aspirations might have led me to seek for broad pictures, stressing the role and importance of systems (or practices) where individuals fit in, instead of more micro perspectives addressing particular aspects of individual behaviour. In this sense, it is not a surprise that the core argument of this thesis evolves around the search for "what works" in a specific business environment.

It is also important to emphasise that working towards a PhD in a different language and culture has proved to be a valuable learning experience in itself and this thesis is also an expression of the path I have followed over the last four years.

## **1.1 Thesis Structure**

In the following lines a brief outline of how this thesis is organised and the content of each chapter is provided.

*Chapter 1 – Introduction*, presents the basic research questions and rationale behind this research. Its main objective is to serve as a guide through the text.

*Chapter 2 – Background*, shows how different emerging aspects of economic and social environment came together shaping and raising a series of challenges to our understanding: it describes, in full detail, the rationale behind the main research

questions. These aspects provide the conceptual background against which this research should be understood.

*Chapter 3 - Literature Review*, identifies and makes sense of the relevant literature associated with the main research questions. While the main topics are discussed, gaps in our current understanding of these issues are identified and the conceptual categories are elucidated in preparation for use in the studies that follow. The main areas covered are: management practices and performance; high-performance; productivity; HRM and performance; management practices in hotels; hotel performance; and HRM and Hotels.

*Chapter 4 – Methodology*, describes the studies conducted in this research in terms of their objectives, methods of data collection and data analyses, as well as sampling procedures. It also shows how the studies are linked to each other and what kind of question they seek to answer.

*Chapter 5 – Study one: Exploratory Study*, describes the initial step taken in understanding how the hotel industry is organised and how important issues identified in the literature review are dealt with on a daily basis. It was based on a series of interviews with hotels general managers in Brazil and in the UK. It also provides detailed information about methods, participants and findings. The results provide empirical support for the following study.

The main conclusion reached at this stage points to an activity where high-performance is closely associated with lean structures supported by a numerically flexible workforce. It also shows the underlying tension existing between quality and standardisation and its importance to understanding the sector. Another important set of findings shows the impact of different business environments in the way work and production are organised and delivered.

*Chapter 6 – Study two: UK Survey*, describes how a survey of 213 UK hotel establishments was conducted to test for a number of hypotheses about the relationship between management practices and performance. It is organised with the same structure as a journal article: it begins with a basic discussion about specific

management practices and their impact on performance. It moves on to describe data collection methods used in a survey conducted with 213 general managers in the UK with great detail and how initial data was tidied up and prepared for analysis. In the sequence, it describes the variables (dependent, independent and control) used, how the analysis was conducted and the results. It concludes with a discussion about the findings and future direction for research.

The main findings show that HR practices are better in predicting organisational performance when compared to operational ones, providing support to the argument that people do have an important role to play even in low-skilled, high labour intensive industry.

*Chapter 7 - Brazilian Study*, utilises the results of the third study, where a survey was conducted in 31 different companies and data was collected from both managers and employees. It follows on from where the UK's survey ends, trying to address the same kind of issues not only from a different perspective but also from a deeper analytical position. The main objective consists in investigating linking mechanisms for the relationship between practices and performance. It also seeks to understand the impact of the use of some high-performance practices on a number of specific employees' outcomes.

The main findings suggest that externalities have an important role to play in understanding how management practices are related to performance. It also shows that managers and employees have a different but complementary view about organisational processes, highlighting the importance of employee participation.

Finally, *Chapter 8 - Concluding Remarks*, provides a broad summary of the main issues arising from the research with special attention given to original contributions to the literature, and to how the studies can contribute to solving problems and enhancing performance in the hotel industry.

*Constant revolutionizing of production, uninterrupted disturbance of all social conditions, everlasting uncertainty and agitation distinguish the bourgeois epoch from all earlier ones. All fixed, fast frozen relations, with their train of ancient and venerable prejudices and opinions, are swept away, all new-formed ones become antiquated before they can ossify. All that is solid melts into air [...].*

Karl Marx, Communist Manifesto, 1848.

## **2.0 Background: The New Economy**

### **2.1 Overview**

This chapter presents the main rationale behind the research questions: It shows how theoretical and practical issues come together to shape the arguments and ideas used throughout this research. This chapter is also aimed at showing why enhancing productivity in service sectors is regarded as an important issue in the current debate about the relationship between management practices and performance. The main discussion begins with the observation of what was perceived, at some point, as a new set of economic paradigms and their impact in transforming workplace organisation and employment relations. It follows on discussing the importance of managerial innovation relatively to the introduction of new technologies in the organizations. And it ends up describing and characterising the service economy and the service work

### **2.1 Introduction**

We witness the dawn of the twenty first century under the impression that we are living in an ever changing world. From the natural environment to the business environment; from family structure to social structure, from politics to technology “all

*that is solid melts into air*". Different from previous generations, we are now experiencing a pace of constant and rapid transformations within our lifetime. In a certain sense, it is possible to say that the flow of life has accelerated, or at least that the way we perceive it has accelerated.

Central to this experience is the compression of time and space allowed by the almost ubiquitous presence of information and communication technologies (ICT) like computers, mobile phones and the internet in our daily life. Coupled with unitary decreasing prices in transport systems there seems to be no barriers and no limits to transactions and contacts in our global society. All sorts of goods, services and people are within reach of our hands in a process whose similarities can only be matched with those observed during the industrial revolution (Chandler, 2001). At the same time, these technological advances brought a considerable amount of complexity and turbulence to the organizational activity, (Huber and Glick, 1993) expanding considerably the numbers of relevant variables capable of influencing daily decision making processes.

The business literature has captured and expressed multiple aspects of this reality with a prolific production of academic papers and pop management articles in a number of related and derived topics such as; global markets, mergers and acquisitions, integration, deregulation, competition, economies of scale, organizational change and so on. All these features of a changing environment dramatically express a core aspect of capitalist dynamism and societies, change as an intrinsic characteristic of its production system. According to the Austrian economist Joseph Schumpeter (1976, pp.82) "*Capitalism, then, is by nature a form or method of economic change and not only never is but never can be stationary*". This attribute of capitalism and its impact on companies, business environment and society has been thoroughly investigated by almost all different research traditions within social sciences. Despite this fact, coping with change has always proved to be very difficult for either organizations or individuals.

Explanatory models are constantly being developed to serve as a guide to understanding and predicting the nature and direction of change. They have the function of categorising ideas and perceptions into a coherent whole allowing

relationships to be drawn, patterns to be investigated and discussions to be organised. Sometimes, these explanatory models are fully developed into theories, some other times they remain just as a stream of thought. The actual period of transformation has been foreseen and debated under many different guises, each one set upon a distinctive group of basic assumptions.

According to Kumar (1996) these explanatory models, interpretations of contemporary society, could be aligned into three main categories, namely Post-Industrial, Post-Fordist, and Post-Modernist theories: the main difference between distinct approaches resting more on the emphasis on specific subject rather than on divergent principles. These approaches mirror dissimilar ideological positions about how society should be understood and, consequently, interpreted. They all share the transformation perspective of what Sennet (2006) has termed *Social Capitalism* and Beck (2000) the *Working Society*, a social and political structure whose origins can be traced back to the end of the nineteenth century with their climax in the period that followed the Second World War. In the political arena it has been characterised by the rise of democratic states committed to a strong welfare policy, in the economic it has been marked by the prevalence of a strong industrial process, and in the social field the idea of “class” as the main sociological analytic concept, constructed around the division of work (primarily industrial), has prevailed.

The Post-industrial theories emerged during the seventies and eighties, in the middle of the systemic crisis provoked by the oil shocks of 73 and 79. One important characteristic of that period was a strong concern about the future of industrial societies and their ability to sustain growth levels<sup>2</sup>. The rise of Japan as an industrial power gave origin to a strong deindustrialization process of the western economies that would come into full effect during the following decades. It is also during this period that the basic consensus for what came later to be known as Neoliberalism (Harvey, 2005) was set off, signalling new landmarks over which political and economical activity could be organized.

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<sup>2</sup> The state of confusion and the pessimistic views about the future during this period were captured by Hollywood in the two classic films *Mad Max* (released in 1979) and *Blade Runner* (released in 1982). In these films there seems to be no hope for humankind. We either face destruction and regression or are substituted by machines.

Two very typical and influential books of this period are *The Coming of the Post Industrial Society* by Daniel Bell (1973) and the *Future Shock* by Alvin Toffler (1970). They called for a preparation for a completely different future from what people had previously envisioned with a period of discontinuity, in the ordering and reorganisation of society, as huge as the passage from the agricultural to the industrial age had been. Despite the claims of an entirely “new world” these perspectives are optimistic and progressive in predicting the unfolding of events towards the anticipated future: it is possible to allocate within this perspective contemporary conceptual developments like those related to the idea that we are now experiencing the emergence of an Information (Castells, 1998) or Knowledge society (Drucker, 1969).

The Post-Industrial theories are, to a full extent, heirs to the Western Illuminist and Rationalist tradition. They have their focus in the transformations of the production factors (Kumar, 1995) and the new possibilities they could bring to society. However, this position faces a strong criticism from more humanistic approaches which tend to stress changes in the production process instead, as is possible to observe within the so called Post-Fordist theories.

From the end of the eighties onwards, a number of studies, exemplified by the work of Piori and Sabel (1986), denounced the inadequacy of the typical production system epitomised by the Fordist production line in answering the challenges imposed by contemporary production demands. Their work on industrial organization was based on the industrial cluster of northern Italy, where complementarities and synergies among companies were built upon flexible production, a high skilled workforce and high quality standard.

At the same time critics of the capitalist way of production, most notably those espousing a Marxian point of view, denounce this new era as a period of renewed domination, corresponding to a new cycle of capitalist development. The decline of the production line does not correspond either with the end of worker oppression or to increased freedom: it simply means a transformation of capitalism's forms of

domination to more flexible and subtle controls. A good example of this process can be found in the work of Foucault (1988) when he refers to “disciplinary powers”<sup>3</sup>.

The third broad theoretical perspective is more ample than the previous two and, at the same time, more difficult to understand and define. It came to be known under the denomination of Post-Modernism. Instead of building its constructs around work organization principles or labour process structures, this line of thought stresses the importance of the wider social construct in understanding the transformation taking place in our time. The followers of this tradition understand that the world as we know today and its main explanatory categories have changed dramatically from the original principles that emerged during the Renaissance when modernity had its birth (Butler, 2002). In this sense, a Post-Modern society is the one where modern concepts and their attributes have lost their central meaning in explaining the world we are living in. Falling into this category are ideas like the nation state, subject, rationality, gender roles and so on. With the relativisation of all grand narratives, Post-Modernism assumed a plurality of social belongings, identities and attachments to society, rather than defining individuals through their work (Hall, 2006) as previous traditions had done.

The end of the twentieth century brought, with the symbolic passage of the year 2000, excitement along with great enthusiasm over the performance of the American economy in a way that was saluted by many observers as the dawn of a new era of prosperity and growth: the *New Economy*

### **2.3 The Dotcom Revolution**

In the year 2000 the US Department of Commerce, through its Economics and Statistics Administration, published its third annual report about the Digital Economy and employed the expression *New Economy* to designate a period where

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<sup>3</sup> In fact Foucault’s work is oriented toward a broad social criticism rather than to work organization. He could easily be placed among Post-Modernist writers. This just reflects the somewhat arbitrary and usually overlapping criteria used in constructing any given taxonomy in social sciences. Certainly, the writings of Gramsci would provide a more direct criticism to the Fordist way of production.

*'[...] the proliferating forms of e-business and the extraordinary dynamism of industries that produce information technology products and services are harbingers of a new economic era...shaped not only by the development and diffusion of computer hardware and software, but also by much cheaper and rapidly increasing electronic connectivity'* (US Department of Commerce, 2000),

recognising that this was not simply an emerging and transitory trend in the economy but a reality in itself.

Although being a much narrower definition in its scope than its predecessors (and certainly lacking their appetite for describing and interpreting broad social trends), this concept has the advantage of referring to very particular aspects of economic activity and phenomena. It narrows down our attention to much more specific aspects and issues impacting organizational processes, making it much easier to assess its values and assumptions. More specifically, this definition applies to the transformation shaped by two ongoing revolutions in Information and Communications Technology (Van Reenen, 2001) and on their impact on growth of productivity.

According to Pohjola (2002) the expression *New Economy* was coined during the mid 90's by the business press, to designate the changes attributed to high profile internet businesses. The decade had started under the impact of the triumph of western society (and consequently, capitalism) over communism, which occurred after a long period of recession and difficulties. The seventies and eighties had been characterised by high unemployment and inflation rates and an overall decline in the US economy. The challenges imposed by more flexible and high quality based industrial areas, like Japan, north Italy, and Germany exposed the strategic mistakes and obsolescence of the American business environment. The recovery achieved during the nineties came as a wave of newness wrapped in enthusiasm and optimism. The importance of expectations in fostering business cycles has been pointed out since the work of Keynes (Archibugi and Coco, 2005). Together, the end of a long period of political tension, the glamorous appearance of the e-companies, the steady rate of economic growth and the spectacular booming of the stock market spoke strongly to minds and hearts.

### 2.3.1 The Evidence

The nineties witnessed, in the United States, the longest continuous growth ever achieved by an industrial country with some very strong implications for living standards. This growth happened contrary to all expectations, breaking with the economic cycles in place during the previous decades. The most visible part of this expansion was the massive boom in the stock market led by the so-called dotcom companies, as the new internet based businesses had become known.

This period was characterised by very low inflations rates (lower than 4%), increase in real wages, a small decrease in poverty, the stabilization of inequality<sup>4</sup> and much lower volatility in the economy outputs (Temple, 2002). Authors like Beyers (2003) also refer to shifts in the nature of employment, occupations, industrial output and capital composition, while Freeman (2002) acknowledges considerable changes in the labour market. The enthusiasm and amazement caused by this very new situation led observers to proclaim the dawn of a new era where the neoclassic economic paradigms could no longer be applied. Table 1 below, highlights some of the main aspects that have at some point or another been applied to the New Economy.

The productivity growth experienced by the American economy is commonly understood as being a function of capital deepening linked with sharp increases in ICT investment, interconnectivity and development of e-commerce in turn creating a business environment where labour productivity was boosted (Beyers, 2002). Despite the widely spread acceptance of the role played by ICT in shaping economic development during this period (Daveri, 2002), the same picture did not hold true when it came to ground this position in strong and undisputable statistical evidence.

This association between productivity and ICT investment was almost circumstantial and could not be found anywhere else apart from the US economy (Pohjola, 2002)<sup>5</sup>. Bailey and Farrell (2005) and Lewis *et al* (2002) are very explicit in downplaying the role of ICT in explaining America's productivity growth, while Mansell (2001)

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<sup>4</sup> This is certainly a very controversial and disputable question.

<sup>5</sup> The controversial relationship between ICT and productivity is clearly expressed in the Solow Paradox, named after the Nobel economist who coined the expression: "*it is possible to see computers everywhere but in the productivity indices*".

discussing the impact of new ICT technologies in fostering productivity in developing countries expresses his concerns about its limits and applications.

**Table 2.1 The New Economy**

<b>Aspect</b>	<b>Definition</b>
Digital Revolution	Prevalence of Information (computers) and communication technologies (internet, mobile phones).
Human Capital	Quick expansion of education and training levels, increase of its importance.
Innovation	R&D, Know-how, brands and other forms of intangible assets more important than fixed capital; new workplace formats; new organizational structures.
Globalization/Mobility	Capital (finance, fixed and highly specialised) with intense mobility beyond national borders; lower communication and transportation costs.
Organization	Lean, flexible structures. Lower hierarchical levels.
Entrepreneurship	Start ups and new entrants as key drivers of growth.
Clusters	High geographical concentration of specialised firms operating with high technological products and services (e.g. Silicon Valley and Bangalore)
Inequality	Increase wage dispersion and volatility of income. Winner 'takes it all' in both labour and product markets (Van Reenen, 2001). Stability in inequality and poverty reduction (Temple, 2002) !?!?
Public/Private	A blurring of the division between the public and private sectors
Education	Strong expansion of higher education. Mass production.
Politics	Decline of socialist perspectives and supremacy of neo-liberal thoughts
World Order	End of Cold War. Multiplication along polarization axes: north/south; rich/poor; Christian/Muslim.
Emerging trends	Cultural industry; leisure and tourism.

**Modified from Van Reenen, 2001**

Nevertheless, the dynamism of the American economy kept in expansion, surviving the bursting of the dotcom speculative bubble in the stock market, which turned into ashes the value of firms shares, and the corporate scandals of the beginning of this decade, showing that the economic and societal changes in motion were deeper and more significant than its most eye-catching aspects had indicated (Pohjola, 2002). It becomes clear then, that investments in ICT should be taken as a necessary condition

but not a sufficient one to explain the productivity, growth and economic performance of the American economy. This situation imposes a need to broaden our understanding of the transformations in place under the label the *New Economy*, while looking for more comprehensive explanatory models.

In this sense we can argue, in line with Van Reenen (2001), that despite the undeniable importance and role of ICT over a short time, we are experiencing a new age of global competition and rapid technological changes altering ground rules where many of the fundamental aspects are not driven by technology. More than a pure economic issue, a question of investment or expenditures, what has been called the *New Economy* has to be regarded as a complex set of social changes driven by transformations on the productive side of society. A new wave of economic activity moulded and amplified by a confluence of many different economic, political and technical developments unleashed by a new phase of capitalist development. In the words of Schumpeter (1976; pp.83):

*“[...] the fundamental impulse that sets and keeps the capitalist engine in motion comes from the new consumers goods, the new methods of production or transportation, the new markets, the new forms of industrial organization that capitalist enterprises creates”.*

On the production side of the economy it worth noting that no other sector has had a stronger growth then those related to the acquisition and diffusion of knowledge or information, like software, high technology goods, pharmaceuticals, media and communication, information enterprises and the cultural industry in general (Van Reenen, 2001). These activities rely heavily on ICT but also on R&D, innovation, accumulation and exploitation of previous knowledge or in the ability to produce and deliver a large flow of information throughout the world, stressing the importance of intellectual property (patent, copyrights, trademarks and so on) to the economy. Within such a framework, it is not a surprise to learn that the idea of a new economy is frequently associated with the growth and development of a knowledge-based economy (Oulton, 2002) and that this label somehow expresses in a clearer way the nature, direction and possible future developments of current affairs in our society. For this reason, it is possible to conclude that:

“[...] *the existence of a new economy is not derived from the existence of new technologies alone, but from the growing importance of ideas and intangibles, and the role played by knowledge and creativity that can be subsequently applied through ICTs and network media*” (Flew, 2005; p.348).

Away from all disputable and controversial questions, what economists have sought and utilised to support or oppose the idea of a *New Economy*, is the fact that it is possible to “capture its presence” by measuring increases in productivity rates, this being the main reason why the concept has become so important in understanding the current debate about organisational performance.

It is worth remembering that this movement towards a knowledge economy has to be understood within a much broader tendency of a decrease in the importance of manufacturing to western societies and the role played by the service sectors in terms of both the number of people employed and contribution to the gross domestic product (GDP).

### **2.3.2 Political Agenda Impact**

Understanding the nature of changes in the American economy rapidly turned into a major policy question for other countries. What should they do in order to acquire the same sort of benefits? Which reforms should they undertake, what measures should be applied to keep their countries competitive in this “new era” and to catch up with the accelerated American pace? Different patterns in productivity growth between Europe and the US have given mount to a great unease about the disappointing European growth performance, with the evidence for this based on the extent of diffusion and growth effects of ICT. Some authors refer to this as a *productivity gap* and express great concerns about its consequences in the long run (O’Mahony, Oulton & Vass, 1998; Broadberry and O’Mahony, 2004).

Seeking to cope with this challenge, the European Council announced during its summit meeting in Lisbon 2000 its strategy of turning Europe into the most dynamic knowledge based economic area in the world by the year 2010. This commitment was translated into technological indicators during the Barcelona’s summit in 2002

(Archibuchi & Coco, 2005). Once again, the central role of ICT in enhancing productivity and its close association with a knowledge based society is stressed:

*“[...] the importance of the communication sector lies on its impact on all other sectors of the economy. It offers the potential for organizations to make better use of their investment in information technology and realise productivity gains, improvement in quality and opportunities for greater social inclusion. The sector is therefore of fundamental importance to the full development of the knowledge based economy. Higher productivity leading to higher growth with more and better jobs and greater social cohesion is one of the objectives of the Lisbon strategy designed to transform the economical, social and environmental performance of the European Union by the end of the decade.”* (Council of European Union, 2003).

Actually, no productivity acceleration could be seen because of ICT in Europe either. At the same time, individual countries set out on their own paths to try to catch up with the American performance in productivity. In the UK this issue has been central to the economic policy and political agenda since the beginning of the decade when the government published its first report on productivity (HM Treasury, 2000)<sup>6</sup>, setting most of the foundations over which the current debate has evolved.

There are two basic factors which can help understand why the debate about a productivity gap and its consequences are so important: first, it is clear that the existence of a gap implies an underperformance of certain productive sectors and, when compared to another countries, it is an expression of some sort of economic inefficiency; second, identifying the origin of this underperformance is useful in shaping policies and incentives not only at national level but also at firm level.

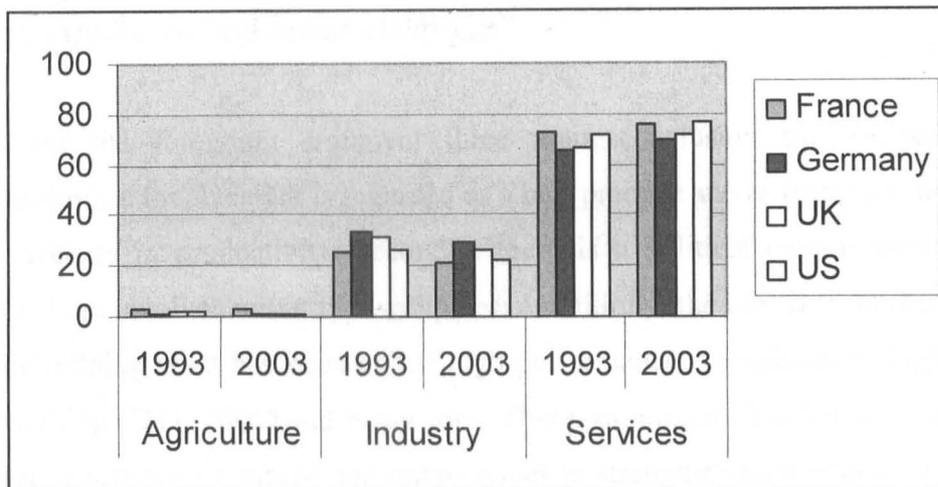
Empirical evidence, so far, has identified that most of the UK gap between other developed countries, namely the US, France and Germany, is attributable to the service sector (AIM, 2003; ESRC, 2004; Porter and Ketels, 2003), highlighting the importance of present developments in economic trends. As previously mentioned, service sectors have a growing importance in terms of both the number of people employed and contribution to GDP, as can be observed in figure 1 below.

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<sup>6</sup> It is interesting noticing that this first HM Treasury report addressing specifically productivity issues dates to year 2000, the highest point of the New Economy era.

At the same time, service sectors have a much lower productivity rate when compared to manufacturing and even agriculture. The very classification system dividing the economy into primary, secondary and tertiary sectors refers (in its origins) to these distinct levels of contribution to a country's living standards, measured in terms of productivity. However, over the last years, due to their increasing importance, a huge challenge has opened up to accelerate the speed and rate of productivity growth in service sectors<sup>7</sup>.

**Figure 2.1 Sector contributions to gross domestic product in value-added in %**



Source: National accounts of OECD countries. OECD, Paris, 2005

The approach utilised by the government consists in: a) acknowledging that there is a gap between the UK and its major competitors; b) calling for a number of macro and micro economic reforms in order to provide environmental business stability to allow firms and individuals to invest for the future (AIM, 2003); c) ensuring that markets function efficiently as a way to tackle barriers to productivity growth (Porter & Ketels, 2003). There is an understanding that, at firm level, there is a need to push forward sets of policies stressing the importance of four key drivers to productivity: Level of (investment in) physical capital; level of (investment in) human capital; workplace organization; and a good business environment, expressed in terms of competition, enterprise, science and innovation, skills and investment (HM Treasury, 2005). As a result of this approach, and as investments only in ICT have clear

<sup>7</sup> Service sectors are grouped following the classification adopted by OECD in their Structural Analysis Database (STAN). They are grouped in four main categories: Wholesale, retail trade, restaurants and hotels; transport, storage and communications; finance, insurance, real estate and business services; and community, social and personal service. For a detailed explanation about this classification see [http://www.oecd.org/document/62/0,3343,en\\_2649\\_34445\\_40696318\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/62/0,3343,en_2649_34445_40696318_1_1_1_1,00.html)

limitations, attentions were turned to organisational aspects as productivity drivers, namely the importance of Human Resources and new forms of work organisation.

In 2002, the Department of Trade and Industry (DTI) initiated a consultation process about the European Community Directive on informing and consulting employees in the workplace (DTI, 2002). The basic rationale used to justify its procedures was built upon the idea that the UK *“still lags behind our major partners (p.4)”* and a set of legislation was needed to support *“existing best practices”* for business environments based on the understanding that *“organizational issues at the workplace are part of the explanation of the productivity gap”*.

From the foregoing argument three main conclusion can be reached: firstly, workplace involvement is regarded as a best practice and as being positively related to increases in productivity; secondly, there is a political commitment in enhancing workers involvement in the workplace; and thirdly, the government is also committed in building what has been called high-performance workplaces or high-performance working (DTI, 2006) and better jobs. This position goes hand in hand with a broader set of reforms on macro and micro issues to strengthen competition and improve the general economic environment.

However, the government’s cheerful optimism is not shared by those directly dealing with real business and The Confederation of British Industry’s replies to the consultation process could be regarded as cautious. Their main point could be summed up as an acknowledgement of the importance of workers involvement but at the same time, a strong case is put forward against the *“one size fits all approach”* (CBI, 2002). If high performance practices are the way forward then why does the main industry body not fully embrace it? The only possible conclusion is that the evidence supporting this argument is not strong enough to convince employers.

It is interesting to observe that this government’s position came at the same time that Academia had engaged in the same sort of discussion about High Performance Work Practices (HPWP) leading to a good amount of cross fertilization between these two fields.

### **2.3.3 Some Possible and Partial Conclusions**

Firstly, independently of the label we might use it is possible to say that we are experiencing a major change on the productive side of the economy with a growing importance of the service sectors. This shift has brought with it the need to enhance productivity levels in service activities, a neglected issue until recently. Secondly, information and communication technologies have a central role to play in shaping and understanding these transformations but they can not explain it fully. There is a need to complement it by adopting new forms of work organisation and by developing new employment relations. Finally, in assessing the role of all the constitute elements of this discussion, one has to keep in sight that any choices are always ideologically influenced.

At this point, it is important to ask: what is different about service activities that justifies investigating them when there is already a good deal of literature focusing on productivity in manufacturing? The next section will explore this question in more detail.

## **2.4 Service Economy**

When thinking about the transformations taking place in our society it is always possible to assume that our analysis about it might be driven by its more glamorous aspects. In our case, there is a possibility that the increasing importance of information and knowledge to economic activity might be obscuring the variety of jobs and tasks characteristics of a service economy. Because of that, some important considerations must be looked at before moving on.

First of all, the advent of a service economy does not mean that manufacturing has disappeared or that it is not important at all to industrialised western societies (Miles, 2003). To a great extent, we are still going to be dependent on manufactured goods in order to supply the basic needs of our lives. What is in place is a situation where, for the first time in the industrialization process history, it is possible to continuously increase production outputs while continuously reducing the number of workers

employed. At the same time, industrialised societies are experiencing a deindustrialization process where intensive labour dependable activities, (those where labour costs constitute an important part of the total costs), are being transferred to countries with lower wage levels.

A strategy being sought to replace this loss of workplaces has been to develop what has being called by the government “high quality jobs” or “high performance working”, in other words, an expansion *downstream into high value services* (Davies, 2003). However, the overall impact of the knowledge sector corresponds only to a small portion of economic activity. Talking about the importance of the knowledge work to our present society Legge (2005) reminds us that this is a “[...] *highly fashionable subject for academic research and debate, although constituting a small minority of service sector workers* (p.13)”.

In spite of a real trend towards a growing reliance on knowledge to create wealth, an often neglected aspect of this process refers to the fact that it is also possible to identify a strong expansion of activities related to front-line services (Batt, 2000). In this case, symbolic interactions with customers involving information, attitudes and emotions (Frenkel, 2000) are as important to the economic activity as knowledge is to retail and personal care sector jobs, for example. The skills literature often refers to this situation as a process of work deskilling taking place in contemporary western societies (Illeris, 2002).

This argument can be further unfolded in two distinct ways. On the one hand, it is feasible to expect an increasingly important role to be played by people in services when compared to manufacturing, on the other hand these face-to-face interactions do not require the same kind of skills and abilities as those needed by goods-producing activities, giving rise to questions regarding the quality of the overall jobs available in service economies. If this tendency of contrasting activities is to be kept, we are possibly witnessing the advent of a society characterised by a strong dichotomy in its workplaces (Beck, 2000) and consequently in its workers.

On the other hand, it is possible to identify an expanding tendency of organizations to have “services” as a core philosophy of their managerial process (Korczynski, 2005).

Here the concept can be understood in a variety of ways: as an end of an economic transaction having the organization on one side and the client/customer on the other; as part of the coordination processes within an organization; as part of a broad tendency in direction to core competencies with outsourcing of organizational functions, with companies seeking more valuable activities in a substitution process. The logic behind this movement points towards an ever changing business environment with multiple demands. The most likely consequence is an increasing flexibility of tasks, jobs and workplace restructuring; transferring the uncertainties of economic enterprises from companies to workers and increasing their workload.

This picture is important and has proved to be of central importance when tackling the question of how to improve the overall performance of service companies in general, and when it is measured in terms of productivity metrics (Kupers, 1998) in particular.

#### **2.4.1 Service Work Characterisation**

Since their origins, the business and management fields have been closely associated with the challenges, problems and the development of industrial society and its workplace. The factory, but not the shop, has been scrutinised down to its smallest details providing the basic understanding over which theories, concepts and explanations related to the work phenomenon are built. To a great extent, it possible to say that nowadays we know a great deal *“about the organization and management...in the manufacturing sectors but comparatively little about how applicable this is to service sectors”* (Tidd & Hull, 2003).

The central assumption over which the previous argument is constructed is that there are, or at least there might be, some significant differences between manufacturing and service activities. This means that some kind of new conceptual framework is needed, or at least some sort of adaptation of the old ones is required, when addressing managerial issues in service environments (Johnston & Jones, 2004). In this case, it should be possible to identify some clear structural differences in the nature of service activities, especially regarding the delivery process (Batt & Doelgast, 2003). There have been attempts to establish these distinctions with varying

degrees of success. Until now, the *standardization x customisation* debate is the best one to capture it.

#### 2.4.1.1 Standardization: Process as a centre

According to Sundbo (2002) the origins of this discussion is based on very distinct research traditions. On the one hand, following a macroeconomic perspective (neoclassical approach) some studies focus their attention on increasing service productivity mainly through the standardization process. In this case, there is no real need to care for the customers because they are able to classify the products according to their perceived quality and once this is done, price is the most important aspect mediating consumption choices.

The central line of thought in this proposition is that more than a physical arrangement, the production line is a conception of the production process based on rational principles and because of this, there is no specific reason why these principles could not be expanded to other areas of society. These ideas are not new and their origin has a long genealogy starting with the rationalist philosophers of the eighteenth century and passing directly through the writings of Max Weber. More recently Levitt, (1972) brought them to our attention within the scope of the service sector.

The original idea has recently received a number of theoretical contributions especially from sociology and critical studies. In this case, two pieces of work are worth noting: the McDonaldization thesis from Ritzer (1996) and the risk society thesis from the German sociologist Ulrich Beck (2000). Despite working in different fields these two authors come to similar conclusions.

Ritzer's original idea refers to current development trends in our daily life based upon Weber's *bureaucracy* concept, the idea of rational principles guiding and organizing society. He chose the Macdonald fast-food chain (and consequently, jobs) to epitomise the extension and pervasiveness of this idea in our daily life. Four main principles drive the McDonaldisation process: efficiency; control, predictability and calculability (Korczyński, 2002). It is not difficult to see how this analysis moved fast

from social ground to be applied in understanding the changing nature of work processes. Service work could be organised following these same sociological principles, opening up the path to the quick expansion of rationalisation and standardisation, and consequently productivity, of the service sectors.

In his turn, Beck's (2000) central discussion focuses on the emergence of flexible labour patterns to characterise the changing nature of work and its consequences. At the core of his discussion is the decadence of the employment society and policies and the emergence of what he calls a *risk society*. According to his ideas [...] "*productivity, to be worthy of this name, means the removal of more and more human labour*"(p.14). Although he does not deal directly with service sectors it is clear that he addresses the consequences of a transformation from a "*work society to a knowledge society* (p.1)".

The most important lesson to be learned from these two authors is that the rationalisation process is not inevitable but a question of constant application of a particular kind of [ideological] principle with consequences for good and for evil. Service sector work does not have any particular characteristic that would preclude the application of these principles. However, it is important to acknowledge that the increase in what is called knowledge work is accompanied by an even greater increase at the bottom end of the scale: the unskilled, low paid, repetitive work (Beck, 2000).

#### 2.4.1.2 Customisation: Client as the centre

The advocates of the customisation approach are more likely to be found within the theoretical grounds of service management and marketing literature. Within these approaches, the 'service encounter' is regarded as the *moment of truth*, the moment where the client has to be enchanted, emphasizing the meeting of a single client's expectations at a point in time. These encounters are also viewed as moments of social interaction based on negotiation and exchange of information (Glynn & Ennis, 2003). As no two interactions are ever the same, the service being provided is regarded as unique.

This sort of argumentation has profound implications if we consider:

*“[...] service organizations have been slower in developing productivity measures than manufacturing companies. This can be attributed to the specific nature of services, which makes it much more difficult to measure output” (Van Looy et al, 1998; p.362)*

This may be the reason why the concept has been so neglected in service management literature (Sahay, 2005).

Every time a service transaction occurs a good amount of what the client receives and expects can not be “touched”, since it has a lack of physical properties. In this sense, services are intrinsically intangible (Vermeulen & Aa, 2003; Korczynski, 2002). In assessing the quality of the “product” delivered, the customer adds to his evaluation an assessment of the delivery process itself; creating not two different accounts of what he has got but one single one. As customers have different expectations and as they vary over time, each transaction has its own particularities making it difficult to design a single approach to meet these expectations.

Another particular characteristic of services activities refers to the impossibility, or at least to the limitations, in stocking services (Vermeulen & Aa , 2003; Korczynski, 2002). For example, in a consultancy service, what is the product being sold? Is it expertise? Is it knowledge? How do we stock it? Even when the service has a tangible dimension, like a preparation of an event, where many steps have to be taken until the final product (the event actually happening), there are many steps in the production process that can not be reversed or stored. If the final service is not delivered the intermediate product(s) or step(s) will be lost. In the given example, the venue scheduled might not be available at a future date, for instance. The most important implication to a company’s performance relies on the difficulties in predicting random aspects of demand and in preparing to meet them<sup>8</sup>.

The variability of expectations leads to a variability of possibilities in the characteristics the service should have (Vermeulen & Aa, 2003; Korczynski, 2002). A

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<sup>8</sup> The literature emphasizes the unpredictable nature of demand but this has to be interpreted with caution because, very often, what is said to be random is in fact unevenly distributed over time and very often patterns can be predicted.

good example of this can be perceived in the restaurant sector. Despite the great number of existing places it is very difficult to find two restaurants with the same characteristics and we have to take into account not only the type of food but also its amount; the quality of the ingredients, an individual chef's skill, the decor, price and location of the restaurant as well as the standard of service received and the variety on the menu. It is clear that in such an environment it is very difficult to have any kind of "one size fits all" prescription, making comparisons and standardisation very difficult. According to Prajogo (2005) services' idiosyncratic characteristics make it more difficult to control for quality before delivering it to clients.

While in manufacturing there is a delay between production and consumption because of either the delivery process or the possibility of stocking a product. The same situation does not apply to services where the interaction process between consumer and producer mediates the act of consumption and usually the service is produced and delivered with, or because of, the specific requests and desires of individual customers which are inherently idiosyncratic: the whole process is inseparable from such preferences and desires. This situation gives to service some "just-in-time" characteristics raising concerns about the misfit of supply and demand (Frenkel, 2000).

As the basis for the transaction act between supplier and client is based on intangibles, this process is mediated by a symbolic interaction where emotions, attitudes, expectations, knowledge and information constitute the core elements of it (Frenkel, 2000). More than plain emotional labour, the worker is constantly being asked to engage in a significant relationship with customers, with this situation influencing each other. The personalisation of the process decreases the possibility of mass production, or more accurately, the mass delivery of certain kinds of services. The interactive nature of the service process, coupled with its perishability, increases the probability of something going wrong during the delivery process (Linden & Sanden, 2004).

#### **2.4.2 Some Possible and Partial Conclusions**

It is clear from the preceding initial discussions that the most important characteristic in defining service activities rests upon the customer's participation in the delivery process, with the link between expectation and quality evaluation being also very important in understanding its nature (Constanti & Gibbs, 2005). However, there is a possibility that this important role might be overstated. If we take for granted the above features and its implications we would come to a situation where all services would need to be tailored to suit individuals' expectations, something that does not hold true when confronted with reality.

The role played by customers varies according to the kind of service being provided. If we think, for instance, about mail delivery, there is virtually no contact between the customer and the service supplier. The same picture applies when we consider the majority of services that enable daily life, like the supply of gas, electricity, telephone, public cleaning, considerable parts of retailing, and so on. It can also be said that customer's expectations might be equally overstated. It is true that different individuals have different level of expectations; however, they are usually grouped into a pack of general characteristics that allow services to be delivered according to some broad general pattern. This is the core idea behind market segmentation.

Quality judgment by customers and its importance in assessing companies' performances might also be overstated by service management literature, mainly because it is not possible to see the effort to make the quality concept clear and to access its impact on the customer's decision making process<sup>9</sup>. Is customer's quality assessment so narrowly defined that it can only be analysed separately for each individual? Or are there broad categories that can be attributed a set of general characteristics, allowing services to be delivered according to some broad general patterns?

A possible conclusion from these questions points in the direction of sector differences being important when comparing companies' performance once they

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<sup>9</sup> Is quality measured in terms of the best material available? Is quality a function of conformity to a specification? Is quality the fulfilment of a need? Is quality a cost-benefit relation?

demonstrate that they share some common characteristics; on the other hand, customers' expectations would also vary within a certain band when compared with inter sector studies.

Both perspectives have advantages and disadvantages in their approaches. Depending on the kind of service being provided it is not only possible but also desirable, to standardise the service in order to achieve lower unitary costs and uniformity in quality aspects. The same principle can be applied to the other side of the service scale, the quality approach, meaning some degree of customisation is needed in market segments where differentiation is valued. This is the core principle behind some of the existing taxonomies in service sectors as for example in Fitzsimmons & Fitzsimmons (2001).

The hotel industry is a typical (and for this reason, representative) example of the "old economy" activity, experiencing a period of expansion and where a strong growth in employment is expected over the next years. The industry is far from being homogeneous having an enormous variety of products, services and workplaces characteristics. Some of its products are highly standardised targeting mass markets, while some other products are tailored to meet very specific high demands. With such a mixture of possibilities, I am assuming it is good research ground to develop the question proposed in this research.

Having set the axes over which the debate evolves, I will revise, in the next chapter, the main literature about high-performance and management practice in the context of the hotel industry.

Human Resource Management (HRM), the management of work and people towards desirable ends, is a fundamental activity in any organization in which human beings are employed. It is not something whose existence needs to be elaborately justified: HRM is an inevitable consequence of starting and growing an organization.

Boxall, Purcell and Wright. The Oxford Handbook of HRM, 2008.

### **3.0 Literature Review**

#### **3.1 Overview**

Throughout the next pages, the most relevant themes to the current research are reviewed. They begin by addressing how changes in business environments have led to a renewed interest in performance and how this has triggered the need for new organizational forms. From the importance of management practices, this review moves on to addressing the main concepts related to HRM within organizations, building a case for supporting its importance in enhancing overall business performance and in sustaining competitive advantage. In sequence; the concept of productivity is discussed seeking to understand how it can contribute to this discussion, then a more specific literature about human resources management and performance in the hotel industry is revised. This chapter is also tailored to help answer the first research question (RQ1): to what extent can a conceptual framework developed to understanding the relationship between the effective use of management practices and performance within a manufacturing environment be applied to addressing service sectors issues in general and to the hotel industry in particular. This review is broadly defined and conceptualised leaving to the following studies a more detailed discussion about specific issues.

### **3.2 A Quest for High Performance**

For a long period, service activities were regarded as a sort of “dead labour”, something needed to support economic process but unable to add value to it *per se* (Smith, 1776) and, subsequently, unable to raise living standards. As a consequence of them being considered as of “tertiary” importance to overall economic activity, service sector problems remained almost unchallenged over time, receiving relatively little attention from academia. This position started to change more recently when the possibilities opened up by the ICT revolution imposed a new economic dynamism. The intangible production of a service economy, exemplified by the importance of design, retail, trademarks, software industries and telecommunications, brought a new range of challenges to practitioners and scholars among which the quest for high-performance and competitive advantage, especially measured in terms of productivity, was a crucial factor.

This discussion has assumed a number of different manifestations. More recently, we have been witnessing the predominance of two main research traditions exploring this area: one evolving from the grounds of (strategic) management with a strong prevalence of human resources issues; and a second one, whose origins are firmly founded upon economic theory and tradition (Laursen & Foss, 2003). They are, respectively the Human Resource Management (HRM) and Productivity studies. Having different starting points and developing different arguments, they come together in asserting the role of people in building high performance organizations.

#### **3.2.1 Management Practices and Performance**

The prominence of these approaches, based on their unquestionable heuristic value, has somehow obliterated other important theoretical developments. When the traditional production process adopted by western economies showed its limitations during the late 70's and early 80's both business and academia launched themselves on a frantic search for a model which could cope with the challenge brought about by the Japanese industry. The initial movement went towards an assimilation process where typical Japanese managerial practices, like Quality Control Circles (CCQ), were rapidly transplanted, adopted and discarded. The second movement was in the

direction of trying to understand why Japanese managerial practices did not seem to work for western industries. A number of explanations were built especially those addressing questions of cultural differences, like William's Ouchi (1981) *Theory Z*, but these were soon also discarded because they were unable to deliver what was expected from them. In a third movement, a number of successful alternatives to the traditional assembly line were "discovered" in places like Northern Italy, Sweden and Germany (Piore & Sabel, 1986), showing that instead of being a cultural question the Japanese success was a matter of model, of the way in which the production and the work was organised, this shifted the emphasis, once again, in the direction of trying to understand which characteristics should a new production model, or more importantly, should new production *models* (Appelbaum & Batt, 1994) have.

As a control system, the Japanese model is organized around the idea of teamwork but some other very distinctive characteristics can be identified, for instance; focus on continuous innovation, electronic surveillance and monitoring of a very standardised working process, just-in-time production, workers involvement as part of corporate culture, existence of a system of pre-employment screening and training as part of a policy for widespread quality control and work standardization among others (Graham, 2005). Over the years the idea of flexible production arrangements (Guest, 2004; Raghuran, London and Larsen, 2001) became increasingly associated with it. In such a context, it is not difficult to realise that understanding the process for adopting new management practices and their relationship with a company's performance quickly became central to the research agenda.

The studies relating to the adoption of management practices and performance are very common to both management and organizational/work psychology and important related research traditions have been developed under the label of benchmarking; management innovation, job design, knowledge management and organizational change to name a few.

Since the work of Shonberguer (1986) there has been a growing body of work stressing the importance of the adoption of successful management practices and models as a short cut to increase a company's performance. The rationale behind these studies rests on the fact that a leading company has already identified a body of knowledge and systematised it into a set of practices so that copying it could save

money and time to its competitors (Davies & Kochar, 2000) and increase company performance, in a process of *best practices adoption*<sup>10</sup>. Leseure *et al.* (2004) calls our attention to the fact that the former label is not widely recognized among scholars due to its implicit acceptance of a universalistic model and that some others labels are applied to identify the same phenomenon like; better practices (Edwards, Battisti & Neely, 2004), modern management practices (Wood *et al.*, 2004), diffusion of managerial innovation (e.g. Lam, 2005), promising practices (Leseure *et al.*, 2004) or benchmarking (Camp, 1989).

Over the last few years, a number of government reports (HM Treasury, 2001; Porter & Ketels, 2003; Griffith *et al.*, 2003; ESRC, 2004) have expressed concern about an underperformance of UK companies, in terms of productivity, when compared with its major competitors, namely the US, France and Germany. They have also raised the question of a lack in the adoption of best practices throughout the industry as a hypothesis for this. The hypothesis of a lower rate in the adoption of best management practices has received both anecdotal (Bloom, 2005) and empirical support (e.g. Clegg, 2002; Bloom 2005 *et al.*; Bloom & Van Reenen, 2005).

Following the same line, productivity studies at the firm level, stress the importance of the adoption of workplace innovations as a necessary complimentary task for companies investing in ICT and workers skills in order to boost performance and productivity (Cappelli & Neumark, 2001; Black and Lynch, 2001; Bresnahan, Brynjolfsson & Hytt, 2002; Levy & Murnane, 2003; Black and Lynch, 2004). Barney (1995) addresses this issue referring to the role of what he calls *complementary resources*:

*“numerous components of a firm’s organization are relevant when answering the question of organization...they have limited ability to generate competitive advantage in isolation. However, in combination with other resources and capabilities, they can enable a firm to realise its full competitive advantage”.*

Once again, the rationale behind these studies rests on the idea that a workplace introducing new technologies or increasing worker’s abilities needs to re-organise its

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<sup>10</sup> Institutional theory (DiMaggio and Powell, 1983) provides a thorough account on this process.

routines and its work processes in order to fully exploit their potential. In other words, the question of work organization is central to understanding firm performance.

From what has been said, it is possible to draw some important conclusions: initially there is no empirical evidence to support the idea that a single organizational model could be used across sectors and industries to achieve high-performance. Secondly, people play an essential role in organizations but their importance and contribution to overall performance in different sectors varies in the same way that varies the nature of their role according to the theoretical perspectives espoused. This understanding could contribute to an explanation of why findings regarding management practices adoption and their effective use are so inconclusive and sometimes contradictory. Last but not least, when estimating performance issues it is important to take into account the role of general operational practices which tally with HRM to set performance levels.

In the next section I will review the most important aspects of the relationship between management practices and performance.

### **3.3 HRM and Performance**

At the beginning of the nineties, Barney (1991) published an article about strategic management where he clarifies his ideas that the source of competitive advantage would be found not outside a company but within its borders, shifting more than thirty years of research tradition in the area. According to him, in a competitive environment, the control of common and ordinary resources alone could not provide sustainable advantage in the face of relevant competitors, and as a consequence, a company relying on it would be less likely to survive. Only the possession and dominance of resources that add value to the firm, that are rare, imperfectly imitable and hardly substitutable could provide the drive needed to compete successfully (Barney, 1995, 2001; Espino-Rodrigues & Padron-Robaina, 2005; Barney, Wright & Ketchen Jr, 2001; Wang and Barney, 2006; Lado *et al*, 2006). Traditional productive resources like capital, technology and information could be easily acquired in the market and therefore did not apply to the established conceptual framework.

Following this Pfeffer (1994) published a book where he stressed that a company's workforce would match the criteria Resource Based View of the firm had established for competitive advantage. This work came at a time when the personnel function was undergoing major restructuring trying to gain significance and play a decisive role within firms. The movement initiated during the late eighties toward HRM (Storey, 2001) had just gathered momentum and boosted a very strong and fruitful research tradition, searching for the relationship between the adoption of management practices (in this case, HRM specifically) and performance.

One of the most important initial studies in this direction was undertaken by Arthur (1994) on the effect of HR systems on manufacturing performance and turnover. Studying steel mills and making use of a taxonomy of management practices based on control (the traditional taylorist approach to production) and commitment (the new, Japanese inspired, managerial system) he was able to show a positive relationship between the use of what was called *high performance work practices* (HPWP) and company performance. Huselid (1995), Ichniowski (1997) and others, followed quickly in the same direction. An important characteristic of these studies is the move from a focus on separate practices and employee performance towards the idea of a system of practices relating to firm performance (Bowen & Ostroff, 2004). This is the reason why Menezes and Wood (2005) remind us that HPWP should be understood as more than an amalgamation of HR practices, comprising also a combination of broader work organization processes, skills acquisition and motivational-enhancement processes.

Independently of which form the theoretical arguments may take, the underlying assumption is always the same: there is, or at least there should be, a positive relationship between the adoption and use of certain HR practices and firm performance, assuming equal all other production factors. In such a scenario, the most important question lies on identifying which practices are these and on explaining the causal relationships between their effective use and the expected outcomes.

These initiatives acted as drivers for landmark studies and approaches to the performance link. It is possible to address these issues from two different perspectives

which are not incompatible with each other<sup>11</sup>. In fact they overlap to a great extent, being expressions of different research traditions and focuses (Wright & Boswell, 2002), in the first instance we have a macro approach where the link is defined and expressed in terms of the HR system's alignment with the overall business competitive strategy (Boxall & Purcell, 2003; Bach, 2005), in other words, this research tradition is primarily concerned with the relationship between a group of practices and policies and external/internal contingencies (Guest, 1997). Put in another way, how HR practices/labour management support and fit with firm strategy. Superior performance should result as a consequence of a labour supply with the needed skills and abilities to compete in specific markets. This approach is known as the *strategic HRM* School and has its origins clearly linked with developments from business/management studies.

The second approach to the performance link assumes a micro perspective by looking at employee work attitudes. In this case, the starting point is the assumption that people are valuable and important resources to the production/delivery processes, rather than inconvenient costs. The fundamental view is that workers are basically committed to their jobs and because of that they do not have to be closely controlled as would be expected from a Taylorist perspective but, instead, they should be involved and motivated to participate (Wood & Wall, 2002). From a behavioural perspective it is said that some types of practices can enhance organizational effectiveness by increasing the likelihood that employees will engage in behaviours that make a positive contribution to the organization's performance (Neal, West & Patterson, 2004). Within this perspective high-performance practices are usually conceptualised in terms of the psychological process at the centre of workers' behaviour towards the job. It also can be said to be expressing ideological alignments when it takes the form of concepts such as High-Involvement Management (HIM), usually linked to an American tradition, when compared to High-Commitment Management (HCM), more commonly associated with a British/ European tradition. The most important aspect in characterising these two approaches is connected to institutional differences shaping labour markets and employment relations.

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<sup>11</sup> Guest (2002) identifies three different perspectives on HRM and performance with High Performance Work System being one of them. In the present case I am assuming that HRM and HPWS are dimensions of the same phenomenon.

Here once more, no matter what the path followed, the core question remains the same: employees can make a difference (Guthrie, Spell & Nyamori, 2002) in enhancing performance and in contributing to sustain a position of competitive advantage. However, despite overall agreement some authors also call the attention to the fact that some conditions are to be met prior to this being delivered. MacDuffie (1995) is particularly articulate in this respect. According to him, people will make a difference only where three basic conditions are met: first, workers should possess knowledge and skills which managers and owners lack; second, workers should be motivated to employ their skills and knowledge through discretionary effort; and third, business success must rely on such kind of worker's discretionary effort.

It is not difficult to see how service activities can be eligible to take advantage of HRM practices as they meet all postulated criteria. It is assumed that a good amount of the service process and success lies on the interaction between customers and workers. For this very reason the better this interaction the better should be the perception about service quality with a consequent increase in sales. A better qualified workforce, either in terms of service knowledge or sales or interpersonal relations techniques, would play a pivotal role in assuring business success.

### **3.3.1 A Macro Perspective: The Strategic HRM School**

The theory of strategic HRM, in fact, does not advocate a single way to link strategy to HRM (Boxall & Purcell, 2003). Within this school much of the debate, up to the present moment, has been consumed by the clashes between two distinct normative models about the nature of this link. On the one hand, there is a *best fit* model, reflecting a contingent perspective and stating that HR strategy will be more effective if it is integrated with a specific organization and broad environmental context. On the other hand, it is possible to find a position supporting the idea that there is a certain group of practices that will elicit superior results independently of the sector or context where they are applied. This approach is known as the *best practice* model. In the following lines these two models are briefly outlined.

### *3.3.1.1 Best Fit Model*

The best fit, also known as the contingency school of strategic HRM, covers a number of different approaches suggesting a fit between HR practices and the surrounding environment (Boxall & Purcell, 2003). In the early stages, the fit was supposed to be derived from the firm competitive strategy or the way the company chose to address the market. The central question was: which practices can deliver high performance? In this context, the answer was placed on activities related to job design, team working, goal setting, financial incentives, selection and recruitment. The focus was on maximising the use of the available workforce. Despite its intuitive appeal, this notion of an external alignment (fit) with market forces and strategies soon came under fire with strong criticism for its rudimentary position. The most important criticism addressed the fact that HRM in this perspective expressed little or no concern about the role of workers as active participants in a complex system (Guest, 2007). It became clear that this (alignment) was a necessary condition but not a sufficient one. Another theoretical development, but much less influential, proposed that the fit should also follow the development stage in the firm life (Baird & Meshoulam, 1988).

In a later conceptualization, the idea emerged that HR should comprise and form a coherent and self-supporting bundle of practices transferring the search for fit from an external source to within the company, in a movement that received support from RBV theory. The idea of fit as sets of practices brings implicit with it the existence of a pattern, or configuration of practices that combined together will elicit superior outcomes when compared to other combinations (Guest, 1997)

On the whole, the literature has provided some evidence in support of an association between HR practices, either individually or in bundles, and performance (Neal, West & Patterson, 2004). However, there is a need to improve the theoretical and analytical framework that informs this perspective before this link can be accepted as proven (Grant & Shields, 2002) especially since the nature of this evidence is at best inconsistent and the findings on the effect on performance are very mixed (Wood, 2003). In a study seeking to assess whether a firm's strategic orientation moderates the effectiveness of HRM practices, Neal, West and Patterson (2004) found that high quality HRM practices appear to

provide few benefits to firms with a good organizational climate suggesting that their impact might be somehow associated with the development of overall better working conditions rather than being a consequence of any other attribute. In their turn, De Menezes and Wood (2006) follow more or less in the same direction when they insist that it seems too premature to associate *unequivocally* flexible work systems to high performance. Flexible work arrangements are also a central characteristic of workplaces introducing new HRM practices.

### 3.3.1.2 Best Practice model

This second model makes more universal claims, since it assumes that there is a set of *best practices* in the way people are managed that will enable the delivery of superior results independently of institutional or environmental characteristics where they are applied. Here, the basic starting point is that the more certain practices are adopted by any single company the higher performance should be. Over the years, a number of different lists of practices have been drawn up with a special highlight on the one produced by Pfeffer (1994).

One key aspect of such models is the way in which best practice is conceptualised. In certain cases they tend to be very specific but more often than not they are very broadly defined and there is no indication on how they should be implemented, a key dimension in any management practice. Let's take the example of Pfeffer's second practice, *selective hiring*. What does it mean exactly? Can it be understood as a long, complex and expensive process using the latest available selecting techniques or could it be understood simply as a process where the potential candidates are screened not only based on their experience, for instance, but also by the manager under whose direct supervision he/she is going to work? Certainly both options would fit under this broad conceptual umbrella.

Another good example of this lack of precision is the idea of *reducing status distinctions and barriers*, a movement normally associated with the flattening of bureaucratic structures and widely recognised as a facilitator of communication processes. Because of its simplicity and straight forward principle, should a practice like this be regarded as plain managerial common sense, taking a more loose approach

to best practices, or should it be regarded as part of a philosophical stone brought about by the quest for high performance?

However, beyond all criticism the best practices model has many supporters especially within government initiatives such as the Best Practices Forum<sup>12</sup> designed to improve performance and productivity in the hospitality sector. The rationale behind it is very simple and has to be recognised as potentially effective. Targeting in particular small and medium business, it addresses a set of practices or baseline conditions that all companies should have in order to improve performance, or at least to work more efficiently. Put in other words, it recognises that there is a lack of managerial capabilities and the resources to acquire these capabilities on the market and as a consequence, many practices in the sector do not reflect the latest novelty brought to our attention by either research or practice.

Grant and Shields (2002) when discussing the weaknesses of HRM performance research bring to the attention the fact that few organizations have taken up general HRM (best) practices, implementation seems to be on a partial, *ad hoc* or reactive basis. Evidence to support this approach is weakened because many studies on best practice focus on one practice at a time and, very often, in a large multinational company belonging to the private sector. In their study about adoption of high commitment work practices in Britain based on the Workplace Employment Work Survey (WERS), Bryson, Gomez, and Kretchmer (2005) found evidence linking the process of management practices adoption to the establishment size, organizational affiliations and size of multi-establishment network, reinforcing the idea that large multinational companies are more likely to adopt such practices.

A possible theoretical misunderstanding might be behind some criticism regarding the *best practices* approach. As has already been mentioned, the idea that people are important resources and might play a significant role within an organisation has deep roots in theory. However, it has to be recognised that competitive advantage is not the same thing as (high) performance. Competitive advantage is a notion that only makes sense in a comparative perspective against other relevant organizations while high performance is mainly a self referential concept.

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<sup>12</sup> See [www.bestpracticeforum.org](http://www.bestpracticeforum.org)

### **3.3.2 A Micro Perspective: High Commitment / Involvement Management**

Surpassing the traditional systems of control regarded as incapable of delivering superior results in a business environment, characterised by the increasing education of the workforce and rising values about the work itself, a strong case has been built towards a more horizontal model on employment relations. The main argument is that a reciprocal commitment between the company and the workers, based on [...] “*trust, fairness of treatment and delivery of promises*” requires a sophisticated system of HRM based on emphasising the importance of developing a sense of identity through involvement in a shared activity and shared organizational goals (Guest 2002).

#### **3.3.2.1 Skills and knowledge**

More and more, additions and improvements in productivity have to rely on the application of knowledge (Teece, 2003) (via the introduction of new equipment or improvement of processes) either to the production or to the delivery activity with its customer interface. On the other hand, the rising amount of technology also accounts for an increase in the demand for skills mainly because of the intensive use of information, reducing the overall importance of manual work and increasing the need for continuous learning with the acquisition of new skills. The extensive use of high-involvement practices represents an investment in human capital where employees are regarded as playing a pivotal role in operations (Guthrie, 2001). This importance is often expressed in the way jobs are designed and decision making processes are spread more evenly across the company. These aspects together bring forward the important role to be played by a motivated and qualified workforce that is now required to put their brains to work as soon as they arrive at their workplace.

Moreover, flexible organizations seek the development of a polyvalent workforce capable of carrying out a number of different functions and tasks according to the opportunity and the need. Enhancing skills requires time and money, two things that firms usually are not willing to spend. At the same time, polyvalence is a function of general ability, not specialised knowledge, bringing into the spotlight one of the most interesting contradictions within this model.

### *3.3.2.2 Opportunity*

The increasing importance, use and application of workers' abilities and skills have brought to our attention how important it is to elicit this behaviour from the workforce. There have been a number of attempts in this direction with some degree of success. The two most influential choices have been to re-design jobs enriching them in a way that might challenge and develop workers capacities instead of having the traditional repetitive and dull activities (Wood, 1996). The second goes in the direction of granting workers some sort of direct influence (autonomy) and voice about the way their jobs are done in an involvement process (Wood & De Menezes, 2006). The direct contact with the activities being performed, or with customers, means they are a valuable source of the vital information needed to improve either production or delivery processes.

### *3.3.2.3 Motivation*

Even in contexts where the worker has high levels of desirable and rare skills, companies may also experience a degree of uncertainty once there is no clear reason why a worker should not voluntarily seek to maximise his/her returns on the market, offering his/her services to the highest bidder. Why develop any sense of loyalty or attachment to an organization? A strategy being advocated specially by those in HRM indicates that in such cases workers should be granted high compensation levels (attached to performance) with extensive opportunities for self-development as a way of building commitment to the organization. However, this approach has clear impacts on labour costs (a situation that companies are trying to avoid) and which does not guarantee loyalty from employees.

These issues will be more detailed addressed later in study three.

In a background of uncertainty, risk and flexibility, the question of individual and social adhesion to these work models is central to their survival and surely one of their most sensible and delicate characteristics, according to Belanger, Giles and Murray (2005).

*“Firms are seeking increased employee commitment, which is seen as a necessary precondition for the realization of the gains to be achieved in the new production systems, and these gains depend on employees’ use of their knowledge and skills in the resolution of problems” (p.46).*

An attempt to overcome this problem is to sell the new model as a win-win situation (Osterman, 2000) where managers and workers interests are complimentary. The firm should be ready to invest and support its workers, granting them higher degrees of involvement and discretion in an attempt to elicit discretionary effort and commitment in order to exploit their knowledge and skills.

*“Positive performance effects arise in part from the creation of more cooperative labour-management relations, which induce employees to work harder and share ideas in the pursuit of “mutual gains” with employers” (Goddard & Delany, 2000; p.482).*

The company’s superior performance would provide the returns needed to maintain this cycle<sup>13</sup>. There seems to be no doubt that working under such a condition is preferable when compared to traditional workplaces (Goddard, 2001). However, it is also clear that this is a management driven system, the apparent human side of the organization still serves the company first and foremost (Guest, 2002).

In general terms there is no clear distinction between the High Commitment (HC) and High Involvement (HI) approaches and it is very common to find authors where the concepts are used interchangeably, as is the case of Ordiz-Fuertes and Fernandez-Sanches (2003). According to them, through the design of high commitment work systems, conditions will be created for employees to become highly involved in the organization.

However, up to the present moment the evidence linking adoption of HRM / HPWP with performance remains controversial and disputable (Boselie, Paauwe & Richardson, 2003; Marchington & Grugulis, 2000; Guest, 1997). For example, Boxall and Purcell (2003) argue that the lack of factual observation of the wide spread use and diffusion of HRM practices is an indication against a universal positive and direct

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<sup>13</sup> This rhetoric is far from new has follows a long tradition arising with Taylor, through Human Relations school, socio-technical systems up to the present HPWS (Harley, 2005). Authors espousing Labour Process perspectives in HR strongly oppose to this or at least address such claims with strong criticism and caution.

link with company performance, a position also supported by Legge (2005). In their turn, Datta, Guthrie and Wright (2005) found results providing support for both universal and contingent perspectives. Another set of more visible aspects of this difficult relationship refer to methodological concerns over research designs (Wall & Wood, 2004). Only very rarely have two different studies evaluated performance and management practices using the same measures.

What do we really know about these relationships so far? In a meta-analytical study about the effect of “high-performance” practices on organisational performance Combs *et al.* (2006) found evidence to support that HPWP *materially affect* performance. According to them, the size of this effect is bigger for systems of practices when compared to individual practices; the impact is invariant to the choice of performance measure; and they also suggest a stronger impact on manufacturing sectors when compared to service activities. However, no matter how important this kind of studies is it do not tell the whole story, it just organise the existing literature.

Up to the present moment, most of the research addressing the relationship between the adoption of management practices and performance are manufacturing based (Batt & Doellgast, 2003). In a context of the growing importance of services, in terms of both number of employees and contribution to GDP, it is worth asking how it happens in service sectors, especially in those areas that are not knowledge based. Are skills really that important in this situation? How does opportunity relate to service delivery in a context of growing standardization? These are just a few examples of questions that still need proper answers.

Having addressed the main aspect of the relationship between management practices and performance, the next section will address the concept of productivity showing how it differs from performance and how it can be used in the context of this research.

### **3.4 Productivity**

The concept of productivity has a long and well established history in writings about the business field. Its origins can be traced back to the writings of Adam Smith, the Scottish Philosopher in the eighteenth century, with his discussions about the “*productive powers of labour division*” and the superior role of manufacturing in

creating wealth. He sought to understand and explain the causal relationships between country's prosperity and its economic organization, marking the birth of modern economic science. In his works are also found the basic understandings applied to the meaning of productivity in the business context which we still use in the present. In his own words:

*“ [...]To take an example, therefore, from a very trifling manufacture; but one in which the division of labour has been very often taken notice of, the trade of the pin-maker; a workman not educated to this business (which the division of labour has rendered a distinct trade), nor acquainted with the use of the machinery employed in it (to the invention of which the same division of labour has probably given occasion), could scarce, perhaps, with his utmost industry, make one pin in a day, and certainly could not make twenty. But in the way in which this business is now carried on, not only the whole work is a peculiar trade, but it is divided into a number of branches, of which the greater part are likewise peculiar trades... But if they had all wrought separately and independently, and without any of them having been educated to this peculiar business, they certainly could not each of them have made twenty, perhaps not one pin in a day; that is, certainly, not the two hundred and fortieth, perhaps not the four thousand eight hundredth part of what they are at present capable of performing, in consequence of a proper division and combination of their different operations. (Smith, 1776).*

Looking carefully, it is possible to observe that higher productivity levels can be reached through a combination of workers' abilities/skills (*a workman...educated to this business*), use of adequate tools and equipment (*use of the machinery employed*) and work organization (*proper division and combination of their different operations*).

In the same way, the dawn of management as an independent field, in the beginning of the twentieth century, is closely related with productivity. In its origins we can find the work of an engineer, Frederic Winslow Taylor: he was looking for how tasks were organised and executed within a firm. His target was to maximise “[...] prosperity for the employer, coupled with the maximum prosperity for each employé” and this can only be achieved when [...] “that individual has reached his highest state of efficiency; that is, when he is turning out his largest daily output”<sup>14</sup> (Taylor, 1911). He thought to achieve his goals by a “scientific” study on the specific activities

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<sup>14</sup> It is important to observe that concepts like performance and productivity overlap to a very strong degree. An increase in productivity should correspond to an increase in performance assuming that prices and other production conditions stay the same.

needed to perform each task; a process of selecting, training and developing the right worker to the task, a close process of work supervision to assure the task is being performed on the right way, and a separation of tasks between managers and workmen. Taylor was also strongly committed to the development of the right tool for each and every task performed. He concluded that each job requires a specific worker with specific characteristics introducing, in this way, the idea of job selection.

While there are clear differences in scope and focus between management and economy, it is also possible to recognise some common characteristics emerging from the original works of Taylor and Adam Smith, mainly those expressing concerns about workers skills and abilities, the importance of using the best tool/machines/technology available and the central role of work organization in achieving higher levels of productivity.

Despite the commonalities these different origins also gave birth to very strong, distinctive and complimentary, but also sometimes conflicting, research and knowledge traditions: while in Economy the focus is oriented towards understanding, measuring and predicting the economic behaviour of a nation (aggregate level), of an industry sector and eventually of a single company (in very special settings like monopoly), in Management the focus was orientated in the other direction towards the company, the group or the individual as the primary level of analysis. While economy is macro oriented, management is micro oriented. On the other hand, it is necessary to acknowledge that there is some degree of overlapping between these two areas and a good amount of cross fertilization between them.

None the less, this long common tradition in management and economics has not been enough to avoid some confusion when referring to productivity. This happens mainly because the idea of productivity is strongly related to efficiency in both fields, and frequently, in business literature, the term is used interchangeably with concepts like performance. The wide spread use of these terms among researchers, practitioners and consultants reinforces conceptual mistakes bringing a considerable amount of noise to the area but, at the same time, it reflects the richness and complexity of the concept and its multiple dimensions. First though, boundaries must be drawn and definitions must be set in advance for those willing to explore this topic in order to avoid misunderstandings

Sharing this same perspective, Tangen (2005) goes further in saying that those who use the term rarely define it, with this lack of awareness leading to multiple interpretations of the term and consequently to low understanding of its meaning; he also points to the fact that there are both verbal and mathematical definitions of productivity and sometimes they do not match; suggesting a multidimensional approach to the concept.

Ghobadian and Husband (1990) suggest that all different approaches and meanings related to productivity could be accounted for in three different categories:

1. Technological concepts: relating ratios of outputs and inputs within a production process.
2. Engineering concept: relating actual and potential outputs of a process.
3. Economic (we could also say, managerial) concepts: relating to efficiency of resource allocation.

In a broad sense, productivity is understood as a ratio of a volume measure of products or activities delivered (output) and a volume measure of resources used (input). As a relational concept between resources and products there are many different possible ways of measuring it depending on what is being assessed. Some metrics are very intuitive and straight forward while others demand some kind of reflection and they all have clear limitations.

When it comes to understanding the differences between productivity and performance Guest (1997) puts it simply: for him, performance can be said to be related to output only, while productivity refers to a ratio between output and input.

### **3.4.1 Productivity Measures**

Possibly, the simplest application of the concept is related to identifying living standards, i.e. to compare different countries economic performance or how well an economy uses its resources and the amount of income available to each person or worker within a country to fulfil their personal needs. The most used figure refers to labour productivity which computes the output produced per unit of labour input (the

most important production factor) and it can be broken, mainly, into two distinct indicators: output per worker<sup>15</sup> or output per hours worked (ESRC, 2004; O'Mahony, Oulton & Vass;1998). Output per worker measures the ratio between total output and employment. This is the most common figure used when comparing different countries, mainly because of data accessibility. It can also be linked to total output growth, which is expressed as: growth in output per worker x growth in employment.

Output per hour measures the productivity of an hour of labour input. One of its main facets rests on the possibility of capturing the contribution of part-time work and discriminating it from time not spent working. Another important feature is that this measure is not influenced by the number of hours worked in a period (HM Treasury, 2000). These two metrics are also widely used in comparisons at industry, firm and even group level.

A third measure of productivity is also used and it is called Multifactor Productivity (MFP). It is regarded as a measure of long-term trends in economic growth potential and inflationary pressures as an indicator of "*underlying productive capacity*" (OECD, 2001). It can be broken down into three different factors: the first refers to the amount of resources used in the productive process, and it is related to capital use. Acquisitions of new equipments and tools, due automation process allowing a bigger production per worker, are related to this factor. The higher the investment per worker the more productive he should be; this factor is also known as capital deepening.

The second factor associated with variations in productivity rates is connected with the way in which these resources are used. This factor accounts for the role of labour's force abilities and skills, arguing that an improvement in the general level of education in a country (or in a firm) should allow workers to perform better in their jobs. Furthermore, a more educated and trained workforce will achieve higher production standards, will improve output and work process quality as well as productivity.

Nevertheless, these two factors do not explain fully the difference in productivity levels between different countries or firms. There is a third factor, also know as Total

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<sup>15</sup> The most common output measures at national level are Gross Domestic Product (GDP) or Value added.

Factor Productivity (TFP) regarded as a residual value which captures distinct ways in which firms organize their production process and the way in which technology is used (Porter & Ketels, 2003). This factor is sensible of changes to work systems, work organization and innovations in general.

Assessing general trends regarding living standards constitutes just one possible use of productivity metrics in understanding economic developments. They can also be applied to perform a more comprehensive set of analyses that target general comparisons at firm level. It is important to remember that no single measure is able to define all significant dimensions of any given phenomenon. On the other hand, a single measure is sometimes able to capture multiple dimensions of the organizational activity according to the way we utilise it. This is the case with productivity; its plasticity (in some cases, its unclear nature) has multiple uses and it is up to the researcher to decide what to do with it.

According to Weick and Quinn (1999), change in an organizational context can be approached from two different perspectives; incremental change - rising from the accumulation of small additions or innovations to daily activities - and radical change - as a result of major transformations either in the product or in the process of delivering goods or services.

The same conceptualization can be used to understand trends in productivity measurement: they might happen due to an accumulation of expertise and slight improvements in the use of available technology (or work organization principles), reducing either technical or organizational inefficiencies towards fully achieving its potential. In this case, it would capture an improvement in *efficiency*; or as a result of a more radical change, where the technology (or work organization) current in use is updated by an improved version or simply substituted, expressing *technological change*. In both cases a rise in productivity is expected, assuming equal all other production inputs and organizational conditions.

An important point to be taken into account is that productivity measures must suit specifically the industry where the technological or managerial innovation is being applied or efficiency gains are being sought. However, it is necessary to admit that this relationship is not straight forward (OECD, 2001). Other factors can influence a

firm's performance while the process of technological change is on its course and even after it has been fully implemented. This is the case, for instance, of the warnings given by some researchers when they remind us that technology is not just "plug and play" and a number of workplace innovations regarding how tasks are divided and how work is performed are needed in order to exploit its full potential (Lewis *et al*, 2002; Bresnahan, Brynjolfsson and Hitt, 2002; Black and Lynch, 2004). Within such a framework it is easy to understand the importance of R&D activities and innovation not only to the success of companies but also to the development of a nation's wealth.

The use of productivity measures is also related to *benchmarking production process* (OECD, 2001). In this case they are used in comparisons between firms operating with the same technology or between different production lines, and their main target is to access inefficiencies (either technical or organizational) in the process. The metrics used must be very specific and directly related to the production process: so for instance cars per hour, or revenue per worker, allow for very straight forward comparisons. Inefficiencies are clearly perceived and reasons for them can be tracked down. However, it is not easy to aggregate numbers and extrapolates conclusions from very particular situations.

A more efficient production line, or service activity, is one which is able to deliver its product (or service) in a specified quality at the lowest price, assuming all the other input resources are equal. Measurements of productivity are simultaneously accurate enough to capture improvements in the production process due to reductions of inefficiencies, technological change, economies of scale and also changes in capacity utilization, learning-by-doing and measurement errors of all kinds (OECD, 2001) although, at the same time, they can not discriminate between the sources of change because of difficulties associated to the way they are measured. From this perspective, productivity can be thought of as a pursuit, or at least as an *indication of real cost savings* in a production process. Once again, the usefulness of productivity measures in this perspective is related to the possibility of comparing products and processes, implying the importance of accurately specified measures.

### ***3.4.2 Some Possible and Partial Conclusions***

At this point, it is possible and desirable to summarise some ideas before moving on. Productivity is a multidimensional construct expressing many different features of economic activity and firm performance. However, due to measurement questions they must be context specific otherwise they risk not making too much sense. Within the firm, investment in technology, workforce quality and work process organization are clearly undisputable productivity drivers and are capable, either in conjunction or separately, of impacting on overall performance. The quality and general aspects of business environment are regarded as external factors by the company. While performance expresses an amount, productivity expresses a ratio relative to the input of resources.

Up to this point the literature review has dealt with general aspects of performance and management practices. There is a need to go deeper into these issues addressing specific questions and studies about the hotel sector. The next four sections will discuss the role and importance of management practice in the sector; will address some of the most significant moderators in this relationship; will explore how performance has been traditionally assessed in the industry; and will review the basic literature about the role of human resources in enhancing performance in the industry.

## **3.5 Management Practices in Hotels**

The process of identifying and disseminating best practices seems to be an intrinsic part of normal economic activity. On the one hand, it is possible to see an effort being made by leading companies to sustain their performance. On the other hand, many initiatives developed over the years trying to identify these practices have been sponsored either by governments or industry bodies and associations seeking to develop a better economic environment and to optimize overall level of managerial capabilities (performance) across the economy or a single industry. It could be said that such initiatives tend to happen more often in periods of economic transition, where the grounds for new working organization processes are still not clearly established, or of enhanced competition. This is exactly the nature of the process that

has been observed over the last twenty years with a renewed interest being placed, more recently, on service sector activities.

The hotel industry has not been unaffected by such movements. On the contrary, the accelerated pace of economic globalization, marked by an increased mobility of the population, has brought to the centre of managers' agendas the challenges posed by an over competitive business environment. Unsurprisingly, the search for best practices has been seen as one of the most promising alternatives in seeking to improve overall business profile<sup>16</sup>.

The role played by management practices in enhancing operational performance and overall business productivity can be directly observed if we look at studies addressing the impact of ICT, the most visible aspect of this new period of economic development, on hotel operations. Okumus (2004) reports findings from a case study developed with a hotel corporation owning 160 workplaces where poor HRM practices and high employee turnover rates had had negative impact upon the implementation of new ICT technologies within a yield management project. They explain that the arrival of new technologies was not preceded by preparing employees and by re-designing work activities. Okumus (2004) advises for the adoption of HRM practices to support the organizational change process. The role of ICT in improving productivity was also addressed in a study by Sigala (2003). Her results suggest that ICT alone are unable to foster productivity growth unless accompanied by business innovation and the re-engineering of products/services/operations; also it is worth noting the presence of a similar pattern previously identified in manufacturing, more very strong evidence of the importance of good management practices to an organization. This conclusion is supported by findings from the McKinsey Group (2001). In their report about productivity growth in the US hotel industry, they strongly suggest that hotels [...] *should look beyond IT for sustainable sources of productivity and financial performance improvements* (p.1).

At the end of the 90's a study was undertaken by researchers from Cornell University-Centre for Hospitality Research attempting to identify best practices in the US lodging industry (Dube *et al.*, 1999). This initiative was termed by their authors as the "most

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<sup>16</sup> For a very good example of such initiatives applied to hospitality sector see <http://www.bestpracticeforum.org/Home/Default.aspx>

*comprehensive study of the US lodging industry ever (sic) attempted (p.14)*". The reasons for such a research effort were primarily identified as arising from the growth in competition coupled with a reduction in profit margins, and a need to strengthen performance. In other words, strong costs pressures were in place acting as a driving force for change.

The research was assisted by a group of industry practitioners who were responsible for identifying the most effective strategies and techniques used by the current best operators in the field, according to their own opinion. The study consisted of an open questionnaire emailed to over 13,000 different workplaces, where *practices and champions (sic)* were to be identified. Once this information was collected, and a number of practices chosen, interviews were performed and case notes were written up.

None the less, regardless of the undeniable relevance of expert views and the collection of valuable lists of practices in current use in the sector, there are some significant methodological and practical considerations that need to be raised about this research. The first one refers to the low response rate achieved by such a research strategy (less than 4.5%), raising concerns about generalization issues; the second point addresses the absence of any empirical grounds upon which practices can be assessed. To some extent, it is unavoidable to consider the possibility that findings arising from such a strategy might be biased towards reinforcing practitioners' pre-assumptions and prejudices about best practices and performance.

Another relevant point about this study is how best practice conceptualization was dealt with. To the authors, best practices are [...] "*exemplary or successfully demonstrated ideas or activities that are viewed by at least some observers for top notch standards for guiding benchmarking*". At the same, time they follow on explaining that [...] "*no single practice works in all situations and, the word best is consequently defined in context, is situational, and means best for you*" (p.16). It is clear from what was said, that they were unable to make up their minds about universal or contingent claims of the main construct involved and therefore, a huge contradiction could be expected in any interpretation of the results. Despite the caveats, the research provided a comprehensive and updated view about practices in

use, or more specifically, about innovative practices and their main supporters or sponsors<sup>17</sup>.

One of the most significant findings of this study was pointed out by Dube and Renaghan (1999a) when they suggested, for their own surprise, that patterns of practices intake had little to do with companies' product segment. In other words, market segmentation (rating) was not associated with strategic approach or the usage of any specific management practice. In practical terms, this result supports the argument that work organization principles are independent from market segmentation, going against prevailing common sense in the sector.

Turning our attention to the set of practices identified, three stand out as particularly relevant for the purpose of the current research. Their choice was driven by the fact they are related to cross-firm strengths and capabilities, fall in line with the objectives of this study and allow for an identification of relevant categories to the understanding of industry specific issues and characteristics. The practices are; the ones focusing on hotel operations (Siguaw & Enz, 1999), the ones targeting service quality (Enz and Siguaw, 2000a), and the ones related to human resources (Enz & Siguaw, 2000b).

The best practice approach was also taken in a study of the UK Hospitality Industry commissioned by the Best Practice Forum for Tourism, Hospitality and Leisure Industry, and undertaken by the Centre for Hospitality Industry and Performance Research, School of Management, Surrey University. This initiative was supported by the Department of Trade and Industry and American Express (Best Practices Forum, 2003). Contrary to their American counterparts, the focus here was on small and medium enterprises deemed as having lower than average managerial capabilities and little access to resources. Another important difference rests on the fact that instead of a comprehensive list of practices, the product of the UK's research consisted on a description of broad categories whose application would suit any service sector activity.

The research used a multi-methods approach, interviewing or surveying about 1,000 managers, owners and employers in 89 different small business in the UK. They

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<sup>17</sup> For a fully description of these practices and their champions, see Dube and Renaghan (1999b). A complete list of studies can be found and retrieved from <http://www.hotelschool.cornell.edu/chr/research/bestpractices/>

complemented this research with a literature review. The findings were divided into seven different sets of practices comprising what, according to the researcher's perspective, would be a comprehensive description about what a company should do in order to achieve superior performance. These categories were:

- 1) Setting goals around customer focus;
- 2) Planning and controlling the operation, dealing especially with issues related to budget and operational targets;
- 3) Partnering and networking, addressing things like supply chain;
- 4) Having clear internal and external communication, not only channels but also practices in a two-way process;
- 5) Setting and achieving consistent standards, especially related to service quality and delivery processes;
- 6) Managing the workforce effectively, this is a broad label describing almost everything related to human resources management;
- 7) Performance management and benchmarking.

Taken separately, both studies are difficult to use, either by researchers or practitioners for opposite reasons: one takes a very broad view, the other is very narrow. A list of practices, as in the American study, does not offer any practical indication about how, or in what situation, their application will work. On the contrary, broad descriptions, as prescribed by the Best Practice Forum in the UK, are unable to serve as a guide through a variety of management practices available and more often than not they can not be distinguished from plain business common sense.

However, if these two studies are put together researchers can make very good use of them, providing practitioners with useful information. One common problem related to management practices/performance research consists precisely in identifying and selecting the practices to be investigated. Combining these two studies, and tidying them up for conceptual overlapping provides a relevant industry-specific framework that can be used for making operational practices more effective as well as creating a useful framework for further investigation. This is the approach taken by this research when choosing the practices to be investigated in study one and study two more specifically.

This process can be further facilitated if a step back is taken and practices are divided into two groups, following a procedure already used by Hope (2004): one about the management of employees within hotels, commonly known as HR practices, comprising activities like selection, training, empowerment, team working, appraisal, and rewards. Then there is another set of practices related to management of processes, also known as operational practices, addressing issues such as standard operational procedures, total quality management, planned maintenance and equipment use.

It is also necessary to acknowledge the contributions of a very important, and much more common, stream of research about management practices in the hotel industry focusing, mainly, on the impact of individual practices and their contribution to a particular aspect of operations. This is the case, for instance, of Espino-Rodriguez and Padron-Robaina (2005a; 2005b) when they suggest that there is a potential for outsourcing some hotel activities and that these possibilities have not been fully exploited by the majority of workplaces. On their turn, Carmona-Moreno, Cespede-Lorente and Burgos-Jimenez (2004) found some evidence to suggest a relationship between adoption of environmentally friendly strategies and hotel economic performance. Among these, it is worth noting practices targeting water and energy saving. They used a self-reported scale of profitability measured against the sector average for the previous year as a metric for economic performance. Hobson and Essex (2001) also targeted the idea of being environmentally friendly from the perspective with incentives to use strategies, equipment and behaviours which have a low impact on the environment. They also suggested the existence of a number of barriers to these practices; especially those related to cost, time and expertise.

In short, the industry specific literature supports multiple approaches to selecting management practices to be investigated: on the one hand, they can be broadly defined in terms of their main subject being either HR or operational practices. On the other hand, these initial categories can be further divided and explicit areas of an activity can be scrutinized. In spite of particularities related to any one single field of activity, it is possible to say that the hotel industry faces the same problems and challenges affecting any other economic activity; simply put this means that only the fitter will survive and prosper.

### 3.6 General Aspects Impacting on Hotels' Performance

Before moving on to addressing particular issues related to organizational performance in the hotel industry, it is worth having a look at the most common and widely recognized variables, capable of having a direct impact on performance, that are not under direct managerial control. These are given aspects of any operation and are either very difficult or very expensive to change.

The idea of company performance being influenced by intrinsic aspects of an organization is common sense in business literature. Performance studies in manufacturing often address this issue: a good example of this notion can be seen, for example, in Laursen and Foss (2003) when they mention that the relationship between innovation performance and size has been dealt with by virtually all economic literature in the area.

Size is a structural variable and it has been positively associated with organizational capability for acquiring and controlling resources that are fundamental to the operation of a business (Gooding & Wanger III, 1985). It has also been extensively associated with differences in managerial capabilities as, for example, in Soriano (2005) when he shows a relationship between size, measured in terms of a company's turnover, and how technology, HR and the finance functions are defined: he uses a sample of small and medium-sized hotels in Spain.

Moreover, a number of other factors may also have an influence on performance. Sigala *et al.* (2005) provide a good picture about these variables in a study where they identify eight factors that might have a significant impact on company performance in the hotel industry, especially if they are assessed in terms of productivity metrics. These are:

- 1) Hotel size and location
- 2) Service orientation
- 3) Ownership and management orientation
- 4) Hotel age and design
- 5) Type and number of facilities
- 6) Demand patterns and variability
- 7) Staff flexibility (number of full and part-time employees)

## 8) Effectiveness of marketing practices

Although a rich picture is being presented, it is possible to observe that some of these elements are in varying ways interconnected and overlapping, thus, the number of categories could be reduced. For example, location is clearly part of the same factor as demand patterns and variability. The same argument can be extended to hotel age and associated elements like design, type and number of facilities.

Orfila-Sintes, Crespi-Cladera and Martinez-Ros (2005) provide a much narrower view about structural variables basing their argument on the specific elements responsible for a hotel's distinctiveness and their relationship to the hotel's economic activity. These variables are; category, expressed as a rating system, governance, identifying the nature of managerial arrangement and chain affiliation. Here again, some characteristics clearly overlap each other and some are not as specific as the author's claim for the purposes of their research. In fact, governance and chain affiliation can be regarded as part of the same category once these two aspects are tightly intertwined. None the less, they found empirical evidence to support their argument when they identified that innovation activities are positively associated with rating, chain affiliation and size.

There are a number of reasons that can be associated with better performance from chain hotels, especially those arising from economies of scale, superior managerial capabilities and a better marketing positioning (Kim & Kim, 2004), once brand has been identified as a valuable equity impacting performance in the sector. Brand also symbolizes the essence of customer perception of the industry (Bailey & Ball, 2006). Following the same argument, Clavar-Cortes, Molina-Azorin and Pereira-Moliner (2007) provide more evidence to support these associations when they suggest that differences in performance, especially in terms of occupancy rates, vary according to size and chain affiliation. Based on economic estimations Weng and Wang (2006) identified the existence of economies of scale and scope in accommodation, food and beverage activities within the hotel industry, adding to our understanding of why chain workplaces show a superior performance when compared to independent operations.

Wong, Luk and Li (2005) suggest that hotels of different grades (rating) have different requirements for facilities, service content and service manner and because of that they should be managed in different ways. The most important consequence of this idea is that the importance of management practices should vary relative to a hotel's rating. Rating can be understood as a *proxy* to market segmentation and it can be easily connected to ways of differentiating the services being provided. However, it should be noted that in this case there is a contradiction with findings arising from the US best practice study since the authors in the American study agreed that their findings came as a surprise to them; this is a point worth further exploration.

Finally, another important source of variability of performance measurement is tightly connected with market location and structure, having significant impact on a hotel's profitability (Pan, 2005). It can be argued that choosing a location is an expression of existing managerial capabilities and in this sense, it is an internal capability. However, as it was decided before the hotel started to operate it is a fixed decision that is beyond the scope of day-to-day managerial decisions. The hotel industry is particularly sensitive to features of the neighbouring area like convention-centres, shopping or general business areas as well as leisure activities that have an influence on the amount of demand for its services.

Summarizing what has been fore mentioned, it is possible to say that four main variables do have an impact on performance independently of management behaviour. They are; size, chain affiliation, rating, and a broad category comprising what can be called externalities.

### **3.6.1 How Performance is Assessed: Main Issues**

The hospitality industry (restaurants, hotels and catering) has a long and relatively independent research tradition from general business related studies, meaning the development of their own research agenda and the appropriation of specific methodological techniques tailored to address particular questions challenging the sector. Over the years, one important aspect of concern has been how to compare different activities where there is a great variability in workplaces, in terms of size for

example, even within chains. Many different approaches have been taken to this question. When comparing performance in two different hotels belonging to the same owner but in different locations, Parkan (2005) assigned different weights to costs and revenue categories according to their relative importance in each operation, in recognition that location and customer profile impact performance in different ways. However, this line of research is not without draw backs, and it could be said that it does not allow for discerning who are simply underperformers, particularly when comparing different companies.

Barros (2005) provides the basic reasoning behind a growing tendency in the industry. According to him, performance can be measured in terms of either productivity or efficiency. In the first case, there are problems arising from combining different factors into a single aggregate value. There is also a need to look away from the company, towards its competitors, in order to fully understand the meaning of such measures, as they express relative values. At the same time, there are many different possible productivity ratios and the choice among them is somewhat arbitrary. On the other hand, approaching performance in terms of (operational) efficiency means reflecting upon management objectives and activities since this relates to *...earnings and profits and thus a vital factor in competitive markets* (p.457).

This challenge has been tackled by making use of alternative techniques like Data Envelopment Analysis (DEA), which is an increasingly popular tool, to address questions related to efficiency and productivity estimations (Barros, 2005; Sigala *et al.*, 2005; Reynolds, 2003; Hwang & Chang, 2003; Sigala, 2003). DEA is a linear programming based methodology for performing analysis on *"how efficiently various units within a company operate as well as for comparing the efficiency of several competing companies within an industry* (Wen, Lim & Huang, 2003; p. 703). As an output, DEA offers an efficiency operation curve allowing workplaces to compare their individual performance relative to other establishments. This does not mean, however, neglecting more conventional statistical techniques.

The hotel industry also developed a set of meaningful measures used to address and make sense of performance in the sector. These metrics evolve around core elements of a normal operation such as price, number of bedrooms and resource usage - expressing basic relationships between them. This is why Kim and Kim (2004)

advocate, for instance, the use of REVPAR (**RE**venue **P**er **A**vailable **R**oom) as a means of overcoming problems of comparability caused by the different scale of hotels.

None the less, these approaches do not assure that the differences and findings that follow are undisputed. Enz, Canina and Walsh (2001) suggest that common industry averages as ADR (**A**verage **D**aily **R**ate), REVPAR and occupancy rates may be inaccurate tools for measuring performance in the industry. The main reason for such worries rests upon the fact that these metrics can be heavily influenced by variation in markets, key cities (where costs are higher than national averages), price segments and external factors in general. Anyway, it is important to note that any sector study should be aware of and deal with industry specific metrics.

As has already been mentioned in the previous section, there is a great deal of attentiveness to the role played by structural factors in influencing performance in the industry. Moreover, it is also firmly grounded upon the perception that management practices do have a significant role to play and a number of studies deal with this hypothesis. Jeffrey *et al.* (2002) hold on to the position that improving occupancy rates can be shown to be linked with good management practices and not with some external variable out of managerial control. In this sense, analyzing performance at individual hotel level is a powerful tool to identify the “*secrets of successes, however defined or perceived, and to identify good and bad management practices*” (p.74). In fact, in their study, based on data available for occupancy rates patterns in the UK (279 hotels) over a period of fifteen years, they have identified that management practices were the “*key influences that set strong occupancy performers apart*” (p. 82). Unfortunately, they did not focus on identifying these practices more thoroughly. However, they did go on to suggest pricing to be a largely neglected issue in analyzing hotel performance.

An indirect account about the role and importance of management practices in hotels come from a study conducted by Wong and Pang (2003) where they identified five motivators to enhance creativity, suggesting that they would be capable of predicting future performance. They are; budget allocation for better employee training and development, the existence of open communication channels between managers and employees, the existence of a recognition system (indirect rewards) and enhancing

employee involvement in key aspects of the operations such as planning and decision making.

The question about what factors might be influencing performance was also addressed in a study within UK corporate hotels undertaken by Brotherton (2004). His main argument centres around the idea that there is a number of commonalities among what he called success factors, suggesting that hotel management is more generic than contingent and that the practice of management is also *context-independent*. In other words, he comprehended that hotel operations are very similar to each other and their basic activities or rules do not vary much from one workplace to another, for this reason they are relatively independent from the hotel's business environment.

However, this does not mean that *performance* is context independent. The importance of externalities, especially those related to location, in influencing performance has already been mentioned. It could also be argued that, if innovative working arrangements, or designs, are not easily deployed differences in performance are more likely to arise from exploiting existing capabilities and facilities, meaning a closer attention to both human resources and operational practices.

Finally, there is one seriously neglected aspect within performance studies, particularly those for the service sector; this aspect has not gone unnoticed in the hotel industry and it refers to pricing. A movement in price, either upwards or downwards, for whatever reason, is capable of changing entirely a company's relative performance compared to its competitors. As rate discounts are a normal practice widely used to secure high levels of occupancy rates, there is a possibility that this might be distorting some of the most common measures used to assess performance. In a study where industrial organizational paradigms were applied to the UK hotel industry, Davies (1999) suggested that mark up competition could be more important than a fight for market share in explaining strategic company behaviour and consequently "*pricing may be driving the sector*" (p.308).

When one looks at some of the findings relating to HRM and performance, it is possible to see that a better outcome is usually associated with what is frequently termed as "a quality approach". However, only very rarely is there is a clear definition

of what it means, but the underlying arguments point inescapably to the possibility of charging higher prices, or going up in the value chain as Leseure *et al.* (2004) puts it.

### **3.5 HRM and Performance in Hotels**

There has been an increasing interest in HRM issues within the hotel industry and a growing literature stands as a testimony to this with a sense that demonstrating the impact of HR on firm performance is a current and future priority (Warech & Tracey, 2004; Tracey & Charpentier, 2004; Melian-Gonzalez, 2004)). It is not difficult to find a myriad of papers and articles boasting the qualities and the importance of human resources to company performance. Examples are most commonly built upon case studies being presented as evidence for what we can see, for instance, in Enz and Siguaw (2000). However, up to this moment, there is not enough evidence that this awareness has gone beyond pure rhetoric and into application (Lucas & Deery, 2004), a situation no different from what has been observed elsewhere.

Conversely, papers describing an “appalling” situation are also very common, as it is possible to see in Lucas (2002). No other word but confusion can better explain the level of discussion and understanding in the industry when the topic under scrutiny is HRM practices and the role of people in enhancing performance. It is not clear, for instance, as to the question of to what extent the HRM package has been adopted by the industry? (Worsfold, 1999) What are the conditions needed for its adoption and even more importantly, which is still not clear, how the sector could benefit from the adoption of these practices?

In a literature review based on the top five hospitality journals over a period of two years, Lucas and Deery (2004) identified over a hundred papers, research notes and articles where HR related issues are taken as the main subject. They avoided what they called a *broad brush* approach to the review in order to describe topical and emergent issues. Their findings suggest that the area, despite its size, has not been able to deliver a set of strong, both theoretically and empirically, designed studies addressing the most important issues impacting the sector with most researchers just mirroring what has been done in mainstream HR. The conclusion is that it has lost

momentum in driving new questions at HR issues applied to hospitality, with a few research groups being responsible for the bulk of the studies.

In order to fully understand the possibilities and limitations for HRM uptake in hotels, it is important to have in mind two basic industry elements: a typical hotel operation is characterised by having high fixed costs and by having seasonal variations in customer demand, (Davies, 1999) these being at the centre of managers' agendas because of their direct link with overall business performance (Jeffrey *et al.*, 2005). On the one hand, cost control measures are essential for economic survival and this is regarded as the most important explanation for a predominantly *low road* path to HRM issues (Lucas, 2004; Head & Lucas, 2002). On the other hand, variations in demand over the year are a major problem affecting the hotel industry and a flexible workforce is an important requirement in order to keep costs down and to enhance productivity levels (Krakover, 2000). The quickest way to adjust operations and keep high levels of productivity and performance consists in being able to adapt the number of workers to the required operational levels, something that is only possible in the presence of a flexible workforce, with this partially explaining why hotels are growing reliant on temporary and part-time workers (Sharpley and Forster, 2003). This approach has proved to be so successful that managers have no incentives to take other positions. Exceptions happen in very few cases where a quality perspective to service is taken. Also, HRM practices are more likely to be found in large hotels and/or in those belonging to foreign chains.

A consequence of this trend in the sector is the existence of a clear cut link between core and periphery workers, with the former being more likely to be subject to soft forms of HR practices while the latter are subjected to hard forms (Head and Lucas, 2002; Kamoche 2003). However, even in such situations the use of more sophisticated management practices is not spread throughout the whole workforce. An example of this picture can be observed in Kamoche (2003). When studying how Hong Kong hotels reacted to the financial crisis that hit Asia in 1997, he found evidence to support what he called a *two-pronged approach* (p.218) to human resources, with managers extending their control over operations while facing the need to be more flexible towards their employees in order to enhance their response to customer needs. The same conclusion was reached by McGuinnigle and Jameson (2000) to whom two

different systems of practices coexist in hotels, where HRM notions are found alongside more traditional structures instead of having replaced them.

The perverse combination of high costs with its pressures for short term results, common fluctuation in demand and great work flexibility, leads to high employee turnover rates. The sector also suffers from the fact that most jobs available have low skills requirements and consequently low average pay levels. This is enough to characterise a sector with low levels of job attractiveness, something that also adds to the explanation of why HRM practices have little uptake in the industry.

Not surprisingly, Lucas (2002) stresses that the great importance given to recruitment and training in hotels is a sign of the great employee flux traditionally observed in the sector and an obstacle to HRM application over the long term. The overall impression is that "*HRM is viewed as a rhetorical guise to enhance managerial legitimacy where management of labour has been intensified and commodified within an enterprise culture*" (p. 56). A similar position is held by Adam-Smith *et al.* (2003) to whom flexibility in the *informal, labour intensive and competitive* hotel industry means work intensification and exploitation.

Another source of controversies related to the conditions under which HRM practices can be successfully applied extends to the nature of the business environment. A good example of this discussion can be seen in Lucas (2004). She acknowledges the position espoused by Marchington and Parker (1990) that high road HRM practices are more likely to be applied in stable *product market* environments (p.55) and admits that there is *no reason why high road HRM...in a highly diverse ever-changing market* as the ones where hotels operate (p.65) should be effective. Conversely, she recognises that the emergence of *intensified international competition...has prompted business to focus greater attention on managing the service encounter* and in this case *HRM practices have a critical role ...to support and to... determine service quality* (p. 67). This dichotomy illustrates, once more, the confusing nature of the debate surrounding the application of HRM practices in the hotel industry.

A cross sectional comparative study, developed with 89 workplaces in Singapore and Australia, aimed to understand the extent to which hotels have implemented HRM practices to *ensure excellent quality of services to guests*. Given their differences in

work culture and the labour market, Nankerkis and Debrah (1995) suggest that the process of adopting HRM practices is tightly related to labour market contingencies. Labour market scarcities led Singaporean hotels to apply more formal and structured procedures towards personnel management in order to overcome their difficulties in sharp contrast with their Australian counterparts where higher labour costs, greater employee protection and high employee turnover rates acted as a disincentive to HRM implementation.

The failure in demonstrating a clear and direct link between HRM and performance has led to the development of a number of strategies. One of these has been to create an alternative path trying to link HRM to determinants of service quality which in turn are related to performance (Worsford, 1999). Traditionally customer satisfaction has been understood as a function of perceived service quality mediating the relationship between quality and performance (Fernandez & Bedia, 2004), rather than a product of the establishment category. A satisfied customer is more likely to return or to use more intensively the services available, increasing in turn organizational performance (Davidson, 2003). This course of action is definitely worth taking once the conceptual and empirical grounds where the quality-performance link rests seems to be safe and well established. However, in this case there should be no difficulty in identifying the relevant HRM practices whose relationship with performance is mediated by service quality. If this argument is valid why this does not happen? There are two possible explanations: firstly, there have been systematic problems with HRM measurements, secondly the possibility is that the terms of this relation are conceptually ill defined and assessed. These issues have still not been properly addressed up to the present moment.

A similar research stream flows in the direction of understanding the importance of employee characteristics, individual attitudes and their relationship with performance; what could broadly be gathered under the general conceptual umbrella of service encounter or customer service research. More specifically, two different approaches can be perceived following this line of research. In the first one, the stress is placed on understanding how employee behaviours (mainly frontline workers) shape consumer perceptions (Karatepe *et al.*, 2006) and influence their choices. One important idea about service activities is related to the performance of emotional labour by frontline

employees who are requested to “*either conceal or manage actual feelings for the benefit of a successful service delivery*” (Constanti & Gibbs, 2005; p.104).

In a second line of investigation the main argument is built upon the idea that when a workplace seeks to implement HRM practices they are looking to create and sustain commitment from their employees to customer services, to the company and to the organizational culture. Therefore, HRM practices are a means of implementing this objective (McGuinnigle & Jameson, 2000). Ogbonna and Harris (2002) also recognize the low status associated with the sector and suggest that culture management could improve organizational performance by motivating employees via a better workplace environment. The basic assumption, in this case, is that a committed workforce is prepared to deploy discretionary effort towards their ordinary tasks and enhance company performance.

There is some empirical evidence to support these findings. For instance, Jago and Deery (2004) in a study about the impact of the hotel internal labour market on employee attitudes suggested the existence of a relationship between attitudes and the department where an individual is employed as well as their status. This study helps to understand how a split between core and periphery workers might be affecting the employee-customer relationship. Karatepe *et al.* (2006) suggested a relationship between competitiveness and self-efficacy and an employees' individual performance. In their turn, Sharply and Forster (2003) suggested that having a more comprehensive set of HRM practices would improve employee attitude towards their job, enhancing overall quality. McGuinnigle and Jameson (2000) studying UK hotels suggested the existence of a strong desire for commitment in the workplaces investigated. However, the procedures in place for recruitment and selection are completely incoherent with this objective. The picture was slightly better when it came to focus on training and development but efforts were labelled ineffective and results were compromised by high turnover rates. Their overall conclusion was that there is *little evidence of adoption of an HRM philosophy in... hotels in the UK despite the evidence of some congruent practices* (p.415).

In an exploratory study of the Slovak hotel sector Lucas *et al.* (2004) found evidence to suggest that HRM implementation is far from being a *coherent process* (p.1273), something that is partly explained, in this case, as an inheritance of the period under

soviet influence, stressing the role of institutional aspects driving HRM adoption. Recruitment and training are regarded as the most important practices in the sector and a well qualified workforce is deemed difficult to find. Another important finding points towards the similarity of what she calls HRM-related issues in the UK and Slovak industry suggesting that despite the huge difference in the institutional setting some problems hampering the adoption of management practices, especially those associated with short term financial pressures, look like universal phenomena in the industry.

Hoque (1999a) is responsible for one of the most well known and cited studies about the hotel industry which is also recognised as one of the very few showing the existence of a positive relationship linking HRM practices and performance.

As previously discussed, a good amount of the debate regarding HRM practices evolves around the idea that the adoption of these practices should *fit* the company's competitive strategy. Usually this kind of approach assumes competing perspectives related to the organizational fit and performance, meaning that adopting one kind of fit rules out the possibility of adopting others. In his study, Hoque (1999a) takes a slightly different perspective however, not without ramifications for the interpretation of results. His findings suggest supporting a contingent approach providing that companies choose a quality enhancement strategy to compete in the market. At the same time, there is a suggestion that HRM can be universally relevant within the hotel industry. And finally, there is also an indication that in terms of regarding internal fit there are possible performance gains to be acquired from the introduction of HRM practices even among companies seeking cost reduction or price competition strategies, providing they are implemented in a coherent and integrated way as part of a bundle of practices.

The core of his idea develops around the importance of service quality to the hospitality industry and this is why a controlled competitive approach, quality enhancement, cost reduction, or a mixed strategy is important to understand his findings. From this research it follows that companies with different competing strategies will adopt different bundles of practices to support their options. Another important point according to his view is that companies in different industries have very dissimilar characteristics and this situation is not properly identified and

accounted for in most studies. Once these differences are controlled for it would be possible to see that HRM is positively related to performance.

Going beyond the traditional methodological problems associated with the kind of study he developed (i.e. as the direction of causality, common method error, a biased sample towards large hotels), it is important to notice that, despite the fact that the findings have a strong appeal, the conditions where the performance link were established are very specific and therefore difficult to meet and even more difficult to translate into both theory and practice, also his analytical categories are sometimes confusing and difficult to understand. Anyway, this study is important because it raises some questions as to why so few studies have, up to this moment, supported the HRM/Performance relationship.

In another study, Hoque (1999c) compares data drawn from a survey in the manufacturing environment to one applied to the hotel industry and, going against the majority of studies in the sector, concludes that "*there is no evidence whatsoever to suggest the use of practices associated with an HR approach is any lower within the hotel industry sample than within manufacturing sample*" (p.70). This is the case for instance, with recruitment and job design where hotels seem to be "*just as careful as manufacturing establishments*". It shall be noticed that Hoque (1999c) recognised that these are large workplaces, according to industry standards, and the results might not be representative of the population. However, they are important investigations once we realise that large hotels are likely to set the managerial agenda capable of influencing industry behaviour and direction.

Knox and Walsh (2005) developed a case study with fourteen Australian luxury hotels (four and five stars) where 101 interviews were conducted with managers, employees and workers' representatives. Their aim was to identify whether there were differences between (luxury) hotels and other industry workplaces regarding employment composition, practices and HR policies and outcomes, with a special focus placed on workforce flexibility strategies.

Their findings suggest that high road HR practices are widely used in the sample investigated. To the authors this situation is a reflection of the "*imperative to provide high quality services in an increasingly competitive market*". This situation however,

was characterised as being new to the industry and was also linked to changes happening in the labour market and to the shifting perception of general managers in relation to their workforce. A trend towards skills enhancement and training provision associated with functional flexibility were seen as a path to enhance quality and gain market share. It is important to notice that flexible workforce utilization and a split between core and periphery workers was also regarded as important to support HR practices within luxury hotels.

Knox and Walsh (2005) suggested that larger hotels were adopting what they have termed “*more enabling and systematic employee management techniques... (placing) much greater emphasis on enabling flexibility initiatives and the application of high commitment work practices*” (p.71) in a sharp contrast with the rest of the industry where a trend to adopt a cost control, low road to HRM is prevalent. This means experimenting with job enrichment, formalised career paths, investment in training provision and the multiskilling of permanent and temporary employees. They also recognised that from the point of view of workers’ representatives, this meant higher workloads, leading to work intensification, and a form of task enlargement; rather than any serious attempt at upskilling. However, the authors support the position that there were clear signs of higher employment security as a consequence of the stronger internal career development paths and higher compensations. Lower turnover rates, when compared to the industry average, were also observed. Despite the improvements about employees outcomes reported, there are no indications of similar improvements related to financial or operational performance of the hotels in this study.

Following the case study approach, Haynes and Fryer (2000) seek to understand the relationship between implementing bundles of HRM practices and effectiveness, developing their research in a single luxury hotel in New Zealand. The reason supporting the choice of this specific site was because it had “*embarked on a discrete set of HRM policies and practices in support of a strategic decision to enhance quality*” (p. 241) with the objective of enhancing both the level of skills and commitment of staff. The authors recognise however that the case should be considered a one off as it *stood out from the population of major hotels*. The study

had a longitudinal design and multiple visits and interviews were carried out during a period ranging from 1993 to 1999.

The change process was driven by a need to upgrade the business strategy to account for renewed product and service standards. The new vision comprised the fundamental idea that customer service is the only area “*over which the hotel’s product can be clearly differentiated from its major competitors’ products*”. The new procedures targeted areas like training and career development, communications, performance appraisals, job redesign and empowerment. To Haynes and Fryer (2000) there are clear and measurable signs of performance improvements in the case investigated. However, at the same time, they do recognise that improvements came with limited autonomy and empowerment to workers and that this may be an industry specific practice. They were also unable to identify if the bundle of practices studied were positively linked to performance.

The case study design in a luxury hotel chain was also the approach taken by Maxwell, Watson and Quail (2003) to investigate the relationship between a recently introduced quality service initiative and human resources development. The rationale behind the study was built upon the importance given to hospitality workers who are constantly interacting with customers as part of a dynamic quality interface in the industry. The choice of the development activity also comes from understanding that this should be regarded “*as central to anything that can be sensibly termed HRM*” (p. 164). The findings are ambiguous. They suggest partial application of HRM principles to support HR development policies and practices.

Lockyer and Scholarios (2004) investigating 81 Scottish hotels propose that some theoretically oriented best practices, like recruitment and selection, based on systematic assessment might not suit organizations in the hotel industry especially small workplaces. Instead, an approach that captures informal procedures and the broad social network involving these activities may be more adequate. They argue that conventional notions of best practices are problematic in a sector with high turnover rates and immediate staffing needs. Despite clear differences in capabilities between small and large hotels, they tend to rely on the same basic measures to deal with selection and recruitment, highlighting the role of context in shaping these practices. It is important to have in mind the extremely diverse composition of the

hospitality industry (Head and Lucas, 2002) and ask how studies can and should be conducted in such environments.

Despite ambiguities and controversies in the area, there is a trend towards assuming that HRM uptake is related to the level of customisation in an operation (Lucas, 2004), something that is frequently translated directly as level of quality and customer care. In fact, this position is at the heart of many conceptual service industry models as in Lashley (1997) and Korczynski (2002) for instance. It is worth noting that this position follows exactly the same basis originally expressed and developed within manufacturing environments, raising questions about the supposed intrinsic differences manifested by the service sector.

### **3.8 Some Possible and Partial Conclusions**

The use of HRM practices seems to be limited in scope and it is designed to be implemented in workplaces with less cost constraints than the majority of the sector, meaning large luxury hotels. The driving forces behind HRM implementation have been mainly in overcoming market failures or imperfections, supporting new competitive strategies during change processes or supporting service quality enhancement as a response to benchmarking activities in highly competitive environments. In addition, most studies, up to the present moment, seem to be focusing principally on four and five star hotels.

Many problems can be associated with the current state of affairs in the sector. Firstly, there is no clear definition of what a so-called quality approach means. In one of the few attempts to define what quality means to the sector Sharpley and Forster (2003) identifies it as being the opposite of mass, standardised and packaged tourism that will *“strive to provide high-quality facilities, amenities, infrastructure and service with cultural or educational experiences likely to attract the quality”* (i.e. high spending tourist) (p. 688). The underlying assumption is that quality should be understood as a synonym for price. In this context, it is not any surprise to find empirical support arising from studies targeting mainly large multi-national companies. This line of action is very limited in scope and unlikely to provide relevant information to

understanding general trends in the sector. It is important to have a number of studies addressing the average activity in the industry and testing for differences in management across categories and rating systems. For this reason this research will make use of a sample of workplaces from different categories. This sampling approach makes possible for overcoming some of the problems previously identified at the same time that it allows for controlling for the impact of hotel categories on performance.

Secondly, despite widespread claims that specificities related to customer interaction are an important industry characteristic it is not clear that this is enough to bring in a need to a different framework from manufacturing to understand overall business performance. On the contrary, the impact of externalities seems to be much more relevant to understanding performance and productivity issues in the hotel industry. For this reason, the third study will take an innovative approach to this question by surveying companies not only in the same industry but also in the same city, in an attempt to control for the potential impact of some external variables on performance.

Thirdly, there are very few indications on how HR practices can be effective in the sector. In fact, the literature points out an activity characterized as highly labour intensive with very poor levels of what could be termed good employment relations practices. The industry seems to value more friendly attitudes, rather than skills, from employees. There is very little indication of motivational issues being used or being at the centre of management agendas; and it is unclear how employees can put their knowledge and skills to work other than in doing some sort of emotional labour, meaning building a relationship, a rapport, with clients. The first study seeks to clarify the scope of use and application of some of the most important HPWP in the industry. In the sequence, study two will test the impact of this practices on performance; and in the sequence, study three will look for possible mediating mechanisms in this relationship.

It is a challenge yet to be accomplished, showing that people can make a difference even in old economy industries such as this one.

*The Kingdom of Number is all boundaries  
Which may be beautiful and must be true;  
To ask if it is big or small proclaims one  
The sort of lover who should stick to faces.*

*Lovers of small numbers go benignly potty,  
Believes all tales are thirteen chapters long,  
Have animal doubles, carry pentagrams,  
Are Millerites, Baconians, Flat-Earth-Men.*

*Lovers of big numbers go horribly mad,  
Would have the Swiss abolished, all of us  
Well purged, somatotyped, baptised, taught baseball,  
They empty bars, spoil parties, run for Congress.*

*True, between faces almost any number  
Might come in handy, one is always real;  
But which could any face call good, for calling  
Infinity a number does not make it one.*

W.H. Auden – *Numbers and Faces*

## **4.0 Methodology**

### **4.1 Overview**

This chapter describes the epistemological and methodological bases over which this research was conducted. It begins by addressing the reasons for making use of a multi-methods approach to this research and it follows on broadly describing each one of the individual studies in their most important aspects such as data collection, sampling procedures and analysis processes.

### **4.2 Introduction**

Very often, when it is time to choose a strategy to do business related research the initial debate tends to be dominated by a choice between qualitative and quantitative methods. The most common argument to those espousing the quantitative approach is built around the idea that organizational phenomena are not intrinsically different from natural world ones and therefore, the same rules and principles can be used to

explore and understand their relationships and processes. They are especially concerned with the possibility of quantify aspects of the organizational life being investigated (Anderson, 2005) and with validity and generalization issues, meaning an over reliance on quantifiable measures and statistical models. Clearly, such choices are driven by epistemological assumptions about the nature of the social world. However, one can not rule out that behind such choices there is also an attempt to bring the area closer to what is commonly understood as “hard” science taken as a model (especially physics) to be followed.

At the other extreme from this position, it is possible to find the qualitative defenders. To their knowledge there are some crucial and important differences between the domains of nature and the realm of mankind. With the latter, static pictures drawn by quantifiable measures do not explain the richness and complex relations existing between people and the meaning they confer to their environment, behaviour and relationships. So, it is important, unavoidable even, to address social phenomena from a process perspective only possible with a qualitative approach. In organizational related studies *the guiding procedure* [in qualitative research] *calls for the first-hand inspection of ongoing organizational life* (Van Maanen, 1982).

Rather than being opposite paradigms, these two perspectives are better understood as different sides of a continuum where each strategy has its own values, applications, as well as limitations. Bryman and Bell (2003) remind us that these distinctions between qualitative and quantitative methods are ambiguous and to be cautious when trying to hammer *a wedge between them too deeply* (p.26).

Following in the same direction, when Morgan (1986) claims that *organizations are many things at once* he is trying to highlight the multiple dimensions of any given organizational or social life fact, calling our attention to the complexities and sophistication of realities we have to deal with. He is also trying to highlight the huge diversity of organizational research nowadays and the limitations of a single method to their understanding. To fully express this idea he uses metaphors, due to their capability at eliciting images which, in their turn, are open to numerous approaches and interpretations.

One of the most interesting lessons learned from him is that there is no single way of studying and understanding an organization and its related phenomena. Depending on researchers' needs and objectives, an organization can be understood from a mechanistic perspective where parts and processes are linked in a cause-effect chain. They can also be understood from a biological perspective where environmental elements, especially those related to the nature of the organization and the number of other similar companies operating in the same economic environment are fundamental to understand behaviour; or else, it can be viewed from the perspective of power struggles where groups of interests are fighting to acquire a better position to defend their ideas and realise their objectives. Different approaches to organizational phenomena are also a sign that multiple methods can be used.

A multi-method approach means more than having different methodological choices. It opens up the possibility of combining strengths and overcoming weaknesses of both quantitative and qualitative methods (Bryman & Bell, 2003; Brewer & Hunter, 2006) in order to develop a more comprehensive and systematic study. Multi-methods are not alien to business related research, on the contrary, the strategy of combining diverse forms of data collection is common in an area where case studies constitute an ordinary strategy (Hartley, 2005). This is the case, for instance, of George and Chattopadhyay (2005); when studying identification of contract workers with their companies they combined interviews with contractors to *gain an understanding of this industry* (p.79), with a survey questionnaire supplied to workers. In the same way, Purcell and Hutchinson (2007) used a combination of structured interviews with workers and semi-structured interviews with senior HR managers to identify the role of front-line managers in implementing HRM practices.

On the other hand, research linked to Resource Based Views of the firm are constant calling to a greater use of combining qualitative and quantitative methods as a worthy strategy for identifying intrinsic sources of competitive advantage and superior performance in companies, since survey based questionnaires have reached some obstacles of difficult transposition. *Given that each of the...approaches to assessing resources has distinct strengths, we encourage future scholars to craft studies incorporating multiples approaches* (Barney, Wright & Ketchen, 2001; p. 637). This is the case also with Lado *et al.* (2006) where they suggest 2) *the use of multiple*

*theoretical perspectives to address a particular research question and 3) integration of positivist and interpretative research methodology in a single study* (p.125). It is possible to say that, the process of data triangulation is advisable when one single method can not provide all the information needed for a research activity (Bryman & Bell, 2003) serving two main purposes: confirmation of what was found and completeness of the data available (Arksey & Knught, 1999).

### **4.3 Research Design**

This research was divided into three studies: in the first one, an exploratory study was undertaken to provide a better understanding about the hotel sector, how it is organised and structured, how performance and productivity measurement are dealt with, what are the most important features related to human resources management and practices, and what is the role played by customer interaction in their activity? This first study was aimed at providing a conceptual background against which data collected in other studies can be understood, showing how concepts are applied in day-to-day activities. It also sought to contribute to answering research question one, complementing the literature reviewed.

It was based on a qualitative approach where semi-structured face-to-face interviews with general managers were mixed with visits to hotels facilities and documentation was collected whenever possible. As one of the main research objectives was to build an understanding about how manufacturing based concepts could be understood when applied in service contexts, an inductive approach was used. This research-before-theory was appropriate due to its exploratory nature.

The second study was based on a quantitative approach where a postal survey questionnaire was sent out to hotel managers in the UK. The main objective here was to test some hypotheses originating in the literature review combined with data gathered in the first study: in a theory driven process, where relationships between variables were measured and more specifically, the relationship between the effective

use of a set of management practices and a number of company performance indicators.

The third study used the same instrument and approach previously delivered with one difference: the questionnaire was given simultaneously to a sample of hotel managers and employees. Another important feature was that all companies surveyed were located in the same city. This procedure is justified by an attempt to explore not only the relationship between the effectiveness of management practices and performance, as in the preceding step, but also to explain some of the mechanisms involved in this process, conceptualised as being linked with employee outcomes, while overcoming some of the most common limitations of similar studies.

The second and the third studies were designed seeking contributing to research questions two and three. In the following sections procedures associated with each study will be presented and discussed in detail.

#### ***4.3.1 Study 1: The Exploratory Study***

It is easier to identify a qualitative study rather than to define it. The main reason for this is that under the broad umbrella of qualitative methods are gathered a number of different perspectives (Cassell and Symon, 2006), sometimes contradictory in themselves, on how a subject might be known (epistemology) and what can be known (ontology) built over different philosophical assumptions. Consequently, numerous ways of data gathering (methods) and data analysing can be chosen (Denzin & Lincoln, 2005). In such a context, it is not uncommon to see qualitative concepts negatively defined by their opposition to more functional/positive ones chosen from quantitative perspectives.

This situation has led qualitative researchers to have to make clear statements, and provide detailed explanations, about their assumptions and philosophical positions, something that it is not required from researchers supporting quantitative approaches. It is true that one important feature of the scientific enterprise is the possibility to replicate findings and procedures from previous studies something that is only

possible when a thorough account of what was done is present. This however, should be understood as a call for rigorous methodological procedures, not for an up front dismissal of non-quantitative approaches. More than explanation, what seems to be in place is a justification process. Qualitative research is a field of enquiry in its own right (Denzin & Lincoln, 2005).

Broadly speaking, qualitative research can be understood as those where the main concern is related to meaning, or else, to how people make sense of the world and how they experience events (Willig, 2004). In consequence, qualitative studies tend to be driven by the nature of the data collected rather than by theory. Bryman and Bell (2003; p.280) assert that qualitative studies are more concerned with words instead of numbers and that they differ from quantitative studies in three main features; an inductive view to the relation between theory and research, expressing the supremacy of data over theory, an interpreted position about social reality, where its meaning is explained from the participant's point-of-view; and a constructionist perspective about the social world, meaning that there is no such thing as reality in itself but a set of relationships that are constantly being built and only exist because of the contact between individuals.

In the case of the present study, the choice for a qualitative study is not driven by sophisticated epistemological or philosophical assumptions about the world but instead, by the nature of the research questions and the need to acquire a practical knowledge about what goes on in a specific sector of business activity, namely hotels. The previously conducted literature review has provided a theoretical background and raised a number of questions that need to be properly addressed. However, due to the practical inexperience related to the area under investigation, it was assumed that some contextual information was needed in order to make sense of the data to be collected, in other words, to facilitate the interpretation of any observable relationship between variables. A second aspect driving this choice was a need to understand how the sector is organized and how common themes in the literature are expressed in a real work environment, an imposition necessary if we are to produce relevant research. And finally, this initial study was aimed at providing enough information to allow a discrimination of relevant variables emerging from a complex web of concepts and practices to be investigated in the following studies. This position of

embedding theory into practice finds support in a number of authors such as Vermeulen (2007) and McGahan (2007), for instance. When discussing requirements for research relevant in business they highlight the importance of direct contact with practitioners, something that requires visiting the field.

It is possible to say that this study assumes a naturalistic approach to qualitative study, meaning I seek to understand social reality on its own terms providing a rich description about the workplace setting (Bryman and Bell, 2003; Willig, 2004) and its characteristics, with a special understanding of how work is organised and the role played by the people who do it.

An exploratory study is a common method for data gathering in qualitative research seeking to describe a life-world phenomenon from the interviewee perspective and to understand how and why they come to this particular perspective (King, 2005). It is often regarded as a preliminary procedure tailored to help the researcher to identify important issues, to prepare to a more analytical or rigorous descriptive study, highlighting variables and generating a hypothesis to be tested (Henry, 1990). A procedure to adopt when there is uncertainty about the subject or lack of experience with it, as in the present situation.

The chosen method for data collection was the semi-structured interviews.

#### *4.3.1.1 The Qualitative Interview*

Asking question and getting answers is a much harder task than it may seem at first (Fontana & Frey, 2005) and because we all are used to do this on daily basis sometimes there is a tendency to downplay its importance in research. Without any doubt, interviews are the most common way of data gathering in qualitative research (Bryman, 2004; Perakyla, 2005; Denzin & Lincoln, 2005) sharing with its correspondent strategy some very distinguished characteristics. Qualitative interviewing does not refer to any specific research method but to a number of different instruments and approaches that can be tailored to research needs. According to Arksey & Knight (1999) these methods have one common feature: they are all

based on a conversation process that develops in between at least two people with one of them having the interviewer role.

Instead of having a direct conceptualization, Bryman and Bell (2003) prefer to build their definition in opposition to the interview characteristics that are commonly used in quantitative approaches, stressing an unstructured character. From this perspective it follows that qualitative interviews are more interested in the interviewees' point-of-view, on account of the fact that they can give to the researcher information about the things she/he is interested in. *The topic of the research is not the interview itself but rather the issues discussed in the interview* (Perakyla, 2005; p.869), rambling and going off tangents is frequently encouraged with the freedom to pursue emergent issues as they show up during the conversation process is at the interviewer's discretion; new questions can be added at any point in time depending, entirely, from the research objectives and the conversation flow. In a word, qualitative interviews are more flexible.

In broad terms, qualitative interviews can be divided into two main formats; unstructured and semi-structured. In the former case, the interview resembles very much an ordinary conversation where the interviewer may have a single question or a set of topics he/she wants to explore and the interviewee is stimulated to speak freely about them (Bryman & Bell, 2003). Due to the absence of a fixed format they are capable of providing greater breadth than other forms of qualitative interviews (Fontana & Frey, 2005). At the same time, there is no guarantee that some subjects or aspects of any particularly relevant question, for the research purposes, will be addressed.

With the semi-structured interview all respondents are asked more or less the same questions with limited possibility of variation. The questions are usually listed in an interview guide and they correspond to the topics the researcher wants to cover (Fontana & Frey, 2005; Bryman & Bell, 2003). This type of questioning process is usually adopted when the researcher has a fairly clear notion of what is being looked for and is generally used when there is a need to address more specific questions, instead of wandering around a general topic (Bryman, 2004). Semi-structured

interviews are certainly one of the commonest and most diverse of the qualitative interview formats (Arksey & Knight, 1999).

From what was said it is possible to see that the semi-structured interview suits the exploratory study objectives: providing a tool to gather conceptual information about the sector, understanding how theoretical concepts are currently being applied in a specific work environment, and identifying variables and relationships relevant to the development of the research.

#### *4.3.1.2 Sampling*

One critical element in determining the aspects and size of any research sample is a previous knowledge about the universe being investigated. This means knowing not only its size and distribution over the territory but also some of its most important characteristics, or at least, knowing those that might be important in influencing the research outcomes: a good sample must be a reflection and expression of these characteristics. For this precise reason sampling is regarded as an important moment within the research process and with the Hotel sector some of these factors are already known. According to Smith and Carroll (2003) there were about 13,279 different hotel workplaces in the UK during the year 2000 with the vast majority (75%) having less than 10 employees. This configuration points towards a sector where small establishments are the norm. However, such small workplaces are very unlikely to present any sort of formal managerial structure and therefore, are regarded as not suitable for my purposes.

Another important element in place during the sampling process refers to the objectives of the study. According to De Vaus (2004) there are often situations where probability sampling techniques are either impractical or unnecessary, as in the present case. An exploratory study is usually conducted to provide an orientation or familiarization with the topic under study (Henry, 1990) and it is usually under time and resources constraints. At the same time, this kind of study is not particularly interested in reducing errors or providing estimates, so, it is acceptable to have a non probability sample as a base for the research. A convenience sample was taken using

six workplaces in Sheffield (UK) and six in Salvador (Brazil). Convenience sampling is a normal procedure where a group of subjects is chosen because they are readily available (Henry, 1990).

The reason for conducting research in two different countries followed a two-fold rationale. In the first place, there was a need to understand how different business environments would impact the overall work organization in the sector and consequently company performance and outcomes. It was thought that investigating companies in two dissimilar environments would probably generate a good picture about work practices, processes, organization and general issues in the sector. In the second instance, there was also a need to gain some background information about the field where the third study was meant to take place and it is important to say that this study was not aimed at producing a cross-cultural study.

The strong point of this sampling design was the possibility to study the operation of the same company in two different countries. This situation allowed for an understanding about how service activities relate to markets/ratings and the impact on work organization as well as being able to identify the impact of different institutional settings on the process of work organization.

General managers were targeted because they would hold the position most likely to have a comprehensive view of hotel activities in operational terms, and also in aspects related to human resources, an approach similar to the one used by Jones, Kalmi and Kauhanen (2006), for instance, when they interviewed the store manager in order to collect data for their econometric case study. The sample was constructed to have the maximum degree of variety as possible in order to produce a broad view of the sector.

In both Brazil and the UK a limit to the number of workplaces visited came when a theoretical saturation point was achieved and no additional gains in pursuing the interviews were identified by the researcher. Theoretical saturation is achieved when incremental learning acquired from adding a newer case is minimal because what is being observed does not differ much from what was seen before. According to Eisenhardt (1989) theoretical saturation often combines pragmatic considerations

related to time and money constraints with the number of cases planned in advanced by researchers.

For all these reasons it is possible to say that the sampling strategy was capable of producing a good enough picture of how hotel activity is organised, identifying also the most important aspects of a hotel operation which was my objective.

#### *4.3.1.3 Evaluation criteria: Field Diary and Feedback Report*

Since qualitative research is built upon different assumptions when compared to quantitative ones the questions about validity and reliability, or rather evaluation criteria to assess research quality, assume greater relevance. However, these two concepts bring implicit the idea of some sort of measurement, in essence what is contrary to underlying principles in the area. This situation has led some researchers (Cassel & Symon, 2006; Cassell & Symon, 2005, Bryman & Bell, 2003) to assert that a different criterion is needed to assess qualitative research. There are a number of different proposals in this respect and they vary according to the degree that they accept a realist position about research methods (Bryman, 2004).

In the context of this study, I take the position expressed by Cassel and Symon (2004, 2006) that reflexivity, a critical appraisal of the research practice, or else, a reflection upon the way in which research is conducted and an understanding of how the process of conducting research shapes and interferes with its outcomes (Hardy, Phillips & Clegg, 2001), is a necessary condition for assessing qualitative research. In this process, I have used two main tools; the field diary and the feedback report.

After the interviews additional notes were taken in a field diary where impressions, opinions and observations were written down for future consultation. A (field) diary is used to investigate (or support the investigation) a wide range of subjective phenomena (Symon, 2005) and has a long and established tradition within anthropological and ethnological studies. In the present case, the diary was used as a reflexivity tool allowing myself to recap feelings, impressions and emotions present during the data collection process that could interfere with the data analysis. Its use is

suggested by Symon and Cassell (2005) as a practical tool allowing for critical appraisal of methodological practice, acknowledgement of and reflection on epistemological commitments, and recognition of external influences on the knowledge produced.

When the interviews were over, a feedback report containing the main findings was written and passed on to the managers; they were asked to read it and comment on the results to face validate them. A face validity process is the one where people with knowledge, experience or expertise in a given area are asked to assess if the findings or measures seem to express the concepts or ideas in question (Bryman & Bell, 2004). This process shall be understood in conjunction with the field diary mentioned above as an attempt to reduce the natural bias existing in any qualitative study.

#### *4.3.1.4 Analysis Process*

The idea is to take advantage of the semi-structured interview to design an interview guide that could function also as an analysis grid. In this sense, the interview guide serves as a template that guides understanding about important issues in the hotel industry. The initial elements applied in this guide are basically drawn from the literature. This was only possible because of the very specific characteristic of the questions being asked.

Whenever the managers expressed more than one position about any given subject they would be grouped in thematically similar categories and the results recorded. This procedure allows for discriminating between different approaches to the same construct.

### **4.3.2 Study 2: The UK Postal Survey**

This study is aimed at identifying a link between the effective use of “high-performance” work practices and a number of organisational performance and productivity metrics.

During the first step of this research, the exploratory study, I sought to understand how a hotel activity is organised; how theoretical concepts drawn from the literature, and originally developed within a manufacturing context, are understood and applied on daily basis in a service environment. I also tried to identify what were the relevant management practices and performance metrics for the sector. The idea was to provide some initial answers to my research questions and build a broad and clear guide to the next step, a survey study, where the main aim was to establish the relationship between variables previously identified and some organizational outcomes. The rationale behind this second study and the methods used to achieve my goals are described next.

This study follows a completely different approach if compared to the previous one. Instead of using a semi-structured qualitative approach it was designed to be more comprehensive towards data collection and analysis; this meant using a quantitative strategy to produce a survey.

A survey does not refer to a particular kind of data collection technique, instead it is characterised by the way information is collected and how the data are analysed. It is possible to say that a survey, rather than a method, is a system for methodically collecting information on a variety of subjects (Fink, 1995). In practical terms, this means asking the informants the same questions and providing them with the same set of predetermined answers. At the end of this process, the researcher has a set of comparable information. It is not difficult to see that the structured questionnaire has all the characteristics needed of a good tool to perform this task. It is easy to use, simple to administer and very often cheap to design. For all these reasons it is the most common research method associated with survey studies (De Vaus, 2004).

The use of structured procedures to collect data also has the advantage of opening up the possibility of performing a series of statistical analyses with the data set. Variation and similarity can be translated into numbers and, consequently, measured. Responses are turned into variables, frequencies of response are indications of behaviour patterns and scales can be drawn to measure attributes, attitudes and tendencies.

A survey is set up with one main intention: to explore associations and relationships between particular variables and to explore hypotheses. According to Babbie (1990) surveys are *frequently conducted for the purpose of making descriptive assertions about some populations that is discovering the distribution of certain traits or attributes* (p.52). It is possible to say that it is more oriented towards finding explanations and association and less inclined towards representativeness. It also places a stress on prediction when compared to description and enumeration, and also it is more likely to ask “how often” and “how many” questions rather than “why” and “what goes with what” (Oppenheim, 2001).

Data was collected at one point in time from each informant, creating in this way a cross-sectional design. This feature allows for comparisons between cases and identification of the extent to which they differ as regards the dependent variable (De Vaus, 2004; Babbie, 1990).

The target informants of this study are hotel general managers for reasons already explained. A self-administered questionnaire was sent out to them by postal mail with an enclosed pre-paid envelope for their reply. This has been, up to now, the most common way to collect data using structured questionnaires (Bryman & Bell, 2003).

Summing up, this study was built upon well known and commonly used methods, design and research strategies. This does not mean however, that it does not add to the literature, merely, that its procedures are well established with a long tradition of use in business related research.

#### 4.3.2.1 Sampling

As a reliable data base containing hotel addresses was not available for this study, an option was made to use a snow-ball approach to sampling procedures. This meant identifying a number of independent and trustworthy sources to collect data from. This came from industry reports like *Branch Report for Hotel and Restaurants in the UK* (Smith & Carroll, 2003) produced by the European Foundation for the Improvement of Living and Working Conditions by the European Work and Employment Research Centre. They identified the main UK hotel chains providing a starting point for the whole process. This led to the company web sites where basic information about workplaces could be identified and retrieved. Another source of raw information about workplaces came from DK Eye Witnesses travel guide. They provide updated basic information about independent hotels including the number of rooms and addresses. The criteria to end this process came when the number of addresses collected was likely to produce a good number of responses based on accounts of response rates from similar studies.

#### 4.3.2.2 Pilot Work

When the questionnaire design process came to an end, the original version was submitted to a revision procedure looking for possible spelling mistakes and lay-out problems. After this, the first version was tested in a real workplace environment to assess if the established set of procedures, wording and overall level of understanding were easily comprehensible to managers<sup>18</sup>. These attributes were assessed in two different ways: first I looked for missing data and for possible sources of it; and second, after answering the questionnaires the managers were briefly interviewed about their opinions and impression related to the instrument. If any problems or difficulties were spotted at this time the questionnaire underwent revision to sort the problems out. This process would be repeated as many times as was needed until a final version was ready. *This whole lengthy process of designing and trying out questions and procedures is usually referred to as pilot work* (Oppenheim, 2001).

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<sup>18</sup> In fact, this process was also developed with employees advancing future requirements related to the next study.

#### 4.3.2.3 Data Analysis

The analysis process was thought to follow some basic steps: first data was screened for accuracy and avoidance of basic errors associated with typing and data input. Next was to address the identification of underlying data structures and scale construction. Then the job was to calculate basic correlations of all the variables in the study. A fourth step involved splitting data into two groups according to the proposed literature review and building regression models to identify the predictive capability of management practices according to different measures of performance. A regression is a technique that allows one to assess the relationship between one dependent variable (in the present case, a performance indicator) and several independent variables (or management practices). *This procedure can be applied to the data set which the IVs are correlated with one another and with the DVs to varying degrees* (p.127) Tabachnick and Fidell (1996).

#### 4.3.2.4 Possible Limitations

An import limitation of this kind of study is associated with low response rates inherent with the data collection method (postal survey). Managers are under constant pressure to deliver their objectives and targets. At the same time, they are constantly being requested to collaborate with research that most of the time bears little connection with or has limited impact upon their operations. Under these circumstances, they are unlikely to dedicate part of their time to answer questionnaires. This situation has already been identified in the literature and there have been reports of a constant decline in response rates over time (Baruch, 1999). A possible solution to mitigate this effect would be associating each questionnaire a number or index to keep track of received forms following them up with emails, phone calls or even sending out another questionnaire. This solution would have the set back of reducing the degree of anonymity that was postulated and that would be desirable when delivering the survey.

This study has also the potential to be affected by what is called common method bias (or variance): *a variance that is attributable to method rather than to the constructs*

*the measures represent* (Podsakoff *et al.*, 2003). This kind of error may emerge when the same person is providing the information about the dependent and independent variables in the study. There are some reasons associated with it, as for instance, an effort from the informant to maintain consistency with his/her answers across the study, or an answer given based on social desirability. In other words, saying what he/she assumes is the right answer expected by the researcher. In an attempt to reduce such errors, the remedy suggested by Podsakoff *et al.* (2003) of protecting the respondent identity under the cover of anonymity was followed. They were also assured that under no circumstance would the information provided be seen by any person working in the company and that the data given would be feedback at an aggregated level only.

#### **4.3.2 Study 3: The Brazilian Study**

This study is aimed at exploring possible mediating mechanisms in the relationship between the effective use of management practices and performance. It also seeks to understand the impact of these practices on a number of workers outcomes.

Following a strategy to deepen the level of analysis as the research evolved, this next step was designed to address some of the most important issues associated with the practices-performance relationship and to overcome some of the most common and important causes of bias related to similar studies.

No matter how important the identification of a set of correlations between management practices and performance is, there is a need to go beyond this assessing what the linking mechanism(s) in these relationships is (are). In other words, it is extremely important explaining why any particular practice can be said to be effective. This objective, in order to be achieved, requires testing for the mediating effect of some variables on these relationships. The intervening variables are more often than not postulated to be associated with worker outcomes, and for this reason, responses had to be collected not only from managers but also from employees.

Regarding common sources of weaknesses and source of bias with performance related studies, two actions were taken: the first one was designed to tackle this question via research design. From its characteristics service activities are particularly sensitive to agglomeration economies and customer walk-in behaviour and choices. Therefore, location has a strong and direct impact on organizational performance.

All companies surveyed were located in the same geographical area (city) meaning that they all were subject to the same basic environmental and economic forces, as for instance labour markets, which might have an impact upon their operations. It was postulated that, differences between workplaces were more likely to come from differences in the way companies were managed, reducing the influence of external factors over performance indicators. None the less, it has to be acknowledged that, to some extent, there is always going to be some external factors impacting on performance.

The second action intended to reduce bias and weaknesses associated with practice-performance related studies was to collect data from multiple informants in the same company. Here the main objectives were to avoid common method bias and to have a better look inside the organization, collecting information from both managers and employees. As management practices were assessed based on their effectiveness, it was thought that an average employee perception would suit this objective better.

Following what was already done in previous steps, the city chosen to conduct this study was Salvador (Brazil). Beyond the convenience of being a place that I know quite well, Salvador is a popular destination for both tourism and business, with a good and well developed network of hotels belonging to national and international chains, as well as strong independent operations.

Companies taking part in this study were identified based on a directory compiled and provided by the Associacao Brasileira da Industria Hoteleira- ABIH, a Brazilian national hotel association. Their database comprises usual contact information such as addresses, manager names and number of bedrooms for each workplace. In line with the previous study, only hotels with more than thirty bedrooms were contacted.

#### 4.3.2.1 Data Analysis

The core feature of this study evolves around worker characteristics mediating the relationship between management practice and performance. However, before addressing this issue specifically, the original idea was to step back and investigate the existence of the link itself in the same way as the previous study. The reasons for this are straight forward: the data was collected in a business environment of which little is known and data from managers containing typical information about practices effectiveness and company outcomes was available. Thus, analysing data from manager perspectives could also provide a baseline to help understanding employee outcomes. This step was performed following the same procedures already used in the second study.

From this point onwards, employee data was aggregated to organizational level and matched with manager responses about organizational outcomes. At this point, three kinds of relationship were investigated; the first one referring to employee perceptions about management practices and performance, the second one addressing the impact of management practices on employee outcomes, and finally, a third looked at how performance is associated with employee outcomes. All these elements are worth investigating individually. They also suit the purpose of identifying the necessary preconditions for a mediation to be in place as proposed by Wood *et al.* (2008), James (2008) and Kenny (2008). In short, a mediation process can be said to be in place only if three conditions are met; dependent and independent variables are correlated and the proposed mediation variable is correlated with both dependent and independent variables.

The main reason behind the particular design applied to this research is to have one study providing contextual information and empirical support to the other, allowing a construction of a web of understanding, where relationships are made clear through both similarities and differences.

#### 4.3.2.2 Possible Limitations

Apart from traditional limitations associated with cross-sectional designs, the most likely constraint connected with this study can be said to arise from sample size, limiting the range of statistical analyses capable of being performed.

Another possible limitation is related to the fact that data was gathered in different institutional environments and this may place some restrictions when comparing and generalising the results.

*In the present global and rapidly changing market the capacity to compete lies at the heart of national and industry efforts aimed to attract national and international visitors. The capacity to compete depends on the investments made to create an attractive and safe product, enhance its quality and provide for a friendly and encouraging competition environment. It brings into the picture the tourism enterprise and hence trade in tourism services, as well as tourism destinations whose quality "tourism product" is the sum of contributions and processes resulting from many stakeholders, both private and public. ...Quality also includes a professional approach to do things right at all times and meet legitimate expectations of consumers...*

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## **5.0 Study 1**

### **5.1 Overview**

This study was designed with a few objectives: firstly, to provide the researcher practical information and knowledge about how the hotel industry is organised; secondly, to investigate how concepts drawn from the literature review are used and applied, assessing their relevance to the sector; and thirdly, to identify relevant issues and gaps in the understanding (both empirical and conceptual) that needs further investigation, providing support to a following survey in the hotel industry. In order to achieve these goals, a number of interviews were carried out with general managers in twelve workplaces in two different business environments. The current chapter presents and discuss the main findings of this study.

It is also possible to say that the justification for the existence of this chapter rests on a personal lack of practical knowledge about the field. In this sense, after reviewing the pertinent literature I felt it would be worth looking deeper into the area to make sense of the very often controversial and contradictory issues I have come across with. The only way of doing this would be visiting the workplaces, talking to people directly involved on a day to day activity and understanding their point of views, constraints and realities.

On the top of this, I had to develop an understanding about basic things that are often taken for granted for those working in the field but, at the same time, are crucial to the understanding of the sector and are capable of impacting on the way the work is organised. In other words, what was the basic story behind the adoption of management practices? Here, the main objective was to identify the most common practices, how they were used and their specificities. In this way, this study was designed to serve as a guide to make sense of the literature and the industry.

These objectives can be easily observed in the way this investigation was carried out and on how the results are presented. More than a search for underlying meanings, patterns or structures, this study seeks to provide a vivid description (adopting a naturalistic perspective) on how the industry is to be understood, what is relevant and what is not according to the standpoint of those closely working on it. In other words, this study is based on the thing I saw and heard shaping my personal understanding about the sector.

## **5.2 Understanding Hotel Operations**

The new National Quality Assurance Standard (NQAS), which became effective in the beginning of 2008 in the UK, broadly defines a hotel as a *formal accommodation with full service and at least 20 bedrooms* (VisitBritain, 2005). This definition excludes guest accommodations (as Bed & Breakfast and inns) and country house hotels. It is also excluded the so-called budget hotels, those presenting uniform accommodation with limited service. The Sector Skill Council for the Hospitality, Leisure, Travel and Tourism Industries, in its turn, broadly defines a Hotel as *paid*

*accommodation open to the general public* (People 1st, 2006). For the purpose of this research these definitions will be integrated. Under this perspective, a hotel is understood as *a formal paid accommodation open to the general public with more than 30 bedrooms excluding guest houses and country house hotels but including budget hotels.*

The option for this definition has both methodological and market justifications. Initially, one of the most important objectives of this research deals with understanding the contribution and role of human resources management practices in enhancing performance and as small establishments (those having less than 30 bedrooms) are more likely to be run under informal or family schemes, they would not be able to positively contributing to this target. Therefore, raising the cut-off point, measured by the number of bedrooms, increases the probability of more significant findings. At the same time, the cut-off point stays low enough to include an important share of the small and medium workplaces, responsible for a good amount of the accommodations available. As the great majority of B&B and guest houses have less than 30 bedrooms and are characterised for having informal managerial arrangements they do not fit the purpose of this research.

A second element that was taken into account to adopt this definition is that budget hotels, those providing basic accommodation facilities and few services, do represent an important and growing market share and not taking them into proper consideration would bring a strong bias to our understanding. In fact, there is a gap in the literature about it.

It is also important to notice that the definitions provided by the NQAS are tailored to the tourist market making sense from the perspective of services provided. As this study, on the contrary, focuses on internal processes of work organization towards enhanced performance and productivity this justifies a different approach.

Traditionally, research related to the hotel sector has been developed under the broad label of hospitality studies, with their own agenda and approaches, which has grown relatively apart from the mainstream of business studies where management and work psychology are rooted. One possible explanation for such isolation could be the fact that hotels are a typical service activity, while work psychology and management

have their origin in industrial settings. With the growth in importance of a service economy there has been a reduction in the distance between these areas. This does not mean that good managerial practices are alien to the sector, on the contrary. However, it is worth noting that the discourse of customer service is still very strong and it tends to prevail over ideas of product and process rationalization, being kept alight by the glamour of luxury establishments and the dedication shown by some very small places, all of them proud of providing unique (often customised) hospitality experiences. On the practical side, it is possible to find an industry where fixed costs have a huge role to play and where standardization and rationalization are an imperative. These two extremes positions set boundaries for the sector influencing minds and activities.

This situation bring us back to our first research question (RQ1): *To what extent a conceptual framework originally developed to understand the relationship between the effective use of management practices and performance within manufacturing activities can be applied to address service sectors' issues in general and hotel industries' in particular?* Despite the fact that the literature reviewed has provided theoretical elements to support an initial answer to this question, there is still a need to address the field from an empirical point-of-view bringing in stronger grounds where to place these initial findings and to overcome a personal lack of practical knowledge about it. These elements are enough to justify an exploratory study.

### **5.3 The Study: Sample and Methods**

An exploratory study is a common method for data gathering in qualitative research seeking to describe a life-world phenomenon from the interviewee's perspective and to understand how and why they come to this particular perspective (King, 2005), a procedure to adopt when there is uncertainty about the subject, as in the present case.

The research was conducted in twelve hotels of different categories with general managers, six in Brazil (Salvador) and six in UK (Sheffield) (see table 5.1). The data was collected in face-to-face semi-structured interviews, each one lasting for an average of 90 minutes, with the aid of an interview grid and notes were taken during

the process. Whenever possible, the interviews were followed by a visit to the hotel's facilities where some aspects previously discussed were observed on site and documental evidence was collected. All notes taken were transcribed to a text format as soon as possible. A field diary was kept where basic impressions and observations not directly related to the questions being asked were recorded and later used to support the analysis process.

**Table 5.1 Hotels' distribution according to their characteristic: exploratory study**

UK				Brazil			
Hotel	Rooms	Employees <sup>1</sup>	Type	Hotel	Rooms	Employees <sup>1</sup>	Type
UK 1	95	30	chain/French	BR 1	252	57	Chain/French
UK 2	111	44	Independent	BR 2	175	109	Chain/French
UK 3	160	60	chain/UK	BR 3	206	167	Chain/French
UK 4	85	48	chain/Malaysian	BR 4	433	308	Chain/Portuguese
UK 5	128	160	chain/UK	BR 5	191	135	Chain/Brazilian
UK 6	63	60	Independent	BR 6			refurbishing
Average	107.5	67			251.4	155.2	
Total	645 (1)	402 (2)			1257 (1)	776 (2)	
	(2)/ (1)	0.623			(2)/ (1)	0.617	

1- Total number of employees including full, part-time, temporary and outsourced. Brazilian legislation does not allow for part-time hiring.

The reason for conducting research in two different countries followed a two-fold rationale. In the first place, there was a need to understand how different institutional environments would impact the overall work organization in the sector and consequently companies' outcomes and performance; and in a second place, the choice was also driven by convenience factors, meaning a relatively easy access to companies in both countries.

General Managers were targeted because they would hold the more likely position to have a comprehensive view about the hotel activities, in operational terms, and also about aspects related to human resources. In both countries, ten different workplaces were selected from the telephone directory and a letter was sent out to each one of them asking for an appointment. A week later the companies were contacted by telephone and the meetings arranged. The interviews were conducted with the companies from this original list that agreed to take part in the study. The sample was constructed looking for the maximum degree of variety possible.

Despite the best efforts to balance the sample in term of size of the workplaces, nature of ownership (being an independent operation or part of a chain) and nationality of the control group, the final sample did not quite fit this purpose. It is possible to see, for

example, that UK companies are smaller when compared to Brazilian ones, something that might be explained because of differences in the size and characteristics of the cities where the establishments are located. In the case of the UK, the interviews were conducted in Sheffield, a city of about six hundred thousand people, with a strong service economy with a distinct business profile. The city is also part of a conurbation where other important cities can be found in the surrounding area. On the other hand, Salvador is also a service city but much bigger, with nearly 2.8 million inhabitants, having a strong tourist profile. The city stands alone on its region and the distances to other similar accommodations in other cities are too big to be considered as a viable alternative to any traveller, either on business or leisure.

One important characteristic of the hotel sector either in Brazil or in the UK is the great number and importance of small and independent operations, both in terms of number of workplaces and employees, an aspect that is not adequately expressed in the sample. However, this does not compromise the quality of the study. As has already been noted, small workplaces are excluded from it due to their great probability of having mainly informal managerial arrangements. In the case of the Brazilian sample, the hotel BR 5 is classified as part of a chain but in fact, it operates independently. The chain is composed of five hotels only, all located in the same city and they have not developed any kind of synergy in their activities, like a consolidated financial structure or a sales centre. None the less, as the most important objective at this point is related to understanding conceptual translations from manufacturing to a service environment and to understanding how a hotel operates, it is easier to perceive differences and understand activities in bigger operations when compared to small ones.

At the same time, the difference in size from the smaller hotel in the sample, UK 6, to the bigger one, BR 4, is big enough to show up extremes in managerial capabilities, demands and requisites, and differences in work organization processes.

A strong point about this research design was the possibility to study the operation of the same company in two different countries, which is the case of hotels UK 1 and BR 1. Following the same step, hotels BR 1, BR 2, and BR 3 belong to the same chain but operating in different market segments and being differently rated. This situation

allowed for an understanding about how services relate to categories/markets and its impact on work organization. Another relevant aspect related to this sample was the possibility to see the impact and importance of the establishment age on performance once it has a mixture of recently built, recently refurbished and old “products”.

For all these reasons it is possible to say that, for exploratory purposes, the sample constitutes a good enough picture of the hotel industry capable of expressing the most important aspects of a typical operation, as the main objective was.

### **5.3.1 The Interview Process**

The interview process was conducted with the aid of an interview grid built to achieve four main objectives:

- To understand key issues related to daily activities in a hotel;
- To identify main performance indices used in the sector;
- To identify common operational and HRM practices used in the sector.
- To understand the role played by customer interaction and quality assessment on daily operations.

The interview grid was divided into four parts (see appendix A for more details). For each one of these sections there were a number of questions of interest and the manager was encouraged to speak freely about them. Whenever needed, new questions were added to clarify the understanding and notes were taken openly during the whole length of the interviews.

The first section included questions about hotel characteristics like number of rooms, structure, competition and responsibility of each division. It was designed to provide an understanding about how an operation is organized. The second section targeted specifically performance and productivity metrics trying to identify how these

questions are assessed on daily basis, what are the most common and meaningful metrics being used, and the reasons for these choices.

The third section was aimed at understanding basic aspects of HR practices and organization probing for differences between full and part-time workers. This was an attempt to identify the most common practices in use, how managers perceive them and their contribution to the operation, with an especial attention been paid to those practices more often being mentioned in the HRM literature. This selection was not guided by any particular criteria other than referring to basic and common practices in the area of human resources. The reason for this procedure is easy to understand: as I am unaware of how the sector works it is worth identifying how it deals with basic issues, at this point on the research. The reasons for the prevalence of HRM practices over operational ones has to do with the argument put forward by the resource based view of the firm where it is said that people are likely to be the main source of competitive advantage once they comprise a resource that is difficult to imitate, rare and non substitutable.

The fourth section dealt with customer satisfaction and quality of services provided. This section sought to acquire an insight into the impact of customers in daily operations and how quality was defined and understood in the sector.

After the interviews, additional notes were taken in a field diary where impressions, opinions and observations were written down for future consultation. A (field) diary is used to investigate a wide range of subjective phenomena (Symon, 2005) and has a long and established tradition within anthropology and ethnographic studies. In the present case, it was used as a reflexive tool allowing the researcher to recap feelings, impressions and emotions present during the data collection process that somehow could interfere with the data analysis. Its use is suggested by Symon and Cassell (2005) as a practical tool allowing for critical appraisal of methodological practice, acknowledgement of and reflection on epistemological commitments, and recognisance of outer influences in the knowledge produced raising the profile of qualitative methods.

When the interviews were over, a feedback report containing the main findings was written and passed on to the managers. They were asked to read it and comment on the results to face validating it.

## **5.4 Hotel Characteristics**

### **5.4.1 Rating System**

It is crystal clear from first sight that the hotel sector is segmented according to a number of factors, the most obvious one being the rating system. More than an attribute of luxury or simplicity available in any given facility, the rating system is an apparent sign of how the market is segmented allowing better informed choices by customers according to their expectations and needs. This is important once guests need some sort of indication about the amplitude and availability of services being provided, as well as a relevant indication about its supposed quality. How a hotel is rated is also a good indication of the prices they charge.

Hotels' rating systems are paradoxical on their nature. At the same time they are very strict in some of their specification to achieve a certain grade they are loose enough to allow this grade to be achieved in a huge variety of ways. They contribute simultaneously to both diversity and standardization.

There are some competing and overlapping ways of rating a hotel. One example of this situation is that UK 1 and UK 3 operates in exactly the same market segment, with the same kind of service being offered (see table 5.2, below) however, they nominated themselves differently. This situation arises from the existence of competing systems independently designed and awarded. The very existence of the NQAS developed and promoted by VisitBritain, the strategic body for tourism in England, in association with AA, VisitScotland, and the Wales Tourism Board stands as a testimony of the confusion reigning in the market and the attempt being made to overcome it.

Apart from the efforts to unify the classification systems, the market seems to be evolving in a parallel direction, using a slightly different and simpler way to categorise workplaces. It could be asked, what is the difference between a one star hotel and a two stars hotel? And what is the difference between two and three?

**Table 5.2 Hotels' ratings as defied by the general manager**

<b>Hotel</b>	<b>Rating</b>	<b>Hotel</b>	<b>Rating</b>
UK 1	2*	BR 1	Economic
UK 2	3*	BR 2	4*
UK 3	Economic	BR 3	5*
UK 4	3*	BR 4	5*
UK 5	4*	BR 5	4*
UK 6	3*		

A trend towards the division of the market into economic/budget hotels, mid-scale hotels and upper/superior hotels tends to capture much clearer the market being targeted. The different references for hotels UK 1 and UK3 appears to be expressing this movement. It was also possible to observe the existence of some sub-divisions in each one of these categories specifying the kind of services being provided. The UK 1 manager also noticed that they are rated here differently from what happens in continental Europe, more specifically in France, where his chain has its origin.

In Brazil, the situation is even more unclear. Until the nineties, the Tourism Ministry would be responsible for assessing and awarding rates to the companies, a duty they have withdrawn from. There has been no replacement either at the government level or by a class association. Nowadays the hotels choose more or less freely how they want to place and advertise themselves in the market. The consequences of this lack of standardization in the sector are highlighted when hotels belonging to international chains are compared to each other, which is the case of BR 1 and BR 2. In Brazil they rate themselves as three (mid scale) and four stars (upper scale), respectively, while in France, or even in UK, they target immediately lower segments.

Considering that hotels are a vital and central part of a wider tourism industry; considering the global range of this activity and its growing importance to the national economies, efforts should be placed to standardise rating systems in order to provide customers with better information to support their choices.

### 5.4.2. Structure

All hotels in the sample share the same basic functional structure independently from its size, ownership or number of workplaces. The common functions are: front office, responsible for all kinds of direct interactions with guests; housekeeping, covering the activities related to room cleaning; back office, comprising mostly support clerical activities; Food and Beverage, also known as F&B; and maintenance. Independent hotels add commercial/sales sector to their structure while chains tend to have this regionally/nationally. This structure is under responsibility of a general manager (GM) seconded by Heads of Departments (HoDs).

*Basically there is a general manger and 3 heads of departments: reception, house keeping and F&B. This hotel has also a sales manager but this is not typical. It happens just because they opened 2 ½ years ago. Under the HoDs there are team leaders. Each division follows a traditional role (UK 3).*

Additions to this basic configuration pattern come as a function of the number and nature of the services available to guests which has a relation to the market segment the hotel is operating in. For instance, usually a hotel who has a restaurant and a bar will add these to it organizational chart putting them under responsibility of a head of department and they will be run independently from F&B, who will now be made responsible for supplying.

Due to the nature of the activity being provided there are few possibilities to move away from this organizational structure. An important characteristic of any hotel is the high fixed costs represented by the building and equipment needed to operate it. However, it is possible to observe a tendency towards a lean structure reducing the number of supervision levels and consequently reducing costs, a crucial matter in the sector. In annex B it is possible to find two organizational charts from chain hotels (UK 1 and BR 1, and UK 3) constituting typical examples of this functional lean structure. The charts came from their training and induction manual but they are actually being used in daily operations, as it is possible to notice from the line *to be completed by hotel* written on its top in chart number 1. In the case provided, clerical functions are held by the GM and seconded by and Assistant Manager.

This same basic structure is reproduced in Brazil in exactly the same way, where it was possible to observe an interesting situation related to this permanent search for cost reduction. Hotels BR 1 and BR 2 were built based on a concept called *hotel site*. They were erected in the same area next to each other sharing maintenance, parking, service entrance areas and support equipments. The complex is located very close to a five star hotel with a big convention centre creating and exploiting strong economies of agglomeration.

### **5.4.3 Market Aspects**

The hotels interviewed are characterised as being *city hotel*” meaning their functioning is not strongly constrained by seasonal aspects, like summer holidays. This does not mean that variations did not happen in the occupancy pattern along the year. A typical operation in a city hotel is driven by corporate/business clients during the weekdays and leisure/tourism clients during weekends. However, according to managers, it is possible to perceive that the occupancy rate still present a variation that follows (school) holidays. Such pattern can be explained by the fact that many working parents try to match their holidays with their children.

*We target different markets Monday to Friday business, weekend leisure, sport, family (UK 5)*

In Brazil a similar trend can be observed with its own characteristics however. Despite the fact of being a tourist city, there seems to be a consensus that *...tourism alone does not support the hotel (BR 5)*. Therefore, *business and leisure make the usual occupation pattern (BR 3)*. The occupancy rate also varies slightly in a certain pattern following the summer school holidays and the big national parties such as Carnival, happening every year between February and March, and Saint’s John at the end of June.

*Well, we do not suffer seasonality effects but we can see a change in the guests profile (BR 2).*

A particular aspect of the Brazilian operations seems to be a certain stress in corporate events with all hotels presenting some kind of appropriate space for it, being either a

number of rooms or a full size convention centre with more than two thousand five hundred places. Two characteristics might be influencing this observation: the first one is the strong tourist aspect of the city, constituting a strong attractor to congress and conventions. A second characteristic might be associated with the size of the hotels interviewed, more likely to have convention centres when compared to those available in Sheffield, where the companies in the sample were much smaller.

Competition is described as being *strong and increasing* (UK 1 and UK 5) and *not so high* (BR 2 and BR 3) but, at the same time, managers do recognise that some amount of competition is good for the market as a whole. For example, Sheffield needs a good 5 stars hotel to raise market standards and Salvador needs better budget hotels to compete with BR 1, standing almost alone in its segment.

An important point about competition is that when hotels have low occupancy rates, it is not an uncommon practice to have strong price cuts, a movement that is more easily noticed when coming from upper scale establishments.

*In one side you have Hilton and Marriott with bad prices and good services and on the other you have the budget hotels with good prices but very poor services. We are here trying to fill the gap between these two extremes (UK 6).*

In order to cover for their high fixed costs, hotels prefer to reduce their fare, even if this means bring it down to the same level as an immediate lower market segment, than having empty rooms, a situation referred to as *price wars* (BR 4). This is an important aspect once it is capable of strongly influencing any kind of performance measure.

A hotel is tied up to its location and can neither off shore nor outsource its operation. Its services have to be delivered *in loco*. The importance of location to its activities is not constrained by macro perspective only, where the city is the focus, but also by micro aspects like the neighbourhood, the existence of alternative accommodations, proximity to a business or leisure area or availability of a good transport network allowing quick movement to different parts of the territory. As a consequence, a hotel

operation is very much influenced by external factors derived from its close environment.

#### **5.4.4 Quality**

The GMs were asked four questions about quality issues. The first one was: what is quality for your company and for the sector? The second one was: what is quality in your operation? The third question was: what is quality for your clients; and finally a last question was asked: what is quality in your workforce? This was an attempt to “surround” the concept seeking to expose its relations with the services provided and the organization of work.

The managerial literature has placed an emphasis in quality matters as a necessity, not only to acquire but to sustain competitiveness in relevant markets, and during the interviews, quality emerged as the most important issue in defining and evaluating a hotel operation. This was a unanimous position from managers in the UK and Brazil. The concept is at the centre of the managers’ discourse and they use it to justify their managerial options and procedures.

Its strength is derived from its close and direct association with the idea of having and offering a good service.

*Quality is having a good service with efficiency (BR 2).*

However, the concept is not clearly defined and it is used by GMs in many different ways in an indication that something else is needed to make this idea clearer.

*Quality is many things (UK 2).*

*This is a difficult question because in the Hotel industry you have many differences and each hotel has a different meaning for quality, but even on chains with frequently assessment you will see that the service is not the same. (UK 2)*

At the same time, quality refers to a fixed standard, to something that does not change and is present everywhere. Therefore, quality ...

...is standard of support products, like table, room and so on (UK 2);

...brand is quality (UK 3) where the service is supposed to be standardised (UK 4);

...is everything (BR 1).

In the Customer Service literature a good service is always somehow related to the idea of providing unique and, whenever possible, customised experience to the customer. However, the data collected suggest a different story. Quality as an attribute is defined in relation to good service and standards simultaneously. It is important to notice that these are not single aspects that came together to build a new, more complex concept. They are in fact, different faces of the same phenomenon, as the sides of a coin. From the interviews it is possible to learn that the essence of a good service is the careful definition of a set of patterns, a standard. Achieving these patterns consistently means working with quality. Figure 5.1 below, expresses this relation and a central tension to understanding how the sector is organised and works.

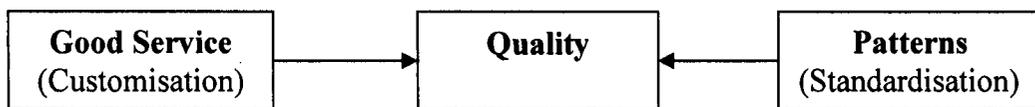


Figure 5.1 Quality tension in the Hotel Industry.

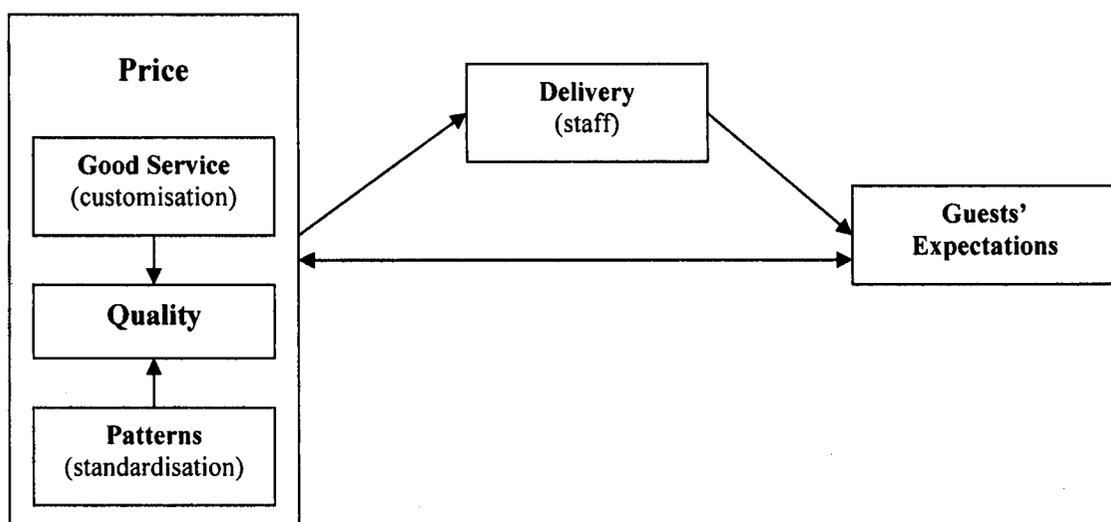
However, no matter how important this relation is it does not portray the whole picture. Another set of relations are drawn by managers to describe quality, and it unfolds from the delivery process where guests' perceptions play a central role in it. In this sense *quality is about what our guest thinks* (UK 5) and the main aim of a hotel is *to satisfy* (BR 3) or even *exceed guests' expectations* (BR 4).

These expectations are linked to *the return of the money invested* (BR 4), the idea of value for money, bringing price to the centre of quality aspects and evaluation; and *on what guests you have* (UK 5). In the former aspect, price is an objective measure of a certain level of perceived quality and has to match the standards being offered. In the latter case, the level of guest expectations will vary according to the level of the hotel, being however, on average, easy to meet. In budget establishments this expectations are *not high* (UK 1), they consist basically of *a clean and safe room* (UK 5) where

*things are working* (UK 4). It is definitely true that *this sounds very basic* (UK 5). A friendly service and a smile is also part of the guests' expectations.

In upper scale hotels, despite the fact that these basic elements are the same, guest expectations are much higher and difficult to please. Because they are paying more for the service their level of demand also increases. This is true, not only for the tangible aspects of the product aspects but mainly regarding the way the guest is treated by staff. It is also possible to say that, from managers' perspective, employees *must be smart, good looking, pleasant, friendly...* leading to their understanding that *quality* (is also) *a personal activity* (UK 6). Its expression can be more easily perceived in *their* (employees') *friendliness and professional attitude* (BR 2) targeted to *please guest* (UK6).

It was previously mentioned the existence of a tension on how quality is understood in the industry: where good service is simultaneously associated with customisation and standardization. Moreover this relation is not complete and there are two more variables to be added: the role played by staff during the delivery process and guests' expectations.



**Figure 5.2 Relationship between quality and guest's expectations.**

In fact, what the exploratory study suggests, and the literature review supports it, is that quality is a two-dimensional concept: a tangible one, corresponding to a physical product, a room with its furniture, bathroom, bed linen, and restaurant, for example;

and a second dimension, intangible, corresponding to customer's perception about it and associated to the delivery process. Figure 5.2 expresses this expanded relation.

Another suggestion is that this important relation between guests' expectations and service is not necessarily fully mediated by the interaction with employees during the delivery process. In fact, as it has been said before, the role played by employees in this relationship varies according to rate. The lower the rating the lower is the importance of between customers and employees.

From a managerial perspective, when the employee smile to a guest, when the guest is called by his/her name, (s)he feels that (s)he is important and is being cared for, or is being properly serviced. This friendly role could be understood as a way of providing some sort of service customisation in line with guest's expectations. On a following section, there will be a better opportunity to discuss this role more thoroughly.

#### ***5.4.5 Some Possible and Partial Conclusions***

Rating is an important aspect of the hotel industry providing a way of identifying market segmentations with its requirements and constraints. It is related to both tangible and intangible aspects of the product but also positively associated with customer expectations about the delivery process.

The industry is characterised by having workplaces organised in a traditional hierarchical functional structure with the most significant innovation being a strong movement towards lean environments.

The industry is subjected to seasonal influences over demand that is mitigated by targeting different client's profile according to period of the year. More importantly, as a service activity, it is under the influence of a much broader variety of external factors when compared to manufacturing. This is a most relevant issue when assessing performance.

Quality has different meanings to the industry varying according to the market being targeted, with an important tension existing between the idea of providing customers with a unique experience (customisation) and the needs arising from cost controlling (standardization).

## **5.5 Performance and Productivity / Measures**

The GMs were asked seven questions about performance and productivity including how they were evaluated; the reasons for intra-firm differences and for performance differences related to the sector; and how overall HR performance was assessed. The findings are as follows.

Initially, it is important to notice the existence of big differences between performance measurement and evaluation when comparing independent and chain operations. These differences are a result of two basic factors: synergies arising from economies of scale and availability of managerial resources. This does not mean, however, that a small hotel can not or will not have strong and robust financial results, just that they do not have access to the same managerial tools when compared to a chain operation, or when they have it, there is no time or capacity (human or financial) to fully exploit it. These differences, moreover, do not change the nature and the importance of the most important metrics used in the sector.

### **5.5.1 Performance and productivity Evaluation and Metrics**

The main metrics are those that somehow can be translated or *understood in financial terms* (UK 1), ranging from a simple *business plan with quite measurable objectives it is plain black and white and regularly reviewed* (UK 6), mainly used in small independent hotels, to more sophisticated metrics derived from a combination of indices, most commonly observed in chain hotels.

An example of this last category can be found for instance in hotels UK 3, where a *combination of three issues: focus on people, customer and stakeholder* are in place; and UK 5, where a system comprising *quality, revenue/profit and guest feedback* is used. These combinations can be understood as a sort of balanced score card and it is

possible to see, from the example, the existence of a common basic structure. It is not a coincidence that these are the core elements shown in the figure 5.2 above. Some slight variations are also possible to find.

*We have measures for money, people and standards (UK 2).*

Most of these general metrics do not differ from those found in any other economic activity. However, there is a group of them that are worth noting because of its industry specificity being related to the nature of the activity, to customers' satisfaction/expectations, quality assessment and HR.

In the hotel industry two of the most important metrics are the occupancy rate, an indication of relative use of rooms available; and the average daily rate (ADR) which shows how much money is being charged for each room. This is particularly relevant once it is not uncommon to have different customers paying different fares that also vary according to the period of the year and the occupancy rate. As they (the metrics) are both related directly to the hotel main activity they are a good way to access the overall hotel performance and efficiency in resources' usage.

From the product of these two metrics (occupancy rate x ADR) emerges an efficiency index for the sector, which express the revenue per available room, or REVPAR, as it is widely known. When comparing two hotels in the same category with the same occupancy rate, a higher REVPAR will show that a hotel is making more money from each room rented. In abroad sense companies are always trying maximize their REVPAR.

As an integral part of the hospitality experience is closely linked with guests' expectations (and satisfaction), it is important to keep track of it and this is done through three basic instruments: one is the traditional and ordinary guest's comment card normally available in each and every room. It consists of a form to be filled in, at guests' discretion, to complain or to highlight some specific point that might have captured his or her attention. This is a rather passive procedure once there is absolutely no way of predicting when these forms will be returned to the hotel. Another important aspect is that this kind of method tends to produce a strong bias once the guest is more likely to complain than to express points of satisfaction and it

is not possible to assume that a no complaint operation equals a satisfactory or a good one.

Many of the guests' complaints are not recorded on paper because they seem to be small or irrelevant once they can be easily surpassed or resolved. In this situation a good practice has been to keep a written record of these complaints independently from guests' formalization and to use it to track failures in the operation. The responsibility for this usually belongs to the front office that has direct contact with the guest. All these are passive tools.

In order to overcome these problems some hotels have developed a more proactive approach in raising customers' views applying, regularly, some sort of *survey* to keep track of guests' satisfaction level with two basic formats been identified during the interviews. A flash survey, consisting of a few questions (sometimes as little as two) to be answered by the guest during the check out procedure, where he/she is asked about the level of satisfaction with his stay and if he/she would return to another stay in the hotel. This small "survey" allows for a quick identification of the overall level of satisfaction, working as a kind of check on route. A second instrument, more important than this one, is a comprehensive survey delivered, twice a year, by hotel UK1<sup>19</sup>, to assess levels of satisfaction and quality of the services being provided (see annex C). This is an initiative from headquarters seeking to evaluate its workplaces providing feedback about individual establishments and their relative intra-chain performance.

Regarding quality assessment two procedures were also identified. In the first case, a hotel in an independent operation was systematically benchmarking its activity against its main competitor every six month, looking for strengths and weaknesses.

*We work with a comparative matrix to other hotels, where we are 0 and the scale ranges from -5 to +5. We do this evaluation when we visit our competitors. We work within a budget, and we control for our expenditures on food, drinks and so on. (UK 2)*

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<sup>19</sup> In fact this is a chain procedure and as such applied also by hotels BR1, BR2 and BR3. In situations like this, where both countries share the same aspect UK's example will preferably be used.

From a chain perspective, the quality assessment is translated into frequent *brand audits* carried out to evaluate the level of conformity a hotel has according to a set of previously defined standards. Achieving these standards is an important part of what chain hotels understand as quality.

Conversely to the performance measurement and metrics, productivity is not such a straight forward matter in the hotels sector. Better saying, it holds a paradoxical position. On the one hand, all the managers are able to tell how long it takes to clean a room, how many waiters are needed to serve a group of tables, how many staff they must have in order to be prepared to a banquet or any other daily activity. On the other hand, productivity is not an integral part of managers' discourse.

*The group has performance measures and fixed costs for things like F&B (38%) and we also know that a housekeeper can clean up to four bedrooms in an hour, but I don't know about productivity metrics (UK 1).*

*We have an average time for developing a basic activity like cleaning the room but we do not work with a productivity measure (UK 2).*

*It takes about 25 minutes to clean a room. We even do know how long each activity in this process takes like doing the bed, hoovering...actually we have many different kinds of measures for daily activities but we do not work with productivity (UK 3).*

*Yes we do, in housekeeping they are 30' for cleaning a room, 1 staff for every 50 meals, 1 receptionist for shift and 50 banqueting covers per person (UK 4).*

Within chains there are also staffing size criteria varying according to the hotel rating. For instance, within the French chain where hotels UK 1, BR 1, BR 2 and BR 3 belong, they are organised to work with a ratio of 0.3, 0.4 and 0.5 employee per room corresponding to an operation of a lower scale (2 stars), intermediate and upper scale hotel. This is only possible because, in this situation, the group has developed patterns regarding size, furniture, equipment of each and every room and general hotel structure. In other words, the product and the service are pretty much the same everywhere and consequently, standards are easily set.

Hospitality is a sector where the idea of satisfying the customers' wishes and desires is very strong even when this does not hold true in most of the operations. At the same time, productivity is an expression that recalls manufacturing...

*But you have to notice that when you talk about productivity you can't use the same model as manufacturing (UK 6).*

...with its mechanisation, and de-humanisation processes.

*When you look only into productivity you think in people as robots. (UK 4)*

This could explain why there is such a resistance about using the concept of productivity, especially among UK's managers. They counter argument this idea holding on to the need to provide customers with quality....

*These questions about productivity are very difficult. There is a permanent tension between be more efficient x give the customer what do they want = quality (UK 3).*

...dismissing its suitability up front.

*I could be very efficient and productive in the short term as I did in a Hotel where I was a manager before. I won a prize of the best manager, I was the most effective and productive in the whole chain but I fucked the place up in such a way that they still suffer the effects of it even today. But the company want to sell the place and they asked me to do this. You have to look to your business on the long term (UK 6).*

In Brazil, when confronted with these questions managers took a more relaxed approach to it providing, more or less, the same kind of answers given when asked about performance.

I could say we have an average productivity level when compared to industry average (BR 5).

We are in a better position because, when compared to our competitors, we have a different approach to employees' management (BR 1).

Never the less, despite differences the big picture is the same. What seems to be in place is that productivity metrics are not regarded by managers, in the hotel industry, as an important part of their agenda.

How can this situation be understood? When the figure 5.2 was presented above, it was said that it expressed a central tension to the understanding of the sector. This tension is built around the definition of what does quality mean to the sector and how the hotels actually perform. From the rating system, through market segmentation, until the growth in importance of chains, everything points towards an increasing relevance in product and process standardization. This situation is being called quality within the sector. At the same time, an old fashioned idealisation of service stills survives, specially in the under script lines of customer service literature, where the client is regarded as a king and the exchanges between companies and customers, the service encounter, are called *moments of truth*. The difficulty managers have to clearly define what a good service is can be added to support this position. Interestingly enough, another important conclusion is that productivity metrics are deeply embedded within the sector regardless of managers' discourse being constantly mistaken with performance indicators, something that does not change its core aspects.

The option to either standardise or customise the operation is actually out of managers' reach once the organization decides to compete in a mass market, irrespectively to its grade. There are very few possibilities to change a given operation pattern without incurring in undesirable costs. What is commonly called as customisation has certainly to be put into context in this industry.

Standardization processes however, seems to be culturally or even institutionally constrained. For instance, hotel UK 1 and BR 1, same brand, same structure, same market, with one tiny but fundamental difference: the existence of a fridge in the bedroom in Brazil, something not available in the UK. When asked about this situation, the Brazilian manager referred to the impossibility to do differently once customers are used to it, demand it. This raises interesting questions about "educating" customers on how to use the service being provided. This also draws

some interesting lines in understanding differences in performance and productivity when comparing two different institutional settings.

### **5.5.2 Performance Differences**

When asked about differences in performance and productivity between workplaces independently of being part of the same company or not, it was, once again, possible to perceive a common vision among managers. When the focus falls over productivity, as has already been appointed, it is readily dismissed because *you can not generalise productivity because different workplaces have different costs*. At the same time, as different establishments have distinct characteristics *it is not possible to compare hotels because it deals with people services expectation* (UK 4). This argument is clearly flawed on the grounds that it is possible to work and assume that expectations can be averaged and guests have the same basic needs. However, the argument is important once it is representative of a way of thinking about the sector.

The uncertainty of demand aspects are also used as an explanation to skip productivity issues and measurements *when you use targets for employees, for instance, you fuck everything up, because you can't know how many people are going to walk through the door. We are in a very turbulent market* (UK 6).

When the question was about differences in performance a slightly different picture emerged. Yes, there are differences and they occur mainly as a consequence of external factors. The idea of externalities influencing the results is very strong.

*Yes we have (differences in performance) and these are due to market forces even when they (the hotels) have the same structure and size. Differences in wage are locally related. If we had the same hotel in Newcastle we probably could not pay the same as we pay here in Sheffield* (UK 3).

Within groups, the differences happen basically because of the way resources are managed, pointing to a central role of the manager himself, *there are no differences in the principle but there are differences in application* (UK 4), or even due to some variations arising from the kind of client the hotel has, *within the group there are*

*differences and they occur mainly because of location and kind of guest (corporate or tourist) (BR 3). The kind of client is also strongly tied to the location being therefore, just another type of externality.*

*There are small differences and they happen mainly due to differences in location (BR 5).*

*The main differences are related to outside influences that managers are unable to control (UK 1).*

Two other aspects were brought up by managers to explain differences in performance: one is branding, a sign to the guests of what they will find (quality).

*[...] it is a contribution of many factors, brand, location and quality...we can ask for more money (UK 5).*

In this case brand and quality were treated as different things but in fact they refer to the same principle. An alternative interpretation is the brand identification with marketing tools something relevant in a digital world where many bookings happen on-line.

*We have a differentiated product in the market and in the brand. It makes customers feel secure (BR 1).*

However, this situation was not directly mentioned by any manager.

And a last aspect refers to employees' contribution to performance...

*We came out pretty good, but it was not always like that. Before two years ago we paid little attention on our staff and we looked mainly to the product because the hotel was new but we change our focus to emphasis on staff and training (UK 2).*

... as stated by a manager referring to his hotel performance when compared to the sector.

### 5.5.3 HR Performance Assessment

The GMs were asked about HR performance and productivity measurement and their answers pointed towards two distinct directions. One is related to achieving specific standards for the operation, set either because of brand requirements or as operations standards in the case of independent hotels.

*We measure HR performance on turnover (65% for this hotel) and we do appraisal training achievements both in hours of training... (as prescribed by the brand)...and with questionnaires (UK1).*

This can be an objective and straight forward activity. A person working in housekeeping must clean a room, under normal conditions, in a certain number of minutes. This formal procedure happens regularly with time spans varying according to the workplace without any specific reason identified.

*Annual periodic evaluation and some checks every three month. We also have a daily follow up (BR 1).*

*We have regular individual assessment carried by HoDs every six months and they are reviewed by general manager every year. This is based on forms (UK 2).*

This process has a formal aspect, very much linked to costs, but it seems to be also very informal on its essence...

*...and then we have a chat with the every employee (UK 4)*

...reflecting a very close monitoring over daily activities.

The second aspect is more subjective and is related to a group of attributes that are particular to the service worker and is broadly described by managers as *attitude*. Independently of what is done, the evaluation process happens on regular basis, more often than not, informally. Here once again, the evaluation process seems to be overly subjective because it is based on things that are not under employees' control.

*Twice a year we review personal objectives (sic) to see if it fits into business, if they need training or if they continue doing what they do. It is very important to have happy people on work but we know that happiness is affected by things that happen outside the job and we talk to our employees about that. If the problem persists then we follow normal disciplinary procedures (UK 3).*

From what was said, there is a strong feeling that hotel workers are in a disadvantaged position because they are being assessed for things that are not directly related to their skills or abilities, in this case, the display of a pre-determined set of emotions, and that nothing is really being measured.

*We do not really measure it. We use feedback forms from our guests (UK 6)*

An important part of HR assessment is therefore a reaction to guests' comments and complaints. Managers have also pointed out the use of organizational climate surveys as a tool to assess HR performance, something relatively common in chain hotels.

#### **5.5.4 Some Possible and Partial Conclusions**

From the interviews it was learned that managers tend not to properly differentiate performance from productivity. The most likely explanation for this is related to the way the activity is historically perceived and the strong association productivity has with manufacturing setting, something to be avoided in a service environment. However, there is a great awareness and widespread use of productivity metrics and principles. The main metrics in the sector are built around three major areas: guest's satisfaction/expectations/complaints; product standard/brand/quality; and people's behaviours and output.

Externalities are the most important source of differences in performance between workplaces with location, followed by size, being regarded as the most important single aspect.

Managers and managerial capabilities are also perceived as a source of differences but they are kept under control by constant brand audits, in the case of chain workplaces.

People are regarded as an important resource in a market where the products are very similar. Employees are required to please guests being fundamentally cheerful and friendly.

## 5.6 HRM Practices

Up to this point, there has not been any significant difference when comparing hotels operations in Brazil with those in the UK. However, this picture changes when the subject in view are HR practices. Three reasons stand out in explaining this distinction: labour law, labour market, with an especial stress to the level of unemployment, and general educational level. In the first case, Brazilian legislation does not allow part-time hiring, a common resource used by UK companies to tackle workforce's need in very specific periods during the day, like breakfast time. The second distinction is related to the level of unemployment, much higher in Brazil giving workers fewer choices, when compared to their UK fellow mates, and responsible for keeping low wages levels. At the same time, the British market has acted as a powerful attractor of immigrant workforce, something non-existent in Brazil, allowing for constant flow of hospitality workers, following a long tradition in the sector.

According to the managers interviewed one important element to understand employment labour trends in the UK's hotel market would be a common view that is not possible, or at least it is not easy, to build a career in the industry. One of the reasons for this is the low wage's level paid and low status for the vast majority of jobs available.

*50% of jobs are generally not perceived as a career covered. They are taken, in Sheffield, mainly by students or immigrants. People come from Spain mainly because this is a good way of learning the language and with the Polish people there is the question of the currency (UK 4).*

*In hospitality everybody wants to be a manager. People does not perceive value on working in hospitality and I think there is a kind of cultural issue here because the same doesn't happen in the USA (UK 3).*

In Brazil on the contrary, there is no such negative view about the sector, at least not expressed in managers' discourse, and workers are perceived as *active people willing to learn* (BR 3) and very much *concerned to be nice and helpful* (BR 4).

Another important aspect to be taken into account, when comparing differences between the two countries, refers to distinct educational level. In Brazil mastering a second language, like English, to work in reception brings implicit a good educational background, distant from the requirements of high skilled jobs but higher than an average worker in other service sectors. In the UK, this position is fulfilled, in many situations, by immigrant workers speaking their mother language and English.

One measurable consequence of these differences and the impact over the labour force is on employee's turnover rates. They are distinctly higher in the UK when compared to Brazil, in the hotels interviewed. For instance, Hotels UK 1 and BR 1 as previously said, belong to the same brand. In the UK they have a turnover rate of 55%, one of *the lowest in the market*, while in Brazil the rate is around 20%, with the manager excusing herself for having such higher rates. One direct impact of this can be seen in training costs and a possible lost of efficiency in British workplaces. Lower turnover rates brings implicit the idea that the company does not lose the investment done in training its employees and, at the same time, there are always people knowing what to do, no matter how simple the task is. In a higher turnover environment, new employees always have to learn what to do and where to find things.

It is beyond doubt that these differences have an impact on the operation when comparing such dissimilar institutional environments. At the same, no structural differences, as well as any important impact on the total number of workers in the hotels, were observed. In face of these findings it is possible to postulate that the biggest difference would lie in the way human resources are organised due to the existence of part-time hiring in the UK and the intensive resource to immigrant workers, however it is not clear how these differences impact performance. Regarding productivity, the picture is much clearer. The existence of a numerically flexible workforce, allows British workplaces to have a lower number of full-time-

equivalent employees when compared to Brazil being, consequently, more efficient. In the following lines an attempt will be made to unveil some of these differences.

This section is divided into two parts. The first one brings managers' perception about hospitality workers in both general and particular terms. The second part seeks to identify the most common HR practices in use in hotels and how they are applied on daily basis. This includes descriptions and insights over selection, training, rewarding, evaluating and developing. The data collection process probed for differences in gender and between full and part-time workers.

### **5.6.1 General Characteristics**

Managers were asked about how they perceived the average hospitality worker and how would they describe their own employees. The general view points toward a split in the workforce based of the kind of activity performed. In this sense, part of the workforce would be skilled while another part would be considered semi-skilled or even unskilled.

*Hotels in different brands have different needs. This also varies according to the nature of services provided. In the economy brands we have basically two levels of employees: one unskilled working like housekeepers, receptionists, or kitchen, for instance. And there is another group of employees with distinct skills working in back office (UK 1).*

*I think there are two extremes: a very good one and a very bad one who suffers from "this is not my job" syndrome (UK 3).*

Side-by-side with this not so optimistic view about the employees there is a perception that good hospitality workers have something intrinsically different. This would be a kind of [...] *availability...or willingness to serve others* (BR 2). This view is much clearly expressed when they are making direct references about their own employees:

*The best professionals in town are here, without false modesty, because of the know-how that we transfer to them (BR 3).*

*They are also dynamic, fast, agile, and capable to work under pressure (BR 1).*

*They are naturally friendly people and fairly committed (UK 2).*

*They are not average. They are customer focused and result oriented (UK 3).*

After such a long list of qualities there is an impression that must be a real pleasure to work in hotels, and that managers are capable of extracting the best from people. How it is possible to have such group of friendly, committed and happy people with such low skills, and consequently wages, as previously observed? Trying to answer this question the GMs were asked about what quality in the workforce was. The answers are illustrative of what lies behind this discourse.

*One of the most important thing when hire someone to work in hospitality is how friendly you look. The industry wants somebody that will be pleasant (UK 4).*

*On the end, are the way guests perceive them but I have to say that quality is personality and attitude. They must have a kind of mannerism, finesse, be well dressed, and have a pleasant way of talking....appearance and manner... (UK 6).*

*[...] to be quick on service. Have attitude (BR 1).*

*Quality means people doing whatever needs to be done to achieve guests' satisfaction (BR 3).*

The conclusion is that what hotels are seeking is a beautiful, pleasant, young person, with disposition to serve and full commitment to the work, willing to the job in exchange for almost nothing. This person must be available to work in shifts and shall do all that with a smile on the face. As this kind of worker is not exactly easy to find, what is left for the majority of the workforce is a highly demanding, low skilled, low paid job where employees have to display positive emotions and low, or almost none, disposition to complain. It is not difficult to imagine why an important amount of the literature in the sector is so negative about overall working conditions and employment relations.

#### **5.6.1.1 Gender**

There is still a gender divide in hotels. Some activities are clearly female based, like housekeeping, where the basic work consists in cleaning the bedrooms, while kitchen and restaurant still got a strong male characteristic, although some sort of change has been observed over the years according to managers.

*The hospitality industry is more female based. They are also more responsible than boys...but some jobs are perceived as female thing (UK 6).*

*Nowadays women are, each time more, present in male areas (BR 3).*

However, this does not seem to be a product of any specific managerial orientation

*We do not seek any particular gender for a particular job (UK 1).*

The gender divide happens “naturally”. Never the less, it is important to notice that there was no mention of an equal opportunity policy by managers. This gender stratification could be understood a sign of a traditional sector that has not modernised its relations over the years as much as other service areas. This could also be a sign of cultural prejudices against working in certain activities characteristic of this industry.

*Traditionally house keeping is a female activity...cleaning is not perceived as something male does. In the same sense, kitchen has slightly more males and reception more females...but this is not a hotel policy that is how applicants show up (UK 2).*

#### **5.6.1.2 Full and Part-time Workers**

It is not possible to draw generalisations to the whole sector from this sample but it is representative enough to function as an illustrative example allowing for the identification of general trends and characteristics. This is exactly the case regarding the nature of the working contract. There seems to be a tendency to have about half of the jobs fulfilled with part-time hiring. Table 5.3 below, shows the total and relative amount of part-time workers in the hotels interviewed.

**Table 5.3 Number of total, full time and part time workers in UK hotels**

	<b>Bedrooms</b>	<b>Total</b>	<b>Full-time</b>	<b>%</b>	<b>Part-time</b>	<b>%</b>
<b>UK 1*</b>	95	30	16	53	2	6.7
<b>UK 2</b>	111	42	30	71	12	29
<b>UK 3</b>	160	60	36	60	24	40
<b>UK 4</b>	85	48	24	50	24	50
<b>UK 5</b>	128	160	80	50	80	50
<b>UK 6</b>	63	60	40	67	20	33

\* Differences are due mainly to the existence of outsourced workers.

The best way to understand how the work is split between full and part-workers is to “follow the money”. Core jobs, those in direct contact with guests and those with more structured characteristics are basically taken by full-time workers, while jobs that have almost no skill requirements, that have little or no contact with guests, that happen only during short periods of the day, these are meant to be taken by part-time workers, at least in the UK.

*More structured jobs like those on reception have more full-time workers and more skilled ones (UK 6).*

This is the case, for instance, of breakfast waitress/waiter. In the restaurant, during the morning there is a time slot that concentrates the bulk of the movement. This is the moment when most guests are preparing to leave the hotel either doing check-out or just starting the daily activity. After this short period there is nothing else to be done and, at the same time, there is no way of getting rid of these activities (by outsourcing, off-shoring or simply not supplying).

*Excluding contract workers, our need of part-time is associated with the nature of the work. For instance, we have a work demand during mornings because of kitchen that does not go around after a certain time of the day. So, that is a place where part time workers are more likely to be found (UK 1).*

In Brazil, as has been said before, the legislation does not allow part-time hiring. However, no important differences in the total number of workers were observed when compared to UK hotels because the activities to be performed are exactly the same. As the question asked was about the total number of workers instead on full-time equivalents (FTE) it is not possible to assess properly the impact of part-time hiring in the operation, none the less, it is very likely to increase efficiency levels.

Moreover, from a competitive perspective it is possible to postulate that Brazilian hotels take some advantage of unemployment level and low wages to compensate for not being able to part-time hiring having, for example, a better qualified workforce. Another possibility would be offering more services to the guests. There is clearly a trade-off between these options. Which is the best one? Unfortunately, it is not possible to offer a definitive answer to this question.

When discussing their views about productivity, some managers raised questions about the allegedly difficulty to forecast demand in service environments, with an especial focus on hotels. The data collected suggests that demand follows a pattern that is largely foreseen and known, this being the explanation for having part-time workers in specific periods during the day. Considering the size of a hotel as a real constraint to the number of possible guests in any given period, any unexpected variation in demand should be dealt with available employees (a work intensification process), reinforcing the importance of a flexible (and friendly) workforce.

When approaching HR practices in any sector one shall never forget to take into proper account the nature of the task being performed. In the present case, we are looking at a sector where most of the jobs have low skills requirements, where emotional labour rather than abilities are valued, with a good degree of product standardization meaning very few possibilities to move away from a fixed pattern. HR practice will reflect this *status quo*. In order to reduce cost hotels are responsible for the vast majority of recruiting, selecting, training, developing and rewarding. They do work in groups rather than in teams.

In the following sections a brief description about the most important HR practices, and how they are effectively applied in the industry, will be displayed. Otherwise explicitly stated, the description applies to both Brazil and UK.

#### 5.6.1.3 Recruiting

Following the logic of a search for attitude in place of skills where *talent is more important than skills* (UK 3) or else, a search for friendliness...

*I do not care about CV. If you are rude or impolite you can still have a very good CV. Our business is attitude, personality... (UK 6),*

...combined with a need to keep the costs down as much as possible....

*We do this way because we do not have money to spend paying an outside company to do so (UK 1),*

...the basic recruitment (and selection) procedure follows a simple path: a person drops in a CV or is indicated by word-of-mouth from one of the current employees, than, depending on the size of the hotel, an interview is done by the GM or a HoD. The use of external agencies to recruit new employees is restricted to situations when the hotel is targeting high level managerial positions. In the case of chains, there is also the possibility of internally recruiting workers.

#### *5.6.1.4 Selecting*

The selection process follows the almost informal procedures seen in recruitment.

*One of our employees is doing post graduated studies in human resources and she is helping in this process... (BR 1).*

The basic instruments used to select employees are “questionnaires” with basic personal information and interviews. In certain cases, a group dynamic is also an option with the basic aim being to fit the person to the job. The manager usually has the last word.

*We have our interviews procedures: the person has to fit the criteria of job and personal profile (pleasant personality) (UK 4).*

Once again, this situation only changes when the process is related to managerial positions where the use of more sophisticated procedures is in place.

### 5.6.1.5 Training

When a new employee is hired he/she goes through an induction period where those aspects related to his/her *attitude* to the job will be evaluated. This is the moment where the basic training (on the job and in-house) will be delivered and where the person has the possibility to learn some basic skills under the supervision of a senior worker or the HoD. After this initial moment, training will happen on *ad hoc* basis and as part of an “*individual development plan*”, meaning as part of a common agreement between the worker and the manager according to current hotel needs and subjected to fund availability.

*We have an induction period of 90 days. Depending on the department you have some specific training delivered by team members. We think that training and developing is an individual responsibility (UK 3).*

In chain hotels it is common to find training packs with a basic description on how to behave and what to do in many different positions according to the brand standards. Some cross departmental training can be also found.

*The first one (training moment) happens during the initial experience period which lasts for three month. After that she/he is promoted to a specific job and the idea is to be trained on basic skills on the job. We also have a company training pack which consists on a series of written exams based on case studies (UK 2).*

In one case (in the UK), training was delivered as part of an agreement with a specialised training company, on exchange basis, with the hotel paying with a fixed number of room nights. This is a good example of how to overcome certain budget constraints over training costs.

### 5.6.1.6 Developing

Developing people in a hotel is not exactly very easy once growing possibilities in the career are very limited and it is not uncommon for managers to hold employees responsible for this situation, instead of recognising intrinsic work limitations.

*We encourage people to learn as much as we can but this is not easy because we have a single based activity. After a while there is no place to go. The higher most of our employees can get is to supervisory level as this role is available. After that, the only way to grow is when a head of department leaves (UK 2).*

*As a company we take seriously the development of people but developing is in the hands of the employees, we can only suggest, you can make it attractive, we can sell it but you can't push it (UK 4).*

More systematic development activities only happens when the person is being prepared to become a manager. However, this is only found in chain workplaces. Most independent operations are run on much less structured basis.

#### *5.6.1.7 Communicating*

The communication process happens through many different formats varying from simple meeting to internal TV channels. The most common procedure consists on a daily briefing, before work begins, about what is there to be done and a weekly meeting within each department where basic targets and goals are presented. Apart from that, newsletters and message boards are also to be found.

The GMs expresses their disposition for an open and honest discussion but the overall impression is of a downward process where employees have very little voice. A common practice consists on writing down problems to allow employees in different shifts to be aware of what is going on and to bring a solution forward.

*The company is always trying to make our workers aware of what is expected from them and they are told about the goals of the year. We have briefings with distinct groups, like reception, housekeeping and so on, and, once a month, we have departmental meetings where employees can express their ideas and concerns freely. We also use this as a check point for standards (UK 2).*

Due to the nature of the activity, employees and managers are in very close contact with each other. It was not possible to identify or to deny the existence of open communication channels. However, due to the industry overall characteristics it is more likely not to happen.

### 5.6.1.8 Working together

In one workplace (BR 4) a team (semi-autonomous group) had been put in place to prepare the hotel to applying for a quality award. In this case, the team was composed of a representative from each functional area and they had the responsibility to provide whatever resources needed in order to achieve their goals.

In all other situations, the idea of working in teams or as a team was always present but the meaning was basically associated with the “we are one” of managerial pop discourse and clearly dissociated from practice. In some cases, socializing examples were given to support this position. Weekly briefing meetings were also given as example of working together practices.

*We have departmental meeting and briefings for team. Twice a year we have parties to bring everyone together. We also support our staff social committee but it is not an easy work because you have aged people, for instance, who have different tastes and ideas (UK 4).*

Even if it is not possible to generalise from these interviews to the population, there is enough evidence to suggest that accounts on team working in hospitality industry have to be taken with great attention and further investigated.

### 5.6.1.9 Achieving Targets

Targets are an important part of a hotel operation. Everybody has targets. Once standards are set they are translated into targets and than distributed according to the activity being developed. The hotel has financial targets to meet and a budget to follow. The sales/commercial department receives its share translated in number of rooms to sell and in a price to charge. Departments have to meet and, whenever possible, exceed standards and employees are accessed based on targets achieved and number of guests' complaints. The system is kept in place by a regular audit process where standards and targets are constantly evaluated. When something goes very wrong it is possible to make some adjustments, as for example, when a guest “destroy” an apartment and cleaning targets can not be met.

*We do not want to achieve targets we want to smash it (UK 3).*

*The focus of this is the guest feedback form. If everything is alright....but of course, not every guest replies it. We have hundreds of details to pay attention in order to have a good service. What we do is to elect, monthly, some of this and focus on it. For instance, this month we are going to pay extra attention under the beds. We have room audits every month (UK 2).*

It is important to notice that more often than not, targets are pre-determined rather than agreed.

#### **5.6.1.10 Evaluating**

Evaluating is a dual process on its most significant aspects. On the one hand, it is conducted in an informal basis, a kind of on going process, where HoDs are in charge of keeping track of what their employees are doing. This line of responsibility is built under the assumption that HoDs and employees had agreed on how to perform a task. This is also a closely monitoring system. On the other hand, the evaluation process has a formal aspect where forms and questionnaires are used to assess employees, technically and behaviourally, usually twice a year.

However, this procedure does not refer to departmental overall performance but only to those of individuals. The department is evaluated based on more objective things such as productivity indices (!).

*This is an on going process, meaning that most of the time it happens in an informal basis but we have formal evaluation procedures every six month by the HoD and once a year by the GM (UK 2).*

*We assess departmental performance based on productivity indices once it is not very clever to base this on individual performance (BR 2).*

#### **5.6.1.11 Rewarding**

The nature of the available rewards in the sector is closely associated with the position held in the hotel. On general basis there is a tendency to follow the market and pay average wage levels, compared to the industry. If the person is in a position where he or she is directly involved with financial aspects of daily operation, usually the

manager or a director, depending on the size of the workplace, this means that a part of the total remuneration will vary according to targets achievement. To the rest of the employees rewards are much less expressive and bear no direct relation with individual performance. However, it is common to find incentive systems based on *ad hoc* rewards and small prizes.

*As we are a single based company we pay better than our competitors as a way to retain our employees but we can't move away from the market because if we do so, we lose performance and productivity but we also have to wait the legislation (this is a clear indication of wages at minimum level). We have the employee of the month and we reward some with vouchers. Once a month, the hotel pays for a socialising activity for the employee. (UK 2).*

It is possible to say that, in general terms, rewarding has played a very small role (almost insignificant) in the hotel industry and it is unlikely that it can impact a normal operation.

#### **5.6.1.12 Profit Sharing**

It is not possible, based on the data available, to draw any conclusions about profit sharing practices in the sector. However, there is enough information to suggest that it follows the same picture seen with rewards in general. Some companies do share profit with those employees that are somehow, directly linked to financial results usually from HoDs to above. The majority of companies do not have any kind of profit-share scheme in place. There is a possibility that at company level this situation might be different.

#### **5.6.1.13 Dealing with Problems**

When confronted with this question the managers came up with two answers: one referring to problems with the employees; and another, dealing with problems related to the operation itself and somehow connected with the guest. In the first case, employee and supervisor have a direct chat and if the problem goes unsolved the companies tend to follow the ordinary grievance procedure. The second case is initially dealt within the limits of daily briefing and weekly meetings, unless the

problem asks for an immediate answer, when the manager is called to intervene and provided a solution.

*The duty manager has to tackle the problem and sort it out (UK4).*

*Problems are discussed in managerial meeting under critical analysis (BR 4).*

However, in two cases, both belonging to big hotel chains, a service guarantee policy was in place where employees have some autonomy to bring forward a solution to the guest's problem. If it is not solved within a fixed limit of time, around 10 to 15 minutes, providing the problem has its origin in something the hotel is to be blamed for, the employee can offer, in the name of the hotel, some sort of compensation up to a free stay.

*We have a 100% customer satisfaction which we apply in a win/win situation (client/team member/organization) but the guest must act in a responsible way to solve the problem (UK 3).*

In this case, the hotel sets in advance the limits of employees' discretion after which the manager has to come into action.

#### **5.6.1.14 Supply Chain Partnering**

This is not a proper HR practice but was included in the interviews because of its importance to manufacturing in an attempt to identify its relevance to the sector. It ends up proving to be relevant specifically with chain hotels where many indications of its use were found.

Two basic objectives were identified relatively to supply chain partnering: cost controlling through the reduction of the number of supplier or through agreement on prices; and standardization, fixing quality and patterns through out the entire organization. Despite individual orientations, supply chain seeks to achieve scale economies, something only at reach of chain hotels, enhancing competitive advantages.

Some differences were found in the application of this practice when UK and Brazil were compared. The reason for this, according to the managers interviewed in Brazil,

rests upon a much smaller penetration of chain hotels in country. Coupled with big distances it gets clearer that sometimes it is not easy to build a national supply chain. This was the case, for instance, of hotel BR 4 belonging to a Portuguese organization with only eight sites in operation in the country at the time of the interview. On the contrary, the French chain operating hotels BR 1, BR 2 and BR 3 had already developed a chain partnership based mainly on multi-national enterprises operating in the country.

#### *5.6.15 Some Possible and Partial Conclusions*

The picture that emerges from the group of practices investigated is one of a sector where it can not be said that the employment relations practices has been modernised into what has been called new HRM practices expressing, in general terms, the control paradigm typical of old economies activities. At the same time, most of the improvements observed are tailored to function in a lean business environment with a reduced and more flexible workforce responsible for buffering most common variations in demand. The most prized employee attitude is friendliness.

### **5.7 Customer Satisfaction / Services**

In this section GMs were asked about how changes happen in their operation; the influence customers had over it; how their satisfaction level was tracked; and what quality in the operation and to the client was. Some of these questions have been already addressed in previous sections either because similar questions were asked or as a result of a natural flow of conversation. To avoid redundancy only aspects not previously mentioned will be presented and discussed here.

Regarding changes in operations the answers are compatible with a situation where standards are highly valued and, consequently, changes only happen very slowly. In other words, a change to happen must be a consequence of a new (quality) standard. This is particularly true in chain hotels submitted to constant brand audits.

*It depends on the level. Many of the hotel activities are ISO based. So, we change it every time ISO changes. We are a branded product and we must accomplish with brand procedures. We have some power to change slightly things since they do not conflict with general rules and frequently there are audits check if we are following the procedures (UK 1).*

Independent operations have more freedom to bring in changes to their activities and they are aware of it. However, this does not mean that they follow an incremental path in this process, once they are also constrained by certain patterns developed and applied to meet their customers' expectations.

*We can make changes very quickly to compensate the size effect. We are aware that this is our strength (UK 2)*

*We almost do not have any change because there is a routine to follow...a pattern (BR 5).*

The findings in this section reinforce the idea of a workforce with little degree of latitude in expressing their capabilities. The core aspect of a continuous process of change associated with empowering employees and making the most of their skills and motivation were not identified. However, it should be noticed that a different picture might be expected when looking at the firm level instead.

## **5.8 Conclusion**

In general terms, the literature previously reviewed can be grouped in two extremes. On the one hand, a very optimistic view about the industry where high-performance practices can be applied and employees can greatly benefit from it. On the other hand, it is possible to find a more a more pessimistic perspective describing a sector where bad working conditions and employment relations are norm. What this study shows is that a midway between these extremes is more likely to reflect reality.

In order to have their services delivered to the customers, hotels are organised in a basic bureaucratic functional structure with a well defined hierarchy, where work is typically conducted by semi-skilled employees performing very simple repetitive tasks. The most significant innovative work arrangement put in place, and driven by a need to keep costs under control, consists in a movement towards lean structures,

supported by flexible working practices based mainly on temporary and part-time workers. Even in Brazil, where part-time hiring is not allowed by law, the same overall trend towards a lean structure was observed. Differences in staffing levels are more easily perceived in between categories and nature of ownership (being part of a chain or not) rather than between countries. Rating systems serve a double function: they signal customers about service's main characteristics and set boundary patterns for service and process standardization. It is worth mentioning that despite differences in the institutional environment, especially related to employment relations, hotel operations in Brazil and in the UK are organised in the same way.

Productivity and performance measurement are widespread in the industry with their use being a function of workplace size and chain ownership. None the less, managers have shown certain resistance in acknowledging the value of productivity metrics, something that shall be understood in the context of a clash against the more powerful discourse of customer service. The same kind of contradiction can be observed regarding quality issues, where conflicting customisation and standardisation needs are always colliding. The sector has many distinct characteristics and differences in performance level should be more easily perceived if relevant industry specific metrics are used.

As most of the existing jobs in the sector have low skills requirements, the basic HR function consists in providing and supporting a friendly and numerically flexible workforce. Very little signs of anything that could be expressing the so-called new employment relations (HRM) could be directly observed at establishment level. Employees' role is related to the display of friendly emotions towards guests in an attempt to fake a customisation process. The importance of externalities in explaining variances in performance are much greater than in manufacturing activities meaning that future studies attempting to address this issue have to pay a special attention to controlling relevant environmental aspects, as for instance quality and availability of workforce and trends in demand. This finding justifies and supports the proposed research design for study three in this research. It is possible to conclude that increases in productivity arising from the workforce are more likely to come from work intensification.

From a process perspective there are absolutely no reasons for why most of the manufacturing based concepts should not be applied in the industry, especially those directly related to lean environments. An often neglected aspect of customer role in determining performance levels is the fact that many important consumption decisions are taken before the client has any kind of contact with the hotel or its employees. There is some evidence to support the argument that the interaction process is not as important as it is normally assumed, or at least, its importance is constrained by a number of factors with the notion of value for money being the most important one. These arguments support and expand previous conclusions reached in the literature review providing also an answer to this research's first question.

None the less, this does not mean that a better prepared and motivated workforce has no important role to play in enhancing performance, on the contrary. Part of guests' perception about service quality is a function of how they interact with staff. The provision of what is called good service is likely to increase spontaneous marketing by word of mouth and returned customers. At the same time, it is necessary to recognise that quality is, more often than not, a poorly defined concept and there is a need to make it clearer.

It shall be noticed that this study focus on establishment level issues. There is a strong possibility that having a focus on company level, in multi-site organisations, the overall picture should certainly be different. However, a number of aspects are not clear enough deserving further investigation. Despite the disappointing picture drawn above, there are still reasons to suppose that better management of human resources can have an impact on the industry. It shall not be forgotten that hotel industry is regarded as a labour intensive activity<sup>20</sup>. The literature supporting this argument tends to focus on upper scale hotels; however, there is no real reason for this. Going up in the rating system just means adding more services to the operation but no important change in the way the work is organised can be perceived. There is enough empirical support to the proposition that the construction of better work environment and the development of good employment relations should be capable of improving performance regardless the activity.

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<sup>20</sup> Some business formats can be found where there are almost no employees. This is the case of Formula 1 hotel where check-in and toilet cleaning are automatised.

The next chapter will explore these arguments and their implications in more depth. Building on current findings and exploring gaps in both understanding and literature, a national survey of hotels will be drawn to advance the understanding about the relationship of what has been called high-performance management practices and organizational outcomes. A special attention will be paid at the role of HRM and operational practices in enhancing performance.

The core of next study is built upon two main elements: the first one is an identification arising from the literature reviewed of core and important areas in the hotel industry that are associated with performance. These areas have been identified and used in national surveys in the US and professional bodies in the UK. However, up to the present moment, and to the best of my knowledge, these areas are broad and there has been no attempt to operationalise them. As this study helps to identify what practices are being used on day-to-day basis it will serve as a guide in this process, informing what is relevant and what is not from a practical perspective.

*Gods and men disapprove of that man who lives without working, like in temper to the blunt-tailed drones who wear away the toil of the bees, eating it in idleness. You should embrace work-tasks in their due order, so that your granaries may be full of substance in its season. It is from work that men are rich in flocks and wealthy, and a working man is dearest to the immortals.*

Hesiod. *Works and Days*.

## **6.0 Second Study**

### **6.1 Overview**

The main aim of this chapter is to present the results of a single sector study conducted as a survey of 213 different workplaces and designed to investigate the relationship between the effective use of management practices and performance in a high labour intensive and low skilled service industry. The chapter begins with a discussion about operational and HR practices used to assess performance in the hotel industry. It follows on describing sampling procedures and characteristics, variables used – control, dependent and independent, how data was screened prior to analysis, analysis undertaken, results and discussion. It concludes with a section about limitations and strengths of this study.

### **6.2 Management Practices and Performance in the UK Hotel Sector**

The idea that good management practices and good performance are tightly correlated is a truism. This relationship is understood and assumed to be a function of the general better allocation of resources, no matter how the term ‘resource’ (money, people, raw materials, information, etc...) is conceptualized. It is also easy to

understand that not all management practices are equally efficient and capable of yielding positive results, some practices are clearly dysfunctional. These ideas and the search for an optimum set of practices that are able to maximise performance, has marked and accompanied management as a discipline (and related areas), throughout its history.

The effort and resources allocated to this task varies over time according to the challenges posed by business environments, with an increased interest being observed during periods of strong economic transformation. This is exactly what has been happening over the last twenty years, challenging both researchers and practitioners. A dramatic change in the way goods and services are produced and delivered triggered a major wave of economic restructuring bringing with it a strong need to understand the new foundations over which this relationship rests.

### **6.2.1 Operational Practices and Performance**

Within academic tradition it is possible to highlight two main lines of inquiry that have, more recently, brought major contributions to this debate. The first line can be broadly defined within the scope of what has been previously conceptualized as the New Economy (Van Reenen, 2001). This stream of research has many variations but they all follow more or less the same script; the emergence of a service economy (Griffith *et al.*, 2003; ESRC, 2004), the knowledge intensive character of the most important economic activities (Levy & Murnane, 2003), renewed competition (Lorenz & Valeyre, 2005) and the ICT revolution (Oulton, 2002). This line of investigation has strong ties with economics and from this perspective is a landmark of this period driving forwards the research agenda and debate was an unexpected growth in productivity rates.

To begin with, ICT uptake by companies was thought to be the most important factor in explaining this observed growth in productivity rates. However, no direct correlation could be found between technology investment and improvements in productivity (Lewis *et al.*, 2002). Soon it became clear that ICT alone could not explain the whole variation from the expected averages and attention turned to

workplace innovations (Black & Lynch, 2001, 2004). The underlying rationale behind this movement came from the fact that technology is not just plug- and-play. There is a need to change the way work is done and how the production process is organised in order to take full advantage of its possibilities (Bresnahan, Brynjolfsson & Hytt, 2002; Brown, *et al.*, 2005). In short, a whole new set of management practices is needed to answer all these new organizational challenges posed by ICT in a context of global markets and intensified competition. These practices have received many different nomenclatures across the literature, with tags like *innovative* (Young, Charns, Shortell, 2001; Osterman, 1994), *modern* (Clegg, *et al.*, 2002) and *promising* (Leseure *et al.*, 2004). One important characteristic of this line of inquiry is that it focuses mainly on, what can be called, operational practices.

*Operational practice* is one of those concepts that are frequently used but rarely defined. Operational practices are habitually understood in opposition to employee oriented (HR) practices or, at best, defined in association with manufacturing systems and approaches such as lean structure, total quality management and advanced manufacturing technology - or umbrella concepts as argued by Wood (2003). This is the case for instance of Birdi *et al.* (2008), Patterson, West and Wall (2004) and Wood *et al.* (2004). In the context of this study, operational practices are understood and defined as a “*collection of procedures, ideas, values and tools*” (Leseure *et al.*, 2004) which in turn express “*production organization principles*” (Bolden *et al.*, 1997).

The following lines will briefly outline the operational practices addressed in this study and their relationship with performance.

#### 6.2.1.1 *Controlling the Operation*

The idea and importance of controlling operational costs and their impact on company performance is undisputed and well established in the literature. Controls work through different mechanisms varying according to the area where they are applied. In general terms it can be said that this process seeks either to maximise resources usage or to minimise waste. It is the primary reason behind practices like just-in-time (Sakakibara *et al.*, 1997), a production system designed to reduce the overall levels of stock available to the production line in order to free financial resources or lean

structure, a process simplification that involves the removal of uncertainties leading to a greater standardization and typically reducing production cycle times (Sprigg & Jackson, 2006). It is therefore proposed that companies will benefit from not incurring excessive costs by controlling their operations.

#### 6.2.1.2 Benchmarking

Benchmarking is a process (or a strategy) of continuous improvement based on a systematic procedure of comparison with competitors in the same industry and in the same market (Zairi, 1998). Benchmarking is also used, especially in larger organizations, as a management performance tool (Francis & Holloway, 2007). The aim is to adopt the best set of practices and standards in order to achieve and sustain competitive positions. The core mechanism used to justify this practice is the very same one used to validate the search for best practices (Voss & Hanson, 1993). Support for this approach can be identified in many different areas, for instance, Alhstrom and Blackmon (1997) found both direct and indirect support for this relationship when studying manufacturing companies in Europe, while Bowerman, Ball and Francis (2001) investigated it in the context of public organizations. This constant search for continuous improvement and the willingness to learn from the best allows companies to seek maximization of their resources allocation and to profit from a learning process. It is therefore proposed that companies will benefit from continuously pursuing, identifying and implementing best practices.

#### 6.2.1.3 Performance Monitoring and Feedback

Performance monitoring is one of those areas that is as old as business itself. At the same time, the importance of feedback, or at least its theoretical importance to performance, is more recent. Performance monitoring is the process *of observation, examination or recording of employee work related behaviour*, (or of those three) (Staton, 2000) allowing organizations to monitor and improve performance by controlling cost and ensuring customer satisfaction (Holman, Chissick & Tortedell, 2002). This is also the process by which organizations follow the way that objectives, standards and patterns are met. Both organizations and employees are capable of profiting from these procedures. At organizational level benefits arise from a greater control over operations. To employees, to receive feedback means the possibility of a

fairer assessment about their performance by their managers, a possibility to improve their skills and a reassurance that their work meets company expectations. There is a good amount of evidence suggesting a relationship between monitoring feedback and performance at both individual and organizational level. This is the case for instance of Nebeker and Tatum (1993), Aiello and Kolb (1995), Blazer, Doherty and O'Connor (1989) and Pavett (1983). It is therefore proposed that companies will benefit from developing and using a comprehensive system of performance monitoring and feedback.

Most of this debate arose and developed within the context of manufacturing, spilling over very quickly to service sectors where much of the attention has been placed on knowledge intensive activities (Levy & Murnane, 2003), for instance professional and media services, whose importance has greatly increased relative to more traditional activities like hospitality, wholesale and retail. This difference in visibility between industries does not reduce, however, the need to understand and explain the relationship between management practices and performance in specific service sectors where, different to manufacturing, there is a much bigger variety of organizational forms, structures and activities, and where many sectors are labour intensive. Single size does not fit all.

The Hotel industry has a long tradition of self referenced research most of it, however, focusing on activities directly related to service delivery and service quality. There is also a strong research tradition linked to marketing (e.g. Gundersen, Heide & Olsson, 1996), customer satisfaction (e.g. Shankar, Smith & Rangaswamy, 2003) and even hotel architecture (e.g. Sigauw & Enz, 1999b). Comparative to these areas, issues related to operational performance are under investigation within mainstream business, management or work psychology research. At the same time, HR issues are more generally assumed to be important rather than having been empirically investigated.

It is still an open question how the application, extent and impact of innovative management practices in a service work environment characterised by high fixed costs, low skills and high turnover will fare? The literature addressing this is at best inconclusive and much of the controversy is marked by a split between those that support the idea that service activities are fundamentally similar to those in

manufacturing and as a consequence, rationalization procedures should be put in place in order to enhance overall sector productivity, and those on the opposite field supporting a specific ethos for services industries especially because of their customer interface (Crespi *et al*, 2006; Frenkel 2000). A close look to a daily operation in any hotel will show that this distinction is mostly misleading, not to say false, where the traditional distinction between services and products has increasingly become blurred (Sako, 2006).

Most work, needed to provide a service in the hotel industry, relies upon the coordination and supply of a number of accessory goods and services that have to be in place well in advance of the actual delivery process. In this sense, it is possible to imagine the service production process in an analogue way similar to a production line in manufacturing. The biggest difference would be in the last stage of production, or in the front line operation (Batt, 2000) as it is known in the literature, where a choice of some particular characteristics is made within a set of predetermined options. In manufacturing these sets of choices are usually given during the initial production phase. In a restaurant this would mean choosing a specific meal within a set of predetermined choices available in any given menu. In the hotel sector, the number of choices is even more constrained. In both cases, before the customer's choice was possible, many activities had to be performed.

Another important aspect of a hotel operation is the high fixed and operational costs, resulting in a need to function very efficiently (Batt & Doellgast, 2003). In such scenarios, it would be expected that good management of operational issues would positively impact the company's success. Because of this it should be possible to test the impact of a set of operational management practices on performance. Hence:

*H1- Effective use of operational management practices will be positively related to performance.*

Put in this way, the proposed hypothesis assumes the existence of a general relationship between all operational practices and performance. It is reasonable to expect that the proposed practices will match this assumption, especially because there are some strong theoretical and practical reasons supporting this proposition. However, the possibility that some practices will not bring any significant addition to

performance is also feasible. In this sense, hypothesis H1 can be alternatively rewritten into

*H1a- Effective use of controlling the operation will be positively related to performance.*

*H1b- Effective use of benchmarking will be positively related to performance.*

*H1c- Effective use of performance management and feedback will be positively related to performance.*

Before moving forward, it is important to observe that three other sets of operational practices have been identified as potentially capable of having a positive impact on performance in the hotel industry. They are *setting goals around customer focus*, *setting consistent standards* and *having clear internal communications channels*. However, as it will be demonstrated later on this chapter, the factor analysis for these specific scales did not yield the expected results and for this reasons they have not been addressed in this section.

### **6.2.2 Human Resources and Performance**

A second line of research renewing this interest in the relationship between management practices and performance is also closely related to the current wave of economic transformation. The difference in this case is that instead of a general set of operational management practices the target is specifically focused towards the role and contribution of human resources upon company performance.

One important outcome of the recent economic process was the development of a global market capable of providing, at competitive prices, all the goods and services needed for economic activity anywhere in the world. In such scenarios, it is not possible for any single company to control any particularly important resource in order to acquire and sustain a position of competitive advantage over significant competitors. Facing this situation, firms turned their eyes to their internal processes looking for a resource that being inimitable, valuable, not substitutable and rare could

yield higher levels of performance capable of bringing and sustaining, over time, a competitive advantage (Barney, Wright and Ketchen, 2001; Barney, 1991, 2001). From this standpoint to the election of people as the resource *par excellence* was only a small step.

Once again, this broad line of investigation has many variations according to the theoretical or ideological commitments assumed by the researcher, it being also possible to envisage an underlying script guiding development in the area: the person in direct contact with any activity knows more about how to perform well in that activity than any manager (Wang & Barney, 2006). A sort of natural development of this idea is that a company will benefit if it succeeds to involve the worker more thoroughly in daily activities. To achieve this goal workers have to be motivated to put their knowledge and effort in doing their tasks as well as possible and to give discretionary effort to their work. De Menezes and Wood (2006) refer to this combination of work organization, skills acquisition and motivational-enhancement practices as high performance work systems (HPWS).

At the same time economic development brought with it a greater number of activities where a superior set of skills are need, either because they are technologically supported or because they demand a sort of interaction with other workers (Lepak, Takeuchi & Snell, 2003) or clients, that were not so important and wide spread before; financial and business services for example.

In the context of this study, human resources practices are understood and defined as a "*collection of procedures, ideas, values and tools*" (Leseure *et al*, 2004) which are the expression of [...] "*work organization principles*" (Bolden *et al*, 1997).

The importance of this kind of approach turned out to be very popular in the services environment especially because of its high volume of customer interaction. Another important contribution to its popularity came from quality studies in service environments, where the postulation of the existence of a direct link between service delivery, worker skill and performance was (and still is) part of the dominant research agenda.

This position however, did not evolve undisputed. It is important to observe that, up to the present moment, the identification, definition and measurement of human resources management practices have been dogged by controversy and dissent (Guest, 2001; Machin & Wood, 2005). Despite the growth in high skills content activities most jobs and tasks within service sectors are reputed to demand low levels of qualification (Illeris, 2002). This is a consequence of the sort of abilities needed to perform well in the jobs. They are, by nature, related to interpersonal communication abilities, friendly attitudes towards customers and, not infrequently, strongly related to aesthetic outlook (Korczyński, 2005). This has led some researchers to postulate that HRM practices, those characterised by the search, development and retention of the best human resources available, are more likely to yield positive results in high knowledge sectors or similar fields. In the hotel industry this picture is particularly apparent where, with the exception of managerial positions, all other activities could be classified as low skilled.

Another important element to be taken into account is that due to their intrinsic characteristics there is very little possibility of replacing people by technology in the sector, meaning little possibility for work rationalization in many key areas. The hotel industry is well known for its labour intensive character.

However, an industry where people lie at the core of economic activity should acquire benefits from a better selected, better trained, better qualified and motivated workforce. In fact, Jones, Kalmi and Kauhanen (2006) studying the retail sector, found evidence that there are benefits in adopting innovative management practices even in work settings where employees do simple tasks and are relatively low skilled, the same picture identified by Hunter (2000). The human side of these organizations are responsible for delivering the sort of quality services that customers expect and therefore, a better managed workforce should be capable of delivering superior performance, either as a function of customer satisfaction or as a consequence of better quality.

The following lines will briefly outline HR practices addressed in this study and their relationship with performance.

### 6.2.2.1 Recruitment

Recruitment comprises those organizational activities that are “intended to (a) bring a job opening to the attention of potential candidates; (b) influence whether these individuals apply for the opening; (c) affect whether recruits maintain interest in the position until a job offer is extended; and (d) influence whether a job offer is accepted and the person joins the organization” (Breaugh *et al.*, 2008). In other words, recruitment is concerned in bringing to the organization the best human resources available for the position and because of this it is also the front door to other HRM practices. A good and well delivered recruitment process can reduce associated training and development costs. It can also make sure that the person fits the job profile and organizational culture, potentially reducing future conflicts. And most important of all, it assures the flow of right skills and knowledge to the organization. Common examples of such practices are the competency based interviews or the use of personality tests (Landy & Conte, 2007).

Not surprisingly recruitment is a constant presence in studies seeking to investigate the relationship between HRM practices and performance. This is the case for instance of Way (2002) when he used recruitment (defined as *staffing*) as a variable in his study about HPWS in the small business sector in the US and found evidence to support his position; Wood, Holman and Stride (2005) used it in their study in call centres, where recruitment was found to be associated with the proportion of calls answered in time and the proportion of employee suggestions to improve working practices in the firm; MacDuffie, (1995) in his motor industry study, also used recruitment as part of his HRM policies index; and Wright, *et al* (1999), where recruitment was used as part of a HR system, to assess petrochemical refinery performance in the US. It is therefore proposed that hospitality organizations will benefit from a thorough recruitment procedure for their employees.

### 6.2.2.2 Training

Training is a process by which people acquire and apply new knowledge, skills and attitudes (Warr, 2002) and its importance to economic activity can be perceived by the ongoing debate on skills needed to foster business productivity and economic growth led by the UK government (Lloyd & Payne, 2005). Birdi, Patterson and Wood (2007)

identify at least three reasons why training practices should be positively related to organizational performance: training improves task-related skills and knowledge; it impacts on affective outcomes improving motivation, self-efficacy and job satisfaction. Different training yields different outcomes and all of them are likely to impact organizational performance positively. It is not difficult to identify empirical evidence supporting, in some way, this relationship as is the case of Aragon-Sanchez, Barba-Aragon and Sanz-Valle (2003) who show a significant relationship between training and business performance in SME companies and Palo and Pahdi (2003) where the authors have found that training creates awareness, builds employee commitment to quality, facilitates team work, enhances performance standards and bolsters the skills and abilities of employees; being also essential to a strategy of continuous development. Russel, Terborg and Powers (1985) also found a strong relationship with training and store performance in a retail sector study. Arthur (1994) showed training plays a central role as a core practice of a HR system and MacDuffie (1995) identified an indirect relationship due to its use on his HRM index (two out of five items). Based on this argument it is therefore proposed that hotel organizations will benefit from training their employees.

#### 6.2.2.3 Rewards

If employee involvement and commitment are regarded as key issues to company performance it is natural to consider that aspects related to rewards will equally fundamental. Its importance is increased in a context of extensive lay-offs and flexible work practices, especially from an employee perspective. Rewards have also been firmly placed at the centre of HRM practices (Guthrie, Spell and Nyamori, 2002) acting as reinforcement to desirable behaviours; enhancing an organization's ability to attract, retain and develop, effective employees and this has a further positive impact on performance (Lawler III, 2005). There has been a considerable amount of research and empirical evidence that has been gathered to support this relationship. A few examples can be seen, for instance, in Ichniowski, Shaw and Prensushi (1997). When studying steel finishing lines they found evidence of *substantially better performance* under reward plans, coupled with supportive and innovative work practices. Michie and Sheenan (2005) found evidence of better performance in a context of universal

adoption of HR practices. Based on these arguments, it is proposed that hotel companies will benefit from having a comprehensive rewards system in place.

#### 6.2.2.4 Flexible Work

According to de Menezes and Wood (2006) flexible work practices are at the core of human resource systems. These practices refer either to contractual forms (Guest 2004) or to the organization of work itself, when the employee do not have a narrowly defined job or are not working under a rigid hierarchical structure (Gittleman, Horrigan & Joyce, 1998). For the purposes of the current study, I will use the latter definition. It is assumed that flexible practices are capable of yielding superior performance (Lewis, 2003) by a means of a more rational use of employees and associated cost reductions (Lepak, Takeuchi & Snell, 2003); by upskilling the workforce so a variety of tasks can be performed (De Menezes & Wood, 2006) or by granting employees more autonomy to decide the way their tasks are to be performed (Harley, 1999). In this situation, based on the assumption that the worker knows better what to do than any manager or supervisor, it is proposed that hotel companies will benefit from having flexible work practices as part of their operations.

If the arguments outlined above are valid, it should be possible to test the following hypothesis.

*H2- The effective use of HR management practices will be positively related to performance*

Once again, the proposed hypothesis assumes the existence of a general relationship between all HR practices and performance. However, the existing literature about the relationship between HRM and performance is contradictory enough to justify a more cautious approach to this assumption and the possibility that some practices will not have any significant correlation with performance is feasible. In line with the argument previously developed with the operational practices it is possible to unfold the above hypothesis into three more specific propositions relatively to each one of the investigated HR practices. In this sense, we can expect and test for

*H2a- The effective use of recruitment will be positively related to performance*

*H2b- The effective use of training will be positively related to performance*

*H2c- The effective use of rewards will be positively related to performance*

*H2d- The effective use of flexible work practices will be positively related to performance*

It is possible to say that over the last twenty years most studies addressing the relationship between management practices and their impact on performance have fallen into one of these two main streams of research. Up to the present moment, despite the amount of empirical evidence gathered by both streams of research, the relationship between management practices and their relationship with performance in the current business environment remains inconclusive.

As regards performance it is very likely that superior results should arise from a combination (unknown up to the present moment) of these two sets of practices. It is important to have an efficient and feasible work system as well as a group of well prepared, qualified and motivated employees to operate this system in order to produce goods and services. What is called competitive advantage would be more likely to arise among top performers in both operational and human resources management practices<sup>21</sup>.

### **6.2.3 Performance Measurement**

One important aspect that performance/productivity studies have to deal with regards how these concepts will be assessed (Crespi *et al*, 2006) or rather how they will be measured. In other words, what is a usable and meaningful metric? It is beyond doubt that the notion of business performance is a multi-faceted concept and that questions on how it can be measured have preoccupied a number of authors across many different disciplines (Neely, 1999). The most common answer so far, has been a reliance on financial indicators, despite a growing call for a more balanced approach.

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<sup>21</sup> Provided companies are operating in normal competitive markets in the absence of macro economic imbalances with relevant competitors, as for instance issues related to exchange rates.

It is important to have positive financial figures however they should not preclude the search for a more comprehensive set of indicators, only deliverable if a broader measurement system is in place (Venkatraman & Ramanujam, 1986). An over confident reliance on financial metrics creates some problems: firstly, financial indicators are more likely to express short term tendencies rather than to predict future performance. It is a picture of the recent past rather than a projection about future developments, and it is not possible to infer a position of competitive advantage from it. Secondly, different industries have naturally different productivity rates, return rates, cash flows and product prices. It is very unlikely that these differences could be captured or controlled for in performance related studies, at least when using current methodologies, due to the number and complexity of the variables involved.

A good example of these differences can be observed when a typical internet based or technological company is compared with the steel industry. In the first case, the product's half-life tends to be less than a year, meaning that, within this short period of time, product sales have to be capable of generating a cash flow big enough to cover for product development, distribution and profits. In the steel industry, on the contrary, the profit margins are much smaller and return on assets is not expected in the short term. Differences in rates of technology change applied to product and process show that it is possible to use production equipment in a steel mill thirty years after the beginning of its operation; the same definitely does not apply to more dynamic business environments. These are some of the reasons why Datta, Guthrie and Wright (2005) argue the fact that the type of industry does matter in performance studies and consequently, single industry studies should be more likely to identify positive relationships between management practices and performance. A similar position is supported by the work of Kalleberg *et al* (2006) when they show the existence of sector and industry differences in the up take of HPWO practices.

Finally, most of the metrics used are unable to capture trends related to market power and market segmentation which are directly related to a company's performance, this is an especially sensitive issue in the service sector.

Regarding the conceptualization of what performance means, Kaplan and Norton (1992, 1995, 1996) brought forward and further developed arguments to support a multiple performance measurement approach. According to them, the strategic

thinking, or a company's strategic positioning, asks for the use of not only short term financial measures and perspectives but also long term ones. The choice of indicators should not be random but they should rather be picked out for their capability to predict future performance<sup>22</sup>. Their conceptual framework addresses four key areas: the first one comprises traditional financial metrics, the second one refers to a measure of customer satisfaction (that could also be understood as a measure of the quality of the services being provided), the third area is related to internal business processes and targets specifically operational issues (Lipe & Salterio, 2000) and a fourth area is defined relative to the organization's ability to learn and improve.

The search for a relationship between management practices and performance should not only be driven by a description of what is going on in the present but for a search for how to improve for the future. For this reason, there is a need to broaden the way in which performance is assessed. These arguments and rationale can be applied to different industries irrespectively and only need adaptations to adjust to the specificities particular to each economic segment. This balanced approach was taken by Birdi, Patterson and Wood (2007) when comparing the effect of learning practices on performance between the profit and non-profit making sectors. They focused on four performance outcomes that could be applied across all sectors in their study; human capital, financial performance, quality of organizational outputs and innovation in products, services and working processes. The exploratory study also gathered enough evidence showing that daily operation in hotels is based on a series of different metrics supporting the argument for a multiple approach to performance assessment.

Another relevant point is that management practices that are likely to have a positive impact on a specific aspect of performance, as for example quality, may not have an initial direct impact on financial outcomes. Therefore it is expected that different practices will impact distinct measures of performance in dissimilar ways. If this is true, it is possible to test if:

*H3- The effective use of management practices will impact on distinct performance metrics in different ways.*

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<sup>22</sup> See Combs et al. (2006) for a meta analysis of the available literature exploring the effects of HPWP on performance.

Up to the present moment most of the studies about the relationship between “high-performance” practices and performance tend to focus on manufacturing sectors. This reason alone is enough to justifying the need for a deeper investigation in a service activity. The literature reviewed also showed that a common procedure when studying high-performance practices in the hotel industry consists in sampling mainly upper-scale workplaces. More often than not, most studies focus on a single practice only. This study seeks to overcome some of these common limitations by focusing on a much broader range of workplaces (from 1 to 5 stars) and by assessing the impact of a number of different management practices on performance.

In the next sections I will describe in detail how this study was conducted.

### **6.3 Method**

This section seeks to describe the procedures, sampling processes, characteristics and variables used to test and investigate the hypotheses proposed<sup>23</sup>.

#### **6.3.1 Overview of Procedures and Participants**

A postal survey questionnaire was mailed during the month of July/07 to a sample of 1,530 different hotels throughout the UK. By the beginning of August a total of 222 questionnaires were returned; a response rate of 14.5%. From the total 9 answers had to be excluded because companies had reported a number of bedrooms lower than the useful parameters originally established for the research purposes; consequently data arrived in 213 usable forms.

Following a previously designed strategy, the survey was addressed to the hotel’s General Manager (GM) with a request to be passed on to another suitable person in the same workplace if he (or she) was not available to answer at that moment or were not the most appropriate person to provide the answers requested.

As it is possible to see from table 6.1 below, the respondents fit well the intended profile of a *person* with a broad view over working processes and practices.

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<sup>23</sup> For more information on methodological issues please refer to Chapter 4: Methodology.

**Table 6.1 Survey respondents' frequencies according to role**

<b>Role</b>	<b>N</b>	<b>%</b>
General Manager / Director / Owner	162	76,1
Operation manager	9	4.2
HR Manager	27	12.7
Manager assistant	10	4.7
Other	5	2.3
<b>total</b>	<b>213</b>	<b>100</b>

The respondents were predominantly male (53.1%), around 39 years old (sd.  $\approx 9$ ), with 56% of them having a university degree or higher. At this point it could be said that almost half of the managers did not have a university degree and questions could be raised about their qualifications, in general, and the nature of qualifications needed in the industry, in particular. This skills gap is highlighted when managers' educational levels are crossed with operational ownership with national chains more likely to employ low skilled managers; understood as those having only GCSE or A levels, when compared to international chains or even independent hotels. This difference is statistically significant ( $\chi^2 = 13.337$ ,  $df = 6$ ,  $p < .05$ ). Simultaneously, it is also possible to observe a trend towards there being a greater number of low skilled managers in budget hotels when compared to upper scale workplaces.

It is possible that these differences might be a result of the nature of the services being provided. The so-called, budget establishments have fewer services when compared to upper scale hotels meaning fewer workers and lower process complexity. It is plausible to expect a less demanding work environment and consequently lower skills levels being deemed appropriate. This could be an indication of the low skills/low pay balance proposed by Mayhew and Payne (2006).

No important differences were identified related to gender and education among respondents. However, it is important to note that despite the fact that women are predominant among hospitality workers (57,6%) (ONS, 2002), they are less likely to get a managerial position, something that is also observed in this study. Regarding hotel characteristics, the survey reached a broad range of establishments throughout the country as can be seen in table 6.2 below.

**Table 6.2 Sample distribution according to rate and ownership**

<b>ownership</b>	<b>budget</b>	<b>mid scale</b>	<b>upper scale</b>	<b>total</b>
part of a <b>national</b> chain	39 59.1%	14 21.2%	13 19.7%	66 100%
part of a <b>international</b> chain	15 17.2%	33 37.9%	39 44.9%	87 100%
<b>independent</b> operation	1 1.7%	42 70.0%	17 28.3%	60 100%
<b>total</b>	55 25.8%	89 41.8%	69 32.4%	213 100%

Company distribution according to rating and ownership show a distinct pattern: initially it is possible to observe that the sample addresses, are mainly UK based operations, (126 workplaces- 59% of the total) when compared to overseas competitors. However, the number of internationally controlled operations is high according to overall industry standards, something that has to be understood as a function of sample characteristics where larger than average hotels are targeted. The perceived pattern expresses itself in the way workplaces are spread within market segments, varying according to the ownership of the operation. This trend might be an expression of deeper market dynamics and interactions.

It could be said that the UK's national chains are more likely not only to operate but also to dominate the budget hotel market because they are in a better position to exploit economies of scale when compare to their international competitors or independently operated companies. It could be said that this better positioning comes either from a better knowledge of the territory or because of a deeper and wider spread supply chain.

As to why there is a concentration of international chains, especially at the top end of the market, this may arise because of the need to concentrate on market segments where profit margins are larger, a consequence of an initial strategic movement to enter new markets and take full advantage of branding issues and to overcome an initial lack of accounting for economies of scale as part of their operations.

With such a scenario, it is not a surprise to see that independent operations are more likely to populate and occupy the mid scale market segment. Two basic hypotheses

can be applied jointly or separately to explain this characteristic: The mid scale market does not require the same level of investment and expertise associated with expensive and complex luxury establishments; and it does not need the same operational scale as a budget operation in order to be profitable.

Another important point to understand the sample is the size and characteristics of the workplaces measured in terms of both number of bedrooms and number of employees.

**Table 6.3 Basic hotels bedrooms' statistics according to rating**

	<i>mean</i>	<i>sd</i>	<i>lower bound</i>	<i>upper bound</i>
Total	102	64	30	365
budget	80	40	31	182
mid scale	81	50	30	313
upper scale	146	70	40	365

1-Two workplaces, one with 793 and the other with 1000 bedrooms, were excluded from these averages because they are too big and would bias the results.

It is possible to observe a relationship between size and rating where budget hotels tend to be smaller than mid-scale hotels, while upper scale workplaces are much larger than the others. The general explanation for such differences would rely, once more, on a combination of different patterns needed for economies of scope and scale across different market segments and on the nature of the organization exploiting specific markets. For this reason, workplaces providing more services (higher ratings) need a broader base over which they can spread their fixed costs.

The small differences observed between the transition from budget to mid-scale workplaces might be explained by the nature of company ownership and therefore, a confirmation of the expected pattern development. While budget hotels tend to be part of a chain, mid-scale operations are more likely to be operating independently. The rationale here is that chain establishments are more likely to be operating at optimum efficiency levels when compared to independent ones. The reasons are simple and straight forward: chain workplaces benefit from superior managerial capabilities and they take advantage of the learning process developed in other work settings belonging to the same parent company.

This relationship between size and rating is more clearly perceived when we turn the attention from the number of bedrooms to the number of employees. In this case the explanation for differences in the number of employees is straight forward: going up in the market means providing more services and consequently requires more workers.

**Table 6.4 Employees' basic statistics according to rating**

	mean	sd	lower bound	upper bound
<b>Total</b>	76	60	7	310
budget	31	20	7	100
mid scale	58	28	6	171
upper scale	135	68	15	310

The average employee turnover rate for the whole sample is 29.3 % a number that is absolutely compatible with national indices for the sector according to official figures from the Skills Council for the Hospitality, Leisure, Travel and Tourism Industries. However, it has been reported that large employers, not uncommonly, have double or treble this figure (HTF, 2006) a trend that has been also identified in the exploratory study previously presented.

As it is possible to see from table 6.5 below the hotel industry has one of the highest employee turnover rates in the entire economy, something that certainly impacts and shapes its working processes.

**Table 6.5 Labour Turnover rates by industry sector, 2007**

Industry	All leavers %
<b><i>Hotel, catering and leisure</i></b>	<b>28.3</b>
Professional Services	20.0
Finance, Insurance and Real State	14.5
IT Services	20.8
Call Centres	24.6
Retail and wholesale	27.5
Communications	23.5
<i>Voluntary community and not-for-profit</i>	<i>15.2</i>
<i>Public Services</i>	<i>13.7</i>
<i>Private Sector Services</i>	<i>22.6</i>
<i>Manufacturing and production</i>	<i>13.4</i>

And finally, the average occupancy rate in the sample is 73.8% well above the national average (61%, VisitBritain, 2006). As the sample comprises mainly above

average hotels due to the exclusion of small and very small workplaces, and as larger hotels tend to have higher occupancy rates, the observed rate illustrates this situation.

The overall conclusion is that despite the fact that the sample addresses above average workplaces, its main indicators are compatible with industry patterns and consequently, are capable of adequately expressing its dynamics and trends.

### **6.3.2 Measures**

The set of measures used in this study are presented in the next three sections. The first section brings information about control (demographic) variables identified in previous studies. Some are likely to have an impact on organizational outcomes regardless of their actual efficiency levels. The independent variables section examines information about management practices and the dependent variable section addresses organizational outcomes.

#### **6.3.2.1 Control Variables**

Consistent with previous research the current study set controls for a number of variables in order to remove the effect of potentially confounding factors. They are:

*Total number of employees* – this is one way of measuring the possible impact of size on operations. GMs were asked to give the total number of employees in their hotel, including full and part-time workers. This measure relates to the level and quality of services provided.

*Number of bedrooms*- This is a more direct measure of size. GMs were asked to give the total number of bedrooms available for occupancy.

*Rating*- This is typically an indication of market segmentation and it is closely related to the nature of the services provided. In the hospitality literature it has been extensively used as a *proxy* value for quality. Informants were asked to identify the category level their hotel was operating in a three-option response set where score 1 designated budget operations (one/two stars or equivalent); score 2 designated mid-

scale operation (typically a three star hotel); and score 3 designated an upper scale operation (a four/five star or equivalent).

Informants were also provided with an item where other kinds of classification systems could be input. When entered in the analysis they will be coded as two dummy variables.

*Difficulty to recruit staff* (market1)- From the interviews (i.e. exploratory study) it emerged that differences in the labour market, quantity and quality of labour supply have the power to affect the way HR practices are implemented. In competitive markets where labour is relatively scarce, employees have a stronger bargaining power, potentially increasing employee turnover rates and reducing performance (MGI, 2001). Informants were asked to identify the *level of difficulty in recruiting appropriate staff* for their hotel. Responses were collected using a five point scale ranging from 1 (=very low) to 5 (=very high). They were also given the possibility of not addressing this question with an answer scoring 6 (=I don't know) and this is coded as missing variable. This is a typical externality in hotel operations.

*Level of Competition* (market3) – Competition has been regarded as one of the most important aspects in driving the process of the adoption of best practices and it has been at the fore of government agendas and policy making (HM Treasury, 2000; Porter & Kettels, 2003). Informants were asked to *rate the overall level of competition for their hotel* on a five-point scale ranging from 1 (=very low) to 5 (=very high). They were also given the possibility of not addressing this question with an answer scoring 6 (=I don't know) and coded as missing variable. This is another very important externality influencing company performance.

#### 6.3.2.2 *Dependent Variables*

Organizational outcomes were assessed using two different approaches. On the one hand, GMs were asked to provide answers for eleven self-reported measures of performance relative to their direct competitors, an approach based on the work of Birdi, Patterson and Wood (2007) that used the same set of measures to assess the impact of learning practices on performance in the profit and non-profit-making sectors.

The use of subjective measures of performance is a common procedure in studies of this kind as it can be seen, for instance in Boselie, Paauwe and Richardson (2003), Gardner, Wright and Gerhart (2000) or Truss (2001). The importance and relevance of subjective measures of performance was addressed by Wall *et al.* (2004) in their study the authors found evidence of convergent validity when comparing subjective and objective measures of performance, meaning that these measures are related; and construct validity, where findings relating the use of *management practices to subjective measures of performance were essentially equivalent to those for objective performance* (p.112), bringing confidence to the procedure here adopted.

### *General Performance Measures*

For all items the GMs were asked: *Relative to your direct competitors, how would you describe your \_\_\_\_\_* and answers were collected using a five-point scale with scores ranging from 1 (= *much below average*) to 5 (= *much above average*). An extra score (=6) was provided accounting for 'I don't know' and coded as a missing variable during the analysis.

These measures were not originally meant to be used and were not developed to function as a scale. However, some items potentially address similar issues, as is the case for items (22) *Employee Skills?*, (26) *Performance of Employees?*, and (30) *Labour productivity?*<sup>24</sup>. In order to avoid the possibility of conceptual overlapping the eleven items were subjected to an exploratory factor analysis to investigate if any underlying structures were present in the data or if in fact the different items were addressing the same construct. The results showed the existence of three factors (or latent variables), they are:

*Employee Performance (EP)*- Comprising three items from the questionnaire: (22)- *Employee skills*, (26) *Employee Performance* and (32) *Relative to other service sectors ( e.g. retail) how would you describe your overall skills?* The reliability coefficient of this scale (Alpha Cronbach) was calculated as .809.

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<sup>24</sup> Numbers in brackets refers to questionnaire numbering.

This factor clearly refers to an employees' overall performance especially relative to their skills, an important dimension in both the theory and practice associated with hotel performance.

*Service Quality (SVQ)*- A second factor was identified, comprising two items from the questionnaire: (24) *Quality of Services* and (25) *Customer Satisfaction*. The Alpha coefficient associated with this scale was calculated as .815. These two items are conceptually linked as the perceived quality will influence customer judgement about the quality of services provided. These two scales seem to be more associated with internal processes and (soft) aspects of company performance.

*Operational Performance (OP)*- Finally a third factor was identified: it comprises three items from the questionnaire; (28) *Marketing*, (29) *Financial Performance* and (30) *Labour Productivity* with an Alpha coefficient of .698.

Before moving on it is important to comment on the presence of the item *labour productivity* on a scale related to operational results. The exploratory study brought up the question that GMs regarded productivity in opposition to service quality, a dominant discourse in the area. In this case, instead of referring to labour skills or quality, this item aligns with what seems to be an opposite idea: of putting pressure on staff, of work rationalization compromising the quality of service provided to the customers. In short, this is a measure related to short term (hard) indicators, externally driven processes and work efficiency.

Once these scales have been set a second order factor analysis was performed on each one of them to make sure that a single factor only was being assessed.

### *Specific Productivity Metrics*

A second group of establishment performance measures was collected. This consisted of two industry specific objective metrics: occupancy rate, a measure of room efficiency usage, and average daily rate (ADR), a measure of how much money the hotel is making daily per each room available to rent.

*Occupancy Rate (Occpcy)*- This is a typical industry specific metric. It is a measure of how intensively the rooms are being used during a period of time. Companies seek to

maximise numbers at any given point in time. Informants were asked to declare their average occupancy rate (in percent) for the last 12 month period before the questionnaire was completed.

*Average Daily Rate (ADR)*. This is another typical industry specific metric. A common procedure in the industry consists of giving discounts to enhance occupancy. The obvious implication is that, in any single day, multiple rates are being used to rent available rooms. These discounts, over the year, flatten revenues and have a direct impact on profits, despite the fact that this is not necessarily a positive relationship hotels seek to maximize their ADR. Informants were asked to declare their ADR (in £s) for the last 12 month period before the questionnaire was completed.

These metrics were later developed into two other metrics: Annual Revenue per Bedroom and Annual Revenue per Employee, two objective measures of productivity.

*Annual Revenue per Bedroom (ARB)*. This gives the annual amount of money being made by renting a room, excluding other indirect services like the bar, restaurant and so on. It was calculated as a multiplication of  $ADR \times Occpcy \times 365$  (days of the year), and it is expressed in £s per room unit.

*Annual Revenue per Employee (ARE)*. This gives the amount of money being made by each employee. It was calculated as a product of  $(ADR \times Occpcy \times 365 \times \text{number of bedrooms}) / \text{total number of employees}$ , and it is expressed in £s per employee. Here again revenues from other service activities, like the bar and restaurant, are not taken into account.

### 6.3.2.3 *Independent Variables*

A permanent problem regarding performance related studies relies on how to define and how to choose practices to be investigated (Boswell & Wright, 2002; Datta, Guthrie & Wright, 2005; Guest, 1997). At the same time, it is possible to observe a large spread of management practices across firms. Much of the available literature has chosen to follow the path of HPWS when trying to identify and define which practices to use. However, this path hasn't proved to be effective as there is no agreement to what practices constitute the HPWS paradigm (Capelli & Neumark,

2001). On the other hand, researchers focusing on broader operational issues have suffered similar problems (Leseure *et al.*, 2004).

In this study, the choice of independent variables was based on strong and well established previous research supported by findings from study 1 in this research. The initial step came from Bloom and Van Reenen (2006) and Bloom *et al.* (2005) studies about what make management effective. In their work, the authors have identified that differences in performance and productivity can be greatly explained by differences in the quality of management practices. They also identified four key areas that appear to matter in explaining these differences. They are: the shop floor operations, performance monitoring, target setting and incentives setting.

This initial step served as a foundation block on which sector specific areas, drawn especially from the studies conducted by the Cornell Centre for Hospitality Research in the US (Dube & Renaghan, 1999; Siguaw & Enz, 1999; Enz & Siguaw, 2003) and Surrey University Centre for Hospitality Performance in the UK (Logie & Quest, 2003), were added. The final result was a total of seven broad areas that were identified as being important to enhancing performance in the hotel industry. They are: *setting goal around customer focus; planning and controlling the operation; having clear internal communication systems; setting consistent standards; managing the workforce consistently; managing performance and benchmarking;* and an area comprising what has been described as *flexible work practices*. *Managing the workforce* was further developed into three other areas: *recruitment (selection), training and rewards*.

Each one of these areas was assessed via a number of managerial capabilities that together shape and define a set of practices. These capabilities were originally developed in the context of this study based on information collected in study 1. The final set of practices and capabilities can be observed in table 6.6 below.

**Table 6.6 Original Survey Questions**

<p><b>Setting goals around customer focus</b></p> <ul style="list-style-type: none"><li>1) Monitoring customers' reaction to services provided?</li><li>2) Having a service guarantee policy?</li><li>3) Providing customers with a positive hospitality experience?</li></ul> <p><b>Planning and controlling the operation</b></p> <ul style="list-style-type: none"><li>04) Ensuring work rosters fit the times customers are in the hotel?</li><li>05) Controlling wastage?</li><li>06) Controlling Stock?</li></ul> <p><b>Having clear internal communication channels</b></p> <ul style="list-style-type: none"><li>07) Having communication channels used by management team to express their targets and ideas?</li><li>08) Having communication channels enabling employees' input?</li><li>09) Continuously providing workers with feedback on departmental performance?</li></ul> <p><b>Setting consistent standards</b></p> <ul style="list-style-type: none"><li>10) Setting clear targets for individual workers?</li><li>11) Setting clear targets for departmental performance?</li><li>12) Setting clear targets standards for service?</li></ul> <p><b>Managing the workforce consistently</b></p> <p><b>Recruitment</b></p> <ul style="list-style-type: none"><li>13) Recruiting workers who work hard?</li><li>14) Recruiting workers with a passion for hospitality?</li><li>15) Recruiting workers who are customer-focused?</li></ul> <p><b>Training</b></p> <ul style="list-style-type: none"><li>16) Training workers in customer service skills?</li><li>17) Training workers in company processes?</li><li>18) Continuing to develop workers so that their skills are regularly upgraded?</li><li>19) Promoting workers from within the company?</li></ul> <p><b>Rewards</b></p> <ul style="list-style-type: none"><li>20) Allocating performance-related rewards to individuals?</li><li>21) Providing incentives that motivate employees to improve performance?</li></ul> <p><b>Performance management and benchmarking</b></p> <ul style="list-style-type: none"><li>22) Continuously tracking competitors for best practices?</li><li>23) Continuously tracking services standards?</li><li>24) Continuously tracking departmental performance?</li><li>25) Continuously tracking individual performance?</li><li>26) Holding regular reviews and meetings to solve departmental problems?</li></ul> <p><b>Flexible work practices</b></p> <ul style="list-style-type: none"><li>27) Involving employees in daily operation?</li><li>28) Resolving work problems quickly?</li><li>29) Doing right first time policy?</li><li>30) Working as a team?</li><li>31) Sharing work among its staff?</li><li>32) Rotating Workers around different activities?</li></ul>
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The most common procedure observed in the literature has been the use of measures depicting the extent to which organizations make use of HPWP (Combs *et al.*, 2006; Wood & De Menezes, 2006). However, despite its undeniable importance this approach does not allow to assess how these practices work on daily basis. For the

reason, the choice in this research was towards targeting effective use rather than just use of management practices.

The GMs were asked: *How effective is your hotel at the following*; and answers were collected using a five-point scale with scores ranging from 1 (=not at all effective) to 5 (=very effective). Another option scoring 6 (=doesn't apply / I don't know) was also provided to avoid forcing a false answer.

Following the same procedure adopted with the dependent variables, an exploratory factor analysis was applied to this group of variables seeking to identify underlying structures in data and to avoid overlapping conceptualizations. Initially, six different factors were extracted corresponding to six different practices used by the company.

**Table 6.7 Factor Loadings**

<b>Practices</b>	<b>factor 1</b>	<b>factor 2</b>	<b>factor 3</b>	<b>factor 4</b>	<b>factor 5</b>	<b>factor 6</b>
Mprac1	.613					
Mprac2	.390		.487			
Mprac3			.504			
Mprac4				.459		
Mprac5				.836		
Mprac6				.829		
Mprac7	.728					
Mprac8	.721					
Mprac9	.738					
Mprac10	.675					
Mprac11	.638					
Mprac12			.390			
Mprac13			.785			
Mprac14			.814			
Mprac15			.740			
Mprac16						-.571
Mprac17						-.627
Mprac18						-.563
Mprac19					.387	-.522
Mprac20					.818	
Mprac21					.845	
Mprac22					.577	
Mprac23					.508	
Mprac24	.428				.355	
Mprac25	.438					
Mprac26	.579	.330				
Mprac27	.312	.458				
Mprac28		.845				
Mprac29		.704				
Mprac30		.840				
Mprac31		.831				
Mprac32		.627				

The initial factor loadings can be observed in table 6.7 above. Each one of these practices corresponds to one independent variable in the current study. In some cases

items had to be dropped because they did not make much theoretical sense being together in a single scale. This was the case, for instance of items 28 and 29<sup>25</sup> that were originally part of a single scale with items 30 and 31. After a careful assessment, I came to the conclusion that these items were addressing two different constructs. Items 30 and 31 were kept because they target the original concept of *flexible work* more clearly. A similar argument explains why items 3 and 12 were excluded from a scale addressing a specific HR practice (*recruitment*).

Once these scales have been set, a second order factor analysis was performed on each one of them to make sure that a single factor only was being assessed. This procedure identified that the set of items ranging from 20 to 23 are in fact addressing two different factors that vary together. A closer look into the nature of these items (two of them measuring rewards and two measuring benchmarking activities) reinforced this observation and supported the decision of dealing with them separately. Differently from the previous situation, the factor analysis indicated the existence of two factors explaining why they were dealt with a different approach. The final result shows the existence of seven factors.

The factors were then divided into two groups: human resources practices and operational practices.

It should be noted that the final factors do not correspond to the original categories investigated. This is especially important when we look at the set of operational practices. In the one hand, three original practices were not identified. They are: *setting goals around customer focus*, *having clear communication channels* and *setting consistent standards*. In the other hand, some of the items measuring these practices merged into a new factor whose importance seems to be understated in the literature reviewed. Under the light of these findings the option was to review and test for the actual results rather than to the original practices. This decision finds support in this study main objective: identify what works in the hotel industry.

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<sup>25</sup> Item 32 was originally an integral part of factor 2 but it was later dropped out to maintain consistency with a similar scale used in study 3.

### *Human Resources Practices*

**Recruitment-** This practice was assessed using a three-item scale: (13) *Recruiting workers who work hard?* (14) *Recruiting workers with a passion for hospitality?* and (15) *Recruiting workers who are customer-focused oriented?* The Alpha coefficient calculated for this scale was .873.

**Training-** This area was assessed with a three-item scale: (16) *Training workers in customer service skills?* (17) *Training workers in company processes?* (18) *Continuing to develop workers so that their skills are regularly updated?* The Alpha coefficient calculated for this scale was .877.

**Rewards-** This practice was assessed using a two-item scale: (20) *Allocating performance-related rewards to individuals?* (21) *Providing incentives that motivate employees to improve performance?* The Alpha coefficient calculated for this scale was .911.

**Flexible Work** - this practice was assessed using a two-item scale: (30) *Sharing work as a team,* and (31) *Sharing work among its staff.* The Alpha coefficient calculated for this scale was .872.

### *Operational Practices*

**Controlling the Operation-** This practice was assessed using a two-item scale: (05) *Controlling the Wastage* and (06) *Controlling Stock.* The Alpha coefficient calculated for this scale was .730.

**Benchmarking-** This practice was assessed via a two-item scale: (22) *continuously tracking competitors for best practices?* and (23) *continuously tracking services standards?* The Alpha coefficient calculated for this scale was .853.

**Performance Monitoring and Feedback-** This practice was assessed using a seven-item scale: (01) *Monitoring customers' reaction to services provided?*, (07) *Having communications channels used by management team to express their targets and ideas?*, (08) *Having communications channels enabling workers' input?*, (09) *Continuously providing workers with feedback on departmental performance?*, (10)

*Setting clear targets for individual workers?*, (11) *Setting clear targets for departmental performance?* and (25) *Continuously tracking individual performance?*  
The Alpha coefficient calculated for this scale was .905.

It is important to notice that *performance monitoring and feedback* is a composite of two of the originally proposed operational practices (*having clear internal communication channels* and *setting consistent standards*) that come out together as a single factor during factor analysis. This result suggests that these practices have a deeper connection and importance than originally conceptualised.

### **6.3.3 Screening Data prior to Analysis**

It is common sense that good analytical findings rely heavily not only on research design and analytical procedures but also on the nature and quality of the data available. However, one important and sometimes underestimated research step consists in dealing adequately with data after it has been collected and before the analysis is run.

This section is aimed at describing the actions taken to ensure the data set was tidy and ready for use. The actions are based mainly on Tabachnick and Fidell (2006) and Field (2005) recommendations.

#### **6.3.3.1 Accuracy of Data File**

One initial common source of error in research analysis can be found during the data input step, when information collected in questionnaires is typed into the appropriate data base. This is a monotonous, repetitive and time consuming task, the longer the questionnaire the greater the possibility of mistakes. Sometimes problems are easily spotted. This is the case for instance, when a variable is input with a non-existent score. However, in many other situations problem detection and, much worse, problem solving is not so easy. Tabachnick and Fidell (2006) suggest proofreading the data trying to spot problems. At the same time they recognise that this action is only effective with small samples and questionnaires.

In order to reduce the amount of mistakes at this stage, instead of typing directly into SPSS editor, data was typed in a word pad like file in a .txt format. The advantage of this input procedure is that it cuts by half the number of key strokes since you do not have to press enter to move from one cell to another as you do in SPSS editor. Fewer strokes mean fewer mistakes possibilities. Another important aspect is that you have a line assigned to each questionnaire and when all data is input you end up with a graphic visual pattern that allows for easier detection of problems, especially those where data might be misplaced.

A second step to improve the accuracy of the data file came when writing program syntax where some variable boundaries were defined and cases falling outside them were listed. For instance, it is very unlikely to find a hotel with more than 500 bedrooms. They do exist but they are rare. So, a syntax line was written to identify workplaces with larger number of bedrooms. Another syntax line was written to sum up the number of temporary and full time workers. In this case, the sum should not be greater than the total number of workers in the hotel. This allowed checking the questionnaires to assess if unlikely numbers were real or a result of input errors.

#### *6.3.3.2 Missing Data*

A third step consisted of defining clear values for missing data for all variables. Once this was done, frequency tables were produced for all variables to check missing values for data. Only an irrelevant amount of missing data was identified and no pattern was distinguished. For example, initially there were eleven variables identifying perceived levels of performance and for the whole sample only one value was missing. The decision was to replace missing values with mean scores for each variable. This decision allowed keeping and using all cases without adding unnecessary bias into the results. This action was taken using the *Replace Missing Values* function in SPSS.

#### *6.3.3.3 Outliers*

Tabachnick and Fidell (2006) identify four possible sources of outliers in a sample: a) incorrect data entry, b) failure to specify missing data codes in computer syntax, c) not a member of the population, d) distribution of extreme values. The data tidying

up process previously described allowed the identification and elimination of possible cases falling under conditions *a* and *b*. Due to the nature of the research design, a single sector study, and the sampling process, all cases are members of the population accounting for condition *c*. Regarding condition *d* these are not present in either independent or dependent variables therefore, no outliers should be identified. However, in one situation one variable outlier was identified. It was a workplace with a number of bedrooms and employees much greater than any other workplace in the sample. In this situation the case was excluded when averaging sample basic characteristics to avoid distortions but it was kept and used in other analytical procedures.

#### 6.3.3.4 Parametric Data Assumptions

A great deal of the so-called multivariate statistical analysis is based on the assumption that available data is normally distributed. In this case there is a need to check if this assumption is met and if not, some data transformations have to be performed in order to allow a proper analysis.

An initial assessment came from investigating descriptive statistics for skewness and kurtosis, whose values are an indication of the distribution shape, and from plotting histograms for each and every variable in the study; allowing for a visual investigation of the distribution shape. This initial procedure showed a tendency for data piling up on the right side of the graphs in a sign that the data might not be normal despite the fact that the curves looked normal. A *Kolmogorov-Smirnov* test was applied and all results were statistically significant at  $p < .01$  indicating a deviation from normality reinforcing the previous impression. However, as Field (2005) observes, in large samples, ( $n > 200$ ) because it is easy to get significant results even from very small deviations from normality, this test has its limitation. *So a significant test does not necessarily tell us whether the deviation from normality is enough to bias any statistical procedures we apply to the data* (p.93) and therefore, some more investigation was needed.

The next step was to convert the scores for skewness and kurtosis to a z-score. A z-score is a score from a distribution that has a mean of 0 and a standard deviation of 1 (Field, 2005). Once again this kind of procedure is sensitive to sample sizes when the

standardization process is based on the size of the standard deviation. However, the z-score fell within acceptable boundaries for both skewness and kurtosis.

It is also important to notice that the data refers to self-reported measures of management practices and performance and there is a tendency with these kinds of measures to be biased towards higher values in the measurement scales. This kind of problem is at the centre of the common method bias and is very likely to be observed in studies with the characteristics like this one. Anyway, both Tabachnick and Fidell (2006) and Field (2005) suggest that the final decision has to be taken by the researcher. Based on the information provided both by the histograms and on the test performed the decision in this study was to keep the data as it was, without performing any transformation, accepting the premise that they are normally distributed.

Two other parametric assumptions, data independence and interval data, are clearly met and there is no need for further discussion about them. The set of procedures described in this section assured that the data was ready for the previously designed analytical processes.

## **6.4 Results**

The basic approach to this study stems from the general assumption that management practices (independent variables), here identified, will be related with organizational outcomes (dependent variables). These should be positive relations once these practices are supposed to be contributing to organizational performance. In order to analyse this proposition and test the proposed hypotheses, I began by exploring basic relationships between all variables in the study to see if there was any observable or unexpected pattern emerging from the available data. Table 6.6 below shows the value of these basic statistics.

The average annual revenue per employee (ARE) is £ 31,911.65 with a standard deviation of £ 19,636.28. The average annual revenue per bedroom (ARB) is £ 22,310.79 with a standard deviation of 15,257.67. These figures highlight the

sample's big dispersion in terms of size, also reflecting differences in room rates varying according to rating. In turn, the self-reported measures of performance and the averages attributed to management practices tend to pile up towards the upper part of the scale, possibly signalling a tendency towards a good self-evaluation of daily activities by managers.

**Table 6.8 Means and standard deviation for all variables in this study**

<b>Variable</b>	<b>Mean</b>	<b>SD</b>
<i>dependent variables</i>		
1. <i>Occupancy Rate (Occpcy)</i>	73.78	11.83
2. <i>Annual Revenue per Employee (ARE)</i>	31,911.65	19,636.28
3. <i>Annual Revenue per Bedroom (ARB)</i>	22,310.79	15,257.67
4. <i>Employees' Performance (EP)</i>	3.85	.58
5. <i>Service Quality (SVQ)</i>	4.12	.64
6. <i>Operational Performance (OP)</i>	3.74	.65
<i>independent variables</i>		
7. <i>Recruitment</i>	3.74	.79
8. <i>Training</i>	3.89	.70
9. <i>Rewards</i>	3.50	1.07
10. <i>Flexible work</i>	4.17	.72
11. <i>Controlling the Operation</i>	4.00	.79
12. <i>Benchmarking</i>	3.71	.92
13. <i>Performance Monitoring and Feedback</i>	3.99	.70

Practices with lower average scores (rewards and benchmarking) are also those showing the higher standard deviation (1.07 and .92). The same happens in the opposite direction: the practice with the highest score (flexible work) has one of the lowest standard deviations.

However, about 70% of the sample is comprised of chain workplaces. It could also be argued that these establishments tend to have a well organised and structured set of managerial procedures explaining why high scores are being observed. Anyway, these numbers are also a sign of low variance within the sample, a trend that can cause difficulties when looking to uncover patterns. Table 6.9 displays the basic correlations between all variables used in this study.

**Table 6.9 Correlations of all variables in this study**

Variables	1	2	3	4	5	6	7	8	9
<i>dependent variables</i>									
1. <i>Occpcy</i>	---								
2. <i>ARE</i>		---							
3. <i>ARB</i>	.33**		---						
4. <i>EP</i>	.36**	.08	.00	.21**	---				
5. <i>SVQ</i>	.10	-.08	.20**	.66**	---				
6. <i>OP</i>	.27**	.02	.21**	.44**	.44**	---			
<i>independent variables</i>									
7. <i>Recruitment</i>	.06	.10	.19*	.47**	.32**	.36**	---		
8. <i>Training</i>	.07	.09	.01	.37**	.39**	.38**	.48**	---	
9. <i>Rewards</i>	.07	.06	.00	.15*	.22**	.25**	.28**	.46**	---
10. <i>Flexible work</i>	.14*	.08	.10	.41**	.31**	.31**	.46**	.44**	.29**
11. <i>Controlling the Operation</i>	.05	.01	.08	.12	.11	.26**	.31**	.28**	.31**
12. <i>Benchmarking</i>	-.03	.06	.06	.23*	.28**	.32**	.44**	.61**	.54**
13. <i>Performance Monitoring and Feedback</i>	.11	.09	.06	.31**	.37**	.46**	.49**	.71**	.51**
<b>Variables</b>	<b>10</b>	<b>11</b>	<b>12</b>	<b>13</b>					
10. <i>Flexible Work</i>	---								
11. <i>Controlling the Operation</i>	.22**	---							
12. <i>Benchmarking</i>	.37**	.38**	---						
13. <i>Performance Monitoring and Feedback</i>	.42**	.40**	.68**	---					

*Occpcy*= Occupancy rate; *ARE*=Annual Revenue per Employee; *ARB*= Annual Revenue per Bedroom; *EP*=Employee performance; *SVQ*= Service Quality; *OP*= Operational Performance. N=175 for ARE; N=176 for ARB; N=195 for Occpcy. For all others N=213. Differences in N are due to missing data.

\* Correlations are significant at p<.05 (two-tailed)

\*\* Correlations are significant at p< .01 (two-tailed)

All correlations bigger than .14 and .20 are statistically significant at p< .05 and p<.01 level respectively; from the set of the operational practices, controlling the operation only has a statistically significant correlation with operational performance (r=.26); while benchmarking and performance monitoring are significantly correlated with all self-reported measures of performance. Regarding HR practices and productivity, recruitment is positively correlated with ARB (r=.19) while flexible work is

correlated with Occpcy. All HR practices are significantly correlated with all self-reported measures of performance.

Initial data analysis seems to suggest partial support to established hypotheses. However, due to great sample heterogeneity and the possibility of multicollinearity effects, there is a need to deeply explore data before conclusions can be made.

The literature review identified the influence of some variables over performance regardless of the kind of management practices adopted. This effect arises especially due to intrinsic characteristics of the operation and act as confounding factors in analysis. Size has been identified as a particularly relevant variable across studies, in both manufacturing and the service industries and is capable of distorting results. This situation justifies examination for its impact on observable relations. This will be done by using the partial correlations technique, controlling for size (both in terms of number of bedrooms and number of employees).

This procedure is similar and yields exactly the same results, in statistical terms, as a regression analysis when controlling for the same variables. However, it is simpler and, for this reason, it is used here. Results are shown in table 6.8 below.

The most important observation is the continued lack of correlation between management practices and productivity measures even when controlling for size. The previous observed statistically significant correlation between recruitment and operational performance has disappeared. The correlation between Occpcy and flexible work is just below significance level. The rest of the picture is very blurred. Variances in correlation size can clearly be perceived, however a single pattern is not identifiable. When performance is assessed in terms of employee performance, size is an important variable in estimating the impact of recruitment, training and flexible work practices. Conversely, size does not seem to impact on the relationship between performance monitoring and feedback with employee performance.

**Table 6.10 Partial correlations for all variables in this study controlling for size (total number of employees and bedrooms)**

variables	1	2	3	4	5	6	7	8	9
<i>dependent variables</i>									
1. Occpcy	---								
2. ARE	.34**	---							
3. ARB	.35**	.66**	---						
4. EP	.10	.10	.17*	---					
5. SVQ	.15*	.05	.11	.64**	---				
6. OP	.33**	.07	.10	.41**	.43**	---			
<i>independent variables</i>									
7. Recruitment	.02	.05	.14	.51**	.35**	.28**	---		
8. Training	.09	.02	-.06	.41**	.43**	.37**	.48**	---	
9. Rewards	.07	-.02	-.03	.15*	.20**	.28**	.29**	.42**	---
10. Flexible work	.15	.12	.11	.48**	.32**	.34**	.49**	.45**	.32**
11. Controlling the Operation	.09	-.06	.08	.13	.17*	.29**	.27**	.22**	.33**
12. Benchmarking	-.03	.00	.00	.23**	.29**	.28**	.43**	.54**	.56**
13. Performance Monitoring and Feedback	.10	.02	-.02	.30**	.39**	.43**	.46**	.69**	.51**
<hr/>									
variables	10	11	12	13					
10. Flexible work	---								
11. Controlling the Operation	.25**	---							
12. Benchmarking	.33**	.39**	---						
13. Performance Monitoring and Feedback	.42**	.39**	.65**	---					

\* Correlations are significant at  $p < .05$  (two-tailed)

\*\* Correlations are significant at  $p < .01$  (two-tailed)

More or less the same trend is perceived when performance is assessed in terms of the quality of services provided. Here again, recruitment and training practices present stronger correlations when controlling for size, compared to previous results, while the relationship with flexible work remains the same.

Regarding operational performance results, the direction of effect seems to be completely different suggesting a dissimilar group of forces in place here when compared to other metrics. In this case, recruitment and benchmarking lose part of

their strength; training has its importance diminished and performance monitoring has a lesser role.

#### **6.4.1 Testing for H1**

Hypothesis 1 proposes that the *Effective use of operational management practices will be positively related to performance*. To test this proposition I will make use of a regression analysis applying the forced entry mode. According to Field (2005) this is a method in which all predictors are forced into the model simultaneously. Different from other methods (stepwise or hierarchical), no theoretical assumptions about predictors are made, a justifiable procedure since I am investigating the impact of practices on performance. The statistical program will seek for the best mathematical (solution) model possible. This is a two-step process where control variables (all five of them) are entered first followed by the independent variables. Table 6.11 below shows  $\beta$  standardized coefficients for each model estimated according to performance metrics.

No statistically significant relationships were found with any productivity measures. From the set of the operational practices only performance monitoring and feedback has proved statistically capable of predicting organisational outcomes in terms of employee performance, quality of services and operational performance. The amount of variance explained ( $\Delta R^2$ ) is relative small in the case of employee performance (7,8%), increasing relatively to quality of services (11,2%) until it reaches its highest level with operational performance (15.2%).

Why does performance monitoring have significant correlations with all three self-reported measures of performance while both controlling the operation and benchmarking have none?

**Table 6.11 Standardized  $\beta$  coefficient in regression models for operational practices with controls**

	EP	SVQ	OP
<i>Control variables</i>			
<i>Bedrooms</i>	<b>-.192*</b>	<b>-.194*</b>	-.021
<i>Empno</i>	<b>.226*</b>	<b>.223*</b>	.173
<i>Market1</i>	-.041	-.079	-.099
<i>Market2</i>	-.131	<b>-.139*</b>	-.064
<i>Ratdum1</i>	-.032	-.086	.078
<i>Ratdum3</i>	-.017	-.020	.120
<i>Independent variables</i>			
<i>Controlling the operation</i>	-.001	-.055	.131
<i>Benchmarking</i>	-.026	.049	-.010
<i>Performance monitoring and feedback</i>	<b>.281**</b>	<b>.341**</b>	<b>.353**</b>
<b>R<sup>2</sup></b>	<b>.146</b>	<b>.207</b>	<b>.268</b>
<b><math>\Delta</math>R<sup>2</sup></b>	<b>.078*</b>	<b>.112**</b>	<b>.152**</b>

EP= Employees Performance; SVQ= Service Quality; OP= Operational Performance; EMPNO= total number of employees; Market1= difficulty to recruit staff; Market3= competition level.

\* Correlations are significant at  $p < .05$  (two-tailed)

\*\* Correlations are significant at  $p < .01$  (two-tailed)

A possible answer points to the nature of the performance metrics and the intrinsic characteristic of the practices themselves. In other words, it is not clear how the practices can contribute to the measures. For example, how can a better control over the operation (in terms of stock and waste) contribute to employees' better performance, service quality or operational performance? It could also be argued that benchmarking has only an indirect impact on these performance measures and there is clearly a time lag between its use and perceivable outcomes. For these reasons, its effects can not be properly estimated with the kind of procedures being applied.

Performance monitoring, in turn, seems to be more directly associated with the work process itself. It enables the proper flow of actions, ideas, orders and so on. Not surprisingly, it is strongly associated with goal-setting and communication processes, as it can be perceived when we look at the composing items in this scale. If the organization is better prepared to listen to its employees and to make changes more quickly to how work is being performed, a direct impact on overall employee performance, service quality and general operational performance should be expected.

The other practices seem to act on a different level; they are associated with ends rather than processes.

As a single trend associated with operational practices can not be perceived, the solution is to assess the impact of each operational practice individually. In this sense general hypothesis H1 is rejected and our attentions have to the three specific propositions:

*H1a- The effective use of controlling the operation is positively associated with performance:* as no statistically significant association with any performance indicator was found hypothesis H1a has to be rejected.

*H1b- The effective use of benchmarking is positively associated with performance:* as no statistically significant association with any performance indicator was found, hypothesis H1b has to be rejected.

*H1c- The effective use of performance monitoring and feedback is positively associated with performance:* as this holds true for all three self-reported measures of performance hypothesis H1c is accepted.

#### **6.4.2 Testing for H2**

Hypothesis 2 proposes that the *Effective use of HR management practices will be positively related to performance*. The procedure used to test for H2 is exactly the same one used for H1. Table 6.12 below summarises the results.

Regarding HR practices, the results show a completely different situation when compared to operational ones. A richer picture emerges and more complex relationships seem to be in place. Employee performance is under direct and positive influence from recruitment ( $\beta=.334$ ), flexible work ( $\beta=.201$ ) and training ( $\beta=.171$ ), while rewards make no statistically significant contribution. A relative increased importance of recruitment when compared to the other practices may be explained because of the greater employee turnover rate in the sector and by the importance of choosing the right set of “attitudes” expressed by managers.

**Table 6.12 Standardized  $\beta$  coefficients in regression models for HR practices with controls**

	EP	SVQ	OP
<i>Control variables</i>			
<i>Bedrooms</i>	-.179*	-.187*	-.008
<i>Empno</i>	.249*	.236*	.169
<i>Market1</i>	-.051	-.082	-.076
<i>Market2</i>	.000	-.088	-.033
<i>Ratdum1</i>	-.050	-.097	.066
<i>Ratdum2</i>	-.084	.003	.116
<i>Independent variables</i>			
<i>Recruitment</i>	.334**	.115	.150
<i>Training</i>	.171*	.274**	.181*
<i>Rewards</i>	-.069	.033	.083
<i>Flexible Work</i>	.201**	.099	.112
<b>R<sup>2</sup></b>	<b>.325</b>	<b>.246</b>	<b>.252</b>
<b><math>\Delta</math>R<sup>2</sup></b>	<b>.257**</b>	<b>.151**</b>	<b>.136**</b>

EP= Employees Performance; SVQ= Service Quality; OP= Operational Performance; EMPNO= total number of employees; Market1= difficulty to recruit staff; Market3= competition level.

\* Correlations are significant at  $p < .05$  (two-tailed)

\*\* Correlations are significant at  $p < .01$  (two-tailed)

When performance is assessed, in terms of quality of services, training ( $\beta = .274$ ) stands out as the single most important practice predicting performance. The link in this case is straight forward: better skilled workers will be able to deliver a better quality service and positively impact on customer satisfaction. Not surprisingly, employee performance and service quality are strongly correlated ( $r = .64$ ).

Operational performance will be positively affected by training ( $\beta = .181$ ) only.

There is a clear importance of training to performance in the hotel sample investigated and to a much lesser extent to recruitment and flexible work. Surprisingly, no statistically significant correlation was identified between rewards and self-reported measures of performance. What does it mean? The results might be just picturing a sector where very few forms of incentives except payment itself are used. Regarding flexible work it can be said that it increases employee performance by a better provision of skills and a broader knowledge of the work process, however this could come at the expense of expertise in specific areas reducing quality and overall

operational performance. Regarding recruitment, it is not difficult to understand its limitations for improving service quality or even operational performance. Recruiting the right worker does not guarantee, over time, that he (or she) will be able to contribute to performance if other conditions, especially those related to training and setting the right standards are not met.

One of the most important findings so far, is that HR practices seems to be capable of explaining far superior levels of performance when compared to operational ones in all three categories of self-reported performance measures. Uptake in HR practices can explain a good amount of variance in employee performance ( $\Delta R^2=.257$ ) and, to a moderate extent, service quality ( $\Delta R^2=.151$ ) and operational results ( $\Delta R^2=.136$ ).

As it has happened with the previous hypothesis a single trend is not clearly identifiable and for this reason the results the general H2 hypothesis is also rejected. Following the procedure previously adopted our attentions are now turned to the four more specific propositions. In this sense:

*H2a- Recruitment will be positively associated with performance.* As the results shows only one statistically significant and positive association with employees' performance, it is not possible to accept this hypothesis. For this reason H2a is rejected.

*H2b- Training will be positively associated with performance.* In fact, as the results shows that training is positively associated with all self reported measures of performance hypothesis H2b is accepted.

*H2c- Rewards will be positively associated with performance.* In the present case as no statistically significant correlation with any of the self reported measures of performance was identified, hypothesis H2c is rejected.

*H2d- Flexible work will be positively associated with performance.* Here the same situation experienced with hypothesis H2a is identified. The DV only statistically significant correlation is with employees' performance and this is not enough to establish to support the more general proposition. For this reason hypothesis H2d is rejected.

### 6.4.3 Testing for H3

Previous results have already shed some light over hypothesis 3. It proposes that *the effective use of management practices will impact distinct performance metrics in different ways*. However, a more thorough investigation is needed. In order to test for this hypothesis all control variables will be entered in the model followed by all independent variables; entered simultaneously in a two-step process. This procedure will also allow understanding of how practices interact with each other in predicting organizational outcomes in the presence of the control variables.

**Table 6.13 Standardized  $\beta$  coefficients in regression models for all practices in the study with controls**

	EP	SVQ	OP
<b>Control variables</b>			
<i>Bedrooms</i>	<b>-.183*</b>	<b>-.196*</b>	-.019
<i>Empno</i>	<b>.246**</b>	<b>.229*</b>	.179
<i>Market1</i>	-.043	-.076	-.096
<i>Market3</i>	.001	-.088	-.017
<i>Ratdum1</i>	-.054	-.106	.072
<i>Ratdum2</i>	-.083	-.005	.104
<b>HR practices</b>			
<i>Recruitment</i>	<b>.358**</b>	.11	.110
<i>Training</i>	<b>.186*</b>	<b>.212*</b>	.061
<i>Rewards</i>	-.042	.022	.026
<i>Flexible Work</i>	<b>.204*</b>	.094	.097
<b>Operational practices</b>			
<i>Controlling the operation</i>	-.033	-.067	.118
<i>Benchmarking</i>	-.093	-.040	-.066
<i>Performance monitoring and feedback</i>	.043	.164	<b>.258*</b>
<b>R<sup>2</sup></b>	.330	.258	.293
<b><math>\Delta R^2</math></b>	<b>.262**</b>	<b>.162**</b>	<b>.177**</b>

EP= Employees Performance; SVQ= Service Quality; OP= Operational Performance; EMPNO= total number of employees; Market1= difficulty to recruit staff; Market3= competition level.

\* Correlations are significant at  $p < .05$

\*\* Correlations are significant at  $p < .01$

The results show a much clearer picture when compared to previous analyses. Operational practices are only capable of predicting operational performance, while HR practices are determinant in predicting both employee performance and service quality.

Depending on how performance is conceptualized it will impact on management practices in different ways. Regarding employee performance, it is possible to see a distinct role assigned to recruitment ( $\beta=.358$ ), training ( $\beta=.186$ ) and flexible work ( $\beta=.204$ ), while performance monitoring loses its capability of prediction. The regression model where these practices are statistically significant is capable of predicting 26.2% variance in the sample. As the combination of operational and HR practices added very little to the overall model predictability, it is possible to say that HR practices are greatly responsible for employee performance.

When performance is assessed in term of quality of services, training ( $\beta=.212$ ) turns out to be the best predictor and the model is capable of explaining 16.2% of total variance. Here again performance monitoring loses its capability for predicting performance and operational practices brought very little contribution to service quality predictability. It is also possible to say that HR practices are greatly responsible for explaining variances in service quality.

When a more externally driven performance metric is used, as it is the case with the operational performance metric; performance monitoring and feedback ( $\beta=.258$ ) is the only statistically significant practice and the model is capable of explaining 17.7 % of total variance. No statistically significant result can be ascribed to any HR practices. However, the combination of HR and operational practices increased the amount of variation explained in the samples from 15.2% ( $p<.01$ ) (operational practices alone) to 17.7% ( $p<.01$ ). It seems that HR practices provide some sort of support to performance monitoring and feedback making it more effective.

The implications of such findings will be discussed later. However, at this point it is possible to assert that hypothesis H3 is supported by the findings of this study.

#### **6.4.4 Further Analyses**

There are two more issues that deserve further attention because they have been previously addressed but not deeply investigated: the first one relates to the absence of positive relationships with productivity measures. The second one refers to the existence of distinct company groups split according to rate and this is visible in the sample.

There is a possibility, already briefly expressed, that the way performance is being measured, mixing up companies operating in different market segments, may be hindering the uncovering of positive performance-management practices relations. Another important aspect, relates to the nature of the productivity measures used in this study. They are based on price and this is strongly associated with rating within the hotel industry. Firstly, budget hotels will have a lower price when compared with upper-scale ones, no matter how good their individual performance is or how efficient they are. It is possible that some relationships might be uncovered only within specific rating groups. If this is true, it would be expected to find some positive relationships between management practices and productivity within rating groups.

The second case is, in fact, a development of the previous argument. Different market segments have dissimilar work requirements due to the nature of the services being provided to customers. For instance, budget operations are expected to have fewer provisions for associated services when compared to upper-scale workplaces. At the same time, the total set of skills required is simpler and less demanding in many respects in budget hotels. So it should be expected that management practices, especially HR ones, will have a different impact on performance, or rather, different importance levels varying according to hotel rating.

I will begin investigating these issues by addressing the second argument first.

In order to do so, I will initially look into basic correlations between employee performance and *recruitment* by rating in search for differences according to groups. Based on what has been said, recruitment requirements, and more importantly, their impact on performance should differ from one market segment to another. Budget operations tend to have lower employee-to-bedroom ratios when compared to upper-

scale hotels and fewer services are provided. Different work requirements would lead to different skills requirements and different levels of importance for recruitment across rating levels. To investigate this possibility I will look at how *recruitment* correlates with employee performance by rating. Results are displayed in table 6.14 below.

**Table 6.14 Correlation between recruitment and employee's performance by rating**

	Rating	EP
<i>Recruitment</i>	Budget	.338*
	Mid-scale	.401**
	Upper	.627**
	Total	.472**

\* Correlations are significant at  $p < .05$  (two-tailed)

\*\* Correlations are significant at  $p < .01$  (two-tailed)

The result suggests that ratings do matter in understanding the relationship between the effective use of management practice and performance. The average correlation for all three groups together is greater than for budget and mid-scale operations and much smaller when compared to upper-scale. To test for the impact of this difference of recruitment on performance I will run an analysis of covariance (ANCOVA) where rating will be input as a covariate term. Table 6.15 below shows the output of this analysis.

**Table 6.15 Tests of Between-Subjects Effects for interactions between recruitment and employees performance by rating**

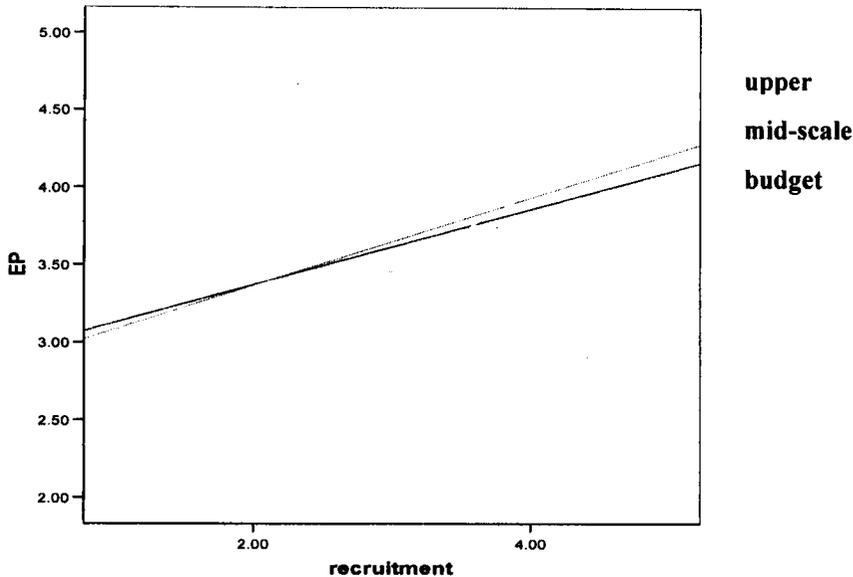
Source	Type III Sum of Squares		Mean Square	F	Sig.	Partial Eta Squared
Corrected Model	17.582(a)	5	3.516	13.379	.000	.248
Intercept	51.554	1	51.554	196.159	.000	.491
RATING	1.427	2	.714	2.715	.069	.026
MPRAC_R_1	14.039	1	14.039	53.415	.000	.208
RATING * MPRAC_R_1	1.581	2	.791	3.008	.052	.029
Error	53.352	203	.263			
Total	3163.984	209				
Corrected Total	70.934	208				

Dependent Variable: Employees Performance. (a) R Squared = .248 (Adjusted R Squared = .229)

The size of the impact (interaction effect) of *recruitment* on performance according to rate is estimated to be 2.9% ( $p = .052$ ,  $F = 3.008$ ). Despite being slightly over usual statistically accepted values ( $p < .05$ ) it is not possible to reject the findings on this ground since it was estimated based on a two-tailed test. As the effect found is in the hypothesised direction it would be possible to halve the value using a single-tailed test. An alternative approach to the same question would be to consider it unreasonable to

dismiss the results based on such small differences from traditionally accepted  $p$  values. In any case, it is possible to have confidence in the findings. Figure 6.1 shows this effect.

**Figure 6.1 Interaction effects between recruitment and performance by rating**



However, there is a possibility that such a finding could happen by chance. In order to rule out this possibility I will deepen the analysis by taking another example.

Following the previous argument, training should also have a differentiated impact on employee performance by rating, since skill requirements would be different from one segment to another. Results can be observed on table 6.16.

**Table 6.16 Correlation between training and employee's performance by rating**

	Rating	EP
<i>Training</i>	Budget	.338*
	Mid scale	.298**
	Upper	.468**
	Total	.374**

\* Correlations are significant at  $p < .05$  (two-tailed)

\*\* Correlations are significant at  $p < .01$  (two-tailed)

Similarly to what was found with *recruitment* it is possible to see a difference in correlations between training and performance according to rating. In the present case, the pattern is not as clear as before since mid-scale operations present a lower correlation when compared to budget hotels. This difference could be due to different firms' characteristics according to rating, an expression of intrinsically different managerial capabilities. Budget and upper-scale segments are more likely to be part of a chain and, consequently, more likely to have better training provision for their

employees when compared to mid-scale segments, where independent operations are more likely to be predominant. Table 6.17 shows the output of this analysis.

**Table 6.17 Tests of Between-Subjects Effects for interactions between training and employee's performance by rating**

Source	Type III Sum of Squares	df	Mean Square	F	Sig.	Partial Eta Squared
Corrected Model	10.721(a)	5	2.144	7.229	.000	.151
Intercept	38.788	1	38.788	130.769	.000	.392
RATING	.697	2	.348	1.174	.311	.011
MPRAC_T_1	9.116	1	9.116	30.735	.000	.131
RATING * MPRAC_T_1	.763	2	.382	1.287	.278	.013
Error	60.213	203	.297			
Total	3163.984	209				
Corrected Total	70.934	208				

a R Squared = .151 (Adjusted R Squared = .130)

Unfortunately, no statistically significant interactions were found to support this line of enquiry ( $F=1.287$ ,  $p=.278$ ), in this case. This result could be reflecting low correlation levels attributable to mid-scale operations. Anyway, the empirical evidence already identified is strong enough to support the argument that this relationship between management practices varying according to market segment should be more carefully investigated.

Regarding possible positive relations between productivity measures and management practices varying by rating, the findings are not statistically significant to support the assumption that within more homogeneous groups, the relationship with objective measures of performance are more clearly identified. To test for this hypothesis I split the sample according to rating and ran regression analysis using four control variables.

Why does this happen? I am tempted to say that the impact of some important externalities on the sample was not properly accounted for. For example, land/property prices in London are much higher when compared to Sheffield and this will have a direct impact on hotel rates, independent of competition and differences in the labour market. Anyway, at this point in time it is not possible to provide a definitive answer for this question and further investigations are needed.

There is one last issue I would like to address. Throughout this research I have characterised the hotel industry as having a high employee turnover rate. At this point, it would be legitimate to ask the question: do different levels of employee turnover have an impact on management practices in predicting performance? In order to investigate this possibility I began by reducing turnover rates to z-scores: low turnover ( $-1 < SD$ ), average turnover ( $-1 < SD < 1$ ) and high turnover levels ( $< 1 SD$ ). In the sequence I assessed the impact of recruitment, training and flexible work on employee performance using a combination of ANOVA and regression analysis. No statistically significant results were found. The results suggest that turnover levels do not significantly impact the relationship between management practices effectiveness and performance.

## **6.5 Discussion**

This study sought to understand the relationship between the effective use of management practices, performance and productivity in the hotel industry. An establishment level survey was undertaken and questionnaires were mailed to general managers of different workplaces throughout the UK. Independent variables used in this study were divided into two categories: HR and operational practices. A number of self-reported measures of performance and productivity were also collected and used as dependent variables. Control variables used were size, measured in terms of number of employees and bedrooms, level of competition, difficulty to recruit staff, and rating, coded as dummy variables. Factor analysis was applied to both dependent and independent variables and regression analysis was also used to estimate the importance and impact of each practice on performance.

When testing for H1 (here including H1a, H1b and H1c), from our set of operational practices, only performance monitoring and feedback was capable of predicting performance when it was assessed in terms of service quality, operational performance and employee performance. The results highlight the importance of the process of identifying, setting and communicating standards to employees and of enabling their participation in work activities when compared to controlling waste and

benchmarking. Results also suggest that this process should evolve around customer and quality issues. More often than not, these aspects have been dealt within the hospitality literature in a separately manner. The results of the factor analysis in this study show that a more comprehensive approach is needed in this process.

No statistically significant correlations could be found with both benchmarking and controlling the operation with performance.

When testing for H2 (including H2a, H2b, H2c and H2d), from the set of HR practices, training has proved capable of delivering an overall superior result, followed closely by recruitment and flexible work. No important role was identified for rewards in the sample investigated. It is not difficult to understand this finding. Recruitment is important to bringing into the company a worker with the right set of “attitudes” as defined by managers. After this there is a need to develop specific skills to perform the job well and to deliver the set of standards required. This is why training acquires its relevance: better trained workers will be capable of delivering superior performance, influencing the quality of service being provided and contributing to a better operational result.

Flexible work in turn has a more limited reach and it seems to be mainly related to understaffing in the workplace (as a strategy to keep labour costs within strict limits) rather than working as a team, as traditionally conceptualized in the literature. Observations undertaken during the exploratory study provide support for this argument. A multi-skilled workforce would be part of an overall flexibility strategy to overcome labour shortages in specific areas without having to expand the number of workers employed, in a clear work intensification process. And finally, the absence of statistically significant relations between rewards and performance is certainly related to wage levels in the industry. It is also a sign of its absence as an incentive strategy associated with this economic activity. The lack of monetary incentives can also be understood as an indication that other sources of employee motivation should be in use in this industry.

This importance of recruitment to the sector had already been identified elsewhere (e.g. Lucas, 2004). However, this research found evidence that this relationship is not straight forward. It varies according to hotel rating, going against results from the

study of the US lodging industry (Enz & Siguaw, 2001, 2003). This result is not difficult to understand. Due to hotel activities intrinsic characteristics workplaces will share some common features. This explains the American findings. However, there are some specificities arising from particular aspects of operations, especially those related to rating. This justifies different levels of importance of recruitment according to rate.

Another important finding points towards the importance of HR practices to the hotel industry when compared to operational ones. It has been argued in the literature that HR practices are more likely to yield a positive impact for organizations operating in knowledge intensive environments. However, the findings suggest that people do make a difference to performance, even in traditional low-skilled, labour intensive sectors such as the hotel industry. HR practices can explain superior levels of performance when compared to operational ones. This result has to be understood into the context of a lean structure and a numerically flexible workforce, as previously identified in the exploratory study.

When testing for H3, findings from this study point towards a contingent relationship between practices and performance. In other words the impact of management practices will vary according to the way performance is being measured. More importantly this variance, in measurement issues, also impacts on the effectiveness of specific practices: the way management practices are defined does matter when assessing their impact on organizational outcomes going against findings from Combs *et al.* (2006) and in line with general theory on strategic HRM (e.g. Huselid, 1995).

The fact that different practices are associated with different performance metrics supports the notion that organizational performance is a sum of a complex array of forces, emphasizing the need for broader measurement approaches. It is true that most of the time financial performance can be understood as a *proxy* for these multiple influences. None the less on their own they are unable to indicate the strengths and weaknesses of any given operation. If a company seeks competitive advantage it has to map its activities more thoroughly.

This finding has clear practical and theoretical implications. On the one hand, companies should be aware of what is important in their operations and work based

on a more balanced approach to performance if they want to achieve and sustain a position of competitive advantage against their significant competitors. When choosing a practice, or set of practices, to implement or further develop within their organizations, managers must be aware of its possibilities and limitations. On the other hand, the importance of intra-sector studies to understand the relationship between practices and performance is shown. Each sector has its own characteristics and particular aspects related to work and production organization processes. When companies from multiple economic sectors are put together it means that a common pattern, across a variety of different business environments, is being searched for. There is a possibility that important, but specific relations, are being lost because the metrics used are not sensitive to sector specificities.

The findings also suggested that sometimes within sectors differences can be as big as in-between industries. This result raises concerns about the best way of assessing the relationship between practices and performance.

The practices identified here express a trend within the industry. Hotels that experience, or at least managers that perceive, an improved performance in some aspects of their operations have also reported a better use of certain practices. This does not mean that other practices are not capable of positively impacting performance.

No statistically significant relationship was found with productivity. Some explanations have been already offered but it is necessary to explore this a bit further. There are four basic possibilities to explain this: 1) the measures being used are inadequate and unable to properly express organizational outcomes, 2) they are not reliable, 3) there is a possible confounding variable that make the relationship unclear. Last but not least, there is a possibility that this relationship just does not exist in service environments.

From the foregoing possibilities, the measurement inadequacy one is the less likely to be influencing the results once three common relevant sector-specific metrics were used. None the less, they are all related to revenues acquired from accommodation services and a typical hotel has many other sources of revenues like bars, restaurants

and the internet. A more comprehensive set of metrics could have yielded different results.

The second possibility refers to common-method bias, where information on performance and management practices was collected from the same informant, and there is a possibility that they might have been systematically inflated distorting results. An opposite argument could be made though, once managers have voluntarily and anonymously agreed to take part in the survey it is expected that they should provide trustworthy information. None the less, this argument can not be ruled out.

Regarding the third possibility, when we seek for a relationship between management practices and performance there is an underlying assumption that the way work is organized can impact organisational outcomes directly. This relationship has been clearly observed in manufacturing. In service environments, a different set of forces seems to be in place. An efficient work process, the right quality of services and goods are dependent upon something that it is not under organisational control: the customer. Following the same argument, another aspect capable of impacting this relationship refers to the role of competition and other market variables impacting price that are not easy to control in the study. It is possible to say that, in service environments, the amount of externalities shaping and influencing organizational performance is much greater when compared to manufacturing. For this reason, an important portion of variance in organisational performance can not be accounted for by the way the work and the production process are organised. Despite the number of control variables used in this study, it can not be ruled out that there is a possibility of having some other confounding factor significantly influencing performance.

This leads us to our last possibility: there are no direct relationships between management practices and productivity in service sectors. An important theoretical implication arising from the results suggests that, due to the existence and importance of a broader array of market variables (externalities) influencing performance in services environments, performance could be driven by things that are not under direct managerial control during daily operations. This is the case with location and branding, for example. There is a need for a deeper understanding of their impact upon operations and a need for a broader set of controls for their influence on future studies.

The lack of evidence for a relationship with productivity may also be associated with price dynamics, a much more sensitive issue when compared to manufacturing. It is not uncommon for hotels to give discounts on their daily rates, varying according to occupancy levels and the way the rooms are booked. Sometimes these discounts are enough to flatten an upper-scale hotel rate to the level of a budget hotel. In this case, the workplace might be seeking to compensate losses in accommodation by gains on other services. This has the potential to impact and distort some performance metrics and the area also demands further investigation and deeper attention.

In spite of previous arguments, the idea of a lack of relationship between management practices and productivity is very difficult to sustain. The existence of employee-to-bedroom ratios according to rating, identified in the exploratory study, is evidence strong enough to dismiss this possibility once and for all.

In the light of previous arguments, it is possible to conclude that a more creative approach to research design is needed if we want to identify and understand the relationship between productivity and management practices more thoroughly, especially regarding controlling for environmental forces and their impact on organisational outcomes.

Service quality (SVQ) and employee skills (EP) seem to follow a different dynamic when compared to operational performance. This trend was already present in the exploratory study. This could be a manifestation of deep-rooted concepts managers have about how they perceive their activity, but it could also be a sign of a trade-off between what is understood in the sector as quality, the importance of people to achieving it and the impositions of daily operations upon the need to profit.

There are some unanswered questions that deserve further attention and studies, they are: the importance of market segmentation to the relationship between performance and management practices, a further investigation about differences in use of practices by national and multinational companies and differences in use of practices and performance by chain and independent operations.

## 6.6 Limitations and Strengths

This study has some limitations. The first one is common in this kind of research and is associated with its cross-sectional design. Performance measures were collected at a single point in time and it can not be said that observed relationships are consistent over time or are a collateral outcome of some uncontrolled variables. At the same time, we cannot be sure about the direction of the associations identified.

Another important weakness refers to common method bias, or responses collected from a single informant. It has been extensively argued in the literature about social desirability bias influencing respondents when filling in forms, as they try to perform according to what they think is expected from them. Consequently, there is a tendency to report better results than those actually happening in the organization. Another aspect associated with single respondent answers points to the doubt over to what extent can a single answer express organizational average response. About this subject, it can be argued that due to the position respondents hold in the organization, mainly general managers or directors, they are in a position to have a good general view about daily activities, hence are able to adequately describe their functioning.

A third limitation associated with this study refers to the relative weakness of collected productivity metrics. Both ARB and ARE were estimated based on information provided by the organizations rather than being actual figures collected from an independent source. At the same time, they do not incorporate common sources of revenue associated with hotel business such as restaurant and bar revenues.

Finally, a fourth limitation refers to the survey's small response rate, despite efforts to increase it. It is unclear to what extent respondents and non-respondents differ in performance and practices uptake and for this very reason there are some limitations on generalisations from these findings.

An important strength associated with this study is its single industry nature. Up to the present moment, the bulk of performance studies deal with multiple industries simultaneously. Such strategy has two potential set backs. One, it blurs industry differences and average practices across the economy losing important specificities due to the need for the use of very limited controls, as it is argued by Jones, Kalmi

and Kauhanen (2006). Two, in order to comply with its desirable outcomes, general performance practices have to be used and, once again, there is a risk of important information being missed when general metrics are applied. A more dramatic picture evolves when it is observed that due to the impossibilities of measuring actual physical production, value measures are used. In this case, other forces that affect price variables, such as market power and competition, are not accounted for.

Most studies test hypotheses by collecting data at company level in a multi-site organization where the HR director has little knowledge about how practices are effectively put in place in each workplace. This study, on the contrary, collects data at establishment level from an informant in close contact with day-to-day procedures and practices, enhancing the confidence in response accuracy. As a development of previous arguments, data was collected on effective use of practices rather than a simple measure of their use.

Another important strength is the use of multiple measures of performance combining both objective and self-reported metrics. Finally, management practices and self-reported measures of performance are defined by scales rather than single items.

During this study some questions were raised but remain unanswered. They are important especially because some of them are offered as reasons for why some expected relationships have not been observed. Simultaneously, the value of having a creative research design was highlighted as a possible solution for overcoming some of the problems and difficulties observed. It is comprehensible that there is still a need to move forward in search for a clearer answer about the relationship between the effective use of management practices and productivity. The next chapter will present a study designed to provide a better response to these questions.

*I believe that the product of science x art is what enables people to make a significant contribution to the fields of Human Resources Management, I/O psychology, and OB. Science is the bedrock in that it provides the frameworks for predicting, explaining, and influencing a person's behaviour....Art is what distinguishes the great from the not so great practitioner in making a difference, in making it happen in organizations through the application of science...the combination of the two is exhilarating for a practitioner: who, this works! Wow, this flopped!*

Gary Latham . Work Motivation, 2007.

## **7.0 Study 3**

### **7.1 Overview**

The most important objective of the previous study was to search for evidence of a management practice-performance link in the hotel industry, a low-skilled service activity characteristic of the old economy. The emphasis was placed on HR related practices, following up a line of research originally developed within manufacturing. It can be argued that in manufacturing, as the relative costs of labour to total costs are smaller than in the service sector, the cost of implementing these practices is smaller than the net benefit obtained. In service sectors however, choosing a low road approach to HR issues makes strategic sense, there is still a need to provide clear empirical support to the claim that people can make a difference in these industries (Guest, 2001). My findings suggest that the effective use of some high-performance practices have a positive impact on hotels, and that HR practices are capable of yielding better performance outcomes when compared to operational ones, in a number of different dimensions, adding to our understanding about this relationship.

None the less, it is not enough to show that adopting certain kinds of practices is related to and will enhance performance. There is a need to understand how this relationship operates. In other words, what the linking mechanism(s) in this relationship is (are). This is where the possibility of designing and applying effective interventions in work and production organisation processes lies. The main objective of this next study consists in assessing some of these possible mechanisms as well as the impact of management practices on some employee outcomes.

## **7.2 Management Practices and Performance: Linking Mechanisms and Impact on Workers Outcomes**

### ***7.2.1 Linking Mechanisms in Productivity Studies***

The discussion about management practice-performance mechanisms is not part of the current productivity studies agenda and it is not difficult to understand why. Following a long tradition originating from the writings of Adam Smith within Economics, it is accepted that productivity is a function of production factors usage, these factors being traditionally conceptualized as capital and labour<sup>26</sup>.

Growth accounting literature provides a good illustration about this relationship. Its approach usually involves the breaking down of gross domestic product into three components: the contribution of labour, the contribution of capital and an “error” dimension called multi-factor productivity (OECD, 2008). The impact of capital in enhancing productivity follows a simple line: it can be understood as a measure of investment in machinery and equipment, in other words, production automation. As a machine is more efficient than a man in performing most tasks, simply by replacing human labour by machine work, there will be an increase in productivity. On the other hand, when a company buys new tools or production equipment it is assumed that it will come with some improvements, or innovations, when compared to existing machinery allowing for a more efficient or better quality production. Here again, there will be an enhancement in productivity.

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<sup>26</sup> Land is also one important traditional production factor whose use is associated with agriculture rather than manufacturing or services.

The impact of labour in increasing productivity is not difficult to follow either: it can be understood as the abilities workers have to use their working tools, or operate their machines, in order to perform their tasks in the most efficient manner. On the other hand, tasks assigned to the workforce have to be broken down in the simplest way possible allowing for a maximum standardisation of activities and procedures, clearly a de-skilling process. It could be said that labour overall productivity level is tightly related to the kind of equipment available to be used in the production process. Skills are important as long as they provide some sort of marginal efficiency gains in operating equipment. Finally, labour is regarded as the weak link in the production process and, for this very reason, should be substituted by machines whenever possible. From the foregoing, it is possible to understand why labour (it could also be said HR issues) has played a small role in productivity studies.

Automation and standardisation have been greatly responsible for increases in productivity in manufacturing environments and this importance has overshadowed all other competing explanations and possibilities.

However, more recently, with an increasing importance of services activities and the ICT revolution, there has been a need to understand variances in productivity that could not be accounted for by either labour or capital intensity only, and a third element had to be introduced into this equation, the afore mentioned multi-factor productivity. This element is difficult to measure and to define precisely, this is why it is considered as an “error”, or the part of the equation that addresses what can not be properly estimated. It has been conceptually related to the way work and the production process is organized. Some authors, like Bassanini and Scarpeta (2002), have also referred to it as disembodied technology, or simply as innovation. This is the acknowledgement that the way the work and the production is organised has a role to play and is capable of maximising the use of the other two production factors. This is how modern, innovative, improved, promising management practices, like Total Quality Management and Lean Production, came to be important to productivity studies.

In essence, improvements in ICT would only be capable of yielding the maximum expected results if supported by the right set of management practices. This idea has been one of the most powerful driving forces behind the UK government push (HM Treasury, 2000) for adoption of *best work and production organization practices*. From this perspective, more important than identifying linking mechanisms has been the process of identifying, describing and disseminating best practices in management.

From a close look into the main features of how improvements in productivity would arise from adoption of practices such as Lean Production or Total Quality, it is possible to see that they contribute towards either the reduction of waste (broadly conceptualised) or the maximization of resource usage. In a way, they could be thought of and said to be forms of work intensification, with this being the very mechanism through which improvements in productivity can be achieved.

This search for a set of best practices reached all areas of work and production organization but nowhere else did it reach the prominence achieved by HR. In the next section, I will briefly outline the reasons why the quest for a linking mechanism has proved to be important to HRM theory and will set the grounds for this study.

### **7.2.2 Linking Mechanisms in HR Related Studies.**

According to Wood (1999; p.408) there is an important gap in the literature concerning the linking mechanism through which management practices lead to performance, especially in the ones related to HR issues, a position shared by a number of other authors including Hutchinson, Kinnie and Purcell (2003) and Fleetwood and Hesketh (2006). In fact, finding empirical support of its existence is fundamental to the continuation of HRM (Edwards *et al.*, 2006), at least on the grounds over which the area has evolved and, here again, the reasons for this are not difficult to understand.

The core argument behind HRM takes a step further from the role that has been traditionally attributed to employees in enhancing productivity (Delaney & Huselid, 1996). Under certain and specific circumstances, not yet precisely identified, a

properly managed workforce would be capable of surpassing normal expectation about its performance and, more importantly, would be capable of sustaining this position in the long run. In order for this to happen, it has been postulated that management practices would have to exert some sort of influence over employee attitudes related to their jobs. Under this influence, they would willingly put some extra effort towards their tasks, increasing individual performance with a consequent increase in the overall organization's output. This is where HRM practices come into action: its supporters advocate that they would be responsible for providing workers with the needed stimuli to excel in their performance.

Proving the validity of this argument means raising labour to a level of importance not experienced before. This would also bring the whole HR function to the centre of the executive agenda within organizations. In this context, there are two major challenges; the first one consists in proving the existence of a relationship between adopting HRM practices and performance; the second seeks to identify the nature of this link. A third step could also be added: once the link has been established, it should be possible to demonstrate that the balance between cost implementation of these practices and net benefits acquired from them are favourable to the organization (Cappelli & Neumark, 2001). This step, however, is dependent on the previous ones having been achieved.

The literature on ways *which human resources management might lead to superior organizational performance includes references to high-commitment management, high-involvement work practices and high performance work systems* (Macky & Boxall, 2007), and also Labour Process. Despite the variety of approaches, measures and ideological stances, it is possible to envisage a general script underlying this relationship: there is a flow from HRM practices to performance through people (Ramsay, Scholarios & Harley, 2000). This is the case, for example, of Wright *et al.* (2005) when they address the role of affective commitment on the link between HR practices and firm performance. None the less, the high-performance paradigms assume that this link yields positive outcomes for both organization and workers, while the Labour Process literature stresses that increases in organization outputs is, basically, a result of work intensification and, consequently, workers would still be a weak link in this relationship with gains being appropriated mainly by organizations.

Up to the present moment, one of the most influential models addressing the HR practices-performance link was proposed by Appelbaum and Batt (1994), and developed by Appelbaum *et al.* (2000), in a series of studies undertaken in three different manufacturing sectors in the US, it is known as the AMO model.

In essence, the model proposes three different causal paths through which the so-called high-performance practices contribute to employee and organizational performance. They are: a) through the development of worker Abilities, or skills b) by providing workers with Motivation to put discretionary effort towards their jobs and by giving them Opportunities to apply their knowledge and abilities in their work.

#### *7.2.2.1 Contribution of Employee Ability to Enhancing Organizational Performance*

Abilities or skills refer to worker capability at performing a given task and it is often referred to, or understood as, the level of education or training possessed by a worker (Mayhew & Neely, 2006). Combined with the tools and equipment available, it will set the upper performance level in a production process. It is true that there is a difference in the nature of skills requirements in services, when compared to manufacturing. This however does not necessarily mean they are less important, just that they are different.

In a service environment, usually characterised as being labour intensive, it is likely that performance will rely less on equipment itself and more on human activity, thus, a greater role should be assigned to employee abilities. In such contexts, the role of high-performance HR practices is to acquire, retain and develop the best human resources possible, enabling and directing the application of their skills for the benefit of the organization. In return, employees get some sort of superior return when compared to traditional work contexts either in terms of employment security, higher wages, financial returns or better work conditions, increasing overall job satisfaction. As Wood and Wall (2007) put it: "*a premium is now placed on the skills, knowledge and aptitudes of a firm's workforce as a source of inimitable assets*" (p.1341)...driving competitive advantage.

In spite of individual differences mediating this relationship, it has already been demonstrated that worker abilities are a very good predictor of task performance (Akerman, 1988; 1992). The role played by a well educated workforce in enhancing productivity has also been extensively documented in a series of industries, especially those with high-technological content (Levy & Murnane, 2003). Skills have been central to most studies within high-performance literature where it has systematically been associated with performance (Wood & De Menezes, 2006). A good example of this can be seen, for example, in Huselid's (1995) HPWP index applied in his study about the impact of HRM practices on a sample of nearly a thousand American firms; or in a Youndt *et al* (1996) study about the relationship between strategy and performance, where they show that skills are important to companies trying to compete based on quality.

None the less, regardless of some empirical evidence there are many difficulties in firmly proving the link between skills and performance at organizational level (Grugulis & Stoyanova, 2006), especially in service activities. Many authors express their concerns that much of the fuzz around it remains highly controversial (Lloyd & Payne, 2005) raising questions about the limits of the HPWO model, and its joint agenda of continuously improving the supply of skills (Lloyd & Payne, 2006). Under the light of these arguments, it is an open question deserving a proper answer as to the extent to which skills are a valid path to superior performance in service activities. In the hotel industry, this picture is even starker once managers suggest that the most important characteristics an employee should possess is what they have called a *friendly attitude*, meaning either a willingness to serve or a set of interpersonal communication abilities. During the exploratory study it was possible to observe a hotel manager saying that skills were not important because they would provide their employees with them but they could not give them *attitude* (sic). Thus it is worth testing for the hypothesis that skills, understood as a measure of workers qualifications, are capable of yielding superior results in service sectors in general, and in the hotel industry in particular. Therefore

*H1- Employees abilities will partially mediate any observable relationship between high-performance management practices and performance.*

### 7.2.2.2 Contribution of Employee Motivation to Enhancing Organizational Performance

No matter how important employee abilities are, there is still a need to put them to work, not in the ordinary sense of a counter-part for payment only. The high-performance paradigms postulate that the effective application of its practices would be capable of motivating employees to go the *extra mile* in their jobs. In other words, they would be motivated to do more than what would be expected from them.

The idea of motivation in the context of HPWP is normally broadly conceptualised. Kuna-Arocas and Camps (2008) refer to it in terms of pay for performance. Huselid (1996) expands this idea to the existence of internal labour markets where promotion is based on merit, to the presence of good appraisal systems linking payment to performance and to profit gain sharing. Ichniowski, Shaw and Prennushi (1997) refer to motivation as employment security as well as incentives pay, defined by them as profit sharing and pay plan related to both quantity and quality. This list could go on and on and certainly an agreement would be difficult to reach. None the less, despite differences in the understanding on how motivation can be conceptualised they all agree on one point: the main objective is to improve the probability and frequency of discretionary effort by employees.

Organizational Citizenship Behaviour (OCB) or Extra-Role Performance (Podsakoff *et al*, 1990) is a concept that addresses a set of informal and beneficial behaviours or gestures, elicited in the workplace at an employees' discretion, that are not part of a formal set of activities related to the tasks performed. Because of that, they are not subjected to contractual enforcement procedures nor are they subjected to explicit compensation mechanisms. Their absence can not be penalised (Turnipseed & Rassuli, 2005). However, their presence brings important contributions to the company's effectiveness (Cohen & Avrahami, 2006).

In a review of the literature Podsakoff *et al* (2000) acknowledge the existence of few empirical studies showing the contribution of OCB to organisational effectiveness. None the less, the *overall pattern of results provides support to this hypothesis* (p.546). Further support to this proposition comes, for example, from Ang, Van Dyne

and Begley (2003) that found strong correlations between OCB and performance when studying differences between foreign and national workers in Singapore. Similarly, Ehrhart, Bliese and Thomas (2006) found that OCB is an indicator of effectiveness in military units. In the context of hospitality studies, evidence comes from a research by Walz and Niehoff (2000) where they show that OCB has a direct impact on organisational effectiveness in a sample of 150 employees in 30 different restaurants. In their turn, Evans and Davis (2005) point that HPWP create a working environment *that is supportive of OCB* which in its turn enhances the *social and psychological context that supports task performance* and that, in aggregate, promotes performance in the organization (p.770).

Another similar and alternative concept that can capture this extra-role behaviour, or discretionary effort, can also be described as *intrinsic job motivation*. In fact, Warr, Cook and Wall (1979) use the term *intrinsic* “[...] *to emphasize that the motivation is towards personal achievement and task success rather than towards extrinsic motivation arising from features such as additional pay or good working conditions*” (p.130). As it is possible to see, both concepts address a situation where job/task effort are internally driven and are (initially) relatively independent from external incentives. A number of different conceptual frameworks addressing the relationship between HRM (or HPWP) and performance highlight the importance of motivation to it. This is the case, for example, of Becker *et al* (1997), Guest (1997) and Appelbaum *et al* (2000).

MacDuffie (1995) view employee discretionary effort as contributing towards problem solving in the organization, while Hutchinson, Kinie and Purcell (2005) suggest that motivation and involvement practices seek to elicit discretionary effort from employees, especially associated with off production activities. Wright *et al* (1999) when studying petro-chemical plants found evidence to support the argument that more motivated employees are more likely to elicit discretionary behaviour, providing this is supported by performance related pay. They also suggest that OCB should be the causal mechanism linking job satisfaction with performance. Due to this it should be possible to test for the mediating impact of intrinsic motivation and OCB on performance, thus

*H2- Employees intrinsic motivation and OCB will partially mediate any observable relationship between high-performance management practices and performance*

### *7.2.2.3 Contribution of Employee Opportunities to Enhancing Organizational Performance*

No matter how important employees abilities are, no matter how willing they are to put their knowledge into work, all this will come to nothing if the organization does not allow them to do the hands-on work. In other words, if employees do not have the opportunity to perform their activities in a different way than what is usually expected from (or prescribed to) them, abilities and motivation will not be enough. That is why another important possible practice-performance linking mechanism is related to employee opportunities. Macky and Boxall (2007) describe *opportunity* as the possibility of employee expression and/or the removal of barriers to their action.

Here, the driving force is the idea that employees are prepared to assume greater responsibilities towards their jobs, are capable of contributing to something more than their normal tasks, that they have some sort of specific knowledge about their activities, are capable of presenting solutions to common problems, and/or are able to improve performance, provided they are freed from some constraint by managers and supervisors. Spritzer (1995) defines psychological empowerment as a motivational construct, expressed in four cognitive dimensions, reflecting an active orientation to a work role. Especially important to our investigation is the self-determination dimension, which reflects autonomy in the initiation and continuation of work behaviours and processes. This dimension meets both definitions previously identified of opportunity as the possibility of employees' expression, or the absence of barriers to action.

The importance of empowerment is largely recognised. For example, Wall, Wood and Leach (2004) place it at the core of the HRM systems. Pauwee and Boselie (2005) link empowerment to an agile organization that provides its members with incentives to learn and apply knowledge as a way to survive in fast changing business environments. In a study with Taiwanese semi-conductor firms with over a thousand

employees, Tsai (2006) found a positive association between non-financial measures of performance and empowerment. Sykes, Simpson and Shipley (1997) describe the effectiveness of empowerment in tackling issues related to quality, delivery and flexibility associated with semi-autonomous work groups. A similar conclusion was reached by Kirkman and Rosen (1999). To them, empowered teams are more productive, are capable of delivering better customer services, display higher levels of job satisfaction and organisational commitment when compared to top workers in traditional environments. In their turn, Seibert, Silver and Randolph (2004) taking a multi-level approach to empowerment show a small but significant relationship with performance.

Practices that contribute towards employee empowerment should have an overall positive impact on a number of organizational outcomes. In this sense, it should be possible to test the mediating impact of empowerment on performance, thus

*H3- Employees empowerment will partially mediate any observable relationship between high-performance management practices and performance*

So far, the main argument guiding this study has evolved around the idea that employee discretionary effort is at the core of this search for a linking mechanism between practices and performance. For this very reason, the proposed hypotheses look at the conditions under which this behaviour might occur according to the main propositions in the high-performance (HRM) paradigms. However the possibility that this relationship might be flowing through a different path., where performance arises as a function of having the right working system (e.g. a lean structure) rather than because of people cannot be ruled out. In other words, as hospitality is a typically low-skilled old economy activity it is not capable of reaping extraordinary benefits from human resources and another model should be looked at.

There is evidence to support the notion of an alternative explanation for this link in the industry arising from both the literature and practice. The most important one is the fact that quality has been defined by managers as having and following a set of standards. At the same time, the product is marketed and customers are targeted based on these patterns. Where this is the case, there would be very little incentive for

employees to behave differently from what was pre-determined for them or to deliver some sort of service different from what was expected (Feldman, 1981). On the contrary, they are encouraged to comply with rules. Katz (1964) suggests that complying with legitimate rules influences reliable role performance.

If we add to this picture the importance of fixed costs and the impact of externalities on any given operation, we come up with an industry where having the right working system, the right structure supported by a numerically flexible workforce (Whitfield & Poole, 1997), seems to be more important than having highly productive employees. Using Arthur's (1994) categories, the hotel industry would be based on an HR control rather than commitment system. If this argument is valid, it should be possible to test for the mediating impact of complying with rules on performance. Thus

*H4-Employee compliance with rules will partially mediate any observable relationship between high-performance management practices and performance*

### **7.3 Workers Outcomes**

Another important aspect of this performance-link discussion refers to the impact of these practices on a number of worker outcomes. The underlying argument of the high-performance paradigms is that both organization and workers benefit from the adoption of more innovative sets of management practices, especially HR ones.

One important general (postulated) characteristic of these practices is that they are delivered in a more careful and thorough way, with special attention being devoted to a more sophisticated, detailed and comprehensive set of activities designed to yield the best results possible. For example, training is designed not to be simply a basic skills transfer activity, needed to perform a given task, but to enhance overall employee ability to contribute to the organization's strategic goals. The only way of achieving this kind of result is through a greater training hours-to-employee ratio or through the further development of employees based on possible future needs, and this certainly is more costly for the organization. As the same principle can be applied

to most of the practices being investigated under the high-performance paradigms, it is possible to say that they represent a higher investment in the workforce (Shaw, 2006) when compared to traditional work practices.

As this investment spreads across a number of different activities, there is an expectation that it will be interpreted by employees as a distinct level of commitment from the organization to them that needs to be reciprocated, generating a much better workplace environment and impacting positively on both employee and organizational outcomes.

However, some researchers, particularly the ones aligned with the labour process literature or critical studies, argue that the way in which HRM is discussed and presented preclude a deeper understanding about how these practices are being implemented in the organization and their real costs (impact) on the workforce (Guest, 2002). According to Godard and Delany (2000), this new paradigm stems from a managerial perspective about the organization and has been put forward for being less threatening and more politically acceptable than *advocacy of stronger unions or employments laws* (p. 486), because of its stress on individual rather than collective relations. However, Machin and Wood (2005) making use of British Workplace data for the period 1980-98, found no grounds to support an argument about new HR practices as a replacement for unionised action.

In a study with Canadian workers, Godard (2001) argues that net benefits associated with high-performance practices yield, in fact, negative returns after a certain level of adoption, due to increases in workload and the emergence of new forms of work controls, raising doubts about the implementation of these practices. In their turn, Marchington and Grugulis (2000) refer to this potential contradiction as a struggle between *nice words and harsh realities* (p.1109) and warn that examples drawn from areas such as employment security and self-managed teams, show that these practices *are not as straightforwardly positive as proponents of best practices imply* (p. 1110).

As much of the literature around this subject is surrounded by controversies, there is a possibility that high-performance (and especially HRM) practices might be having an impact on performance via increased managerial control or work intensification, with

a consequent increase in general workload and worker stress (Pass, 2005). For these reasons, there is a need to learn more about the impact of these management practices on employees, their very subject. Up to the present moment there has been little research about it (Grant & Shields, 2002). According to Cascio (2006), the behaviour of employees has important effects on the operating expenses of organizations and most of the time their impact is not well known. From this it is possible to identify the need to estimate the impact of these practices on a number of workers outcomes as a way of accessing some of the most fundamental claims espoused by their supporters.

One of these claims suggests that high-performance practices are capable of enhancing employee retention because they become central to an organization's activities (Guthrie, 2001). In fact, in a comparative study in the retail sector on the US, Cascio (2006) found that a company making use of high-performance practices, despite its higher overall labour costs, was able to yield superior productivity and had lower employee turnover rates when compared to its low cost competitor. He follows arguing that high employee turnover rates are expensive and that a high-wage strategy pays-off. He also suggests that *wise management of employees* can increase productivity and decrease operating expenses. Guest *et al.* (2003) in a study with UK companies found a positive relationship between the use of HR practices and low turnover rate. They also found no consistent differences when comparing services to manufacturing. A similar finding can be observed in Cappelli and Neumark (2004) where they found that high-involvement practices are associated with below-average employee turnover in manufacturing but, and this is very important, not in other sectors. Cheng and Brown (1998), in a study with Australian and Singaporean hotels found that the HRM practices do have an impact in the level of labour turnover.

Following the same overall argument previously described, another important worker outcome associated with high-performance practices that should be observed in workplaces applying them, is an increase in overall job satisfaction (Handel & Levine, 2006). Here again, the creation of a better working environment, due to positioning employees at the centre of the organization's strategy and activities, should enhance employee job satisfaction (Patterson *et al.*, 1997). Support for this link is ample and can be found, for example, in a study by Griffin, Patterson and West (2001) about the role of supervisor support in UK manufacturing firms, where they found a positive

relationship between team working and job satisfaction; or in Green *et al.* (2006) in a study with US manufacturing firms, where they found a positive relationship between the adoption of strategic HRM and job satisfaction.

In this case, there are no strong reasons to justify the existence of a different set of workers outcomes in a services environment submitted to high-performance practices. Anyway, if the previous arguments are valid, it should be possible to test for the impact of management practices on workers outcomes. Therefore,

*H5- The effective use of management practices will be negatively and significantly correlated with employee turnover*

*H6- The effective use of management practices will be positively and significantly related with job satisfaction.*

It is worth reminding that the majority of studies addressing the practices-performance mechanism collect responses from a single informant, managers mainly. In the present case, data will be collected from both managers and employees. The rationale for this procedure is simple and straight forward: as the proposed mechanisms refer basically to employee characteristics (attitudes), nothing is better than asking them about it, instead of relying on someone else's (managers) judgement. This study is also justified by the lack of similar studies in Brazil.

In the next section I will describe the steps and procedures taken to address the hypotheses proposed.

## **7.4 Methods**

### ***7.4.1 Overview of Participants and Procedures***

During a period of two months in 2007 (July and August), 31 different hotels were visited in a single city, Salvador, located in the north-east region of Brazil; questionnaires were given to both managers and workers. This choice was driven by

two basic reasons: first, Salvador is a strong tourist destination as well as an important economic and political centre in its region. It is the capital city of Bahia and it is the third biggest city in the country. It has about 2.89 million inhabitants and was very likely to have a good mix of national and international hotel companies, big enough to suit the cut-off point established for this study. The second reason was purely for convenience, as the city is well known by the researcher. It is worth remembering that part of the exploratory study was also developed there.

Salvador is the second most important tourist market in the country and the overall business environment in the sector is very competitive. However, during the data collection period companies were experiencing a difficult moment due to problems with national air traffic control. The combination of these two very distinct situations is very likely to have led to a greater awareness of managerial issues.

All the companies visited were part of a list provided by the Hotel Association in the region where addresses and general managers' names could be found. The research reached about 48% of total associated members in the city. The workplaces surveyed are larger than the average of the universe, since very small and small companies, responsible for the majority of the bed availabilities and jobs in the sector, were systematically avoided due to research cut-off point requisites.

A foot-in-the-door strategy was primarily used to approach managers. In this case, unscheduled visits to the hotels were done and a brief interview with the general manager was solicited. The understanding behind such a strategy was that it is much more difficult to dismiss the research once you have met the person in charge of it. Another important justification of this approach is that the researcher had the opportunity to explain the purpose, objectives, time spent and feedback to be provided to the company directly to the person in charge of the decision making process. If telephone contacts had been used, the most likely path would have been through a secretary, or even worse, through a receptionist and, in this case, it is very likely that this very important element, personal contact, would have been lost, increasing the difficulty level in getting access to the company. About 15% of these interviews were conducted immediately following this initial contact. The most common procedure was, however, to arrange another meeting in a more appropriate time.

As establishments vary in size, the number of questionnaires applied also varied in order to have a more balanced sample. In all cases, forms were given to a manager, or director, and a number of employees. Table 7.1 below shows the questionnaire ratio-by-size measured in terms of the number of employees.

**Table 7-1 Number of questionnaires responses according to hotel size**

<b>Number of employees</b>	<b>Number of questionnaires</b>
<i>up to 25</i>	05 (manager + 4 employees)
<i>from 26 to 50</i>	08 (manager + 7 employees)
<i>from 51 to 100</i>	10 (manager + 9 employees)
<i>from 101 to 150</i>	12 (manager + 11 employees)
<i>more than 151</i>	15 (manager + 14 employees)

Three basic criteria were used to select employees to take part in this study: a) they should belong to as many different functional areas as possible, in order to have a more balanced perception about the effective use of management practices in the workplace; b) their participation should be entirely voluntary and they were free to withdraw at any time; c) they should be present at the moment of the interview, to reduce the possibility of managers selecting who would answer the questionnaire. Confidentiality about information provided was assured during the process and the possibility to receive feedback was granted<sup>27</sup>.

The actual questionnaire application process varied in structure according to internal work dispositions and personnel availability. In some cases, especially in bigger hotels, employees would be gathered in a room, during shift change periods when they all could be briefed and could fill the forms simultaneously; in other cases, as researcher, I would go to meet the employees at their work station and a third possibility was that they would come to a specific designated area in the hotel whenever they were available during a period of the day. This multiple approach strategy was taken in order to disturb work as little as possible and to facilitate the data collection process. When employees finished completing their questionnaires they were asked two questions: if they had experienced any difficulties in responding to it; and if they thought the questions were capable of capturing basic aspects of their daily work/activities.

<sup>27</sup> In this case the employee should provide one valid email address.

In general terms, this was a time consuming process and, on average, a whole morning or afternoon was spent at each company. Sometimes managers would answer their questionnaires at the same time their workers were doing so. On other occasions, they would fill the forms just before or after questionnaires had been supplied to the employees. Once again, this was driven by work convenience and no pattern could be established.

Brazilian managers received exactly the same questionnaire that was supplied to UK managers in the previous study, while employees received a simplified version of it where a section asking about company basic information was absent. Apart from that, all information collected was exactly the same.

The original questionnaire was translated from English to Portuguese by the researcher and independently translated back to English to assure confidence in the process. The questionnaire was piloted in an organization and as the outcomes were satisfactory, results were incorporated into the main study.

During the data collection process, it was possible to witness managers systematically consulting with others areas of the company, or searching their files and notes, for information about hotel characteristics and metrics. This procedure created a strong confidence that the figures were an accurate expression of actual organizational outcomes.

A total of 256 employee questionnaires were collected and they were aggregated to establishment level and matched with 31 manager responses about organizational performance. There has been some discussion about the validity of aggregation procedures, especially when individual responses are summed up to team level. This is the case, for example, of Quigley, Tekleab and Tesluk (2007) when they discuss the appropriateness of aggregation compared to consensus measurement. None the less, organization dynamics are very much different from teams and workers consensus is rather illusionary at this level. Relatively to the effective use of management practices, it is very likely that different individuals will perceive their application across the organization in different ways, justifying an averaged approach to management practices. On the other hand, questionnaire items were worded to reflect

organizational level and are consistent with the objectives of this study, a procedure in line with arguments raised by Klein, Dansereau and Hall (1994) when they say that level issues may be a problem *when the level of theory, the level of measurement, and/or the level of statistical analysis are incongruent* (p. 198), which is not the case here.

As data used to address management practices was collected from employees and aggregated to establishment level, I have calculated inter-rater agreement (IRA) according to the methods prescribed by James, Demaree, and Wolf (1984, 1993). In this case, the results were satisfactory<sup>28</sup>. Mean values across respondents were used in all cases for subsequent analysis.

In small samples, even minor deviations from normality are capable of having a big impact on outcomes. For this reason special attention was placed on assessing if main variables were normally distributed. As the results were satisfactory, parametrics procedures were applied throughout the analysis process.

**Table 7-2 Statistics of Hotel basic characteristics (N=31)**

<b>Characteristic</b>	<b>mean</b>	<b>sd</b>	<b>lower bound</b>	<b>upper bound</b>
<i>Bedrooms</i>	138	94	31	433
<i>Employees</i>	93	79	10	350
<i>employee turnover</i>	18.30%	17%	0%	70%
<i>occupancy rate</i>	64.14%	12.66%	40%	85%

The average hotel in this sample is operating independently (45.6%) rather than being part of a national chain (29%) or an international chain (22.6%). The scope of the so called Brazilian chain has to be understood in context. About six workplaces, ≈20% of the total sample, belong to very small regional chains, one with five units and the other with three units. In both cases they do not fully exploit scale economies and workplaces operate rather independently from each other. It is worth noting the low level of chain penetration in the market, something that can be said to be a major characteristic of the hotel industry organization in Brazil. Companies surveyed were relatively large in terms of both number of employees (mean=93, sd. ≈79) and

<sup>28</sup> On average  $R_{wg}(j)$  are around .90 for each organization.

bedrooms (mean=138, sd.  $\approx$ 94). Employee turnover rate was estimated at 18.3% with a very large standard deviation ( $\approx$ 17).

The sample offers a good mix of different organizational characteristics providing a good picture of the sector. For these reasons we can be confident that it suits well enough the objectives of this study.

The following sections will provide information about specific aspects related to the variables in this particular study, since the basic information has already been provided in the previous chapter.

#### **7.4.2 Control Variables**

The main reason behind the choice of conducting this survey in a single city was the possibility of having a kind of naturally controlled environment for most (externally driven) variables that might have a potential effect on performance, especially those related to labour market characteristics, overall competition and important aspects related to location. In an ordinary survey, it would be almost impossible to effectively control for the impact of such a broad range of variables on performance.

Within market characteristics, it is possible to think about things like the balance between offer and demand, the flow of customers associated with seasonality, local building and development regulations. Regarding labour market, important issues are those referring to quality and availability of workforce and its impact on wages. And finally, location is approached from a macro perspective, meaning general aspects associated with the city and not with the spatial location of the enterprise in the city. Here the focus is on issues like price of the land and also on those that are capable of impacting customer demand. In this sense, it is possible to say that all organizations in the survey are under the influence of the same general market forces. Hence, differences in performance are much more likely to occur as a function of individual managerial capabilities.

Another important aspect refers to the sample size and statistical limitations brought about because of it. Thus, during the analysis process the choice is to control only for

*size* because it is the single most important confounding variable influencing performance that is not accounted for in this single sector, single city study. I am taking the number of employees as a measure of size to keep a consistency with the criterion adopted to collect questionnaires from individual workplaces.

### **7.4.3 Dependent Variables**

As has already been said, this study is based on the same instrument that was used in the UK survey. It also targeted the same kind of company and the same kind of respondents, collecting therefore, the same kind of data. For this reason, Brazilian manager responses were integrated with the UK ones and a single exploratory factor analysis was performed to investigate underlying factors in overall manager responses. In doing so, this study shares with the previous one the same structure regarding dependent variables, both objective (productivity) and self-reported.

However, it should be noted that further analytical processes, especially those associated with employees' responses and outcomes were performed independently. This particular process is explained below. The dependent variables used in this study are:

- Occupancy Rate (occpcy);
- Annual Revenue per Bedroom (ARB);
- Annual Revenue per Employee (ARE);
- Employee Performance (EP);
- Service Quality (SVQ);
- Operational Performance (OP).

Detailed descriptions about these variables can be found in the previous chapter (section 6.3.2.2).

### **7.4.4 Independent Variables**

The picture here is different from what could be observed with control and dependent variables. The original objective of this study was to address performance issues from

a multiple respondent perspective, mostly employee ones. And as they consist of a different population when compared to the previous study, the decision was to perform a new exploratory factor analysis with employee responses only. The results yielded a different data structure when compared to manager outcomes. Table 7.3 below, shows these differences.

**Table 7.3 dependent variable comparative table: managers vs employees**

Managers <sup>1</sup>		Employees <sup>2</sup>	
<i>Variable</i>	<i>Items<sup>3</sup></i>	<i>Variable</i>	<i>Items</i>
Controlling the operation	5 / 6	Controlling the operation	5 / 6
Recruitment	13 / 14 / 15	Recruitment	13 / 14 / 15
Flexible work	30 / 31	Flexible work	30 / 31
Rewards	20 / 21	Incentive management	18 / 19 / 20 / 21
Training	16 / 17 / 18	Setting goals around customer focus	1 / 2 / 3
Benchmarking	22 / 23	Performance Management	11 / 12 / 24 / 25
Performance monitoring and feedback	1 / 7 / 8 / 9 / 10 / 11 / 24		

1- UK and Brazil managers. 2- Brazil employees only. 3- Questionnaire's items.

It is not possible to have a definitive explanation for why it happened in this way but some alternatives are offered. One possible explanation revolves around questionnaire translation. In this case, the meaning of the expressions and concepts used could have changed when the form was converted from English to Portuguese. This is a remote possibility since the questionnaire was constructed in English by the same person who translated it into Portuguese which has is his mother language. The questionnaire was also independently translated back to English to assure confidence in the process. After translation, and prior to application, a pilot study was conducted in a hotel to make sure the wording and structure were clear and easily understandable, and once again, no problem was spotted at the time. Thus, this hypothesis can be ruled out.

The second possibility points toward cultural and educational differences acting upon answers. There is a very strong possibility that this would be the driving force behind these differences in response structures. However, if this is the case, the consequences go beyond a methodological problem associated with this study. When the original questionnaire was being piloted in a UK company, the instrument was also applied to both managers and employees. It was possible to observe at the time, that most employees were foreign nationals and some of them had to be replaced because they could not write and understand English properly. In this case, it can be said that the

educational/cultural divide between UK managers and Brazilian employees could also be happening between UK managers and UK employees!

A third possibility refers to the relationship between instrumentation (the way data is collected) and respondents. A questionnaire survey is typically a way to collect opinions (better saying, perceptions) about a given subject. In business related studies, data is usually independently collected from managers or employees. When they are simultaneously collected from both managers and employees it is very likely that we are dealing with a single company study and, in this case, all data is submitted to the same analytical process yielding a singular response structure, something that didn't happen in this study.

It should be noted that this is neither a cross-cultural study nor were the results originally intended to be directly comparable. In saying so, there is a possibility that managers and employees perceptions about organizational issues are different from each other and that this difference was unintentionally captured by this study. This could be signalling a fundamental problem with studies that collect responses from a single respondent to address organizational issues. Anyway, these are questions that are incapable of being definitively answered within the scope of this study. None the less, it is important to be aware of their existence.

After initial factors had been established, a second order factor analysis was performed to confirm that a single factor only was being addressed and reliability values (Alpha Chronbach) were estimated. Six sets of practices were uncovered of which three overlap the ones in the previous study (recruitment, flexible work, controlling the operation). The factors were then divided into two groups: human resources practices and operational practices. Employees were asked the same as managers: *How effective is your hotel in the following?* and responses were collected in a five-point scale ranging from 1 (= not effective at all) to 5 (= very effective). An alternative option scoring 6 (= doesn't know / does not apply) was also given to avoid a forced response.

## *Human Resources Practices*

**Incentives Management-** This practice was assessed using a four-item scale<sup>29</sup>: (18) *Continuing developing workers so that their skills are regularly updated?* (19) *Promoting workers from within the company* (20) *Allocating performance-related rewards to individuals?* and (21) *Providing incentives that motivate workers to improve performance?* The alpha coefficient calculated to this scale was .881.

**Recruitment-** This practice was assessed using a three-item scale exactly the same way as the previous study: (13) *Recruiting workers who work hard?* (14) *Recruiting workers with a passion for hospitality?* and (15) *Recruiting workers who are customer-focused oriented?* The Alpha coefficient calculated to this scale was .741.

**Flexible work -** This practice was assessed using a two-item scale exactly as the previous study<sup>30</sup>: (30) *Working as a team?* and (31) *Sharing work among its staff?* The alpha coefficient calculated to this scale was .805.

## *Operational Practices*

**Setting Goals around Customer Focus-** This practice was assessed using a three-item scale: (1) *Monitoring customers' reaction to services provided?* (2) *Having a service guarantee policy?* and (3) *Providing customers with a positive hospitality experience?* The alpha coefficient calculated to this scale was .791.

**Controlling the Operation –** This practice was assessed using a two-item scale, exactly as in the previous study: (5) *Controlling wastage?* and (6) *Controlling stock?* The alpha coefficient calculated to this scale was .687.

**Performance Management-** This practice was assessed using a three-item scale: (11) *Setting clear standards for departmental performance?* (12) *Setting clear standards for service?* (24) *Continuously tracking departmental performance?* and (25)

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<sup>29</sup> Numbers in brackets refers to numbering in the questionnaire.

<sup>30</sup> The reference to the previous study helps to understand the nature of the working process and the characteristics of the management practices.

*Continuously tracking individual performance.* The alpha coefficient calculated to this scale was .816

#### **7.4.5 Employee Outcomes**

This section describes variables that will be used to investigate and explore the HR-performance link previously discussed and the impact of management practices on a number of employee outcomes.

**Turnover** - This figure was provided by managers. They were asked to declare their employee turnover rate for the last twelve months and responses provided are expressed as a percentage (%).

**Employee Abilities** - The questionnaire included a section containing self-rated skills metric (six items) originally intended to be used to evaluate employee abilities. Unfortunately, when assessing its validity, the results were disappointing and proved useless to the objectives of this study. For this reason I decided to make use of manager evaluations of their employees' abilities (employee performance-EP, Alpha=.809) as a *proxy* for this variable. This variable and its characteristics have already been explained in the previous study (see section 6.3.2.2 for more details).

**Organizational Citizenship Behaviour (OCB)** - This outcome was assessed using a scale that was adapted from an original work developed by Podsakoff *et al.* (1990). The original scale had five items but after the factor analysis only two remained useful. Employees were prompted with: *In my workplace I am always ready to \_\_\_\_\_ (please choose one)* and were presented with five options ranging from *strongly disagree* (=1) to *strongly agree* (=5). Responses were collected using a two-item scale: (3b) *Take steps to try to prevent problems with others*, (3c) *Keep abreast of changes in the organization*. The alpha coefficient calculated to this scale was .682

In all other situations respondents were prompted with the following line: *To what extent do you agree with the following statements?* And were presented with five options ranging from *strongly disagree* (=1) to *strongly agree* (=5). Some items were reverse coded.

**Intrinsic Job Motivation** - Based on a scale originally developed by Warr, Cook and Wall (1979), this outcome was assessed using a three-item scale<sup>31</sup>: (2a) *I feel a sense of personal satisfaction when I do my job well*, (2c) *I take pride in doing my job as well as I can*, (2d) *I like to look back on the day's work with a sense of a job well done*. The alpha coefficient calculated to this scale was .681.

**Job Satisfaction** - Based on a scale originally developed by Birdi, Allan and Warr (1997) this outcome was assessed using a three-item scale: (2g) *I am extremely satisfied with my job*, (2h) *If given a second chance I would be happy to take my current job again*, (2i) *I really enjoy my current job*. The alpha coefficient calculated to this scale was .806.

**Empowerment (Autonomy)** - This outcome is based on the work of Spreitzer (1995) and was assessed using a three-item scale addressing specifically self-determination dimension: (2m) *I have significant autonomy in determining how I do my job*, (4a) *I can decide on my own how to go about doing my job* (4b) *I have considerable opportunity for independence and freedom in how I do my job*. The alpha coefficient calculated to this scale was .665.

**Compliance with Rules** - This outcome was assessed using a scale that was originally developed for use in this study. Responses were collected using a two-item scale: (4m) *I always stick to the rules in this job*, (4n) *The best thing about this job is to follow the procedures that are laid-down*. The alpha coefficient calculated to this scale was .681.

## 7.5 Preliminary Analyses and Results

The core argument of this study deals with the impact of employee outcomes on the relationship between the effective use of high-performance practices and performance. None the less, before addressing these issues, I am going to step back from the proposed analysis to investigate the original connection itself (i.e. the

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<sup>31</sup> Numbers in brackets refers to the question in the questionnaire and letters to the item in the question.

existence of a relationship between management practices and performance), following the same set of procedures adopted in the previous study. There are two basic reasons for this: to the best of my knowledge, no studies about high-performance practices have been conducted with the proposed sample, which is in itself good enough justification for this initial investigation, and as the factor analysis has already yielded an unexpected structure for the data available, this initial procedure can be used to establish a baseline to deepen our understanding of an aggregated data set.

I will begin by examining means and standard deviations for both dependent and independent variables based on manager data. Table 7.4 below displays this information.

**Table 7.4 Mean and standard deviation for dependent and independent variables-**

Variables	Brazil		UK		t-test (df)
	mean	SD	mean	SD	
<i>DV</i>					
<i>ARE</i> (Annual Revenue per Employee)	15,352.25	6,540.39	31,911.65	19,636.28	-4.008 (198)**
<i>ARB</i> (Annual Revenue per Bedroom)	9,628.77	4,612.82	22,310.79	15,257.67	-3.784 (199)**
<i>EP</i> (Employees Performance)	3.15	.51	3.85	.58	6.346 (242)**
<i>SVQ</i> (Service Quality)	3.33	.48	4.12	.64	6.417 (212)**
<i>OP</i> (Operational Performance)	3.13	.60	3.74	.65	4.794 (242)**
<i>IV</i>					
<i>Recruitment</i>	3.46	1.07	3.74	.79	1.781 (242) <sup>a</sup>
<i>Training</i>	3.42	.96	3.89	.70	3.334 (242)**
<i>Rewards</i>	2.76	1.02	3.50	1.07	3.625 (242) <sup>b</sup>
<i>Flexible work</i>	4.03	.74	4.17	.72	1.020 (242)**
<i>Controlling the Operation</i>	4.12	.95	4.00	.79	-.780 (242) <sup>c</sup>
<i>Benchmarking</i>	3.24	.91	3.71	.92	2.652 (242)**
<i>Performance Monitoring</i>	3.47	.95	3.99	.70	3.700 (242)**

Values for ARE and ARB are expressed in £<sup>32</sup>.

\*\* p<.001

a (p=.076); b (p=.309); c (p=.436)

In a small sample, the simultaneous existence of companies operating in very different market segments (one to five stars), might have lead to an observable amplitude in both ARE and ARB expressed by the size of the standard deviation.

<sup>32</sup> Exchange rate 1£= 3.32R\$ in 13<sup>th</sup> April 2008.

The means of the self-reported measures of performance (EP, SVQ and OP) are converging towards a medium value (3=average), meaning that managers tend not to perceive their workplaces significantly better than when compared to their direct competitors.

A similar picture can be also observed with most of the dependent variables. Rewards has the lowest mean score ( $M=2.76$ ,  $SD= 1.02$ ), a possible reflection of an awareness of poor monetary incentives that pervades the sector. Flexible work ( $M=4.03$ ,  $SD=.74$ ) and Controlling the Operation ( $M=4.12$ ,  $SD=.74$ ) have shown the highest scores, indicating their wide spread use, while all the other variables tend to group around average. It is interesting to observe also that the dispersion associated with independent variables is much greater than the ones related to dependent variables. This could be signalling that the effectiveness of work practices is much more difficult to grasp (thus the amplitude) than measures of organizational performance. These figures provide an additional support to the decision taken to collect data from both managers and employees.

Table 7.5 below brings the basic correlations for all variables in this study from a managerial perspective.

The initial findings associated with productivity metrics are very interesting. Occupancy is strongly correlated with all management practices. This is a promising result since it is showing a systematic association of an objective measure of performance with the effective use of high-performance practices.

In its turn, ARE is significantly correlated with rewards ( $r=.51$ ), benchmarking ( $r=.49$ ) and performance monitoring and feedback ( $r=.39$ ), while ARB is significantly correlated with benchmarking ( $r=.59$ ) only.

**Table 7.5 Basic correlations for all variables in this study - manager perspective.**

variables	1	2	3	4	5	6	7	8	9	10	11	12
<i>dependent variables</i>												
1. Occpcy	-											
2. ARE	-.18	-										
3. ARB	-.10	.47**	-									
4. EP	.57**	.16	.27	-								
5. SVQ	.32	.25	.38*	.71**	-							
6. OP	.54**	.48*	.19	.43*	.41*	-						
<i>independent variables</i>												
7. Recruitment	.67**	.31	.29	.55**	.49**	.55**	-					
8. Training	.61**	.34	.32	.45*	.41*	.33	.56**	-				
9. Rewards	.54**	.51**	.28	.25	.38*	.53**	.50**	.54**	-			
10. Flexible work	.41*	.20	.07	.24	.35	.32	.48**	.47**	.52**	-		
11. Controlling the Operation	.45*	.13	.06	.32	.27	.28	.51**	.51**	.55**	.37*	-	
12. Benchmarking	.62**	.49**	.59**	.47**	.51**	.49**	.55**	.47**	.76**	.33	.45*	-
13. Performance Monitoring and Feedback	.53**	.39*	.26	.32	.39*	.57**	.59**	.55**	.69**	.53**	.55**	.64**

ARE= Annual Revenue per Employee; ARB= Annual Revenue per Bedroom; EP= Employee's performance; SVQ= Service Quality; OP= Operational Performance. N size varies from 29 to 31 due to missing data. \* Correlations are significant at  $p < .05$  (two-tailed); \*\* Correlations are significant at  $p < .01$  (two-tailed).

Looking at the self-reported measures of performance, it is possible to observe that EP is correlated with recruitment ( $r = .55$ ), training ( $r = .45$ ) and benchmarking ( $r = .47$ ). In turn, SVQ is correlated with recruitment ( $r = .49$ ), training ( $r = .41$ ), rewards ( $r = .38$ ), benchmarking ( $r = .51$ ) and performance monitoring and feedback ( $r = .39$ ). Operational performance is correlated with recruitment ( $r = .55$ ), rewards ( $r = .53$ ), benchmarking ( $r = .49$ ) and performance monitoring and feedback ( $r = .57$ ).

Changing perspective and turning our attention to the practices, it is possible to observe that benchmarking seems to be the most efficient one, since it is significantly associated with all measures of performance, closely followed by recruitment, showing significant correlations with all performance metrics but ARE and ARB. Rewards and performance monitoring and feedback are also correlated with four

performance metrics (Occpncy, ARE, SVQ and EP). Next in line is training, with three statistically significant correlations, while flexible work and controlling the operations are only significantly correlated with occupancy.

At this point, the overall picture is not very clear and there is a need to deepen our understanding of these relationships. Here once more, it is possible to assume that some of these correlations can be explained by differences that are not related to the management of the companies itself but to some other important organizational characteristic such as size. In table 7.6 below, basic correlations will be displayed while controlling for size in terms of number of employees, the most important variable that is not “naturally” controlled in the context of this study.

**Table 7.6 Partial correlations for all variables in this study controlling for size in terms of numbers of employee and bedrooms – managers perspective.**

variables	1	2	3	4	5	6	7	8	9	10	11	12
<i>dependent variables</i>												
1. Occpncy	-											
2. ARE	.35	-										
3. ARB	.24	<b>.84**</b>	-									
4. EP	<b>.50**</b>	.11	.09	-								
5. SVQ	.24	.24	.31	<b>.68**</b>	-							
6. OP	<b>.49*</b>	.32	.18	<b>.39*</b>	.37	-						
<i>independent variables</i>												
7. Recruitment	<b>.69**</b>	<b>.41*</b>	.28	<b>.56**</b>	<b>.48*</b>	<b>.58*</b>	-					
8. Training	<b>.59**</b>	.33	.33	<b>.44*</b>	<b>.38*</b>	.28	<b>.56**</b>	-				
9. Rewards	<b>.48*</b>	.37	.28	.16	.33	<b>.43*</b>	<b>.53**</b>	<b>.51**</b>	-			
10. Flexible work	<b>.40*</b>	.17	.08	.24	.35	.30	<b>.58**</b>	<b>.46*</b>	<b>.52**</b>	-		
11. Controlling the operation	<b>.44*</b>	.12	.01	.29	.25	.26	<b>.50**</b>	<b>.50**</b>	<b>.56**</b>	<b>.37*</b>	-	
12. Benchmarking	<b>.55**</b>	<b>.53**</b>	<b>.53**</b>	.35	<b>.48*</b>	<b>.44*</b>	<b>.57**</b>	<b>.45*</b>	<b>.75**</b>	.33	<b>.43*</b>	-
13. Performance Monitoring and Feedback	<b>.48*</b>	.35	.24	.27	.35	<b>.53**</b>	<b>.59**</b>	<b>.52**</b>	<b>.67**</b>	<b>.52**</b>	<b>.55**</b>	<b>.62**</b>

ARE= Annual Revenue per Employee; ARB= Annual Revenue per Bedroom; EP= Employee performance; SVQ= Service Quality; OP= Operational Performance. N size varies from 24 to 27 due to missing data. \* Correlations are significant at p<.05 (two-tailed); \*\* Correlations are significant at p<.01 (two-tailed).

After controlling for size, the results get clearer. The number of statistically significant correlations gets smaller and the remaining ones kept strong values so that contributions to performance are more easily perceived. At the same time, it is possible to see that all performance measures, especially productivity ones, are correlated with at least one management practice. Occupancy kept its correlations, reinforcing the initial suggestion that the practices investigated are associated with better organizational performance. Some changes can be noticed regarding ARE, that is now significantly correlated with recruitment ( $r=.41$ ) and benchmarking ( $r=.53$ ). In its turn, ARB is correlated with benchmarking only, as it was before. EP lost its initial correlation with benchmarking, while SVQ lost its association with rewards and performance monitoring and feedback. And finally, OP kept more or less the same pattern as before. The overall picture provides additional support to the initial observation that all performance metrics are strongly correlated with one management practice, reinforcing the argument for the appropriateness of the research design.

Regarding management practices, after controls are applied, benchmarking keeps being the most effective one, side-to-side with recruitment that has improved compared to the initial analysis, with both displaying five strong correlations. Next in line is training, followed by performance monitoring and feedback that lost part of its initial strength, and rewards. Controlling the operation and flexible work are only significantly correlated with occupancy.

These promising results suggest that it is worth following this track to scrutinise in a similar manner what has already been done with the UK survey. However, the sample size imposes some limits to further analyses. It is not possible to estimate a regression model using all seven independent variables, as would be desirable. The reason is that the size of  $R$  is dependent upon the number of predictors and the sample size. In order to keep estimates inside reasonable boundaries, I will move on to investigate the impact of both human resources and operational practices on performance separately. In doing so, I will estimate two sets of models, one with four predictors (HR practices) and one control, and the other with three predictors (operational practices) and one control. According to Fields (2005) the expected  $R$  for random data is  $k/(N-1)$ , with  $k$  standing for number of predictors. In my sample, this means that, in the worst scenario possible, any correlations smaller than .20 are expected to happen

randomly. The moderator (control) variable will be size measured in terms of number of employees, as already mentioned<sup>33</sup>.

Table 7.7 below brings the results for standardized  $\beta$  coefficients for HR practices and a statistical test, Durbin-Watson, which tests the assumption of independent errors within regression models.

**Table 7.7 Standardized  $\beta$  coefficient in regression models for HR practices controlling for size – Brazilian Study-managers perspective.**

	Occpncy	ARE	ARB	EP	SVQ	OP
<i>Control variables</i>						
<i>Employees</i>	.206	-.025	.429*	.395*	.211	.059
<i>HR practices</i>						
<i>Recruitment</i>	.507**	.178	.234	.512*	.316	.489*
<i>Training</i>	.177	.010	.147	.261	.123	-.143
<i>Rewards</i>	.214	.533*	.111	-.182	.074	.407
<i>Flexible work</i>	-.101	-.192	-.211	-.106	.054	-.119
<b>R<sup>2</sup></b>	.588	.289	.341	.499	.312	.411
<b><math>\Delta R^2</math></b>	.493**	.279	.103	.310*	.230	.372*
Durbin-Watson	2.337	1.700	2.093	2.266	2.005	1.761

ARE= Annual Revenue per Employee; ARB= Annual Revenue per Bedroom; EP= Employees' Performance; SVQ= Service Quality; OP= Operational Performance. N varies from 29 to 31 due to missing data.

\* Correlations are significant at  $p < .05$

\*\* Correlations are significant at  $p < .01$

The values for the Durbin-Watson test are within acceptable values (Durbin & Watson, 1951) showing that residuals to the model are uncorrelated and the assumption of independent errors is tenable.

Some interesting findings emerge from these results, particularly those related to the positive association with productivity. Recruitment proved to be the best predictor for occupancy ( $\beta = .507$ ,  $p < .01$ ), employee performance ( $\beta = .512$ ,  $p < .05$ ) and operational performance ( $\beta = .489$ ,  $p < .05$ ), with a great deal of variation ( $\Delta R^2$ ) explained in all

<sup>33</sup> To play on safer statistical grounds, I have originally run these regression models using only management practices a predictor, without any control variable. As the addition of the control variable had only a very minor impact on overall results in terms of both  $R^2$  and significance level, I decided to keep the fuller version for making comparisons easier because of the importance of size as a moderator in this relationship.

three situations (49.3%, 31.0% and 37.2% respectively). Rewards has a strong  $\beta$  value associated with ARE but the observed variation in  $R^2$  is not statistically significant despite not being far from that. No other statistically significant relations were identified.

What do these results suggest? Clearly, the most important results are those showing a clear association with productivity. As a similar result could not be observed in the UK study, the most logical conclusion is that differences arose as a function of the research design, showing the importance of controlling for externalities in this kind of research. It also provides additional support to the previous findings, especially related to the importance of recruitment to hotel operations.

In the light of the previous findings, it is possible to say that recruitment and performance are closely associated with each other, even if it is not possible to know, for sure, the direction of this relationship. It is important for organizational performance to develop the capability of having (selecting) the best workforce possible. It is also interesting to observe that rewards come close in predicting ARE. Anyway, it is possible to say that the effective use of some HR practices is associated with performance.

Next, I will investigate the role of operational practices in predicting performance. Table 7.8 below brings the beta coefficients for their presence in regression models, controlling for size in terms of number of employees<sup>34</sup>. Here again, the values for the Durbin-Watson test are within acceptable margins.

Among operational practices benchmarking seems to be the most effective one. It is capable of predicting occupancy ( $\beta = .399$ ,  $p < .05$ ) and ARB ( $\beta = .510$ ,  $p < .05$ ), two important objective (productivity) measures, while performance monitoring and feedback is a predictor of operational performance ( $\beta = .485$ ,  $p < .05$ ). The amount of variance explained, in the case of occupancy and OP, is very good (37.6% and 32%, respectively).

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<sup>34</sup> The same procedure used with HR models was applied here: original regressions were performed without control variables. Here, the reduction in the number of predictor makes the pressure over results reliability smaller when compared to HR models.

**Table 7.8 Standardized  $\beta$  coefficient in regression models for operational practices controlling for size – Brazilian Study - managers perspective.**

	Occupancy	ARE	ARB	EP	SVQ	OP
<i>Control variables</i>						
<i>Employees</i>	.100	-.109	.290	.303	.110	.032
<i>Operational practices</i>						
<i>Controlling the Operation</i>	.203	-.120	-.151	.153	.037	-.090
<i>Benchmarking</i>	<b>.399*</b>	.456	<b>.510*</b>	.276	.381	.203
<i>Performance Monitoring and Feedback</i>	.196	.220	.021	.007	.095	<b>.485*</b>
<b>R<sup>2</sup></b>	.471	.282	.439	.312	.271	.359
<b><math>\Delta R^2</math></b>	<b>.376**</b>	.272	.201	.123	.189	<b>.320*</b>
Durbin-Watson	2.029	1.733	2.038	2.034	2.334	2.348

ARE= Annual Revenue per Employee; ARB= Annual Revenue per Bedroom; EP= Employees' Performance; SVQ= Service Quality; OP= Operational Performance. N varies from 29 to 31 due to missing data.

\* Correlations are significant at  $p < .05$

\*\* Correlations are significant at  $p < .01$

Regarding ARB there is a need for careful assessment; the variance explained in the model is about 20.1% and this came above the significance level ( $p=6.6$ ). A similar situation can be also observed with benchmarking and ARE where  $\beta$  value is just above the significance level ( $p=.06$ ) as well as changes in  $R^2$  ( $p=.056$ ). In both situations it seems reasonable not to reject the value of the findings for such small variations from usually accepted values, especially because they may help to clarify the findings.

What do these results tell us? Why is benchmarking so closely associated with occupancy? Keeping in mind that the sample is not dealing with small businesses, the results might be signalling that managers do perceive the existence of the fact that there is a long way to go until they reach their top performance potential. They are looking outside to some of their competitors and recognizing the need to improve their activities and processes. This would be compatible with the nature of the business environment and also with the ideas originally expressed with HR results. This possibility found some support on the observed trend in means above mentioned. It is possible to say that in the present case the market is less homogeneous, when compared to other business environments. This can be assessed by measuring the

level of chain penetration when compared to independent operations. This situation leads to a great variability in managerial approaches and practices, where differences tend to be more visible and comparisons more easily perceived.

Developing this argument a bit further, it is possible to say that, more often than not, hotels belonging to chains are bigger, more modern, provide a better working place and overall job perspectives when compared to independent operations. Thus, they are capable of attracting a better group of employees than their local competitors, either in terms of attitudes or qualifications. Chain workplaces also benefit from superior managerial capabilities including a better commercial operation and marketing. From this initial point onwards, having the best employees, further differences originating from other HR activities would be less perceivable when compared to local competitors. This would explain why benchmarking is an important practice in the context of this study. This argument could also explain the relationship between recruitment and employee performance and operational practices.

Seeking to explore this possibility further, I have approached it from two different perspectives. I have added two dummy variables to my model to control for being part of a chain and I have looked for the interaction effects of recruitment by chain membership in predicting organizational outcomes (occupancy, EP and OP<sup>35</sup>) and, despite a very small lateral movement in the correlations, the overall results remained the same and no interaction effects were identified. This shows that despite the importance and characteristics of chain workplaces, the observed relationships can not be entirely attributed to them. They are therefore a result of a wider spread characteristic, reinforcing the importance of practices' effectiveness.

### ***7.5.1 Preliminary Discussion***

Overall HR practices do have a better outcome when compared to operational ones based on the amount of variation explained by these practices. Unfortunately, due to sample size constraints it is not possible to input all variables together, in a regression model, to observe how they interact with each other in predicting performance. None

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<sup>35</sup> Practices where benchmarking plays a important role.

the less, occupancy rates can be predicted, to a great extent, by both recruitment and benchmarking. ARE and ARB also came very close to significance level. There is a possibility that with a bigger sample these relationships could have been observed.

Recruitment was also successful in predicting both employee and operational performance, while performance monitoring and feedback was capable of predicting operational performance only.

It is not possible to avoid comparing these results with the ones obtained with the UK sample. The results associated with self-reported measures of performance are very similar, to the same extent that associations with productivity are dissimilar to each other. The result seems to be supporting the idea that externalities are important when trying to understand the role of management practices in enhancing performance/productivity and the value of the proposed research design. This would explain why the instrument could capture positive relationships with productivity measures in this sample but not in the UK one. At the same time, the results also suggest the idea that industry similarities do have a big impact on work organization despite differences in institutional environments explaining why some patterns tend to be repeated in these two countries.

As these are just preliminary analyses drawn up to allow a background against which further findings can be understood, it is important to move on towards the core of this study, in trying to understand the role played by some employee outcomes on the relationship between adoption of high-performance practices and performance in the hotel industry.

## **7.6 Management Practices and Performance from the Employee Perspective**

The original assumption guiding this study is two-fold: a) there should exist a relationship between management practices and performance; and b) this relationship should be mediated (partially at least) by some employee outcomes. Before moving on to close investigation of these assumptions, I will display the basic correlation between all variables in this study, from the employee perspective, seeking to spot

underlying patterns across the data following a procedure already laid down for previous studies. Initial results are shown in table 7.9 below.

It is important to observe that employee responses have a different structure when compared to the manager ones. There are some similarities but also some differences. As they received and filled in the same questionnaire as managers did, I have to conclude that they do have different perceptions about organizational reality, giving origin therefore, to different response structure. The implications of this will be addressed later on within the discussion section.

Beginning with the relationship between management practices and performance, it is possible to spot seven statistically significant relationships: incentive management is related to both employee performance ( $r=.35$ ) and service quality ( $r=.35$ ). During the application process I had the opportunity to get feedback from all employees about the questionnaire itself. The most remarkable comment, almost unanimous, was related to the fact that they felt valued and respected for being heard, something that was reported as being unusual. In fact, for many employees it was the very first time someone ever asked their opinions. As incentive management addresses things like employee development, internal labour market and giving incentives, the correlations identified here might be an expression of employees wanting to be heard, respected and wanting to progress in their jobs, in other words, a call for involvement.

Flexible work is correlated with occupancy rate ( $r=.41$ ), service quality ( $r=.35$ ) and operational performance ( $r=.32$ ), an almost unnoticeable trend from the manager perspective. Setting goals around customer focus is correlated with ARB ( $r=.37$ ) and service quality ( $r=.32$ ). Here, the correlations seem to be expressing the fact that quality is an externally driven factor and it has to be clearly defined and set according to customer expectations and desires in order to have a positive impact on firm performance. No other correlations are possible to observe with either self-reported or productivity measures.

**Table 7.9 Basic correlations of all variables in this study – Employee perspective.**

variables	1	2	3	4	5	6	7	8	9	10	11	12	13	15	16	17	18
<i>dependent variables (manager data)</i>																	
1. <i>Occpcy</i>	---																
2. <i>ARE</i>	.40*	---															
3. <i>ARB</i>	.32*	.47**	---														
4. EP	.57**	.16	.27	---													
5. SVQ	.32*	.25	.38*	.71**	---												
6. OP	.54**	.48**	.19	.43**	.41*	---											
7. Employee' Turnover	-.12	.09	-.10	-.23	.22	.32*	---										
<i>independent variables (employee data)</i>																	
8. Incentives Management	.24	.25	.28	.35*	.35*	.19	-.04	---									
9. <i>Recruitment</i>	-.09	.03	.16	.08	.28	.10	.16	.66**	---								
10. <i>Flexible work</i>	.41*	.20	.07	.24	.35*	.32*	.14	.13	-.01	---							
11. <i>Customer Focus</i>	.18	.19	.37*	.21	.32*	.22	.12	.73**	.66**	.20	---						
12. <i>Controlling the Operation</i>	-.09	-.01	-.23	.03	.00	-.07	-.01	.34	.35*	-.07	.32*	---					
13. <i>Performance Management</i>	.01	.12	.16	.12	.10	.08	-.06	.70**	.63*	-.03	.81**	.57**	---				
<i>workers outcomes (employee data)</i>																	
14. Intrinsic Motivation	-.29	-.13	-.06	-.24	-.11	-.49**	.02	-.05	.15	.06	-.06	-.04	-.11	---			
15. Job Satisfaction	-.06	-.28	-.04	.12	.09	-.12	.12	.29	.30*	.05	.28	.32*	.24	.31*	---		
16. Empowerment	-.28	-.10	-.02	-.12	.03	-.25	-.17	.34*	.21	.01	.21	.17	.08	.22	.41*	---	
17. OCB	.19	.19	.24	.19	.29	.25	.38*	.23	.11	.10	.37*	.19	.29	.20	.33*	-.18	---
18. Compliance with Rules	.01	.05	-.03	.15	.07	.05	.00	.36*	.25	-.07	.24	.49**	.37*	-.14	.49**	.18	.38*

\* Correlation is significant at the  $p < .05$  level (1-tailed). \*\* Correlation is significant at the  $p < .01$  level (1-tailed). N varies from 29 to 31 due to missing values (pairwise deletion)

Turning attention to the relationship between performance metrics and employee outcomes, the only statistically significant results is a negative correlation between intrinsic motivation and operational performance ( $r = -.49$ ). It suggests huge working pressures facing employees having to perform to high standards, in a sector where low wage levels, low opportunities to develop and long unfriendly working hours, for example, are the norm.

Regarding the relationship between the effective use of management practices and employee outcomes the picture is much richer. Incentives management is correlated with empowerment ( $r = .34$ ) and compliance with rules ( $r = .36$ ). In the former case, it could be said that when organizations prepare and support their employees they feel empowered to perform and this works as an incentive to comply with general organizational procedures and rules. Unfair treatment could provoke some sort of disobedience or transgression. The correlations of incentives management and job satisfaction are just below the significance threshold.

Recruitment is correlated with job satisfaction ( $r = .30$ ), a possible indication of a need to select the right person to do the job, reinforcing the importance of this in line with previous findings.

Setting goals around customer focus is positively correlated with OCB ( $r = .37$ ). It is extensively said, in the hotel industry, that providing customers with a good service should be a company main focus and objective. However, this sometimes may not be perceived by employees as entirely true. For example, when there is a perception that “profit” is first place. An effective use of this practice could be signalling that the company is really interested in their customers and this, in turn, would be perceived by the employee as being fair or coherent. This perception would lead to a willingness to behave in a fairer way towards the job or to perform beyond requirements.

Controlling the operation is associated with job satisfaction ( $r = .32$ ) and compliance with rules ( $r = .49$ ). Here again, making sense of the direction of the relationship seems to be key to understanding what is going on. A more satisfied workforce is more likely to be more careful in dealing with organizational resources. This would lead to a better control of the operation by reducing waste in general. More or less the same principle should be behind the relationship between compliance with rules and controlling the operation. When norms are clearly expressed and procedures are laid down for general awareness, this makes the distinction of what constitutes desirable and undesirable behaviour clearer.

Performance management is positively correlated with compliance with rules ( $r=.37$ ). Here the relationship seems to be straight forward: a company that is capable of setting clear standards and is also capable of following them up reduces ambiguity associated with work tasks. When employees have clear patterns to follow, they are more likely to comply with organization rules and norms.

As size has proved to be an important factor influencing the relationship between management practices and performance, I will investigate its effects on my correlations before moving on to more specific analyses. Table 6.10 below displays these results when controlling for size measured in terms of number of employees.

As it is possible to observe, size does have an impact on the relationship between management practices and performance. The initially observed correlations with incentives management have lost their statistical significance and the same can be said about setting goals around customer focus. At this stage flexible work emerges as the most important practice in this sample, a sign that sharing work and working as a team have a role to play in this organizational context. At the same time, controlling the operation has emerged with a negative correlation with ARB ( $r=-.32$ ). This is a slightly puzzling situation, since the expectation is that none of these practices should be negatively correlated with performance. None the less, it is possible to think that as the core of this practice points to a control on the use of resources in general, this can be viewed by employees as a denial of servicing customers properly, in this case, by the organization. An alternative possibility is that, this could have been understood as a *proxy* for some other kind of managerial behaviour with a negative impact on outcomes. Anyway, in a business environment where fixed costs are high, it is expected that successful organizations are those that manage to have greater control over their costs.

Looking at the overall impact of these practices on employee outcomes, the picture has remained virtually untouched compared to the original analysis. None the less, one thing is important to notice, the importance of job satisfaction was increased, reinforcing the idea that these high-performance practices are welcomed by employees.

**Table 7.10 Basic correlations of all variables in this study – Employee perspective.**

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
<i>dependent variables</i>																	
1. <i>Occpcy</i>	---																
2. <i>ARE</i>	.39*	---															
3. <i>ARB</i>	.20	.49**	---														
4. <i>EP</i>	.50**	.13	.08	---													
5. <i>SVQ</i>	.25	.24	.29	.68**	---												
6. <i>OP</i>	.52**	.47**	.10	.39*	.37*	---											
7. <i>Employee Turnover</i>	-0.06	.12	-0.01	-0.17	.29	.37*	---										
<i>independent variables</i>																	
8. <i>Incentives Management</i>	.16	.23	.15	.25	.29	.14	.02	---									
9. <i>Recruitment</i>	-0.16	.01	.07	-0.12	.24	.06	.21	.64**	---								
10. <i>Flexible work</i>	.41*	.20	.06	.24	.35*	.32*	.15	.12	-0.02	---							
11. <i>Customer Focus</i>	.07	.17	.22	.05	.23	.16	.22	.69**	.65**	.20	---						
12. <i>Controlling the Operation</i>	-0.13	-0.02	-.32*	-0.02	-0.03	-0.09	.01	.33*	.34*	-0.08	.31*	---					
13. <i>Performance Management</i>	-0.10	.10	.02	-0.02	.02	.02	-0.01	.67**	.61**	-0.05	.78*	.58**	---				
<i>workers outcomes</i>																	
14. <i>Intrinsic Motivation</i>	-0.26	-0.12	.01	-0.19	-0.07	-.47**	-0.02	.00	.19	.06	.01	-0.03	-0.07	---			
15. <i>Job Satisfaction</i>	-0.06	-0.28	-0.03	.15	.10	-0.12	.11	.32*	.32*	.05	.32*	.32*	.26	.31*	---		
16. <i>Empowerment</i>	-0.28	-0.10	.02	-0.09	.05	-0.24	-0.18	.39*	.23	.02	.26	.19	.11	.21	.41*	---	
17. <i>OCB</i>	.17	.18	.23	.17	.28	.23	.41*	.21	.09	.10	.37*	.18	.27	.21	.34*	-0.17	---
18. <i>Compliance with Rules</i>	-0.04	.03	-0.12	.10	.03	.02	.03	.34*	.23	-0.08	.21	.49**	.35*	-0.13	.50*	.19	.37*

\* Correlation is significant at the p<.05 level (1-tailed) \*\* Correlation is significant at the p<.01 level (1-tailed). N varies from 25 to 29 due to missing values (pairwise deletion).

And finally, regarding the relationship between organizational performance and employee outcomes, only two significant correlations can be observed: a positive one between OCB and employee turnover ( $r=.41$ ); and a negative one between operational performance and intrinsic motivation ( $r=-.47$ ).

### **7.6.1 Testing for Hypotheses H1 to H4**

The core argument related to these initial four hypotheses evolves around the notion that some employee characteristics mediate the relationship between management practices and performance. In other words, they are postulated to be linking mechanisms between dependent and independent variables, acting as an intervening variable (Wood *et al*, 2008). There are three conditions that have to be met before a mediation can be said to exist (Kenny, 2008; James 2008; Holman, Chissick, & Torttedell, 2002), they are: 1)- management practices (independent variable) must affect organizational outcomes (dependent variable), 2)- management practices must exert an effect on the proposed mediator variables (one of the proposed linking mechanisms) and 3)- the mediator must also affect organizational outcomes. Therefore, identifying the existence of these preconditions is fundamental. In the case of this study, four linking mechanisms are proposed: a) employee skills (H1) b) employee motivation (H2), c) employee empowerment (H3) and d) compliance with rules (H4).

Unfortunately, no set of correlations meet the above criteria, therefore, it is not possible to test for hypotheses H1, H2, H3 and H4.

### **7.6.2 Testing for Hypotheses H5 and H6**

Hypothesis H5 proposes a negative and statistically significant correlation between the effective use of high-performance management practices and employee turnover. From the existing correlations five of them are positive and one is negative (performance management), and none of them is statistically significant. Based on the correlation size, it is possible to assume that in a bigger sample some of them would

became significant, especially those referring to recruitment, flexible work and customer focus. However, they would have a positive sign, what goes in a different direction from the proposed correlation. This might be suggesting that, these practices would not be capable of reducing average employee turnover rate in the sector. Employees may like them but there are not capable of changing some important work characteristics that are associated with turnover rates. Anyway, the overall impression highlights the need to reconsider the overall rationale behind this hypothesis and further investigation of this relationship.

From the foregoing, it is possible to **reject H5**.

Hypothesis H6 proposes a positive correlation between the effective use of high-performance management practices and job satisfaction. In fact, four statistically significant correlations can be observed with incentive management, recruitment, customer focus and controlling the operation. Curiously, all of them with  $r=.32$ . The size and direction of the correlation with performance management also points to the expected direction suggesting that the original hypothesis was correct. Only the correlation with flexible work does not follow the trend of other management practices. For this reasons it is possible to say that there is an overall trend towards a positive relationship between the effective use of management practices and job satisfaction.

Therefore it is possible to say that there is enough ground to **accept H6 relatively to incentives management, recruitment, customer focus and controlling the operation**. At the same time, hypothesis **H6 has to be rejected relatively to flexible work and performance management**.

### 7.6.3 Alternative Analyses

At this point there are two important questions that have not been properly addressed deserving further attention. Both of them emerged during the original analytical process: 1- to what extent can organizational performance be predicted based on employee perspective? 2- to what would have happened if instead of using employees accounts of management practices I had used manager perspectives to look for mediation paths as is the common pattern in this kind of study?

To answer the first question I will make use of two regression models in the same way as previously done in this study. Table 7.11 brings the results for HR practices.

**Table 7.11 Standardized  $\beta$  coefficient in regression models for HR practices controlling for size – Brazilian Study-Employee perspective.**

	Occpncy	ARE	ARB	EP	SVQ	OP
<i>Control variables</i>						
<i>Employees</i>	.248	.022	.443	.357*	.189	.151
<i>HR practices</i>						
<i>Recruitment</i>	-.384	-.210	-.035	-.242	.149	.014
<i>Incentives management</i>	.387	.366	.166	.377	.145	.086
<i>Flexible work</i>	.356*	.161	.040	.171	.322	.302
<b>R<sup>2</sup></b>	.347	.118	.260	.310	.260	.145
<b><math>\Delta R^2</math></b>	.253*	.109	.022	.121	.177	.105
Durbin-Watson	1.905	1.827	2.168	1.806	2.369	2.383

ARE= Annual Revenue per Employee; ARB= Annual Revenue per Bedroom; EP= Employee Performance; SVQ= Service Quality; OP= Operational Performance.

\* Correlations are significant at  $p < .05$

\*\* Correlations are significant at  $p < .01$

The results deliver a mixed picture: on the one hand, they reinforce previous analysis highlighting the important of flexible work in predicting occupancy rates from an employee perspective; a positive result in itself. On the other hand, despite making use of a different set of practices the overall result seems to be weaker when compared to manager views. In this case, it could be argued that employees have a much narrower perspective when compared to managers, and for this reason, they are

unable of grasping a more comprehensive view about issues impacting organisational performance. The next table shows the results for operational practices.

**Table 7.12 Standardized  $\beta$  coefficient in regression models for operational practices controlling for size – Brazilian Study-Employee perspective.**

	Occpncy	ARE	ARB	EP	SVQ	OP
<i>Control variables</i>						
<i>Employees</i>	.272	.030	.405*	.412*	.189	.125
<i>HR practices</i>						
<i>Controlling the operation</i>	-.044	-.093	-.446*	.015	.066	-.071
<i>Setting Goals around Customer focus</i>	.361	.211	.318	.163	.583	.357
<i>Performance Management</i>	-.335	.002	.075	-.147	-.463	-.208
<b>R<sup>2</sup></b>	.151	.045	.430	.197	.192	.093
<b><math>\Delta R^2</math></b>	.056	.035	.192	.008	.109	.054
Durbin-Watson	2.175	2.060	1.982	1.868	2.351	2.325

ARE= Annual Revenue per Employee; ARB= Annual Revenue per Bedroom; EP= Employees' Performance; SVQ= Service Quality; OP= Operational Performance.

\* Correlations are significant at  $p < .05$

\*\* Correlations are significant at  $p < .01$

Once again, the results are much poorer when compared to managers, confirming previous analysis.

The results for the mediation analysis using manager responses for both DV and IV were also disappointing, and nothing could be found.

## 7.7 Discussion

This study was aimed at identifying the role played by employee outcomes in the relationship between high-performance management practices, performance and productivity in the context of a service activity. In order to do so, a single sector, single business environment study, was designed in an attempt to control for as many externally driven forces influencing performance as possible. Data was collected from both managers and employees, trying to overcome some fundamental criticism and weaknesses associated with this kind of research. The study followed the same

pattern, and used the same questionnaire, originally supplied in the UK, despite the fact that this was not meant to be a cross-cultural study. The reason behind this strategy was to use differences to highlight similarities. In other words, an effort to isolate the benefits and impacts of the practices themselves from externally oriented factors. The results can be described as rich and interesting.

As I have unfolded two distinct approaches to the main objective of this study, I will describe each separately trying, at the same time, to wrap them up in a single conclusion.

### ***7.7.1 Manager perspective***

The first noticeable aspect about manager responses is the lower mean scores for both dependent and independent practices relative to what was achieved with UK managers. Instead of piling up towards the upper part of the measurement scale, they tended to group around the middle of it. The most likely explanation for this fact seems to be related to the low level of chain penetration in the Brazilian market. As most organizations are independent operations, and for this very reason, with limited access to resources in general, and managerial expertise in particular, the means could be capturing their perception of a 'still long way to go' in terms of effectiveness of managerial capabilities or in enhancing performance. No wonder, benchmarking proved to be strongly correlated with all forms of organizational output but employee performance, even though it came very close to statistically significant level after controlling for size. At the same time, being part of a chain is not enough to explain differences in performance suggesting that managerial capabilities have a role to play in enhancing it.

A second aspect, and much more important, management practices were strongly correlated with both self-reported and productivity measures of performance. This result is very likely to have been influenced by the nature of the research design, where many externalities were naturally controlled. It is important to acknowledge the possibility that lower means given by managers could also point to a sample with an ample variance, therefore, stressing differences between companies. This finding

suggests that external variables might be playing a much greater role in identifying the link between management practices and performance in services than it is usually assumed. In this sense, much of the elusiveness of this link can be accounted for poor control variables and traditional research designs.

Next to benchmarking, recruitment, training and performance monitoring and feedback are strongly correlated with performance, in a very similar pattern as in the UK study. Interestingly, occupancy levels are also strongly correlated with all the management practices investigated. This is another empirical support to the suggestion that the research design is important for this finding. It can not be ruled out that a group of a few companies, with an overall better managerial system and performance, had a big influence on the results.

When regression models are built, trying to predict performance levels based on management practices effectiveness, the results are equally strong. Because of sample size limitations, it is not possible to include all variables in a single model at once. The solution was to apply the same principle initially used in the UK sample, splitting practices into two groups: one with HR practices and the other with operational practices. The results provide support to previous findings.

Relatively to HR practices alone, recruitment is the most important predictor for occupancy rates, capable of explaining up to an impressive 49.3% of variance in the sample, an important finding in itself. The figures for employee and operational performance are equally strong. Rewards came very close to the significance level in predicting annual revenue per employee, suggesting that better paid employees and performance are closely associated. These findings give enough confidence to assert the importance of HR practices to hotel performance.

The importance of recruitment follows a very similar pattern as the one found in the UK sample, where it was also capable of predicting employee and operational performance suggesting that an underlying sector pattern is capable of yielding superior results independent of business environments. Superior performance and “better quality” employees are strongly associated. Conversely, the “importance” of rewards might be explained as a consequence of particular labour market characteristics where employees have lower mobility between organizations and are

much more constrained in their choices. Managers acknowledge this situation and refer to the importance of providing better wages to their employees when compared to other activities or even to their competitors.

The importance of performance monitoring and feedback can also be said to be part of an overall sector characteristic due to its capability for predicting operational performance (as in the UK sample), while benchmarking seems to be suggesting a role for labour market characteristics and differences in business environments in understanding this relationship.

Relatively to operational practices, benchmarking proved to be capable of predicting occupancy rate and annual revenue per bedroom. It also came very close in predicting the other measures of performance but operational one, which is predicted mainly by performance monitoring and feedback. This result seems to be suggesting that even if best practices, as an idea, can not be taken as a panacea, awareness of it may have a positive impact on performance. Institutional isomorphism (Di Maggio & Powell, 1993) may provide an explanation for this hypothesis. This finding can also be understood as a warning against applying managerial techniques that have been developed in different business contexts, stressing the need for customisation.

These results have two basic implications: a practical and a theoretical one. From a practical perspective it is possible to stress and recommend to managers a closer attention to the way they recruit and select their employees. Developing and implementing a good communication system where information can flow and performance can be properly monitored is also important. The evidence seems to be suggesting this is the way to go. From a theoretical perspective, there seems to be evidence to support the argument that externalities are much more important in service sectors than has been previously recognised. Future research has to pay more attention to this when trying to identify positive relationships with productivity measures.

### **7.7.2 Employee Perspective**

It is unavoidable to start this discussion about employee perspectives without addressing the difference in their response structures when compared to managers. In this case, it can be seen that three practices do overlap on both sides, they are: recruitment, flexible work and controlling the operation, with differences in other independent variables. This situation of a partial agreement (or a partial disagreement, it is up to the reader) might be signalling that managers and workers have distinct perceptions about organizational reality. They see and perceive work phenomena through distinct glasses, a perfectly reasonable assumption.

One might argue that the observed difference is a particular phenomenon arising in a third world country where the educational level is much lower when compared to the UK and therefore, this situation would have nothing to do with economic and managerial dynamics happening here, being a kind of distortion. For this reason, it could be dismissed as a minor matter or as a methodological error. This would be the case if a pilot study had not been conducted in the UK with both managers and employees. During that time, it was possible to see that the sector is over reliant on immigrants and on an under skilled labour force. Supporting this argument about Brazilian employees means applying it also to the UK. On the other hand, in Brazil the workforce is much more homogeneous and, as employment opportunities are fewer when compared to the UK, employers are capable of choosing above average employees. In any case, the outcomes are likely to be the same: the managers-employee divide might be greater than previously thought and, consequently, the approach to HR questions in organizations has to be rethought. They are not completely different perspectives but they are enough to raise concern and attention. In some ways this goes against one of the fundamental pillars of high-performance practices, Unitarianism, or the position that managers and employees have common interests and objectives.

The discussions and concerns normally expressed around common methods bias provide some indirect support to this proposition. There is a general suspicion about the extent to which data collected from a single respondent is capable of expressing a good perspective about organizational phenomena. The same principle applies to the

criticisms brought about by Labour Process supporters. However, the available data does not allow holding on to any of these positions but certainly, this is a path worth following and more studies in this direction are needed. Above all, the most important lesson learned from this situation is that employees should also be heard in regards to working issues.

Moving on to examine the relationships between practices and performance, it is possible to see that flexible work is positively correlated with occupancy rates, an important finding in itself. It also correlates with service quality and operational performance. Flexible work is one of the practices where managers gave a high average score but it did not have the same importance in their perspective as with employees, it is not valued in the same way. This result highlights the importance of sharing work among employees and working as a team and draws our attention to the fact that some practices may have an impact underestimated by managers. This also provides additional support to the position above expressed.

The positive correlation with controlling the operation is neither clear nor straight forward, however as it was said before, it might be pointing to some sort of judgment about managerial behaviour or intentions, from the employee perspective but this is not possible to know for sure.

Unfortunately, the main objective of this study could not be achieved: testing for mediation paths in the relationship between performance and management practices. The most likely reason for this has certainly to do with sample size constraints. None the less, it can not be ruled out that there is the possibility that the proposed links are just not valid and that some other mechanisms are in place. The rationale guiding the choice of mechanisms was based on HRM assumptions and propositions. As the literature has shown and the exploratory study has confirmed, the role of human resources are limited in the industry. The basic process of work organization is based on a lean structure supported by a numerically flexible workforce. At the same time, most jobs available demand low skills levels. Anyway, this remains an open question deserving further investigation and sure enough, a bigger sample size would contribute greatly to this objective.

The investigated practices have a mixed impact on employee turnover rates. The original expectation was a negative correlation assuming that the effective use of high-performance practices would bring about a better working environment. However, the results point in another direction: recruitment, setting goals around customer focus and controlling the operation vary positively with turnover, with other practices being almost uncorrelated with it. It is likely that some other forces are in place influencing the decision, or the possibility, to remain employed. Curiously, the positively related practices are those that are capable of predicting performance either in regression models (managers perspective) or are strongly correlated with performance (employee perspective). Thus, turnover rates could just be expressing a higher level of attention or quality, where companies are systematically laying-off low performers, in other words, the side effects of performance management.

The expected positive correlations of effective use of management practices and employee job satisfaction go in the expected direction. If practices are incapable of improving organizational performance they are, at least, capable of impacting positively on overall work environment. Curiously enough, flexible work, pointed out by employees as the most effective practice correlated with occupancy rates, is not significantly correlated with job satisfaction. Flexible work could be said to be introducing some sort of uncertainty into daily working patterns, forcing employees to constantly learn and adapt to different situations. From an organizational point of view, this procedure would enhance performance by rationalising resources usage. From the employee stand point, this could be seen as a burden, and a basic daily routine would be preferable. Anyway, this is another line of investigation worth pursuing and deserving of further examination.

### ***7.7.3 Comparing Manager and Employee Perspectives***

In general terms, it can be said that taking the employee perspective added little to our understanding about the relationship between management practices and performance. The most important finding was to highlight an aspect that had secondary importance (flexible work) when managers had been targeted. The most likely explanation for this has already been given: employees have a much narrower view about

organizational issues when compared to managers for a number of different reasons, ranging from nature of work and qualifications to tenure. None the less, taking the employee perspective is an important procedure because it allows the possibility of estimating the impact of work and production organizational processes on them, an area clearly under investigated. Regardless of the fact that their importance is less than originally imagined (when trying to predict performance), building and developing healthier and better workplaces is an important task.

## **7.8 Strengths and Weaknesses**

The most important strengths associated with this investigation rely on its research design. It is a single sector study conducted in a single business environment seeking, in this way, to control for a number of externally driven forces that might be influencing organizational outcomes. A second important aspect relates to the use of the same instrument applied in a previous study, helping to shed some light on the subject by collecting the same kind of data from different institutional contexts. Also very importantly, it collects data from both managers and workers about management practices effectiveness. This study takes a step forward in addressing one of the most important concerns expressed about the use and importance of high-performance practices, namely, their impact on worker outcomes.

Regarding weaknesses, the most important one is certainly the sample size. It is smaller than desirable. Because of that, some important relationships could not be observed or properly tested for. Apart from that, it shares with the previous study all the limitations associated with cross-sectional surveys.

For future studies, I would suggest expanding the sample size either by trying to collect data from a larger city, where the number of available companies is comparatively greater, or else, if this approach is not feasible, collecting data from cities with similar business environments.

In paradise the work is fixed at thirty  
hours  
Salaries are higher prices steadily go  
down  
Manual labour is not tiring (because of  
reduced gravity)  
Chopping wood is no harder than typing  
The social system is stable and the  
rulers are wise  
Really in paradise one is better off than  
any whatever country

Zbignew Herbert – Report from  
Paradise

## **8. Concluding Remarks**

### **8.1 Overview**

This chapter has four main objectives; to summarise how the main research questions were answered, to summarise the main findings of this research, to summarise the main contributions to practice and to theory arising from this research and to conclude by directing where future research should go based on these findings.

This research consisted on three different studies. The first one was an exploratory study based on twelve interviews with managers in Brazil and in the UK. The second study was a postal survey conducted with 213 companies in the UK. Answers were provided by hotel general managers and data was collected at establishment level. The third study was conducted in Brazil making use of the same questionnaire applied in the UK study. General Managers provided information about establishment level data for 31 different companies. An additional set of data was collected in each company from employee. The studies were designed to inform and complement each other.

## 8.2 Answers to the Research Questions

This research aimed at answering three main research questions based on contributions from the literature review and empirical studies.

*Q1- To what extent can a conceptual framework originally developed to understand the relationship between the effective use of management practices and performance within manufacturing activities be applied to address service sector issues in general and in the hotel industry in particular?*

The available literature on service industries can be split into two main streams (Sundbo, 2002): one advocating the specificity of service activities due to customer presence and his (her) participation in the production process and another line of investigation arguing that this is not a relevant aspect in understanding service industries, based on the claim that no special characteristic should be attributed to service sectors. In the first instance, the focus rests upon the client; in the second the focus lies on the production process.

Based mainly on the literature review and on the first exploratory study, no particular role was identified for the interaction with customers influencing performance in the hotel industry. The importance seems to be more associated with having the right system (product, price, services) in the right place, rather than having the interaction between clients and companies impacting performance.

In fact, in most hotels, the amount of contact the client has with employees is very limited and expectations seem to be driven by a permanent process of assessing the value for money relative to the services available. Even in upper scale establishments, the behaviour rule (employee code of conduct) stresses the importance of disturbing the client as little as possible and the treatment has to be friendly but polite meaning, more often than not, distant. At the same time, employees must be ready to help (customers) whenever asked to, however, if the right system is in place and working properly, this means helping very rarely. An efficient process, with quick responses for guest requests is the core aspect of a successful operation.

The same rationalisation processes that operate in manufacturing can be found in services, as for instance standardisation, automation or intensification. In these situations, service activities can be viewed as one of those labour intensive industries whose activities can neither be outsourced nor off-shored. As a consequence, the rationalisation process has clear limits.

None the less, market dynamics test and keep pushing these limits forward constantly. In the industry, it is possible to find an international chain operating a hotel brand that has virtually no employees. The check-in procedure is conducted in a sort of automatic teller machine, and the important parts of cleaning activities, like toilets, are done automatically as soon as the person locks the door after leaving it. In this case, high pressured vapour steam followed by a flow of compressed air, clean the place. The importance of this example resides in the fact that many possible solutions for increasing either performance or productivity rest upon educating customers to accept the way in which the service will be delivered, not in the possibilities of delivering themselves.

The most important differences between service and manufacturing, in the case of the hotel industry, is related to the role of externalities associated with labour and market characteristics impacting on performance, rather than to the presence of the client.

From the foregoing, it is possible to say that, despite the need for some minor (mainly contextual) adaptations, the conceptual framework originally developed in the context of manufacturing can be used to understand the relationship between effectiveness of management practices (the way the work and the production is organised) and performance in the hotel industry.

*Q2- What is the relationship between the effective use of high-performance practices and performance in hotels?*

To some extent, this answer has already been partially given in the previous section. Initially it is important to notice that Leseure *et al.* (2004) suggested using the expression *promising* instead of *high-performance* to avoid making pre-assumptions about organizational outcomes associated with using certain management practices.

The choice of the latter concept was driven by an understanding that the hypotheses being tested were related to HRM paradigms claiming a superior performance for companies adopting these practices (e.g. Huselid, 1995; Appelbaum *et al.*, 2000).

The results showed that from the proposed practices only a group of them had positive effects on performance. At the same time, due to the characteristics of the main findings it is possible to conclude that the HRM main concepts present strong constraints when applied to the hotel industry. The sector is more likely to follow the lean environment model of high-performance, suggesting that the claim related to any given practice has to be understood in the context of its application. In other words, the relationship between the so-called high-performance (or promising) practices and performance is simultaneously contingent to the industry and to the market.

*Q3- What is the role played by people / human resources in enhancing performance in hotels?*

This question also, has already been partially answered. From the importance given to the practices, it is possible to assume that human resources have a role to play but it is limited by the nature and by the industry's main characteristics. In general terms, HR practices were capable of explaining greater variances in performance when compared to the proposed set of operational practices. At the same time, having the "right" kind of employee, as expressed by the importance of recruitment, seems to be crucial to overall performance and productivity. Additional support for this argument comes from the relative importance of training, and flexible work to performance. This argument however, does not rule out the possibility that a company seeking to reach above market average would reap benefits from doing so. In fact, the results seem to be pointing in this direction.

An aspect that has to be taken into account is that working conditions and wages levels have to be understood relative to other opportunities in the market. In other words, improving conditions in the hotel industry does not necessarily means that gaps with other activities will be closed, raising industry attractiveness and incentives.

The overall conclusion is rather contradictory. On the one hand, the industry has not fully benefited from the process of work modernisation that has swamped the economy over the last years; on the other hand, there are some clear limits and constraints to this process.

### **8.3 What was found?**

The hotel industry is a typical old economy activity characterised by having high fixed costs and low skills demands. The chosen model to raise productivity and performance levels seems to be the one associated with the development of lean environments, supported by a numerically flexible workforce. Very importantly in this process is the development of a consistent set of service standards and procedures applied to both material and immaterial aspects of service operation.

At establishment level, it was possible to observe the existence of three main processes driving productivity forward: *standardisation*, expressed in the importance placed on quality patterns and standards implemented according to market segments; *intensification*, observed in the reduction of organisational layers and structure and *flexibility*, especially targeting the workforce. These processes do not happen in isolation but they do support and overlap each other in a complementary way.

In this context, a limited role was identified for the workforce in the hotel industry, despite opposite claims from the service management literature. From the investigated practices only three proved to have a consistent impact on performance, while a fourth one had a lesser role to play.

The most important managerial capability seems to be recruitment, the one related with hiring the best employees available under industry specific circumstances. The explanation for this characteristic seems to be the overall low level of job attractiveness in the sector, and its limited capacity to retain a qualified workforce. Thus, hiring the “right” employees gives hotels better grounds to implement and develop their policies and objectives. The high turnover level observed, constrains the amount of time and effort that can be placed in developing and rewarding employees.

Even with simple tasks there is a time gap between the arrival of a new employee and his top performance. There is a possibility that companies would benefit from reducing their turnover rates due to cost reductions associated with employee dismissals, or due to higher average efficiency levels related to a better knowledge of the operation. This is a relevant factor for a successful operation and deserves attention from managers.

Another important management practice is flexible work; its relevance has been originally identified by managers, and further supported by employee responses, as capable of contributing to organisational performance. At its core lies the notion of sharing the workload more evenly across the workforce. This concept has also to be understood as having a direct connection to what general managers usually refer to “as working as a team”. Different from manufacturing, the concept here does not address semi-autonomous groups. Instead, it is related to working together and to building a sense of common objectives. The most likely explanation behind its effectiveness seems to be related to perceived fairness in the workplace but, unfortunately, there is no empirical evidence to further support this hypothesis.

A third practice, with a consistent presence across studies is performance monitoring and feedback. It comprises activities related to setting goals, following them up, communicating results and general work issues across the organisation. The explanation for its importance seems to be simple and straight forward: there is a need to know where the company is going to and what is needed to get there. Employees must be made aware of relevant information that are somehow connected to their jobs and may have an impact on their performance. At the same time, they should be able to provide direct input to managers, who should benefit from it by improving overall decision making processes and by tracking quality standards more efficiently.

Relative to the effectiveness of management practices, a secondary and more limited role is attributed to training, whose importance seems to be associated with specific aspects of the operation, as for example, the provision of better service quality. Training application, amplitude and effectiveness is certainly constrained by turnover levels and because of that, on the job training is the most common practice identified. However, even in this situation there is a need for a qualified person to act as coach

and a clear set of patterns and behaviours should be in place if high quality standards are to be achieved, regardless of the market segment the company is operating in. There is a possibility that a more central role could be attributed to training if lower employee turnover levels could be achieved and sustained.

The results also suggest that effective use of HR practices have different impacts on performance from one market segment to another. For example, recruitment is more important to performance in the upper scale market when compared to mid-scale ones. The same principle can be observed when comparing mid-scale operations and budget hotels. In spite of the fact that a clear pattern could not be identified, there is an overall support to the argument that markets do matter to this relationship.

This research took a step forward when compared to similar studies and investigated also inside the organization's black box (Leege, 2005), meaning it assessed the impact of using management practices on a number of employee outcomes. The results showed a negative correlation between operational performance and intrinsic motivation suggesting that a better rewards system should be put in place if companies want to sustain superior levels of performance. Relying solely on employee motivation without any kind of external support (reward) is not enough.

The effective use of the investigated practices was associated with a number of desirable organizational behaviours and attitudes. It is worth highlighting a positive impact on job satisfaction, compliance with rules and organizational citizenship behaviour (OCB). The results suggest that even if a positive impact on performance can not be properly identified, companies will reap benefits from adopting the so-called high-performance practices by improving overall employee attitudes and behaviours towards the company and their jobs.

The Brazilian study highlighted the role of benchmarking, suggesting that awareness of best practices is important in enhancing performance and providing some support to initiatives designed to increase their uptake across the economy. However, the effectiveness of this practice seems to be associated to particular aspects of the business environment rather than having a general significance. In other words, the less developed a market is, the more effective its application will be.

Regarding the impact of differences in institutional settings on performance, the signals are mixed. On the one hand can be observed the existence of general organisational patterns in the industry independent of where the operation is set; this is the explanation for the relevance of recruitment, for instance, to this research. On the other hand, differences, especially in labour market characteristics, seem to be important in understanding differences in performance. For example, the numerically flexible workforce existent in the UK is not present in Brazil. For this reason, and despite having the same employee ratio-to-bedroom, UK operations tend to be more efficient. This aspect could be directly observed in international chains operating in both countries. The number of full-time-equivalent (FTE) employees in the UK is smaller when compared to Brazil. Another important consequence of such differences can be observed in the differences in employee turnover levels. In their turn, Brazilian companies, face this question by providing different services to their customers. In this context, we end up with a situation where comparisons, in order to be made, need to have their boundaries clearly set and their objectives distinctively drawn.

There are other sources of differences associated with performance that can not be forgotten, especially those related to consumer acquisitive power and to market characteristics that were not addressed in this research. This raises some questions about the appropriateness and suitability of some cross national comparisons, especially in non-standard operations. The examples given have their focus on international differences but there are reasons to suggest that even important regional imbalances, like the one represented by London when compared to the rest of the country, are capable of significantly impacting performance.

From what was said, could the hotel industry benefit from taking a high road approach to HR issues? In other words, would there be a benefit to companies using a more costly and comprehensive set of HR practices? At establishment level, it is very unlikely that something like that would happen within the foreseeable future. There are still very strong incentives for not doing so. At the same time, if, in a hypothetical scenario, wages and skills were suddenly raised for any particular reason, an immediate impact would be felt on rates (prices) with restricted possibilities for absorbing them. This does not mean, however, that better jobs and working conditions

can not be pursued in the sector as it improves its general profile. This does not mean also that a single company would not benefit from implementing a better set of HR practices. This alternative approach would certainly demand a sort of “revolution” in the way the sector operates. Future developments in the industry seem to be associated with growth in both market extremes; luxury and economic operations.

Relative to the impact of management practices on productivity, evidence was found to suggest that service activities are under the direct influence of externalities<sup>36</sup>, and once they are controlled for this relationship becomes clear. This particular finding provides support to the argument that management practices are an important part of enhancing and understanding productivity issues.

During the research some general strategies for improving overall productivity were identified: increasing the level of chain penetration, increasing occupancy rates, developing further the process of standardisation, deploying a numerically flexible workforce, focusing on the high end of the market and training customers to accept and consume a service with a different characteristic from what they are used to.

#### **8.4 Contributions arising from this Research to the Theory and to the Practice**

This research can be said to have contributed to our understanding about how work can be organised for improving performance in a particular industry<sup>37</sup>.

The most important contribution practitioners can get from this research refers to the identification of a set of management practices that are capable of impacting both performance and productivity.

Companies and managers could benefit from paying more attention to and/or from directing their effort to the activities/practices here identified. For example:

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<sup>36</sup> External forces to the company impacting on performance and that are not under direct managerial control. They are usually associated with environmental characteristics.

<sup>37</sup> Much of this discussion has already been conducted in previous chapters.

companies should develop and implement lean environments, cutting down the supervisory levels as much as possible. Operations should be standardised according to pre defined quality patterns to avoid incurring on unnecessary costs, an important aspects in a sector characterised by having high fixed costs. Attention should be paid to work flow to make sure the right number of staffing is available to adequately meet demand.

Management practices have also an important role to play, as for example it can be seeing in the case of recruitment, where companies would benefit from making use of more comprehensive selection techniques, such as psychometric tests and competencies based interviews. Particularly important from employees' perspective is the implementation of flexible work practices, in particularly those that allowing for team working. Benchmarking proved the importance for a constant search for best practices and continuous development in the sector.

The importance of having the right structure and of adopting the right set of management practices can be observed not only on performance and productivity metrics but also on employees' outcomes such as job satisfaction and compliance with rules for instance.

This research also addresses some important gaps in the literature adding to our understanding about it. The following lines present the most important contributions to theory.

- It addresses an emerging theme about the importance and impact of management practices on performance and productivity on a service industry (Griffith *et al.*, 2003; ESRC, 2004). The most common pattern, up to the present moment, has been addressing this issue from a manufacturing perspective (Bresnahan, Brynjolfsson & Hitt, 2002).
- Within the service sectors, the hotel industry is regarded as the greatest individual contributor to the productivity gap between the UK and its main competitors, when the gap is assessed in terms of value-added per worker (AIM,

2003). By showing how the sector can be organised to achieve superior levels of performance and by showing which practices are more effective and which are not being properly used in this industry, this research contributes to the literature about the productivity gap and the role of management practices (Siebers *et al.*, 2008). It also shows that service activities can benefit from the introduction of managerial workplace innovations (Black & Lynch, 2001; 2004) as much as any manufacturing activity.

- A central argument about the high-performance literature states that both companies and employees benefit from the application of its principles in the workplaces (Bloom & Van Reenen, 2006). Up to the present moment, the majority of studies in the area tend to focus on organizational outcomes rather than on the impact of their application on employees (Osterman, 2000). By investigating the impact of these practices mainly on employee job satisfaction and turnover levels, this research adds to our understanding about these issues.

- Developing the previous argument a bit further, this research gives an original contribution by investigating the application of high-performance practices in the context of the developing world, more specifically Brazil. To the best of my knowledge, there are no studies addressing these issues with companies in this business environment. The results showed that differences in business environments are capable of influencing management practices effectiveness.

- There have been some attempts to apply HRM concepts and principles to the investigation of performance in the hotel industry (Hoque, 1999a; 1999b; Lucas, 2002; 2004). Up the present moment the results can only be described as controversial. This research adds to this ongoing investigation by setting some constraints on this possibility.

- In the hospitality studies, the investigation on the impact of HRM practices on performance targets especially upper-scale workplaces (e.g. Hoque, 1999b). By collecting data also from budget and mid-scale operations this research broadens the

scope of investigation, adding to the understanding of how these practices have an impact on the industry, rather than on a specific market segment.

- Most surveys, collecting data about organisational matters, rely on the provision of subjective data given by the respondent. There are always questions about the reliability of this kind of information (Wall *et al.*, 2004), especially when referring to financial data. During the third study, I was in a position where I could directly observe managers systematically consulting their files, or reaching to a person in possession of the information required, when answering the questionnaire. This is a contribution to the literature about the reliability of such kinds of data.
- A recurrent problem associated with studies targeting the relationship between management practices (especially HRM ones) and productivity is its elusive character (Wall and Wood, 2005; Storey, 2001). In other words, this is a much talked about subject but very little direct evidence of it is found. In the third study, I found strong evidence linking certain management practices, not only with self-reported measures of performance but also with productivity metrics. The main explanation I suggested for this finding has to do with the impact of externalities on this relationship. I conclude that most studies do not properly control for it, failing to find what they were looking for. This research contributes to the methodology literature by highlighting this.

## **8.5 Where to Go from Here**

The results from this study open up new directions of investigation with five studies being particularly prominent: the first one addresses the need to test the research design of the third study with a much bigger sample. I attributed some of the most significant findings to the fact that many possible external variables influencing performance had been controlled for with this single sector, single business environment approach. None the less, it is important to confirm the suitability of this design in other context and other sectors. If this research was replicated in the retail sector, would the findings be the same? Would these important associations of

management practices and productivity be found? Or else, if the same design was applied to a sample in a city like London or Paris, where the overall economic environment is completely different from the one in Salvador, would the same trend towards the relationship between practices and productivity be identified? This line of investigation seeks to develop our understanding about the contribution of research design to performance studies in service sectors.

Almost as an extension of this previous argument, there is a need to identify more specifically what these external variables are. During this research, especially in study two, I have applied controls for two important external influences on performance namely; difficulty in recruiting staff, a measure of labour markets, and level of competition. However, despite having an impact on the main effects with self-reported measures of performance, a definitive association with productivity was not found. The most likely explanation for this rests upon the existence of some other variables that were not properly controlled for. What variables are these? Identifying these variables is important since it would allow better research designs and much clearer identification of existing underlying patterns. This line of investigation would bring contributions to both methodology and to the nature of performance in the service sector.

Another possible study would be investigating what are the guiding principles for high-performance in other service sectors. Do they follow the same lean approach as hospitality, or are they organized differently? In between the knowledge intensive activities, such as professional services, and the low skilled industries, as is the case with hotels, lies a range of different business activities, all of which are carried out by people. When HRM practices start being effective? The way to achieve this would be to investigate this relationship in other service sectors. If we are to build a better society, there is always going to be a need to identify the conditions under which more efficient and better working conditions can function. This line of investigation would contribute to the identification and design of better suited high-performance working system.

From a theoretical perspective, the best way of doing this would be to apply the same set of managerial capabilities to managers across different sectors to investigate differences in underlying factors structure varying according to sector.

A third possibility lies at understanding more clearly the mediating role of customer perceived quality in the relationship between the effective use of management practices and performance. There is some evidence, both empirical and anecdotal, of this relationship. This could be achieved by introducing measures of customer satisfaction or perceived quality as mediators in the relationship between management practices and performance. None the less, its nature, characteristics and impact are not well understood. This line of investigations would enable better work and job design as well as the deployment of more specific management practices.

A fourth possible future development for this research lies in understanding more clearly the impact of different institutional settings on performance, in a proper cross-national study. This could be performed in three different ways; the first one would target mainly European countries. In this case the relationship between a number of comparable self-reported and objective measures of performance and management practices would be investigated in different countries with similar developing indices and same general regulatory background, to ensure a more balanced approach to institutional differences. The same kind of questionnaire would be applied cross nationally in a single sector study. This is particularly relevant in a growing integrated society, where success relies more and more in the capacity for cooperation instead of competition. In a second step, this approach would be repeated in developing countries. A third step would bring the results together comparing the findings and looking for sources of differences in performance.

An alternative approach to this process could be investigating these issues in a study of different workplaces of a single multi-national company. In other words, how organizational performance is influenced by dissimilar institutional settings. The choice of a international chain would assure that general working practices and patterns are the same across countries. The rationale behind this line of investigation is the same assumed by Hofstede (1984).

And finally, a fifth possible research direction would need to address issues related to path dependency within the context of service sectors. Path dependency is the idiosyncratic element that turns a common practice or procedure into a source of competitive advantage. The best way of doing this would be through a longitudinal case study of a single successful organisation. This is just another of the black boxes identified mainly by researchers aligning with the resource based view of the firm. This line of investigation would advance the understanding of how companies can develop and sustain competitive advantages relative to their direct competitors.

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## 10.0 Appendices

**Hotel:  
Director (manager):**

**Main Objectives:**

1. *Understand key issues related to daily activity in a Hotel;*
2. *Identify main productivity indices used in the sector;*
3. *Identify common HRM practices in the sector.*

**1- Hotel Characteristics**

- ✓ Number of rooms:      and beds:
- ✓ Part of group              – number of Hotels              - country ownership
- ✓ Rating- stars:
- ✓ How the Hotel is structured? Organization Chart
  
- ✓ What is the responsibility of each division?
  
- ✓ Market target (main users)- What kind of costumers does your hotel seek?
  
- ✓ How do you characterise Market Competition in your segment?
  
- ✓ Seasonality- when and how big. What is the effect of seasonality on your operations the year around?
  
- ✓ What is quality for your company/group? And for the sector?

Is there anything else he/she would like to add related to the Hotel characteristics?

## 2- Productivity / Performance Metrics

- ✓ How firm general performance is evaluated? Which are the main management metrics?
  
- ✓ Does the firm/group works with productivity measures? Which are they?
  
- ✓ Are there any differences in productivity/performance within the group? Why that happens?
  
- ✓ How good is your hotel performance related to the sector? Why that happens?
  
- ✓ How good is your hotel productivity related to the sector? Why that happens?
  
- ✓ How the overall HR performance is measured?
  
- ✓ How the overall HR productivity is measured?

Is there anything else you would like to add related to Productivity metrics?

### **3-HRM practices**

Probe: Differences among full and part time workers;

- How would you describe the average employee in the Hotel industry?
  
- Number of employees: full time and part time. How does it vary around the year?
  
- Are there any differences among divisions between full and part time workers?
  
- How many males and females work in the hotel?
  
- Is there any difference in gender according to Hotel divisions?
  
- How does the Group/company see their employees?
  
- How would you describe the average employee in your Hotel?
  
- How would you describe your employees according to their skills?
  
- What is Quality in the workforce?

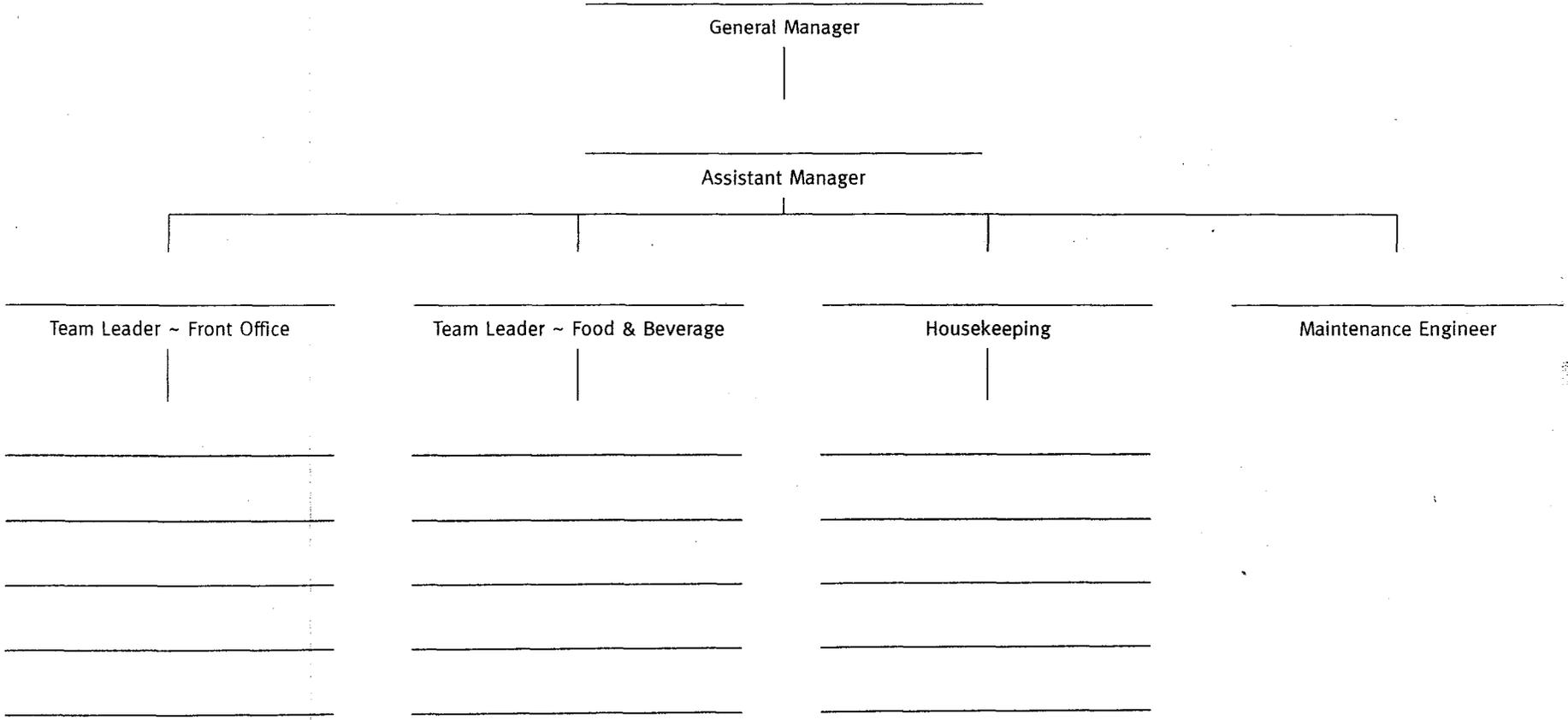
University of Sheffield  
Institute of Work Psychology

Could you briefly describe your organization procedures on:

- Recruiting
- Selecting
- Training
- Developing
- Communicating
- Working together
- Achieving targets
- Evaluating
- Rewarding
- Profit sharing
- Dealing with problems
- Supply Chain Partnering

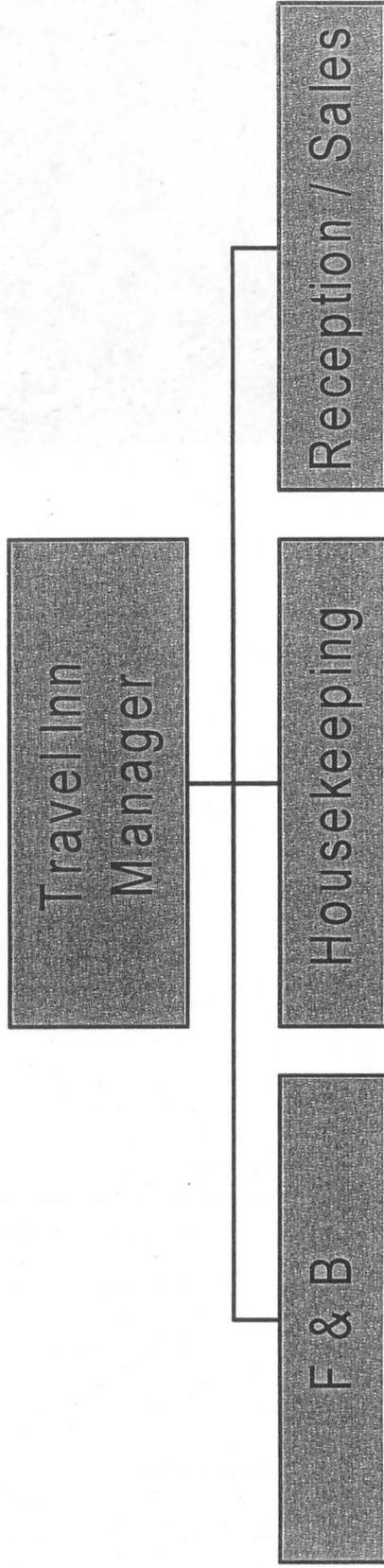


*To be completed by Hotel*



# MTI Organisational Structure

## Base Model



Delivering the brand

Developing the Business

You may wish to discuss or bring to our attention any additional comments regarding your stay. Please feel free to use the below space which we have reserved for your comments and suggestions.

Vertical dashed lines for guest comments.

HOTEL STAMP  
IBIS LONDON FLETON  
3 CARDINGTON STREET  
LONDON NW1 2LW  
020 7388 7777

Please put your completed questionnaire in the box located at the Reception

*Please specify (optional):*  
Your surname and first name: .....  
Your address: .....  
.....  
Your e-mail address: .....  
 Tick this box if you do not wish the ACCOR Group to use this information for sending you future brochures on IBIS developments

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Strongly agree  
Tend to agree  
Tend to disagree  
Strongly disagree

Strongly agree  
Tend to agree  
Tend to disagree  
Strongly disagree

Strongly agree  
Tend to agree  
Tend to disagree  
Strongly disagree

### YOUR RESERVATION

1/ How did you book your room?

- (1) Booked by company
- (2) IBIS central reservations
- (3) Travel agency
- (4) You did not book
- (5) Internet

▪ *If you booked via Internet:*

- Was it easy?  1  2  3  4
- Were you satisfied with the information provided?  1  2  3  4

▪ *If you book directly at the hotel:*

- The booking was made satisfactorily  1  2  3  4
- I really felt reassured when booking  1  2  3  4
- I appreciated the efficiency of your employees  1  2  3  4
- I appreciated the friendliness and availability of your employees  1  2  3  4
- I appreciated the simplicity of the booking process  1  2  3  4

### ACCESS TO THE HOTEL

2/ The trip to reach the hotel was very easy

 1  2  3  4

3/ The hotel environment and surroundings were a pleasant surprise

 1  2  3  4

4/ I felt I was arriving in a safe and secure place

 1  2  3  4

▪ *And if you've used them:*

- 5/ The ibis website  1  2  3  4
- 6/ External signs to the hotel  1  2  3  4
- 7/ The Ibis Guide  1  2  3  4
- 8/ Directions given over the phone  1  2  3  4

### WELCOME AT RECEPTION

9/ When I arrived, I felt the staff were expecting me

 1  2  3  4

10/ I immediately saw there was a good atmosphere in the hotel

 1  2  3  4

11/ The information provided and the presentation of hotel services

 1  2  3  4

12/ I appreciated the friendliness and availability of your employees

 1  2  3  4

13/ I appreciated not to wait too long before being served

 1  2  3  4

### BAR

14/ Did you drink at the bar

 (1) Yes  (2) No

▪ *If Yes:* 15/ I immediately liked the atmosphere in the bar

 1  2  3  4

16/ I appreciated the friendliness and availability of your employees

 1  2  3  4

17/ I appreciated the efficiency of our employees

 1  2  3  4

### YOUR STAY IN OUR HOTEL

18/ I was pleasantly surprised by the service

 1  2  3  4

19/ I found ample information in the hotel to entertain myself during my stay

 1  2  3  4

20/ I felt comfortable enough in the hotel to go to the restaurant, to the bar or to lounge without hesitation

 1  2  3  4

21/ Do you think that this hotel cares about environment

 1  2  3  4

22/ During your stay did you have any special requests or problems?

 (1) Yes  (2) No

▪ *If yes, what is your opinion of:*

Staff responsiveness regarding your requests

 1  2  3  4

The solution proposed

 1  2  3  4

### YOUR BEDROOM AND YOUR BATHROOM

23/ I felt very comfortable in the bedroom

 1  2  3  4

24/ I felt there a real effort was made to ensure my comfort

 1  2  3  4

25/ I slept very well

 1  2  3  4

26/ The bedroom and bathroom were impeccably clean

 1  2  3  4

27/ I had a particularly nice bath or shower

 1  2  3  4

28/ The facilities worked perfectly well

 1  2  3  4

29/ Overall your room

 1  2  3  4

30/ Overall your bathroom

 1  2  3  4

### BREAKFAST

31/ Did you have breakfast?

 (1) Yes  (2) No

▪ *If Yes:* 32/ I had a good breakfast

 1  2  3  4

33/ I appreciated the friendliness and availability of your employees

 1  2  3  4

34/ I appreciated the efficiency of your employees

 1  2  3  4

35/ I enjoyed the choice of products on the breakfast buffet

 1  2  3  4

36/ I enjoyed the quality of the breakfast

 1  2  3  4

### RESTAURANT

37/ Did you eat in the restaurant?

 (1) Yes  (2) No

▪ *If Yes:* 38/ I had a good meal

 1  2  3  4

39/ The restaurant service was very attentive and efficient

 1  2  3  4

40/ I enjoyed the quality of the food

 1  2  3  4

41/ I liked the ambiance in the restaurant

 1  2  3  4

### CHECKING OUT

42/ The check out was quick and easy

 1  2  3  4

### YOUR ASSESSMENT OF VALUE FOR MONEY

43/ Value for money - Accommodation

 1  2  3  4

44/ Value for money - Breakfast (if applicable)

 1  2  3  4

45/ Value for money - Restaurant (if applicable)

 1  2  3  4

### YOUR SATISFACTION

46/ Overall your stay

 1  2  3  4

47/ If you return to the area, do you intend to return to this hotel?

 (1) Yes, certainly  (2) Perhaps  (3) No, never

48/ Would you recommend this hotel?

 (1) Yes, certainly  (2) Perhaps  (3) No, never

### PLEASE GIVE US SOME INFORMATION ABOUT YOURSELF

49/ Is this your first stay in this hotel?

 (1) Yes  (2) No

50/ Have you stayed in other IBIS hotels?

 (1) Yes  (2) No

▪ *If yes, how many? :* .....

51/ Do you have a loyalty card (Accor Favorite Guest Card)?

 (1) Yes  (2) No

52/ What was the purpose of your stay?

 (1) Business  (2) Leisure

53/ How old are you?

(1) Under 25  (3) 35 - 44  (5) 55 - 64

(2) 25 - 34  (4) 45 - 54  (6) 65 and over

54/ Gender

 (1) Male  (2) Female

55/ Please specify your profession:

(1) Farmer  (9) Technician / Supervisor

(2) Store owner / Self-employed  (10) Sales representative

(3) Business Director  (11) Employee / Labourer

(4) Teacher / Professor  (12) Student

(5) Government Employee  (13) Retired

(6) Upper Management  (14) Unemployed

(7) Middle Management  (15) Other profession

56/ What is your country of residence :

(1) France  (5) Belgium  (9) Switzerland

(2) UK  (6) Portugal  (10) Sweden

(3) Spain  (7) Italy  (11) Hungary

(4) Germany  (8) The Netherlands  (12) Others

(specify) .....



The  
University  
Of  
Sheffield.

Institute Of  
Work  
Psychology.

## Management Practices and Performance in Hotels. Managers' Survey

Dear Colleague,

We are independent researchers from the Institute of Work Psychology at the University of Sheffield. This survey is part of our research programme which examines how management practices, especially those related to human resources, affect performance in service environments.

The questionnaire typically takes *10-15 minutes* to complete. If you can not complete the questionnaire we would appreciate if you could pass it on to another colleague in your hotel.

### Who will see my answers?

- The information you provide will be treated as strictly confidential. We guarantee that no one outside of our research team will ever have access to your individual response. All the analysis is conducted at the University of Sheffield.
- We will present the findings in a way that no one individual or organization may be identified.
- You are only required to give your name if you want a report of our findings and even in this situation this information will be kept separate from the answers provided.

### Can I see the results?

- We will be sending a complimentary copy of the report on the research findings to all those who answer and wish to receive one. The report will identify the most effective management practices in hotels in UK and enable you to benchmark yourself against other organizations.

### How do I complete the questionnaire?

- Please complete the questionnaire for the hotel you currently work in.
- Please do not omit any questions. If you find any questions that do not quite fit your circumstances, give the answer closest to your views.
- Feel free to add any additional comments you think would be useful, either by the side of the question or at the end.

If you have any queries or concerns about the study please contact us at the address below.

We would be grateful if you would return the questionnaire in the pre-paid envelope provided. We would like to thank you in advance for completing the questionnaire.

*Adriano Peixoto*

Institute of Work Psychology, University of Sheffield, Mushroom Lane, Sheffield, S10 2TN  
Tel: (0114) 222-3255 e-mail [a.peixoto@sheffield.ac.uk](mailto:a.peixoto@sheffield.ac.uk)

## About You

01 Please indicate if you are:

Female

Male

02 Please indicate your age in years:

\_\_\_\_\_

03 What is your position in the hotel?

General Manager

Operations Manager

Human Resource Manager

Assistant Manager

Other (please specify) \_\_\_\_\_

04 What is your highest level of education?

Up to secondary level (GCSE, O Level)

A level

University degree

Post graduate degree

## About your Hotel

05 How many bedrooms are there in this hotel? \_\_\_\_\_

06 How is your hotel rated?

Economic / budget (e.g. one or two stars)

Intermediate (e.g. three stars)

Upper /Superior (e.g. four or five stars)

Other. Please specify. \_\_\_\_\_

07 How would you best characterise your hotel?

as part of a national chain

as part of an international chain  (please specify) \_\_\_\_\_

as an independent operation

08 Where is your hotel located?

In city or town centre

Airport

Within city or town but not in centre

Countryside

Other (please specify) \_\_\_\_\_

08a Please provide also the first part of you post code. (E.g. S10) \_\_\_\_\_

09 When did this hotel start its operations under current ownership? (Specify the year)

\_\_\_\_\_

10 When was this hotel built? (Specify the year) \_\_\_\_\_

11 In total how many employees work at this hotel? \_\_\_\_\_

12 Roughly how many of them are full-time? \_\_\_\_\_

- 13 And how many of them are part-time? \_\_\_\_\_
- 14 And how many of them are temporary? \_\_\_\_\_
- 15 And how many of them are contracted workers (outsourced)? \_\_\_\_\_
- 16 What has been your employee turnover in the last 12 months? \_\_\_\_\_ % of employees

### About Market Characteristics

Please choose one	Very Low	Low	Moderate	High	Very high	I don't know
17 How would you rate the overall level of competition for your hotel?	1	2	3	4	5	6
18 How would you describe the level of expectations of your customers related to the services provided?	1	2	3	4	5	6
19 What level of difficulty do you have in recruiting appropriate staff?	1	2	3	4	5	6

<i>Please circle one number in each row.</i>		Not at all	A little	Moderate Amount	A lot	Continuously	I don't Know
20	To what extent do you have to cope with <b>predictable</b> variations in the level of customer demand?	1	2	3	4	5	6
21	To what extent do you have to cope with <b>unpredictable</b> variations in the level of customer demand?	1	2	3	4	5	6

<i>Relative to your direct competitors, how would you describe your _____</i>		Much below average	Below average	Average	Above average	Much above average	I don't Know
22	Employees' skills?	1	2	3	4	5	6
23	Company's pay level for all your employees?	1	2	3	4	5	6
24	Quality of services provided?	1	2	3	4	5	6
25	Customer satisfaction?	1	2	3	4	5	6
26	Performance of employees?	1	2	3	4	5	6
27	Innovation in ways of working?	1	2	3	4	5	6
28	Marketing?	1	2	3	4	5	6
29	Financial performance? E.g profitability	1	2	3	4	5	6
30	Labour productivity?	1	2	3	4	5	6
31	Overall hotel performance?	1	2	3	4	5	6
32	Relative to <b>other service sectors</b> (e.g. retail), how would you describe your overall employees' _____	1	2	3	4	5	6

33 What was your average occupancy rate for the last 12 months? \_\_\_\_\_%

34 What was your average daily rate for the last 12 months? (Daily revenue divided by total number of available rooms)  
£ \_\_\_\_\_

### About management practices in your Hotel

How effective is your hotel in the following?	Not at all effective	A little effective	Moderately effective	Quite effective	Very effective	Does not apply / I don't know
1 Monitoring customers' reactions to services provided?	1	2	3	4	5	6
2 Having a service guarantee policy?	1	2	3	4	5	6
3 Providing customers with a positive hospitality experience?	1	2	3	4	5	6
4 Ensuring work rosters fit the times customers are in the hotel?	1	2	3	4	5	6
5 Controlling wastage? (e.g. energy and water)	1	2	3	4	5	6
6 Controlling Stock?	1	2	3	4	5	6
7 Having communications channels used by management team to express their targets and ideas?	1	2	3	4	5	6
8 Having communications channels enabling staff input?	1	2	3	4	5	6
9 Continuously providing workers with feedback on departmental performance?	1	2	3	4	5	6
10 Setting clear standards for individual workers?	1	2	3	4	5	6
11 Setting clear standards for departmental performance?	1	2	3	4	5	6
12 Setting clear standards for service?	1	2	3	4	5	6
13 Recruiting workers who are customer-focused?	1	2	3	4	5	6
14 Recruiting workers with a passion for hospitality?	1	2	3	4	5	6
15 Recruiting workers who work hard?	1	2	3	4	5	6

<b>How effective is your hotel in the following?</b>		<b>Not at all effective</b>	<b>A little effective</b>	<b>Moderately effective</b>	<b>Quite a lot effective</b>	<b>Very effective</b>	<b>Does not apply / I don't know</b>
16	Training workers in customer services skills?	1	2	3	4	5	6
17	Training workers in company processes?	1	2	3	4	5	6
18	Continuing to develop workers so that their skills are regularly updated?	1	2	3	4	5	6
19	Promoting workers from within the company?	1	2	3	4	5	6
20	Allocating performance-related rewards to individuals?	1	2	3	4	5	6
21	Providing incentives that motivate workers to improve performance?	1	2	3	4	5	6
22	Continuously tracking competition for best practices?	1	2	3	4	5	6
23	Continuously tracking services standards?	1	2	3	4	5	6
24	Continuously tracking departmental performance?	1	2	3	4	5	6
25	Continuously tracking individual performance?	1	2	3	4	5	6
26	Holding regular reviews and meetings to solve departmental problems?	1	2	3	4	5	6
27	Involving workers in daily operations?	1	2	3	4	5	6
28	Resolving work problems quickly?	1	2	3	4	5	6
29	Doing right first time policy? (i.e. avoiding reworking)	1	2	3	4	5	6
31	Working as a team?	1	2	3	4	5	6
32	Sharing work among its staff?	1	2	3	4	5	6
33	Rotating workers around different activities	1	2	3	4	5	6

## About work practices in your hotel

1. In order to do your job effectively, how often \_\_\_\_\_

<i>Please circle one number in each row.</i>	Not at all	A little	Moderate Amount	Quite a lot	A great deal
a. Do you fake a good mood?	1	2	3	4	5
b. Do you put on a "show" or a "performance"?	1	2	3	4	5
c. Do you just pretend you have the emotions you need for the job?	1	2	3	4	5

2. To what extent do you agree or disagree with the following statements?

(Please choose one)

	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
a. I feel a sense of personal satisfaction when I do my job well	1	2	3	4	5
b. My opinion of myself goes down when I do my job badly	1	2	3	4	5
c. I take pride in doing my job as well as I can	1	2	3	4	5
d. I like to look back on the day's work with a sense of a job well done	1	2	3	4	5
e. I try to think of ways of doing my job effectively	1	2	3	4	5
f. I feel unhappy when my work is not up to my usual standard	1	2	3	4	5
g. I am extremely satisfied with my job	1	2	3	4	5
h. If given a second chance I would be happy to take my current job again	1	2	3	4	5
i. I really enjoy my current job	1	2	3	4	5
j. My workplace does <u>not</u> expect me to express positive emotions to customers as part of my job	1	2	3	4	5
k. This organisation would say that part of the product to customers is a friendly cheerful service	1	2	3	4	5
l. Part of my job is to make the customer feel good	1	2	3	4	5
m. I have significant autonomy in determining how I do my job	1	2	3	4	5

3. To what extent do you agree or disagree with the following statements

<i>In my workplace I am always ready to _____ (please choose one)</i>	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
a. Help others who have heavy work loads	1	2	3	4	5
b. Take steps to try to prevent problems with other workers	1	2	3	4	5
c. Keep abreast of changes in the organization	1	2	3	4	5
d. Focus on what is right rather than on the negative side of the work	1	2	3	4	5
e. Obey rules and regulations even when no one is watching	1	2	3	4	5

4. To what extent do you agree or disagree with the following statements?  
(Please choose one)

	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
a. I can decide on my own how to go about doing my work	1	2	3	4	5
b. I have considerably opportunity for independence and freedom in how I do my job	1	2	3	4	5
c. I find my job quite difficult	1	2	3	4	5
d. I can do my job well	1	2	3	4	5
e. I can deal with just about any problem in my job	1	2	3	4	5
f. I feel better off than most people at tackling job difficulties	1	2	3	4	5
g. I sometimes find it difficult to cope with the demands of my job	1	2	3	4	5
h. I have little possibility to change the way my job is done	1	2	3	4	5
i. I have to follow strict company's procedures about the way my job is done	1	2	3	4	5
j. In my job, quality means conforming to fixed standards	1	2	3	4	5
k. I am always looking for different ways of doing my job	1	2	3	4	5
l. Sometimes I have to change some of the company's procedures in order to get my job done properly	1	2	3	4	5
m. I always stick to the rules in this job	1	2	3	4	5
n. The best thing in this job is to follow the procedures that are laid-down	1	2	3	4	5

**Your comments**

We are very grateful for your help in answering these questions. If there is anything else you would like to add in connection with any of the questions - or if you would like to make any further comments, please use the space provided below.

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If you want to receive a complimentary copy of the research findings please provide here your name and e-mail address.



**Please return your completed questionnaire in the stamped address envelope enclosed.**