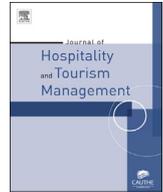




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The evolving nature of hotel HR performance measurement systems and challenges arising: An exploratory study

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ABSTRACT

Qualitative interview data secured from 14 HR managers representing large hotels located in Australia's Gold Coast has been collected to examine: (1) what is the extent and nature of change in hotel HR performance measurement systems, and (2) what are the primary challenges confronted by hotel HR managers when attempting to implement effective HR performance measurement? Perennial HR problems such as high staff turnover, employee dissatisfaction and low service standards that continue to plague the industry highlight the importance of examining HRM's evolution in the dynamic hotel context. Considered holistically, the study's observations reveal high consensus with respect to perceived change in HR performance measures. Evidence of devolution of tasks generally associated with the HR function to line managers a more strategic role for HR managers is also provided. The observations suggest a substantially altered trajectory for the hotel HR function and this change appears to be occurring at a rapid pace.

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1. Introduction

From a strategic perspective, human resource performance measurement systems appear to provide vital information concerning a firm's human resource activities and its performance (Delery & Doty, 1996; Huselid, 1995). Lepak and Shaw (2008) describe the establishment of associations between HR practice and firm performance as a distinguishing feature of strategic human resource management (SHRM).

Empirically established associations have been found between HR performance management and critical outcomes such as firm performance (e.g. Delery & Doty, 1996; Huselid, 1995), employee productivity (Huselid, Jackson, & Schuler, 1997; Wright, Gardner, Moynihan, & Allen, 2005), and even competitive advantage (e.g. Barney & Wright, 1998; Huang, 2000; Vlachos, 2008). Although scepticism has been expressed over the veracity of some reported findings (e.g. Wall & Wood, 2005), the overriding opinion is that the HR function provides important inputs to organizational strategic

planning, and HR performance metrics constitute vital strategic information.

There also appears to be an association between effectiveness of SHRM's strategies and employee retention. Huselid's (1995) influential research not only indicated a positive relationship between high performance work systems and financial performance. He also noted turnover and productivity mediating this relationship. Huselid concluded that, "A one-standard-deviation increase in such practices is associated with a relative 7.05 percent decrease in turnover ... Since higher levels of High Performance Work Practices lead to lower turnover, ...there appears to be considerable justification for encouraging firms to make such investments from a public policy perspective" (Huselid, 1995, p. 687).

This observation underscores the importance of examining the value and emphasis placed on SHRM and also the nature of HR performance measurement system deployment in an industry plagued by high staff turnover. High hotel staff turnover has been widely documented (Cleveland et al., 2007; Davidson & Timo, 2006; Karatepe & Sokmen, 2006; Tracey & Hinkin, 2008; Walsh & Taylor, 2007). Davidson and Wang (2011) reported 39% hotel management turnover, a factor carrying significant cost and service quality implications.

It is notable that there has been negligible prior examination of SHRM in hotels (Okumus, 2008), signifying we know little of the

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importance attached to hotel SHRM, which is a problem common to many industries (Sheehan, Cooper, Holland, and Cieri (2007). Indeed, there is evidence of HRM failing to find its feet as a strategic partner in boardrooms (e.g. Kochan & Dyer, 1995; Sisson, 1995). Given the associations found between performance measurement as a component of SHRM and key organizational outcomes, it would seem important to further our appreciation of how importance accorded to HR can affect hotel performance. This study is based on the literary-based premise that a lack of emphasis attached to hotel SHRM contributes to key issues plaguing the industry, such as high turnover (Davidson & Wang, 2011), poor employer–employee relationships, lack of advancement opportunities, unprofessional behaviour and poor organisational cultures (Walsh & Taylor, 2007).

The study also has a resonance with the attention that Lengnick-Hall, Lengnick-Hall, Andrade, and Drake (2009) direct to the importance of investigating SHRM within different industry contexts, to further appreciate industry specific HR issues. Further, the study aims to deepen our appreciation of how HR has evolved in terms of developing performance measurement systems and appraising whether the function's boardroom level visibility has increased in recent times.

The objectives of the study are therefore twofold. Firstly, we seek to gain insights into recent changes in hotel HR performance measurement systems. Secondly, we explore the nature of challenges confronting the design of hotel HR performance measurement systems, which may shed light on context specific issues such as links between the hotel employee and customer satisfaction (Davidson, 2003).

2. Literature review

2.1. Strategic human resource management

SHRM is concerned with how a system of HR strategies can affect organizational performance (Lengnick-Hall et al., 2009; Lepak & Shaw, 2008). Two issues are of particular interest in an investigation of SHRM are: 1) how the business views HR from the macro level, and 2) how HR activities can be measured to determine performance effects. The first part of this literature review focuses on the position of HR within the business, drawing specifically on the broader SHRM literature. Then, a review is made of the literature concerning how to measure and determine the effect of HR practice and programmes on firm performance.

Huselid (1995) advanced the notion that HR is an important consideration to the development of a firm's strategic business plan. He provided empirical evidence suggesting a positive association between the adoption of high performance work practice systems and financial performance (Huselid, 1995). He also found consistency across industry sectors.

Recent reviews of the SHRM literature have been undertaken by Lepak and Shaw (2008), Wall and Wood (2005) and Lengnick-Hall et al. (2009). Lepak and Shaw (2008) provide a typology of different theoretical perspectives taken in SHRM research as well as the types of performance systems examined. Key implications arising for the hotel industry include focussing on practices rather than policies, investigating systems at an organization level and being mindful of industry context.

Lengnick-Hall et al. (2009) adopted an evolutionary approach when summarizing emergent themes evident in the academic SHRM literature. They highlight a general lack of attention directed to HR at the corporate level. Exploring how SHRM has evolved in hotels could provide a useful industry focused perspective on this issue. Further, consistent with Lengnick-Hall et al.'s (2009) perspective, exploration of SHRM's standing in the senior echelon

of hotels appears a worthy endeavour, in order to further understanding of industry-wide issues such as turnover.

Wall and Wood (2005) provided a critical evaluation of prior SHRM research. They concluded that whilst there is considerable research highlighting associations between SHRM and organizational performance, there is no evidence of causality. They also identified a lack of alternative research methods utilized by researchers. This highlights a need to seek further understanding of the association between HR performance systems and organizational outcomes.

2.2. Performance management systems

Historically, HR performance indicators relied heavily on rudimentary measures such as manpower (Givan, 2005), which is sometimes reported in isolation (Wall & Wood, 2005). Because HR can be viewed as a source of competitive advantage, increasingly complex systems and measures have been developed to capture HR achievements. However, whilst there is little consensus as to what constitutes the perfect system (Lepak & Shaw, 2008; Wall & Wood, 2005), there is agreement that different systems designed for specific organizational objectives can yield similar positive organizational outcomes (Lepak & Shaw, 2008) and therefore the focus should be on HR practices rather than policies (Lepak & Shaw, 2008; Wright & Boswell, 2002). Further, in order to achieve strategic fit, HRM practices need to be aligned with organizational strategy (Wall & Wood, 2005; Youndt, Snell, Dean, & Lepak, 1996).

The collection and analysis of performance data should result in an objective measurement of a function's effectiveness. However, this goal continues to be elusive (Hansen, 2005) and HR practitioners continue to be asked to justify their role and position as strategic partners. Despite increased awareness of the potential of employees to be a source of competitive advantage, it is unclear how the value added by HR might be measured. Williams and Beach (2004) note that while organizations invest extensively in human capital, they are compromised by an inability to measure the return from this investment.

Gonzalez (2004) refers to the use of leading and lagging indicators noting that financial measures are lag indicators. Employees and their capabilities, however, are generally viewed as lead performance indicators. This underscores the importance of HR. Conventionally used human resource indicators have included: turnover, absenteeism and employee satisfaction. The following additional HR key performance indicators are noted by the Australian Bureau of Statistics (2006): productivity growth, gender mix, superannuation, training, workers compensation, overtime, job tenure, occupational injury and incidence of industrial disputes.

Greenberg and Lucid (2004) note management's awareness of the positive impact human resources can have on the bottom line. They assert that performance measurement not only supports achievement of better results, it also supports employee development. Supporting this view, the UK Institute of Personnel and Development and the US Society for Human Resource Management contends that human resources should have influence at senior corporate levels. Despite these contentions, there is a substantial body of research suggesting that the HR function struggles to be taken seriously at senior levels (e.g. Kochan & Dyer, 1995; Sisson, 1995).

It is widely agreed that performance measurement design should be context dependant. Harris and Mongiello (2001) note that recognizing industry factors is of utmost importance when designing performance measures. Despite this, the hotel industry has been subjected to few HR performance measurement research examinations (Haktanir & Harris, 2005).

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