



Case Study (LIT2017): HOW TO IMPROVE HRM SYSTEM IN SMALL BOUTIQUE HOTELS? (Lithuania 2017)

Abstract

The tourism industry has been argued to be one of the most important global industries in the service sector (Jones, Hillier, & Comfort, 2014). The apparent lack of a HRM philosophy in hotels is based on the view that human resources is not seen as a source of competitive advantage (Kelliher & Perrett, 2001). Sadly, small hotels face many HR-related problems related to: the quality of staff, staff training and development, discipline, unattractive salaries and benefits, and the high levels of turnover of younger staff members. A small hotel's survival may depend on its ability to recruit efficient, qualified people, while providing them with incentives so that they work at full capacity to maximize the property's profits. There is generally a worldwide view that the hotel and catering industry has a number of personnel related problems and poor employment practices and conditions, especially smaller hotels. Larger hotels have more advantage in human resource (HR) recruitment and development, because the higher level of remuneration and benefit that they can offer usually makes them the number one choice for highly competent and skilled staff.

This case study of the ARARAT All Suites Hotel, will seek to consider some of the Human Resource Management activities associated with a relatively small (boutique) style hotel and ultimately provide recommendations that can be implemented to increase employee motivation within the scope of ARARAT All Suites Hotel available resources and organizational structure.

Introduction to the Organisation

The four star hotel „ARARAT All Suites Hotel“ opened its doors to guests of the city in 2008. The hotel is situated in a quiet street of Klaipeda center, by a park full of greenery. In hotel you will feel like home. Cozy authentic interior design will allow you to feel the true spirit of Armenian hospitality. You will be able to imagine as if you were relocated to an Armenian home, which has kept its traditions, customs, and culinary secrets for millennia. Interior of elegantly furnished apartments is designed in the modern classic style with stylish elements. All rooms of the hotel are luxury class apartments. Modern classic interior with styling details prevail in these apartments which vary from 1 to 3 rooms. Each room is equipped with an ergonomic kitchen with the most necessary household appliances and kitchenware. The bathrooms have floor heatings, hair dryers. It is prohibited to smoke in the rooms.

The room occupancy rate was on average 70%. This custom has declined somewhat in the last two years, but it has been more than replaced by business-people from neighbouring countries in the week and by foreign tourists at the weekend. The average room occupancy rate is now 80%; 60% of rooms are sold at 'rack' price and it is not uncommon for the hotel to be fully booked especially at weekends.

As is the norm with such small hotels, the administration of its Human Resource Management functions is not as clear cut, and centralized, as with larger hotels. This study will seek to examine some of those factors and consider the ideal Human Resource Management style for such hotel.

Ararat All Suites Hotel offers:

- Accommodation services;
- Conference hall;



- Mini spa;
- Restaurant for banquets, weddings, events.

HR Challenges

HR management (HRM) is an operational process comprising human resource planning, staff recruitment and selection, staff training and development, staff motivation and retention. The organization can benefit from developing more valuable staff, which can lead to organizational success, while the staff will experience higher levels of satisfaction in that their better performance can be rewarded by better pay and conditions and progress along their career tracks. HRM in a small business can be a very important task leading to success, especially in the service sector, which relies to a significant extent on human labour. A business's survival may depend on its ability to recruit efficient, qualified people while providing them with 92 incentives so that they work at full capacity to maximize the business's profits.

Tourism and hospitality industry is a service oriented human intensive sector where efficient work force is compulsory to deliver better services to the guests. Moreover, to get the best results, professionalism in HRM practice and skill development is primarily essential. The first major function of HRM practice is Recruitment. It is the process of searching for prospective employees and stimulating them to apply for jobs in the organization. Therefore, motivating potential career seekers to join a respective profession or an industry is the must to create a pool of applicant. According to Huda, et.al (2012), the professional identity and the social esteem of the hospitality career is found to be very low in the society and the common perception about the tourism industry is mostly confined to the tourist guides and cooks/chefs that do not add much human dignity in culture. As a result, the HR professionals of the hospitality industries are constantly facing new challenges to source or recruit the best and potential candidate for the organization (Rahaman, 2013). The industry also faces labor and human resource challenges due to shrinking of the labor force, trade union issues and escalating health care and benefit costs among others (ISHC, 2006). Recruitment is the first step amongst the obvious functions of human resource management. According to Flippo, (1984), recruitment is a process to discover the sources of workforce to meet the requirements of the staffing schedule and to employ effective measures for attracting adequate number of work force to facilitate effective selection of an efficient team of officials. Recruitment acts as a precondition to selection function, and effective recruitment will lead to a very successful hiring for any organization. Sometimes, managers get confused and mix up recruitments with selection functions; but both the functions have had a limited line of responsibility that is opposite to each other. The process of recruitment begins when new recruits are sought and ends when their applications are submitted (Aswathappa, 2005). Recruitment functions are positive in nature because the objective of recruitment is to maximize the number of applicants where selection functions are negative with the objective to deduct the candidates who are not suitable. It functions as a linking module joining those who fill up jobs and those who are seeking jobs (Rao, 2004). It often represents the first contact between organizations and prospective employees (Ivancevich, 2004). Successful recruitment strategies involve a keen job analysis, Economica. Seria Management Volume 17, Issue 2, 2014 215 understanding the trends of labor market and developing external and internal image of the company.

Literature Review

The tourism industry has been argued to be one of the most important global industries in the service sector (Jones, Hillier, & Comfort, 2014; Whitla, Walters, & Davies, 2007). In 2014, the sector supported



almost 277 million jobs, or 1 in 11 jobs worldwide and generated about US\$7.6 trillion, which is 9.8% of global GDP (World Travel & Tourism Council 2014). The World Travel & Tourism Council (WTTC) estimated that by the end of 2015, Travel & Tourism is expected to contribute US\$7,860 trillion, 10% of global GDP, and to account for 284 million jobs, 9.5% of total employment. The total contribution of Travel and Tourism to global GDP is expected to increase by 4.2% per annum to USD 10,695.1 trillion (10.3% of GDP) by 2024 with Travel and Tourism expected to rise by 2.4% pa to 346,901,000 jobs in 2024 (10.2% of total) in 2024. This makes the Travel and Tourism sector an important economic activity around the globe.

The apparent lack of a HRM philosophy in hotels is based on the view that human resources is not seen as a source of competitive advantage (Hoque, 2013; Kelliher & Perrett, 2001; Wilton, 2008). Lockyer (2007); Poulston (2008) and Enz (2009) describes the hospitality industry as a “people industry”. Thus, the people-centric nature of the industry therefore makes it extremely dependent on its workforce. Researchers such as Kusluvan, Kusluvan, Ilhan, and Buyruk (2010) and Hoque (2013), state that the industry is labour intensive and provides flexible employment opportunities therefore appealing to certain groups of employees such as students, school leavers, housewives and migrant workers seeking seasonal or part-time employment (Boella & Goss-Turner, 2013). Ladkin and Riley (1996), were of the view that these people are particularly attracted to the hotel industry because the majority of the jobs in the industry are unskilled and/or semi-skilled which by nature can easily and quickly be learnt on the job. Riley (1996) stated that nearly two-thirds (64%) of hospitality jobs are estimated to be unskilled or semi-skilled. What aggravates this issue according to Hjalager and Andersen (2001) is the fact that a large proportion of employees occupying various positions in the hotel industry have no formal academic qualification related to the industry or in other fields. These industry characteristics have created certain perceptions in people. For instance, Lockwood and Guerrier (1989), alleged that the low-skilled, low-quality status of employment associated with the 15 hotel industry creates an impression that the hotel jobs are of low social status done by low-status employees, who are not loyal and uncommitted (Rowley & Purcell, 2001). Some researchers for example, Whitla et al. (2007); Knox and Walsh (2005) and Marco-Lajara and Úbeda-García (2013) believe that the main reasons why the hotel industry attracts certain kinds of employees may be due to the poor reputation for its conditions of service, heavy workloads and long working hours, high stress, low pay rates, few promotion opportunities and poor job security and low morale.

The hotel industry is also characterised by high staff turnover rate (Davidson, Timo, & Wang, 2010; Iverson & Deery, 1997; Kusluvan et al., 2010). In the United States, for example, the average job tenure in the hotel industry was estimated to be one and a half years (Woods, 1999) whereas in the United Kingdom, job tenure of 18 to 24 months is viewed as normal (Rowley & Purcell, 2001). Other researchers such as Moncarz, Zhao, and Kay (2009); Lee and Way (2010) and Yang et al. (2012) also state that the industry is faced with high labour turnover rates which can range from 60% to 300% that might be due to seasonal fluctuations, a low-skilled labour market, and part-time employee in the hotel environment. The occurrence of high turnover in the industry seems to have created a certain culture which has been accepted by both employers and employees as normal (Iverson & Deery, 1997; Yang et al., 2012). However, some researchers, for example Iverson and Deery (1997); Rowley and Purcell (2001) and Lucas and Deery (2004) argue that the high turnover rate has benefits for employers especially with fluctuating customer demand which, is associated with seasonality issues.

Findings and Analysis



The rationale behind this study is to understand the ways in which ARARAT All Suites Hotel is currently able to improve and utilise its current HRM approach in order to continue meeting and exceeding guest expectations. The study will also examine current HR activities within the existing organizational structure of employees, and provide practical recommendations to improve them in a strategic manner.

Communication challenges

Employees are unable to voice any concern face to face with management. Open communication can be further improved through providing suggestions boxes for employees to voice concerns anonymously.

As it relates to the Communication challenge described by employees regarding the ambiguity of their roles and responsibilities, it is an ongoing challenge in small hotels around the globe. The literature illustrates several examples where clarity of roles and responsibilities is needed in small hotels. For example, Heneman and Berkley (1999) state that small tourism business, employees often take on multiple roles with unclear boundaries. Additionally, at the ARARAT All Suites Hotel it was observed that there is a lack of written job description provided candidates, where instead they are expressed verbally in person during the interview. Employees as a result are not completely clear with what is expected of them, and are often overwhelmed when they start working.

HR Responsibilities challenge

Currently staffs are unsure of whom to speak with on HR issues. Due to the small size of the hotel the CEO can take up the role of HR, as the placement of an HR manager would not be feasible. This would allow more structured and effectively communicated recruitment, training, and retention programmes in place.

As it relates to the Management of HR activities, it was noted that some general HR activities such as managing employee shifts, hiring and retaining staff were seen as challenges for ARARAT All Suites Hotel. The findings of this component of the study are consistent with the existing literature in that small hotels do not require HR departments, however appointing an HR manager can help in managing employee shifts, hiring, retaining staff, and any other HR issues that may become apparent in the organization at any time.

Practical Human Resource Management Tool

1. Create formal unique HRM system
2. Formalize the role of HR manager
3. Formalize staff meetings
4. Organize suggestion box

1. The business of small independent hotels cannot be successful without an efficient HRM system. As the result, hotel owners play the most important role in establishing such systems and so they should be the starting point of changes. Hotel owner should adjust their opinions that an investment in HRM is unproductive and realize that it can lead to business sustainability, since staff members are the most valuable resource that a service sector firm has. The small hotel does not need



a substantial HRM system as a large hotel would do but there is a requirement to take care with staff selection and training to ensure that quality standards are maintained. If a hotel creates its own unique HRM system it becomes possible to create more efficient reward and motivation system, which are one of the problems in this hotel.

2. Small hotels do not require HR departments, however appointing an HR manager and formalizing its role may help in managing employees work and also creates a more clear and understandable system of HRM. If there is a person who is a formal HR manager then employees will be sure who to speak with when they face a problem or has some ideas to offer related with human resources.

3. In ARARAT All Suites Hotel should be departmental meetings and monthly staff meetings. To increase communication from ownership down through line staff. This would allow roles and responsibilities to be further communicated.

4. Placement of an anonymous suggestion box – to further increase communication, and allow management to get to the core of challenges that may arise in the organization. Employees may be more open to voicing concerns if they may be allowed to do this anonymously.

Conclusion

Human Resource Management should be seen as a strategic function of an organization. It helps to build a competitive edge for an organization by positively engaging its employees.

Key ingredients of effective Human Resource Management are having in place an appropriate leadership style and effective two-way communications with employees. This creates an open and honest environment where employees feel that their ideas are being listened to and that they can make a contribution to decision making. Engaged employees are more likely to be proud to work for their organization and therefore will believe in and live out the values of the organization.



References

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