

The Strategic Role of HRM in Organizational
Performance: The Large Hotel Sector
in New Zealand

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ATTESTATION OF AUTHORSHIP

"I hereby declare that this submission is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person (except where explicitly defined in the acknowledgements), nor material which to a substantial extent has been submitted for the award of any other degree or diploma of a university or other institution of higher learning."



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ABSTRACT

It is a commonly belief held that in today's highly unstable and competitive business environment, human resources (HR) are the best and ultimate resource an organization can buy for its survival and long-term success. Thus, human resources are attracting more and more attention from both academia and industries. The traditional role of human resource management, which focuses on the various practices used to manage people within an organization, is widely challenged. In the past two decades, more and more human resource managers and scholars have advocated strongly that human resources have great potential that has been 'hidden', and, instead, should be fully considered during an organization's strategic planning and decision-making process.

This thesis is devoted to exploring whether and how HR contributes to improved organizational performance when it is integrated with the organization's strategic planning and decision making at different levels. The research is conducted on the large hotel sector in New Zealand. This context was chosen because of the gaps in the current strategic human resource management studies – they are dominated by research on manufacturing sectors in Europe and the US and lack evidence from the service industries in other parts of the world. The significance of the hotel business to New Zealand's economy as a whole adds value to the justification.

A mixed-method approach, namely interviews and a web survey, was used to collect data from general managers of hotels with more than 50 rooms throughout New Zealand. Emphasis was put on two major areas: current HR practices in the hotels, and the HR-strategy integration level and its influence on a hotel's financial and non-financial performances. To explore the influence in depth, factors such as the size and ownership of the hotel, as well as business strategies being used by the hotels, were taken into consideration. Results from the two sources (interviews and a web survey) are carefully compared and contrasted.

Results of the research indicate that the importance of HR is widely recognized by New Zealand hotel managers. HR practices that are being used by hotels all over the world have been adopted by hotels in New Zealand. More importantly, the HR-strategy integration present in New Zealand hotels is found have a positive association with a

hotel's future performance, through the hotel's HR outcomes. More particularly, the high level of HR's involvement in a hotel's strategic decision-making process is significantly linked with the functional flexibility of a hotel's staff, which in turn links to the hotel's labour productivity.

The findings of the thesis contribute to the theory development of strategic human resource management in that it supports the proposition that close HR-strategy integration has positive impacts on an organization's performance. Also, it supports the hypothesis that there exists a time lag between the integration and the performance. The methodology used by the thesis also contributes to research in strategic human resources and hotel studies. The implications of the findings for hotel practitioners and policy-makers within the tourism industry are also discussed.

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ABBREVIATIONS

AA	Automobile Association
GM	General Management
HR	Human Resource
HRM	Human Resource Management
RBV	Resource-based View
SCA	Sustainable Competitive Advantage
SHRM	Strategic Human Resource Management
SME	Small and Medium Enterprise
VRIO	Value, Rareness, Imitability and Organization
WTO	World Tourism Organisation
WTTC	World Travel and Tourism Council

CHAPTER ONE

INTRODUCTION

1.1 Study Overview

Human resource management (HRM) is an umbrella term that covers human resource practice, policies and philosophies (Jackson and Schuler, 1999; Moldovan, 2011). Many researchers believe that an effective HRM system will help an organization to attract, develop, motivate and retain the best employees, who will in turn ensure the functioning and survival of the organization (e.g. Snell, 1992; Wright and Snell, 1998). However, in the past two decades, due to the highly vulnerable environments in which most businesses are operating, both HRM scholars and practitioners have begun to reconsider the roles in which HRM functions can contribute to developing a more competitive organization (Paauwe, 2004; de. Pablos, 2005). The strategic role of HRM, in particular, has attracted increasing research interest (Becton & Schraeder, 2009).

Many of the current HRM studies continue to focus on the functional areas of manufacturing industries (e.g. Liu, Combs, Ketchen Jr., and Ireland, 2007; Vlachos, 2008). Until recently, relatively little academic attention has been paid to the strategic role of HRM in service industries, including the accommodation sector (Taylor and Finley, 2009). This is despite effective HRM being recognized as one of the most important considerations in achieving sustained competitive advantage (SCA) for accommodation providers (e.g. Enz, 2001; Tracey and Nathan, 2002). The research presented in this thesis is a study of the strategic role that HRM plays in helping New Zealand's large hotels to achieve SCA. An emphasis is placed on whether and how the combination of HRM with the strategic planning process of the organization can contribute to superior performance.

In this thesis an influential strategic human resource management (SHRM) model proposed by Brockbank (1999) is tested and enhanced by using data from the large hotel sector in New Zealand. The nature of the research is both inductive and deductive and it employs a triangulation method of analysis. Data was collected through two rounds of research: (1) interviews conducted in the Auckland region, the country's key

destination and gateway, followed by (2) a nationwide web-based survey covering all large hotels in New Zealand. Interviews were used to gather information to assist shaping the survey and help overcoming the difficulty of relatively small population of large hotels in New Zealand. The mixed set of methods was used to generate new insights into the application and development of HRM within the accommodation sector. The research contributes to both tourism and SHRM-related studies.

1.2 Rationale and Significance of the Study

The 1970s and 1980s witnessed an increasing interest in and continuous development of theories of 'strategic management' (e.g Barney, 1991; Miles and Snow, 1978; Mintzberg, 1973; Porter, 1985). Attempts by those in the human resource management field to be part of organizations' overall strategic management processes led to the creation of a new sub-discipline known as strategic human resource management (SHRM) (Wright and McMahan, 1992).

Traditional human resource management (or personnel management) focuses on the various practices used to manage people within organizations (Lundy, 1994). In general, typical HRM practices are represented by the categories of selection, training, appraisal and rewards (Fombrum, Tichy and Devanna, 1984). This view of HRM reflects the fact that the major duty of HR staff is their daily routine work, in which they are usually acting in a reactive role, simply accepting and implementing the organization's strategic plans. Often the link between the HR function and the strategic plan is weak and loose, if there is any link at all (Barney and Wright, 1998). The HR function is viewed as an 'administrative backwater' within the organization and a cost rather than an investment (Barney and Wright, 1998; Galford, 1998; Kaufman & Miller, 2011).

The emergence of SHRM represents an attempt to find a solution to the above dilemma. SHRM is different from traditional HRM in a number of areas. SHRM emphasizes the potential value HRM can add to achieve an organization's overall objectives by linking it with the strategic management process, and by the co-ordination of different HRM functions, such as selection, recruitment, training and retention, through a pattern of planned action (Wright and McMahan, 1992). Researchers have found that each HR function has been working in relative isolation rather than together, and that the majority of HR professionals lack a broader understanding of the business their

organizations are in and the competitive environment of their organization (Barney and Wright, 1998; Wright and McMahan, 1992; Lengnick-Hall, Lengnick-Hall, Andrade, and Drake, 2009). SHRM scholars thus argue that to be respected and accepted as a strategic partner, HR staff must be able to integrate HR functions with the organization's overall strategic planning process (e.g. Barney and Wright, 1998).

As a relatively new discipline area, SHRM lacks strong theoretical and empirical frameworks, although a number of writers have tried to improve the situation (e.g. Delery and Doty, 1996; Lengnick-Hall et al., 2009; Wright, McMahan, McCormick, and Sherman, 1998). Viewed as an extension of and improvement on traditional HRM theories and practices, SHRM is commonly thought of as a subject that should be studied in a large organization context (Wright et al., 1998). Small and medium-sized enterprises (SMEs) were implicitly rejected as an arena of SHRM study (Barney and Wright, 1998) due to characteristics of SMEs such as resource constraints, lack of experience and the informality of their organizational structure (Verreyne, 2006).

However, HRM-related issues in SMEs are not always as simple as some researchers have anticipated, and sometimes can be just as complex as those in large organizations (e.g. de Kok and Uhlaner, 2001). Empirical studies have supported the proposition that factors such as nation, culture and specific industry sector can all have an impact on strategy-related research (McGahan and Porter, 1997; Makino, Isobe and Chan, 2004).

The present study can be viewed as a response to some of these gaps in the research. One of the most influential theories from strategic management, the resource-based view (RBV) (Barney, 1991), along with of its extension, the VRIO framework (value, rarity, imitability and organization) (Barney, 1995), will be introduced to test and develop an existing, conceptual HRM/strategy-performance model developed by Brockbank (1999).

As a relatively recent subject of research, SHRM is mainly applied in large organizations with formal management structures that support HRM and strategic functions (see Razouk and Bayad, 2009). Thus this study will focus on how large hotels in New Zealand deal with their HRM and strategic functions and how the HRM-strategy integration in these organizations influences their overall performance. For the same

reasons, small and medium-sized accommodation establishments are not considered (see Mayson and Barrett, 2006).

Most SHRM studies are based on research in manufacturing industries in the US or UK (Paauwe, 2004). Studies of service industries in a non-US or European nation add value to the discipline by introducing new cultural and regulatory contexts. The overall significance of tourism and the service sector means that more research in this area is vital. In particular, the tourism literature has not fully addressed the role of SHRM. The study will make contributions to existing theories in the fields of strategic management (such as RBV) and strategic human resource management in the large hotel sector.

The research makes contributions in a number of areas. It enhances the understanding of the significance of SHRM, particularly one of the mechanisms, namely the Brockbank model (1999), through which HRM contributes to an organization's perceived performance. It also provides insightful, up-to-date information of the human resource management practices in the large hotel sector in New Zealand, with the focus on whether and how the hotels' HRM-strategy integration contributes to their overall performance. From this perspective, the study is valuable for the SHRM research in that it extends the research boundary beyond traditional US and European contexts and manufacturing-oriented fields and explores the SHRM issue in the service sector in a relatively small economy. Practically, the findings will help hotel owners and senior managers understand the importance of some factors that might have been largely ignored in their business operations, such as labour flexibility and productivity, by linking these factors with hotel performance. Policy-makers as well as hospitality educators and associations will also benefit from being given a new perspective through which they can understand the vital importance of HRM in their industry; hopefully this greater understanding will help them better develop their labour policies and HRM-related courses.

The study will also make a methodological contribution to SHRM-related research in the large hotel sector where the mixed method approach linking both qualitative and quantitative approaches is a relatively recent phenomenon. Triangulation has been identified as an appropriate method to cope with the potential complexity of research in these areas (e.g. Ateljevic and Milne, 2003; Wong, Marshall, Alderman and Thwaites, 1997).

The focus of the research will be on the case of the accommodation sector in New Zealand. Tourism is one of New Zealand's key earners of foreign exchange and the industry is going to play a growing role in the future of the nation's economy (New Zealand Tourism Strategy 2015). The significance of the accommodation sector to the New Zealand economy, along with the fact that SHRM studies in this context are just in their infancy, adds to the value of the present research.

1.3 Research Questions

The thesis aims to explore the strategic role HR can play in enhancing the performance level of large hotels in New Zealand; it will focus on whether and how the integration of a hotel's strategy and its HR functions leads to a better performance, as perceived by senior management. This will be done by investigating current HRM practices in large hotels in New Zealand. The main areas of the research will include the sample hotels' human resource management practices, business strategies, HRM-strategy integration and performance. The research questions the thesis attempts to answer are:

1. *What are the current demographics of large hotels in New Zealand?*
2. *What is the current status of human resource management in large hotels in New Zealand?*
3. *To what extent is SHRM being practised by large hotels in New Zealand?*
4. *Are HRM-strategy linkages positively associated with perceived performance levels of large hotels in New Zealand, with the hotels' perceived HR outcomes as a mediator?*
5. *Does the perceived performance of a large hotel in New Zealand have a positive influence on its human resource management?*
6. *Is the level of HRM-strategy linkage in those New Zealand hotels adopting either a differentiation or a 'stuck in the middle' strategy higher than in those adopting a cost leadership strategy?*

1.4 Thesis Structure

Chapter 2 reviews the development of research in the area of strategic human resource management. The four major perspectives regarding an organization's HRM-performance are identified and compared, and their limitations discussed. Brockbank's (1999) model is highlighted and discussed; it is underpinned with the theory of a resource-based view of organizations (Wright, Dunford & Snell, 2001). The configuration factors of the model are then examined in detail, and the research questions are generated. The chapter also examines the hotel sector in the global context and reviews key aspects of the sector with a focus on HRM.

Chapter 3 starts by outlining New Zealand's tourism industry and its contribution to the overall economy of the country. It then reviews the accommodation sector of New Zealand in terms of its characteristics, development trends and structure. The subdivisions of the sector are examined and definitions are provided for each. The broad performance and specific HRM issues faced by the industry are then discussed. The next section of the chapter goes on to discuss issues involved in determining the best sample to answer the research questions, and justifies why the large hotels sector was chosen as the research target.

The second half of Chapter 3 discusses the research method used. The thesis adopts a mixed-methods approach based on a combination of both qualitative (interview) and quantitative (web survey) approaches. The nature of the study is both exploratory/inductive and confirmatory/deductive, with the exploratory part of the study looking at the current status of SHRM in New Zealand large hotels and identifying issues that help modify the Brockbank model, and the confirmatory part of the study testing the research questions relating to the modified Brockbank model. This chapter also describes the process of interview and survey design and data collection, and gives a snapshot of the web-survey data.

Chapter 4 presents the results of both the interviews and the nationwide web survey. It reveals the demographic features of the sample hotels and the current status of their human resource management. The chapter analyses the HRM practices of hotels and how they vary in different locations, by their different star grades, and by their ownership types and whether there is a union presence in the hotel. Outcomes from the

interviews and web survey are compared and cross-referenced to provide a comprehensive overview of the large hotels in New Zealand and their HRM practices.

Chapter 5 commences with the presentation and discussion of the data collected from interviews and the web survey regarding the sample hotels' strategy-related issues. It then explores the status of the HRM-strategy linkages in the hotels from multiple perspectives. The performance of the hotels is then examined, using both financial and non-financial indicators. The two-way influences between the HRM-strategy integration and hotel performance are tested and discussed. Key players of these relationships are identified.

In the concluding chapter, findings relating to the research questions are highlighted and further discussed. Possible implications of these findings for theory development, the hotel industry and policy making are also discussed, and the limitations of the findings are noted. Finally, a future research agenda is presented.

CHAPTER TWO

LITERATURE REVIEW

2.1. Strategic Human Resource Management: Yesterday and Today

Over the past three decades, concepts of competitive advantage and performance have been the focus of both business scholars and practitioners. Hofer and Schendel (1978) argue that competitive advantage includes capabilities, resources, relations and decisions that permit an organization to grab favourable opportunities and to avoid threats. Although no consensus has been reached as to what are included in these ‘capabilities, resources, relationships and decisions’, there is no doubt that human resources (HR) can help organizations achieve competitive advantage and superior performance (e.g. Boxall and Purcell, 2003; Khatri, 2000; Porter, 1985; Pfeffer, 1994; Wright, McMahan and McWilliams, 1994).

Bennett, Ketchen and Schultz (1998) and Ferris et al. (1998) argue that intensive competition in the global market place requires top managers to strategically manage the relationship between an organization and its environment. As a consequence, the role of the functional areas within an organization must be assessed in a strategic way to clearly demonstrate their contribution to the overall performance of the organization. For example, Biggadike (1981) looks at the strategic function of marketing and Lubatkin and Shrieves (1986) focus on finance. The HR function is no exception. HR professionals are increasingly called upon to justify their contribution to improving the organization’s profit (Barney and Wright, 1998; Galford, 1998); this, in turn, has led to the emergence and development of the field of strategic human resource management (SHRM).

There is a widely held perception that the HR function evolved through a two-phased process: from personnel management (or administration) to human resource management (HRM), and then from HRM to today’s strategic human resource management (Ferris, Hochwarter, Buckley, Harrell-Cook and Frink 1999; Schuler, 1990). Like many other disciplines within the broad area of management, the HR

function evolved over time and in an eclectic manner, mostly as the result of organizations' and/or academia's responses to changing issues, concepts and challenges (Mahoney and Deckop, 1986).

Personnel management is traceable to its origins in the Industrial Revolution when factors such as the philosophy of treating labour as a commodity, the introduction of scientific management, and laissez-faire government led to the birth of trade unions and the labour welfare movements (Lundy, 1994). The personnel management function dominated the field of HR for most of the twentieth century. However, since the 1960s the personnel management function has been criticized for its over-emphasis on administration and its inability to cope with the rapidly changing business environment (e.g. Legge, 1978; Drucker, 1988; Farnham, 1990). The 1960s witnessed a change in terms from 'personnel' to 'human resources', signifying "a shift from a human relations focus on people as such (although also as employees) to people as resources in an employing organization" (Mahoney and Deckop, 1986, p. 227). It was argued that the traditional administrative function of HR needs to play a more strategic role (Schuler, 1990; Porter, 1990).

Strategic human resource management (SHRM) is relatively young, emerging from the need of American managers to substantially increase organizational performance to respond to growing domestic and global competition, new technologies and social values (Boxall, 1998; Boxall and Purcell, 2000). Academics have traced the history of the field to the early 1980s (Allen and Wright, 2007). However, Kaufman (2001) goes much further by pushing the birth date of SHRM to 1919, when the American institutional economist John. R. Commons published *Industrial Goodwill*. This book developed the idea that employees are valuable organizational resources (the term HRM is explicitly used), and designed and described strategic choice framework in regard to different 'bundles' of HRM practice. Today's scholars are still using these features of SHRM to distinguish it from conventional HRM.

HRM in Western countries (e.g. the US, UK and Australia) has progressed along a similar line, i.e. from personnel management to HRM to SHRM. However, the dividing lines between these stages are very blurred – if they do exist at all. Commentators including Storey (1992) have argued that one feature that differentiates HRM from personnel management is its stress on viewing people as a 'resource'. McKinlay and

Starkey (1992) believe that the distinguishing feature is that decisions regarding human resource deployment within the organization have a strategic significance in the broader context of business imperatives. Some argue that it is better to look at the evolution issue from an initial emphasis on largely administrative activities directed by senior management towards a more strategic, business-oriented and professional approach in the past 20 years or so (Lundy, 1994; Nankervis, Compton and McCarthy, 1996).

2.2 Definition and Characteristics of SHRM

Although the term SHRM has become increasingly popular in the past two decades, especially in academia, there is no absolute definition of the term (Salaman, Storey and Billsberry, 2006). Milkovich, Dyer and Mahoney (1983, p. 3) argue that there are personal conceptual models of SHRM provided by almost “every author, teacher and consultant” who works in the area.

Wright and McMahan (1992, p. 298) raise probably the most commonly adopted definition of the term to date: “the pattern of planned human resource deployments and activities intended to enable an organization to achieve its goal.” SHRM is seen to have both vertical and horizontal dimensions, i.e. HR practices are not only linked with the overall strategy of the organization (the vertical link), but also linked internally with HR policies to ensure that they are serving shared goals. According to this logic, HRM is playing a ‘macro’ role at an organization level whereas the traditional role of HRM is ‘micro’ and usually evaluated at a functional level (Wright and Boswell, 2002). This argument has also been used by earlier commentators to distinguish HRM from personnel management (e.g. Beer, Spector, Lawrence, Mills and Walton, 1994; Truss and Gratton, 1994).

Boxall and Purcell’s (2000) definition of SHRM reflects their ‘fit’ view of the field. They argue that SHRM is concerned with an organization’s pattern of strategic choices associated with its use of labour in achieving its overall goal. In their 2003 work, they go on to state that their definition allows for a wide variety of management styles and is not “restricted to any one style or ideology” (p. 23).

Storey (2001, p. 6) takes a big-picture approach, defining the SHRM field as a set of interconnecting propositions:

A distinctive approach to employment management which seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce using an array of cultural, structural and personnel techniques.

Schuler (1992) does not give a single definition; instead he states that a composite definition of SHRM should be largely about integration and adaptation, ensuring that: (1) human resources are fully integrated with the organization's strategy and strategic needs, (2) HR policies cohere across policy areas and hierarchies, and (3) HR practices are part of line managers' and employees' routine work. These viewpoints highlight the multifaceted nature of the components of SHRM, which include factors such as policies, values and practices. What these statements emphasized was a view that SHRM is about integrations and coherences and its ultimate purpose is to achieve an organization's goals through more effective utilization of human resources.

Although definitions of SHRM remain diverse, certain core themes have emerged. For example, Guest (1989) states that the key difference between the strategic approach and the traditional personnel function is the extent to which human resource management is integrated into the organization's strategic decision-making process. Bennett et al. (1998) and Harel and Tzafir (1999) argue that the decreased importance of traditional sources of an organization's success – usually tangible resources – has led to human resources becoming more significant. SHRM differentiates itself from traditional HRM by viewing employees as a strategic asset, offering the potential for sustained superior organizational performance.

Based on existing literature, Martell and Carroll (1995) summarize the characteristics of SHRM:

- A long-term focus, i.e. inclusion of multiple-year strategic plans for human resource use.
- New linkages between HRM and strategic planning. Traditionally the relationship between HRM and strategic planning was thought of as a one-way linkage, where HRM plays an administrative role, assisting strategy implementation. With SHRM the relationship is thought of as a two-way linkage, requiring HRM to be more proactively involved in strategy formulation. This has emerged as a key element of most of the SHRM models.

- Proposed linkages between HRM and organizational performance. HRM is now proposed to play a key role in the achievement of strategic goals and so must contribute to the organization's profit to be judged effective. As a consequence, Delery (1998) argues that using organizational performance as the dependent variable sets SHRM apart from the rest of the research in HRM.
- Inclusion of line managers in the HRM policy-making process. HRM is now too important to be left to the HRM department only, and this recognition of the strategic significance of HRM may make it more of a line-management responsibility.

Martell and Carroll are holders of the 'universalistic perspective' of SHRM (Chang and Huang, 2005), and although this perspective is often criticized as being over simplistic, the above statements largely reflect the current understanding of the distinction between SHRM and traditional HRM. These issues are addressed in greater depth in the following sections.

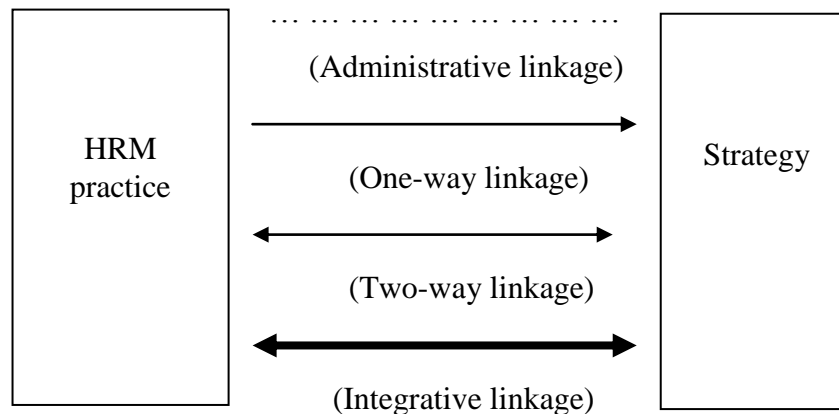
2.3 SHRM: Multidimensional Perspectives

According to Purcell (2001), the underlying idea of SHRM is about the approaches through which to manage people to help the organization gain a competitive advantage over its competitors, or at least to ensure HRM is not a source of competitive disadvantage. To date, research dominating the strategic human resource management literature has focused on: (1) the relationship between business strategy and HRM, and (2) the relationship between HRM and an organization's performance (Khatri, 2000; Panayotopoulou, Bourantas and Papalexandris, 2003).

2.3.1 Link between business strategy and human resource management

It has long been observed that organizations often develop their business strategic plans based on marketing and financial data while neglecting the human resource requirements to successfully implement that plan. In response to this, Golden and Ramanujam (1985) examined ten organizations in the US and then proposed four types of linkages between strategy and HRM: administrative, one-way, two-way and integrative (see Figure 2.1).

Figure 2.1 The four proposed HRM/strategy linkages



Source: Adapted from Golden and Ramanujam (1985).

Type-one organizations demonstrate ‘administrative linkage’, where the HR staff perform traditional administrative roles such as maintaining payroll, record-keeping and processing claims. In type-two organizations, i.e. those with ‘one-way linkage’, the HR department plays a more supportive role in the strategy implementation process, responding to the demand raised from the strategic function of the organizations to back up the strategic goals. In type-two organizations, HRM is not involved in the strategy formulation process; rather, the role of HRM is ‘reactive’ towards the demands of the strategic functions of these organizations.

‘Two-way’ and ‘integrative linkages’ are characterized by reciprocal, interdependent and interactive relationships (Paauwe, 2004). In organizations at the third level of linkage (‘two-way linkage’) HR contributes to both strategy-formulation and implementation processes. HRM staff provide information regarding the strengths, weaknesses, opportunities and threats faced by the organization’s human resources, and the strategy department then develops the strategy based on this information. Later, HRM is responsible for developing and aligning HRM policies, programmes and practices to implement the selected strategy.

At the highest level is the ‘integrative linkage’. In these type-four organizations, HR is involved in the whole process of strategic planning, there is HRM representation in the senior management team of the organization, and HR plays an integral role in the organization’s competitive advantage. In the type-three and type-four organizations, the

HR manager is considered a true strategic partner with other executives, making a unique contribution to the whole strategic process. HRM plays a proactive role in these two relationships. Similar reciprocal and proactive relationships are posited and advocated by other scholars (e.g. Lengnick-Hall and Lengnick-Hall, 1988; Paauwe, 2004; Wright et al., 1998).

It has been pointed out that in the process through which HRM is linked with the strategic planning of the organization, key factors of HRM, such as human resource skills, attitudes, behaviours and performances, will be effectively obtained, developed, motivated and maintained (Martel and Carrol, 1995). Lengnick-Hall and Lengnick-Hall (1998) strongly advocate the reciprocal relationships between HR practice and strategy and discuss the reasons why such linkage is desirable. First, given the complex nature of organizational problems, the integration can offer a broader range of solutions to those problems. Second, such integration ensures that all the key factors of success within an organization, such as human, financial and technological resources, receive careful consideration in setting goals and assessing the capabilities of implementation. Third, through the integration, individuals who comprise the organizations must be considered more seriously, and relevant policies developed and implemented (see also Wright, Smart and McMahan, 1999). Last, but not least, the reciprocal relationship will limit the potential subordination of human resource preferences to strategic considerations. Also, it is less likely that human resources will be misunderstood or undervalued by the organization in the process of pursuing superior performance.

Wright and McMahan (1992) present a comprehensive review of six theoretical models that help to explain the strategic and non-strategic determinants of HRM practices, using macro-level organization theories from the fields of organization theory, finance, and economics. The strategic theories of HRM include a resource-based view of the firm (RBV), the behavioural perspective, cybernetic systems and agency/transaction cost theory. Non-strategic theories applied include the resource dependence/power model and institutionalism. These models, although different in content, all view HR practices as the outcome of strategic decisions, acknowledging also that other political and institutional factors may also play a key role in enhancing the understanding of the mechanism.

As suggested by Paauwe (2004), an overview of the different viewpoints about the HRM-strategy relationship is useful in modelling the relationship between strategy, HRM and an organization's performance. Empirical attempts have been made to explore this issue. For example, in their empirical study of the outcome of strategic integrations of HR in 148 manufacturing organizations in the US, Bennett et al. (1998) observe that the impact of the integrations on the different aspects of the organizations' performance is mixed. The authors find that closer HRM-strategy integration is positively related to turnover, negatively related to top managers' perception of HR effectiveness, and unrelated to sales per employee and perceived profitability.

In general, as Wright et al. (1998) state, although greater involvement of HR function in the business strategy planning process has been called for, the level at which HRM-strategy integration contributes to an organization's performance remains unclear (e.g. Compton, 2009). Furthermore, relatively little data exists confirming the impact of the HRM-strategy integration on organizations' performance. More empirical studies are definitely needed.

2.3.2 Link between HRM and organizational performance

Compared with the study of linkages between HRM and strategy, research on the relationship between HR and performance is much more advanced, both theoretically and empirically (Huselid, 1995; Huselid, Jackson and Schuler, 1997; Pfeffer, 1994). The academic literature takes a variety of perspectives to exploring and demonstrating the value of HRM to organizations. In general, the effectiveness of HRM on organizational performance can be summarized along four lines: the universalistic, contingent, configurational and contextual modes (Martin-Alcazar, Romero-Fernandez and Sanchez-Gardey, 2005).

The *universalistic* or 'best practice' approach argues that to outperform their competitors, organizations only need to be able to identify and implement best HR practices, irrespective of context (Pfeffer, 1994; Boxall and Purcell, 2000). In other words, the relationship between a given dependent variable and an independent variable is universal across the population of organizations (Delery and Doty, 1996).

This model has a large amount of empirical support. For example, research by Delaney and Huselid (1996) and Terpstra and Rozell (1993) focused on HRM practices and showed their impacts on an organization's performance, as measured by a variety of key indicators. The implicit assumption of these studies is that the effects of different HR decisions can be identified and the nature of them is additive (Becker and Gerhart, 1996).

Another group of studies examines the effect of bundles of HR practices on performance (Becker, Huselid, Pickus and Sparatt, 1997; Huselid, 1995; Youndt Snell, Dean Jr and Leapak, 1996). The idea that underpins this school of thought is that a system (bundle) of HR practices may be more than the sum of its parts, and so can be most appropriate for enhancing organization-level performance (e.g. Perry-Smith and Baum, 2000). MacDuffie (1995) states that a 'bundle' refers to interrelated and internally consistent practices, which create the multiple and reinforcing conditions that support employee motivation and which, in turn, leads to better performance.

In general, authors holding the 'best practice' mind-set suggest that there is an identifiable set of best HR practices(s) that have universal, additive and positive effects on an organization's performance (Applebaum and Batt, 1994; Jørgensen, Laugen and Boer, 2007). Therefore researchers are interested in identifying what constitutes a high-performance HR strategy.

There is little agreement among authors on which HRM practices lead to better performance (Becker and Gerhart, 1996). Studies of high-performance work systems vary significantly regarding which practices should be included in the 'best' list. Delaney, Lewin and Ichniowski, (1989) present a list of ten practices that relate to areas such as selection, performance appraisal, incentive compensation and job design; Huselid's (1995) benchmark article adds three more practices to that checklist; Pfeffer (1994) employs 16 HR practices; and Hoque (1999) advocates the use of perhaps the most comprehensive list with 23 HR practices. It is Hoque's list that is used in this study.

The basic notion of 'best practice' seems logical and reasonable. For example, using a greater range of the identified or suggested HR practices such as information sharing, job design and valid performance appraisal will always be better than using fewer

options in enhancing organizational performance. Or as a counter example, obviously there will be very few organizations that advocate unstructured interviewing over interviews designed around job-related factors (Boxall and Purcell, 2000).

Beyond these straightforward prescriptions, the universalistic approach is plagued by a number of limitations. Purcell (2001) raises a doubt about 'best practice' both individually and collectively. He argues that organizations, by merely adopting the best practice model, are not likely to differentiate themselves from their competitors. Furthermore, organizations are vastly different, not only in terms of their competitive environments, industries, goals, technology and information systems, but also – perhaps even more importantly – in the nature and characteristics of their staff; this make it very difficult, if not impossible, for managers to adopt one particular approach to achieve success. And finally, the same set of practices can be either value-adding or value-destroying, largely depending on the competence of relevant management people.

Boxall and Purcell (2000) view the weakness of the universalistic approach from the outcome side. They question what goals are served by 'best practice': survival or sustained competitive advantage? If the goal is survival, then all organizations need to implement it to remain viable – which is logically impossible. However, if best practice is supposed to achieve sustained competitive advantage, then only a small number of organizations can achieve it, and the best practices will no longer be universal. The next question they raise is whose goals are being served by these best practices. If these practices are good for both shareholder and employee interests, no one will object to them; and if the practices are bad for both parties, they will likely be abandoned. However, the real challenge comes from the situation where the practices are good for shareholders but bad for employees – not a rare scenario. In this situation, the conflicting interest between shareholders and salaried workers will tend to be associated with poor performance (Lewin, 2001).

Diffusion is another problem of the universalistic approach. The question is: If so-called best practices do exist, why do smart organizations occasionally do dumb things? (Pfeffer, 1996, cited in Purcell, 1999) Furthermore, the linear and over-simplistic logic of this approach is subject to criticism. For example, the model fails to account for any impacts of potential moderating variables such as business strategy, environment and stage of life cycle (Boxall and Purcell, 2001). Due to all these shortcomings, Purcell

(1999, p. 36) claims that the ‘best practice’ approach leads researchers into a “utopian cul-de-sac”. As a result, more and more scholars have shifted their research interest towards alternative approaches, such as the *contingent mode*.

Baird and Meshoulam (1988) were the first to propose a stage matrix of HRM activities by explicitly discussing the ‘fit’ issues between HRM and other broader factors such as the life stage and strategy of the organization. According to Baird and Meshoulam, to achieve business success an organization should fit its HR activities with two factors simultaneously. HR activities should fit with the evolution stage of the organization, i.e from the informal, more flexible style of a younger organization to more formal and professional styles as the organization matures (Boxall and Purcell, 2000). They term such a fit an ‘external’ or ‘vertical’ fit. At the same time, an organization must also have an ‘internal’ or ‘horizontal’ fit, where individual HR policies and practices support each other.

The ‘external fit’ attracts a lot of research interest. Most of the literature on this issue proposes that the HRM-performance relationship is mainly influenced by the organization’s competitive strategies. Becker et al. (1997) and Guest (1997) present two models, similar in format but different in content, to illustrate the impact of business strategies on the HRM-performance linkage. The model proposed by Becker et al. (1997) shows that an organization’s business strategy shapes the design of its HRM system; this, in turn, influences a series of factors along a chain of excellence, leading ultimately to the market value of the organization. Interestingly, most of the authors are well-known advocates of the ‘best practice’ approach, yet in this paper they raise criticism against the best practice model, stating that best practice is just a necessary condition of the organization’s success but not a sufficient condition. They believe that crucial strategic decisions can help individual HR practices align with other HR practices to support key business priorities. Thus the type of business strategies employed by the organization is emphasized. They also claim that most of the factors they identify remain unclear and receive no empirical support.

Guest’s (1997) model assumes the ultimate goal of an organization is to achieve positive financial outcomes. Guest proposes that different strategies chosen by the organization will decide what HRM practices that organization employs. (In this model, Porter’s three generic strategies – differentiation, focus and cost leadership – were

chosen.) The chosen HR practices (instead of HRM systems) will in turn influence employees' behaviour and the organization's HRM, performance and financial outcomes. He also assumes that an organization can only expect higher performance once all three components of the HRM outcomes – commitment, quality and flexibility – are achieved.

These two models represent the 'best fit' or 'contingent' school. Although diverse in their formats and in the content in their 'boxes', the two models do share some key characteristics:

- The relationship between HRM practices and organizational performance is still assumed to be a linear and causal one.
- The vertical fit between HRM and strategies is emphasized. Superior performance relies heavily on employee behaviour, which is necessitated by strategy and rewarded and controlled by HR practices. A close alignment of strategy and HRM practices will result in business success.
- Diverse in number and content, a chain of conceptual and interrelated 'boxes' are usually proposed along the continuum linking HRM practice and organizational performance.

(Adopted from Paauwe, 2004)

As Delery and Doty (1996) posit, the linear HRM-performance relationship, presented by the contingency perspective, is more complex than universalistic arguments. This is because the relationship between the relevant independent variable and the dependent variable is different for various levels of the key contingency variable, and there exists an interactive relationship between the variables rather than a one-way linkage. Therefore, a researcher will need to select a theory of business strategy and then specify how HRM practices, individually or bundled, will interact with the strategy to improve the organization's performance.

A number of questions remain regarding the best-fit arguments. Wright and Gardner (2001, cited in Paauwe, 2004) raise two fundamental issues. Their first question – How many boxes should be in the black box? – is about the number and content of the boxes between HRM practices and performance. Due to the 'black box' nature of these boxes, it is easy for authors to add any number of items to these boxes to create so-called sub-boxes. If this continues to happen, the study will become unmanageable. Boxall and

Purcell (2000) express similar concerns, saying several contingency models are too 'thick' – “throwing in everything plus the kitchen sink” (p. 50). Thus Boxall and Purcell advocate models that explain only the most important connections.

Wright and Gardner's second question – What should be in each box? (or, How many items should be put in each box?) – relates to the linearity of the models. Wright and Gardner think the linear and causal process of most of these models is oversimplifying a complex reality. In response, some authors have made attempts to address this weakness, trying to capture the complex nature of the relationship by picturing the relationships between variables as interactive.

The *configurational* perspective adds a further dimension to the two previous perspectives by emphasizing the importance of the internal aspects of the HR function. Being an ideal type, rather than empirically observable phenomena, this perspective views the HRM system as a multidimensional set of elements. Combined in different ways, these elements can form an infinite number of configurations, from which researchers can pick up different ideal patterns to manage human resources effectively and efficiently (Martin-Alcazar et al., 2005). To achieve the ultimate goal of organizations, HRM systems must be consistent with environmental and organizational conditions, and more importantly, the elements of the system must be internally coherent (Doty, Glick and Huber, 1993).

Configurational arguments are thought to be more complex than the universalistic and contingency approaches for a number of reasons (e.g. Paauwe, 2004). To begin with, the posited configurations, or unique patterns of factors, represent nonlinear effects and higher-order interactions that cannot be captured by the contingency theories. The configurational perspective then assumes that multiple unique configurations of the relevant factors can result in superior performance. Last but not least, these configurations remain theoretical without empirical supports (Delery and Doty, 1996). As a result, in order to achieve business success, SHRM scholars holding this perspective need to theoretically identify HRM configurations that can maximize the internal (horizontal) fit, and then link such configurations to maximize the external (vertical) fit.

By incorporating the ‘best fit’ logic of the contingency models and rejecting the ‘best practice’ logic of universalistic modes, the configurational view contributes to SHRM in a number of ways. The HRM-performance relationship is explicitly understood as a non-linear, interactive one. The same business goal can be achieved by different combinations of practices and policies that may be equally efficient for the organization (Martin-Alcazar et al., 2005). Consequently, the ‘black box’ of HRM systems, according to the best fit and best practice perspectives, is opened and the HR function can be analysed as an interactive system (Martin-Alcazar, Romero-Fernandez and Sanchez-Gardey., 2005).

The *contextual* perspective, unlike the other three, introduces a descriptive and global explanation through a broader model. It seeks an overall understanding of what is contextually unique and why (Brewster, 1999). Attention is shifted to the relationship between the SHRM system and its context (Martin-Alcazar et al., 2005). Context, according to these authors, is conditioned by the human resource management strategy. The value of strategies is assessed not only by their contributions to an organization’s performance, but also by how they influence other internal aspects within the organization, such as HRM functions, and the external environment.

Emerging since the 1990s, the contextual perspective is relatively new compared with the other three outlined above, and has been largely ignored by most of the reviewers. The descriptive nature of this perspective does limit its contribution to the theoretical development of HRM-performance linkage, bringing its own unique contribution to understanding SHRM. First, HRM is supposed to be studied in a broader environment and so the influences of different industries and nations must be seriously considered. Such a study lays the foundation for the development of the field of international human resource management (IHRM), or studying the strategic contributions of HR in an international context (Ferris et al., 1999). Comparative studies can be developed to explore the implications of different national environments for human resource management (Brewster, 1999). Furthermore, the contextual approach adopts a multiple stakeholder perspective (Schuler and Jackson, 2000), and the interest and influence of some previously ignored stakeholders, such as trade unions and public administrations, on an organization’s HR can be noticed and highlighted (Guest, 1990).

The basic assumptions and the characteristics of these four perspectives are summarized in Table 2.1.

Table 2.1 Comparison of the four research perspectives

Perspective	Basic assumption	Relationship among variables	Level of analysis	Methodology
Universalistic	Existence of best human resource management.	Linear, and can be universally generalized.	Single practice: One single practice leads to superior performance.	Sets of practices: A certain set of practices leads to superior performance. They do not consider either synergistic or interdependent relationships, or integration mechanisms. Additive focus.
Contingent	There are not 'best' practices. HRM effects depend on a third variable such as corporate strategy or the internal and external environment.	The relationship between the dependent and the independent variable will be mediated by contingency variables.	Single practice: Many studies with a contingent perspective just focus on a single practice.	Set of practices: In some cases, studies with a contingent perspective focus on a set of practices, but again without defining parallel configurations. The effects are also cumulative, and although there are constant calls for analysing the internal fit, the integration of practices is not studied.
Configurational	It is possible to identify SHRM patterns from the combination of the elements that built the HRM system. Those patterns could be equally efficient.	Focusing on how the HRM patterns affect the organizational performance as a whole.	They always adopt a systemic level of analysis.	
Contextual	SHRM is understood as something broader than managerial decisions. It is considered as part of a bigger social macro-system that both influences and is influenced by the HRM strategy.	HRM variables are integrated in a supra-system.	Supra-organizational level of analysis.	

Source: Adapted from Martin-Alcazar et al. (2005).

2.3.3 Limitations and gaps of the two main SHRM research areas

The two main areas of research in SHRM, HRM-strategy linkages and HRM-performance linkages are both subject to limitations. For the HRM-strategy linkage, it is worth noting that research to date has been largely theoretical in nature and lacks empirical support (Khatri, 2000; Lee, Lee and Wu, 2010). Several commentators argue that more empirical research is required to test the validity of those proposed frameworks and/or to develop new and more valid ones (e.g. Brockbank, 1999; Wright and McMahan, 1992).

The limitations of the HRM-performance research attract more attention because, compared with its HRM-strategy counterpart, research in this area is much more advanced, both theoretically and empirically (Huselid, 1995; Huselid et al., 1997; Pfeffer, 1994). Martin-Alcazar et al. (2005, 2005a) summarized the key limitations of the four perspectives as follows:

1. Models coming from the ‘best practice’ perspective are mainly criticized for their oversimplification of the complex nature of management on the following grounds:
 - Their objectives are narrow. For example, measures of performance used by best practice models exclusively rely on financial and accountancy indices.
 - The models ignore crucial issues in their analysis of SHRM. For example, an organization’s long-term survival or success is conditioned by the confluence of the interests of many different stakeholders, and this fact is largely neglected by best practice models.
 - The nature of stability and uniformity limits the models’ ability to study strategic change.

2. Models coming from the contingency perspective successfully add complexity to the isolated best practice framework by introducing a third set of moderating or contingency variables, such as environmental and organizational determinants. However, these models are still subject to criticisms:
 - The models are over-reliant on regression analysis, leading them to conclusions similar to best practice models.

- The models have a narrow focus, using generic business strategies as the moderating variables and failing to consider political variables in the strategic definition process.
 - Users of these models disagree about the need for fit between the contingency variables. Fit is advocated by most writers, but the possible negative implications of fit, such as its damage to the organization's flexibility (Allen and Wright, 2007; Becker and Gerhart, 1996) and its lack of feasibility in organizations with multiple and conflicting goals and during organization transitions (Lengnick-Hall and Lengnick-Hall, 1988), is noted.
3. The configurational perspective proposes that only consistent sets of practices have the potential to reinforce organizational performance in the long term. However, as pointed out by Delery (1998), the conceptual nature of the models based on this perspective makes it very difficult to measure the linkages between the variables proposed by the models. As a whole, this perspective receives much less support from empirical research.
 4. The contextual perspective adds environmental factors into the HRM-performance research. A mutual influence between the organization's strategy, HRM and the macro-environment in which the organization is operating is proposed. This approach is still in its infancy. Because it has a descriptive objective (Brewster, 1999), it is being criticized for its lack of empirical evidence and for its over-reliance on simple statistical methodologies.

In addition to these arguments, Wright and Haggerty (2005) discuss some variables that are commonly missed in SHRM studies; in particular, time and cause are worth noting. Wright and Haggerty argue that there are always time lags in the implementation of HRM practices yet 50–70 per cent of the existing literature examines HRM-performance with a 'post-predictive' approach, i.e. they predict past performances by current HRM practices. Some other writers use either 'retrospective' (collecting data of past HRM practices and current performance) or 'contemporaneous' (collecting data of HRM practices and performance of the same year) approaches. All of these approaches, according to Wright and Haggerty, neglect the effect of time lag. To accurately consider the effect of time on the HRM-performance relationship, it is recommended that HR

practices be assessed at one point in time and organization performance subsequently. The authors make no recommendations as to how long the time lag between the two assessments should be.

In addition to the time-lag argument, the traditional causal relationship between HRM and organizational performance has been questioned, and a ‘reverse causation’ relationship between the two variables proposed. Organizations achieving economic success tend to have ‘slack’ resources, based on which they may share some of the profits with employees, such as increasing pay and benefits, investing more in staff training and development, and other forms of empowerment activities (Wright and Haggerty, 2005). Guest, Michie, Conway and Sheehan (2003), in their empirical study of 366 UK organizations, suggest that at best, a two-way causality relationship might exist and at worst, the one-way relationship discussed by most of the literature is wrong. The two-way reverse causation relationship also receives support from Boselie, Dietz and Boon (2005).

To summarize: each of the four approaches of HRM-performance research emphasizes different dimensions of SHRM. Different but not conflicting in content, each approach complements the others by adding constructs, variables or linkages that are ignored by the others (Becker and Gerhart, 1996; Martin-Alcazar et al., 2005). That implies that a more complex model based on a combination of the main propositions (including those of the HRM-strategy relationships) might enable us to have a better understanding of the strategic role of HRM in enhancing an organization’s performance.

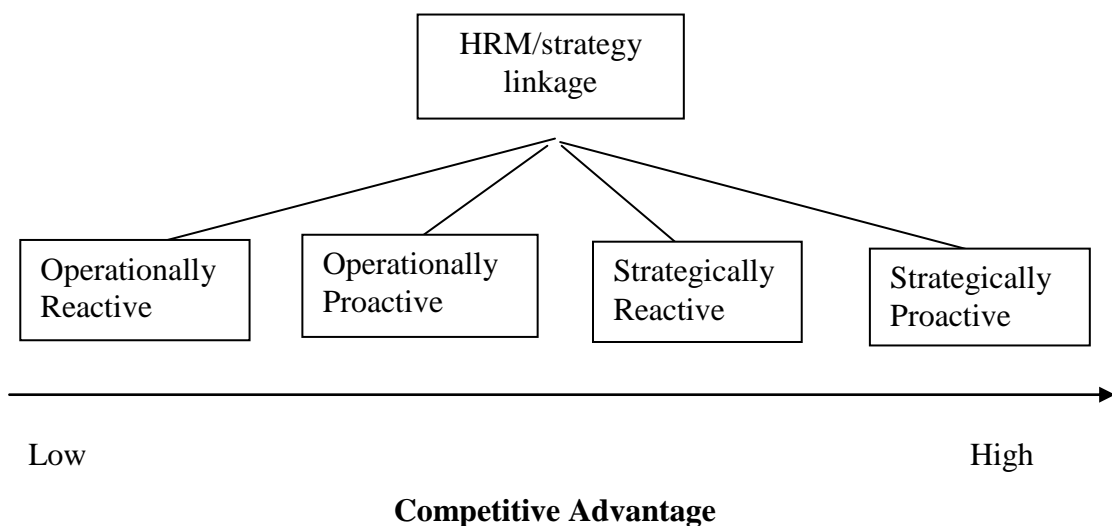
2.4 Framework and Research Questions

2.4.1 The Brockbank model

Based on a study of major high-performance organizations around the world, and utilising three rounds of data gathering in the late 1980s and the 1990s, Brockbank (1999) states that the HR functions of organizations can be generally divided into two categories: operational and strategic. Operational refers to routine, day-to-day HR activities, but strategic functions of HR are more complex. In fact, five criteria were established to decide the scope of the strategic side of HR: long-term value added, comprehensiveness, plan, integration level and value-adding level (i.e. to what extent it

focuses on issues that are critical for business success). Prior to the 1990s, high-performance organizations placed a strong and equal focus on both operational and strategic functions. However, in the 1990s the emphasis began to shift towards the strategic side (Towers Perrin, 1992). Brockbank's (1999) study expanded on this, adding two more dimensions into the existing HR functions, namely proactive and reactive. These four dimensions then provide a framework of four quadrants, i.e. operationally reactive, operationally proactive, strategically reactive and strategically proactive. Combining the framework with a competitive advantage index generates a model that enables the author to link HR functions with an organization's ability to achieve competitive advantage (see Figure 2.2).

Figure 2.2 HRM/competitive advantage model



Source: Adapted from Brockbank (1999).

Brockbank (1999) describes the content of the four boxes as follows:

Operationally reactive: HRM simply focuses on reacting to the daily demands of the business and ensuring the basics are addressed. Examples of such activities include administering benefits, maintaining salary grids, employing entry-level staff and providing basic training.

Operationally proactive: HRM addresses the question of how it can improve the quantity and quality of the HR basics before problems occur. Examples include re-engineering HR processes, and ensuring positive morale in the workplace.

Strategically reactive: HRM focuses on the implementation of business strategy in HR-related areas, i.e. how can HRM help support successful strategy implementation. Examples might include developing a business culture consistent with the demands of the business strategy, facilitating change management and organizing HR into service centres.

Strategically proactive: HRM focuses on all aspects of the organization's strategic planning process, including creating future strategic alternatives. Examples include creating a culture of innovation and creativity, and creating internal capabilities that continually align with the marketplace for products, markets and capital.

Compared with the models discussed earlier in this chapter, it is evident, although not explicitly expressed, that the Brockbank framework is similar to the Golden and Remanujam (1985) model in describing the potential linkages of an organization's HRM with strategy. However, the Brockbank model goes one step further by linking the HRM/strategy relationship with an organization's competitive advantage. Or it can be said that it combines the two main areas of SHRM research, i.e. the linkages of HRM-strategy and HRM-performance, into one.

It is also interesting to note that the Brockbank model incorporates elements, either explicitly or implicitly, of almost all of the four SHRM perspectives. Key factors such as the universal impacts of HRM practices on an organization's performance, the function of the organization's business strategies, the 'fit' between an organization's HRM practices and its business strategy, and even the context in which the business is run, are included in the model. Thus the model can be viewed as a comprehensive one, through which the major research areas of SHRM can be tested.

Like all other models, however, the Brockbank model is also subject to some weaknesses – which were raised by Brockbank (1999) himself. The first one is the lack of underpinning theory. Brockbank's article is neither a theoretical essay nor a quantitative analysis in the fields of strategic/human resource management, but a methodological observation. The model's lack of theoretical foundation leaves a huge space to conceptualise, explore, discuss and/or develop the potential linkages between effective human resource management activities and an organization's competitive advantage.

Another problem of the Brockbank model is the potential difficulty in empirically testing the model. As Brockbank (1999) himself states, based on some past observations of large organizations, in reality the model is a skewed bell shape, with the majority of organizations falling in the operationally proactive and especially strategically reactive categories. It is estimated that the number of organizations in the operationally reactive and strategically proactive sections will be small and it will make the data collection from these two categories difficult. Furthermore, some of the key variables of the model, such as the concept of competitive advantage, are always hard to measure.

2.4.2 The underpinning theory: the resource-based view

One solution to the weakness of Brockbank's model, i.e. its lack of theoretical foundation, is to look at the model from a resource-based view (RBV); this solution is argued to have major implications for SHRM research (Way and Johnson, 2005).

The theory originated from Penrose's (1959) work, and the term 'RBV' was coined by Wernerfelt (1984). In 1991, Barney produced his seminal article specifying the characteristics necessary for an organization's sustained competitive advantage (SCA). The basic logic of the resource-based view is relatively simple and straightforward, starting with the assumption that the desired outcome of the organization's managerial effort is to obtain SCA (Fahy, 2001). With SCA, the organization will be able to earn economic rents or above-average returns.

According to the RBV, some organizations possessing certain key resources can outperform their competitors without such resources. The SCA-generating resources will meet the criteria of being valuable, rare, imperfectly imitable and not substitutable (the VRIN framework) (Barney, 1991; Fahy, 2001). From this perspective, the RBV emphasizes an organization's strategic choice, pushing the organization's management to fulfil the important tasks of identifying, developing and deploying key resources to realize the ultimate goal of the organization, i.e. to maximize returns (Fahy, 2001).

One of the major contributions of the resource-based view is its observation that not all of an organization's resources are equally important or hold the potential for sustained competitive advantage (Barney, 1991). Barney pioneered the exploration of defining

characteristics of a competitive organization (Barney, 1986a), proposing that an organization's culture can be a source of sustained competitive advantage if it is valuable, rare and inimitable. In his 1991 paper, he adds a fourth characteristic of a SCA-generating resource: non-substitutable. Other researchers have offered similar perspectives. Grant (1991) states that resources, as important determinants of competitive advantage, should be characterised by durability, transparency, transferability and replicability. Collis and Montgomery (1995) maintain that the characteristics of such resources should include inimitability, durability, appropriability, substitutability and competitive superiority. Amit and Schoemaker (1993) extend the list to eight characteristics: complementarity, scarcity, low tradability, inimitability, limited substitutability, appropriability, durability and overlap with strategic industry factors. Fahy (2001) condenses the list into just three headings, namely value, appropriability and barriers to duplication. Nevertheless, the four attributes put forward by Barney (1991) are viewed as the most comprehensive ones and are the most widely cited in the literature.

a. Valuable resources

A resource can be defined as valuable if it enables an organization to exploit opportunities and/or neutralise threats (Barney, 1995). To understand this definition, managers need to link the analysis of both the organization's internal resources and its environmental opportunities and threats. Resources cannot be valuable in a vacuum, i.e. they are not valuable in themselves, but because they enable the organization to perform advantage-creating activities in particular markets (Porter, 1994). Consequently, resources can become less valuable when changes occur in an industry structure, customer tastes and/or technology. Thus, managers need to continually evaluate whether their organization's resources are still adding value to the organization, as only when resources keep adding value are they really valuable (Barney, 1995).

b. Rare resources

If the particular resource is possessed by numerous competing organizations or potential competitors, then that resource cannot be a source of competitive advantage for any one of them, even if it is valuable (Barney, 1991, 1995). In other words, a valuable but common resource cannot make possessors of it more competitive. It only provides competitive parity. Thus, the key question to evaluate the rarity of certain resources is how many competing organizations already possess them (Barney, 1995).

This does not mean that valuable but common (i.e. not rare) resources are of little importance to an organization. Sometimes it can be very important for an organization's survival to create and exploit competitive parity in an industry (Barney, 1991, 1995), or having the resources may be regarded as a 'strategic necessity' (Clemons and Row, 1991). However, when the resource is both valuable and rare, it can enable an organization to obtain at least a temporary competitive advantage (Barney, 1995). Furthermore, Barney (1991) realized that even when a particular valuable resource is possessed by a number of organizations in an industry, it can still generate competitive advantage as long as the number of organizations that possess the resource is less than the number of organizations that are needed to generate perfect competition dynamics in that industry.

c. Imperfectly imitable resources

At its best, possessing valuable and rare resources can give an organization a temporary competitive advantage. But to have a sustained competitive advantage, an organization must make sure that the particular (valuable and rare) resources it controls are unobtainable by its competitors. Thus, its competitors must face a cost disadvantage in imitating these resources. This condition was termed 'imperfect imitability' by researchers in the 1980s (Lippman and Rumelt, 1982; Barney, 1986, 1986a). Dierickx and Cool (1989) elaborate on the reasons why the organization's resources can be imperfectly imitable. Resources will be imperfectly imitable if one or any combination of three factors is present: (1) the ability of an organization to obtain a resource is dependent on *unique historical conditions*, (2) the link between an organization's resources and its sustained competitive advantage is *causally ambiguous*, and (3) the resource generating an organization's advantage is *socially complex*.

Historical conditions

Research employing industry models to analyse an organization's performance level (e.g. Porter, 1980; Scherer, 1980) often ignores the unique history of organizations. Following theorists such as Penrose (1959), Chandler (1962) and Ansoff (1965), resource-based-view theorists assert that organizations are historical and social entities, and so their ability to acquire and exploit some resources is dependent on time and space. As the organization evolves, it picks up skills, abilities and resources that are unique to it, reflecting its particular development path (Barney, 1995). These resources have unique values, such as the experiences, personalities and relationships within a

particular organization. As a result, such resources are imperfectly imitable because competitors, without such a development path through history, will not be able to obtain the same resources to implement its strategy. Examples of such resources range from a location, to a scientific breakthrough, to individual human capital, and to an organization's organizational culture (Barney, 1991).

Causal ambiguity

The relationship between the causal ambiguity of an organization's resources and imperfect imitability has been documented since the 1950s. Causal ambiguity exists when the link between an organization's resources and its sustained competitive advantage is not understood well (Barney, 1986; Rumelt, 1984; Reed and DeFillippi, 1990).

According to Barney (1991), when the link between an organization's resources and its sustained competitive advantage is poorly understood, it is very difficult, if not impossible, for organizations that try to duplicate a successful organization's strategy to decide which resources they should imitate. Imitating organizations can, at best, see some of the resources controlled by a successful organization, but never the whole story. Under this condition, imitating organizations cannot know what action they should take to copy a successful organization's strategies for sustained competitive advantage.

According to resource-based-view theorists, causal ambiguity should be complete to be a source of sustained competitive advantage, i.e. even the organization with sustained competitive advantage must not have a good understanding of the real link between its resources and its competitive advantage, otherwise the link can be learned by its competitors through systematic study or by hiring away its key employees (Lippman and Rumelt, 1982).

The whole concept of causal ambiguity is thought to be an information problem (Fahy, 2001), whereby a competitor is unable to identify the reason behind a given organization's success. Reed and DeFillippi (1990) explore the causes of such ambiguity and suggested that there are three characteristics of resources that may prevent their imitation by competitors, namely tacitness, complexity and specificity. According to Reed and DeFillippi, tacitness is a characteristic attached to so-called skill-based activities and it means an inability to identify or codify a pattern of activities.

As these kinds of activities usually involve a learning-by-doing model, it is impossible for outsiders without the same experience to imitate them. Complexity rises from the “interconnectedness” of asset stocks and it means that assets must be used with one another instead of by themselves. Complexity also implies that few individuals (organizations) are able to be knowledgeable enough to grasp the overall performance package (Nelson and Winter, 1982).

Specificity is the idea that every organization has its own track of record of transactions and this development path is hard to identify and replicate. Another interesting factor regarding specificity is that an organization’s competitive advantage may depend on numerous small decisions instead of “big decisions” (Barney, 1995). An organization’s success is not the result of doing a few big things right, but the outcome of doing lots of little things right. Thus, the organization’s competitors have to imitate thousands of such attributes to achieve similar success, which is an almost impossible task (Mata, Fuerst and Barney, 1995).

Social complexity

According to Barney (1991), the final factor preventing an organization’s resources from being imitated is that they may be rooted in complex social phenomena that no other single organization could manage or imitate; for example, the interpersonal relations among managers in an organization (Hambrick, 1987), an organization’s culture (Barney, 1986a), or an organization’s reputation (Porter, 1985; Klein and Lefler, 1981). In most cases, there is little or no causal ambiguity surrounding the link between these resources and the organization’s competitive advantage. These resources are able to remain imperfectly imitable as most organizations could not directly manage or systematically copy them (Barney, 1986a; 1991). According to Dierickx and Cool (1989), transactions within the organization and with its external constituents are organization-specific and such transactions have a “time dimension”, which means that the accumulation of a stock of assets is often a very time-consuming process and a specific path of an organization’s activities is very difficult to replicate. In other words, organizations with socially complex resources can avoid low-cost imitation in the short term.

Berman, Down and Hill (2002) investigate the relationship between a typical socially complex resource, tacit knowledge, and sustained competitive advantage in the National

Basketball Association (NBA), proving the idea that the accumulation of a stock of tacit knowledge may lead to competitive advantage. However, this advantage cannot be sustained indefinitely. The accumulation of knowledge may cause organization rigidity, and even its decline, if the behaviour becomes taken for granted as ‘the’ way of doing things. The authors term this situation the “knowledge ossification effect”. Because the study was of a sporting organization, further research is needed to determine to what extent these findings can be applied to non-sports-related organizations.

Other resources with the characteristic of social complexity include physical technology (Barney, 1991) and those that are protected by the legal system of property rights (Coyne, 1986; Hall 1992, 1993) such as patents, trademarks or copyrights (Fahy, 2001). In terms of physical technology, Barney (1991) argues that, although by nature it is imitable because competitors can purchase it from the market, the exploitation of physical technology in an organization always involves socially complex resources. When these socially complex resources are not imitable, the organization is able to exploit the physical technology at a deeper level than its competitors and obtain sustained competitive advantage.

d. Substitutability

The final requirement for a resource to be a source of sustained competitive advantage is that there must be no strategically equivalent valuable resource that is rare or imitable; i.e. the resource must be non-substitutable (Barney, 1991). Porter (1980) notes the threat posed by substitutes in his five forces model. Barney (1991) develops this idea by proposing the term “strategic equivalence”. He argues that, even when an organization cannot imitate or acquire a competitor’s resource, it can still implement a similar strategy if it can substitute similar resources or other kinds of resources with similar effects to match the competitor’s advantage. In this instance, the two resources can be viewed as strategically equivalent. To ensure resources are a source of sustained competitive advantage, this situation must be avoided.

Barney (1991) identifies two forms of substitutability. The first one is when an organization can substitute a similar resource that enables it to implement the same strategies as that of the successful organizations. Although the form and content of the resource may only be somewhat similar, the result can be the same. Under this scenario, neither of the organizations can achieve a sustained competitive advantage, even though the resource they are using is valuable, rare and imperfectly imitable. The second form

of substitutability is that different resources possessed by different organizations can generate similar strategy. When that is the case, the resources involved, although different in form or content, can still be substitutes of each other. Organizations having such resources are not likely to achieve sustained competitive advantage.

Support for the theory of substitutability has weakened in recent years. When the framework was first proposed, Barney (1991, p. 112) considered the strategic substitutability of organization resources was “a matter of degree”. From the point of view of strategies, substitute resources do not have to have the same implications for an organization that wants to make these resources strategically equivalent. The consequence of many organizations’ possessing substitute resources is that none of them will gain a sustained competitive advantage. Researchers are now more inclined to include substitutability under the question of imitability (Barney, 1997) or barriers to duplication (Fahy, 2001). This may be because empirical studies did not supply enough support for the availability of strategically equivalent substitutes (Irwin, Hoffman and Lamont, 1998). The issue was addressed by the VRIO framework developed by Barney (1995), which will be discussed later.

Since its emergence, the RBV model has been borrowed and applied in a wide range of fields of study in addition to strategic management, fields ranging from human resource management, economics and finance, and entrepreneurship to marketing and international business (Barney and Arkan, 2001; Kamyabi and Devi, 2011; Peng, 2001). With an emphasis on internal resources as sources of an organization’s competitive advantage, the RBV logic also gained popularity in the SHRM literature and has become the theory most often used within the discipline (Wright, McCormick, Sherman and McMahan, 1999).

As pointed out by Wright, Dunford and Snell (2001), most, if not all, of the RBV-based empirical SHRM research of in the 1990s is limited because it assessed only two variables, namely HR practices and performance. A common problem of those researchers is that they take for granted that HR practices meet the four criteria of sources of competitive advantage, an assumption that may be either incorrect or inadequate (Boxall and Steeneveld, 1999). It can be argued that sustained competitive advantage is not just a function of a single or isolated component, but rather a

combination of a number of functions (Wright et al., 2001). That points us to the potential of exploring the role of HR practices, associated with areas such as strategic planning, in helping organizations attain their competitive advantage.

Although less popular within the SHRM literature, the VRIO (value, rareness, imitability and organization) framework proposed by Barney (1995) reflects the most recent development of RBV, and it can further our understanding of the particular strategic role of HRM in enhancing an organization’s competitive advantage. Based on this framework, Barney and Wright (1998) propose that in order to achieve sustained competitive advantage, HRM staff need to shift their focus from routine functions and activities towards playing a strategic partner’s role to assist the organization to achieve business success. Most theorists and practitioners have, in the past, been unaware of or neglected these strategic functions (see Table 2.2).

Table 2.2 The VRIO Framework

Valuable?	Is a resource or capability:			Competitive implications
	Rare?	Costly to imitate?	Exploited by organization?	
No	---	---	No	Competitive disadvantage
Yes	No	---		Competitive parity
Yes	Yes	No		Temporary competitive advantage
Yes	Yes	Yes		Yes

Source: Barney (1997).

The VRIO framework is significant for many reasons. To begin with, it offers HRM practitioners a tool through which to evaluate all HR activities and functions against the four VRIO criteria. Obviously this is not the ultimate function of an effective HRM group, but the inability to identify such activities or functions will cause severe competitive disadvantage (Barney and Wright, 1998). According to the framework, HR functions should be able to provide the organization with resources that meet the VRIO criteria. This implies a HR focus on employees developed and motivated to offer their customers professional and high-quality products and service.

In addition, it is the duty of HR staff to create and maintain an organizational culture and coherent systems that encourage teamwork and trust among employees. More importantly, the framework might change the conventional mind-set of most CEOs and/or HR professionals who treat HR simply as a functional area. The framework points to outcomes where HR staff can make much more direct contributions to an organization's strategic development and performance. According to the two authors, the contributions can be achieved by thinking of HR's role as being more strategic and by integrating its functions more closely with other strategic-decision functions to form a 'strategic partnership' between them (Barney and Wright, 1998).

To summarize, the RBV, either in the format of the original VRIO framework or the latest VRIO framework, highlights the point that resources by themselves are not valuable. The sustained competitive advantage of an organization is generated through complex interrelationships between the organization's resources. In the context of SHRM, it is reasonable to conclude that key HRM functions are sources of competitive advantage, and that the interrelationships between HR and the organization's other resources, such as the organization's high level of competence in strategy formulation and implementation, are likely to generate competitive advantage. In other words, HRM can be valued not only for its role in implanting the organization's competitive scenario, but for its role in generating strategic capability (Boxall, 1996). Thus, RBV can provide a conceptual basis for SHRM models, including the Brockbank model.

2.5 Configuration Factors

This section discusses in depth the main factors included in the Brockbank model. Some of the factors are adapted to match the development of relevant subject areas.

2.5.1 Competitive advantage and superior performance

Competitive advantage, according to Porter (1985) and McGinnis and Vallopra (1999), refers to the extent to which an organization is capable of creating a defensible position over its competitors. According to Porter (1985), an organization's long-term success is heavily dependent on its ability to create a defensible position in the industry. Tracey, Vonderembse and Lim (1999) argue that as the outcome of critical management

decisions, competitive advantage is made up of capabilities that enable an organization to differentiate itself from its competitors.

Authors stress the importance of applying unique or differentiating characteristics in order to outperform competitors. For example, Alderson suggests three bases on which organizations can achieve 'differential advantage', namely technological, legal and geographical. Hall (1980) proposes that to succeed, organizations can either achieve the lowest cost or most differentiated position. Porter (1985) gives greater emphasis to the industry in which the organization competes and points out that strong, defensible market positioning and attractive industry rendered sustain competitive advantage. The resource-based view (RBV), in contrast, provides an inside-out perspective on competitive advantage, suggesting that an organization must be able to obtain, develop and deploy organization-specific resources that are rare, valuable, inimitable and non-substitutable (Barney, 1991; Barney and Arikan, 2001).

Performance is a recurrent theme in most areas of management, and it is of interest to both academic scholars and practitioners (Yamin, Gunasekaran and Mavondo, 1999). Performance refers to how well an organization can realize its market and financial goals (Li, Ragu-Nathan, Ragu-Nathan & Rao, 2006). While recognizing the significance of competition and competitive advantage, Ariyawardana (2003) argues that an organization's primary goal is to maintain a superior performance over a benchmark. The benchmark, according to Hunt (1999), can be the organization's performance within a certain time period compared with, for example, the performance of its competitors, an industry average or the stock market average.

Traditionally, the chief goal of an organization has been higher financial performance or maximization of wealth for the shareholders (Becker and Huselid, 1998). This approach typically involves the analysis of indicators such as sales growth and profitability (i.e. return on investment, return on sales, and return on equity) (Yamin et al., 1999). More recently it has been realized that such a narrow concept of performance brings with it limitations that can be hurdles to maximizing profit (Ariyawardana, 2003). Factors such as the imperfect market, costly information about product markets, production techniques and resource markets will all prevent organizations from achieving the profit-maximization goal (Hunt, 1999). Although it has been argued that some market- or value-based measurements are more appropriate than accounting-based

measurements, this approach still remains very finance-oriented and assumes that financial success is an organization's ultimate goal (Venkatraman and Ramanujam, 1986).

A broader conceptualization of performance treats it as an outcome of multiple factors (e.g. Paauwe, 2004). Therefore, a 'balanced scorecard' approach has gradually become dominant, with operational (non-financial) and stakeholder indicators introduced in addition to the traditional financial indicators (Bergin-Seers and Jago, 2006; Kaplan and Norton, 1992). It has been pointed out by Katou and Budhwar (2006) that performance is usually indicated by indices such as:

- Effectiveness: if the organization meets its objectives (Dyer and Reeves, 1995)
- Efficiency: if the organization uses the fewest resources needed to meet its objectives (Dyer and Reeves, 1995)
- Development: if the organization is developing in its capacity to meet future opportunities and challenges (Phillips, 1996)
- Satisfaction: of all participants – stakeholders, employees and customers (Delaney and Huselid, 1996)
- Innovation: of products and processes (Guest, 2001), and
- Quality: the percentage of products of high quality (Delaney and Huselid, 1996).

From the practitioners' perspective, it is pointed out that a typical balanced scorecard will cover the six aspects of performance that are the most crucial for the continued success of an organization, namely financial, customer, environment and community, learning and growth, internal processes, and employee satisfaction (Parmenter, 2007). Obviously, then, from both academics' and the practitioners' viewpoints, the measurement of the non-financial aspects of performance is attracting more and more attention.

It has been argued that competitive advantage and performance are two different constructs (Ma, 1999), although they are used interchangeably in much of the literature. The achievement of a superior performance is considered highly dependent on the firm's competitive advantage (Porter, 1985; Ma, 2000).

Ma (2000) suggests that the relationship between competitive advantage and performance is more complicated than it is often assumed. He argues that Porter (1985) and other commentators defined competitive advantage in specific and concrete ways that implicitly equate competitive advantage to profitability (performance). However, superior performance can come from diverse types of competitive advantages such as speed or flexibility, and from combinations of multiple competitive advantages. Nor is it appropriate to expect that competitive advantage will automatically lead to superior performance. A particular competitive advantage over rivals may contribute to a particular aspect of an organization's performance, but to achieve sustained superior performance, an organization needs to be excellent in a number of ways (Ma, 1999). This is consistent with the multidimensional nature of performance discussed earlier.

In this thesis, superior performance, rather than the relatively narrow concept of competitive advantage, will be considered to be the ultimate goal of organizations, and hence the focus of the research. Furthermore, taking into account recent issues of a possible reverse causal relationship between the HRM-strategy linkage and an organization's performance (see Boselie, Dietz and Boon, 2005; Wright and Haggety, 2005), this researcher is also interested in knowing whether the reverse causal relationship exists in large hotels in New Zealand.

2.5.2 Business strategies

One of the key concerns of business-strategy research is the link between the competitive strategy employed by an organization and its performance (Parnell, 2005). While various types of business strategies have been identified and developed over the years (e.g. Miles and Snow, 1978; Chrisman, Hofer and Boulton, 1988), Porter's (1980, 1985) generic strategy typology is most notable and was a dominant paradigm in strategic management literature in the 1980s and 1990s. According to Porter (1980, 1985), strategy can be viewed as an essential part of any effective business and an organization can find its best industry niche and learn about its customers through utilizing an effective competitive strategy. He asserts that there are three basic business strategies – overall cost leadership, differentiation and focus – and organizations perform best by choosing one of them and sticking to it.

Organizations using the differentiation strategy usually place an emphasis on providing their customers with a unique product or service. By emphasizing the fulfilment of its customers' needs and/or by tailoring its product or service to its customers, the organization adopting this strategy can charge its customers a premium price to achieve a higher market share. The implementation of this strategy is most effective when unique or superior value is delivered to customers through the quality of the product or service or from after-sales service. A higher price can be charged at any stage of the delivery of the product or service: on the product or service itself or through the delivery system or distribution channels. The quality may be real, or perceived based on factors such as fashion, brand name or image (Allen and Helms, 2006). As the differentiation strategy implies, the key is to both make the organization different from its competitors, and convey the message of differentiation to the target customers (Chan, Shaffer and Snape, 2004).

Cost leadership is another of Porter's generic strategies. It focuses on gaining competitive advantage by achieving the lowest cost in the industry (Porter, 1996). To be the cost leader, an organization must have a low-cost strategy, low-cost manufacturing and a workforce committed to this strategy (Malburg, 2000). Approaches through which to devise this strategy include mass production, mass distribution, economies of scale and access to raw materials (Davidson, 2001), or as summarized by Hill (1988), three sources of cost economies are relevant: economies due to learning effects, and economies of scale and of scope.

As the cost leadership strategy usually results in a large market share (Helms et al., 1997), organizations using this approach do not necessarily lose their revenue (Porter, 1996). A further benefit of using this strategy is that the low price can act as a powerful entry barrier because new entrants have to have a large amount of capital to enter the market under the low price. The disadvantages of the strategy are as obvious as its advantages: it generates little customer loyalty and when the prices are set at a very low level, the organization will still be at the risk of losing revenue (Porter, 1980).

2.5.3 Business strategies and HRM-strategy linkage

When Porter (1980) raised the idea of generic strategies, he posited that the cost leadership and differentiation strategies are exclusive and any attempt to combine the

two will end up with the organization being “stuck in the middle” (p. 41). Literature published in the early 1980s supported this notion (Hambrick, 1982; Hawes and Crittendon, 1984), but it was largely challenged by studies from the mid-1980s to the late 1990s (Buzzell and Gale, 1987, Hill, 1988; Parnell, 1997). Boxall (1996) observes that the most resilient organizations are superb ‘all-rounders’, good at both differentiation and cost leadership strategies. Hill (1988) pointed out that differentiation can be a means for organizations to achieve an overall low-cost position, and, furthermore, in many industries there is no unique low-cost position and thus both strategies must be pursued simultaneously to achieve superior performance. In the highly mature industries in particular, many organizations will have established similar minimum-cost structures and in these circumstances, only organizations with the ability to successfully emphasize both strategies will be rewarded with business success.

In discussing the relationship between HR strategy and competitive advantage in the service sector, Boxall (2003) divides the service market into three subdivisions according to their market characteristics: (1) mass-service markets, such as gas stations, fast-food outlets and supermarkets, (2) a mix of mass markets and higher-value-added sectors, such as hotels, call centres and elder care, and (3) differentiated markets, i.e. those with high-level professional services. Hotels, according to Boxall (2003), are places where both cost and quality-based strategies coexist. Such a notion has been empirically supported by hotel HRM studies conducted in the UK (Hoque, 2000) and beyond (Alleyne et al., 2006).

Porter’s generic cost leadership and differentiation strategies require different supporting resources and configurations of skills within the organization (Yip et al., 2001). Generally speaking, organizations pursuing the cost leadership strategy will tend to achieve their goals of keeping costs down through approaches such as paying only the market wage and complying minimally with labour laws (Boxall, 2003), and by focusing more on capital investment rather than personnel development (Yip et al., 2001). In such organizations, opportunities for middle managers, including HR managers, are limited, and decisions tend to be operationally rather than strategically focused. As a consequence, we might expect to see a low level of HRM-strategy linkage established in these organizations. On the other hand, organizations pursuing the differentiation strategy are more like to focus their attention on innovation, quality, technological superiority, and offering customers greater value for money. This strategy

is commonly implemented by, for example, encouraging new ideas, responding quickly to change, managing customer expectations, and being flexible. Middle managers are encouraged to be positively involved in strategy making and implementation, and the HR function will be valued from a strategic perspective (Yip et al., 2001).

For the 'stuck in the middle' organizations, a quality enhancing strategy is always used to differentiate themselves from their competitors, with cost reduction (an indication of cost leadership) as one of the key results (Phillips, Chang and Buzzell, 1983; Yamin et al., 1999). It is reasonable to say that HR functions are treated as strategic assets in organizations using either the differentiation or 'stuck in the middle' strategies, and a relatively higher level of HRM-strategy linkage can be expected in these two kinds of organizations. Thus, the levels of integration between HRM and strategy in organizations employing different business strategies will be explored in this study.

It is worth noting that the last strategy proposed by Porter (1985), the focus strategy, largely relies on one or other or a combination of the differentiation and cost leadership strategies, and so the resources needed to support the focus strategy do not differ from those required by the other two strategies. Therefore, as suggested by Yip et al. (2001), this strategy will not be considered further in the present study.

In summary, until recently very few SHRM studies, as represented by the Brockbank model, have been done in the hotel sector (Lucas and Deery, 2004); the current research aims to address this paucity of knowledge. The research will be both inductive and deductive. Being inductive, the study will examine the current demographic status of the hotel sector in New Zealand. The study will also examine the development of HR functions in the sample organizations in order to establish the larger context in which the Brockbank model will be tested and modified. Research questions are:

1. *What are the current demographics of large hotels in New Zealand?*
2. *What is the current status of human resource management in large hotels in New Zealand?*
3. *To what extent is SHRM being practised by large hotels in New Zealand?*

Being deductive, the research is further guided by the following research questions:

4. *Are HRM-strategy linkages positively associated with perceived performance levels of large hotels in New Zealand, with the hotels' perceived HR outcomes as a mediator?*
5. *Does the perceived performance of a large hotel in New Zealand have a positive influence on its human resource management?*
6. *Is the level of HRM-strategy linkage in those New Zealand hotels adopting either a differentiation or a 'stuck in the middle' strategy higher than in those hotels adopting a cost leadership strategy?*

2.6 The Global Hotel Industry: General Issues

It is worth noting that although the present study is New Zealand-focused, in this highly globalized business world, the findings will be very helpful in providing broader insight into the hotel sector in general – beyond the boundaries of the country. The hotel industry is perceived as one of the most 'global' industries in the service sector (Whitla, Walters and Davies, 2007). According to statistics released by World Travel Tourism Council (WTTC, 2009), in 2009 the global tourism and travel industry offered more than 219 million jobs (7.6% of the world's total employment) and generated export earnings of US\$1980 billion (10.9% of the world's total exports). The hospitality industry plays a very important role in this. In the past decade, the global hospitality industry has experienced hard times, badly influenced by a series of events including the September 11 terrorism attacks in the US, SARS, regional wars, other terrorist threats all over the world, airline upheavals, and unstable currency and energy markets (Starwood Hotels and Resorts, 2003). More recently it has also been affected by the world financial crisis of 2008. In addition, the industry is also subject to the influence of social-cultural trends (Harrison, 2003), customers' lifestyle shifts (Rushmore and Baum, 2002), a growing emphasis on frequent-guest and loyalty programmes (Pearce, Morrison and Rutledge 1998, Scheherazade, 1999), and the growing popularity of hotel chains and franchising, as well as the continuing development of smaller independent hotels (Holjevac, 2003). Thus, the industry is characterised by considerable uncertainty (Lucas, 2004).

In line with many other service industries, the hotel industry has witnessed rapid growth

since the 1950s. This growth has been driven by social, cultural and economic changes, including population growth, longer life spans, improved discretionary income, increased leisure time, increased air travel and more highway systems. These factors have changed almost all aspects of people's life and, in turn, service industries, including the hotel industry, have been pushed to evolve to cater to the ever-changing needs and demands of their customers (Abbey, 1998).

Powell (2009) observes that due to the very strong economic performance between 2003 and 2007, this period witnessed a continued positive growth in hotel development including increased demand for hotel service and room-rate growth. It is predicted that in the coming few years, the global hotel market will continue to feel pressure from contracting economies and reduced leisure and business travel across much of the world, with a limited number of exceptions, including the China market (Wang, 2008). However, the global hotel industry is predicted to remain profitable as hoteliers will focus on controlling costs and preserving the bottom line of their business (Challenges ahead for global hospitality industry, 2009) through improving efficiencies.

2.7 Characteristics, Trends, Structure

The characteristics of the service sector are very different from those of the manufacturing sector. It is important to understand this distinction because it is crucial to the understanding of management of a service organization. Go, Monachello and Baum (1996) developed one of the most comprehensive lists of key features of the service sector:

- Sales, production and consumption of a service take place almost simultaneously, while there is usually a lead time between production, sales and consumption of a product.
- A service is usually delivered where the customer is, by people who are beyond the immediate influence of the management, while a product is usually centrally produced, inspected, and stocked before it is delivered to customers.
- A service cannot be demonstrated, nor can a sample be sent for customer approval before being purchased.
- A customer receiving the service generally owns nothing tangible – the value is often internal to the customer.

- Once delivered, a service is frequently an experience that cannot be shared, passed around, or given away to someone else.
- Delivery of service usually requires some degree of human contact.
- Quality control over a service requires monitoring of processes and attitudes of one's staff.
- Unlike a bad product, bad service cannot be replaced – at best, the provider of the service can be sensitive to customer dissatisfaction and recover their position by providing further good service, so that the customer may both ‘forgive and forget’ the bad service they received before.
- It is both difficult and undesirable to attempt to standardize service – the more spontaneous and custom-built a service, the greater its value in the customer's eyes.

These characteristics of service are classic and have been widely adopted. However, they were developed in the 1990s and with recent advances in Information Technology (IT), a number of them are less applicable than they once were. For example, hotels' websites can actually provide samples of their services to the potential customers in order to help them to make the purchase decision. Websites such as TripAdvisor, Yapta, Travel Muse and Concierge give customers an ideal place where they can freely express their opinions on their travel experience, while prospective travellers use these reviews as the basis of their accommodation decisions (Challenges ahead for global hospitality industry, 2009). In some service sectors such as banks, machined-based service has become so common that the delivery of some services does not involve any human contact.

Nevertheless, as part of the service sector, the hotel industry has all the characteristics of service as defined by Go, Monachello and Baum. Lockyear (2007) has condensed and summarized these to intangibility, inseparability, variability and perishability.

The first characteristic of the hotel industry is the ‘intangibility’ of its products, i.e. its service. Unlike physical products, the output of services in most cases cannot be seen, felt, heard or smelt before they were purchased and used. A customer is not able to evaluate the quality of a hotel before they reach the hotel and experience its services. Upon the completion of their stay at the hotel, they will leave only with a payment receipt and memories of the experience they can share with fellow people (Lewis and

Chambers, 1989). However, this characteristic of ‘intangibility’ is no longer completely valid with the development of IT over the last two decades.

The second characteristic of the industry is ‘inseparability’. For manufactured products, the producers usually do not have to be present when the product is consumed by customers. However, in hotel industry, the service transactions must occur with the presence of both service providers and the guests (Kotler, Bowen and Makens, 1996).

‘Variability’ is Lockyear’s (2007) third characteristic of the hotel industry. The quality of hotel services can vary considerably and there are many factors that can cause this. Although most hotels will develop approaches to reduce such variability of service quality – for example, through staff training and development – most of the causal factors are complex and/or out of the control of hotel managers.

The fourth characteristic, ‘perishability’, is also evident. The final output of hotel service is not a good or material that can be stored, but a series of benefits which are intangible and short lived. A hotel room that is not sold cannot be stored in inventory, and the potential revenue of selling that room is forever lost; thus the service is perishable, but at the same time the memories they create are long lasting.

Working individually and together, these characteristics of the hotel industry affect hotel operation and performance and make the management of the industry a highly complex task (Lockyer, 2007). Accordingly, academics had made attempts to explore appropriate HRM approaches to improve hotel service operations (see Haynes and Fryer, 2000; Lashley, 1998).

2.8 The Human Resources of the Hotel Industry

The hotel industry is a labour-intensive industry (Kusluvan, 2003). The industry is widely known as a ‘people industry’ requiring ‘people skills’ from its workers; thus it is obvious that human resources are a vital part of the business and its management (Lockyer, 2007). The pressure of worldwide competition, shifting travel markets and increasing operational costs are all factors forcing hotels to pay more attention than before to satisfying the needs and demands of customers. To achieve this, hotels have to devise systems to facilitate the delivery of quality customer service, which is largely

dependent on staff employed by the hotels (Go et.al., 1996).

For today's hotels, the success of the business is not only dependent on the front-line personnel who have direct contact with the customers and an immediate influence on the customers' perception of the hotel, but also on the back office staff who have an indirect impact on guests' satisfaction through providing all sorts of support to the front-line staff (Go et al., 1996). To ensure consistently high-quality service, it is vital for hotels to be able to effectively manage these human resources and fully utilize all their talents (Chand and Katou, 2007). In fact, the importance of human resources in the hotel sector makes managing personnel the responsibility not only of HR specialists, but also of all managers. In other words, human resources issues must be taken into account by all managers, especially when they formulate and implement business strategies and plans (Hoque, 1999).

In addition to high labour intensity, the human resource management of the hotel industry shows other characteristics, which have been summarized by Kusluvan (2003). Instability of employment and high levels of labour turnover is typical in the hotel industry. According to Lucas (2004), the turnover rate of the hospitality industry is the highest among the operational level. In the US, the average job tenure in the hospitality industry was estimated to be one and a half years (Woods, 1999). In the UK, job tenure of 18 to 24 months is viewed as normal (Rowley and Purcell, 2001). As Iverson and Deery (1997) argue, the turnover culture has been accepted by both employers and employees in the industry.

Commentators are split about the consequences for the industry of this high turnover rate. Some researchers and practitioners support the phenomenon by arguing that it gives flexible employment opportunities and is beneficial to certain groups of employees, such as students, school leavers, housewives and workers seeking seasonal or part-time employment (Boella, 2000). The high turnover rate can also be beneficial for employers who require numerical and functional flexibility of employees in the face of fluctuating customer demand – hoteliers are a good example of employers who face seasonality issues.

However, the potentially negative impact of the high turnover rate is also very evident. The workforce attracted by the industry's seasonal nature is mostly 'peripheral' staff,

while many high quality staff leave the industry due to its seasonality and the unstable nature of its employment (Sziva, 1999). Rowley and Purcell (2001) report that other negative consequences associated with a high turnover rate include high stress, low morale, heavy workload and working hours, delayed introduction of business policies, replacement costs, wastage of investment in training, poor service quality, low productivity, unloyal and uncommitted employees, loss of revenue, and decreased profitability.

The majority of jobs in hospitality are unskilled and semi-skilled by nature (Riley, 1996), and can be learned easily and quickly by on-site training. Formal training and education, as required by other industries, are less important – if not unnecessary – for this particular industry. Nearly two-thirds (64%) of hospitality jobs were estimated to be unskilled or semi-skilled, raising the quality question of the status of hotel jobs (Riley, 1996). As a consequence, a large proportion of hospitality staff have either educational qualifications in other fields or no formal qualifications (Hjalager and Andersen, 2001). As Guerrier (1999) points out, the low-skill, low-quality status of employment in hospitality also raises the circular logic of the industry: when hotel jobs have low social status and are done by low-status employees, it will be assumed that the jobs require low skills.

In both developed and developing countries, the hospitality industry is dominated by small and medium-sized enterprises (SMEs) and most employment is in SMEs – although the number of large hotels is increasing (Boella, 2000; Powers and Barrows, 2006). It has been reported that in the UK, 87 per cent of the hotels and restaurants employ between 1 and 10 people and the average workplace in the hospitality industry had 4.5 workers (HCTC, 1995). It has also been reported that about 80 per cent of all tourism businesses in Scotland and 90 per cent in New Zealand employ fewer than 15 employees (Page, Bentley and Walker, 2005). Throughout the world, about 90 per cent of the tourist accommodation establishments are considered to be in the small firm category (Baum, 1999). The implication of the phenomenon is that, according to Baum (1999), such businesses do not necessarily have the capacity, capability, resources or commitment to support the HR development function in a manner that would enable them to compete with their larger counterparts. As argued by Page, Bentley and Walker, (2005), the dominance of SMEs may have a negative impact on HRM in that they typically lack professionalism and business skills, are short of financial capital, and

have poor organizational performance.

A relatively low level of unionization is another key characteristic of the global hospitality industry. Trade union membership has traditionally been very low and this trend is continuing in both the US and UK (Tanke, 2001; Lucas, 2009). Some recent estimates of workplace union density were around 5% (Brook, 2002). In the US the unionization level of hospitality workers was 14 per cent (Tanke, 2001), and in Australia the level was a bit higher at 18 per cent for full-time workers (Piso, 1999). Many reasons have been raised for this low level of unionization. For example, according to Lucas (2004) and Wood et al. (2003), the vast majority of the hospitality businesses are small, highly fragmented, independently owned and contain high proportions of young, unskilled, part-time and female labour. Such a workforce and workplace, plus the industry's management strategies and attitude towards trade unions, may be associated with low trade union density. Other reasons include the reluctance of the highly fragmented employees (the young, women and minorities) to unionize, the high levels of part-time work, weak internal labour markets and the industry's high turnover rate (Edralin, 2009; Piso, 1999; Woods, 1999).

The hotel industry as a whole has a poor reputation for its conditions of employment. The jobs, especially the lower-level ones, are characterized by long, irregular and unsocial working hours, low pay rates and few overtime payments, heavy workloads, poor job security, few opportunities for promotion, and unprofessional management of employees (ILO, 2001; Whitla, P., Walters, P. G. P. & Davies, 2007).

The hotel industry relies heavily on flexible staffing in different forms: numerical flexibility, functional flexibility and temporal flexibility (Knox and Walsh, 2005) It has also been observed that the industry exemplifies very hard HRM practices, characterized by a lack of systematic consultation, communication and information-sharing with employees, and a lack of formalized procedures to resolve grievances and disciplinary matters (Knox and Walsh, 2005; Lucas, 2002). On the other hand, it has been observed that at least in luxury hotel workplaces, the industry is beginning to exhibit stronger HRM potentiality in the forms of strategic planning, integrating and involving line management, and motivating staff (Lucas, 2002, 2004; Maroudas, Olivia and Vacharis, 2008).

Comparatively speaking, the hotel industry has a relatively poor reputation for HR-related matters (McGunnigle and Jameson, 2000; Whitla et al., 2007). The industry's HRM is characterized by its heavy reliance on flexible staffing policies (Knox and Walsh, 2005). Part-time and casual workers make up a significant proportion of staff. It is argued that to respond to the irregular and unpredictable demands from customers, hotels tend to make use of such staff on short-term, function- or task-based situations (Walsh, 1990), and high staff turnover has become a 'culture' in this industry (Iverson and Deery, 1997). For the same reason, hotels often have an ad hoc and reactionary managerial style that lacks formal processes (Wood, 1992; Hoque, 1999; Soriano, 2005). The list can go on, but the point is that the human resource gets much lip service but little respect in this people-intensive industry (Lockyer, 2007; Tracey and Nathan, 2002).

It has also been observed that the highly competitive environment faced by the hotel industry pushes hotels to employ tight cost-control practices in their HRM (Lucas, 2002). Under such a philosophy, hotels commonly lack interest in investing in training, utilizing skills and implementing high-commitment HR practices (Lucas, 2002; Walsh, 1990).

Wordsfold (1999) observes that the industry is full of small organizations that never had a strong union presence. Also, although it is argued that the differences regarding the most important HR issues in hotels of different sizes might be smaller than expected, in general a strong correlation was found between the size of a hotel and the quality of its HR practices (Price, 1994). Large and medium-sized hotels were found to have more sophisticated HR practices than their smaller counterparts (McGunnigle and Jameson, 2000). Wordsfold (1999) also points out that compared with other related industries, such as the fast-food industry which employs a 'hard' version of HRM with an emphasis on control, the hotel industry's HR practices are 'softer', emphasising commitment cultures.

CHAPTER THREE

CASE OVERVIEW AND RESEARCH METHODS

This chapter begins with a description of the tourism industry in New Zealand, and then it focuses on the competitive environment facing hotel the country's hotels. The sampling considerations of this study are then described and discussed, including the reasons for choosing the large hotel sector. The research design is outlined, including a discussion of the research method employed, details of research design, the process of data collection, and definitions and description of variables.

3.1 New Zealand: The Country and Its Tourism Profile

New Zealand is an island nation in the south-west Pacific. The country's size is comparable (270,500 sq km) to Great Britain, Japan or Colorado in the US, and its relatively small population (4 million) makes it one of the least crowded countries in the world (Statistics New Zealand, 2007). New Zealand boasts a multicultural population and is especially well known for its unique Maori culture, a temperate climate, and a relatively well-protected natural environment. These factors, among others, make the country an increasingly popular destination for international tourists. Since 1999 New Zealand has been rated as 'top destination', 'safest destination' and 'best long-haul destination', among other titles, in several publications including the *Lonely Planet Guide*, *Conde Nast Traveller*, and the UK *Guardian*, *Observer* and *Daily Telegraph* newspapers (New Zealand Tourism Strategy 2015; Tourism New Zealand).

New Zealand is just a small player in the global tourism industry. According to the Tourism Satellite Accounting (TSA) Country Report of New Zealand prepared by the World Travel and Tourism Council (WTTC, 2007), the 2007 demand for New Zealand tourism products and services represented only 0.3% of the total global market. Among the 176 member countries covered by the WTTC report, New Zealand's tourism industry ranks 42nd in absolute size, 56th in its relative contribution to the national economy, and 85th in growth forecasts. The WTTC report classifies New Zealand as a growing, intensive and middle-tier travel and tourism economy.

According to the newly launched New Zealand Tourism Strategy 2015, tourism (including the hotel sector) has become a major driver of the New Zealand economy and makes a significant contribution to the country in terms of the production of goods and services and the creation of employment opportunities. In the years between 2000 and 2006, the New Zealand tourism industry achieved a great deal:

- The industry successfully launched the globally acknowledged marketing campaign “100% Pure New Zealand”, which created a very high level of recognition of the country in the international tourism market, positioning New Zealand as an aspirational destination in its key markets.
- The accommodation sector experienced very strong growth in this period. The hotel and short-term accommodation sectors have attracted investments of more than NZ\$1.1 billion.
- Maori culture, unique to New Zealand, played an increasingly important role in tourism. One in five international visitors experienced Maori culture during their stay here.
- Both central and local governments played an active role in supporting the development of tourism, by assisting the development of the industry directly, maintaining and developing attractions, providing essential infrastructures, and investing in regional tourism councils and the i-SITE network of information centres for tourists.
- The industry, leading businesses, associations and extended stakeholders focused on minimizing the negative impact of tourism on the natural environment and improving public conservation.

(New Zealand Tourism Strategy 2015)

In 2006, international tourism’s contribution to total exports (\$8.3 billion or 19.2% of total export revenue) was greater than each of the traditional export-oriented industries of the country, namely dairy products, meat and meat products, wood and wood products, and seafood. The tourism industry has become New Zealand’s biggest foreign-exchange earner (Statistics New Zealand, 2008).

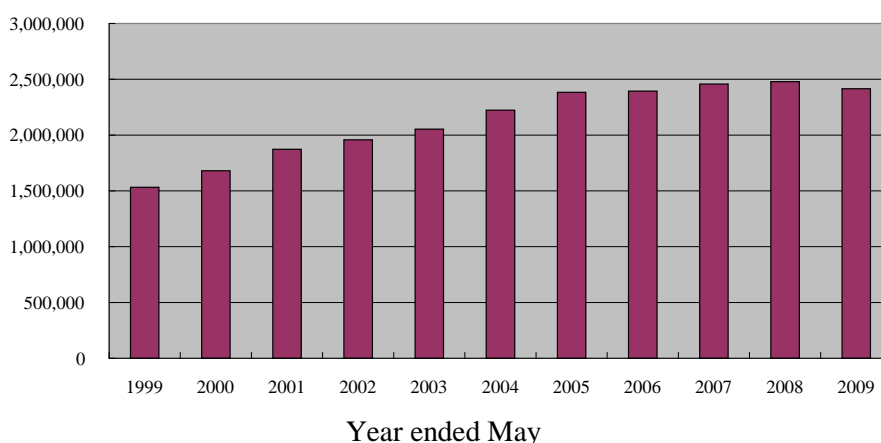
The year ended March 2009 saw one of the worst performances of the tourism industry

since 1999 (Tourism Satellite Account: 2009) – reflecting the negative influence of the world financial crisis that began in 2008. The country hosted approximately 2.4 million international visitors, a 3.9% decrease from 2008. The total tourism expenditure in New Zealand was NZ\$21.7 billion, with NZ\$9.3 billion (a 0.9% decrease) from international visitors and NZ\$12.4 billion (a 2.6% increase) from domestic travelers. The industry contributed NZ\$13.1 billion to New Zealand’s total Gross Domestic Product (9% of GDP). In the same year, tourism employed 94,600 full-time equivalent (FTE) employees directly, and another 90,200 FTE employees indirectly, i.e. 9.6% of the country’s labour force. That the industry contributed more to total employment (9.6%) than it did to GDP (9%) implies that the industry is relatively labour-intensive (Tourism Satellite Account: 2009).

By 2015, it is predicted that international visitor arrivals will be 3.4 million, and that they will spend NZ\$12 billion during their visit. Domestic travellers will make 55.9 million trips and contribute NZ\$6 billion to the local economy (New Zealand Tourism Strategy 2015).

New Zealand hoteliers are dealing with more visitors from all over the world and the success of their businesses is largely dependent on the extent to which New Zealand can attract and retain those international visitors. Figure 3.1 shows the trend of international arrivals to New Zealand from 1999 to 2009, from which we can see that the number of overseas visitors has steadily increased over that period except during the year 2008/09, when the global tourism sector was badly influenced by the global financial crisis.

Figure 3.1 New Zealand international visitor arrivals (1999–2009)



Source: Tourism and Migration (2009).

The significant growth of the hotel industry in New Zealand has also attracted an influx of foreign hoteliers, hotel management companies and investors. As Brymer and Hashimoto (2007) point out, the increasing globalization of the hospitality industry is being reflected in the geographic profiles of large hospitality corporations, especially in the hotel industry. Major hospitality corporations now consider the whole global market as their potential domain. As Clarke and Chen (2007) argue, the large hospitality enterprises have gone international for the following reasons:

- The shape of global market, which was dominated by North America, the European Union and Japan, is now largely expanding. India, China, Russia and Brazil, as well as other emerging markets, are now generating huge opportunities for these companies.
- Entering the global market will largely decrease the potential risks and uncertainties they may experience in the domestic market, especially during a downturn in the economy.
- Global outsourcing and acquisition can effectively help these large hotels reduce costs and concentrate on maximizing their profits.
- Going international might be one of the best responses towards increased foreign competition. Staying only in the domestic market will not avoid the risk of being attacked by foreign competitors to that domestic market.

Thus New Zealand and neighbouring Australia have been chosen by the major hospitality companies as key markets in the Oceania area, and domestic hoteliers in these countries have been facing head-to-head competition from top international hotel chains acquiring properties since the 1980s (Stelf, 1994). Tables 3.1 lists the top ten hotel 'giants' in terms of the number of countries in which they operated in 2005. These are extremely powerful companies, with the top five companies operating in more than 50% of the nations in the world.

Table 3.1: Top ten hotel corporations operating in most countries

Company Name	Number of Countries
InterContinental Hotel Group	100
Starwood Hotels & Resorts Worldwide	95
Accor	90
Hilton Hotels Corp	78
Best Western International	78
Carlson Hospitality Worldwide	70
Marriott International	68
Wyndham Hotel Group	55
Golden Tulip Hospitality/THL	49
The Rezidor Hotel Group	49

Source: HOTELS' Giants Survey (2007).

The growing significance of international hotel chains is also evident in New Zealand. The number of 3- to 5-star hotels under the management of international hotel chains or management firms in New Zealand in 2004 is displayed in Table 3.2.

Table 3.2: Number of properties under management (NZ, 2004)

Name of Hotels	Number
CDL Hotels	28
Accor Asia Pacific	16
Quest NZ	16
Scenic Circle	15
Grand Central Management	9
Inter Continental	8
Heritage Hotels	8
Rydges Hotels & Resorts	6
Duxton Hotels	3
Outrigger Hotels & Resorts	3
Mirvac	2

Source: HOTELS' Giants Survey 2007.

3.2 The New Zealand Accommodation Industry

Owners and operators of accommodation businesses select terms to identity their establishments for their potential customers, who tend to associate different attributes with the various terms used and who select (or avoid) accommodation based on their interpretations of these terms (Dittmer and Griffin, 1997). For the present study, a closer look at the definitions of the accommodation establishments will help the researcher and readers understand the research target in terms of their basic characteristics, although it is important to emphasize that these terms do not represent mutually exclusive categories and that some establishments fit into many categories (Ditteimer and Griffin, 1997; Miller, 2001; Stutts and Wortman, 2006).

The World Tourism Organisation (WTO) gives an overall definition to the accommodation sector as establishments that:

... are typically as being arranged in rooms, in number exceeding a specified minimum, as coming under a common management, as providing certain services, including room service, daily bed-making and cleaning of sanitary facilities, as grouped in classes and categories according to the facilities and services provided, and as not falling into the category of specialised establishments.

(WTO, 1995)

The accommodation industry of New Zealand comprises a variety of establishments which are very geographically dispersed, from metropolitan cities to remote rural areas. According to the New Zealand Ministry of Tourism, the accommodation sector is officially divided into three subsectors: collective tourism establishments, private and 'other'.

Establishments falling into the categories of 'private tourism accommodation' and 'other' are usually very small and often informal in nature, and are excluded from the present study. (For further justifications of this exclusion, see the second section of this chapter). The structure of the 'collective tourism establishments' is displayed in Table 3.3.

Table 3. 3: Categories of accommodation establishments in New Zealand

Hotels	
Motels	
A	Motor Inns
B	Motels
C	Serviced Apartments
Guest and Hosted	
A	Private hotels/Guesthouses
B	Bed and Breakfasts
C	Farm and home stay
Resorts, Luxury Lodges, Retreats	
Backpackers/Hostels	
Caravan Parks/Campgrounds	
A	Cabin/tourist flat
B	Caravan site/campervan site
C	Tent site
D	Park motel
E	Lodge/dormitory
Student Accommodation	
Other Collective Tourism Establishments	
A	Conference centres
B	Health establishments
C	Other collective tourism establishments

Source: New Zealand Tourism Industry (2007).

While definitions of these categories vary, the Automobile Association (AA) of New Zealand provides perhaps the most commonly used sub-classifications and definitions of accommodation providers (Milne et al., 2004).

Hotels (including resorts) in New Zealand range from clean and comfortable rooms in country pubs to stylish city boutique hotels to exclusive resorts in far-away areas. Hotels at different levels of quality can be found in all of the major cities and important provincial areas throughout the country. Most New Zealand hotels have bar and restaurant facilities, and offer visitors rooms with phone, TV, an en-suite bathroom, and tea- and coffee-making facilities. Some of the up-market resorts are well known for

their top-class service. For example, since 1997 Huka Lodge in Taupo has been repeatedly voted by top tourism magazines as one of the world's best hotels/hideaway resorts (<http://www.hukalodge.co.nz/>).

Although writers have made attempts to differentiate hotels from other accommodation establishments, there is still some confusion (e.g. Garcia-Falcon and Medina-Munoz, 1999). Generally, these attempts discuss the definitions based on indicators such as facilities and service supplied, and numbers of rooms (e.g. Coltman, 1989; Kasavana and Brooks, 1995).

Self-contained motels are a variety of accommodation that typically cater to travellers with cars and provide parking on premises. They are very popular with local travellers, family groups and international travellers who desire self-catering facilities. Like hotels, motels also offer phone, TV, tea- and coffee-making facilities, and an en-suite bathroom. Breakfasts can often be ordered, at extra cost. Most New Zealand motels are owner-operated and provide a high standard of daily service to their clients, although some forms of motels such as apartments can be self-service. New Zealand motels meet the needs of those customers who would like to have more home comforts than camping can offer but are reluctant to pay a hotel rate. It is worth noting that over the years many motels have evolved into establishments that are similar to hotels in almost all areas and it is very hard to identify any differences (Dittmer and Griffin, 1997). For this reason, the motel group was also taken into account when deciding the target for this research.

Hosted accommodation and guesthouses do not always include breakfast in the tariff. Private hotels do not have a liquor licence so customers cannot expect to buy alcohol. Bed and breakfast establishments are distinguished from more traditional commercial lodgings by the inclusion of a full breakfast in the rate. Bed and breakfast establishments are generally smaller, more intimate and less expensive than hotels and motels, making them more appealing to certain travellers (Dittmer and Griffin, 1997). Home-stay and farm-stay accommodation is usually in the family home. Meals are home cooked and customers are expected to share them with the host and other fellow travellers. The bathroom may be private or shared with others.

Backpackers and hostels are generally independently owned and most of them offer a mix of shared rooms (dormitories) and double, twin or single rooms. Bathrooms are

usually for common use. The target market is usually younger independent travellers.

Caravan parks and camping grounds refer to those tent, caravan or campervan sites with common toilet and recreational facilities. The sites may be powered (i.e. provide plug-in links to electricity) or unpowered. Some also offer onsite cabins ranging from simple accommodation to cabins with en-suite bathrooms and facilities such as television.

The category of 'other' accommodation includes, for example, student accommodation and health establishments, entities that are rarely considered mainstream accommodation providers. The exception to this is conference centres. Conference centres are a relatively new concept that grew with the development of convention business in the latter half of the twentieth century (Miller, 2001). Such centres usually include services and facilities such as meeting rooms, banquet facilities, business centres, recreation options and audiovisual equipment. For those with accommodation, the number of rooms can range from 100 to 1000, and from a moderate to high tariff (Miller, 2001). As the mix of travellers has changed in recent years, there are probably no 'pure' conference centres today; instead, most cater for a more varied clientele ranging from groups of guests to individuals (Miller, 2001). Small in number but suitable in size, the conference centres were also considered as a target of the present research.

In June 2009 there were 3768 accommodation establishments, covering all those types described above, spread over the 28 districts of New Zealand; they had a daily capacity of 4,165,000 beds (Statistics New Zealand, 2009). Auckland, Canterbury, Otago (including the Queenstown area), Wellington and Bay of Plenty took the top five positions in terms of the market share of the New Zealand's total guest nights. The Auckland region occupied a market share of 21%, more than one-fifth of the total market, implying its leading position in the accommodation sector (Statistics New Zealand, 2009).

According to the Hospitality Standards Institute (2007), almost 136,000 people were employed in the hospitality industry in 2006, representing 6.4% of the 2.1 million employed in New Zealand that year. The accommodation sector employed 24% (32,600) of the staff.

The Hospitality Standards Institute (2007) highlights some demographic features of hospitality industry employees:

- Education: 70% of people employed in hospitality in 2006 had no educational qualifications or high-school qualifications. However, there was a shift towards higher education levels between 2001 and 2006: the proportion with degrees increased from six% to ten% in this period. This growth reflects the increasing demand from the industry for high-level skills.
- Age: 40% of employees were younger than 25 and the 15–19 age group (the largest) accounts for approximately 21%, showing the extremely young age profile of the industry's employees.
- Gender: The proportion of male and female employees in the hospitality industry was 38%:62% in 2006.
- Employment by hours worked: The proportion of employees in full-time versus part-time work in 2006 was 51%:49% and this figure had remained constant since 2001.
- Employment status: The vast majority of people working in the hospitality industry are employees (84.9%).

Table 3.4 illustrates the employee and enterprise numbers characterizing New Zealand accommodation in 2006. In an earlier report based on 2004 data, Goodchild and Leung-Wai (2005) state that more than half (52%) of the accommodation enterprises were hotels and motels, and they employed 79.6% of all staff. The picture had changed slightly by 2006 (Table 3.5): hotel and motel enterprises now made up 49.4% of total accommodation businesses and employed 78.2% of total staff. The contribution of hotels in generating job opportunities dropped slightly from 52.7% in 2004 to 52.4% in 2006. Even so, hotels remained the largest employer among the accommodation sector.

Table 3.4: Numbers of employees and enterprises by New Zealand accommodation sector

	Employees		Enterprises	
	Number	% total	Number	% total
Hotels	17,390	52.4	588	12.3
Motels and motor inns	8550	25.8	1749	37.1
Hosted accommodation	1380	4.2	1102	23.4
Backpackers and youth hostels	1490	4.5	422	8.9
Caravan parks and camping grounds	1900	5.7	440	8.8
Not elsewhere classified	2450	7.4	417	7.5
Total	33,160	100	4718	100

Source: Adapted from Hospitality Standards Institute (2007).

In terms of the employee numbers, the hotel industry in New Zealand is largely made up of small and medium-sized organizations (SMEs). In their nationwide investigation of the usage of information technology by accommodation providers in New Zealand, Milne et al. (2004) estimate that among the accommodation enterprises listed in their study, nearly 80% employed fewer than five full-time equivalent (FTE) staff and 95% employed fewer than 20. This estimation held true in February 2006, when 93% of accommodation enterprises were found to employ fewer than 20 staff (Ministry of Tourism, 2007). When focusing on just the hotel sector, a different picture is revealed: in February 2006, 38% of the hotels had more than 20 employees, 50 major hotels employed 100 and more staff, and the average number of people employed in a hotel is about 29 (Ministry of Tourism, 2007a).

The majority of positions in the hospitality industry are filled by junior-level staff, such as catering assistants, waiters, chefs, kitchen hands and cleaners. However, it is worth noting that the number of senior and middle managers grew significantly between 2001 and 2006 (Hospitality Standards Institute, 2007). For instance, the number of lodging services managers increased from 1573 in 2001 to 2304 in 2006 (up 46.5%) and hotel/motel managers increased from 5674 to 6334 (up 11.6 %). These changes reflect the development of the sector, with both the number of hotels and the number of people employed in these hotels increasing over this period.

As indicated by the Tourism Workforce and Skill Projection prepared by BERL in 2004,

the sector's employment trend is highly related to the seasonality of the tourism industry. Accommodation providers experience considerable employment pressure in the high season, from October to March, and most of them experience the lowest level of business activities between May and July. Seasonal decline in employment is obvious, with total employment during the low season declining to about 80% of the employment level in the peak months.

Haynes and Fryer (1999; 2001) studied key HR-related characteristics of large hotels in New Zealand and concluded that compared with much of the manufacturing sector, a typical large hotel will have:

- higher levels of part-time and casual employment
- higher proportions of young and female employees
- a higher staff turnover rate, and
- lower levels of remuneration, skill and union density.

One of the biggest HRM challenges of New Zealand hotel sector, according to Brien (2004), is to recruit and retain high-quality staff. Looking forward, it is estimated that there will be annual increase of about 7% in total employment in the accommodation sector till 2011 (Hospitality Standards Institute, 2007). To respond, Brien (2004) suggests that academics and the hotel sector and its industry associations co-operatively develop a strategic HRM promotional plan aimed at reshaping the industry's image and so attract new competent applicants. Although Brien does not specify the details of how such a plan will look, he warns that failure to form and implement such a plan will see HRM-related problems increasing for the industry in the future.

Although influenced by market uncertainty and economic fluctuations, over the past decade the hotel sector experienced steady growth worldwide, and New Zealand is no exception. Table 3.5 places Auckland hotels in the global context by comparing them with their international urban competitors.

Table 3.5 International hotel performance data, November 2007

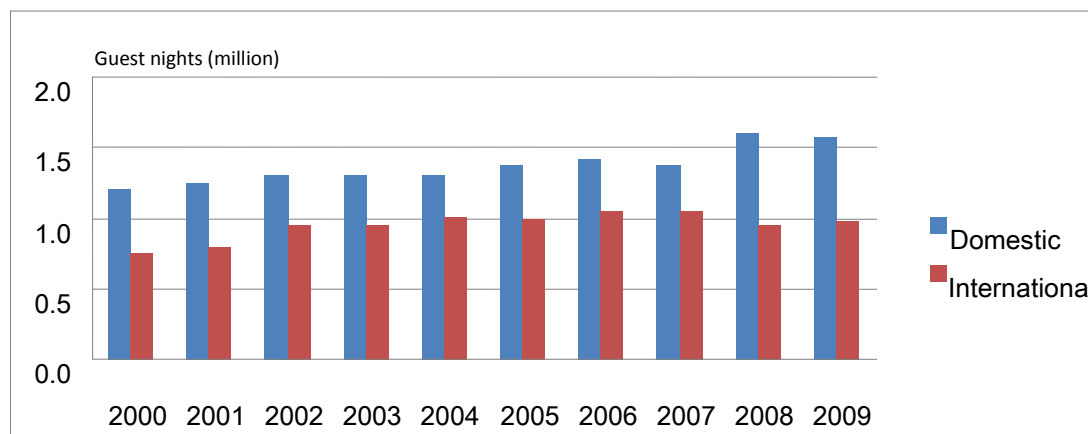
	Occupancy		Average Room Rate (US\$)		Revenue per available room (US\$)	
	2007 %	Change	2007	Change	2007	Change
Asia Pacific (HotelBenchmark sample represents approximately 1000 hotels across the region)						
Auckland	87.5	-3.3%	118	14.3%	104	10.5%
Beijing	77.9	-5.5%	144	3.2%	112	-2.5%
Hong Kong	91.4	4.9%	222	12.0%	203	17.4%
Singapore	85.7	-5.2%	191	35.2%	164	28.1%
Sydney	90.9	0.2%	196	18.8%	179	19.0%
Tokyo	86.6	-0.4%	246	13.7%	213	13.3%
Caribbean & Latin America (HotelBenchmark sample represents approximately 120 hotels across the region)						
Buenos Aires	89.2	0.4%	167	13.8%	149	14.2%
Mexico City	73.1	6.8%	158	6.5%	115	13.8%
Quito	77.5	7.7%	97	5.8%	75	13.9%
Sao Paulo	62.4	3.3%	122	32.7%	76	37.1%
Santiago	86.3	3.9%	146	24.2%	126	29.0%
Europe (HotelBenchmark sample represents approximately 3500 hotels across the region)						
Amsterdam	82.6	-2.3%	228	17.3%	189	14.6%
Berlin	74.1	6.5%	134	20.1%	99	27.9%
Brussels	79.4	3.5%	188	22.3%	149	26.6%
London	86.6	-1.2%	301	13.1%	260	11.7%
Madrid	79.4	5.6%	183	17.1%	146	23.6%
Paris	81.0	9.7%	304	17.4%	246	28.9%
Rome	71.2	-0.7%	238	15.6%	169	14.8%
Vienna	76.3	6.8%	153	20.7%	116	28.9%
Middle East (HotelBenchmark sample represents approximately 500 hotels across the region)						
Cairo	89.3	8.5%	128	34.7%	115	46.2%
Dubai	93.5	0.0%	412	26.1%	385	26.0%
Jerusalem	77.7	26.7%	143	6.7%	111	35.1%
Riyadh	87.7	-0.9%	252	40.2%	221	38.9%

Source: HotelBenchmark Survey (2008).

The benchmarking is made up of three aspects of hotel performance: the occupancy rate, room rate and revenue per available room. From the table it is clear that in the international context, Auckland hotels perform relatively weakly, especially in the areas of room rate and revenue per available room. For example, the room rate and per room revenue of Auckland hotels in 2007 were about 40 per cent lower than those of hotels in Sydney, Auckland's closest international urban competitor.

The accommodation industry in New Zealand experienced growth in the past decade. From Figure 3.2, two clear trends in the number of guest nights of both international and domestic visitors can be seen: (1) domestic guest nights experienced relatively flat growth until later in the decade, and (2) international guest nights witnessed quite significant growth earlier in the decade, but this growth fell away as global financial conditions worsened in 2008/9.

Figure 3.2 International and domestic guest nights, October 2000–2009



Source: adopted from Statistics New Zealand (2009).

The October 2009 Accommodation Survey released by Statistics New Zealand showed that compared with the same period in 2008, New Zealand’s accommodation sector is ‘recovering’ slowly and gradually from the 2008/09 recession. It is worth noting that the hotel performance was measured in multiple ways, using both month-on-month comparisons and trend estimates. Month-on-month comparisons do not take data recorded in between these periods into account and so the data are subject to one-off fluctuations such as timing of holidays, international crises and large international and/or local events. However, trend estimates try to reflect the underlying direction of the movement in a series, i.e. the ‘big picture’ of the overall hotel performance over a period of time. From this perspective, New Zealand hotel performance was still relatively strong when measured by major indicators.

To summarize: associated with the growth of New Zealand’s domestic and international tourist numbers, the hotel industry experienced steady growth in the past decade followed by a recent downturn forced by global economic concerns. Hotel performance data in recent years also shows that hotels and motels outperform the other

accommodation categories, highlighting the importance of these two groups within the tourism industry.

3.3 Targeting the Large Hotel Sector

The large hotel sector was chosen as the research target for the present study. This section discusses the reasons for doing this.

Becker and Gerhart (1996) argue that research involving multiple industries may be difficult because of different competitive environments and industry characteristics. Khilji and Wang (2006) support this, pointing out that in some cases Industry A might focus upon profit while Industry B strives for market share. They further state that, from a contingency perspective, such differences will largely influence organizations' choice of both HRM practices and overall strategies.

HR-related research may be more critical in labour-intensive industries such as the service sector (Tepstra and Rozell, 1993, 1997, 1998). According to these authors, the success of organizations in labour-intensive industries is largely dependent on their human resources, while the performance of organizations in manufacturing industries will also be linked to the non-human factors such as materials, equipment and production processes such as the degree of automation.

By focusing a study on only one industry, researchers can identify key competitive components considered important by participants within that industry and assess the unique strategies organizations use as a means to improve their performance. A study of HRM performance in a single industry conveys more meaningful results than cross-industry studies because economic conditions are assumed to be constant for all organizations in the same industry (Pfeffer, 1998; Boxall, 1999; Boxall and Purcell, 2000). From the perspective of data quality, Wright et al. (1999) point out that employing cross-industry data can potentially result in confounding errors and/or error variance. By focusing a study within a specific industry, this risk is reduced – although it does limit the ability of a researcher to generalize their results.

Given that the present study is focused on SHRM research, which is just moving beyond its 'infancy' (Aldrich & Ruef, 2006; Ferris et al., 1999), the size of the target

organizations must be carefully considered. Although past literature has pointed out that a small organization is 'not a smaller big one' (Welsh and White, 1981), and that small organizations in fact have HRM practices that are much more complicated than many of us think (Bacon and Hoque, 2005; Deshpande and Golhar, 1994), there is still little evidence that small business owners have taken actions to make SHRM happen in their businesses (Marlow, 2000; Mayson and Barrett, 2006). Thus it will be reasonable to assume SHRM is more likely to be observed in large organizations (Guest, 1987; Storey, 1992).

Based on findings from previous literature, Chow, Haddad and Singh (2007) summarize the possible reasons why formal HRM practices are more likely to be found in large organizations. First, relying on informal systems will make it difficult for organizations to treat all employees fairly and consistently. As a consequence, organizations cannot expect their employees to behave appropriately. Second, formal and bureaucratic systems will be more efficient when large number of employees must be managed. Third, large organizations are more likely than their smaller counterparts to have the resources and expertise to codify practices and procedures.

Some further characteristics of SMEs and the business environment in which they operate are also factors that limit their ability to follow SHRM philosophy. For example, the 'resource poverty' of SMEs made them unable to afford mistakes in the decision-making and uncertainty in the competition environment (Martin and Staines, 1993). Thus they tend to be flexible towards to their competitive environment in order to gain maximum immediate short-term advantage (Jennings and Beaver, 1997). Also, owners and managers of SMEs tend to resist formal management practices when these practices are counterintuitive to their personal view of their organizations and environment (Bridge et al., 1998; Bartram, 2005).

Hayton (2003) examines how strategic human resource management practices affect small businesses' performance in the US. However, his criterion for firm selection is organizations with 100 to 500 employees, which is the criterion for large (not small) organizations in many of the economies in the world, including New Zealand. Hayton also explicitly doubts the feasibility of studying HR-related issues in small businesses. Similar studies that claim to support the possibility of studying SHRM in SMEs,

although few in number, in fact provide evidence of the inappropriateness of studying SHRM in small organizations (e.g. Razouk & Bayad, 2009).

The present study focuses on one labour-intensive service industry: the hotel industry. Small hotels were excluded from the research because it is highly unlikely that these enterprises observe SHRM practices. The target population of the research is large hotels; in the New Zealand context. The study adapted Garcia-Falcon and Medina-Munoz's (1999) suggestion to use the broad definitions of the term 'hotel' and refer also to other forms of accommodation. This means the study included hotels, motels, resorts and conference centres that met the size requirement. Although some backpackers and holiday parks in New Zealand do have a daily capacity that meets the size criteria of the research, they tend to have few employees and so appear not to be ideal places to conduct HRM-related research; therefore they were excluded from the study.

3.4 Research Design

This research uses mixed methods, employing both qualitative and quantitative approaches to address the research questions. In this section, the nature of the present study is discussed to justify the use of the mixed method approach.

Conventionally, research in the fields of business and tourism has been dominated by two broad sets of approaches: qualitative and quantitative. It is commonly accepted that the two approaches differ in their data-collection methods and approaches to standardizing analyses (Saunders et al., 2003). Qualitative research is used to probe issues deeply and uncover subtle and complex themes. According to Flick (1999) and Neuman (1997), qualitative research refers to a number of methodological approaches aiming to explore social relations. In practice, qualitative research is usually used for developing and exploring causal/non-causal and inductive theories (Neuman, 1997). In other words, this approach helps researchers answer 'how' and 'why' questions. As stated by Gorard and Tayler (2004 p. 39), qualitative work in isolation "appears to set out to provide new ways of looking at things or to create plausible new theories and explanation of observed phenomena".

Quantitative methods refer to those approaches that involve analysis of quantities or measurements (Johns and Lee-Ross, 1998). Such methods are usually used to test or

elaborate on causal and deductive theories (Neuman, 1997). The advantage of quantitative methods is that by a manageable selection and analysis of the statistical material, they present a picture of the ways that society, or an industry, and its component parts are changing and developing (Slattery, 1986). In service industries such as tourism, quantitative information is usually used in two ways: for descriptive purposes, and to accept, reject and explain relationships between variables, in particular causal relationships (Saunders et al., 2003).

It has been argued that the more complex the research topic is, the less powerful these approaches are in isolation (e.g. Gorard and Taylor, 2004). In a multidisciplinary field, emphasis on either qualitative or a quantitative research will make it harder to foster methodological broad-mindedness or to facilitate comparative work across different management subjects (Thomas, 2004).

When considering the research design for this study, it is worth noting that the research has two parts. The first part is inductive, i.e. research is conducted to get a feel for what is going on, so as to better understand the nature of the problem (Saunders et al., 2003). During this first part, other competing factors might be discovered, enabling the original Brockbank model to be researched from a more up-to-date and informed perspective.

The second part of this study will be to test the model, i.e. deductive research. Using quantitative data, the model is tested and examined in line with the findings (Saunders et al., 2003). In short, the status quo of the model and the proposed task make the nature of the research both inductive and deductive. Thus a mixed approach of both qualitative and quantitative studies seems appropriate as such requirements are highly consistent with the logic of mixed methods research which includes the use of induction (or discovery of patterns), deduction (testing of theories and hypotheses), and abduction (uncovering and relying on the best set of explanations for understanding one's results) (de Waal, 2001, cited in Johnson and Onwuegbuzie 2004).

Derived from land surveying, and also known as the triangulation or combined method, the mixed method approach usually involves comparing the data from two different techniques to check the accuracy of each set of results (Gorard and Taylor, 2004). The essence of triangulation, according to Johns and Lee-Ross (2003), is that the techniques involved are used in a parallel sense, so that they can provide overlapping information.

This overlapping feature of triangulation will make it possible to check and validate results from more than one perspective, and maximum benefits can be expected from the fact that different techniques cast different light on the research subject. Johnson and Onwuegbuzie (2004, p. 17) defined the mixed method approach as “the class of research where the researcher mixes or combines quantitative and qualitative research techniques, methods, approaches, concepts or language into a single study.” This definition might have captured most, if not all, of the features of the mixed method approach.

Sale et al. (2002) summarize why it is possible to combine qualitative and quantitative approaches in a single study. First, both approaches share the goal of understanding the world we live. Second, they share the tenets that so-called ‘facts’ are laden with theory, that ‘knowledge’ is fallible, that facts cannot determine theory, and that inquiry is a value-laden process. Third, the combined method makes sense when the complexity of phenomena requires data from a large number of perspectives. Last but not least, it might be a solution for the quantitative versus qualitative data debate – which won’t be solved in the foreseeable future.

Kiessling and Harvey (2005) develop a comparison of the three research methods (Table 3.6). They point out that all well-performed research will provide researchers with the evidence needed to evoke an understanding of the target objective and so, they argue, the mixed method approach has evident advantages over its single-method counterparts for all stages of this research.

Table 3.6 A comparison of research methods

	<i>Quantitative</i>	<i>Qualitative</i>	<i>Mixed methods</i>
Define problem and develop hypotheses	Highly specific hypotheses are developed that employ operational definitions and are testable.	The problem is clearly stated in paragraph format in two or three sentences that describe the background and purpose.	The problem reflects external reality with explanations that best produce desired outcomes with nebulous casual relationships.
Construct research design to insure internal and external validity: select sample; control or manipulate subjects	Extraneous variables are controlled and major attention is given to maintaining comparable conditions and reducing error and bias. A random, unbiased sample is obtained.	Portions of this step are predetermined because qualitative studies are often undertaken using known locations and participants.	Triangulation and convergence of results help to control extraneous variables and reduce error variance.
Instrumentation: specify data-collection procedures	Close-ended questionnaires, tests, numerical data.	Interviews, open-ended questionnaires, observer participation, focus groups.	Planned use, with some limitations on the qualitative data-collection procedures.
Select data analysis methodology	Parametric statistical tests, measurement with numbers.	Interpretative measurement with words, modes, and medians may be obtained.	Options of converting quantitative data into qualitative or vice versa for comparison.
Evaluate results and draw conclusions	Results can be generalized, but many findings are not applied.	Data is reduced into a manageable form by category creation.	A ‘story’ is developed to explain the phenomena studied; the story can be generalized.

Source: Adapted from Kiessling and Harvey (2005).

Research problems and theory in SHRM and hospitality studies are often generated by the needs of practitioners, who usually have goals and foci different from researchers (Kiessling and Harvey, 2005). Table 3.6 helps to clarify why using mixed methods is a useful approach in these two fields.

Mixed method research is paid relatively little attention by mainstream management scholars, such as those in strategic management (Hitt et al., 2004; Modell, 2007). Nevertheless, the approach has attracted growing attention and application in hospitality studies over recent times. For example, Taylor and Edgar (1996) find that between 1992 and 1995, the percentage of hospitality research papers presented at the Council for Hospitality Management Education (CHME) conferences that used mixed methods rose from 8% to 15%, while the percentage using qualitative techniques rose from 3% to 9%. Although more recent or more specific statistics were not found, the trend was obvious.

To summarize, although different voices have argued against the feasibility of applying mixed methods (e.g. Sael et al., 2002), it has become commonly accepted that the combination of methods in one study enables the researcher to confirm, explain, verify and generate theory concomitantly (Teddlie and Tashakkori, 2003). Employing a mixed method will benefit the research in the following areas:

- Words, pictures, and narrative can be used to add meaning to numbers.
- Numbers can be used to add precision to words, pictures, and narrative.
- It can answer a broader and more complete range of research questions because the research is not confined to a single method or approach.
- The researcher can use the strengths of an additional method to overcome the weaknesses in another method when using both in a research study.
- The thesis can provide stronger evidence for a conclusion through convergence and corroboration of findings.
- It can add insights and understanding that might be missed when only a single method is used.
- It is more likely that the results can be generalized.
- Qualitative and quantitative research used together produce more complete knowledge necessary to inform theory and practice.

(Johnson and Onwuegbuzie, 2004, p. 21)

In the present study, the mixed method approach included a qualitative stage and a quantitative stage. Both approaches were given an equal emphasis. This design was chosen for a number of reasons. First, in the two-stage sequential design, the outcomes of the qualitative approach can be used to develop, inform and modify the design of the component of the Stage 2 research. Second, choosing this design has important practical dimensions relating to sample size (see discussion below). There are only 186 large hotels in New Zealand, and using both approaches can provide complementary views of the research problem, one providing an overview or patterns, while the second providing a more in-depth understanding.

3.5 Data Collection Protocol

The present study addresses the research questions through data collected from the large-hotel sector in New Zealand. The research data was collected in two stages: through interviews and from a web-based survey. Ethical implications of the study were fully considered before the interview and the web survey were conducted. The research questions were reviewed carefully to avoid (or minimize) any potential ethical problems (see Thomas, 2002). In most cases, the information collected from interviews and survey was provided by the sample hotels' senior management (most commonly the general manager). The unique position of general managers is acknowledged by management scholars (e.g. Bennett et al., 1998). According to Bartol, Tein, Matthews and Sharma (2008, p. 20), a general manager refers to "Managers with responsibility for a whole organization or a substantial subunit, including most of the common specialized areas".

Wikipedia (2008) defines the term as:

... any executive who has overall responsibility for managing both the revenue and cost elements of a company's income statement ... This means that a general manager usually oversees most or all of the firm's marketing and sales functions as well as the day-to-day operations of the business. Frequently, the general manager is also responsible for leading or coordinating the strategic planning functions of the company.

From these definitions of a general manager's duties, it can be surmised that people in this position are most likely to have the best overall knowledge of functions at various levels within their organization. As the present study explores topics relating to a hotel's HRM and strategic planning and performance, the general managers of the hotels are the ideal potential respondents from whom data is collected.

3.5.1. Stage one: In-depth interviews with the hotel general managers

The first stage of the research sought to understand the current context and operational realities of managing people in the hotel sector in Auckland. Auckland was chosen because:

1. Auckland is the largest city and business centre in New Zealand.
2. The Auckland region is the major gateway to New Zealand's tourism market and it has the largest number of accommodation providers in the country (Auckland City website).
3. Conducting interviews within the Auckland area reduced research costs and allowed most effective use of time available for research.

The interview design covered the key components of the Brockbank (1999) model, as well as the themes discussed in the literature review chapter. The interview schedule was divided into three sections. Section A focuses on guidelines, stating the format and key issues of the interview. Section B explores the demographic and broader contextual features of the target hotels and the interviewees. The general managers were questioned about their educational backgrounds and employment histories, in both their hotels and the industry, as well as about their hotels' history and size (i.e. number of bedrooms and number of staff). Section C involved the core questions, including in-depth discussions on features of the hotels' business strategies, HR practices being used by the hotels, the roles that HR play in the hotels' strategic decision-making processes, as well as how the general managers perceived the current and future performance of their hotels and their opinions of the role that HR plays in achieving superior performance.

Variables from Alleyne, Doherty and Greenidge (2006; 2006a), Hoque (2000) and Sheehan, Hollan and De Cieri (2006) (some of the best examples of recent work in this area) were adopted to test the issues. Almost all the core questions, especially those relating to the hotels' performance and HR-performance linkages, were open-ended ones, encouraging the GMs to give their thoughts on the issues. The GMs' answers were then used to help the formation of questions for the web survey.

The interviews were conducted in October and November 2007. Twenty hotel general managers out of 44 qualified hotels were randomly selected and approached for the interviews. A simple random-sampling approach was chosen because it provides results that are both more accurate and more able to be generalized (Hitt, Boyd and Li, 2004), and because it generates a higher response rate (Carpenter and Westphal, 2001).

The steps in the interview process generally followed those suggested by O'Leary (2004). During the planning stage, the author collected names and contact details (physical address and contact numbers) of the target general managers via their corporate web pages or by contacting their front-desk staff. A formal and personalized invitation letter, along with an information sheet and a consent form, was then developed and mailed to each general manager. The information sheet gave them basic details about the interview, and noted that there would be a follow-up telephone call shortly afterwards to answer any further questions regarding the interview and to request participation. Eventually eight out of the twenty agreed to participate; seven were GMs and one, after learning the nature of the interview, delegated the interview to his HR manager.

One day before each of the scheduled interviews, the researcher rang the general manager or their personal assistant to confirm the time and place. All the interviews were conducted in the target hotel, in either the interviewee's office or an open place such as the hotel's café or restaurant out of the busy hours. The interviews were limited to approximately one hour and the interview time was carefully chosen to minimize disruption of the interviewees' work (Chrzanowska, 2002). Before each interview commenced, the researcher asked the interviewee to read a copy of the invitation letter, information sheet and consent form, and if they were still agreeable, to sign the consent form and keep the copies of the other two documents for reference. All interviews were summarised in note form and captured with a digital recorder. Digital recording was

chosen to avoid some of the risks associated with old-fashioned tape recorders, such as not noticing the tape has finished and over-recording (O'Leary, 2004). The recordings were replayed and carefully transcribed into a database right after the interviews were conducted, with the manual records as reference. The evidence was then screened, structured and labelled around the themes identified in the literature. Emerging patterns were generated to form the design of the second stage of the research; they were also used to compare with the outcome of the web survey.

Given the general nature of the topic, the interviews were semi-structured, allowing both the researcher and the interviewees more flexibility to probe specific details or discuss issues around the pre-formulated topics. Using such an approach allows the interviewees to give in-depth thoughts (Morse and Niehaus, 2009). Issues such as the HR practices introduced into each of the hotels, the process of strategic planning and the way through which the hotel's performance was evaluated were described in detail, and more importantly, reasons were given for the chosen practices. These answers helped the researcher to understand the reality of HR and strategy functions being practised in New Zealand large hotels, and senior management's perspectives on how they enhance a hotel's performance.

Seven out of the interviewed hotels have more than 50 bedrooms; the other hotel with 39 bedrooms did not meet the size requirement and was removed from the second phase of the research. The average number of bedrooms of the interviewed hotels is 193.

3.5.2 Stage two: Web survey

As pointed out by Schonlau, Fricker Jr, and Elliott (2002), low-cost personal computers and the explosive growth of the Internet have added a new option, the web-based survey, to researchers' choice of survey methods. Generally, the web-survey approach is discussed as a supplement or alternative to those more traditional methods such as mail or fax (Menfreda, Bosnjak, Berzelak, Haa, and Vehovar, 2008). A number of studies have emerged that compare the advantages and disadvantages of each survey method. For example, Table 3.7 shows Cobanoglu, Warde and Moreo's (2001) comparison of mail, fax and web-based surveys.

Table 3.7 Comparison of different survey approaches

	Mail	Fax	Web-based
Coverage	High	Low	Low
Speed	Low	High	High
Return cost	Preaddressed envelope	Return fax number	No cost to the respondent
Incentives	Cash/non-cash incentives can be included	Coupons can be included	Coupons can be included
Wrong address	Low	Low	High
Labour needed	High	Medium	Low
Expertise to construct	Low	Medium	High
Variable cost for each survey	About US\$1.00	About US\$0.50	No cost

Source: Cobanoglu et al. (2001).

Cobanoglu and colleagues (2001) argue that web-based survey have advantages over the other two methods in a number of areas: speed, return cost, labour needed and variable cost. In the time since this paper was published in 2001, the expertise and software needed to construct a survey has evolved immensely and the ubiquitous nature of the Internet has reduced concerns over survey coverage (Jin, 2011; Roster et. al., 2004).

Griffis, Goldsby and Cooper (2003) propose that web-based surveys outperform their more traditional counterpart, mail surveys, in response rate, speed of response and cost, and that there is no difference between the nature of data gathered through either method. Griffis et al. (2003) also state that when target respondents have access to both electronic and paper contacts and are given the freedom to choose, the majority of them will choose to finish the survey through the electronic format. It is also argued that a well-designed web-based survey gives potential respondents more information compared with other survey methods, and thus encourages their participation more effectively and efficiently.

One of the drawbacks of using a web survey is the possibility that not all target respondents have access to the Internet. However, the researcher did not consider this a serious problem because New Zealand, as a whole, boasts high Internet usage: in 2006, 3.2 million New Zealanders (75% of the population) were Internet users (International Telecommunication Union, 2008). Furthermore, in 2006, 93% of businesses used computers and 91% of them used the Internet (Statistics New Zealand, 2008), and so, given the fact that the potential respondents are senior managers of large hotels, the researcher has good reason to assume that non-accessibility would not be an issue.

In developing the web survey it was necessary to look closely at the population that the sample would be drawn from. There is not an internationally accepted criterion against which accommodations can be broken down into 'large' and 'small' groups. The clues drawn from the existing literature are limited and mixed. For example, Hoque (2000), in his study of hotel HRM/strategy issues in the UK, included only hotels with 65 and more bedrooms, whereas other UK studies limited themselves to hotels with 50 bedrooms or more (Connolly and McGing, 2007; Ladkin and Riley, 1996; Phillips, 1996). Some research conducted in the Australasia region used hotel stars as the criterion, focusing on hotels possessing a four-star grade and above, i.e. the 'top end' or luxury hotel sector (Brien, 2004; Knox and Walsh, 2005). Others collected data from all hotels, irrespective of size (Lockyer, 2005; Mason and Roberts, 2004).

Five of the general managers interviewed in the first phase of this study believed that, from a practitioner's point of view, it was reasonable and easy to use the '50 bedrooms and more' criterion. This approach is also used by New Zealand tourism and statistics authorities, and by hotel studies in a similar context, such as that by Bergin-Seers and Jago (2006). These factors, along with the sample size requirement for the present study (as discussed later in this chapter), helped make the decision that the target hotels for the study will be those with 50 or more bedrooms. This decision was also based on the assumption that hotels with less than 50 bedrooms tend to be run by owners and are less likely to involve formal HR and strategy functions (Ladkin and Riley, 1996).

The Commercial Accommodation Monitor (Statistics New Zealand, 2007) shows that in December 2006 New Zealand had 192 hotels with more than 50 bedrooms. Unfortunately, due to government confidentiality regulations, the names of these hotels cannot be released to unauthorised individuals or institutions. For this reason, the

researcher had to personally identify the target hotels and find out relevant information about them. The goal of this stage of the research was to ensure that the survey information would directly reach the target respondents, i.e. the general managers (GMs) of the target hotels, and achieve as high a response rate as possible. Although it was assumed that the general manager is the best person to answer the research questions, the researcher also acknowledged that this assumption might be incorrect in some cases; if this was so, the general managers were asked to forward the survey information on to the most suitable person within their organization and ask him or her to reply. In fact, 13% of the usable surveys were returned by non-GMs; a similar situation is observed in Chow et al.'s (2007) study.

To reach the target hotel GMs, a number of strategies were employed. First, a data set of the details of the target hotels was developed. To do this, the researcher compiled the as-complete-as-possible population of New Zealand hotels with 50 or more bedrooms from the following sources:

1) Accommodation Council of New Zealand (ACNZ) website

The ACNZ website provides a very comprehensive list of New Zealand hotels. One of the outstanding merits of the website is that all listed hotels are put according to the geographical areas in which they are located. The list includes only basic information about the hotels, i.e. the name and contact numbers of each hotel (and in some rare cases, the owner's name), yet that was all the information needed for the researcher to be able to quickly set up a map of how most New Zealand hotels are distributed.

2) www.wotif.com

This website provides high-quality travel information and offers a hotel list which is "more comprehensive than any other source available in New Zealand" (Shergill and Sun, 2004, p. 7). This is basically a traveller-focused website, giving information about the listed hotels including tariff, short-term availability and other features. Contact details and other information relevant to this study, such as the size of the hotels, were not released. This website was used to add hotels missed by the ACNZ website to the list.

3) www.newzealand.com

The Tourism New Zealand website offers a list of 181 hotels all over the country with a brief description of the hotels, their full contact details and website addresses. Based on information released on this website, the websites of all 29 regional tourism organisations (RTOs) were identified and visited to check out relevant information about the major hotels in each region. Some hotels meeting the study's size requirement were identified.

4) www.aa.co.nz

The official website of the Automobile Association (AA) in New Zealand provides a full list of accommodation providers who are AA members. For each listed hotel, full contact information is given: contact numbers, physical address, main contact's email address, and linkage to the hotel's home page. Valuable information was also obtained from this website in terms of hotel size, with hotels identified as having less than 50 bedrooms being removed from the research target list.

5) www.tripadvisor.com

The researcher entered the names of those target hotels with incomplete information (usually the hotel's size) into the website's search engine and obtained information regarding the number of bedrooms. That helped to determine whether the hotel met the size criterion of the study. In addition to this, this website also offers readers opportunities to give comments on the service quality and other information relevant to the hotels they have used.

By going through all these websites, a list of 186 New Zealand hotels with 50 or more bedrooms was developed. Although this is slightly fewer than the 192 hotels identified by the Commercial Accommodation Monitor, given that the hotel industry is an unstable one with many hotels opening and closing (e.g. Lloyd-Jones, 2009), it is reasonable to assume that the figure of 186 represented the population of New Zealand hotel with 50 or more bedrooms at the time when the information was collected.

To find the contact details of the general managers, phone calls were made to all the listed hotels to ask for their GMs' names and email addresses. From the replies to the phone calls, the target hotels can be divided into four sub-groups (see Table 3.8):

Table 3.8 Classification of sample hotels

Groups	Number of hotels/GMs
<u>Group 1</u> Hotels with the GMs' names and email addresses	133 hotels/GMs
<u>Group 2</u> Hotels with the GMs' names and generic email addresses (reservation/sales)	27 hotels/GMs
<u>Group 3</u> One GM, multiple hotels (with all GMs' email addresses)	14 hotels/7 GMs
<u>Group 4</u> Interviewed GMs	12 hotels/7 GMs
Total	186 hotels/ 174 GMs

Notes:

- 1) One of the eight interviewed hotels did not meet the size criterion and was not included in the web survey.
- 2) Two of the interviewed GMs were managing more than one hotel that met the size criterion, one managing two and the other five.

Thus 174 GMs were identified, representing the population of 186 hotels in New Zealand with 50 or more bedrooms. These GMs were invited to complete the web survey. It is worth noting that the interviewed hotels were also included in the web survey as these hotels also met the size criterion of this study and, more importantly, the survey questions were developed based on the interviews and thus the questions were quite different from those used in the interview.

Although web surveys are more cost effective than more conventional methods such as postal or fax surveys (e.g. Cobanoglu et al., 2001), the cost of identifying and recruiting potential respondents for a survey is often ignored. In fact, when a secondary database of the target population does not exist or cannot be accessed, the process of compiling such a database can be much more time consuming and costly than expected.

The writing and distribution of the invitations included most of the specific components of the most effective approaches suggested by Dillman (2000). A personally addressed invitation letter explaining the purpose of the research with an assurance that the information given would be confidential, along with an information sheet and consent form authorised by the Ethics Committee of the researcher's university, was emailed to

the GMs (Heerwegh et al., 2005). The topic of the study was indicated in the subject line of the emails. Also included in the letter were contact details through which the researcher and other stakeholders (e.g. research supervisor, ethics committee officer) could be reached if there were any queries.

Based on the sub-groups described in Table 3.8, some minor changes were made to the invitations to GMs in Group 3 and 4. GMs in Group 3 were asked to give multiple responses to the survey based on different hotels they are managing. The previous interviews were mentioned and a thank-you message was included in the letters to GMs in Group 4 to remind them to keep the verbal promises they gave at the end of the interviews to give continuous support by answering the web survey. The hotel GMs were invited to visit the website set up previously and answer the questions by clicking on the hypertext link listed in the letter. Although the hotel list was from websites which were continuously modified, it was assumed that some of the information on the database might be inaccurate or out of date.

To avoid wasting the time and effort of both parties, the invitation letter stated clearly that only hotels with 50 or more bedrooms were invited to participate in the survey, and there was a screening question put at the beginning of the survey with hotels that did not meet the size requisite being politely asked to exit. To express the researcher's appreciation for the respondents' participation and completion of the survey, the invitation letter included an offer to supply the respondents with an electronic copy of the major findings of the research (Cobanoglu and Cobanoglu, 2003; Ray et al., 2001).

As pointed out by Dillman (2000), reminders are usually used as an efficient approach to emphasize the importance and legitimacy of the research and can lead to a higher response rate. Following this logic, two weeks after the first email invitation was sent, a polite personalized reminder email was sent to all respondents. This also included a hypertext link to the web-survey questionnaire in case the previous email had been deleted or not reached the target respondent. As an incentive, the offer to provide a summary of findings to research participants was re-emphasised. The confidentiality of the respondents was ensured through out the research and no individual or hotel could be traced. Thus the researcher did not use methods such as 'hidden' numbers or similar (e.g. Connolly and McGing, 2007; Kypri and Gallagher, 2003) to identify respondents and non-respondents.

After the reminders were sent out, 53 responses were returned, of which 47 were usable; this is a response rate of 27% (47 out of 174). As argued by Kittleson (1997), multiple email reminders may reach an early saturation point, after which potential respondents' resistance can be expected. In addition, taking into account that all the target respondents were general or senior managers, who are usually very busy, the reminder approach was used with caution. Only one reminder was sent out to avoid a negative attitude towards the study from the industry.

It is noted that sample size is a very important factor that determines the reliability and the extent to which the research outcome can be generalized (e.g. Noble, Bailer, Kunkel & Straker, 2006). In the present study, the sample size of 47 was relatively small. It was still adopted for a number of reasons. As Saunders et al. (2003) suggest, a minimum sample size of 30 is a useful 'rule of thumb' for statistical analysis. When the population size of the research target is relatively small, this sample size is argued to be able to yield reliable outcomes. The final response rate was relatively high, when compared to the average response rate of 15% for web surveys (Manfreda et al., 2008). Similar sample sizes have been used in a number of studies of the hotel industry. For example, Davidson and Wang (2011) investigate the recruiting practices and causative factors of labour turnover and skill shortages in four- and five-star hotels in Australia using a web-based questionnaire survey. Their analysis was based on 64 responses out of 221 hotels contacted, a response rate of 29%. Chow et al. (2007), in their hotel study in California, obtained 46 usable replies for their region-level HR study, and Alleyne et al.'s (2006a) study of the HRM issues in the Barbados hotel industry was also based on responses from a sample of comparable size (46 hotels of various sizes).

Assuming the previously mentioned websites are representative, it is feasible to draw a picture to reveal whether the 47 responses to the questionnaire fairly represent the total population of all eligible hotels. Partially taking the approach adopted by Hoque (1999), the regional distribution of the responding hotels was calculated (see Table 3.9)

Table 3.9: Regional distribution of the responding hotels compared with the population of all large hotels in New Zealand

Region	Number of hotels in the region	Number of hotels in the sample (n = 46)	% of hotels from that region in the sample
North Island			
Auckland	44	12	27.3
Rotorua	11	3	27.3
Waikato	6	0	0
Wellington	21	6	28.6
Other North Island locations	27	4	14.8
South Island			
Christchurch	23	5	21.8
Dunedin	7	2	28.6
Queenstown	18	6	33.3
West Coast	6	2	33.3
Other South Island locations	23	6	26.1

As Table 3.9 demonstrates, respondents came from nine out of the ten major regions, with representative rates ranging from 0 to 33.3%. In general, hotels from the South Island were more active in responding to the survey than their North Island counterparts, with 29.2% of the South Island population responding to the survey – 10 percentage points higher than the response rate from North Island hotels.

So although the number of respondents was small, it still represents a relatively large proportion of the total population and provides good regional coverage. The additional insights provided by the in-depth interviews help to overcome this limitation as well.

3.5.3 Survey questionnaire design

The survey questionnaire was implemented with the support of the web team of the New Zealand Tourism Research Institute (NZTRI). A number of methods were used to attract the potential respondents' attention and so hopefully increase the response rate.

As the web survey is basically a visual experience that is under the control of the respondent, everything was done to make the survey as respondent-friendly as possible. In addition to using a screening question page, as discussed earlier, suggestions given by Dillman et al. (2007) were followed:

- Introduce the web questionnaire with a welcome screen that is motivational, emphasizes the ease of responding, and instructs respondents on the action needed for proceeding to the following pages.
- Present each question in a conventional format similar to that normally used on paper counterparts.
- Make questions concise to minimize the possibility of a long line extending across the screen of the respondent's browser.
- Provide clear and 'on-site' instructions to ensure that the respondents need only a minimum level of operational knowledge to be able to answer the questions.
- Do not force respondents to provide an answer to each question before being allowed to answer any subsequent ones.
- Use graphical symbols (a progress indicator in this case) to inform the respondents where they are in the completion progress, and avoid symbols that require advanced programming.
- Minimize the use of 'check-all-that-apply' and open-ended questions, which typically produce poor answers on self-administered surveys.

The seven-section questionnaire was seven pages long (see Appendix 6), with an additional page for contact information for those participants who wished to receive the survey results upon the completion of the research. Section A consisted of questions relating to the respondents' background, including their job title, how long they have held this position, how long they have been at this hotel and in the tourism industry, highest qualification, gender, age group and the area(s) in which they have worked before reaching their present position.

Section B included questions about the hotel. Respondents were asked the following about their hotels: the year of its establishment, its geographical location, the number of staff (including a break-down of full-time and part-time staff), total number of bedrooms, its Qualmark star grade, the presence (or otherwise) of unionized labour, and its ownership type. Sections A and B thus provided the basic information about the respondents and their hotels.

Section C asked respondents to describe the strategic issues facing their hotel, and Section D the HRM issues. In Section C, respondents were asked whether the hotel had a mission statement. The nature of the each hotel's overall business strategy was then investigated. Respondents were also asked to identify the primary strategy-related decision-maker of the hotel, and the length in years of the hotel's strategy cover. In Section D, respondents were asked to release information about their HR department, and how 23 HR practices were used, or otherwise, in the everyday operation of their hotels.

Section E asked about the integration of the hotel's HRM and overall business strategy, from a variety of perspectives. Sections F and G measured the hotel's HR performance and overall performance, as perceived by the respondents in the contexts of 'past' and 'future' respectively.

After completing the seven sections, those respondents who were interested in receiving a copy of the finding summary were invited to enter their contact details, including their names and email addresses. It was emphasized both in the invitation letter and after the 'information box' put on this section that the contact information the respondents left would be stored separately and only be used for the purpose of sending them the required document.

To improve the validity and reliability of the questions, the survey was piloted on people working in the tourism and hotel sectors, and on colleagues at NZTRI, most of whom have tourism or hospitality research backgrounds. Changes to the survey, mainly in the wording and sequences of questions, were made as a result.

3.6 Measures

In this section, variables employed in the web survey are described and discussed in detail. Some basic information derived from the returned data is also described.

3.6.1 Dependent variables

Performance improvement lies at the heart of strategy-related research (Venkatraman and Ramaunjam, 1986) along three dimensions: theoretical, empirical and managerial (Cameron and Whetten, 1983). Delery (1998) points out that it is the focus on organizational performance that sets SHRM research apart from the rest of the research in HRM. This study used the dependent variables adopted by earlier studies measuring hotel performance as perceived by their GMs in relation to their competitors (e.g. Delaney and Huselid, 1996; Harel and Tzafrir, 1999). Adopting the concepts of organizational performance used by most empirical literature, and feedback from the interviews conducted for this study, organizational performance is argued to be a multifaceted concept that covers a broad domain of both financial and operational (non-financial) indicators (see Lengnick-Hall et al., 2009). Colakoglu, Lepak and Hong (2006) also assert that relying on a single performance measure can mask the relative importance of different performance measures for different companies.

Due to the multifaceted and conflicting nature of organizational goals and influences exhibited by multiple ‘stakeholders’, the traditional measurement of an organization’s performance by using financial indicators can be too limited (Truss, 2001). In this study it is appropriate, as Venkatraman and Ramaunjam (1996) suggest, to also include operational performance indicators. This takes the researcher out of the ‘shareholder’ perspective (Paauwe and Boselie, 2005) that characterizes the exclusive use of financial indicators and leads to a focus on key operational factors that might lead to financial success. This approach has been widely applied in investigating the influence of HRM on organizational goals (Appelbaum et al., 2000; Delaney and Huselid, 1996; Dyer and Reeves, 1995; Ichniowski et al., 1995; Neal, West and Patterson, 2005).

For the present research, published data on the actual financial status of the target hotels was not available. Also, as hotels strongly desire the financial performance of their organizations to be confidential, it seems impractical to access objective measures of

hotel performance. In fact, this type of information, according to experienced researchers, is virtually impossible to obtain, even when anonymity is promised (Martell and Carroll, 1995). It is also argued that even when objective measures are available, it still does not guarantee the accuracy of the performance measurement (Allen and Helms, 2006). However, as Wall et al. (2004) assert, subjective measures of performance have a strong correlation with objective measures and have been used as a valid indicators of performance. In light of these considerations, this researcher had good reasons to measure the hotels' performance by using subjective measures (i.e. perception) of both financial and non-financial indicators (see Rodwell and Teo, 2008).

The measures used in this study are relative, i.e. information derived from questions that ask respondents to assess their organizational performance relative to the performance of industry competitors. Although this method is subject to drawbacks of increasing measurement error and potential for mono-method bias, it makes it possible to conduct an analysis of organizations whose performance data is not available (Delaney and Huselid, 1996). The same authors also point out that measures of perceived organizational performance have been found to correlate positively with objective measures. Therefore, using this method in the present study is appropriate.

Hoque (2000) and Alleyne et al. (2006) use six questions to measure hotel performance. The current study adapted these six questions and added a seventh (Question 7). On a five-point Likert scale (with one being 'inferior'; three, 'about the same'; and five, 'superior'), respondents were required to rate the performance outcomes of their hotels. These questions were:

In your opinion, how do you expect this hotel to perform over the next three years in the following areas relative to your primary competitors on the following scale?

1. *Labour productivity*
2. *Quality of service*
3. *Financial performance*
4. *Market share*
5. *Sales growth*
6. *Service innovation*
7. *Customer satisfaction*

The advantages of these measures over the original ones are:

- The questions are more comprehensive because the interest of the major stakeholder of the hotel industry, the customer, is considered.
- The recently noticed ‘time lag’ issues of the HRM-performance linkage are noticed (Wright, Gardner, Moynihan and Allen, 2005). It is assumed here that the present HRM-strategy linkage will not impact on the hotel’s performance right away, but over a reasonable period of time.

To measure possible reverse causality, i.e. high performance leads to superior HRM practices or HRM-strategy linkages (Paauwe and Boselie, 2006), GMs were also asked to answer the same questions about their hotel’s performance in the past year.

3.6.2 Independent variables

Four independent variables were measured and are discussed below.

Human resource outcomes

It has been strongly argued that HRM, or the mere combination of HRM and other functions of an organization, is not likely to be the sole source of superior performance for an organization; rather, HRM outcomes are normally thought to play a mediating role between HRM-related activities (e.g. HRM-strategy linkage) and the organization’s performance (Paauwe, 2004; Paauwe and Boselie, 2005; Paauwe and Richardson, 1997). In this study, measures used by Hoque (2000) were adapted to measure the hotels’ HR outcomes. Respondents were asked to rate each of the following five questions on a scale of one (very low) to five (very high) regarding the HR outcomes of their hotel:

In your opinion, how would you rate this hotel’s HR outcomes over the past year in the following area on the scale below?

1. *The employee’s commitment to the hotel is ...*
2. *The level of job satisfaction of employee is ...*
3. *The hotel’s ability to move its employees between departmental jobs as the work demands is ...*
4. *The quality of work of employees is ...*
5. *The overall voluntary turnover rate of employee is ...*

Some changes were made to improve the quality of the measures. For example, the term ‘lower grades of staff’ was changed to ‘employees’ – this refers to those general non-managerial staff of hotels – to avoid the possible vagueness of meaning. Question 5 was added to the list because although a low employee turnover rate is always seen as an indicator of effective HRM, Bennett et al. (1998) argue that turnover can be involuntary, being used as a means to maintain flexibility in the overall array of skills in the work place. Thus, involuntary turnover can benefit the organization, whereas voluntary turnover usually occurs against the organization’s wishes and weakens the skill base and flexibility of the work force. Therefore, only a low voluntary turnover rate should be viewed as an indicator that the HR function of the organization is doing a good job in maintaining the knowledge, skills and competencies important for achieving an organization’s strategic goals.

HRM practices

The researcher derived a selection of 21 specific human resource practices from existing literature (Guest and Hoque, 1994; Hoque, 2000; Wood and Albanese, 1995). Respondents were asked whether or not they were using these practices in their hotels. The 21 practices cover areas ranging from terms and conditions of employment, recruitment and selection, training and job design to quality issues, communication and consultation, and pay systems. They can be seen to reflect the main objectives of the majority of SHRM programmes: to identify and recruit strong performers, give them skills and the confidence to work effectively, monitor their progress, and reward them well for meeting or exceeding required performance targets (see Paauwe, 2009).

This set of practices has been used by studies of hotel HRM in the UK (Hoque, 2000) and West Indies (Alleyne et al, 2006, 2006a). As suggested by Alleyne et al. (2006; 2006a), the survey used ‘yes’, ‘partially’ and ‘no’ to better understand the extent to which the respondents were using these HR practices. If the questions had allowed only for simple yes/no answers, then respondents might have said ‘yes’ when they had only partially adopted HRM practices. A small adjustment was made to approaches adopted by Alleyne et. al., (2006; 2006a): each ‘partially’ answer was assigned 0.5 counts to both the ‘yes’ and ‘no’ groups to better reflect the value of adding this scale into the study. The responses to these questions were compared and contrasted against those from Hoque (2000) and Alleyne et al. (2006; 2006a). HRM practices employed by organizations may vary across different countries, given that industrial relations systems

and process differences will impose impacts on the implementation of the practices (Ferner, Almond & Colling, 2005). Nevertheless the comparison is still valid as the practices in the list are all fundamental ones widely employed by hotels, and so the impacts of the different contexts, industrial relations systems and processes will be minimized to a large extent. In consultation with colleagues who are HRM experts in the New Zealand hotel sector, the researcher also adjusted the expression of some of the items to make sure they made sense to the recipients of the survey.

The sample generated a mean number of HRM practices of 13.6, which is very close to the numbers recorded by Alleyne (2006b) and Hoque (2000) – 13.7 and 14, respectively. The nature and the implications of these figures will be discussed in the following chapters.

Business strategy

In their study of how strategy types influence the way in which an organization's HRM impacts its overall performance, Schuler (1989) and Schuler and Jackson (1987) first asked their respondents to select from a range of eight choices: cost control/cost minimization, advertising/marketing, human resource issues, providing a distinct and unique service, price competition, quality of service and facilities, responsiveness to customer needs, and value for money. The organizations were then divided into three groups. Group one was made up of organizations pursuing a quality enhancer approach; group two, those emphasizing a cost leadership approach; and group three, those organizations with a more ambiguous approach towards quality and cost – termed by Porter (1985) as the 'stuck in the middle' group. This approach has been used by a number of scholars of hotel HRM studies, such as Hoque (2000), Alleyne et al. (2006), and Alleyne et al. (2008).

In the present study, respondents were asked to choose two features from the list that most accurately describe the focus of their hotel's overall business strategy. Another variable, 'Other', was added to the list and GMs were encouraged to add their unique strategic focus to the category if they could not find one that fitted from those offered. Using Hoque's (2000, pp. 78–79) definitions, the three groups of hotels were then designated as follows:

1. **Cost leaders** are those hotels that specified features of price and one of cost control, responsiveness to customer needs, advertising/marketing, providing a

distinctive service, human resources, or a self-reported similar feature. Alternatively, a cost leader hotel can be one that chose cost control and either responsiveness to customer needs, advertising/marketing, value for money, or a self-reported feature.

2. **Quality enhancers** are those hotels that specified quality and either responsiveness to customer needs, advertising/marketing, or providing a distinctive service.
3. **'Other'** hotels specified both price and quality, and responsiveness to customer needs, as well as one of the following: advertising/marketing, providing a distinctive service, other HR-related features, or other quality-relating features.

HRM-strategy linkage

The key aim of this study is to explore the strategic role of HRM in enhancing hotels' performance in the New Zealand context. To achieve this goal, it is important to review the extent to which HRM has actually taken on strategic responsibilities and the level of strategic focus the top management places on HRM. Using the distinction developed by Buller and Napier (1993), GMs were asked to report on the level of HRM involvement in strategy-related issues in their hotels by indicating which of four descriptive paragraphs most closely corresponded to their hotel's situation. The distinction was chosen to represent the four HRM-strategy linkages proposed by the original Brockbank model because of the high similarity between them, and because the distinction had already been tested and validated (Tsang and Kwan, 1999). The four descriptions were assigned to stand for the four types of HRM-strategy linkages, i.e. operationally reactive, operationally proactive, strategically reactive and strategically proactively. An additional option 'None of the above' was added to the list, encouraging respondents to give more insights about the status of the HRM-strategy linkages in their hotels.

Other measures were also employed to reflect the multifaceted and complex nature of the HRM-strategy linkage. First, it has long been advocated that to make full use of HRM in achieving the strategic goal of organizations, HRM should be considered in the whole process of strategy making, rather than just in the strategy-implementation stage (Bennett et al., 1998; Dyer, 1983). Thus the involvement of HRM in different strategy-making stages can be viewed as a critical indicator of the organization's level of HRM-

strategy linkage. Adapting Sheehan et al.'s (2006) approach, this researcher used a 5-point scale from one ('not involved at all') to five ('very deeply involved') to measure the perceived levels of HR's involvement in each stage of a typical strategic decision-making process. The respondents were asked: "To what extent is the person handling this hotel's human resource issues involved in different stages of the hotel's overall strategic planning process?" Respondents were asked to indicate the level of HRM's involvement in the following stages: drawing up a proposal, evaluating financial consequences, taking the final decision on adopting the strategy, implementing the strategy, and reviewing the outcome. The first four original distinctions were developed by Purcell (1995), while the last one was added by this researcher to reflect the full process of strategic planning and making. '

Measures developed by Sheehan et al. (2006) were used to further investigate the level of HR's strategic involvement in New Zealand hotels. GMs were asked to report whether there is HR representation in the top hierarchy of their establishment, on the board of directors and/or in the senior management team. The GMs were also asked to indicate the biggest barrier(s) that affect the HRM-strategy integration within their hotels.

The strategic importance assigned to HRM functions was also investigated. Respondents were asked to indicate:

- whether the hotel has a mission statement. If the answer was yes, they were then asked for details of the statement so that the researcher could decide if HRM is emphasized in that statement. It is assumed that hotels giving strategic importance to HRM will be more likely to have such a statement
- if HR strategy is formally endorsed and actively supported by senior management at their hotel
- if an attempt has been made to deliberately integrate HR strategy with the overall business strategy (i.e. a vertical fit)
- if HR practices are deliberately integrated with HR policy (i.e. a horizontal fit).

The above measures were adopted from Hoque (2000). This researcher added one further variable, asking the participant to indicate who is primarily in charge of the hotel's HRM-related issues. It is assumed that if the issues were mainly handled by the

senior management and/or owners of the hotel, then it is more likely that HRM is given strategic importance in that hotel.

CHAPTER FOUR

NEW ZEALAND LARGE HOTELS: DEMOGRAPHIC FEATURES AND HUMAN RESOURCES

The first two research questions of this study are concerned with the ‘big picture’ of large hotels in New Zealand, in terms of their demographic features and the status of their HR functions. This chapter starts with a review of the demographic features of the sample hotels and their managers. A description of the senior managers or owners of the hotels, focusing on their age distribution, education background and industry experience, provides insights into what sorts of people are in charge of the hotels. A description then follows of the sample hotels in terms of their size, as measured by both number of rooms and number of staff, the hotels’ histories and, more importantly, their ownership type.

The final section focuses on the HR functions of the sample hotels. In addition to the basic information of the HR function, such as the presence and size of the HR department, the discussion explores the extent to which the hotels operate effective HR practices.

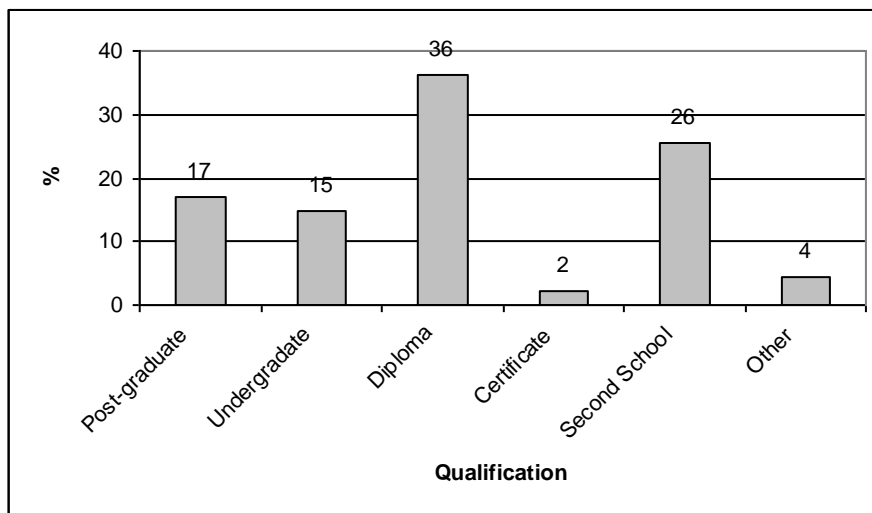
4.1 Demographic Features of the Respondents

Of the 47 respondents to the web survey, 34 (72.3%) were general managers, and another seven (14.9%) identified themselves as either the owner/manager, chief executive officer (CEO) or operational manager. Managers bearing these titles are responsible for making organization-wide decisions and establishing the plans and goals that affect the entire organization (Robbins and Coulter, 2007). In this study all respondents bearing similar titles were grouped into the category of general manager (GM). **As it is assumed that organization structures vary across hotels**, initial contacts were asked to forward the questionnaire to the appropriate person within the hotel if they did not think they were in the best position to answer it. Therefore, it is reasonable to conclude that in New Zealand, large hotels’ HR and strategy-related issues are

handled mainly by senior management and in most cases by the GM. This finding is reinforced by the outcome of the stage one interviews, where seven out of the eight interviewees were GMs and only one was a HR manager.

The investigation started with the educational background of the respondents (see Figure 4.1).

Figure 4.1 Respondents' highest qualification (n = 47)



Although the hotel sector in general is commonly believed to be an industry where hands-on experience and skills rather than formal education (theoretical knowledge) are highly appreciated, the education level of senior managers is still much higher than the hospitality industry's average (Goodchild and Leung-Wai, 2005). About 70% of the respondents have received some form of post-high-school education. The highest level of education completed by nearly one-third (32%) of the respondents was a bachelor's degree or a postgraduate qualification. Another 38% of the sample held diplomas and certificates. Twenty-six per cent of the senior managers had finished high school while 4% had obtained other forms of qualifications, including trade certifications (for example, a chef) or qualifications in other fields such as chartered accounting.

The interviewees had a slightly different demographic makeup. Four (50%) out of the respondents indicated that they had post-graduate certificates, while two (25%) of them had received undergraduate/certificate education and another two (25%) entered the industry right after the high schools.

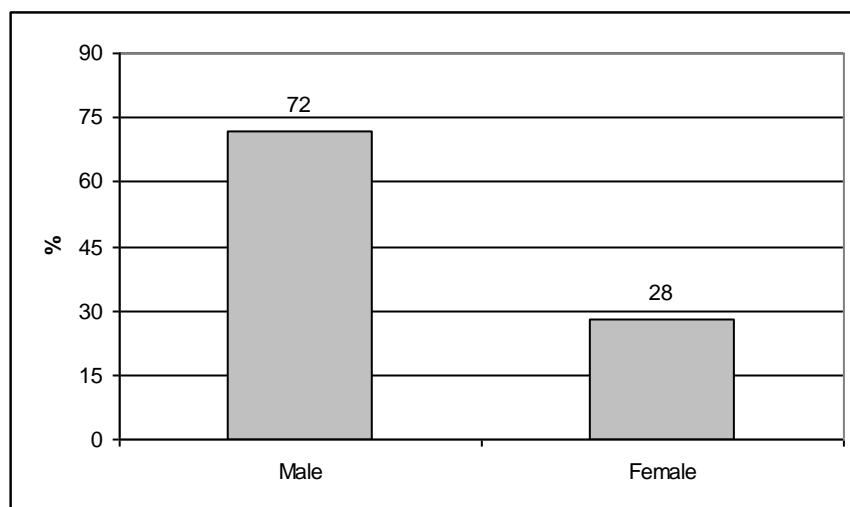
The limited availability of formal tertiary education in tourism/hospitality when the GMs were younger is one of the barriers that prevented them from studying further in the early stages of their careers. As a GM of an international chain hotel commented:

I joined the industry when I was 19 years old, so it is 30 years ago. Not by the way of degree or formal education that was available those days ... my training in hotels was done through the Wellington Polytechnic.

Some of those interviewed felt that access to higher education would have provided opportunities to understand the business world from a theoretical perspective. Education may have also made it easier for them to understand and accept up-to-date management skills and practices, and to carry them out in their management operations.

With respect to gender, the data show that the top management teams in New Zealand's large hotels are mainly male (see Figure 4.2). Among the interviewees, five are male and three are female, showing a similar distribution.

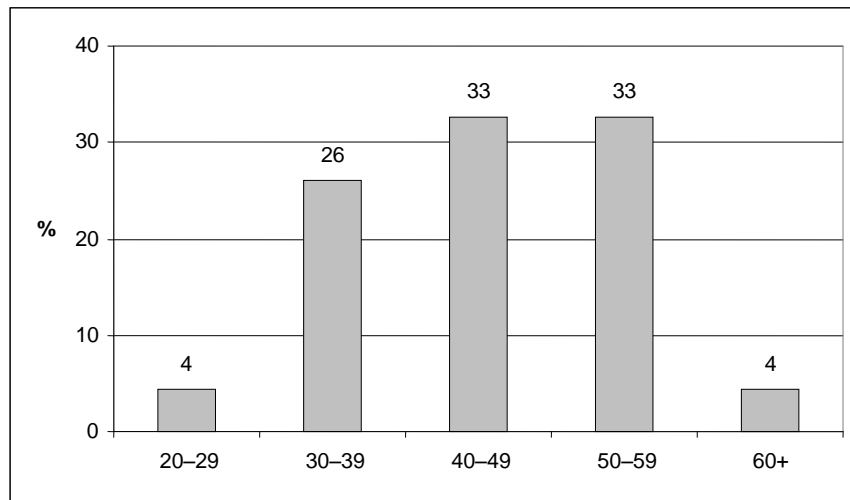
Figure 4.2 Gender distributions of the surveyed GMs (n = 46)



As pointed out by Doherty (2006), the hospitality industry is characterized by female staff in lower-level positions, but relatively few women progress into senior-management levels to any greater extent. The hotel sector in New Zealand seems to be no exception: the gender distribution shown in Figure 4.2 is consistent with data from Europe (Doherty, 2004), the US (Litzky and Greenhaus, 2007), Australia and Singapore (Windsor and Aueyoung, 2006), and in the global context (Linehan, 2000).

Respondents were then asked to place themselves into one of five age groups (see Figure 4.3).

Figure 4.3 Age distribution (n = 46)



Note: median age = 44.6 years.

The age distribution of the senior managers confirms the finding that a person's management level is often linked to age (Furnham, Crump and Chamrro-Premuzic, 2007). Given the understandable career path towards the top management, there is a reasonable age spread, with a slightly higher representation in the older age categories. Most of the respondents (66%) fell into the 40–49 and 50–59 years age groups. This figure is consistent with those interviewed, where 7 out of the 8 interviewees were aged between 40 and 59.

The potential relationship between the GM's highest qualification and age was investigated (see Table 4.1) by employing cross-tabulation and Chi-square tests. A cross-tabulation is a joint distribution of cases based on two or more categorical variables. It is analysed with the Chi-square test to determine whether the variables are statistically independent or if they are associated (Peck, Olsen & Devore, 2010).

The data indicates that within the sample hotels, GMs falling into the age groups of 40–49 and 50–59 tend to have higher education qualifications than GMs in other age groups. All GMs with a post-graduate certificate were from these two groups.

Table 4.1 Highest qualification versus age group (n = 46)

Highest Qualification	% in each Age Group					Total
	20–29	30–39	40–49	50–59	60+	
Post-graduate			33.3	20		17.4
Undergraduate	50	41.7		6.7		15.2
Diploma	50	33.3	40	40.0		37.0
Certificate			6.7			2.2
Secondary School		25	13.3	26.7	100	23.9
Other			6.7	6.7		4.3

Note: *p* value = 0.179, so differences are not significant.

None of the GMs aged 40–49 had an undergraduate degree while one-third of them had post-graduate certificates. An undergraduate qualification is the highest qualification found in two age groups (20–29 and 30–39) and post-graduate qualifications for another two groups (40–49 and 50–59). It is worth noting that all GMs in the 60+ group had only high school qualifications while none of the GMs in the 20–29 group had qualifications lower than a diploma. This shows that a person’s education background is becoming more and more important in their career advancement in the hotel industry. The finding is also consistent with what was found from the interviews, i.e. three out of the four interviewees with a post-graduate certificate started their career in hotels with a relatively lower qualification such as a diploma or undergraduate degree and they continued to study and obtain some higher qualifications after some years in the industry.

It has been advocated by Barney and Wright (1998) that to be a strategic partner of the organization, HR staff should not limit their knowledge to HR; ideally they should know more about the broader dimensions of their organizations (Sheehan, 2005). Being in the best position to co-ordinate the relationship between HR and strategy, senior managers are assumed to understand how their organization works across all its areas. In other words, the broader the knowledge they have, the more likely they are to understand HR’s strategic importance to the organization’s performance, and the more likely they are to drive the integration between these two functions. For this reason, the career breadth of the managers was investigated. Respondents were asked to indicate in how many areas they had worked before they reached their present position; they were given a choice of seven areas: food and beverage, accounting and finance, office

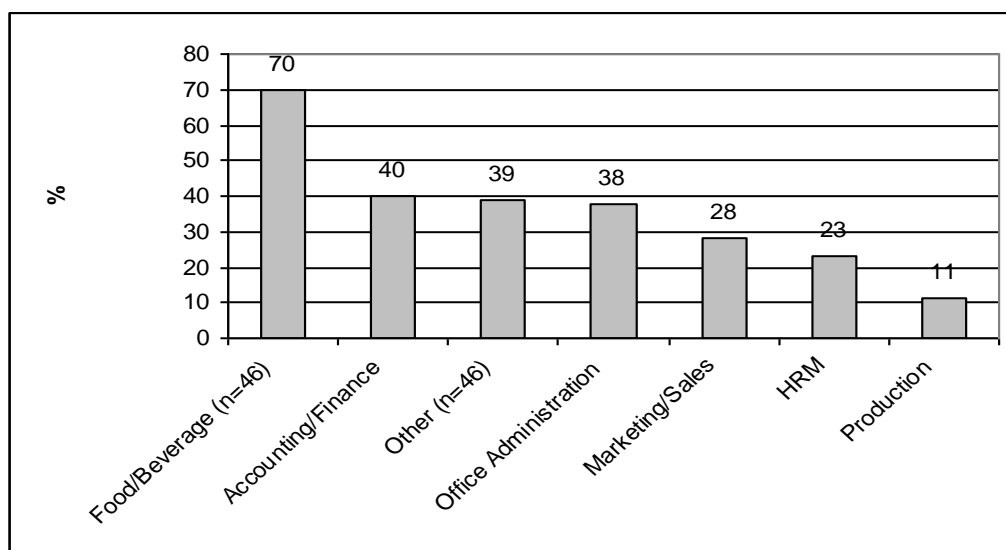
administration, marketing and sales, HRM, production and others. The results are displayed in Table 4.2 and Figure 4.4.

Table 4.2 Career breadth of the respondents (n = 47)

Number of area(s) worked in	Frequency	%
0	1	2.1
1	17	36.2
2	7	14.9
3	11	23.4
4	7	14.9
5	3	6.4
6	1	2.1

On average, these GMs had worked in more than two areas before being promoted to their present positions. However, it is worth noting that more than half (53.1%) of them had previously worked in only two and fewer areas. This shows the career path for top managers in the New Zealand hotel sector tends to be narrow. The distribution of these areas is summarized in Figure 4.4.

Figure 4.4 Distribution of the areas the respondents have worked in (n =47)



The two most common areas in which the respondents had previously worked were food and beverage (70%) and accounting and finance (40%), followed by 'other' (39%) and office administration (38%). The strong food and beverage background of the GMs is not a surprise given the nature of the industry. The trend remains constant regardless of the educational background, age or gender of the respondents. The interviews also revealed that a lot of the interviewed GMs had followed this career path before taking on a senior management role. For example, a GM of an international chain hotel mentioned that he "started [my career] from restaurants and bars – 25 years ago".

In cross-sectional studies of HR managers in Australia, Sheehan et al. (2006) find that older respondents (the age group of 40–59) tend to have begun their career from clerical positions and the areas of accounting and finance. These two areas are also common for the sample GMs.

Less than one-quarter (23%) of the senior managers had experience working in HRM. This could potentially have a negative impact on their fully understanding the HR function. For those 18 people who chose 'other', 13 were from other functional departments of the hotels such as room division, front office and general operation; four were from other industries such as tertiary education and banking; and only one indicated his previous career as 'GM', which implies he might be the owner/manager of the hotel.

The hotel industry is the place where all the interviewed GMs started their career life and they all remained in the industry until the date they were interviewed. As a GM said the industry is very attractive and he "did not even think of leaving it".

Over half (53.3%) of the respondents indicated that they had been working in this industry for more than 20 years, with a mean industry tenure of 20.2 years (Table 4.3). This finding, combined with the respondents' career breadth discussed earlier, implies that the respondents tend to be experts in this particular industry, with detailed knowledge specific to several aspects of the business. In terms of the position tenure, outcomes from the interviews show a similar picture. On average, the interviewees had been in their present position for 5.5 years, and stayed with the industry for 16.8 years.

Table 4.3 Respondents' tenure in years

	Maximum	Minimum	Mean
Position tenure (n = 45)	17	1	5.2
Hotel tenure (n = 47)	18	1	5.0
Industry tenure (n = 45)	37	1	20.2

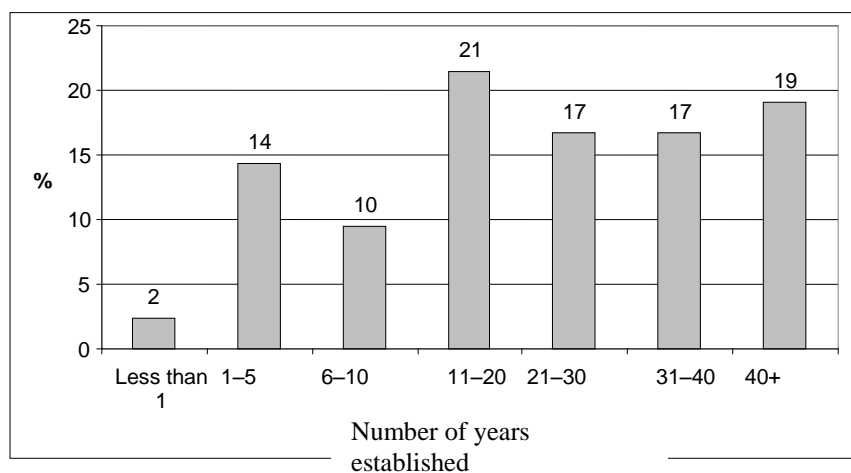
Note: One of the respondents reported that he had been in the present position for 25 years while only 11 years in the present hotel. He has obviously misunderstood the questions so his answer was excluded.

4.2 A Profile of the Sample Hotels

The status of the sample hotels was explored from a number of different angles: their history, location, Qualmark star grade (New Zealand tourism's official mark of quality), number of rooms and staff (including the proportion of the full-time equivalent (FTE) and part-time equivalent (PTE) staff), union presence and the ownership type of the hotels.

The longest history of the sample hotels is 57 years, while one of them was only established in the past year. The mean length of the hotels' existence is 24.4 years. Eight hotels (19%) boast a history of more than 40 years. The mean age of the hotels included in the interview phase of the research is 16 years, the oldest one being 34 years old and the youngest three years (see Figure 4.5).

Figure 4.5 Hotel history (n = 42)



A widely held premise is that organizations experience different sorts of problems as they evolve through the stages of their life cycle (Rutherford, Buller and McMullen,

2003). Although there is no theory to describe the role HRM should play at various stages of an organization's development, it has been argued that HRM practices should be developed to fit the ever-changing business needs of an organization (Baird and Meshoulam, 1988). In the start-up phase, an organization's HRM activities are usually loose and informal, and the activities are always performed by the owner/manager. When the organization reaches the fast growth stage, the organization adds more formal HRM structure and functional experts to cope with the need of hiring more new staff and giving them appropriate training. As the organization matures (or even declines), issues such as employees' performance appraisal and labour relations become more and more important. HRM will usually be given more strategic importance and become more integrated with other functions to achieve business goals.

To date, the dividing lines between the life-cycle stages remain blurred. However, it is reasonable to assume that a hotel with an average history of more than 24 years is in its mature stage or beyond. The history of the sample hotels gives the researcher the impression that majority of them are in a developmental stage when HR should be given attention at a strategic level, and a good integration of HR and other functions (e.g. the strategic function), could be expected.

The sample hotels were evenly spread across the North and South islands (52%:48%; see Table 4.4). In terms of total population, 24% of the qualified hotels are from Auckland, while in the web survey, approximately one-quarter (26%) of the answers were from Auckland hotels. This finding confirms Auckland's leading position as an important tourism destination and the gateway to other destinations in New Zealand. Other important cities are Wellington, New Zealand's capital city, where more than 10% of the large hotels are located, Christchurch and Queenstown in the South Island, with 12% and 10% respectively (although the former has now a lost considerable number of large hotels as a result of recent earthquakes). The hotels from these four cities showed the most positive attitude towards the study, with 57% of the targeted hotels generating 63% of the replies to the web survey.

Table 4. 4 The geographical distribution of the sample hotels (n = 46)

<i>Region</i>	<i>Respondents</i> <i>n = 46</i>		<i>Total hotel population</i> <i>n = 186</i>	
	<i>No. of hotels</i>	<i>% of sample</i>	<i>No. of hotels</i>	<i>% of population</i>
Auckland	12	26	44	24
Waikato	0	0	6	3
Rotorua	3	7	11	6
Wellington	6	13	21	11
Other North Island locations	4	9	27	15
Christchurch	5	11	23	12
Dunedin	2	4	7	4
Queenstown	6	13	18	10
West Coast	2	4	6	3
Other South Island locations	5	13	23	12

There are fewer large hotels (both sample and total population) located in relatively remote or rural areas, and some of these areas showed less interest in participating in the study. For example, six large hotels (3.2% of New Zealand's large hotels) are found in the Waikato region, and none of them participated in the survey.

As New Zealand tourism's official mark of quality, Qualmark represents professional and trustworthy goods and services in the accommodation and tourism business sectors throughout New Zealand (Qualmark, 2008). Accommodation providers are assessed on criteria specific to their category and the star grading system is used for all Qualmark accommodation categories. According to the system, accommodations are divided into five levels: one-star accommodations are 'acceptable', meeting customers' minimum requirements; two-star accommodations are 'good', exceeding minimum quality requirements; three-star accommodations are 'very good', with good to very good facilities and services; four-star accommodations are 'excellent', achieving high quality

levels consistently; and five-star accommodations are ‘exceptional’, and are among the best available in New Zealand (Qualmark, 2008). At the time of the study, 155 hotels in New Zealand were assessed by Qualmark.

The target hotels were asked for their Qualmark star grade (see Table 4.5). The study focuses on large hotels, which usually provide a wider range of services and facilities to customers and so are more likely to receive higher star grades. The majority of the sample hotels (more than 78%) fall into the categories of 3 stars and above.

Table 4.5 Qualmark star grades of the sample hotels (n = 44)

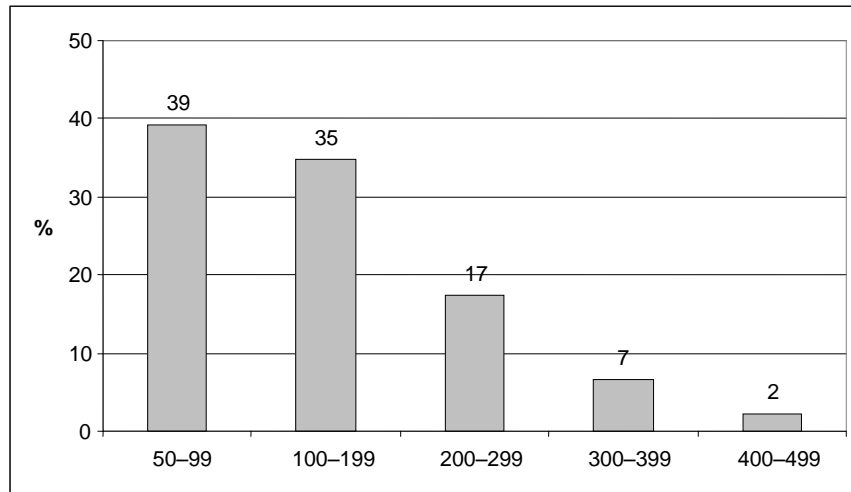
<i>Qualmark star rating</i>	<i>Sample hotels</i>	
	<i>No. of hotels</i>	<i>% of sample</i>
1 star	1	2
2 stars	1	2
3 stars	11	25
4 stars	20	46
5 stars	3	7
Not available	8	18

This star-grade distribution is similar to that of the UK hotel study conducted by Hoque (2000) where 79% of the sample hotels were in the 3-star and above categories, and 19% of the responding hotels had no star grades. It is worth noting that in the present study, more than half (53%) of the sample hotels are rated 4 or 5 stars. In Hoque’s study (2000), the proportion was 38%. As discussed in the previous chapter, the sample hotels were chosen because they are assumed to be ideal places to conduct HRM-related study. The findings of the two studies show that majority of the sample hotels are rated 3 stars or above, and are hotels where quality and HRM-related issues are usually given top priority. This reinforces the justification of identifying large hotels as the focus for the research.

The average number of bedrooms in the participating hotels was 157. The largest responding hotel had 410 bedrooms while the smallest had 53. The hotels were then subdivided into five groups according to the number of bedrooms they have (see Figure 4.6). Approximately three quarters (74%) of the hotels have between 50 and 200 bedrooms. This can be subdivided further: 39% have between 50 and 100 bedrooms, and

35% between 101 and 200 bedrooms. The mean number of bedrooms in the interviewed hotels is 193, with the smallest hotel having 30 bedrooms and the largest, 430 bedrooms.

Figure 4.6 Hotel size by number of bedrooms (n = 46)



A cross-tabulation was conducted to explore the potential relationship between the star grades of the sample hotels and their numbers of bedrooms. Table 4.6 shows the pattern and strength of the association.

Table 4.6 Star rating cross-tabulation with the number of rooms of the sample hotels (n = 44)

<i>No. of Bedrooms</i>	<i>Star Grade</i>						<i>Total</i>
	1	2	3	4	5	N/A	
50-99	100%		73%	20%	33%	50%	41%
100-199		100%	9%	45%		38%	32%
200-299			18%	20%	33%	13%	18%
300-399				15%			7%
400-499					33%		2%

Note: *p* value = 0.067, so differences are not significant.

It is clear that there generally exists a positive association between the star grades of hotels and their sizes: sample hotels with only one or two stars have less than 200 bedrooms; the majority of the 3-star hotels (73%) have 50-99 bedrooms; nearly half (45%) of the 4-star hotels have between 100 and 199 bedrooms; and ‘super’ hotels with 400+ bedrooms are only found in the 5-star group. However, with a *p*-value of 0.067, this relationship is only significant with 93% confidence, which is less than the set level

of 95% confidence. This means that the pattern and strength of the association between star grades and room numbers might only be significant for the sample hotels of this study, but that it should not be generalized to the population of New Zealand hotels or beyond.

The staff size of the sample hotels was also investigated. The surveyed hotels are employing on average 98 staff (including both full-time and part-time staff). The largest number of staff is 421, while the smallest team has only 10 members. The proportion of FTE and PTE is worth noting: full-timers average 43% of all employment in the sample hotels, while the share of part-timers (including casual) is 53% on average. Seventy-two per cent of the respondents claim that more than half of their staff work part time. This finding shows a strong feature of employment in New Zealand's hotel sector: hotels tend to make considerable use of a part-time labour force. The interviewed hotels showed a slightly different picture: five out of the eight hotels have more FTEs than PTEs, with the full-timers averaging 55% of all employment. These hotels employed on average 119 staff, both full-timers and part-timers.

This employment pattern appears to differ from the West European market. Lucas (2004) shows the proportion of part-time employment in the hospitality sector in the UK dropped from 59% to 27% between 1998 and 2001. In the Australian context, the findings show a similar pattern. In their study of HRM in Brisbane/Gold Coast-based luxury hotels, Timo and Davidson (2005) find that 61% of the surveyed employees work full time while only 11% are part-timers and another 29% casual. In another study, Knox and Walsh (2005) differentiate between employment in the hotel industry as a whole, and employment in the luxury hotel industry: the percentages of part-timers are 67.5% and 54.5% respectively. As pointed out by Knox and Walsh (2005, p. 73), "part-time employees are officially defined in Australia as those who usually work fewer than 35 hours a week". In New Zealand, the law does not supply a statutory definition of a part-time worker although it is generally held that part-time employment refers to less than 30 hours a week (Department of Labour, 2008). Thus the nature of employment in the sample hotels in New Zealand draws a similar picture with only the luxury hotel sector (which is made up mainly of medium-large hotels) in Australia.

It has been argued that organizations operating in highly uncertain and competitive markets are more likely to use a contingent and numerically flexible labour force (Price,

1994; Tilly, 1992). The hotel sector is exactly such a sector and one of the major challenges it faces is the variable nature of demand. Irregular guest arrivals and different levels of demand over the day, week, season and year force the sector to be responsive and flexible (Hoque, 2000; Timo and Davison, 2002). Thus, employing high numbers of part-time and/or casual workers is a widely adopted approach.

The relationship between the sample hotels' star grades and the size of their workforce was also investigated and a strong, positive association was found. The findings are presented in Table 4.7. For example, 54.5% of the three-star hotels employed fewer than 50 staff, and none employed more than 149 staff, whereas 60% of the 4-star hotels employed more than 100 staff. However, the five-star hotels employment status is particularly interesting because it represents the two extremes: 33% of them employed fewer than 50 staff while 67% had more than 200 staff. The significance level of the relationship is 0.006, which means that there is a real difference between the sizes (in terms of staff) across hotels with different star grades.

Table 4.7 Star grades cross-tabulation with size of employment (n = 42)

No.of Staff	Star Grade				Total
	3	4	5	N/A	
less than 50	55%	5%	33%	50%	29%
50-99	27%	35%		13%	26%
100-149	18%	30%		38%	26%
150-199		20%			10%
200+		10%	67%		10%

- Notes: 1. The two 1- and 2-star hotels did not respond to the 'employment size' question.
 2. p value = 0.006, so differences are significant.

In this study, ownership of the hotels was investigated using three variables: 1) foreign or domestic ownership, 2) family-owned, management contract and owner/manager, and 3) hotel-chain member versus independently owned. The ownership types of the sample hotels is summarized in Table 4.8.

Table 4. 8 Ownership types of large hotels

Owner Type	Frequency	%
Type I (n = 42)		
Foreign-owned	16	38
Domestically owned	26	62
Type II (n = 37)		
Family-owned	14	38
Management contract	10	27
Owner/manager	13	35
Type III (n = 42)		
Hotel chain	27	64
Independently operated	15	36

A cross-tabulation analysis was conducted to see if any relationships exist between the three ownership types. Table 4.9 shows that there is a relationship between ownership types I and III, i.e. foreign-owned hotels in this sample tend to operate in the form of hotel chains.

Table 4. 9 Ownership types I and III (n = 38)

Ownership Type	Foreign ownership	Domestic ownership
Hotel chain	100	48
Independently owned	0	52

Note: p value = 0.001, so differences are significant.

Formal structures and HR practices are more likely to be found in large, foreign-owned organizations (Hoque, 2000). The ownership of the hotels was used as a control variable to investigate if the SHRM-performance relationship varies across hotels according to different ownership types. It has been argued that chain hotels have more chances to outperform their independent counterparts (Chung and Kalnins, 2001; Claver-Cortes, Molina-Azorin and Pereira-Moliner, 2007).

As in Australia and the UK, the hotel sector in New Zealand is characterized by low levels of union density. There are a number of reasons for this: high labour turnover, irregular work hours, a high proportion of non-full-time staff, a service ethos, employer hostility, proximity to guests and management, and informal rewards (Charlwood and

Haynes, 2005). As a result, it was found in 1997 that less than 30% of New Zealand hotels had unions (Haynes and Fryer, 1999). The situation was similar in the present study, with only one-third (33%) of the sample hotels indicating the presence of a union. Konx and Walsh (2005) report a rate of union membership of 37% in the hotel industry as a whole and 49.8% in the luxury hotel industry in Australia. Thus the impact of unions on management decision-making in many hotels is likely to be small, and hotel management may have greater freedom in terms of adopting HRM approaches they choose (Hoque, 2000). Union presence is used as a control variable in the present study.

4.3 The HRM Status of the Sample Hotels

This section explores how HRM functions in the sample hotels relate to the following areas: presence and status of the HRM department, usage of HRM practices, and the existence of a formal HRM strategy.

More than half (59%) of the surveyed hotels have a formal HRM department. There tends to be a strong, positive association between the star grades of the sample hotels and the presence of an HRM department. Only slightly more than one-third (37%) of the 3-star hotels indicated that they had a formal HRM department, a percentage much lower than the average HR presence (61%) across all industries in New Zealand (Johnson, 2000). However, in the four and five-star hotels, the percentages with an HRM department are 75 and 67% respectively. Because the number of respondents from the one and two-star hotels is too small to be statistically meaningful and the p value from the cross-tabulation is greater than 0.05, the researcher can only conclude that within the sample hotels, those with three and more star grades tend to have formal HRM departments. Even though the difference between hotels in terms of having an HRM department is not statistically significant, this would be a reasonable conclusion because hotels with higher star grades tend to operate their businesses through formal management structures and practices, and so it is likely that they would have established HRM departments.

Table 4.10 Association between presence of an HRM department and hotel star grades (n = 44)

Presence of HR department	Star grade						Total
	1	2	3	4	5	N/A	
Yes		100%	36%	75%	67%	37%	57%
No	100%		64%	25%	33%	63%	43%

Note: p value = 0.157, so differences are not significant.

It is assumed that there exists an association between the number of staff employed by an organization and the presence of an HRM department (e.g. Huselid, 1995). Hotels with more staff tend to manage their staff issues through formal management structures such as an HRM department. This relationship is investigated in the present study (see Table 4.11).

Table 4.11 Association between presence of an HR department and hotel size (n = 45)

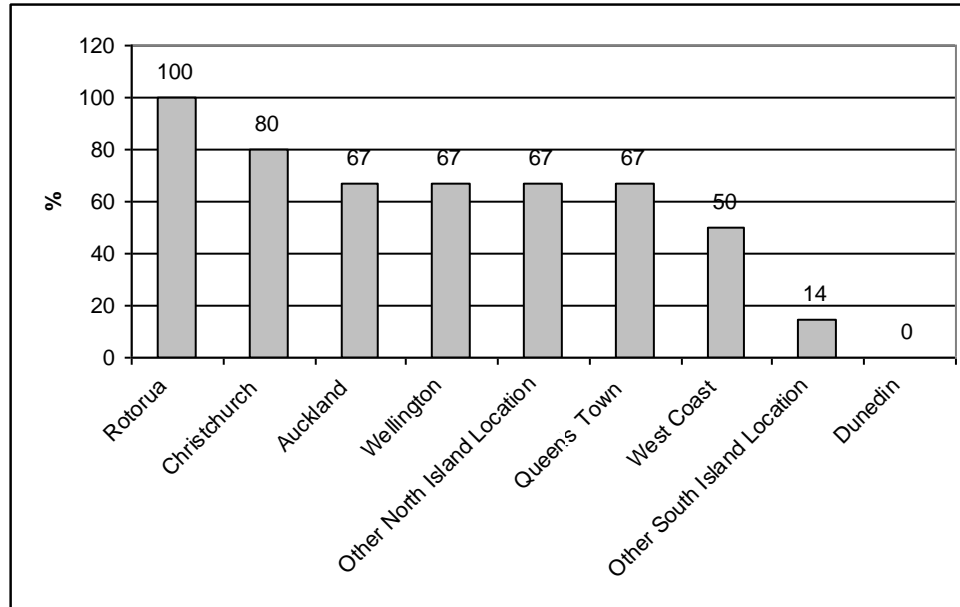
Presence of HR department	Number of employees					Total
	< 50	50–99	100–149	150–199	200+	
Yes	8%	58%	92%	75%	100%	58%
No	92%	42%	8%	25%		42%

Note: p value = 0.000, so differences are significant.

This research reveals a strong positive association between hotel size (in terms of number of employees) and the presence of an HRM department: in hotels with fewer than 50 staff, only 8% have established formal HRM departments, but in hotels with 100–149 staff, this percentage increases to 92, and all the hotels with more than 200 staff had set up their own HRM departments. These findings are on a par with observations made by Johnson (2000) in the New Zealand context. These results are statistically significant, showing that hotels of different sizes exhibit different approaches towards the role of a formal HRM department in their human resources management practices. Given the close relationship between hotel star grades and the number of employees, as discussed before, we can conclude that in New Zealand, large hotels with more staff will be more likely to have a formal HRM department.

There also appears to be a correlation between where a hotel is located and its adoption of an HRM department, with the majority of hotels from the major cities having formal HRM departments (see Figure 4.7).

Figure 4.7 HRM department presence and hotel locations (n = 46)



Note: p value = 0.136, so differences are not significant.

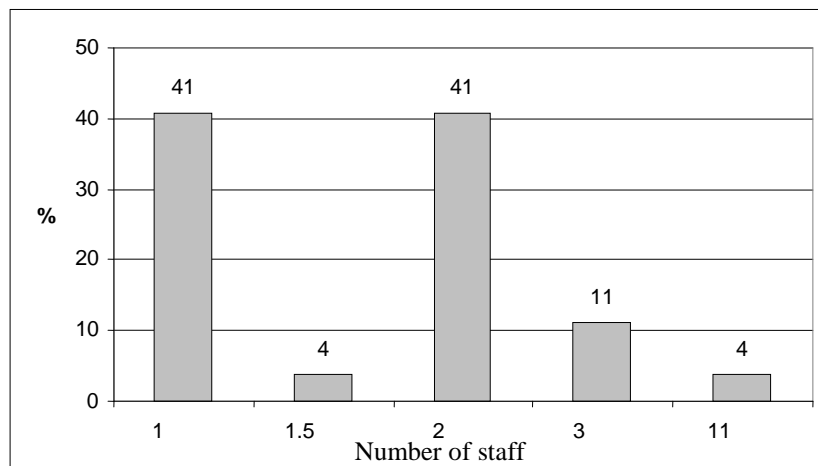
Rotorua-based hotels were outstanding in this area: 100% of them manage their human resources through a HRM department. Rotorua was followed by hotels from the big four cities. In contrast, hotels based in Dunedin and ‘the rest of South Island’ tend to manage their HR issues through ways other than an HRM department; the percentage of hotels having an HRM department in these locations was 0% and 14%, respectively. However, this relationship is not statistically significant, i.e. there is no significant difference between the presence, or otherwise, of HRM departments in hotels at different locations.

It has been argued that the type of ownership of an organization will have impacts on its management style (Hoque, 2000). Price (1994), in her research on hotels in the UK, shows that foreign-owned hotels appear to have developed more professional personnel management approaches than their British-owned counterparts. Hoque (2000) believes that this phenomenon has several implications for the hotel industry. For example, the best graduates from hotel colleges may prefer to work in foreign-owned hotels, and so in the long term, locally owned hotels will lose the best potential labour force and consequently their competitiveness.

In the present study, 75% of the foreign-owned hotels have formal HRM departments, yet the figure for domestically owned hotels is only 46% – although this difference was not statistically significant (p value = 0.067). Therefore, the statements made by Hoque (2000) and Price (1994) are generally supported by the present study.

Figure 4.8 reveals the size of the HR departments in the sample hotels. The majority of the departments are small. Among the 27 hotels that had HR departments, the maximum number of staff is 11; however, eleven hotels have only one HR staff member, another 11 hotels have only two. On average, the sample hotels employ three staff in their HR departments – although if the one with 11 staff is treated as an outlier, the average size of the HR department in the sample hotels is only 1.7. This figure is only a bit more than half of the figure reported by Johnson (2000) across different industries, which is three staff.

Figure 4.8 Size of HR departments (n = 27)



The relationship between hotel size and the size of its HRM department is tested in Table 4.12. The table shows that the larger the hotel, the more likely it was to have a larger HRM department.

Table 4.12 Association between size of hotels and size of HR departments (n = 26)

Size of HR department (number of staff)	Size of hotel (number of employees)					Total
	< 50	50–99	100–149	150–199	200+	
1		57.1%	54.5%	33.3%		42.3%
1.5			9.1%			3.8%
2	100%	14.3%	36.4%	66.7%	75.0%	42.3%
3		28.6%			25.0%	11.5%

Note: p value = 0.444, so differences are not significant.

This relationship is clearest in hotels falling into the categories of 150–199 and 200+ employees: two-thirds (66.7%) of hotels with 150–199 employees and 100% of hotels with more than 200 employees have HR departments with two or more staff. However, as the p value of the test is 0.444, this relationship is not statistically significant and so the findings from this sample of hotels cannot be generalized to the hotel population.

Table 4.13 explores the relationship between the star grades and the size of the HRM departments of the sample hotels. A statistically significant relationship was found between the two variables, with five-star hotels generally employing more staff in their HRM departments than hotels of lower star grades. However, the hotel that indicated they have 11 staff in their HRM department is a 2-star hotel (with 110 bedrooms, but the number of employees not reported). This is unexpected and because there is only one such variable that is very far from the others, this result has been treated as an outlier. Therefore, ignoring this outlier, it can be claimed that in New Zealand, the hotels with higher star grades are more likely to have bigger HRM departments.

Table 4.13 Association between star grades and size of the HRM department size (n = 25)

Size of HR department (number of staff)	Star Grade					Total
	2	3	4	5	NA	
1		50%	40.0%		66.7%	40.0%
1.5			6.7%			4.0%
2		50%	46.7%	50.0%		40.0%
3			6.7%	50.0%	33.3%	12.0%
11	100%					4.0%

Note: p value = 0.008, so differences are significant.

It is worth noting that irrespective of the size of the sample hotels, they tend to employ only a very small team of specialists in their HRM department – if they have a department at all. The reasons behind this are various and complex. This issue was discussed with the GMs in the stage-one interviews and some insights were obtained.

Delegating HR functions to individual departments, either on their own initiative or as the result of their negative impression of HR's efficiency, is an approach adopted by many senior hotel managers. The GM of a large hotel mentioned that they used to have a normal HR department but after a while they found the HRM manager focused too much of her attention on the narrow HRM functions. From the GM's perspective, functions such as dealing with personal grievances and sexual harassment were not helpful or relevant enough to the core businesses of the hotel to justify the continued existence of the HRM department. Moreover, the HRM department was slow to respond to the operational needs of the business:

The chef ... complained, 'I can't start my kitchen because she (the HR manager) hasn't found me a staff member. You know, at 5 o'clock she goes home meanwhile we had to do 1000 dinners over the weekend.'

Also there appears to be a clear difference between the roles of the HRM department and those of other departments, and this is a big barrier to the efficient operation of the hotel. HR's lack of communication with management at various levels was criticized by a GM:

There is a breakdown and departmental managers feeling a sense of responsibility for their own departments and I don't think it's healthy.

Faced with similar 'disaster' situations, this GM had to reconsider the need for an HR specialist and at last he decided to make HR the individual managers' responsibility:

... the departmental heads here are responsible for fully recruitment through to the induction, appraisal and the eventual termination.

Similar approaches were taken by another GM of an Auckland-based chain hotel:

The job is dependent on whom: if he is a housekeeper, our housekeeper will interview them; if he is a kitchen hand, our chefs will interview them; if he is in the Front of the House, either myself or other managers will interview them ...

Senior management is involved in HR issues only when necessary:

If any discipline actions are required then I am involved ... Where there is a particularly serious issue, for example, theft, which could potentially result in dismissal, then I will be definitely involved and I usually run the process myself.

The above interviews reveal that part of the reason for hotels having very small or even no HR department is because the HR function does not meet the need of efficient operation of the business. To respond, GMs have to reconsider the role an HRM department can play in handling employee issues, and one of the options they can choose is to empower most of the HR functions to individual departments. When this is the case, GMs themselves only get involved when critical HR issues occur.

It has been argued that the quality of the department heads' leadership behaviour and their satisfaction with HR practices will have a strong influence on employee attitudes, and that this will in turn affect employee performance and so the organization's performance (Harris, 2001; Hutchinson and Wood, 1995). The finding of the present research is consistent with Purcell and Hutchinson's (2007) argument that front-line managers are playing the role of an 'agent' in an organizations' HRM-performance chain. As managers with direct supervisory responsibility, the front-line managers (department heads) decide, to a large extent, how well the HRM practices are perceived and experienced by employees. In other words, "employees are likely to be influenced by both the HR practices they experience, and by their managers' leadership behaviour" (Purcell and Hutchinson, 2007, p. 4). It is from this perspective that the common practice of empowering HR functions to department heads and employees at lower managerial levels in the sample hotels is understandable.

Some other hotel managers interviewed addressed the issue of ineffective HRM functions in a different way. They empowered some of the HRM functions to the heads of individual departments, but still left senior management with the power to handle major HR functions. The GM of a hotel without a HR department commented:

Any decisions related to HR all get done here from myself. All my managers basically are responsible for hiring someone. They have to receive my approval. I count for warning, firing, anything ... all get centralized here.

Large hotels in New Zealand tend to have relatively small HRM departments, with HR functions also being undertaken by senior and/or middle managers. The extent to which

HR functions are shifted to senior and/or middle managers depends on how well the HRM department works and the importance given to HRM by the senior management.

The strategic importance accorded to HR issues was explored through several survey questions and in the interviews. To begin, participants were asked to indicate whether their hotel has a mission statement and, if the answer was yes, then what the statement is. The mission statements were then analysed to see if they are HR-related. Twenty seven (57%) of the respondents claimed that they had a mission statement in their hotel operation, although four hotels (15%) did not offer the statements as requested. The remaining 23 statements were analysed and the result is striking: only 6 hotels (12.7% of the total) have an HR-related element explicitly stated in their mission statement. One hotel's statement is:

To maintain continued growth and profitability, and thereby maximise the benefits to our visitors, employees and shareholders.

It is worth noting that in this case, the benefits (interests) of the hotel's employees are equally emphasized along with those of the customers and shareholders, based on an assumed link between satisfied 'internal customers (employees) and better customer service and organizational performance' (Farner, Luthans and Sommer, 2001). This perspective is commonplace among the participating hotels. For example, another hotel mentioned:

The ... hotel will aim to be the preferred choice for all guests, clients and staff by proudly providing the best product and services that will exceed all expectations.

And another hotel's mission is:

To maintain an efficient open style of management that fosters mutual respect between employer and employee with the objective of achieving a high degree of job satisfaction and stability of employment. To maximize profitability that will provide fair rewards for all. The payment to Shareholders of a fair rate of return on their investment.

Some other mission statements mentioned the issue more generally such as: "A great place to work."

The majority of the mission statements were developed from the perspective of maximizing the hotels' profit through satisfying or exceeding the customers' demands.

Among them, quite a lot promised to deliver high quality to their customers. The quality of their human resources is implicitly emphasized. For example:

... to provide our valued clients with the quality experience through ensuring that at all times our team are helpful, caring and friendly and the product provided is at a consistent high standard. At all times our aim is to create a satisfied return customer.

The customer-centred philosophy is widely held by hotels. As one hotel states:

By offering service that warms the heart of the guest we are ensuring that the guest is the centre of our world.

From the analysis of the mission statements, it is clear that internal HR issues are not highly emphasized by the senior management of New Zealand's large hotels: just a limited number of the sample hotels treated HR as importantly as their customers and shareholders in their mission statement. Does that matter? Yes, if one accepts that a mission statement is a strategic tool which creates a clear picture of the nature of the business and makes the business survive and maintain sustainable competitiveness (O'Connor, 2000). The relatively low proportion of hotels with formal mission statements (57%) also implies the sample hotels' lack of attention to the importance of a mission statement. As an important part of the strategy-related issues of the hotels, the mission statements of the hotels will be further discussed and interpreted in later sections of the thesis.

The surveyed GMs were then asked to indicate whether they had a HRM strategy that was formally endorsed and actively supported by senior management. Fewer than two-thirds (62%) of the respondents within the sample hotels claimed that the senior management had given formal support to the hotels' HR strategy. When comparing the results with the hotel star grades, significant differences were found: in hotels with one and two stars, none claim that their senior management gives support to their HR strategy, whereas one-third of the three-star hotels claim they offer such support. In terms of the four-star hotels, 85% claim to offer support, and in the five-star hotels, the figure is 67% (see Table 4. 14).

Table 4.14 Senior management’s support of HR strategy versus star grades (n = 44)

Responses	Star grade						Total
	1	2	3	4	5	N/A	
Yes			36%	85%	67%	50%	61%
No	100%	100%	64%	15%	33%	50%	39%

Note: p value = 0.046, so differences are significant.

The next measure of the strategic importance of HR function was to ask the GMs to indicate if attempts had been made to deliberately integrate HR strategy with overall business strategy. Answers to this question reflect the level at which HRM is ‘vertically fitting’ with other critical functions within the organization. It was found that the majority (88%) of the GMs perceive that HR strategy is developed and consistent with the overall business strategy of their hotels. A strong association was found when vertical fitting was analysed against the star grades of the hotels: all one- and two-star hotels said no to the questions, whereas all three-, four- and five-star hotels said yes (see Table 4.15). It is safe to conclude that the higher the hotels’ star grades are, the more likely that vertical HR-strategy fit is achieved. However, the conclusion needs to be made with caution because only 30 GMs replied to the ‘fit’ questions. At best, this researcher assumes that some GMs were not quite sure about the concept of fit and thus chose not to answer the question; at worst, the theoretically argued ‘vertical fit’ doesn’t exist in many of the sample hotels.

Table 4.15 Vertical fit of HR-strategy versus star grades (n = 30)

Response	Star Grade						Total
	1	2	3	4	5	N/A	
Yes			100%	100%	100%	60%	86.7%
No	100%	100%				40%	13.3%

Note: p value = 0.001, so differences are significant.

The next measure of the strategic importance of HR issues was to ask the participants whether the human resource practices in their hotels had been deliberately integrated with the human resource policies. Answers to this question reflect the level of ‘horizontal fit’ within an HR system. Seventy per cent of the respondents believe that their hotels have achieved a fit between their HR practices and policies. Once again, there exists a strong association between hotels’ star grades and a horizontal fit between

their HR practices and policies, especially in four- and five-star hotels where 98% and 67% of GMs, respectively, indicated a horizontal fit (see Table 4.16). More importantly, significant differences were found among the hotels at the other star levels, too. Thus the sample finding can be generalized to the bigger population of all large hotels in New Zealand, although this generalization has to be made with caution because of the small sample size.

Table 4.16 Horizontal fit of HR practices and policies versus star grades (n = 43)

Response	Star grade						Total
	1	2	3	4	5	N/A	
Yes	100%		55%	95%	67%	50%	72%
No		100%	45%	5%	33%	50%	28%

Note: p value = 0.0431, so differences are significant.

As the above variables and approaches for exploring the strategic importance of HR were largely adapted from Hoque (2000) and Alleyne et al. (2006), the outcomes of this study are now compared with findings from these two studies (see Table 4.17). It should be pointed out that definition of horizontal fit is different between the present study and the two earlier studies. In this study, it refers to the consistency between a hotel's HRM practices and policies, whereas in the other two studies, the term 'internal fit' is used to refer to a deliberate integration between HRM practices. Consequently, this item is not compared in the study.

Table 4.17 HR's strategic importance within the New Zealand hotel industry compared with the Barbados hotel industry (Alleyne et al., 2006) and a UK sample (Hoque, 2000)

HR's strategic importance	NZ hotels (%)	Valid cases (n = 47)	Barbados hotels (%)	Valid cases (n = 46)	UK hotels (%)	Valid cases (n = 230)
Formal mission statement?	57	47	47.8	46	84.7	229
HR content?	22	27	68.2	22	75.3	186
Supported from senior management?	61	47	65.2	46	76.6	227
Vertical fit?	88	32	82.6	46	77.2	224
Horizontal fit?	70	46	80.4	46	74.2	221

More than half (57%) of the sample hotels reported that they had a formal mission statement, which is a slightly higher percentage than the Barbadian hotels (Alleyne et al. , 2006) but still much lower than the overwhelming UK level of 84.7% (Hoque, 2000). This result may imply that formal strategic management tools such as mission statements are given less attention by large hotels in New Zealand. When looking for HR content in the mission statements, because only explicit content was scored in this study, the percentage of hotels having such content is considerably lower than the other two countries'.

Large New Zealand hotels receive little support from their senior management for HR strategy, certainly less their counterparts do in Barbados and the UK. As pointed out by Alleyne et al. (2006), this may be interpreted that the HR responsibility had been empowered further down the hotel's hierarchy. In this study, no further information was obtained to support this interpretation but it might be reasonable to surmise that in large hotels in New Zealand, HR functions are still largely influenced by senior management – even though a proportion of these functions are managed by HRM departments. Nevertheless, the extent to which the HR functions are managed at lower level needs further investigation.

Eighty-eight per cent of large hotels in this New Zealand study report a vertical fit of HR strategy and the hotel's overall business strategy; this compares with 82.6% in the

Barbadian study (Alleyne et al., 2006) and 77.2% in the UK study (Hoque, 2000). Moreover, New Zealand hotels performed the second best in the horizontal fit. Both findings show support for the possible importance of the contribution of human resources to the overall business goals of New Zealand hotels. A comparison of the overall outcome with Hoque (2000) and Alleyne et al. (2006) is presented in Table 4.18.

Table 4.18 Comparison of adoption rate of HRM practices in hotel samples from NZ, Barbados and the UK

	NZ sample (n = 47; partially = 0.5 yes + 0.5 no)	Barbados sample (n = 46; partially = yes)	UK sample (n = 230)
<i>Terms and conditions</i>			
Harmonized terms and conditions between management and non-management staff	92.4	89.1	76.2
Single status for all staff	88.0	45.7	59.3
Internal promotion the norm for appointments above the basic levels	83.7	80.4	89.9
No compulsory redundancy	58.0	26.1	41.3
<i>Recruitment and selection</i>			
Trainability as a major selection criterion	75.0	91.3	89.7
Use of psychological tests as the norm for the selection of all staff	29.5	17.4	7.2
Deliberate use of realistic job previews during recruitment and selection	65.2	84.8	53.4
A formal system for communicating the values and systems in the company to new staff	82.6	78.3	88.5
<i>Training</i>			
Deliberate development of a learning organization	81.1	80.4	70.5
An explicit policy requiring all staff to spend a specified minimum period annually in formal training	38.0	43.5	39.1
<i>Job design</i>			
Flexible job descriptions that are not linked to one specific task	69.1	69.6	76.8
Deliberate design of jobs to make full use of workers' skills and abilities	71.7	63.0	57.3

Work organized around teamworking for majority of staff	82.2	89.1	79.7
Staff involvement in setting performance targets	56.5	63.0	52.9
<i>Quality issues</i>			
Production/service staff responsible for their own quality	64.1	56.5	65.2
A majority of workers currently involved in quality circles or quality improvement teams	45.7	47.8	30.2
<i>Communication and consultation</i>			
Regular use of attitude surveys to obtain the views of staff	71.7	58.7	50.2
A system of regular, planned team briefings or cascade of grades/shopfloor during which work stops	80.4	78.3	81.2
All staff are informed about the market position, competitive pressures and establishment and company performance as a matter of course	65.6	87.0	79.9
<i>Pay systems</i>			
A merit element in the pay of staff at all levels	43.5	47.8	43.7
Formal appraisal of all staff on a regular basis at least annually	58.0	65.2	89.9

- Notes:
1. Wording and order of questions were slightly adjusted with minimum change of the meaning of the sentences.
 2. Total number of valid cases: NZ, n = 47; Barbados, n = 46; UK, n = 230 – although the valid cases for each question varied.
 3. NZ sample – the present study; Barbados sample – Alleyne et al. (2006); UK sample – Hoque (2000)

The 21 HRM practices cover all major areas of a formal human resource management process. The new variable 'partially yes' did not appear in Hoque's (2000) study. It was added as recommended by Alleyne et al. (2006), who count the variable as a 'yes'. In this study, it is counted as 0.5 points. Thus it is difficult to compare these scores directly. However, Table 4.18 still reveals some features of HRM practices in different parts of the world over the years. For example, in the section of 'terms and conditions', the proportion of New Zealand hotels saying 'yes' was much higher than the Barbadian and UK samples in most items.

In the areas of recruitment and selection, trainability as a major selection criterion is cited less often in New Zealand hotels. Rather, New Zealand hotel management are more likely to use psychological tests as the norm for selecting staff, although the proportion of hotels that where this occurs is still lower than 30%. The use of job previews during the recruitment and selection process is significantly higher in New Zealand than in the UK sample and hard to compare with the Barbadian hotels. Using a formal system for communicating the values and systems in the company to new staff is a common practice in hotels in all three countries.

The picture of training in the sample hotels is somewhat contradictory. On the one hand, the concept of 'a learning organization' seems to be widely understood, accepted and used as one of goals of the hotels. However, although 81% of the sample hotels claim that they use practices to develop their hotels into such an organization, only 38% of them incorporate regular staff training into their HRM policy. At best, this is simply because most of the participating hotels, constrained by competition and the pressures of time, costs and labour shortages, were unable to do so. At worst, it might imply that staff development is given only lip service in these hotels, and that it is not really valued as being strategically important. This trend is obvious in all three countries.

Brien (2004) states the hotel industry is facing a shortage of skilled labour, both currently and in the future. Perhaps this study's findings show that New Zealand hotels have responded to this pressure by developing practices through which they can may more effective use of their existing staff. Accordingly, it is also found that within the sample hotels, multi-skilled staff and teamwork ability are still highly valued. However, the level of staff involvement in setting performance targets is relatively low in New Zealand (56.5 percent). The implication of this finding is that in a lot of hotels,

employees at low or non-managerial levels are still excluded from strategic-level decisions, even though the decisions made are directly related to their career development and interests.

The HRM practices relating to quality issues received similar attention in New Zealand hotels compared with the other two countries. Similar to Hoque's (2000) comment on UK hotels' performance in this area, the relatively low proportion of sample hotels using these practices is somewhat surprising. Quality service is usually considered to be the most critical factor for a hotel's survival (Min and Min, 2006). In other words, a hotel is not likely to remain competitive unless it strives for a continuous improvement of its service standards to cater to the ever-changing demands and lifestyles of its customers. The relatively low attention paid to HR practices in improving service quality is of concern.

At the same time, the differences between the sample hotels in New Zealand and those reported by the other two studies should be noted. In the present study, 64.1% of the hotels claim that they have made quality part of the staff's responsibility, which is higher than the Barbadian case and almost the same as the UK sample. Hoque (2000) argues in his study that this might be because service quality is too important an issue to be left to individual employees. But from the present study, it can be seen that, at least within the New Zealand context, the trend is that hotels are becoming slightly more likely to empower this issue to their middle managers and/or employees. Such a trend is even evident from the GMs' answers to the second question: approximately 46% of them have set up a quality circle or quality improvement team, enabling their staff to have a say. Through this practice, the staff's knowledge of how to serve customers is better utilized in the quality improvement process, which is of critical importance in achieving the hotels' strategic goals.

Communication and consultation are key issues for the development of organizations: they play an important role when leaders try to understand and respond to employees' personal motives and it is through them that trust and equity can be mediated (Harnesk, 2004). A large proportion of the GMs (71.7%) of the sample hotels in this study regularly collected employees' opinions and feedback on issues – evidence that the importance of communication and consultation is well understood by senior management. However, New Zealand hotels lag behind their Barbadian and UK

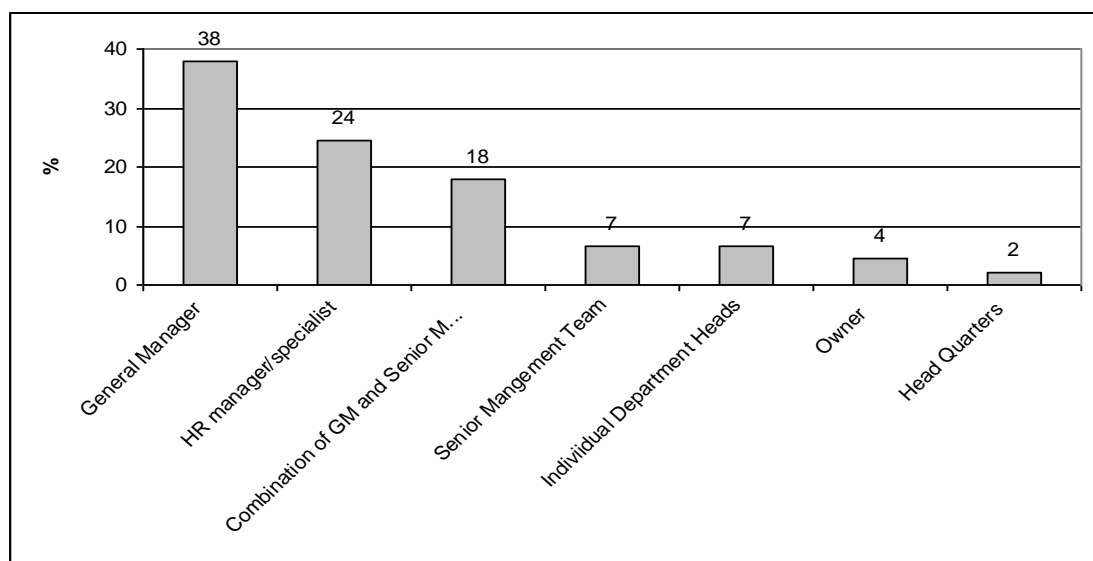
counterparts in offering employees broader knowledge of the market, competition and performance (65.6%). This is an obvious weakness of the sample hotels because to be market-oriented, organizations need to generate market intelligence about the needs and preferences of the customers and competitors and spread this information throughout the organization (Conduit and Mavondo, 2001; Kohli and Jaworski, 1990).

The research found that performance-based variable pay is quite common in New Zealand hotels: a little less than half (44%) of the sample hotels employ this practice in their operations. This is quite different from findings reported by Lucas (2004) in UK hotels.

On average, the sample hotels in New Zealand used 13.7 out of the 21 HRM practices listed in Table 4.18. The figure is very close to the 13.6 result of the Barbadian sample, show that large hotels in New Zealand are very similar with international hotels in adopting modern HRM practices.

The GMs were also asked who was primarily responsible for HR-related decisions within their hotels (see Figure 4.9). The general managers played a key role in handling HR issues in their hotels: 37.8% of respondents said that their GMs dealt with HR-related decisions.

Figure 4.9 Decision-makers for HR issues (n = 45)



Seventy per cent of the sample hotels' HR issues were managed by people at senior-level management, including the GMs. This figure is close to, and thus reinforced by,

answers to the question regarding ‘support from senior management’, where 62% of the GMs said their HR strategies were propped up by senior management. The figure also implies that in the New Zealand large-hotel sector, HR issues are considered a critical factor for a hotel’s survival and success, given that most of the decisions are made by owners and/or senior managers. Less important or routine HR functions are more likely to be empowered to either HRM departments or heads of individual departments, as discussed earlier. Hotel interviews showed a similar but even stronger trend: all GMs responded to this question by indicating the role of senior manager and/or owners as the decision-maker of strategy-related issues. As a GM of a chain hotel commented:

The final five-year strategic plan is of course made by the Board. But I presented the plan to the Board and that (plan) will be consulted with my team.

Other responses to the questions are quite similar such as “by the management team”, “myself” and so on, showing the key role of senior management/owners play in strategic decision making.

In this chapter, the demographic features of the participating GMs and their hotels were described and explored. This was followed by a discussion of how HR functions in the sample hotels and its implications for the study. All the information helps to set the context in which SHRM and performance issues will be further discussed in the next chapter, where the researcher will take up the challenge of measuring the two-way impact of HRM-strategy integration and a hotel’s overall performance.

CHAPTER FIVE

NEW ZEALAND LARGE HOTELS: STRATEGY, HRM-STRATEGY INTEGRATION AND PERFORMANCE

In this chapter, further information from the sample hotels is explored to answer the following research questions:

- *To what extent is SHRM being practised by large hotels in New Zealand?*
- *Are HRM-strategy linkages positively associated with perceived performance levels of large hotels in New Zealand, with the hotels' HR outcome as a mediator?*
- *Does the perceived performance of a large hotel in New Zealand have a positive influence on its human resource management?*
- *Is the level of HRM-strategy linkage in those New Zealand hotels adopting either a differentiation or a 'struck in the middle' strategy higher than in those adopting a cost leadership strategy?*

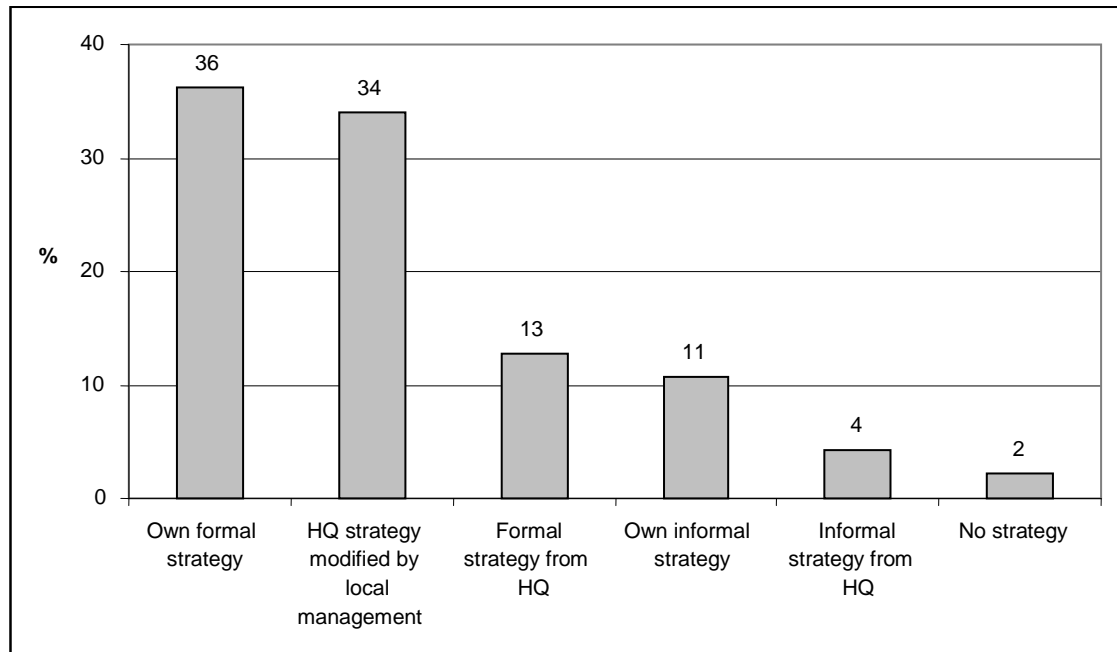
5.1 Use of Strategies in the Sample Hotels

The research examined whether and how hotels form and develop overall business strategies. Participants were asked to identify the sources of their hotel's strategies from the following options:

- either formal or informal strategy of their own
- either formal or informal strategy from company headquarters
- headquarters' strategy is modified by local management , or
- no strategy.

The GMs were given the option of specifying 'other' if none of the given options applied. None chose this option. In this study, formal strategy refers to written documents, and informal strategy refers to an oral approach – with details not formally recorded.

Figure 5.1 Sources of hotels' strategies (n = 47)



More than 70% of the sample hotels either develop and implement their own formal strategies, or modify formal strategies from company headquarters to make them fit the local context. Eighty-three per cent of the sample hotels have their own business strategies and only two per cent did not have business strategies of any format. This finding is very important for SHRM research as it satisfies the precondition for undertaking an HRM-strategy integration study (e.g. Chadwick, 2005).

It is assumed that different ownership types of the hotels will have an influence on their management (Brown and Dev, 1999; Claver-Cortes, Molina-Azorin and Pereira-Moliner, 2007), and so the relationship between the source of business strategies and the type of ownership of the hotels was investigated. Association was only found when hotels were broken down into 'part of a hotel chain' and 'independently owned' (see Table 5.1).

Table 5.1 The relationship between source of business strategy and hotel ownership – hotel chain member versus independently owned hotels

	Hotel chain (%)	Independently owned (%)
Own formal strategy	33	47
Own informal strategy	4	20
Headquarters' formal strategy	11	7
Headquarters' informal strategy		13
Headquarters' strategy modified by local management	52	7
N/A		7

Note: p value = 0.014, so differences are significant.

It was found that in those hotels that are part of a chain, more than half (52%) followed an overall strategy formed at company headquarters and modified in accordance to the local market's situation. Another 11 per cent of the hotels surveyed followed their head office's strategy, while 37 per cent developed and implemented their own formal strategy. Only four per cent of the sample hotels used informal strategies.

Findings from the interviews revealed a somewhat different picture. All interviewed hotels were members of hotel chains. The majority of the hotel chain members either developed their own business strategies or proposed such strategies and submitted them to the headquarters for consultation. As a GM of an international chain hotel said:

[Strategies are generally made] by the executive body. I have approximately 12 directors for reports. They form the heads of departments of the hotel. They will all report to me.

The headquarters' role in generating business strategies was commonly described by the interviewees as a body providing necessary guidelines. As the GM of a domestic hotel chain said:

[The strategies are] made by myself and by my two directors. We do have a guideline form within the group of how you strategically should go along. Obviously we have our own variance to it. But generally speaking, the whole group goes along with the same format.

Compared with the hotel chain members, independently owned hotels are more likely to develop and implement their own formal strategies (47%). Because most of them do not

have a company headquarters, their overall reliance on head office in developing strategies is much lower than the chain hotels'. One-third of the independently owned hotels have informal strategies. The association between source of business strategies and sample hotels' ownership was statistically significant (p value = 0.014). Thus, it is reasonable to generalize these findings to the population of all large New Zealand hotels, although this generalization has to be made with caution because of the small sample size.

Foreign-owned and domestically owned hotels in the sample show differences in terms of the source of their business strategy (see Table 5.2), although these differences are not statistically significant (p value = 0.258).

Table 5.2 The relationship between source of business strategy and hotel ownership – foreign-owned versus domestically owned hotels.

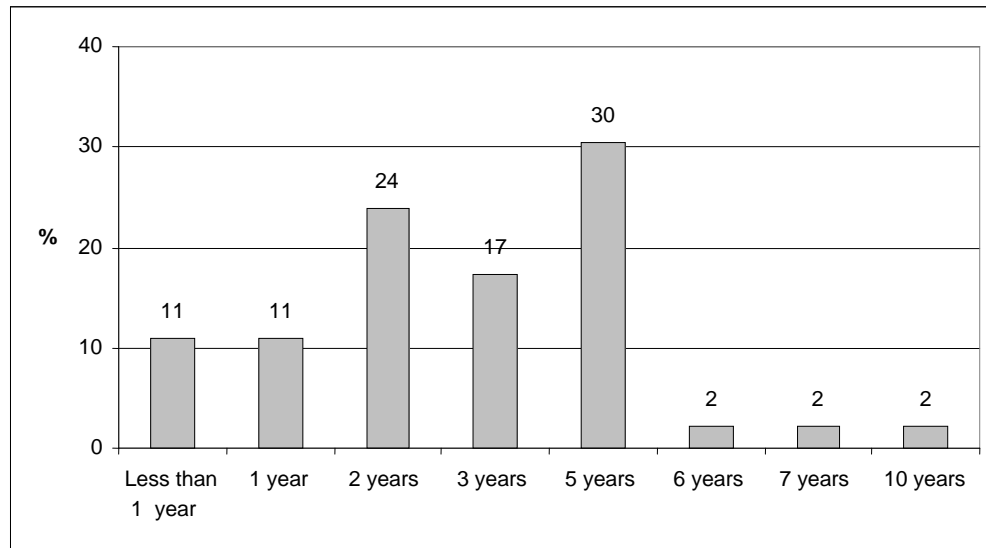
	Foreign-owned (%)	Domestically owned (%)
Own formal strategy	31	42
Own informal strategy	19	12
Headquarters' formal strategy		12
Headquarters' informal strategy		8
Headquarters' strategy modified by local management	50	23
N/A		4

Note: p value = 0.258, so differences are not significant.

It is evident from Table 5.2 that the foreign-owned hotels in the sample have only three sources of strategies: they either developed their own formal or informal strategies, or they adopted the general strategy from their company headquarters and modified it to match the local situation. None of the hotels studied adopted strategy formulated by their company headquarters without changing it to fit their own context. Research on how hotel chains operate in a global context points out that the success of global hotel strategies relies heavily on localized policy (Whitla, Walters and Davies, 2007), which is consistent with the finding of this study. The philosophy of 'think global, act local' is widely accepted by international hotels operating in New Zealand market.

Participants were also asked to indicate the years their strategy, either formal or informal, covered. The purpose of this question is to investigate to what extent hotel strategies are oriented towards the long term rather than short term (see Figure 5.2).

Figure 5.2 Years covered by hotel strategies (n = 46)



Note: mean = 3.1 years

The hotels in the sample tend to adopt short- to medium-term strategies (i.e. three years and shorter). Sixty-three per cent of the sample hotels fell into this category. Approximately 30% of the respondents replied that they have strategies covering a period of five years, and a very small number of hotels develop strategies that cover more than five years. None of hotels have strategies covering more than 10 years.

The issue of strategy longevity was discussed in the interviews. The GMs of the hotels explained that the fast-changing competitive environment faced by hotels causes high uncertainty, and this is the main reason why they feel long-term strategies are less realistic and relevant. The other reason for the hotels' reluctance to adopt long-term strategies is because of the close relationship between strategy and the hotel's financial plan (budget), which is usually short-term in the hotel industry. One manager commented:

...one year in advance. The hotel tends to consider the financial plan for the year, the budget ... based around expenditure.

The potential relationship between hotels' ownership type and the period covered by strategy was explored (see Tan, 2002). Once again, association was only found when

hotels were broken into divisions of ‘hotel chain’ versus ‘independently owned’ (Table 5.3).

Table 5.3 Ownership type and strategy covering period (n = 42)

Years	Hotel chain (%)	Independently owned (%)
<1	15	-
1	19	-
2	11	53
3	22	7
5	26	33
6	4	-
7	4	-
10		7

Note: p value = 0.025, so differences are significant.

A significant difference was found between these two types of hotels. More than two-thirds (67%) of chain hotels use strategies that cover three or fewer years, while only 60% of independently owned hotels do so. This finding is somewhat unexpected because hotel chains usually have more formal management structures, and so could be expected to have a longer-term orientation in their strategic decision-making (Whitla et al., 2007; Yip, 2003). A further investigation of the ownership of the hotels might help explain this phenomenon: 48% of the chain hotels were domestically owned and all three of the independently owned hotels were domestically owned. It is reasonable to presume that with a better understanding of the local market, and potentially quicker reaction to changes occurring in that market, the domestically owned hotels may feel more confident about their ability to respond to market uncertainty and this is reflected in the greater use of longer-term strategies. The foreign-owned hotels, in contrast, will tend to deal with the uncertain, less familiar market with more caution, and this is reflected by a shorter-term strategy. For example, an interviewed GM of an international chain hotel commented:

Corporate strategies are obviously usually longer term, 3–4 years. But on the hotel level, it's 12–18 months. The environment changes too much in our business.

It has also been argued that when compared with independently owned hotels, hotel chain members, who are often owned by international groups, are usually under greater stress from factors such as the real estate values in key city-centre locations and exchange rates (Hoque, 2000). These factors, in some cases, will drive the hotel chain owners, and other investors, to focus on the realization of short- or medium-term capital gain, rather than being involved in long-term hotel operations (Go and Pine, 1995).

Respondents were also asked to identify the key person who makes strategy-related decisions within their hotels (see Figure 5.3). General Managers play a key role in making strategic decisions in New Zealand hotels. Twenty eight per cent of the GMs claimed that they are the key person in charge of making the strategic decisions for their hotels. Even when they are not contributing directly, they are deeply involved in the decision-making process as a key member of the senior management team and board of directors. This, along with the key role GMs play in making HR-related decisions, as reported in Chapter 4, confirms the assumption of GM's critical position in making SHRM-related decisions in hotels.

Figure 5.3 The hotels' key strategic decision-makers (n = 47)

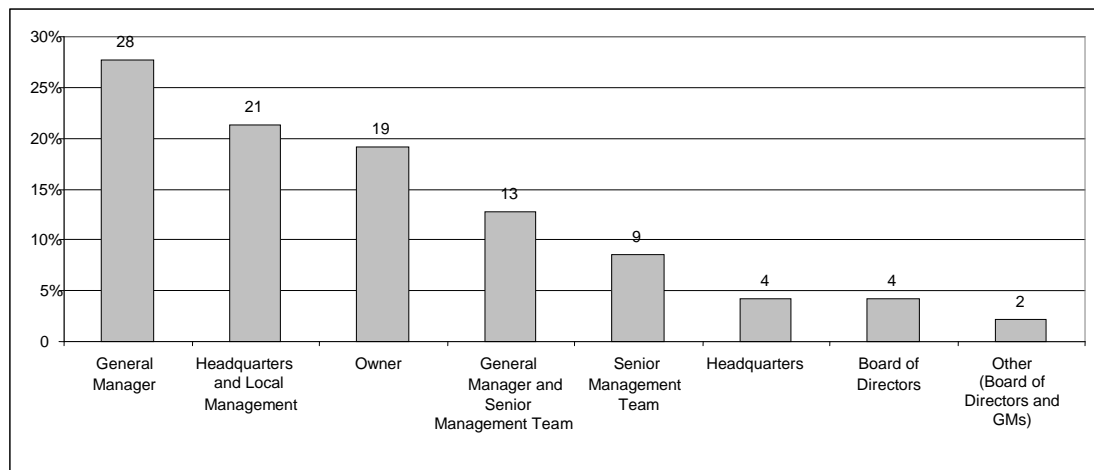


Figure 5.3 also reveals that strategic decision-making in hotels is a highly complex issue, and usually a combined effort of a group of key stakeholders in the business, including the GM. As one GM of an international chain hotel commented:

[Strategy is developed] generally by the executive body. ... We have an open architecture in this hotel. It's like I'm not the boss. I am only the boss when there are problems.

A test was conducted to see if there was any relationship between the ownership type of a hotel and who its strategic decision-maker is. No significant relationship was found

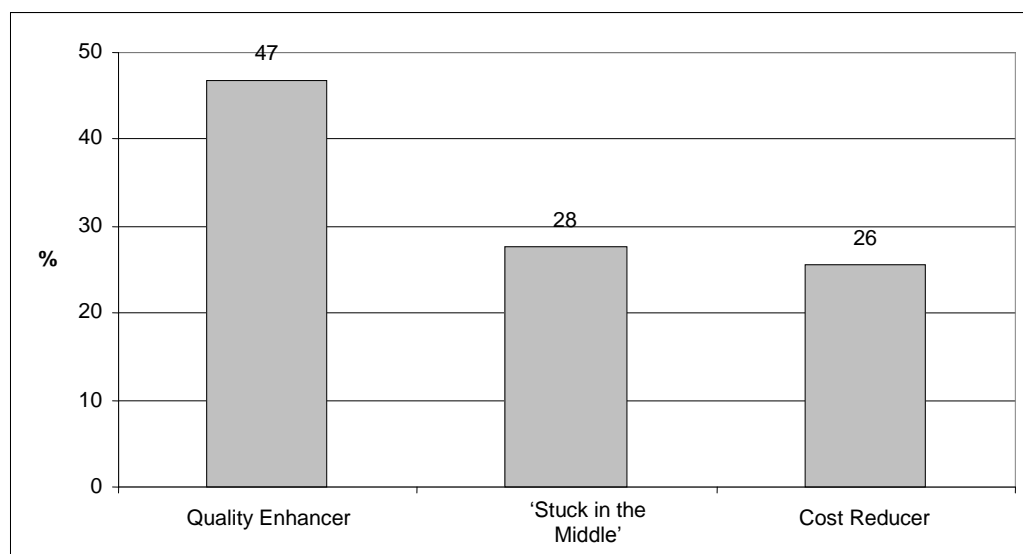
within the sample hotels. From the interviews, a member of a hotel chain was found to follow strategies made by company headquarters, but with some freedom to adjust the strategies according to local market conditions and management status. As a GM of an international chain hotel commented:

We do have a guideline from within the group of how you strategically should go along generally speaking, the whole group goes along with the same format.

5.2 Business Strategies Employed by Hotels

The present study explored the use of competitive business strategies in the sample hotels (see Figure 5.4). Close to half (47%) of the surveyed hotels used the quality enhancer strategy, and the percentage of use of the other two strategies, namely cost reducer and ‘stuck in the middle’, was almost the same.

Figure 5.4 Strategy used by the sample hotels (n = 47)



The distribution among the three groups is similar to that found in Hoque's (2000) study of 209 hotels in the UK, (46.5%, 30.6% and 22.9% respectively), although in Hoque's study the proportion following the 'stuck in the middle' strategy' was higher than that following cost leadership. That almost half of the sample hotels view quality enhancement as the focus of their business strategy while only one-quarter of the sample view cost minimization as the key, is in itself a noteworthy finding. It has been argued that quality enhancement is becoming the most critical factor for a hotel's survival and success in today's highly competitive environment (Go and Pine, 1995, Hoque 2000).

Claver-Cortes et al. (2007) find that there is a relationship between the strategies adopted in a hotel and its performance. They further suggest the importance of implementing an improvement- and dimension-based competitive strategy in achieving a hotel's performance goal, with quality improvement being a critical part of that strategy. Under a quality-focused strategy, hotels usually develop quality management systems that will result in improvements in service quality and customer satisfaction, while also reducing costs and increasing sales and so improving the hotel's competitive position (Claver, Tari and Pereira, 2006). The findings presented here show that many New Zealand hotels have received this message and have taken actions accordingly.

The interviews revealed a similar percentage of hotels (50%) following a quality enhancer strategy. The other 50% adopt 'struck in the middle' strategies. None of the hotels where interviews were conducted were implementing a pure cost leadership strategy.

As the GM from one of the quality enhancer hotels commented:

It is a very competitive market in Auckland ... So we stretch ourselves as a business to make sure that our products, our people provide the best service. On the customer side, we want to make sure that our products meet our very broad market. We want to satisfy all these market segments. We have designed our rooms. We put in the technology, wires, services, etc ...

Another GM commented on the importance of service quality in today's market:

Our customers pay more for higher quality. The better the service we provide, the more people will come more to stay ... That will really drive the business. And because of [the] Internet, if you don't have quality, someone will put a comment usually. Because more things are feasible for the visitor, you have to be more attuned to quality.

Another GM of a large hotel explained the importance of quality, focusing on its two-way linkage with the hotel's profitability:

Profitability is the reason we are in business. Profitability is the way in which we ensure that our staff are gainfully employed and that we will look after them. Profitability is the way in which we can afford to reinforce the quality of the hotel. We ensure that our guests are getting the best possible experience that they can have. And obviously being profitable allows us to increase rates and prices, the two are just so closely linked.

It is found from both Hoque's (2000) research in the UK and also this thesis research that the cost leadership strategy (also known as the cost reducer strategy) is the one least likely to be employed in the hotel sector. These findings reflect the fact that, faced with a highly competitive environment, cost control is no longer the optimal option for most hotel managers. Many hotels chose to attract and retain customers by providing superior service. In fact, the price war tactic was criticized by one of the GMs from a quality enhancer hotel:

There have been some times in Auckland's history, especially in the past ten years, when there have been massive discounting wars between hotels. ... We believe in our own products and we are simply not going to go down the discounting track as long as we can possibly avoid doing so ...

The ambitious 'stuck in the middle' hotels try to combine strategies, i.e. to achieve a good hotel performance by offering quality service and, at the same time, maintaining control over expenditure spent on business operations.

Cost control and providing outstanding service are the two most commonly discussed strategies. It is obvious that a lot of GMs try to achieve both simultaneously. As one GM of a chain hotel commented:

[In terms of cost], we don't overstaff and we can control that aspect well. We know who we can and who we cannot hire from different needs throughout the year.

In terms of service, the same GM emphasized the role of service in differentiating his hotel from its competitors:

Providing distinctive service because we are trying to set our hotel apart from any other hotels in Auckland ... we try very hard to be unique — that is our focus.

To integrate these two, the same GM continued:

We really try to run a timesheet in terms of cost control, but also making sure that the staff we currently employ do meet the requirement that they are able to deliver the service that we require.

To explain why cost concerns and quality can go hand in hand, one GM of an apartment hotel commented:

... value for money is probably the biggest thing that the customers are looking for at the moment. And most of the time, they are willing to pay a bit more if they are going to get more. Obviously with an apartment they

are going to get a lot more full value of money as compared with those traditional hotels whereas apartments give them the chance to save money ... for them that's the value-for-money part of the business.

The above philosophy is highly consistent with what Phillips, Chang and Buzzell, (1983), Yamin et al. (1990) and Allen et al. (2006) have argued: that the 'stuck in the middle' strategy is actually another form of the differentiation strategy. Organizations employing this strategy use both cost and superior products or service to differentiate themselves from their competitors.

No significant differences were found in the strategies used when the sample hotels were analysed by star grade, ownership type and size, i.e. the trend remains the same: close to 50% of the sample hotels use the quality enhancer strategy, while the other 50% of sample hotels are evenly split between the cost leadership and 'stuck in the middle' strategies.

The interviews and survey paint a clear picture that the majority of large hotels in New Zealand have given the top priority in their strategy and routine operations to service quality. Some of them go further, blending quality with a focus on cost management in the hope of maximizing their profitability by offering their customers superior quality service at a reasonable price and by keeping operational expenditure low. This finding is very different from Porter's (1980) notion that organizations pursuing 'differentiation' and cost leadership simultaneously are too ambitious and that the 'struck in the middle' strategy will cause loss of competitive advantage. In contrast, the findings in this study support the argument that such an ambitious strategy is possible and, moreover, the 'struck in the middle' strategy is in fact being practised by many large hotels in New Zealand. Quite a number of hotels are trying to be 'all-rounders' (Boxall, 1996), controlling service costs while still offering superior service to their customers. For example, the widely used in-room check-out systems provide customers with a speedy check-out option while also potentially reducing the hotel's costs.

The cost leadership strategy was less popular than expected, although cost is still a critical factor that influences a hotel's survival and success (e.g. Short, 2003). It has been reported that this strategy is still adopted by a number of leading international hotel chains for their brand names; for example, Accor, Choice, Marriott International, Hilton and InterContinental (Cunill, 2006). This thesis research has found that more

than one-quarter (26%) of hotel chain members still claim that they use a cost leadership strategy.

More attention needs to be paid to the use of the 'stuck in the middle' strategy. Powers and Hahn (2004) suggest that it is harder for organizations pursuing either differentiation or cost leadership strategies to outperform organizations using the 'stuck in the middle' strategy. Perhaps it is not surprising then that the 'stuck in the middle' strategy is being used by half of the hotels that were interviewed in this study. It is also reasonable to predict, at least in the New Zealand context, that the number of hotels adopting either pure cost leadership or quality enhancer strategies will decrease in the future, while more hotels will consider quality as important as, if not more important than, cost (Nath and Raheja, 2001). Achieving low cost and high quality service simultaneously will be the strategic goal of more and more hotels.

It has long been argued that within a cost leadership strategy environment, organizations will tend to view HRM as a cost and take actions to minimize their expenditure in developing human resources (Alleyne et al., 2006a). With fewer and fewer hotels holding simple cost leadership beliefs, it can be anticipated that more hotels will tend to give strategic significance to HRM in the future.

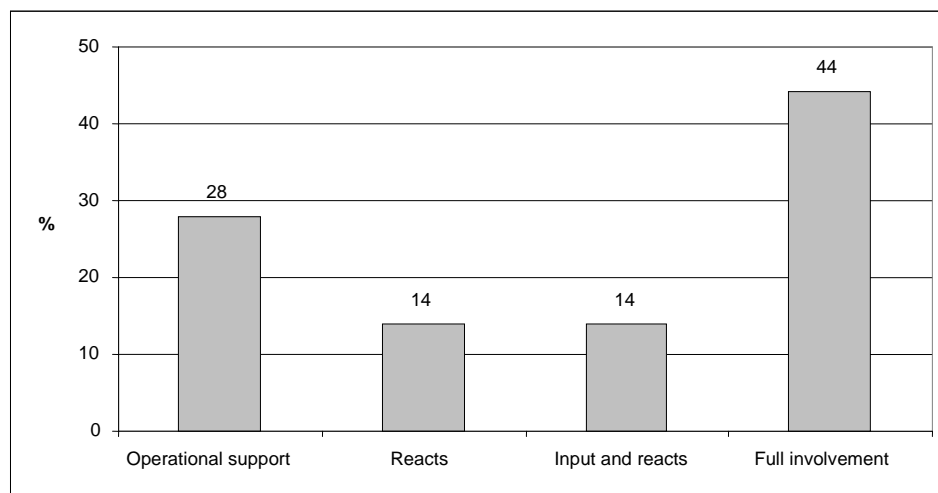
5.3 HRM-Strategy Linkage

This section explores HRM-strategy linkage in the sample hotels by looking at the strategic credibility given to HR professionals by the respondents. Also termed 'external fit', the HRM-strategy links represent the viewpoints of the contingency theorists in that an organization's best performance can only be expected when it has an HR system aligned with its overall strategy (Guest, 1997; Paauwe, 2004). Multiple methods were employed to measure the links, which are obviously not a single-facet issue.

Buller and Napier (1993) developed a measure of general HRM-strategy linkage based on Golden and Ramanujam's (1985) work. The measure consists of a 4-point scale, asking respondents to characterize the role the HR function plays in their organization's strategic decision-making process. The four proposed roles are: 1 = administrative, 2 = reactive, 3 = reciprocal and 4 = integrative. Although dated, this method is still thought to be effective and continues to be used by scholars (e.g. Sheehan et al., 2006). The

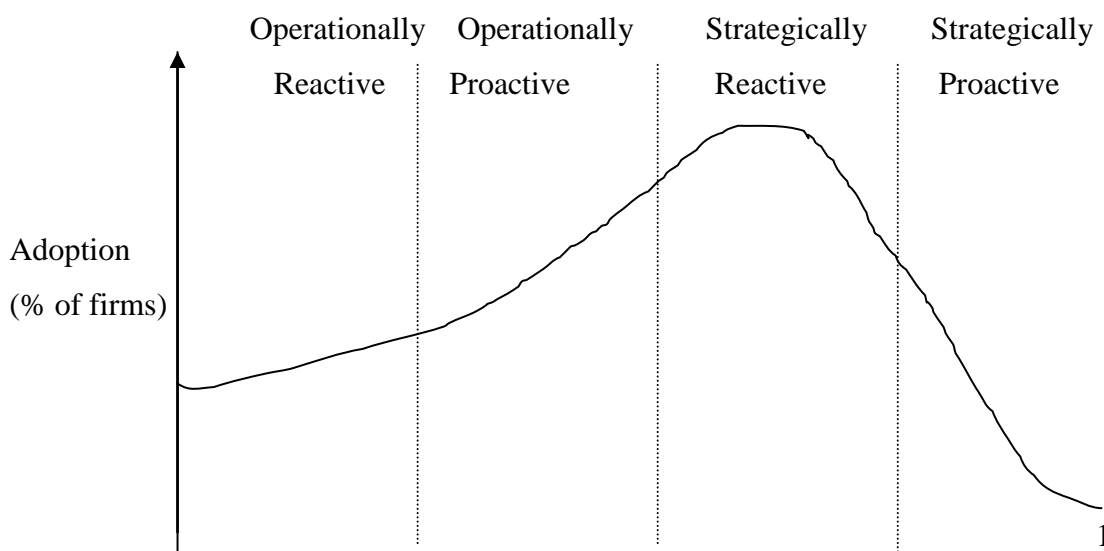
content of Buller and Napier's scale is very similar to the four HRM-strategy linkages proposed by Brockbank's (1999) model, namely operationally reactive, operationally proactive, strategically reactive and strategically proactive. In this study, the researcher used the approach suggested by Sheehan et al. (2006) and Buller and Napier (1993) as one of the measures of the sample hotels' HRM-strategy linkages. The proportion of hotels exhibiting each of the four types of HRM-strategy linkage is presented in Figure 5.5.

Figure 5.5 HRM-strategy linkage of the sample hotels (n = 43)



As Brockbank (1999) states, based on past observations of large organizations, in reality the model takes on a product-life-cycle-like skewed bell shape, with the majority of organizations falling into the categories of operationally proactive and, especially, strategically reactive (see Figure 5.6).

Figure 5.6 Brockbank's (1999) estimation of organizations' HRM-strategy linkages



Comparing Figures 5.5 and 5.6, it is evident that dramatic changes have occurred to the picture estimated by Brockbank. More and more GMs in New Zealand hotels have shifted their focus towards strategic HRM: the model (Figure 5.5) is a U-shape with most of the hotels in the categories of either strategically reactive or strategically proactive, although 27% of the respondents still hold the conventional view of HR as an operational area of the hotel. This finding, to some extent, shows a similar pattern to HR-strategy linkages in other contexts. For example, in Sheehan et al.'s (2006) Australian study, the authors report that 49% of the surveyed enterprises actively involved HR in all types of strategic decisions, while another 36% of their respondents reported that their HR played a strategically reactive role. In total, the Australian study shows that in 85% of sampled cross-sector organizations, HRM is playing a strategic role at various levels. This thesis research shows that in the New Zealand hotel sector, this percentage is 58% – 14% being strategically reactive and 44% strategically proactive (see Figure 5.5).

The HRM-strategy linkages in the sample hotels were analysed further. It was found that there are no significant differences in the HRM-strategy linkages between hotels with different star grades (see Table 5.4), although there is a general trend that hotels with higher star grades tend to have closer strategically proactive linkages. (Note: one- and two-star hotels were not included in this analysis because there was only one case in each group.) Among those analysed, the responses from the five-star hotels were particularly notable: all of them claimed that the HRM department is fully involved in their strategic decision-making process.

Table 5.4 HRM-strategy linkage versus hotel star grading (n = 40)

Linkage	Star grade			
	3	4	5	N/A
Operational support	36	21		17
Reacts	18	11		33
Input and reacts		11		50
Full involvement	46	58	100	

Note: p value = 0.160, so differences are not significant.

Associations between the HRM-strategy linkage and hotels broken down by other criteria such as size (both staff and bedroom numbers), and by ownership types were

also explored. No significant differences were found between the HRM-strategy linkage and hotels under these categories.

A significant difference was found, however, when hotels were broken down according to union presence (see Table 5.5). Union membership in New Zealand experienced its ‘golden time’ in the 1990s, at around 50%, and then it fell dramatically to around 23% in the late 1990s and early 2000s (Charlwood and Haynes, 2005). The hotel sector in New Zealand is no exception to this general picture. In the present study, the proportion of the sample hotels with unions is 33.3%, which is much higher than the national average. More than 85% of the sample hotels with unions claim to have given HRM a strategic role in their hotels’ strategy decision-making process. In contrast, only 46% of those hotels without unions claim to be giving HRM a strategic role.

Table 5.5 HRM-strategy linkage versus union presence (n = 41)

Linkage	Union presence		Total
	No (%)	Yes (%)	
Operational support	35	7	24
Reacts	19	7	15
Input and reacts	15	13	15
Full involvement	31	73	46

Note: p value = 0.05, so differences are significant.

As Lucas (2004) points out, from her work on employment relations in the UK, the reasons for low levels of unionization in the hotel industry can be many and complex. The small size and wide geographical dispersion of the majority of hotels is one barrier. The fact that for larger hotels, employees usually work in different departments at different times and on different contracts makes communications and group identity low among workers. A young, part-time and poorly educated workforce is more likely to be less committed to its employer and be less interested in trade unions. From the employers’ perspective, unions put too much emphasis on things such as teamwork, flexibility and employee involvement. That factor usually makes union leaders and members resist the introduction of practices attempting to bring forth employees’ commitment to the organization (Beaumont, 1992). It is logical that there exists a prevalent unwillingness by hotel owners and senior managers to recognize trade unions, which will also hinder a union presence in hotels.

The relationship between union presence and HRM practices is inconclusive. As stated by Freeman and Medoff (1984), a union presence per se is neither a plus nor a minus to productivity. What is really important is how unions and management interact in the workplace (Bryson, Forth and Kirby, 2005). For example, Poulston et al (2006) find that union presence could be a positive thing for hospitality industry performance in productivity. Some report that non-union organizations will invest heavily in HRM areas (Beer et al., 1984), while advocates of unions claim that unions can play a much more active ‘bridging’ role in encouraging and assisting the senior management to follow more strategic HRM approaches (Guest and Peccei, 2001). The findings of this study generally support the view that trade unions in New Zealand hotels have a positive impact on HRM-strategy linkage levels. Probably because the hospitality industry is so reliant on its personnel, the power of trade unions is strong enough to push the senior management to take HRM into account when making strategic decisions (see also Milne et al., 2004).

The impact of the presence of an HRM department on HRM-strategy linkage was also investigated. A significant relationship was found between the linkage and the presence or otherwise of an HRM department (see Table 5.6).

Table 5.6 HRM-strategy linkage versus HR department presence (n = 43)

Linkage	HR department presence		Total (%)
	No (%)	Yes (%)	
Operational support	35	23	28
Reacts	29	4	14
Input and reacts	6	19	14
Full involvement	29	54	44

Note: p value = 0.045, so differences are significant.

Table 5.6 reveals that hotels with HR departments tend to treat HRM strategically, while the majority of the hotels without a HR department tend to treat their HRM as an operational-level issue (see also Marques, 2006). Perhaps the action of establishing an HRM department within the hotels is a signal that HR has already received attention at a strategic level from senior management. Furthermore, the changing role of HRM is also

worth noting. For example, the GM of a large chain hotel with a formal HRM department commented:

HR is becoming much more involved in business support within the hotel and business support in all areas. They are not doing much recruitment any more. The recruitment comes back to the department heads. So their roles are changing.

Thus it is possible to conclude that the presence of an HRM department, like the presence of unions, has a positive impact on HRM-strategy linkage in large hotels in New Zealand.

Attempts were also made by the researcher to explore how some of the hotels without HR departments can still exhibit high-level HRM-strategy linkages. Faced by this question, the GM of a hotel that has no HR department but does carry out 'integrative' linkage commented that because the hotel did not have a formal HR department, the heads of different departments were responsible for HR. Therefore, when developing strategic plans, HR is naturally discussed by these department heads and the senior management team. Thus they had a highly integrated linkage of these two functions in their hotel.

In both interviews and the web survey, hotels with different types of HRM-strategy linkages were asked whether they could identify (web survey) and discuss (interview) the major limiting factor(s) that have prevented them from generating a high level of linkage. Only 11 out of the 47 respondents from the web survey identified various limiting factors, ranging from resources, time and cost, to the lack of quality staff because of the remote location of the hotel. These responses were consistent with findings from the interviews. One GM said it is difficult to find and retain appropriate talent, which leads to the impossibility of considering HR at a long-term strategic level:

Probably finding quality staff ... trying to find trained managers, is very hard, is impossible ... constant training is hard ...

Another GM of a family-run chain hotel thought that the size of his business is the major barrier for closer HRM-strategy linkage:

Size I will say, because it is so small and we don't have a formal function ... So everything I do towards HR is ensuring all the paperwork is done. ... predominantly it's size.

It is evident that from the GM's perspective, achieving a high level of HRM-strategy linkage is the responsibility of some HRM experts at lower bureaucratic levels, such as the HRM manager and his team, or the heads of various departments. Sheehan et al. (2006, p. 143) asked a similar question to senior HR managers across a number of industries, and 45% of them attributed low-level linkage to 'poor understanding of the value of HRM to the bottom line' and another 22% to the 'lack of acceptance by other senior managers'. As both strategy and HRM are critical factors relating to enterprise survival of the hotels, senior management of hotels need to have more responsibility and the ability to decide the appropriate level of the linkage between them. The perceived constraints caused by time, cost or resources may come from managements' lack of understanding of the significance of HRM and strategy linkage. The constraints could be addressed by redeploying resources and paying more attention to the HRM-strategy linkage.

Following Sheehan et al. (2006) and Purcell (1995), this researcher used the perceived level of HRM's involvement at different stages of the strategic-planning process to measure the HRM-strategy linkage in the sample hotels. Table 5.7 shows the percentages of hotels who claim moderately high to high involvement (3, 4 and 5 on the 5-point Likert scale) in the strategic-planning process, and compares these with Sheehan et al.'s (2006) study.

Table 5.7 Comparison of HR involvement

HR involvement at each stage of the strategic-planning process	Large hotels in New Zealand (n = 46) %	Industries in Australia (n = 472) %
Drawing up proposals	76	58
Evaluating financial consequences	74	41
Making the final decision	70	49
Implementation	85	83
Outcome review (added variable)	81	N/A

As Sheehan et al.'s findings were based on organizations from multiple industries (1372 members of the Australian Human Resources Institute, across the country), it might not be appropriate to directly compare the two studies. However, as Sheehan et al.'s (2006) study was the only one this researcher could find that investigates this issue in such

depth, it was decided to make the comparison. From Table 5.7, it is evident that HR's involvement in the sample hotels' strategic-planning process is very high, especially during the implementation and outcome review stages. This finding confirms the high level of HR-strategy linkage in large hotels in New Zealand. Although HR's involvement is highest (85%) during the implementation stage, the high level of HRM involvement at the other stages implies wide acceptance by large hotels that HR is an important function that should be considered all through the strategic-planning process. The proposition made by scholars such as Bennett et al. (1998) and Dyer (1983) that HR should be fully integrated with strategic planning has become a reality in this particular sector.

The last two measures of the HR-strategy linkage were adapted from Sheehan et al. (2006). Respondents to the web survey were asked to indicate whether there was HR representation on their hotel's board of directors or in their senior management group. In the 27 hotels with a board of directors, 10 (37%) had HR representation and 17 (63%) did not. In the 42 hotels with senior management teams, 35 (83%) had HR representation, and only 7 (17%) did not. This finding of high HR representation in the senior management team and relatively low HR representation on the board of directors is consistent with Sheehan et al.'s (2006) work, although the HR representation rate at the senior management level in New Zealand is considerably higher than in the Australian study (83 and 68%, respectively). No significant differences were found in this respect between hotels with different star grades, ownership types or a union presence.

The interviews yielded similar results for the issue of HR representation at senior management and board level. None of the interviewed hotels has HR representation at the board of directors level. Rather, in most cases it is the GM and/or another member of the senior management team who represents HR at this level. Likewise, if the owner of the hotel or a member of its board of directors wants to know about HR, then it is the GM and/or the senior manager in charge of HR whom they contact. The comment of a GM from a large international chain hotel is very representative of the broader themes to emerge from the interviews:

All the senior managers are involved in all the serious decision-making related to this property. I am the only person that reports to the Board anyway. Divisional managers and senior managers of the hotel have no interaction with the board of directors.

The GM continued, explaining why HR has no representation at the board of directors level:

The board of directors should not be involved in day-to-day management issues and HR is definitely a day-to-day issue. In our business plan which is presented to our Board annually, there is a full training plan. It is there for the Board to see, and obviously the Board could comment. It is a matter of record that the Board does receive our HR plan and I reported on that every month. ... In that way the Board is involved ...

Another GM of an international chain hotel commented:

She (the HR manager) is a member of the senior management team of the hotel. I am the only representative of the hotel who sits with the directors, the owners of the hotel. ... She is part of the hotel's internal senior management team, but not involved externally with the owner.

In terms of HR representation at the senior management level, the same GM commented:

HRM is discussed in the meetings if they are relevant to the activities of the senior team or to the activities of the HR manager ... If various people on the senior team, e.g. executive chef, executive housekeeper, Front of House manager, etc., wanted something specific from the HR manager, they would often request that in that meeting. And likewise, if the HR manager has any requirements of these departments, there will be a lot of exchange. It is not a hierarchical management team. It is a very flat structure; everybody in the meeting has equal status ...

From these GMs' statements, we can draw a general picture of HR representation in large hotels in New Zealand: (1) HRM is playing an active role, highly involved in all types of strategic decisions, whether or not they directly affect personnel matters. (2) HR function has been given strategic importance, which can be reflected by the fact that it has high representation at the senior management team level in the majority of the sample hotels. (3) The high HR representation is in two forms: either the HR manager is a member of the senior management team or the HR function is performed by individual department heads who are members of the senior management team. (4) At the same time, however, HRM is still largely considered to be only a functional part of the business. That is one of the main reasons why it has low representation at the board of directors level. (5) The GM is usually the only key person bringing the HR function to the board of directors. (6) GMs and senior managers perceive the key functions of HRM to be personnel recruitment, deployment and development. (7) In the large hotel sector in New Zealand, HRM-strategy integration is generally at a high level, at least

according to GMs' perceptions. (8) HRM is still largely considered to be one of the key functions of the hotels but in practice it is not really treated as a strategic asset. This phenomenon is consistent with the current trends identified by Lengnick-Hall et al. (2009). According to the authors, intended SHRM practices may be different from realized SHRM practices. Factors such as employees' lack of understanding of how to achieve the strategic goals, or different perceptions of SHRM among top management team, will compromise effective implementation of SHRM practices.

5.4 Business Strategies and HRM-Strategy Linkage

One of the key aims of this research is to reveal the HRM-strategy linkage in hotels employing a variety of business strategies. Tests were conducted to see if the HRM-strategy linkage is closer in hotels pursuing quality enhancer and 'stuck in the middle' strategies than in those using a cost leadership strategy. Table 5.8 reveals the different levels of HRM-strategic linkages for hotels with different types of business strategies.

Table 5.8 Business strategies versus HRM-strategy linkage (n = 43)

HRM-strategy linkage	Strategy		
	Cost leadership (%)	Quality enhancer (%)	'Stuck in the middle' (%)
Operational support	42	22	23
Reacts	17	17	8
Input and reacts	8	22	8
Full involvement	33	39	62

Note: p value = 0.61, so differences are significant.

In terms of HRM's involvement in the hotels' strategic-planning processes, no significant differences were found between hotels employing the three different business strategies. However, within the sample, HRM plays a much more strategic role in those hotels adopting quality enhancer and 'stuck in the middle' strategies than it does in their cost leadership counterparts. Seventy per cent of the 'struck in middle' hotels are practising strategic linkages (i.e. the categories of 'input and react' and 'full involvement'). This compares with 61% of the hotels practising quality enhancer strategies and 41% practising cost leadership. Also, it is worth noting that in 42% of the cost leadership hotels in the sample, HRM simply provides operational support to their

everyday operation and is not given any strategic importance at all, whereas in the quality enhancer and ‘stuck in the middle’ types of hotels, this proportion is considerably less, at 22% and 23% respectively.

The depth of HR’s involvement in the hotel’s strategic planning process was also explored. Table 5.9 compares the frequencies of respondents who claim to have high to very high HR involvement (scores of 4 or 5 on the 5-point Likert scale) across hotels with different business strategies.

Table 5.9 Business strategies versus HR involvement in strategic planning (n = 46)

HR involvement		Strategy			p values
		Cost leadership (%)	Quality enhancer (%)	‘Stuck in the middle’ (%)	
Proposal	Very deeply involved	8	23	17	0.877
	Deeply involved	25	18	17	
Financial outcome	Very deeply involved	8	23	17	0.722
	Deeply involved	25	18	17	
Final decision	Very deeply involved	8	23	25	0.417
	Deeply involved	25	18	8	
Implementation	Very deeply involved	8	36	33	0.101
	Deeply involved	33	27	50	
Review	Very deeply involved	8	36	25	0.398
	Deeply involved	33	27.3	41.7	

Note: p values are all greater than 0.05, so differences are not significant.

When hotels employing different strategies were compared, no differences were found in their overall HR involvement at the various stages of the strategic planning process. However, it was found that at all stages except ‘final decision’, more hotels using either the quality enhancer or ‘stuck in the middle’ strategies had higher HR involvement in

the strategic-planning process than did hotels employing the cost leadership strategy. For example, in the ‘proposal’ stage the percentage of hotels claiming to have deep or very deep HR involvement is 41% for quality enhancer hotels, 34% for ‘stuck in the middle’ hotels and 33% for cost leadership hotels. Only at the ‘final decision’ stage, did the level of HR involvement for ‘stuck in the middle’ hotels equal that of hotels practising cost leadership. Thus, the survey findings would suggest that ‘stuck in the middle’ and quality enhancer hotels have higher levels of HRM involvement in their hotels’ strategic-planning processes than do cost leadership hotels. However, the differences from the study are not statistically significant and so this finding cannot be generalized to the wider population.

The association between business strategy and HRM’s representation on the board of directors and/or in the senior management team was also investigated. The findings are summarized in Table 5.10.

Table 5.10 Business strategies versus HR representation at senior management level

HR representation	Strategy			<i>p</i> value
	Cost leadership (%)	Quality enhancer (%)	‘Stuck in the middle’ (%)	
Board of directors	25	24	15	0.674
Senior management team	92	64	83	0.476

Note: *p* values are both greater than 0.05, so differences are not significant.

The results reveal a mixed picture, and because no statistically significant differences were found between the hotels with different business strategies, the results can be discussed for the sample hotels but cannot be generalized to the entire population of large hotels in New Zealand. At both the board of directors and senior management team levels, HR representation is highest in hotels with the cost leadership strategy, albeit only marginally in some cases.

In general, this study finds no evidence that hotels using either quality enhancer or ‘struck in the middle’ strategies have higher levels of HRM-strategy linkage than those using a cost leadership strategy. In other words, no support was found that the business

strategies employed by hotels is significantly associated with the level of their HRM-strategy linkages.

When measured by HR's involvement in a hotel's strategic-planning process, it was found that the sample hotels employing 'stuck in the middle' and quality enhancer strategies show a stronger tendency to have closer HR involvement than do hotels with the cost leadership strategy. This finding reflects the higher level of strategic importance given to HR by hotels with those two types of strategies. As a result, the HRM functions are more likely to be taken into account when strategies are proposed and developed. Therefore, the relatively lower representation of HR on the boards of directors and in the senior management teams of the sample hotels employing quality enhancer and 'stuck in the middle' strategies is unexpected. A possible explanation is that hotels with a cost leadership strategy aim to differentiate from their competitors by price, which is usually the result of tighter cost control. Since HR is usually treated as a cost rather than a strategic asset in this kind of organization (Barney and Wright, 1998; Peneder, 2002), the control of expenditure on HR will become a key issue for these hotels, and this is reflected in the fact that HR is widely discussed by the hotels' owners and at the senior management level. Thus it might be reasonable to assume that although HR issues are discussed at the highest levels in cost leadership hotels, the content of the talks might negatively, rather than positively, relate to HR development.

5.5 HRM-Strategy Linkage, HR Outcomes and Hotel Performance

Hotel performance was measured by using the GMs' subjective opinions (perceptions) of both financial and non-financial indicators. GMs were asked to compare their hotels' performance with their competitors' in seven areas: labour productivity, service quality, financial performance, market share, sales growth, service innovation, and customer satisfaction. Performance was investigated over two time periods – historic performance over the last year, and expected performance in a mid-term future (i.e. over the next three years) – using a 5-point Likert scale, ranging from 1 = inferior to 5 = superior. Tables 5.11 and 5.12 report the GMs' perceived performance of their hotels over these two time periods.

Table 5.11 Sample hotels' perceived performance in the past year (% , n = 47)

Performance	5	4	3	2	1	Mean	Standard deviation
Labour productivity	15	38	45	2	0	3.7	0.8
Service quality	30	43	28	0	0	4	0.8
Financial performance (n = 46)	26	37	30	7	0	3.8	0.9
Market share	30	32	23	15	0	3.8	1
Sales growth	23	45	21	8	2	3.8	1
Service innovation	21	40	30	6	2	3.7	0.9
Customer satisfaction	32	55	13	0	0	4.2	0.6

Table 5.12 Sample hotels' perceived performance over the next three years (% , n = 46)

Performance	5	4	3	2	1	Mean score	Standard deviation
Labour productivity	22	39	37	2	0	3.8	0.8
Service quality	33	52	13	2	0	4.2	0.7
Financial performance	35	41	20	4	0	4.1	0.9
Market share	31	40	20	9	0	3.9	0.9
Sales growth	28	41	21	9	0	3.9	0.9
Service innovation	26	59	13	2	0	4.1	0.7
Customer satisfaction	28	59	7	7	0	4.1	0.8

Most of the surveyed GMs held an optimistic view of their hotel's performance, both historically and over the mid-term future. As a score of 3 stands for 'about the same' compared with its major competitors, attention is focused on those answers with scores of 4 and 5, which reflect the view that the hotel has performed, or will perform, better than its competitors. The proportion of hotels giving a score 4 or 5 for historical performance ranges from 53% to 87%, depending on which of the seven areas of performance is being scored. For performance over the next three years, the proportions range from 61% to 87%. Both historically and for the future, GMs show a high level of satisfaction in their performance. Figure 5.7 compares the GMs' perceptions of their historic and future performance.

Figure 5.7 Percentage of respondents providing a 4 or 5 score on the Likert scale

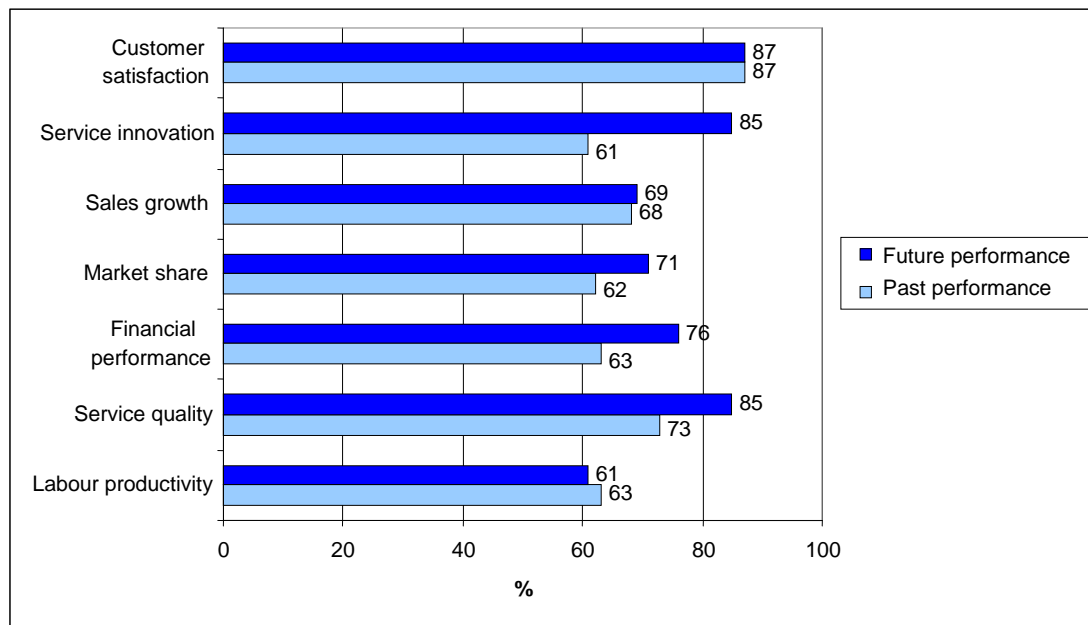


Figure 5.7 shows that almost all GMs expect to outperform their competitors in five out of the seven areas. Most GMs estimated that their hotels would have superior performance over their competitors in the areas of service innovation, financial performance and service quality, with only slightly fewer GMs believing that their hotel's performance would be better than their competitors in areas of sales growth and market share. General managers believed that their hotel's performance in terms of customer satisfaction would remain the same at a very high level. And even when some GMs believed that their competitors would outperform them over the mid-term future, i.e. in the area of labour productivity, the difference was small (only 2% less) compared with their historical scores.

The indicators used to measure performance in this study are both financial and non-financial in nature, with the possibility of conceptual and empirical overlap of the items. To understand the underlying structure associated with the indicators, a factor analysis was considered. Factor analysis is defined as a set of techniques for determining the extent to which variables that are related can be grouped and treated as one combined variable or factor (Cramer, 2006; Lewis-Beck, 1994). These techniques are broadly used in the social sciences to determine whether the response to a set of items used to measure a particular concept can be grouped to form an overall index of that concept (Cramer, 2006). For the hotels' historical performance, two components were identified.

A scale is constructed through averaging the questions loading at 0.50 or greater on a single factor. The results of the factor analysis are shown in Table 5.13.

Table 5.13 Factor structure of the hotels' historical performance (n = 47)

	Factors loaded		Communalities
	1	2	
Market share	0.90	0.23	0.859
Financial performance	0.85	0.28	0.795
Sales growth	0.82	0.29	0.763
Customer satisfaction	0.07	0.86	0.739
Service quality	0.38	0.78	0.760
Labour productivity	0.32	0.72	0.611
Service innovation	0.36	0.64	0.539
Eigen values	4.03	1.03	
Cumulative % of variance	57.62	72.38	
Cronbach's alpha	0.88	0.80	

Notes: 1. Shaded cells indicate that the associated factors load at 0.50 or greater on a single factor.
2. The principal component extraction with Varimax and Kaiser normalization rotation method was used.

The first factor is summarized as 'financial indicators'. This factor includes the perceived financial performance of the hotel, its market share and sales growth. There is an obvious and logical link between these indicators because high sales growth and a strong market share will help a hotel achieve high financial performance. The second factor summarizes 'non-financial indicators', and is composed of a set of more subjective, customer-focused indicators of the hotel's performance. Service quality is directly linked with customer satisfaction, while service quality and labour productivity and service innovation are also highly correlated.

The same approach was employed to analyse the perceived future performance of the sample hotels, and this new factor structure is displayed in Table 5.14.

Table 5.14 Factor structure of the hotels' future performance (n = 46)

	Factor loaded 1	Communalities
Service innovation	0.93	0.871
Market share	0.90	0.803
Sales growth	0.88	0.776
Financial performance	0.87	0.759
Customer satisfaction	0.87	0.748
Service quality	0.85	0.730
Labour productivity	0.84	0.699
Eigne values	5.39	
Cumulative % of variance	76.95	
Cronbach's alpha	0.95	

As Table 5.14 shows, the seven variables used to measure the sample hotels' future performance were combined into one factor. The main reason for this is because answers to these questions about the future were probably totally based on the GMs' perception of the future market and their hotels, a future which is uncertain, rather than on the GMs' knowledge of existing data. Therefore, the distinction between financial and non-financial factors in the future is not as clear as when past performance is discussed, and so it is reasonable to discuss the sample hotels' future performance using a single extracted factor. However, in the present study the future performance of the sample hotels plays a key role in answering the research questions. Simply combining the seven variables into one factor could lead to the loss of important attributes of each of these variables, which in turn would impact the quality of findings. Therefore it was decided that to explore the relationship between the hotels' future performance and other variables, so both the rotated single factor and the individual factors would be used.

Just as the measure of a hotel's performance is composed of a number of variables, so it is with HR outcomes. In this study, HR outcomes were measured by asking the GMs to rate their hotel's performance over the past year (ranging from 1 = 'very low' to 5 = 'very high') in five areas: employees' commitment to the hotel, employees' job satisfaction, employees' job flexibility, the quality of employees' work, and the overall voluntary turnover rate of the employees. The results are presented in Table 5.15.

**Table 5. 15 Sample hotels' HR outcomes over the past year
(results given as percentages; n = 47)**

HR outcome	5	4	3	2	1	Mean score	Standard deviation
Employee commitment	28	43	28	2	0	4.0	0.8
Job satisfaction	13	53	32	2	0	3.8	0.7
Flexibility of jobs	28	36	21	9	6	3.7	1.2
Work quality	13	64	19	2	2	3.8	0.8
Voluntary turnover rate	15	9	40	21	15	2.9	1.2

As the score of 3 stands for 'about the same', scores of 4 and 5 from the GMs reflect a positive view of their hotel's HR performance in each of the first four areas. However, the variable 'voluntary turnover rate' usually implies unsuccessful HR policies, so answers to this particular question were reversed and only scores of 1 and 2 were analysed for the following discussion.

In the past year, GMs were generally happy with their HRM outcomes. The proportion of 'high' or 'very high' scores for the five variables was, in most cases, itself very high: work quality scored 77%; employee commitment, 70%; employees' job satisfaction, 66%; flexibility of jobs, 64%; and voluntary turnover rate, 36 percent. In the hotel industry, it is widely held by senior managers that staff are the most critical asset of their business (Hughes and Rog, 2008). In the interviews, a number of the GMs stated that serious attention is always paid to employee satisfaction in their hotels because, following a simple logic, happy staff will lead to better staff performance, which in turn results in happy customers who like to come back, with the final outcome being the superior performance of the hotel as a whole. For this reason, it is also very common for the senior management in the sample hotels to track records of their HR performance as an indicator of their hotel's overall performance. From the surveyed hotels, most GMs were satisfied with their employees' quality of work and the commitments they are making to their hotels. The proportion of GMs who are very satisfied (rated 4 and 5) with their staff's performance in these two areas was 77% and 71% respectively.

The factor that most concerned the GMs is the high voluntary turnover rate of their employees. Only a little more than one-third of the GMs were satisfied with their

performance in this area. This is consistent with the widely held view that the extremely high turnover rate is one of the biggest concerns of the hotel industry (Brien, 2004; Moncarz, Zhao and Kay, 2009; Yang and Fu, 2009). It is very common that hotels find it difficult to recruit and retain quality staff. The concern is also evident from hotel interviews. The drawbacks of a high turnover rate are addressed by a GM of a large hotel chain:

From a practical perspective, if the staff turnover is low, then the cost of running this hotel is lower, and certainly the cost of running the HR department is lower, because you can focus on the higher end of training rather than the lower end of training ... when you lose staff, that will cost you in advertising, interviewing, employment and training. All these are costs and if you can minimize costs, obviously the finance of the hotel will be better.

Many GMs realize that the high turnover rate in this particular industry is usually the result of a number of highly complex factors, several of which are out of the control of an individual person or organization. Better options are always available out of the industry. As another GM stated:

Hospitality is not the most well-paid industry. Long hours, quite poor pay ... So it is not so easy to get people into it. And our turnover rate is very high ... a lot of staff leave to go into office positions, insurance firms, call centres, and the general service industry where they can work normal hours, 9 to 5.

To test the core content of the Brockbank model (1999), the potential influence of a hotel's HRM-strategy linkage on its performance was explored using HR outcomes as the mediating factor. Correlation analyses were chosen and conducted in steps. By definition, correlation refers to an investigation that is interested in how two or more variables are related to one another (Peck et al., 2010). In the present study, Pearson's Correlation Coefficient is used. (Pearson's correlation is the most commonly used numerical measure of the strength of a relationship between paired variables.)

In step one, a correlation analysis was used to test the direction and degree of the relationship between HRM-strategy linkages and the hotels' HR outcomes. The results are presented in the following tables.

Table 5.16 HRM-strategy linkage and HR outcomes (n = 43)

		Employee commitment	Employee satisfaction	Employee flexibility of jobs	Employee work quality	Reversed turnover rate
HR-strategy integration level	Pearson correlation	0.12	0.18	0.46	0.23	-0.05
	Significance (2-tailed)	0.44	0.24	0.00	0.14	0.73

Significant association is only found between the HR-strategy integration level and employee flexibility of jobs in terms of tasks undertaken (see Table 5.16). Originating from Hoque (2000, pp. 38–39), this indicator refers to “the hotel’s ability to move its employees between departmental jobs as the work demands”, which is only possible when the hotels have a highly competent, multi-skilled staff, in addition to an effective staff management system.

Table 5.17 HR involvement in the strategic-planning process and HR outcomes (n = 46)

HR involvement		Employee commitment	Employee satisfaction	Employee flexibility of jobs	Employee work quality	Reversed turnover rate
Proposal	Pearson correlation	-0.01	0.23	0.18	0.20	0.02
	Significance (2-tailed)	0.92	0.13	0.24	0.19	0.90
Financial outcome	Pearson correlation	0.00	0.28	0.16	0.25	0.08
	Significance (2-tailed)	0.99	0.06	0.29	0.09	0.59
Final decision	Pearson correlation	0.13	0.31	0.12	0.26	0.01
	Significance (2-tailed)	0.40	0.03	0.42	0.08	0.96
Implementation	Pearson correlation	-0.04	0.11	-0.15	0.32	0.03
	Significance (2-tailed)	0.81	0.45	0.32	0.03	0.82
Review	Pearson correlation	0.02	0.20	0.01	0.35	-0.02
	Significance (2-tailed)	0.88	0.19	0.95	0.02	0.91

When measured by the degree of HR’s integration into the different stages of the hotels’ strategic-planning process, it is found that in general HRM-strategy linkages have only

a weak relationship, if any, with HR outcomes (see Table 5.17). Significant relationships were only found in three areas: HR’s involvement in the ‘final decision’ stage is significantly associated with employee satisfaction, and HR’s engagement in the ‘implementation’ and ‘review’ stages is significantly associated with employee work quality. This finding generally supports the view that HR should be involved not only in the implementation stage but also in the stages before and after, i.e. at strategy formation and outcome review (Tyson, 1997).

Table 5.18 reveals that HR representation in senior management teams is significantly associated only with employee task flexibility.

Table 5.18 HR representation on the board of directors or senior management team and HR outcome

HR representation		Employee commitment	Employee satisfaction	Employee flexibility of jobs	Employee work quality	Reversed turnover rate
On board of directors (n = 46)	Pearson correlation	0.10	0.09	-0.22	0.11	-0.07
	Significance (2-tailed)	0.52	0.54	0.14	0.46	0.65
In senior management team (n = 45)	Pearson correlation	-0.06	-0.20	-0.34	0.02	0.20
	Significance (2-tailed)	0.68	0.20	0.02	0.90	0.18

In step two of the correlation analyses, the relationship between a hotel’s HR outcomes and its performance is tested (see Tables 5.19 to 5.22). Taking into account the possible time lag between the HR outcome and an organization’s performance, both the hotels’ historical and predicted future performances were used to evaluate the HR outcomes’ impact. Detailed discussions of these tables will be given after the ‘big picture’ of the associations has been presented.

Table 5.19 Hotels' HR outcomes and their historical financial performance (n = 46)

Hotel performance		Employee commitment	Employee satisfaction	Employee flexibility of jobs	Employee work quality	Reversed turnover rate
Financial performance	Pearson correlation	0.37	0.59	0.20	0.56	0.04
	Significance (2-tailed)	0.01	0.00	0.18	0.00	0.78

Table 5.19 shows that significant associations were found between the hotels' historical financial performance and HR outcomes, namely 'employee commitment', 'employee satisfaction' and 'employee work quality'.

Table 5.20 Hotels' HR outcomes and their historical non-financial performance (n = 47)

Hotel performance		Employee commitment	Employee satisfaction	Employee flexibility of jobs	Employee work quality	Reversed turnover rate
Non-financial performance	Pearson correlation	0.46	0.57	0.22	0.52	0.02
	Significance (2-tailed)	0.00	0.00	0.14	0.00	0.87

Table 5.20 shows that significant associations were found between the hotels' non-financial performance and the HR outcomes: employee commitment, employee satisfaction and employee work quality.

Table 5.21 Hotels' HR outcomes and their future performance (one factor; n = 46)

Hotel performance		Employee commitment	Employee satisfaction	Employee flexibility of jobs	Employee work quality	Reversed turnover rate
Future	Pearson correlation	0.480	0.709	0.298	0.291	0.168
	Significance (2-tailed)	0.001	0.000	0.047	0.053	0.269

Table 5.21 shows that when the hotels' predicted future performances are combined into one factor, significant associations were found between the performance and three indicators of the hotels' HR outcome: employee commitment, employee satisfaction and employee flexibility of jobs.

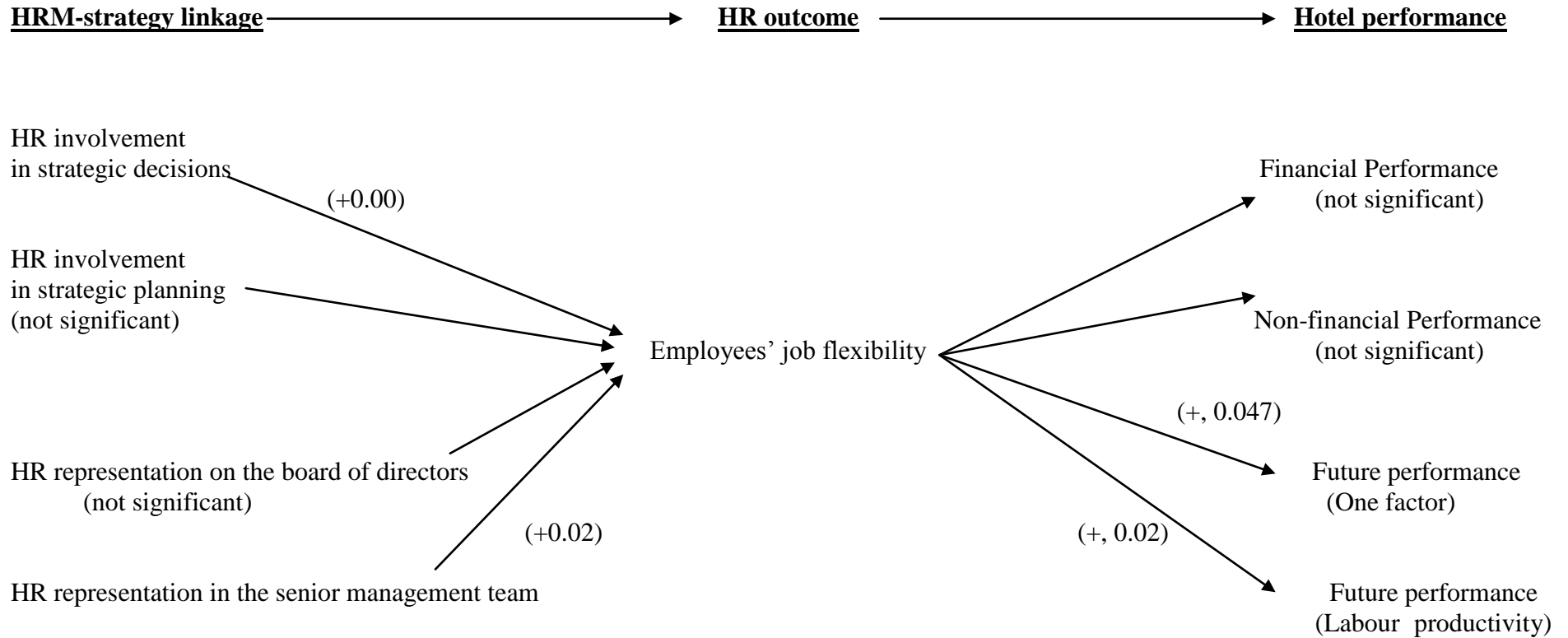
Table 5.22 Hotels' HR outcomes and their future performance (individual factors; n = 46)

Performance		Employee commitment	Employee satisfaction	Employee flexibility of jobs	Employee work quality	Reversed turnover rate
Labour productivity	Pearson correlation	0.53	0.66	0.35	0.34	0.16
	Significance (2-tailed)	0.00	0.00	0.02	0.02	0.29
Service quality	Pearson correlation	0.57	0.55	0.27	0.25	0.17
	Significance (2-tailed)	0.00	0.00	0.07	0.10	0.25
Financial performance	Pearson correlation	0.36	0.62	0.23	0.19	0.05
	Significance (2-tailed)	0.02	0.00	0.12	0.21	0.72
Market share (n = 45)	Pearson correlation	0.32	0.65	0.25	0.26	0.14
	Significance (2-tailed)	0.03	0.00	0.10	0.08	0.35
Sales growth	Pearson correlation	0.35	0.68	0.21	0.32	0.15
	Significance (2-tailed)	0.02	0.00	0.15	0.03	0.33
Service innovation	Pearson correlation	0.44	0.63	0.29	0.24	0.17
	Significance (2-tailed)	0.00	0.00	0.05	0.11	0.27
Customer satisfaction	Pearson correlation	0.42	0.52	0.21	0.17	0.13
	Significance (2-tailed)	0.00	0.00	0.17	0.25	0.41

Table 5.22 shows the association between the hotels' HR outcomes and their future performance when measured by each of the seven performance indicators separately. It was found that two of the HR outcome indicators, employee commitment and employee satisfaction, show strong associations with the hotels' performance as measured by all seven indicators of performance; employee work quality is significantly associated with the performance indicators labour productivity and sales growth; and employee task flexibility also shows a significant association with labour productivity.

Combining the outcomes of tables 5.16 to 5.22, it is found that the HRM-strategy linkage level in large New Zealand hotels does have positive impacts on its performance, with one of the HR outcomes, employees' flexibility of jobs, as a mediating factor. None of the control variables of size, unionization, strategy types, and ownership type appear to have a significant influence on the results.

Figure 5.8 HRM-strategy linkages, HR outcomes and hotel performance



The implications of Figure 5.8 are many. Brockbank's (1999) model receives general support from this research. HRM-strategy integration, when measured by indicators of HR involvement in the hotel's strategic-planning processes and by HR involvement in the hotel's senior management team, positively impacts on the hotel's perceived future performance, both in general and on labour productivity in particular. The premise of this research is, therefore, that hotels exhibiting higher SHRM levels will perform better in the mid-term future than those hotels that have lower levels of SHRM practices, with employee job flexibility as the mediator. This finding supports earlier studies that have positively linked SHRM to organizational performance (Harris and Ogbonna, 2001; Huselid, Jackson and Schuler, 1997; Stavrou and Brewster, 2005). In particular, SHRM is positively related with higher labour productivity (Fox, Byrne, and Rouault, 1999; Ichniowski, Shaw and Prensushi, 1997).

The time-lag issue in the SHRM-performance chain is worth noting. According to one of the underpinning theories of the Brockbank model, the resource-based view, an organization's competitive advantage (superior performance) is only sustained when it is held over some period of time, although the length of time is not specified (Barney, 1990). Therefore, it is important that temporal issues are allowed for when considering a system of practices and any resulting superior performance. As pointed out by Wright and Haggerty (2005), this issue is largely ignored by past SHRM studies. The findings of this study reveal that a high level of HRM-strategy integration does not have a significant relationship with a hotel's historical performance, but it does with the hotel's predicted future performance over the next three years. In earlier studies, scholars held a similar view that it would take organizations about two years to deliver and have a new system up and running (Wright and Snell, 1998; Wright et al., 1999). Wright and Haggerty (2005, p. 8) propose that "it is not unreasonable to expect a 3–4 years total time lag before the relationship would be observed". The findings of this study offers support to this statement.

However, it must also be noted that this conclusion should be treated with caution. The hotels' performance in this study was measured subjectively, i.e. by the GMs' perceptions of their hotels' performance, and no real-world data was explored and used. To what extent these perceptions will really happen is not clear, given that today's business environment is highly unstable and subject to all sorts of influences, many of which are unexpected. To better understand if time does play a role in the HRM-

performance relationship, further studies with both real and perceived data in different contexts will be necessary.

Another issue, as Figure 5.8 reveals, is that a hotel's HRM-strategy integration has a positive impact on the employees' job flexibility. As mentioned before, this factor in the present study refers to functional flexibility, which is "concerned with the versatility of employees and their ability to handle different tasks and move between jobs" (Riley and Lockwood, 1997, p. 413).

As one of the four forms of workforce flexibility, functional flexibility is usually employed as a strategy to manage core workers (Bagguley, 1990). It is argued that functional flexibility can be a mechanism for managing labour more efficiently (Desombre et al., 2006), as a means of accommodating the ever-changing environment in which the businesses are operating (Cridland, 1997; Turner, 1999). In the hotel industry in particular, this strategy along with numerical flexibility, which is concerned with the ability to adjust the numbers of workers or hours worked in response to changes in demand (Riley and Lockwood, 1997), has been a widespread management goal since the 1960s, aimed at improving service quality and reducing the effects of the shortage of talented employees (Bagguley, 1990).

As argued by Desombre, Kelliher, Macfarlane and Ozbilgin (2006), the idea of redeploying staff across different areas of work in response to demand rests on the assumption that the nature of the work varies considerably between the areas. Functional flexibility is particularly useful when changing work demands are difficult to predict. When faced with this, organizations able to redeploy their existing staff will outperform those that have to hire additional staff. Obviously functional flexibility is highly applicable for organizations within the service sector, such as hotels, where the deployment and use of human resources are always determined by the incidence of demand (Kelliher and Riley, 2002).

It has also been argued that functional flexibility can help organizations enhance the quality of their service by reducing the number of staff a customer needs to have contact with, enabling a more holistic approach to be employed. Thus functional flexibility allows the service to be more customer-centred. When work demands change,

functional flexibility can also help to manage the uncertainty of labour requirements (Riley and Lockwood, 1997).

To achieve a high level of functional flexibility of staff in their industry, it has been suggested that hotels must be able to:

- offer more training
- make the jobs less skilled
- value personal attributes more
- make sure the job is less dependent on previous knowledge
- make sure more knowledge can be substituted by information, and
- decrease the degree of job specificity.

(adapted from Riley, 1991)

Desombre et al. (2006) argue that successful implementation of functional flexibility has strong implications on an organization's HRM practices. Staff must be equipped with appropriate skills before they can be effectively redeployed, and so training or human resource development will be a core task of an organization keen to develop its employees' functional flexibility. Furthermore, a culture of functional flexibility will also influence an organization's recruitment standards and its learning environment. The ability of employees to learn to become multi-skilled, along with whether the organization will encourage its employees to learn new skills, will be the most important determinants of the benefits the organization can gain from functional flexibility (Bryson, 1999).

The long-held 'low road' approach taken by the hotel industry to employment and HRM has been recently challenged (Knox and Walsh, 2005). For example, Finegold, Wagner and Mason's (2000) study finds that in their sample of UK hotels, about 95% of the employees received at least one form of training. It is also very common for hotels in the UK, US and Australia to offer cross-training opportunities to their employees (Knox and Walsh, 2005). Besides improving the involved staff's flexibility and service quality, such programmes also "improved cross-departmental communication and customer service, and reduced turnover and hiring costs by facilitating internal promotion opportunities" (Knox and Walsh, 2005, p. 60). Such outcomes have been judged to be

the consequence of an integrated strategic approach used by the management of human resources (Kelliher and Riley, 2002).

The findings presented in this thesis offer support to this notion and specify that these outcomes are significantly associated with certain forms of HRM-strategy linkages. At the same time, it should be noted that the practice of functional flexibility can be a double-edged sword. On the one hand, functional flexibility is a useful mechanism to deal with the labour shortages in the hotel industry; on the other hand, the high demand for multi-skilled, competent staff to carry out the many tasks makes it even more difficult for hotels to identify such staff when “attracting talented people to the industry is the area of greatest concern in leveraging human capital” (Enz, 2001, p. 43).

Labour productivity, facilitated through employees’ functional flexibility, stands out as the only measure of a hotel’s performance in this study that is positively associated with HRM-strategy integration. The concept of productivity is notoriously difficult to define and measure (Poulston, Luo and Milne, 2006), because it can be approached in a variety of ways, such as ‘utilisation, efficiency, effectiveness, quality, predictability and other performance dimensions’ (Johnston and Jones, 2004, p. 202). Productivity is a complex combination of inputs, operations and outputs, and a change in any of the contributing factors can affect the overall result (Witt and Witt, 1989).

Due to some features that distinguish the service sector from the manufacturing sector, measuring productivity in services has further difficulties. Johnston and Jones (2004) summarize three specific problems associated with service productivity: underutilisation due to insufficient demand, customer involvement in the service generation and delivery, and the intangibility of the service.

Kilic and Okumus (2005) note that productivity issues are discussed less in the hotel industry than in other service industries, perhaps because of the industry’s unique characteristics, such as its labour-intensiveness, high construction and fixed costs, the difficulty of automating services, and fluctuating demand. Other authors also found that hotel operators do not understand the concept of productivity, how to measure it, or ways to improve it (e.g. Johnson and Jones, 2004; Reynolds, 2003).

A number of factors have been found to influence productivity, such as customer satisfaction and the quality, recruitment and training of staff (Kilic and Okumus, 2005). Reynolds (2004) argues that the principal ways to improve productivity in the hospitality sector are via customer satisfaction and labour hours worked.

The findings of the present study support the notion that human resources are significantly associated with a hotel's productivity (Poulston et al., 2006). Furthermore, it shows how SHRM is linked to HR outcomes and productivity, and adds functional flexibility of employees to the list of factors that will contribute to higher productivity in a hotel.

The issue of a reverse causal relationship between an organization's HRM and its performance was addressed by Boselie et al. (2005) and Wright and Haggerty (2005). According to these authors, rather than HR practices causing an organization's success, success has the potential to cause better HR practices. An analysis was conducted to see if superior hotel performance has a positive impact on its HRM practices. This study allowed for a time lag between practice and outcome, as discussed before, by using the future performances of the sample hotels to see if they had any perceived influence on the hotels' current HRM practices.

As Table 5.23 shows, no significant correlation was found between the GMs' perceptions of their hotel's future performance and its current HRM practices. The notion of reverse causal relationship is not supported by this study.

Table 5.23 Correlation between hotels' future performances and the use of HR practices (n = 44)

	Unstandardized coefficients		Standardized coefficients	<i>t</i> -value	Significance
	B	Standard error	Beta		
(Constant)	14.23	2.78		5.12	0.00
Future performances	-0.11	0.68	-0.02	-0.16	0.88
Dependent variable: HR practices					

The reverse causation issue was discussed in the interviews. The majority of the GMs denied the existence of the assumed relationship. One GM of an international chain hotel looked at the issue from the conventional perspective that HR is just one of the functions that contribute to a hotel's overall performance:

Not really. I think HR contributes to the architecture and if you get that right, profits will come, performance will enhance, not the other way around.

It is worth noting that this GM manages a hotel where HR is represented on the senior management team and is fully involved at all stages of the strategic-planning process.

Another GM, from one of the smaller hotels that has a very low level of HRM-strategy linkage, commented:

We are more traditionally focused. We really feel that the better staff are treated, the better is their performance, and the better the performance of the business. The owners really feel that good staff makes business, not the other way.

This manager's view is highly representative of the views of all the GMs that were interviewed, regardless of the SHRM status of their hotels. The view is also consistent with the logic applied in most existing SHRM literature. As a theory raised only quite recently, the reverse causal relationship is viewed as a non-traditional way of dealing with HR and relevant only to larger hotels.

Another GM, holding a cyclical view on the practices of reverse causal relationship, commented:

... when hotels are in a boom time, I see a lot of my competitors extending their HR departments. Further, they extended their sales/marketing departments and they employed a lot more people and they spent a lot in advertising ... Then they went to the bad time – cut, slash, burn, made redundancies, and you will wonder why they bothered doing those first ones ...

This observation reveals some important implications of the proposed reverse causal relationship. At best, there does exist such a relationship and when the performance of a hotel is high, a higher investment in HR development can be expected. At worst, however, when the hotel is faced with difficult situations, HR will be among the first functions (departments) to suffer.

5.6 Future Perspectives

To explore the perceived role of HRM in enhancing their hotel's performance and also the association between HRM and their hotel's business strategy in the future, GMs were asked to compare their future predictions with their hotel's current situation (see Table 5.24).

Table 5.24 The future role of HRM and HRM-strategy linkage in the sample hotels compared with their current situation

	Future performance compared with current situation	Mean (5-point scale)	Standard deviation
Role of HRM (n = 46)	<p>5 = more positive 4 = positive 3 = about the same 2 = negative 1 = more negative</p> <p style="text-align: center;">←-----→</p> <p>22% 44% 31% 2% N/A</p>	3.9	0.8
HRM-strategy linkage (n = 45)	<p>More aligned Aligned About the same Less aligned Least aligned</p> <p style="text-align: center;">←-----→</p> <p>20% 35% 39% 4% 2%</p>	3.7	0.9

Note: Percentages do not add to 100 due to rounding.

Most GMs hold an optimistic view of HRM's role in improving their hotel's performance, with 66% saying HRM would play a positive role; a further 31% said the role of HRM would remain constant over the next three years. GMs were also optimistic in terms of the integration of HRM and hotel strategy, with more than half (55%) thinking the linkage would play a positive role in enhancing their hotel's performance. Nearly 40% of the respondents predicted that the linkage would be the same over the next three years. Both HRM and HRM-strategy linkage are regarded as highly important by the GMs. Very few of the managers predicted a less important role for HRM (2%) or looser HRM-strategy linkages (6%) in their hotels.

These findings can be viewed as complementing those of Sheehan et al.'s (2006) study of HR managers across a variety of industries in Australia, which found that the majority of the surveyed managers predicted that HR functions were and would be shifting to more strategic positions. The findings of this thesis offer support to the above notion, i.e. senior managers in the New Zealand hotel industry also believe that HR

functions were and would be shifting to more strategic positions. Consistent with Meisinger (2005) and Barney and Wright (1998), the findings show a high expectation of the role of HRM in enhancing a hotel's performance. HR functions are expected to make contributions not only within their own field but also in the broader area of business, and ultimately, to the organization's success.

When asked if they expect HRM to play a more positive role in the future in improving their hotel's performance, one interviewed GM stated:

We are very high in expectation they are key parts of what we do at this hotel. Thirty per cent of my time is spent on internal issues related to employees ...

Another GM, of a chain hotel located in an Auckland suburb, emphasized the importance of training staff as well as the issue of a shortage of experienced staff:

We will probably focus a lot more in giving our staff better training, trying to improve their ability to help to improve our business. What one strategy that we do is to accept the work-experience students so we can get people with basic kind of understanding of the industry rather than employing from without, because it is very hard to find experienced staff in a location like ours ...

Some other GMs thought that the potential of HRM to enhance a hotel's performance was largely dependent on the capability of the people in charge of HR. For example:

I think it depends on how skilled the person in the position of HR manager is. If they have a lot of time in place and the training programmes are being effective and well in place, well established, then what they can do is to expand the area of expertise beyond the day-to-day, week-to-week job. That can become more strategic ... And that's what I am hoping. I am automatically the driver of the thing ...

Some GMs are unclear about the strategic link between HRM and improving a hotel's performance. These GMs are reluctant to invest in HRM for a variety of reasons. One GM said his hotel's improved performance is more dependent on efficient operating systems rather than on HRM:

My belief is probably that I would like to reduce things and make things as simple as I can, as system-based as I can. ... In terms of enhancing the HR, because of the (small)size of our business, it is just irrelevant in my mind.

One GM of an international chain hotel believed that performance improvement is more reliant on the improvement of the 'hardware' of the hotel, such as quality facilities,

rather than the 'software', i.e. the people, and HRM has to be counted from a financial perspective:

No, because we are doing the multi-million dollar refurbishment ... we need to be very careful financially. Because we have spent so much money in the refurbishment and we got a lot more money to spend ... we have to learn to work smarter with the resources we got.

In general, it is possible to conclude that in terms of the role of HRM in enhancing a hotel's performance, large hotels in New Zealand are in a transitional stage. Although GMs show a positive attitude about HR shifting from its traditional management functions towards a more strategic role, their understanding of HR's strategic role is varied. Most GMs still hold the view that HRM needs to play its traditional role and act as the steward of employee affairs and be the social contract of the organization. It will be a long-term, challenging task for senior managers to generate an environment where HR professionals can achieve a balance between their administrative and strategic roles.

CHAPTER SIX

CONCLUSIONS

Over the past century, the study of labour management in organizations has evolved through stages focused first on personnel management, then human resource management and currently to strategic human resource management. When compared with the earlier forms of labour management, SHRM is characterized by having a long-term focus; it also plays a more proactive role in an organization's strategic planning, giving HRM a more important strategic presence, and making it the responsibility of a broader range of the organization's stakeholders.

Over the past two decades, the global tourism industry, including the hotel sector, has faced a fast-changing environment and increasingly intense competition (Lockyer, 2007). As a labour-intensive industry, hotels have largely relied upon developing superior staff performance, which in turn generates a higher level of customer satisfaction and hotel performance, and aids business survival (Hoque, 2000). In New Zealand, the extent to which a hotel's human resource management is given strategic importance in enhancing the hotel's financial and non-financial performance remains unclear. This study set out to explore the relationship between HRM-strategy linkage and performance in large hotels in New Zealand.

The study tests whether HRM-strategy linkage enhances performance (as perceived by management) in large hotels in New Zealand. The study is made up of several sections. The first section looked at the current demographics of large hotels in New Zealand and of their general managers. The focus in this section was on how HR-related structures and practices have been established and are carried out in the sample hotels. The second section looked at how these strategies are being applied in the hotels' operations. The third section focused on the extent to which HRM is linked with the strategic function of the hotels, and to what extent such linkages are associated with a hotel's perceived performance, both financial and non-financial. The final section looked to the future, and asked the senior managers of the sample hotels whether or how they perceived HRM playing a strategic role in enhancing their hotel's performance over the next three years.

6.1 Overview of the Findings and Contributions to the field of SHRM

In this section the findings of the interviews and the nationwide web survey of general managers of large hotels in New Zealand are reviewed and discussed in terms of the six research questions:

1. *What are the current demographics of large hotels in New Zealand?*
2. *What is the current status of human resource management in large hotels in New Zealand?*
3. *To what extent is SHRM being practised by large hotels in New Zealand?*
4. *Are HRM-strategy linkages positively associated with perceived performance levels of large hotels in New Zealand, with the hotels' HR outcomes as a mediator?*
5. *Does the perceived performance of a large hotel in New Zealand have a positive influence on its human resource management?*
6. *Is the level of HRM-strategy linkage in those New Zealand hotels adopting either a differentiation or a 'struck in the middle' strategy higher than in those adopting a cost leadership strategy?*

6.1.1 The current demographics of large hotels in New Zealand and their GMs

The first research question aims to investigate the current status of large hotels in New Zealand in terms of the basic demographic features of these hotels and of their senior managers. As the web survey received replies from hotels located all over the country, the findings of this study largely reflect the large hotel sector for the whole country. Studies of such a nation-wide scale have been rare in recent years (see Milne et al., 2004), although other similar attempts have been made in the past (Haynes and Fryer, 1999; 2000)

The surveyed hotels employ on average 98 staff. They are definitely large organizations when defined by the New Zealand criterion of small and medium-sized enterprises (SMEs) as those employing 20 or fewer staff. The sample hotels also tend to have a large number of bedrooms, with an average of 193 per establishment. A significant difference is found between the staff numbers and the star grade of the hotels: hotels with a higher star grade tend to employ more staff. Both findings imply that the method

of measuring hotel size by using multiple indicators such as the number of rooms, the number of employees, or the star grade is feasible.

The investigation of the demographic features of the general managers of the sample hotels raises some important points. More than 70% of the GMs have received some tertiary education, in forms ranging from certificates to post-graduate degree qualifications. As there have been few such investigations of hotel GMs in the past, a comparison is hard to conduct. These findings do challenge, to some extent, the long-held view that the hotel industry is one that largely depends on hands-on experience, rather than academic qualifications among its managers (Nolan, 2002; Zhang and Wu, 2004).

The finding that the respondents' industry and management position tenures are, on average, 20 and 5 years respectively, also shows the importance of hands-on knowledge. With long-term experience, GMs gain and accumulate profound understanding of the role of talented employees in this industry. A GM's role is to oversee the whole operations of the hotel, and so they are in excellent position to link the skills, practices and policies of the HR department with the hotel's other functions and so generate superior business performance (see Bartol et al., 2005).

As increasing numbers of people with tertiary qualifications are promoted into senior management positions in the hotel sector, it is reasonable to expect that many of them will bring to these positions an understanding of modern management theories such as SHRM. Experience of higher education may also mean these managers are more open to adopting new approaches. Both of these factors are likely to change the shape of management practices in this particular sector in the future.

6.1.2 The current status of human resource management in large hotels in New Zealand

This section focuses on the extent to which large hotels in New Zealand are practising HR procedures adopted by hotels in other parts of the world. Attempts are also made to see how the 'infrastructure' of the HR functions is established by these New Zealand hotels.

The proportion of hotels in the sample with a formal HRM department is limited, at only 59%. To explore the reasons why, the association between the presence of an HRM department and a number of factors was tested. It was found that the presence of an HRM department is significantly correlated with hotel size based in terms of the number of staff. The investigation of the relationship between the presence of an HRM department and a hotel's ownership type revealed that the relationship is not significant, although there is a trend that the foreign-owned hotels are more likely to have a HRM department than domestically owned hotels. This finding offers weak support to the notion that foreign-owned hotels tend to adopt more professional personnel management approaches than their domestic counterparts (Hoque, 2000).

In terms of the size of the HRM departments, it was found that more than 85% of the hotels employ only one or two HRM specialists. Hotels with higher star grades are found to be more likely to employ more staff in their HRM departments. From the interviews, it was found that although the reasons for having small HRM departments vary, there is a trend that GMs are not totally satisfied with the performance of the HR function, especially the separation of the HR function from their organization's business needs. This is consistent with Galford's (1998) observation that HRM departments, in general, get limited respect from senior management. Consequently, some or even most of functions that used to be performed by HR departments are now the responsibilities of other department managers at different levels, which is consistent with the observations of HRM in New Zealand as a whole made by Stablein and Geare (1993).

Compared with the traditional view of HR functions, today's departmental managers play a very important role in delivering HRM policies to the staff and making sure the HRM practices are implemented in an efficient way (Purcell and Hutchinson, 2007). GMs are usually playing a supervisory role and only get involved in HR functions when the issues are critical. This finding also supports the observations made by Barney and Wright (1998) that there is an increasing expectation for HRM functions to be integrated in the overall operation of the business. HRM specialists are expected to be able to provide stronger and more direct support to businesses, as a 'strategic partner' of the front-line managers (Teo, 2002). They have to be armed with knowledge of not only HRM practices, but also the core business of the organization. As a result, front-line managers, who have the first-hand knowledge of the business, are in turn empowered to carry out more HR functions, especially in the areas of recruiting, training and retaining

the right people. This trend helps the merging of HR functions with other functions within the organization, and assists HR managers and front-line managers in understanding each other's problems (Anderson, Cooper and Zhu, 2007; Sullivan, 2003), so adding value to HRM functions in the organization's process of profit generation.

However, it is worth noting that as Teo (2002) argues, this 'decentralization' of HRM functions will encounter difficulties unless the non-HR departmental managers have the right skills to manage their staff. Decentralization of HR functions raises demands for better human resource development for both HRM managers and non-HRM managers, which might become an impediment to strategic HRM effectiveness.

The strategic importance of the HR function in the sample hotels was measured by multiple variables and compared with findings from hotels in the UK (Hoque, 2000) and Barbados (Alleyne et al., 2006). The sample hotels are perceived to perform well in the two 'fits', namely the vertical fit between HRM and overall business strategies, and the horizontal fit between the HRM practices and policies. Eighty per cent of the sample hotels claim that the development of their HR strategies is fully considered when they develop their business strategies. This finding shows that the importance of a 'fit' between HR and other functions, especially strategic functions, and internal consistency between HRM practices and HRM policies, both of which are strongly advocated by SHRM scholars, is widely accepted and practised in large hotels in New Zealand (see Baird and Meshoulam, 1998; de Pablos, 2005; Kepes and Delery, 2007).

The thesis also examined to what extent the HRM practices adopted by hotels in the UK (Hoque, 2000) and Barbados (Alleyne et al., 2006) were being employed by hotels in New Zealand. Compared with these two studies, New Zealand hotels are performing well. On average, about 14 (13.7) out of the 21 practices were employed, higher than the average found in the Barbados (13.6). This finding shows that large hotels in New Zealand are relatively quick to adopt HRM practices found elsewhere. The research supports the notion that large organizations will be more appropriate places to study HRM issues than in SMEs (Chow et al., 2007; Marlow, 2000; Marlow and Patton, 1993).

6.1.3 The extent of SHRM practices in large hotels in New Zealand

Johnson (2000) points out that there has been little research on SHRM practices conducted in New Zealand organizations. In the present study, measurements of relevant variables – namely the extent of HRM involvement in strategic planning and decision-making, and HR representation in senior management teams and on boards of directors – were tested. The findings reflect a mixed story.

In terms of HRM involvement in hotels' strategic-planning processes, the finding of this study is quite different from the Brockbank (1999) model, in that the majority of the sample hotels hold either a high strategic HRM view or a high operational view of the HR function. In other words, HRM either plays a very active role in the strategic decision-making process, or it simply offers very basic operational support to the decisions.

It was found that this phenomenon is significantly positively associated with both a union presence and the presence of an HRM department. These findings imply that to have a stronger HRM-strategy linkage, two of the options for hotel managers are to encourage constructive engagement with trade unions and/or the establishment of formal HRM departments.

It was found that HRM is very well represented on senior management teams in the sample hotels, while it has a relatively lower representation rate on boards of directors. This is consistent with findings from Australia, as reported by Sheehan et al. (2006) and Andersen et al. (2007). Approximately 85% of organizations provide a space on their senior management teams for their HRM managers. This indicates that HR has already attracted very serious attention from the hotels' senior managers and is considered at a strategic level rather than simply as a cost of the business.

Interview data provided further insights, which in some cases appeared to conflict with the survey data. When asked to discuss the factor that most limited closer HRM-strategy linkage in the hotels, the answers show that a lot of GMs still believe that implementation of SHRM is largely the duty of managers at lower levels. When time and cost are constrained, HR will still be among the first group of functions that will cut back. The GMs that were interviewed hold a mixed view of the strategic role of HRM.

The GMs from a number of hotels are happy to see HR discussed in the most senior managers' meetings, but at the same time they regard HR as a key function rather than a strategic asset.

6.1.4 The association between HRM-strategy linkages and perceived performance levels

The association between HRM-strategy linkages and perceived performance levels is critical to testing the validity of the Brockbank (1999) model. Findings of this study offer general support to the proposition that closer HRM-strategy linkages will have a positive association with higher organizational performance, using the organization's HR outcomes as the mediator.

There are a number of findings from the current study that advance the understanding of the original Brockbank (1999) model. First, the level of HR-strategy linkage within an organization does have a positive influence on the organization's performance, i.e. the more HR is strategically proactive, the more likely it is that an organization will achieve better performance. Thus linking of SHRM with organizational performance is a reality rather than a myth (Stavrou and Brewster, 2005). Second, it is currently a common practice for HR to be represented on senior management teams of organizations. Representation at this level also works towards a better performance level of the organization. Third, the time lag between strategic HRM and an organization's performance, as observed by scholars such as Wright and Haggerty (2005) and Wright and Snell (1998), is confirmed by the present study, where close HRM-strategy linkage was found to have association with perceived performance in the future. However, no association was found between historical performance and HRM-strategy linkage.

It is also worth noting that although the HRM-strategy linkage was found to be positively associated with the perception of a hotel's performance as a whole, further exploration of the relationship reveals that it is more likely that the linkage is associated with the non-financial side of the performance. When the relationship was tested against individual indicators of performance, labour productivity is the only indicator that is positively associated with the linkage. As a concept traditionally applied in the manufacturing sector, labour productivity in the service sector has not attracted scholarly attention until quite recently (Datta et al., 2005; Poulston, Luo and Milne,

2006). The findings of this study give further support to some earlier studies that link SHRM with increased productivity (Fox, Byrne & Rouault, 1999; MacDuffie, 1995).

Last, but not least, a significant finding of the research is the role of HR outcomes in the association between the HRM-strategy linkage and performance. Bennett et al. (1998) do not find the assumed association between SHRM and an organization's performance. Thus they suspect that the linkage between integration and performance may be only loosely coupled and may be indirect. The present study supports their suspicion and concurs that the authors are right to say that the "effects of integration are felt only through micro-level outcomes" (p. 13). The findings of this study reveal that the HR outcomes are, at least, one of these micro-level outcomes.

Of the five HR outcome variables, the current study finds that only flexibility of jobs (functional flexibility) is connected to HRM-strategy linkage and performance. As a result, the research reveals that recruiting, training and retaining multi-skilled, competent staff are all important tasks for hotels that wish to own and develop functional flexibility.

The voluntary turnover rate of employees was found to have no correlation with either HRM-strategy linkage or a hotel's perceived performance. This finding, to some extent, goes against the widely held view of the importance of recruiting and retaining talented employees in this labour-intensive industry. The interviews revealed that New Zealand hotels, like hotels in many parts of the world (Chalkiti & Carson, 2010; Nadiri & Tanova, 2010; Pizam & Thornburg, 2000), are claiming to be faced with the challenge of a shortage of competent staff (Brien, 2004). The question must therefore be posed: If this is the case, why is the higher-than-average turnover rate not thought to be associated with a hotel's performance?

The job flexibility found in this study, along with very recent findings from studies conducted in New Zealand, shed some light on this issue. Based on the case study of a four-star hotel in Wellington, Harris (2008) finds that faced with challenges of productivity and labour shortages, the hotel reacted by introducing greater flexibility in staffing, better communication between workers, and improved service levels for its customers. Harris also observes that the hotel focused its efforts on training and retaining core employees rather than peripheral ones. From the GMs' perspective, many

believe that the high turnover rate in the hotel sector has become a culture and they can do very little to change it (Williamson, Harris and Parker, 2008). Focusing on developing core employees might be the best option for GMs in the hotel sector. If this scenario works, the voluntary turnover that usually happens with peripheral employees will have less of an impact on a hotel's performance. The turnover of such staff is not likely to attract attention at the strategic level either.

6.1.5 The association between the perceived performance of a hotel and its human resource management

Unlike the time-lag issues in SHRM studies, the findings of this study do not support the reverse causal relationship of SHRM and performance proposed by past literature (Boselie et al., 2005; Wright et al., 2005). Furthermore, the non-existence of a relationship was supported whether the hotels were SHRM-oriented or not. The responses from the interviews, once again, reflected that in the mind of many GMs, HR functions are important. However, whether it is worth investing in HR development largely depends on the status of the business, which is often vulnerable. HR was also considered one of the functions that may contribute to a hotel's success, but there are other areas where investment is required even when business is good. As a result, the researcher concludes that the proposed reverse causal relationship between performance and SHRM does not exist in this particular sector in New Zealand.

6.1.6 The association between the level of HRM-strategy linkage and business strategy

It has been argued that managerial decisions about organizational responses to environmental conditions are critical determinants of organizational outcome (Bennett et al., 1998). In this study, business strategies employed by hotels were assumed to influence the hotels' HRM-strategy linkage levels. In particular, hotels using differentiation and 'stuck in the middle' strategies were expected to have higher levels of HRM-strategy linkage than those hotels using a cost leadership strategy. Hotels characterized by either of the two former strategies tend to focus their efforts on differentiating themselves from their competitors by superior quality service and products. In the hotel sector, staff are critically important to the delivery of expected high quality service. So hotels with these two strategies should have a better understanding of the importance of HRM and are more likely to consider HRM-related issues at a strategic level. In contrast, **cost**-leadership focused hotels will emphasize

controlling the expenditure of their operations and, as a result, will consider HRM as a cost centre and hence keep their investment in HR development at a lower level to save expenses (Peneder, 2002).

This study does not provide evidence that there exists a significant association between the business strategies used by hotels and their level of HRM-strategy linkages. However, when the researcher looked at this association in more detail, a trend was found: when the linkage is measured by HR involvement in the strategic-planning and decision-making process, a higher proportion of the sample hotels employing either quality enhancer or 'stuck in the middle' strategies have higher levels of HRM-strategy linkage compared with hotels using a cost leadership strategy. This finding sheds light, albeit weakly, on the proposition that business strategy plays a role in deciding the HRM-strategy linkage level and has implications for both academic research and the practical application of SHRM in the future.

The findings of this study contribute to the current study of SHRM in a number of ways and the major ones of them are summarized as follows.

The study provides general support to the adapted Brockbank's (1999) model in that the HRM-strategy integration is shown to have a positive, indirect association with sample hotels' non-financial performance, in terms of their labour productivity, with functional flexibility as the mediator. The two factors identified reinforced the notion that the hotel industry is a people industry (Kim, Shin and Umbreit, 2007) and human capital is the most important resource that hotels can rely on for their long-term superior performance. This is highly consistent with the resource-based view (RBV) theory, which unpins the Brockbank's model.

The present study goes beyond the boundary of the Brockbank model by introducing other contextual factors, or 'black boxes' (Paauwe, 2004), such as the strategy types and HRM outcomes of the hotels into the proposed relationship between a hotel's HRM-strategy linkage and its perceived performance. From this perspective, the study extends the original Brockbank model and makes it more comprehensive in predicting an organization's performance by examining its HRM-strategy integration level and HRM outcomes.

The study provides support to the proposition that there exists a time lag between an organization's HRM practices and its performance. The issue was not noticed until 2005 (Wright et al., 2005) and the present paper is among the very few studies that tests and gives support to this notion

Last but not least, the context in which the study was conducted is unique in the current SHRM research. The study chooses the large hotel sector, a service sector, in a small economy as the target of SHRM research, whereas the current field is still dominated by research conducted in the manufacturing sector of large economies in the US and Western Europe. To have a service sector from a globally peripheral but advanced economy adds a unique contribution to the existing literature.

The present study contributes to the methods used to carry out SHRM studies by employing a mixed method research approach. The approach brings several advantages including improved validity and reliability and deeper insight into the researched phenomenon. The method is useful in assisting the researcher to overcome some of the disadvantages associated with a relatively small sample based on a relatively small population of large hotels, an issue that is a limitation in smaller economies and sectors.

6.2 Implications and Contributions for Practitioners and Policy-makers

In addition to advancing the understanding of the strategic role of HR in organizations, this study highlights the need for senior managers in hotels and tourism and hospitality policy-makers to re-evaluate and continually be aware of the importance of HR in their industry.

It is evident from the findings that high levels of HRM-strategy integration are positively and significantly associated with the presence of an HRM department and of unions. Therefore, to achieve a high level of HRM-strategy linkage, it would be advisable to encourage closer engagement with trade unions and HRM departments within hotels. The role of a union in the management of organizations is still under debate (Bryson et al., 2005), but this study supports the work conducted earlier in New Zealand that the unions can have a positive impact by pushing the senior management

to consider HR at a strategic level (The New Zealand Tourism Research Institute, 2007).

On the other hand, the traditional role of HR is largely questioned and challenged by today's hotels and this leads to some GMs' reluctant attitude to have a formal HRM department. Nevertheless, this study suggests that with a formal HRM department, HR function might have a louder voice 'at the table' and attract more attention from senior management.

Functional flexibility is a valuable mechanism that enables hotels to respond to the uncertain demands for service inherent in their sector and also to labour shortages, yet it has been paid relatively little attention by either academics or practitioners (e.g. Arvanitis, 2005). The findings of this study suggest that as the only HR outcome that bridges HRM-strategy integration and performance, functional flexibility needs to be strengthened. This would require senior managers to increase their effort in effectively selecting staff with the potential to carry out a variety of tasks. Obviously HR development, including training and appraisal of staff, needs to also be strategically emphasized by senior management and the HRM department. Once an employee has been identified and trained, retaining them as a core staff member would be the next challenge. In addition, the study reveals that the high turnover rate in the industry is viewed by hotel GMs as something that is out of their control. If this is the case, generating and retaining employees with high functional flexibility will make even more sense.

The study of productivity issues in the hotel sector is a relatively recent phenomenon (see The New Zealand Tourism Research Institute, 2007; Poulston et al., 2006). Commissioned by the Department of Labour of New Zealand, a group of researchers including this author undertook research in productivity in the New Zealand hospitality industry in 2006. It was found that, from the hospitality GMs' perspective, the concept of productivity in the service sector is blurred, i.e. there is a relative ignorance of productivity in the hotel sector. For hotel GMs, the present study finds that although HRM-strategy integration may not contribute directly to a hotel's financial performance, it does assist in improving the HRM outcomes for staff, which will in turn increase the employees' ability to deliver high quality service more effectively and efficiently. In

other words, higher productivity will help justify the value of considering HR as a strategic asset of the hotel and link it with other functions of the organization.

According to the New Zealand Tourism Research Council (2002, p. 9), one of the strategic research themes that needs to be addressed in NZ tourism is the human resource requirements required to meet growth scenarios and to contribute to New Zealand's competitive advantage in tourism. This is consistent with the judgments made by New Zealand tourism authorities that the shortage of skilled staff will be the major barrier for the development of tourism and hospitality sectors. For example, it is stated in the Draft New Zealand Tourism Strategy 2015:

The biggest impediment of achieving or exceeding forecast growth lies with a shortage of appropriately skilled labour for the sector.

(p. 16)

Significant tourist volume has been possible through the availability of relatively cheap labour. Further growth on this basis can be considered to be severely constrained ...

(p. 31)

The Leadership Group in the New Zealand Tourism Industry Association (2006) also expressed the same concern in their strategy document:

The New Zealand Tourism Strategy 2010 identified human resource issues as one of the key challenges facing the tourism and hospitality sector

(p. 4.)

The findings of the present study shed some light on this issue by identifying some actions the policy-makers can take to address the issues. To start with, HR should be viewed as a strategic asset of the industry and taken into full account when developing overall strategies for the development of the industry.

In a speech made to hospitality practitioners and researchers in May 2008, Mr Damien O'Connor, the then Minister of Tourism of New Zealand, commented:

One of the overarching goals of the tourism strategy is that the sector is prosperous and attracts ongoing investment. An impediment to this is the difficulty many operators are having in attracting and retaining staff, and I know that the hotel sector is certainly no exception ...

I understand that some hotels are offering increasing flexibility in shift hours and rosters. That's great to hear. Flexible work hours are an important incentive in a tight labour market.

Switched-on employers I am sure have already considered and are actively pursuing the potential of these workers as we move forward with an aging population.

(Beehive Speech, 2008)

This statement reinforces the fact that the hotel sector has adopted work-hours flexibility, in a variety of forms, in response to staffing problems relating to skills and availability, and this approach is considered an effective one. The findings of this study add functional flexibility as another option: such an approach can play a key role in responding to the lack of skilled staff and in improving a hotel's performance. Policies could be developed to assist the industry and hospitality education providers to give existing and potential employees appropriate training, making them better equipped with those skills that are increasingly required for the hotel industry's sustained development.

Also, more attention could be paid towards research on productivity in this particular industry (NZTRI 2006). With the industry's current low level of understanding of the concept of productivity and how it contributes to a hotel's performance, this researcher predicts that productivity will become an increasingly important measure in the sector in the future.

6.3. Research Limitations and a Way Forward

A number of limitations in the research presented here must be noted. First, due to the relatively small population of large hotels in New Zealand, the final number of responses received was relatively small. The negative impact of the relatively small sample is acknowledged as a factor that may prevent the researcher from precisely estimating the magnitude of the relationship between HRM-strategy integration and hotel performance. In other words, the conclusion of the relationship between a hotel's HRM-strategy integration and its performance is more likely specific to the sample hotels and needs to be interpreted with caution. Despite this reservation, it should be noted, as detailed in Chapter 3, all appropriate and necessary methods were employed to develop a comprehensive list of large hotels throughout New Zealand and to collect as many responses as possible. Furthermore, the study achieved a response rate at 27%,

which is higher than the average response rate of 15% from web surveys (e.g. Manfreda et al., 2008).

Thus, despite these caveats, it is argued that the findings of this study can make valuable contributions to the exploration of the HRM-strategy integration and performance. Future studies in a similar context might address the small sample issue by exploring other research options, such as more interviews, a case study and observations as part of the qualitative side of a mixed method design. Indeed, interviews were used by the researcher as part of a mixed method approach to add support and insight into the web-based findings. However, the small number of interviews and their focus in Auckland would be areas for future research to address.

Using a single respondent (in this case, the GM) has long been advocated especially in strategy-related research (Hambrick, 1981; Snow and Hrebiniak, 1981; Mintzberg, 1978). One should, however, be aware that SHRM studies are usually complex in nature and cover multidisciplinary issues. The highly functional structures of modern business can make managers, even top ones, have parochial and narrowed perspectives (see Bowman and Daniels, 1995). This limitation is partially addressed by adopting the mixed method approach in the present study. However, from both academic and practical points of view, it will increase the study's reliability if future research can be developed by including multiple respondents from each target organization (Bowman and Ostroff, 2004). Typical and 'useful' respondents could include managers, supervisors and front-office workers, and extended stakeholders (Edgar and Geare, 2009).

It should be noted that a large proportion of the measures of the present study were adopted and developed from previous studies conducted in the hotel or general business context in the UK, Australia and West Indies. This method is being widely used as it made the study's measures free from the concern of validity and reliability (Evanschitzky, Baumgarth, Hubbard and Armstrong, 2007). As the research targets of the present study vary significantly from those previous studies, the present study should not be thought as a pure replication study (Toncar and Munch, 2010), although a pure replication or extended replication had a lot of advantages and could certainly be advocated for future study (Berthon et al., 2002).

6.4. Research Agenda

The positive association between HRM-strategy integration and the perceived performance of an organization proposed by Brockbank (1999) receives support from this study of the hotel sector in New Zealand. This research has contributed to the field of SHRM by providing evidence of the value that HRM-strategy integration can bring to an organization's performance. One implication for future research is that further work is required in different contexts to explore more deeply the relationship between HRM-strategy integration and performance. As just one segment of the service sector, the extent to which findings from the hotel industry can contribute to an understanding of broader 'mainstream', strategy-related fields is not clear (Okumus, 2002). Future research can use data from broader industries in other countries to increase the validity of the research and the possibility of generalizing the research outcome, given that the relationship may vary across different industries and different countries.

Functional flexibility and productivity have been identified by the study as key factors that justify the strategic role of HRM in enhancing hotels' performance. As the study of these two areas is still in its relative infancy in the hotel sector (Jones and Siag, 2009; Knox and Walsh, 2005; Lai, Soltani and Baum, 2008), the potential for exploring the roles they play in the field of SHRM is great. Although a significant reverse causal relationship between HRM-strategy integration and performance was not found in the present study, some interviewed hotels reported the existence of such a relationship in various circumstances. One of the reasons for the lack of a significant finding might be the highly uncertain nature of hotel businesses. It will be useful to further test this relationship in other contexts because it will help us to have a better understanding of the highly complicated SHRM-performance relationship. Furthermore, the influence of factors such as union presence, HRM department presence and ownership type on the relationship is worth exploring further.

The influence of the type of business strategy used by organizations on the relationship between HRM and performance was tested by this study, without significant relationships being identified. However, the trend within the sample was that the hotels using quality enhancer and 'stuck in the middle' business strategies have much higher levels of HRM-strategy integration than their cost-leading counterparts. The mechanism of links among these factors has still to be explored.

The mixed method research employed in this study represents one of its contributions to SHRM studies. When findings from the interviews (qualitative data) and web survey (quantitative data) were compared and contrasted, the findings' validity and reliability were improved. The two different data types complemented each other, and helped to obtain insightful understandings of some of the findings. For example, comments made by interviewed respondents helped to explain findings from the web surveys in many cases. The web survey was found to be an effective way to collect data, especially in contexts where target respondents commonly have access to the Internet and emails. The researcher recommends the mixed method approach for future SHRM studies.

Further efforts could be made to explore the direction and strength of the relationship between the HRM-strategy linkage and performance. In his 2003 study, Wright advocates that the next generation of research requires study designs to demonstrate the causal order to show how HR practices contribute to organizational performance. This holds true for the present study. The positive impact of HRM-strategy linkages on organizational performance will potentially drive decision-makers to better manage human resources in the future.

It is worth noting that the data of the present research was collected and analysed in the year 2007/08, before the 2008/09 global recession and its consequent economic uncertainty and volatility impacted fully on the 'fragile' hotel sector. Given the current state of the global and New Zealand economies, it is no surprise that the major hotels are experiencing a downturn in their performance. To make things worse, the severity of this recession is likely to be greater than any of those over the past three decades in terms of unemployment levels, net worth loss and commercial losses (Gore, 2010). From an academic perspective, it has been pointed out that one of the best things the industry can do to overcome its financial difficulties is to more effectively use properly trained and cultivated human capital (Carroll, 2010). A possible research topic to build on the present research would be to see if and how the strategic role of HR can be better acknowledged and understood not only by senior management but also by those at all the different levels of an organization.

One hotel GM ended his interview by saying, "We are a people business. We don't make anything. We don't build anything. So our employees are the king." The current

research provides theoretical and empirical evidence that human resources, in the hotel sector at least, might be the best strategic asset hotels have to make a significant contribution to their overall performance. Obviously, making full use of HR as a strategic asset will require an ideological shift from some senior managers as well as from all stakeholders within and beyond the sector, which is a task that is not going to be tackled overnight.

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Appendix 1



September 26, 2006

Dear Mr/Ms General Manager,

**The Strategic Role of Human Resource Management in
Organizations' Performance: the New Zealand
Accommodation Sector**

My name is Yixin (Jim) Luo. I am currently a PhD student at AUT – my thesis focuses on how human resource management makes strategic contributions to New Zealand's accommodation sector.

I am currently interviewing a number of accommodation providers in the Auckland region to discuss the current competitive environment, how businesses are responding to this context and the role that human resource management plays in their management processes

We have contacted a select number of hotels to request an interview and the response to date has been very positive. The interview will take approximately 1 hour to complete. If possible, I would like to arrange an interview with you at a time that is convenient for you. I will be contacting you shortly to provide you with more details about the study and to arrange a meeting.

Information from the research will not only contribute to business/hospitality research, but also bring benefit the accommodation sector in New Zealand as whole. So the research outcome will be accessible to you and the wider community although individual businesses will not be identified. Only my supervisor Professor Simon Milne and I will have access to the interview information - it will be treated in a strictly confidential manner.

Should you require further information, please feel free to contact Jim at (09) 921 9999 ext. 8890 or by email: yixin.luo@aut.ac.nz. I look forward to talking with you in the near future.

Yours sincerely

Yixin (Jim) Luo

Ph.D Candidate, Research Assistant,

NZTRI, AUT

Any concerns regarding the nature of this project should be notified in the first instance to the Project Supervisor. Concerns regarding the conduct of the research should be notified to the Executive Secretary, AUTEK, Madeline Banda, madeline.banda@aut.ac.nz, 917 9999 ext 8044.

**Approved by the Auckland University of Technology Ethics Committee on
28/08/2006 AUTEK Reference number 06/158**

Appendix 2

Participant Information Sheet



Date Information Sheet Produced:

27 July 2006

Project Title

The Strategic Role of Human Resource Management in Organisations' Performance:
The New Zealand Accommodation Sector

An Invitation

You are invited to participate in a research of the strategic role of human resource management in enhancing the performance level of accommodation providers in New Zealand. Participation is entirely voluntary, and your participation and comments are all confidential.

What is the purpose of this research?

This research is designed to explore the use of strategic planning and human resource management (HRM) practices of the accommodation sector in Auckland and New Zealand. The potential impact of an effective integration of strategic planning and HRM on organisations' performance will be evaluated. The research will be used in the production of a Ph.D thesis for the Auckland University of Technology (AUT) and it may also be developed into policy directives, academic presentations and publications.

How was I chosen for this invitation?

You have been chosen as Auckland-based accommodation provider employing more than 20 employees.

The researcher (Yixin Luo) is interviewing 10 owner/managers in the same sector in Auckland region.

What will happen in this research?

You will participate in a face-to-face interview with the researcher. It will be set up at a time and place that suits you the best. The interview will take approximately an hour, and will be recorded with your permission. You will have the opportunity to verify the interview transcripts before they are analysed and used.

Also as part of this research, we are conducting a web-based survey of accommodation providers nationwide.

The confidential information that you provide us will be gathered and carefully analysed. It will contribute to the overall aim of the research, which is to create a deeper understanding of the strategic role HRM plays in improving organisations' performance level.

Please note that the research findings may be used in future presentations and publications within an **academic context**.

What are the discomforts and risks?

There are unlikely to be any question that will cause you discomfort. If however you do not wish to answer a question you are not obliged to (see next section).

How will these discomforts and risks be alleviated?

Participation is totally voluntary. You are free to withdraw from the research at any time up until the completion of the data collection. All questions are optional, and you don't have to tell the researcher anything you are unwilling to. Everything you say will be confidential and you or your business will not be identified in any of the reporting of the research outcomes.

What are the benefits?

The research will enhance hospitality practitioners' understanding of the nature of strategic planning and HRM practices in their business and the potential of them to play a more positive role in maximising the organisation's performance level.

How will my privacy be protected?

Your names, businesses and contact details will only be known to the researcher, and will not be identified in the research reports and the consequent publication.

What are the costs of participating in this research?

It will take approximately one hour of your time.

What opportunity do I have to consider this invitation?

When invited, you will be given three days to make your decision of participating or not. The researcher will contact you again after you receive this Information Sheet to check your decision and confirm a date, time, and place that suits you the best if you agree to participate.



How do I agree to participate in this research?

To agree to participate in this research, simply make an appointment for the interview with the researcher. You will be required to read and sign a 'Consent Form' before the interviews starting to make sure you are still happy to participate.

Will I receive feedback on the results of this research?

Results of this research will be available from the NZTRI website www.tri.org.nz by December 2007.

What do I do if I have concerns about this research?

Any concerns regarding the nature of this project should be notified in the first instance to the Project Supervisor, *Professor Simon Milne*, email: simon.milne@aut.ac.nz, or phone 09 921 9245

Concerns regarding the conduct of the research should be notified to the Executive Secretary, AUTEK, Madeline Banda, madeline.banda@aut.ac.nz, 921 9999 ext 8044.

Whom do I contact for further information about this research?

Researcher Contact Details:

Yixin Luo, email: yixin.luo@aut.ac.nz, Ph 09 921 9999 extn: 8890

Project Supervisor Contact Details:

Simon Milne, email: simon.milne@aut.ac.nz or phone 09 921 9245

Approved by the Auckland University of Technology Ethics Committee on 28/08/2006 AUTEK Reference number 06/158.

Appendix 3

Consent Form

Interviews



Research title: THE STRATEGIC ROLE OF HUMAN RESOURCE MANAGEMENT IN ORGANISATIONS' PERFORMANCE: THE NEW ZEALAND ACCOMMODATION SETOR

Supervisor: Professor. Simon Milne

Researcher: Yixin Luo

- I have read and understood the information provided about this research project in the Information Sheet dated 27 July 2006.
- I have had an opportunity to ask questions and to have them answered.
- I understand that the interviews will be audio-recorded and transcribed if I agree to this.
- I understand that I may withdraw myself or any information that I have provided for this project at any time prior to completion of data collection, without being disadvantaged in any way.
- If I withdraw, I understand that all relevant information including audio files and transcripts, or parts thereof, will be destroyed.
- I agree to take part in this research.
- I wish to verify the interview transcript before it is analysed and used: Yes No
- I wish to receive a copy of the summary report from the research (please tick one): Yes No
- I agree to the interview being recorded (please tick one): Yes No

Participant's signature:

Participant's name:

Participant's Contact Details (if appropriate):

.....
.....



.....
.....

Date:

**Approved by the Auckland University of Technology Ethics Committee on
28/08/2006 AUTEK Reference number 06/158.** .

Note: The Participant should retain a copy of this form.

Appendix 4



THE STRATEGIC ROLE OF HUMAN RESOURCE MANAGEMENT IN SMALL AND MEDIUM ENTERPRISES: THE NEW ZEALAND ACCOMMODATION SECTOR

Owner/General Manager interview schedule

A. Introduction

- Introduction of the interviewer and cover ethics requirements.
- Ask the interviewee if the interview can be taped, switch the tape on, and repeat the request on tape.
- Introduction of the research (topic, areas that will be covered, relevance with the respondent's business, etc).
- Approach – 10 interviews with owner/managers of medium and large size accommodation sector (employing 20+ staff) in Auckland region, web-based survey of managers nationally.
- Introduction of the potential advantages of participating in the research.
- Introduction of the confidentiality issues (no names used in any report and results will only be used for academic and policy purposes)

B. Individual and enterprise background

1. Name of the interviewee _____

Position _____

2. How long have you owned/managed this firm? How did you start? Prior relevant experience? Relevant business training/education?

3. When was the business established? _____

4. # Full-time _____ # Part-time _____

5. # Male staff _____ # Female staff _____

6. Size: # rooms _____ or other measures _____
7. In terms of the management structure, do you have formal/informal human resource management department/team in this firm?
8. Does this firm develop formal strategies or informal ones? If so, how long a period will a typical strategy cover?
9. Are strategy-related decisions of the firm formally/informally made by yourself or a top management team?

C) The core questions

Features of the firm's corporate strategy:

1. Please state, and give a brief description of, the two factors that most accurately describe your firm's focus on firm-level strategy:

Price, quality, cost control, responsiveness to customer needs, advertising/marketing, providing a distinctive service, others (if 'others', please specify).

(A set of prompts will be shown to the interviewee for the above stuff)

Human resource management practices used in the firm:

1. Does your firm use the following HRM practices in your every-day business?

Training

Provision of training to its operational staff Y/N

The firm has a strategic training plan Y/N

Reactions, learning, behavioral and performance effects

after firm training are measured Y/N

Selection

Predictors with high predictive validity are used

(e.g. work sample test, biographical questionnaire) Y/N

Examination of how many and what types of

recruitment are needed in the medium term Y/N

The recruitment and selection activities are systematically evaluated Y/N

Compensation

The firm offers benefits to its employees Y/N

Part of the wage depends on individual performance or merit Y/N

Employees receive an occasional bonus Y/N

Careers

The firm offers staff the possibility of

attaining a higher hierarchical level Y/N

Appraisal system concerned with

what individual will be capable of doing in the future Y/N

The firm offers staff the possibility of becoming

active in other functional domains at the same level Y/N

Performance management

Appraisal procedure relates to the allocation

and attribution or awards, rewards and benefits Y/N

Appraisal procedure aims at the development and
motivation of staff by looking at how well s/he is doing Y/N

Use of a system which specifies procedure
and criteria for the appraisal process Y/N

Participation

Trade union representation Y/N

Staff share in the profits or can participate financially in the firm Y/N

Consideration is given to employees' opinions Y/N

Role of HR in strategic decision-making process:

1. Please identify the following statement that best describes the HR-strategy linkage in your firm and give brief comments:
 - a. The HR area provides operational support, develops some internal programs to meet specific needs, but is generally viewed as a processor of paperwork and employment activities;
 - b. The HR area reacts to strategic directions and requests from top management;
 - c. The HR area provides input into and reacts to strategic directions set by top management, but only on personnel related matters;
 - d. The HR area is actively involved in all types of strategic decisions, whether or not they directly affect personnel matters.

2. If situation a) or b) for Q2 fits the status quo of your firm the best, what do you think are the most limiting influences/factors upon the HR input into the strategic planning of the firm?
3. Is there HR representative on the senior management group at the firm level? If no, what do you think are the most limiting influences/factors?
4. Is there HR representative on the senior management group at the firm level? If no, what do you think are the most limiting influences/factors?
5. Do you think the existing HRM-strategy linkage in this firm has room for improvement? If so, how?

Performance:

1. How would you define 'performance' in your business?
2. What approach (or approaches) should be used to measure the performance of an accommodation business most effectively and accurately? Why?
3. What factors do you think have impacts on the firm's performance?
4. Briefly describe, if there is one, the role of HRM plays in improving the firm's performance.
5. Briefly describe, if there is one, the role of the integration of HRM and strategic planning in improving the firm's performance
6. Do you think that the firm's performance has impacts on its HRM practices and strategic planning as well? If yes, how?

Future

1. What are your future plans for this business?
2. How will you expect the firm's performance in next one year, five years?
3. Do you expect a more active role of HRM in this firm's strategic planning in the next one year, five years?

Appendix 5



June 21, 2007

Dear Mr/Ms ,

The Strategic Role of Human Resource Management in Organizational Performance: the New Zealand Hotel Sector

My name is Yixin (Jim) Luo. I am currently a PhD student at AUT – my thesis focuses on how human resource management makes strategic contributions to New Zealand's hotel sector.

At the moment, I am collecting data from the medium and large sized accommodation providers throughout New Zealand by using a nationwide web survey to learn the roles that human resource management can play in enhancing hotels' performance level in the long term.

You are now invited to participate to this survey by visiting <http://nztri.aut.ac.nz/survey/hotelsector/consent.php> as an establishment with 50 and more rooms. We have conducted a number of pilot surveys and the response to date from managers has been very positive – we hope you will be willing to participate as well.

To ensure that the information generated by this research provides some practical outcomes the core findings will be available to yourself and other interested parties from the tourism and related sectors-please note however that no individual hotels or responses will be identified.

Should you require further information, please feel free to contact Jim at (09) 921 9999 ext. 8890 or by email: yixin.luo@aut.ac.nz. I look forward to your invaluable responses in the near future.

Yours sincerely

Yixin (Jim) Luo
Ph.D Candidate, Research Assistant,
NZTRI, AUT

Any concerns regarding the nature of this project should be notified in the first instance to the Project Supervisor. Concerns regarding the conduct of the research should be notified to the Executive Secretary, AUTEK, Madeline Banda, madeline.banda@aut.ac.nz, 917 9999 ext 8044.

Approved by the Auckland University of Technology Ethics Committee on 12/03/2007 AUTEK Reference number 06/158

Appendix 6



The strategic role of human resource management in organisations'

performance: the New Zealand hotel sector web-survey

Information for participants

This survey investigates the strategic role played by human resource management in enhancing New Zealand hotel performance. To this end, I plan to collect and analyze information from medium and large sized hotels all through the country.

As the person in the hotel who is assumed to have the best understanding of the establishment's overall human resource management issues, strategic planning issues and performance issues, I would like to request your participation in this survey.

Your confidentiality is assured. Only my supervisor Professor Simon Milne and I will have access to the individual responses. No individual data collected in this survey will be published. Following the Department of Statistics practice, no tables will be published in which the number of entries in a cell is so small that the data for an individual hotel can be identified or calculated.

This survey will take approximately 15 minutes to complete. A summary of the main findings of the survey will be made available to all participants upon request.

By taking the survey you are giving consent to be part of this research.

<Take the survey>

For further information about this research contact:

Yixin (Jim) Luo: email yixin.luo@aut.ac.nz, phone 09 921 9999 ext 8890.

Any concerns regarding the nature of the research should be notified in the first instance to Professor Simon Milne: email simon.milne@aut.ac.nz, phone 09 921 9245.

Concerns regarding the conduct of the research should be notified to the Executive Secretary, AUTEK, Madeline Banda: email madeline.banda@aut.ac.nz , phone 09 921 9999 ext 8044.



**Approved by the AUT University Ethics Committee on 12/03/07, AUTECH
Reference number 06/158.**

Section A: This section asks you a screening question to make sure that your hotel meets with the size requirement of this research.

Does this hotel have 50 or more rooms?

Yes – Please **CONTINUE** to answer all the questions in the following sections.

No – Sorry, you are **NOT** working in a suitably sized organisation. Thank you for visiting the website.

Section B: This section asks a series of questions relating to your own background.

1. Your specific current job title in this hotel is _____.
2. You have held the present position for _____ year(s).
3. You have worked in this hotel for _____ year(s).
4. You have worked in the hotel industry for _____ year(s).
5. Your highest qualification is:

Post-graduate qualification

Bachelor degree

Diploma

Certificate

Secondary school qualification

Other (please specify) _____

6. You are

Male

Female

7. Your age group is

20-29 30-39 40-49 50-59 >60

8. Please tick as many areas where you have worked (in general) before you got the present

position:

Human resource management Marketing/Sales Accounting & Finance
 Front office Food & Beverage Other (please specify) _____

Section C: Questions relating to this hotel.

1. This hotel was established in the year _____

2. This hotel is located in:

Auckland Rotorua Waikato Wellington
 The rest of the North Island

Christchurch Dunedin Queenstown West Coast
 The rest of the South Island

3. Your total number of staff is _____ Full time ____% Part-time/casual ____%

4. Your total number of accommodation rooms is _____

5. The star grade of this hotel is _____ (drop-down from five-star to one-star)

6. Is a union present in this hotel?

Yes No

7. How would you describe the ownership of this hotel? (Tick as many as applied)

Family-owned
 Foreign-owned
 Franchise
 Management contract
 Member of a hotel chain
 Owner/manager
 Partnership
 Shareholders

Other (Please specify) _____

9. The management structure of this hotel is:
- Pyramid (a structure with at least three levels: top management, middle management and front line staff)
 - Flattened (a structure with top management and front line staff)
 - Other (Please specify)_____

Section D: Strategic issues facing the hotel.

1. Does this hotel have a mission statement?

Yes, the mission statement is:

No

2. This hotel

formulates and implements its own formal (documented) strategies
formulates and implements its own informal (casual/oral) strategies
follows formal strategies as decided by Headquarters
follows informal strategies as decided by Headquarters

other (Please specify)_____

3. This hotel's strategy decisions are usually made by (please tick the most relevant ONE):

The Headquarters (of the chain)

The owner(s)

The Board of Directors

The General Manager

The Senior Management Team (or the executive body)

A mix of the General Manager and the Senior Management Team

Other (Please specify) _____

4. The hotel's overall strategic plan usually covers a period of _____ year(s).

5. Please state the **TWO** features that most accurately describe the focus of this hotel's overall strategy:

- Cost control/Cost minimisation
- Emphasis on advertising/marketing
- Human resources issues
- Providing a distinctive, unique service
- Price competition
- Quality of service and facilities
- Responsiveness to customer needs
- Value for money

Other (please specify) _____.

Section E: Human resource management (HRM) issues.

1. Does this hotel have a formal human resource (HR) department?

Yes – Please continue to question 2 below.

No – Please go to question 3 below.

2. The number of staff employed in the HR department is _____

3. The HRM-related issues of this hotel are mainly handled by (please tick the most relevant **ONE**):

The Headquarters (of the chain)

The owner(s)

The Board of Directors

The General Manager

The Senior Management Team (or the executive body)

A mix of the General Manager and the Senior Management Team

A HR manager or specialist

The heads of individual departments

Other (please specify) _____

4. Does this hotel use the following HRM practices?

Yes Partially No

a). Terms and conditions

Harmonised terms and conditions between management and employees

One status for all staff

Internal promotion (i.e., promotion from within the hotel) is the norm for appointments

No compulsory redundancy

b) Recruitment and selection

Using trainability (applicants' potential to be trained) as a major selection criterion

Using psychological tests as a norm for the selection of all staff

Deliberate use of realistic job previews during recruitment and selection

c) Training

A formal system for communicating the values and systems in the hotel to new staff

Deliberate development of an environment where learning is encouraged and rewarded.

An explicit policy exists requiring all staff to spend a specified minimum period annually in formal training

d) Job design

Flexible job descriptions that are not linked to one specific task

Deliberate design of jobs to make full use of employees' skills and abilities

Work organized around team-working for the majority of staff

Staff involvement in setting their own job targets

e) Quality issues

Production/service staff are responsible for their own quality

Most employees are currently involved in quality circles or quality improvement teams

f) Communication and consultation

Regular use of attitude/opinion surveys to obtain the views of staff

A system of regular, planned team briefing from senior management to front line staff during which work stops

All staff are informed about the hotel's market position, competitive pressures and performance as a matter of course

g) Pay systems

A merit element features in the pay of staff at all levels

Formal appraisals are the primary basis of decisions concerning pay increases.

Section F: The integration of this hotel's HRM and overall strategy.

1. Is there an HR strategy formally endorsed and actively supported by senior management at the hotel?

Yes – Please continue to question 2 below.

No – Please go to question 3 below.

2. Has an attempt been made by your hotel to deliberately integrate human resource strategy with your hotels’ overall strategy?

Yes No

3. In your opinion, are your hotel’s HRM practices or policies deliberately integrated with each other?

Yes No

4. Please identify the following statement that most accurately describes the HR-strategy linkage of this hotel:

- a) The HR area *provides operational support*, develops some internal programmes to meet specific needs, but is generally a processor of paperwork and employment activities;
- b) The HR area *reacts to* strategic directions and requests from top management;
- c) The HR area *provides input into and reacts to* strategic directions set by top management, but only on personnel related matters;
- d) The HR area is *actively involved in all types of strategic decisions*, whether or not they directly affect personnel matters.
- e) None of the above (please specify)_____

5. To what extent is the person handling the hotel’s human resource issues involved in different stages of the hotel’s overall strategy?

Drawing up proposals for the strategy

Not involved Very deeply involved
 1 2 3 4 5

Evaluating financial consequences of the strategy

Not involved Very deeply involved
 1 2 3 4 5

Taking the final decision on adopting the strategy

Not involved				Very deeply involved
1	2	3	4	5

Implementation of the strategy

Not involved				Very deeply involved
1	2	3	4	5

Outcome review/evaluation

Not involved				Very deeply involved
1	2	3	4	5

6. Is there an HR representation on the Board of Directors?

Yes No N/A. This hotel doesn't have a Board of Directors.

7. Is there an HR representative on the Senior Management Team of the hotel?

Yes No N/A. This hotel doesn't have a Senior Management Team

8. Do you feel there are factors that have limiting influence on the integration of this hotel's HR and its overall strategy?

Yes, these factors are _____

No, HR is fully integrated into the strategic decision-making process.

Section G: The hotel's HR outcome and the overall performance.

1. Please rate each of the following HR outcomes within your hotel on the scale of one to five.

a. The employees' commitment to the hotel is:

Very low				Very high
1	2	3	4	5

b. The level of job satisfaction of employees is:

Very low
1 2 3 4 5
Very high

c. The employees' flexibility when moved between work shifts is:

Very low
1 2 3 4 5
Very high

d. The hotel's ability to move its employees between departmental jobs as the work demands is:

Very low
1 2 3 4 5
Very high

e. The quality of work of employees is:

Very low
1 2 3 4 5
Very high

f. The overall voluntary turnover rate of employees is:

Very low
1 2 3 4 5
Very high

2. In your opinion, how do you rate this hotel's performance in the following areas relative to your primary competitors' average over the past year?

i. The labour productivity

Much worse
1 2 3 4 5
Much better

ii. The quality of service

Much worse
1 2 3 4 5
Much better

iii. The financial performance

Much worse
1 2 3 4 5
Much better

iv. The market share

Much worse
1 2 3 4 5
Much better

v. The sales growth

Much worse					Much better
1	2	3	4	5	

vi. The service innovation

Much worse					Much better
1	2	3	4	5	

vii. The customers' satisfaction

Much worse					Much better
1	2	3	4	5	

Section H: The predicted future of the hotel.

1. In your opinion, how do you expect this hotel to perform in the following areas relative to your primary competitors' average over the next 3 years? (Please use ESTIMAMTE).

a. The labour productivity

Much worse					Much better
1	2	3	4	5	

b. The quality of service

Much worse					Much better
1	2	3	4	5	

c. The financial performance

Much worse					Much better
1	2	3	4	5	

d. The market share

Much worse					Much better
1	2	3	4	5	

e. The sales growth

Much worse					Much better
1	2	3	4	5	

