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Human Resources Management in the Hospitality Industry: a Case Study of the Northern Portugal

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ABSTRACT

The concept of Human Resource Management is the most effective and productive approach to managing organisation's key assets, its people. It is also vital to the comprehension of human behaviour complexity.

The aim of this study is to discuss how human resources play a major role in hospitality industry and, given the working conditions, also explain how important Human Resource Management practices can be. The study focus on the region of Oporto and the Northern Portugal, in an survey where the general managers of all hotels of that area responded to a questionnaire. Significant results were obtained in five major topics: organization and strategy; recruitment and staffing; training and development; performance; reward and recognition.

The conclusions reached suggest that hospitality industries have a long way to go in implementing the right human resources practices. Major findings indicate that there is room for improvement in what concerns considering "People" a strategic issue in the long-range planning process. Besides hospitality managers don't seem to know how to answer questions about the future, specially in what concerns the best strategies for human resources retention.

KEYWORDS: Human Resource Management, Hospitality industry, Working conditions,

THEORETICAL BACKGROUND

Hospitality industry, from which hotels are the main part, is service intensive, and consequentially depends heavily on its human resources. In each subsector, the most highest investments, the most modern equipment and luxurious buildings will fail if the human/personnel aspect of the organization is not carefully taken care of.

Human resources (HR) are the most important resource hotels have since when we talk of hospitality we talk of a service, where the person who delivers it, is a vital part. Both the client and supplier affect service and human resources development is the starting point for success in hospitality organizations. Thus, the tourism industry and specially the hotel sector, considering its main characteristics, more than any other sector, faces the need to put in practice the human resources management (HRM) practices. Wood (in Baum, Amoah e Spivack, 1997) refer that mainly because of the personal service nature of the work involved, in most developed countries, both industry employees and wider society view hotel and catering labour as a relatively low status. Besides, the hotel sector has some important features that need specific strategies namely, a high proportion of unskilled labour; a set of competencies that are easily transferable between hotel units; high turnover rates; low wages (unskilled nature of the work creates an excess of supply that keep wages down). Riley (1991) also refers to the subjective nature of standards i.e. every worker's output is judged subjectively because concepts like "hospitality" and "service" cannot be measured formally.

The negative employment image of the sector is the result of a set of historic and contemporary factors (Baum, Amoah e Spivack, 1997:222): "the origin of hospitality work within domestic service and its consequent association with servility; links, in some countries between hospitality employment and colonial legacy; widespread use of expatriate labour in many developing countries, creating the perception that the sector is

one offering only limited opportunity for promotion and progression; widespread exposure to work in the sector as a first working experience, resulting in generalised assessment based on limited exposure”. Still, in what concerns features in hotel working, to those who work directly with clients, hours of work are traditionally dictated by the client’s needs and by the employment contract. Another dichotomy can be established between those who are in management positions and those who are not. The first ones work several hours according to the needs of the hotel and not according to specific and well defined shifts of work. Since usually extra hours of work are not paid to workers in management positions, organizations actually have more hours of work from their employees without more expenses. To those who live in hotels, it may happen that being officially “off” they are at the same time available to solve some problem that may appear and needs attention. In what concerns those workers that are not in management positions hours of work vary from country to country (Hornsey e Dann, 1984). However, working in shifts is also common and as well for these workers there is a large reluctance in paying extra-hours of work. They are too subjected to hours of work that are not paid and are not expressed in working shifts.

The HRM process is put in practice in organizations through planning, organization, development, co-ordination, and control of a set of techniques that are able to promote an efficient and effective performance from all those who work in the organisation (Dessler, 1984). Promoting the management of all activities in organisation in order to attract, develop, motivate and maintain a high performance workforce, HRM marked itself away from personnel management which applied only techniques of a operative nature with no relation to management in general. In opposite terms, HRM has a proactive and strategic nature where HR are important assets of the organization, managed accordingly to the established long range objectives. Besides, acts on the culture level of

the organization, in a holistic and integral perspective of managing people, where the performance of each employee is an important contributor to efficient and competitive organisations. Moreover, HRM is seen as a management activity, and consequently a responsibility of all managers (Beaumont, 1993).

In what concerns defining the HRM concept there are several authors that pinpoint the need to distinguish between managing resources and managing people. Namely, Torrington, Hall & Taylor (2002) refer that in personnel management people who work in the organization are the starting point, i.e. personnel managers direct their efforts to mediate the relationships between employers and employees. Contrasting with this perspective, HRM is directed to management needs in terms of resources to hire and develop. The emphasis is put on planning and monitoring and not on simple mediation. Problem solving is made with all managers involved in the question being discussed instead of debate between employees and/or their representatives. Literature also refer that HRM is totally associated with the interests of management since it is a generic management activity relatively distant from workforce as a whole.

Organizations face intensified competition and their survival can not only be based in identifying market opportunities but in the adequate match between the needs of that market and a productive, stable and responsible workforce.

Given the established objectives, putting in practice the correct HRM practices allows organizations to anticipate and deal with change, either internal or external, in a more advantageous way. HR strategy must not only be integrated with the overall organisational strategy but also must direct it. Only this way can organizations manage for the future, anticipate problems, stay close to costumers, ahead of competitors and, at the same time, promoting a strong organisational culture.

Both capital and people intensive, hospitality organizations face the problem of assuring a high performance from their HR given the sector working conditions. HRM faces in the near future enormous challenges, specially in the hotel sector, in the difficult task of leading managers and owners to treat HR with respect and, at the same time, helping them to find new and original ways to release in those persons talents and capacities trough training and development programs.

The present study aims to approach the importance of HR in hospitality organizations and giving the working conditions in the hotel sector, to emphasise the vital role of HRM. Therefore, the empirical work, with the methodology that will be describe ahead, will allow us to study the reality of Oporto and the Northern Portugal, in what concerns the current practices of HRM, as well as changes industry leaders expect to make in the organizations in the near future.

Based on intensive review from the literature we establish two hypothesis that we intend to test:

Hypothesis 1 - Hotels with higher rates of occupation are more concerned with HRM;

Hypothesis 2 - Effective HR practices are negatively correlated with turnover.

METODOLOGY

In order to obtain objective criteria in the limitation of the study area, we used the Tourism Promotion Areas, which is a concept used in Portugal in the Tourism Sector to better identify regions with common characteristics but, mainly, the concept is used to promote the regions in a national and international level.. The study focus on one specific region: the Oporto and Northern Portugal.

The Northern Portugal does not reveal such a strong development in the tourism sector as other regions in the country do. However it has recorded a considerable growing of the tourism sector as an economic activity, with local agents in the sector being

progressively active (Santos & Terrasêca, 1998). It is possible to identify some threats and some opportunities. The northern region faces some threats that come mainly from the lack of entrepreneurial conscience and even civic one, for the opportunities in tourism, which, in turns, can only result in a reactive attitude in what concerns taking advantage of that market opportunities. The region has, nevertheless, considerable opportunities in what concerns the numerous tourist resources, essentially based on the Douro river and the magnificent landscapes, but also in the scope of the new tourist thematics with great developing potential, as it is the case of nature tourism, gastronomy and all opportunities related to new products development associated with the territory (CCRN,1999).

The universe of analysis of the present survey is of 127 hotel units and the questionnaire was choose as a technique to obtain data. The questionnaires were mailed by post and from 127 questionnaires sent, 53 returned representing 42% of all universe. The questionnaire which allowed us to obtain data, was built based in a model questionnaire from a major study of Andersen Consulting and New York University (Cline et al. 1997) applied in an international scope. After some adjustments it was the basis for the questionnaire of the present survey.

The questionnaire entitled “Human Resources Management practices enquiry” was structured in several sections that yield information on five major topics: organization and strategy; recruitment and staffing; training and development; performance; reward/ recognition. Data was analysed with the assistance of the Statistical Program for Social Sciences (SPSS). A frequency analysis was performed to identify the sample’s descriptive statistics. In order to test both hypothesis we used the Eta measure of association which can be performed with a dependent quantitative variable and a qualitative, nominal or ordinal dependent variable. Besides Eta square represents the

proportion of variation in the dependent variable that can be explained by the independent variable. (Pestana e Gageiro, 2000).

DATA ANALYSIS

Organization and Strategy

In this section we intend to evaluate how the objectives established by the organization are put in practice, the quality of the relation with clients, and how closely aligned are human resource practices with overall business strategy. Nearly two-thirds (62,3%) of hoteliers responding to the survey consider *frequency of stay* as a measure of customer loyalty and just 13,2% considered *degree-of-satisfaction* as a measure of customer loyalty. The remaining (24,5%) refer *expressed-intention-to-return* as synonymous of customer loyalty. These results indicate that hotel managers don't have ways to evaluate client's loyalty, and consequently they hardly know their clients. *Expressed-intention-to-return* and *degree-of-satisfaction* would yield much more information.

Almost all respondents (94,3%) evaluate guest satisfaction but a large proportion reported use of guest comment cards (62,3%) and formal surveys during stay (58,5%) as measures of satisfaction. These are not the most correct practices because they produce marginal results since only a limited number of guests fill them out and they only gather vague information.

In what concerns collecting information about clients 85% of respondents agreed about that but 93% only collect basic customer information and 31% collect information on the *detailed spending profile at hotel*. Only 9% reported *collect detailed life-style information*. It must be said that it is not enough to gather information on clients but it must be the basis to marketing and selling decisions. Still concerning guest satisfaction, only 50% *quantify financially, the value of customers by segment based upon lifetime spending potential*. This seems to be somewhat a contradictory value because it largely

exceeds the ones who reported to collect detailed spending profile at hotel (31%) and exceeds even more the ones who refer *collect detailed life-style information* (9%). With no such information hoteliers will hardly be able to quantify financially, the value of costumers.

Referring to the relationship between business and human resource strategy the respondents largely referred that human resources practices, policies and procedures are *aligned* (46%) or *completely aligned* (36%) with overall business strategy. This seems to be a very positive answer in what concerns the existing of well defined human resource practices. However if we compare those answers with the importance the several *elements of business have in relationship to long-range planning process*, we find that *people* comes in first place for only 7% of the respondents, and business strategy is the element that most respondents put in first place, as we can see in Table1.

Table 1- Importance that the elements of business play in the long range planning process (percentages of indication first place, ranked from 1 through 8 in order of importance)

	Abs.	%
Business Strategy	19	43,2
Market Planning	1	2,3
Product Planning	8	18,2
Organizational design	6	13,6
People	3	6,8
Processes	1	2,3
Technology	1	2,3
Capital	5	11,4

Looking at Table 1 we can see that people came only in fifth place in the long-range planning process and consequently they aren't a strategic element in business planning. Cline et al. (1997) referred that broad strategic goals, must be transformed into key performance indicators which, in turn, should be communicated to the entire organization through HR practices, policies and procedures. These performance indicators must be relevant to and understood by employees at all levels so they can

understand the relationship between their efforts and the prosecution of organizational goals, as well as the relationship between compensation and the desired results. The scarce results obtained related to “people in first place” shows that those are not the concerns of respondents, and on the other hand, doesn’t allow us to establish significant relations between this variable and the ones who are more directly related to human resource practices.

In what concerns priorities for low-wage employees the survey results reveal that a short-term vision prevails. Asked to rank in order of importance several aspects in relationship to low- wage/ low-skill employees *customer service orientation* and *retention* were the ones with low priority. Those employees are the ones who are more related to costumers being in better position to identify opportunities for improvement and act accordingly. However if retention is not a priority, hoteliers will hardly have employees that are motivated and committed with the organization, what reveals a short-sighted approach in the industry.

Questioned about employee participation programs (ex. quality circles, suggested schemes, job enrichment activities, etc.) 41,5% don’t know / don’t answer what shows considerable unawareness about this matter. The results, if they were significant, would allow us to estimate how aware hotel managers are about the importance of employee participation programs in motivation, in promoting employee satisfaction and, consequently, on retention. Questioned about the near future the *not know/ not answer* proportion is even bigger – 45,3%. Such answers prevent us from getting more significant conclusions, unless the lack of short/medium range vision, since despite the open question none of the respondents could identified any employee participation program for the near future.

Questioned about education and training opportunities most respondents (78,5%), reported that their employees *are encouraged to seek education and training opportunities* and also *encouraged to take the initiative in decision-making within the scope of their jobs and training*. As to the effectiveness of training plans 61,3% *agreed* that their *organisation's plan was effective* and 22,4% *don't know / don't answer*. Conviction about the effectiveness of training plans doesn't seem to be strong since only 28,6% could strongly agree with such statement.

In what concerns the *existence of non-monetary recognition programs* only 35,2% *agreed* about their existence and, from those, only 4,3% could *strongly agree*. These results seems to indicate a completely unawareness about what can be others forms of motivating retention and commitment in employees. Non-monetary recognition programs, like public praise, social benefits or other programs established in a clear and straightforward way, reflecting a proper feedback to performance, may became a powerful way to build employees' "fidelity". Still, 31,9% of respondents *don't know/ don't answer* what shows that they have no idea of what these programs are and the benefits they can bring to organizations..

Recruitment and staffing – In this section respondents were questioned about recruitment planning, its extension, but also what strategies are in place do reduce turnover. Concerning HR planning only 38,5% of respondents reported *having a recruitment plan in place* and 52,6% of these plans extended for only *one year*, 31,6% *between one and three years* and only 15,8% extended for *more than five years*.

Literature review indicates that HR planning is one of the most important aspects of HRM, indispensable basis for all other practices. It must regard medium and long-range terms (Câmara, Guerra & Rodrigues, 1997) in order to conciliate organizations goals and employee's needs and perspectives. Data survey indicates that this is an area

demanding urgent attention. The fact that nearly only one third of respondents reported having a recruitment plan in place indicates that hoteliers have essentially a reactive attitude in this matter.

In what concerns recruitment tools, according to different categories of employees, 43,4% of respondents doesn't have in place any of the tools suggested in what concerns *supervisory staff*, 37,7% in what concerns *senior management* and 34% in what concerns *department heads*. Only for *general staff* respondents seem to clearly identify recruitment tools in place, since for this category only 9,4% couldn't answer (Table 2).

Table 2 – Recruitment tools for the following categories of employees (% of positive answers)

	Senior Management	Department Heads	Supervisory Staff	General Staff
Print advertising	36,4	31,4	33,3	72,9
Employment agency	15,2	14,3	10	35,4
Schools/universities	39,4	28,6	26,7	29,2
Personal contacts	60,6	60	23,3	54,2
Employee referrals	45,5	51,4	53,3	54,2
Walk-Ins	6,1	11,4	30	39,6
Internet	15,2	17,1	13,3	12,5
Company Newsletter	18,2	11,4	20	25
No answer	37,7	34	43,4	9,4

The most common recruitment tools are *personal contacts* and *employee referrals*. For general staff most respondents referred print advertising as one of the more common recruitment tools, probably because it is a category of employees which is mainly unskilled labour. In addition, the survey results indicate a strong corporate culture since the frequent use of employee referrals shows that the organization trusts employees to find new candidates and, at the same time, spreads responsibility for developing a quality workforce across all levels of organization.

More frequent screening and selection tools are: *face to face interviewing* (96,2%), the *probationary trial period* (84,9%) and *structured application forms* (47,2%). *Drug*

testing was not referred and only 3,8% indicated *handwriting analysis as a screening/selection tool*. Questioned about what selection tools will be more frequent in the future respondents referred that they will keep the same methods. However the proportion of *don't answer* rises significantly (25% compared with 0% for the present) indicating unawareness about the future and also about other screening methods beyond those three mentioned above.

Literature refers high rates of turnover as one of the most frequent and negative aspects of hotel industry in such a way that retention strategies play a major role in organizations. In order to assess this issue respondents were asked to evaluate some retention strategies concerning its efficacy in the near future. Table 3 allows us to look closely at the answers.

Table 3– Efficacy of retention strategies for the near future (%) (All answers are based in a Likert Scale from 1 to 5, being 1 for *none* and 5 for *very strong* efficacy)

	Efficacy		
	None/ limited 1+2	Moderate 3	Strong/ Very Strong 4+5
Improved screening tools	8,7	43,5	47,9
More job enrichment programs	8,9	37,8	53,3
Accurate job descriptions	8,9	44,4	46,7
Increased use of incentive pay	2,2	20	77,7
Improved industry image	11,4	22,7	66
Increase in benefits	2,1	29,8	68
Improved working conditions	6	12	82
Increase in base pay	2	24,5	73,5
Increase in non-monetary rewards	6,6	40	53,3

Hotel managers in Northern region seem to be aware of the efficacy of retention strategies presented and the most efficient are *Improved working conditions* (82%), *Increased use of incentive pay* (77,7%) and *Increase in base pay* (73,5%).

The importance given to *improving working conditions* and to the other retention strategies in general shows that hotel managers are aware of how important retention is

in a sector so much affected by turnover. However we can't be so optimistic if we look at these same respondents who also ranked retention of low wage/low skilled employees quite low in terms of importance to their organizations, which is somewhat contradictory. On the other hand hoteliers are aware that hotel industry can't compete with better-paying industries what explains the importance given to *increase in base pay* as a retention strategy. 47,9% of respondents also agree that *improved screening tools* is an important retention strategy for the future. However the unawareness shown previously about recruitment methods for the future leave so much more to be desired in what concerns putting in practice that retention strategy.

In what concerns strategies that will be most effective in the reduction of employee turnover, and in spite of low paid being reported as the main cause for turnover, now respondents choose *improved working environment* instead of choosing *increase in base pay* as the most important strategy for reducing turnover(90% against 71%). These results show that hotel managers are not willing to increase compensation levels even knowing that it is necessary.

The considerable importance given to *improved working environment* is most certainly related with the also previously referred strong organisational culture. We must also stress the clear conscience that respondents have about the efficacy of almost every strategies presented.

Training and development – Turnover is an endemic problem in hospitality industry and successful organizations will be those who will provide training and development opportunities for their employees, in this way retaining high value employees. Questioned about training methods being used the survey results show that *On-the-job training* is the most common method, referred by 92,2% of respondents, followed by *Formal classroom training*. Cline et al. (1997) refer that hoteliers must be aware that

On-the-job training has some disadvantages because if is the “wrong” person to provide on-the-job training there are potential quality and consistency problems. Besides even the most competent employees may not have the ability to communicate concepts and ideas verbally and frequently a “watch-me ” technique is used and that can be confusing to those being trained.

Training methods must promote communication in both ways, i. e. between trainer and trainee. Besides training must teach trainees how important is working in a cohesive and coherent way since team working is one of the main features of the hotel industry. Other methods like *Formal classroom training* and *Video-based training* would yield better results than only *on-the-job training*. For the future the study results show, once again, some indecision because respondents were asked to choose form several methods and 34% *don't know* or *don't answer*. Those who responded reported the continuos use of *on-the-job training* but they also reported plans for more frequent *computer based training* in the future.

In what concerns training approaches, in a question that admitted only one answer, 26% had *No methodology*, 20% *Use pre-packaged industry-wide programs*, 42% *Develop training to meet specific needs* and 12% *Use outside professionals*. These results show some individualism since respondents develop and implement their own training programs, this resulting in waste of a great amount of effort in duplication. Besides training is not pro-active since a large proportion of respondents reported having no methodology. Use of pre-packaged industry-wide programs, with some adjustments at the unit level, instead of individualised training, would mitigate some of organisational investment in this matter.

The effectiveness of training is measured by 90,4% of respondents and from those 38,5% evaluate participant *at the end of training course*, 21,2% do *pre and post-*

training testing and 77,4% evaluate *on-the-job performance*. The predominance of on-the-job evaluation can be justified by the predominance of the on-the-job training, as noticed previously.

Questioned about the training budget for the medium and long range 63,5% reported *no change* and 30,8% reported *increase moderately*. Once again hoteliers don't seem to be aware of the benefits of training and the amount spend in training is seen as a cost and not as an investment.

Still, in what concerns training and development, hoteliers were questioned about human resource development programs and in spite of the considerable proportion of *No answer* (28,3%), from those who responded multi-skilling is the most significant. For the near future proportion of *no answer* increases (45,3%), however respondents reported mainly training for sensitising (issues like quality, environment, etc.). Hotel managers seem to "awake" to new and innovative areas that go beyond the traditional on-the-job training.

Performance –In this section among other issues respondents were questioned about the performance review methods accordingly to the different categories of employees. At the senior management level performance review is mainly self-review and *supervisor review*, surprisingly *peer review* is one of the less used. At department heads level performance review is mainly *supervisor, customer review*, and not so important *self review*. Respondents reported the same answers for supervisory staff. At general staff level respondents reported mainly *supervisor review* and *costumer review*. The proportion of *no answer* is significant at Supervisory level (32,1%). Besides, proportion of *no reviews are conducted* is very low what leave us to conclude that the *no answer* are related to the *no reviews*.

Respondents were asked to rank different approaches to improve the relationship between employee and customer satisfaction, in what concerns their impact on motivation, now and in the near future. *Compensation* was ranked first, followed by *work environment* and by *job security*. *Technology* and *Incentive programs* seem to be the least motivated areas. According to Herzberg Theory (Cardoso, 1996) factors like business strategy, work environment, compensation, status and job security are the so called hygienic factors, which when not satisfied lead to dissatisfaction, but they are not motivating factors. The real motivating elements are self-fulfilment, recognition, empowerment and personal development, on what, hoteliers seem to be far from knowing what actually motivate their employees. Compensation “satisfies” employees but on medium and short term it will not certainly be motivating. In what concerns methods used to measure employee satisfaction now and in the future *Informal discussions* are the most used followed by *Group meetings*, *One-to-one interviews* and *degree of turnover*. For the future the majority of respondents don’t know what methods they’ll use (45,3% *Don’t No/ No answer*). However to those who answered, the preference goes to *Group meetings* and to *Internally designed employee survey*. Also questioned about the existence of an *integrated measurement system which ties employee and customer satisfaction to financial performance* only 33,3% could agree. Once again hotel managers reinforce the idea that people are not a strategic element in the long range planning process.

Reward and Recognition – in this section the study examined a range of factors that are key to reward and recognition of employees. In what concerns incentive programs the majority of respondents reported the use of *cash bonuses* (75,5%) what confirms the belief that hotel managers have on monetary compensation as the most motivating factor. Among other incentive programs presented the survey results are not significant,

however a minority (20,4%) reported the use of *team based pay*. About the future the study results reported once again the uncertainty (50,9% *Don't No/ No answer*) and the continuing tendency to use cash bonuses. However this tendency is not so strongly declared and the use of *team based pay* is expected to increase in the future. Stock Options was almost not reported what can be explained by the dimension of the units (62 rooms in medium terms) and the property ownership that is mainly independent management (73,6%)

In this study we also tried to identify the factors that most contribute to employee turnover. Asked to rank several factors contributing to employee turnover, hotel managers in the Northern Portugal reported *Compensation* as the most contributing factor to turnover. In this way study results also confirms for the Northern Region of Portugal what literature largely refers: hotel industry traditionally employs a large number of relatively unskilled and low-paid workers (Riley, 1991; Pavesic e Breymer, 1991; Boella, 1992; Rogers e Slinn, 1993; Woods, 1997; Hinkin e Tracey, 2000). Besides, also intimately related with turnover is the factor *hours of work* rated second by respondents. Hours of work affect industry not only at the unskilled level but also at the management level. Pavesic e Brymer (1991) refer that even young managers that spend several years obtaining a higher education degree, leave the industry because they don't want to spend so many hours at work. Also *opportunity for employment in other industries* is reported as an important factor contributing to employee turnover. Respondents ranked *work conditions* very low (9,5%) which is surprising because they had previously ranked *improved working environment* as one of the most effective strategies for reducing employee turnover. The proportion of *Don't No/ No answer* is relatively high (20,8%) which means these respondents don't really know what are the main causes of turnover.

The challenge of staff motivation is one of the most important in hotel industry and for that very reason we tried to find out in hotel managers opinions' what non-monetary forms of recognition do/ will have the most influence on employee motivation. Study results reveal that *Offering Discounts for Hotel/ Product use*, as well as *Special awards* are the most motivating forms of recognition. Between several forms of recognition presented, hoteliers continue to choose the ones that are more related to monetary compensation. This will probably be a wrong perspective because, as several authors mentioned, monetary recognition is not the most motivating form of recognition since Public praise and educational opportunities will have much more impact on motivation. Once again we can apply the Herzberg Motivational Theory mentioned before in this study.

About the future respondents reported mainly *Child care/Elder care* as the form of recognition that will have the most influence on employee motivation.

RESULTS DISCUSSION

The main goal of this study was to examine the reality of HRM in hotel industry in the region of Oporto and Northern Portugal, namely the identification and evaluation of HRM practices. In what concerns Organisation and Strategy study results show that to hotel managers People are not a priority in the long range planning process, although referring that human resources practices, policies and procedures are aligned with overall business strategy. The strategic participation of employees in organizations through employees participation programs is not a reality neither it will be in the near future.

About Recruitment and staffing study results reveal that no more than one third of respondents have recruitment plans in place and recruitment tools are only well defined at the general staff level. Screening and selection is mainly made through face to face

interviewing or through probationary trial period, which, in general terms, are easier to implement and involve less financial and human resources. Hotel managers also reported that improving working conditions and increase in compensation (either through increase in base pay or through monetary benefits) are the most effective retention strategies. Accordingly respondents reported those same areas to what concerns strategies to reduce employee turnover. Except for recruitment and training outsourcing is not a common practice in organisations.

In what concerns Training and development, in spite of being referred as very important and effective on retention, the first one is almost on-the-job training and most respondents develop training to meet specific needs, the effectiveness of training being measured on-the-job. Considering the needs of future employees in the next several years training budget will stay the same for the majority of respondents.

Finally in what concerns performance, while respondents agree that training and opportunity for advancement are very important, study results reflect the lack of investment in this matters. Although recognized as the most motivating factors, training and career advancement will not be a priority for hotel managers. Moreover they can't refer employee participation programs for the future. In what concerns reward and recognition hotel managers still referred monetary compensation as the most effective on motivation and retention.

HYPOTHESIS TESTING

In order to test Hypothesis 1 and Hypothesis 2 we established some operating hypothesis from which we assumed dependent variables, respectively occupation rate and the annual turnover rate and some independent variables selected for being those who can better reflect the existence of HRM practices. To test the operating hypothesis we used the non-symmetric measure of association – Eta- that can be applied in testing

a quantitative dependent variable and qualitative independent variables. This statistical measure allow us to test the association between the variables and, besides, Eta square represents the proportion of variation in the dependent variable that can be explained by the independent variable (Pestana e Gageiro, 2000).

Hypothesis 1 - Hotels with higher rates of occupation are more concerned with HRM;

In order to test this hypothesis we used the statistical test described above where we established occupation rate as the dependent variable and we also establish seven operating hypothesis, testing each one of them, respectively seven independent variables: *our organization has an effective training plan in place; our organization has non-monetary recognition programs in place; the evolution of training budget in the medium and long term; the alignment of human resource practices, policies and procedures with overall business strategy; the evolution of “performance-based pay” as a ratio to total compensation; organization has a recruitment plan in place; and organization have an integrated measurement system which ties employee and costumer satisfaction to financial performance.*

Calculating Eta measure of association to all operating hypothesis results show that the association between variables is not significant since only 1 to 17% of variation in the defined variables is due to occupation rate, what lead us to reject Hypothesis 1.

Hypothesis 2 - Effective HR practices are negatively correlated with turnover.

Before statistically test this hypothesis there are some considerations to make in what concerns the variable that will be used as dependent – annual turnover rate. Asked to refer the annual turnover rate registered in each unit the majority of respondents (52,8%) don't know or don't answer and from those who responded 88% reported a turnover rate less or equal to 10%. In medium terms annual turnover rate is of 7,3%. According

to DETEFP¹ (Departamento de Estatística do Trabalho, Emprego e Formação Profissional) there is an enormous gap between those values and the ones registered at the national level since turnover rate in hotel and catering industry (there are no data only for hotel industry) registered in the year 2001 is 53,82%. Actually, the activity 55 – Hotels and Restaurants from the CAE (Economic Activities Code –Rev2) is ranked third in what concerns the activities with higher rates of turnover at a national level. The gap can be explained by several factors that follow. First, annual turnover rate, at a national level, also includes restaurants, which is typically a sector that has high rates of turnover. Besides it also joins the several regions of the country what makes it to be higher. In concrete terms, annual turnover rate for the Northern Region - 31,5% (for all sectors of activity) – registes values there are significantly different from those registered at a national level – 40,6% (DETEFP, 2001a; DETEFP, 2001b; DETEFP, 2001c; DETEFP, 2002;)²; this lead us to conclude that in what concerns the hotel and catering industry values will be lower than at the national level (there no data available by region and by sector). Moreover, at a national level, and for all sectors Algarve’s region is the one that registes the higher rates of turnover – 61,8%. Algarve is one of the most tourist regions of Portugal and this value clearly shows how that region contributes significantly to national turnover rate in what concerns hotel and catering industry. Secondly, the features of the tourism sector in the Oporto and Northern region of Portugal – business tourism, rural tourism, cultural tourism, fishing and hunting tourism and health tourism (Delfim & Terrasêca, 1998) - aren’t so seasonal as other forms of tourism more dependent on few factors of attraction (ex.: beaches and sun). Besides the dimension of hotel units (62 rooms in medium terms) and the property ownership that is

¹ Data from the Ministry of Work and Social Security – Department of Statistics: April, July, October of 2001 and January of 2002, collected by the authors.

² Data from DETEFP collected by the authors

almost independent management probably originates a very close relationship between employer (ownership) and employees. Finally the fact that most hoteliers don't know turnover rates can probably mean that it is not a concern because it is not significant.

After all these considerations we test statistically Hypothesis 2 using the same non-symmetric measure of association – Eta - and the same procedures used for hypothesis 1. Now the independent variable is annual turnover rate and the independent variables are the same used previously and also allowed us to establish the operating hypothesis. Calculating Eta measure of association to all operating hypothesis results show that the association between variables is not significant since only 0 to 37% of variation in the defined variables is due to turnover rate. Study results show that turnover rates referred by respondents are not significant if compared with the ones at a national level, however that it is not explained by the existence of effective HRM practices, what lead us to reject Hypotheses 2.

CONCLUSION

The main conclusions from this study show that hotel managers are aware of what the most correct HR practices are but their effectiveness on organizations is not evident. Human resources are not a strategic element in the long range planning process. Besides, hotel managers don't seem to know how to answer questions about the future, specially in what concerns putting in practice human resource retention strategies.

Hypothesis testing showed that neither occupation nor turnover rates explain the effectiveness of HR practices. We can also conclude that the reality in hotel industry in the northern region of Portugal is mainly defined in a short term basis being essentially reactive which is reflected in the very little efficient HR practices in use and by the non existence of an effective HRM. This reality could be related to the lower rates of turnover which makes HR not to be a concern for hotel managers.

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