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Abstract

The accompanying article argues strongly for the proposition that a hotel’s business strategy is related to its human resources policies. However, the conceptual framework in the article does not go into sufficient depth; nor does it seem to reflect existing research on HR system flexibility, that is, the extent to which employees can be directed to address a wide range of business activities.

Keywords

Kenya hotels, human resource systems, HR flexibility

Disciplines

Hospitality Administration and Management | Human Resources Management

Comments

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Accounting for Human Resource Flexibility

Commentary on “Human Resource Systems in Kenya”

by J. BRUCE TRACEY

The accompanying article argues strongly for the proposition that a hotel's business strategy is related to its human resources policies. However, the conceptual framework in the article does not go into sufficient depth; nor does it seem to reflect existing research on HR system flexibility, that is, the extent to which employees can be directed to address a wide range of business activities.

Keywords: Kenya hotels; human resource systems; HR flexibility

As noted in the accompanying article on human resources systems in Kenya, a number of studies have demonstrated that the HR function—which can be expressed in terms of specific policies and practices, as well as “bundles” of policies and practices—can have a significant impact on firm performance (to cite

just a few examples, Appelbaum et al. 2000; Becker and Huselid 1998; Cappelli and Neumark 1999). However, despite the growing body of evidence regarding the importance of HR, little is known about the ways in which this function influences a firm's performance and long-term competitiveness. For example, it is unclear which types of HR systems may be relevant for emerging organizations as compared to mature organizations or those under varying levels of environmental change and uncertainty. Thus, efforts to examine the role of HR, especially within the hospitality industry, should be applauded.

In the accompanying case study, Okech and coauthors attempt to provide insights regarding the types of HR policies, practices, and programs that may be linked to a firm's overall business strategy and help drive performance. Two results are noteworthy. First, the variance in HR systems across the four hotels that

were examined in this study appears to be similar to that which exists in the lodging industry throughout the world. In one hotel (referred to as “Hotel W”), it appears that the senior managers are fairly enlightened and have been able to take advantage of the HR function in ways that may contribute to the operation’s long-term sustainability. However, in the other three properties that were examined, it appears that senior management subscribed to a “cost-reduction” approach to HR. This finding is consistent with those presented in a study I wrote with human resources expert Arthur Nathan (Tracey and Nathan 2002). In this study, we lamented that while HR remains one of the top concerns in the hospitality industry, this function is often viewed as a transaction-based, administrative part of the business that does not play a strategically central role in decision making and planning. This is unfortunate. To be effective, the HR function must serve several roles that not only involve supporting and executing the business plan but also involve providing leadership for developing business plans. Thus, a narrow, cost-focused approach to managing the HR function may compromise the firm’s performance and ability to create long-term value for owners and investors. As seen in the current study, the cost-reduction model may be associated with unsatisfied employees.

The second important finding from the Kenya case study is the support for the links between the hotels’ overall business strategy and HR systems. As noted above, a strong and clear alignment between firm strategy and the HR function is a critical issue (cf. Tracey and Nathan 2002), and the results reinforce that which has been espoused for several years in the general management literature. For example, Schuler and Jackson (1987) argued that firms that pursue a cost-reduction strategy should have HR systems characterized by

fixed, narrow job descriptions; minimal levels of training and development; short-term and results-oriented performance evaluation systems; and base compensation at market rates. In contrast, firms that pursue an innovation strategy—which has qualities that are consistent with a differentiation approach—should have HR systems characterized by highly interdependent job descriptions, cross-functional learning and growth opportunities, broad career paths, long-term and group-based performance evaluation systems, and compensation systems that include a number of variable components. Thus, firms that effectively align strategy and HR should achieve superior performance and enjoy a sustainable competitive advantage.

However, despite the suggestions by Okech et al. a differentiation strategy may not work for all firms. In markets where there are low barriers to entry, for instance, or those where the competitive and economic conditions are tight, a cost-reduction approach may be quite relevant and highly effective. The same is likely true for low-margin operations (e.g., contract food service operations). Furthermore, while many hospitality firms may choose to pursue a cost-reduction or differentiation strategy (with varying degrees of focus in terms of customer base, geographic location, and related factors), some firms may adopt a hybrid approach or even employ both of these business strategies. Marriott, for example, has been successful in competing on a cost-reduction basis with its Courtyard and Fairfield Inn products while at the same time pursuing a differentiation strategy with the Ritz-Carlton brand. In either case, it is important to ensure that HR plays a central role not only in executing the chosen strategy (or strategies) but also in formulating business plans for the firm.

While the Kenya study sheds some light on the role of HR and the means by which

this function may be linked to firm strategy, the authors' findings should be interpreted cautiously. From a methodological standpoint, the cross-sectional research design prevents one from making any firm conclusions regarding causality. A longitudinal approach would have been much more appropriate and generated more meaningful results. In addition, employee perceptions about job satisfaction are not a particularly compelling measure of "organizational effectiveness." At best, such perceptions may be leading indicators of outcomes that are much more important to owners and investors (e.g., gross operating profit per available room [GOPAR], earnings before interest, tax, depreciation, and amortization [EBITDA]). Most critically, comparing data gathered from a single source—in this case, hotel employees—is problematic and may artificially inflate the magnitude of the relationships that were examined.

It should also be noted that the conceptual framework did not provide the depth and detail that can be used to guide future study on this topic. While the premise that HR systems can be categorized into "coherent classifications" is a reasonable claim, the description of the two flexibility categories—that is, functional flexibility and numerical flexibility—was sketchy and failed to consider the extant literature on HR flexibility. Functional flexibility involves more than making substantive investments in training and providing employment security. For example in a forthcoming chapter I conducted with Sean Way and Michael Tews defined HR flexibility as the capacity of HR systems to hire, develop, coordinate, and deploy employees who possess competencies to respond quickly to meet or generate a variety of dynamic demands. Similar to Okech et al., we argued that flexible HR systems may be classified into two general types—those being resource flexibility and structural coordination flexibility.

Resource flexibility refers to the extent to which human capital can be used for a wide range of purposes. The specific HR policies and practices associated with this type of flexibility are quite broad and include rigorous staffing methods that emphasize general mental ability, multi-skill training and job rotation programs that promote continuous learning and development, employee involvement in operational and strategic decision making, group- and performance-based compensation systems, and employment stability among core employees. Coordination flexibility refers to the extent to which such resources can be assigned and re-assigned and configured and reconfigured in the firm's internal processes and routines. This type of HR flexibility involves the use of contingent workers who can be acquired and deployed in a just-in-time fashion or for a specific purpose (e.g., contract work) and self-directed teams that capitalize on the complementary skill sets of employees to make quick decisions and determine how to best use local resources. Thus, if firms create and support flexibility along these two dimensions, rather than simply allocate more money to training and hope that it works, they may be much more effective in adapting to environmental changes in both a proactive and reactive manner. That approach would support the overall business strategy.

It is clear that human capital is a critical resource that can help hospitality firms create and maintain a long-term competitive advantage. To achieve desired business objectives, firms must be able to develop HR systems that are aligned with the chosen business strategy. Perhaps more important, HR policies and programs must be flexible to account for the manifold changes facing our industry. The Kenya case study highlights the need to develop a clear and strong alignment between the overall business plan and the HR function. In addition, the authors have reinforced the

findings from previous research that careful consideration must be given to specific types of HR policies and practices that are associated with effective alignment of strategy and human resources. Both practitioners and scholars can build on these findings and begin to develop, implement, and examine the utility of a more flexible HR system that can be used for attracting, developing, and retaining the high-quality employees whom firms in our industry so desperately need.

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