Direct and indirect contribution of HRM practice to hotel company performance

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A B S T R A C T

The research problem is the measurement of direct and indirect HRM contributions to hotel company financial performance. The theoretical multi-level model developed in this paper is based on Resource Based View theory, the Motivation–Ability–Opportunity framework and a universalistic, contingency and configurational approach to measurement relationships. It investigates whether HRM results measured at an individual level (employee engagement, skills, attitudes and behaviour) and at an organisational level (consequences of employee loyalty) mediate in the link between HRM practice (quantitative and perceived data) and hotel company financial performance and whether hotel company ownership and size are moderating the link. Data was obtained from HR managers and employees in hotel companies in all regions of Croatia. The results suggest the key HRM activities which make the largest contribution to employee engagement, skills, attitudes and behaviour, loyalty and hotel company financial performance. Management implications of the results are discussed and avenues for further research are proposed.

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1. Introduction

From a positivist point of view, the search for the answers presupposes determination of variables which the two end points in the link are made up of: (1) HRM practice as an independent variable and (2) organisational/company performance as a dependent variable. Numerous authors also aspired to give answers to what influences the link, as well as how and why. In their attempt to emphasise the complexity of the search for answers, they call it “The search for the Holy Grail” (Boselie et al., 2005) and in an attempt to set theoretical models and involve various factors they also call it “The black box” (Purcell, 2003). The research, having to explain intermediary or directness in the link between HRM practice and company performance as its goal, was conducted in companies from one specific industry or companies from different industries, where a number of variables in the shape of HRM results were included, which resulted in various conceptual models (Beer et al., 1984; Huselid 1995; Guest, 1997; Appelbaum et al., 2000; Katou 2008; Haynes and Fryer 2000). Huselid (1995) warns of a serious lack of theoretical base in which the causes of methodological omissions in up to date research can be found (Pauwwe, 2009) and Guest (1997) argues that we need better theory about HRM practices, outcomes and the links between them, seventeen years later, continue to be key research guidelines. Although considerable progress has been made in this field, there are lots of challenges to the theory of HRM in understanding management processes affecting HRM and challenges for research methods wherein Guest (2011) explains that we are currently in the phase of “growing sophistication”, in which, as opposed to the initial research with the question: “What impact does HRM have on performance?” a shift has been made towards the questions: “Under what conditions does HRM have an impact on performance?” and “What is the process by which HRM affects performance like?”

The intention of this study is to put focus on the specifics and conditions of the hotel sector and to determine the contributions that HRM practice make and could make to company financial performance. Discussion was not developed towards “new” theoretical frameworks, but it was harmonised and explained by the existing “popular” theories to confirm their validation and limitations in the hotel business context.

1.1. Aims and contributions

Several contributions to the existing knowledge base are made up from the study. First, at the theoretical level, accepting the principles of positivism, Resource-Based View theory and AMO framework and three approaches to the measurement of HRM practice-organisational performance link (universalist, contingency and configurational), a theoretical model suitable for hotel business conditions has been developed. The multi-level model explains the nature of the impacts of HRM practice (measured at organisational level) on HRM results (measured at individual...
and organisational levels) and on hotel company performance (at organisational level), such as the moderator impacts of size, ownership and location on these links. The aim is to provide an understanding of in what measure have “popular” theories and approaches to measurement been at all suitable for the hotel business. Then, on these grounds, discussion about “new” theoretical frameworks can be carried out.

Secondly, empirical testing of the proposed multi-level model provides an understanding about the contributions of HRM practice to employees, organisational outcomes and financial outcomes, such as the differences in the list of the actual key HRM activities in respect of hotel company size and ownership and, finally, determination of the mediation effects of HRM results, measured at individual and organisational levels, in the link between HRM practice and hotel company performance. The findings of the research may provide useful insights for HR managers in hotel companies.

The next section of the paper is theoretical knowledge of HRM practice – company performance link in general and in the hotel business context, where research hypotheses and multi-level model are explained. There follows a section on the research method and the results are given. At the end of the paper, the implications for managers and limitations of the research such as suggestions for future research are given.

2. Theoretical framework, hypotheses and research model

2.1. Approaches to measuring the HRM practice–company performance link

There are three approaches to measuring the link between HRM practice and company performance. First, the universalist or best practice approach emphasised that the proven contribution of HRM activity of one organisation will also contribute to other organisations, regardless of their size, age, structure, type of business activity, industry or branch (Pfeffer, 1995; Huselid, 1995; Ichniowski et al., 1995; Delaney and Huselid, 1996; Wood, 1999). It stresses that some HRM activities are always better than others and that all organisations should implement those very best activities. The focus of this approach is on quantitative measurement of the direct link between specific HRM activities and company performance or between the bundle of HRM activities and company performance (Huselid, 1995; MacDuffie, 1995; Becker and Gerhart, 1996). Second, the contingency approach emphasised the importance of the company’s business strategy, which either increases or reduces HRM influence on its performance within the same industry or sector (Delery and Doty, 1996; Hoque, 1999) and prescribes that HRM practice should be consistent with other aspects within the organisation. Third, the configurational approach emphasised that a specific configuration or HRM practice architecture enables a greater contribution to the success of a company (Sheppeck and Militello, 2000; Katou, 2008; Katou and Budhwar, 2010) and bases itself on holistic principles of the search for determination of configurations and unique impacts which are the most efficient for the link (Delery and Doty, 1996).

2.2. HRM practice–hotel company performance link

Because of industry’s unique feature of labour intensity (Cho et al., 2006) and the heterogeneity of the sector (Hoque, 1999), hotel companies made up a part of the sample in the research, encompassing mainly large companies from different industries. Narrower and specific HRM aspects and hotel company performance were researched in the USA (Ingram, 1996), in the UK (Jameson, 2000; Erras 2002), in Bulgaria (Anastassova and Purcell, 1995), in Australia (Cheng and Brown, 1998; Jago and Deery, 2004), in Barbados (Alleyne et al., 2006), in New Zealand (Haynes and Frayer, 2000) in Slovakia (Lucas and Deery, 2004), in India (Singh, 2003; Chand and Katou, 2007), in Taiwan (Cheng-Hua et al., 2009) and in Romania (Karatepe, 2013). Hoque’s (1999) pioneering study makes a starting point for a “deeper” analysis, which is missing from it: apart from direct and indirect impacts not having been tested, employees’ assessments have also been neglected.

A serious lack of theoretical base concerning the HRM practice-organisational performance link is evident in the hotel business context, where research is generalised and it can be said that these are “copies” of this phenomenon research from other businesses, limited to proving the statistical connection between specific activities or an assembly of selected HRM activities and hotel facility performance (not corporate performance), were conducted as case studies, relying on a single data source (executive directors or human resource managers), with small samples and a single observation aspect (quantitative or qualitative) and were directed towards the HRM’s narrower and individual segments without systematic or multi-level analysis of HRM contributions. It is, therefore, necessary to direct towards development of the theories and models which are specific and useful for the hotel company setting, whilst examining how HRM practice specifically improves hotel company performance. Research within the industry automatically controls the factors which differ among industries, which means that measurements of the set variables are more precise (Ichniowski et al., 1995). The hotel sector provides an excellent environment in which to explore some of the current issues in organizational studies and human resource management (Guerrier and Deery, 1998) so, the key research question of this study is: how does HRM contribute to hotel company performance?

The theoretical model developed in the paper (Fig. 1.) is based on well-known theories (Resource-Based View, AMO framework) and universalist, contingency and configurational measurement approaches, all set in a multi-level analysis taking into consideration the specifics of hotel business and HRM in the hotel business. According to Dyer and Reeves (1995), HR strategy has impacts at four levels: (1) employee level, (2) organisational level, (3) financial level and (4) market level. Strategic HRM is the pattern of planned activities linked to human resources who enable an organisation to reach its goal (Wright and McMahan, 1992), but they do not have to be the same as the implemented ones. Although the HRM activities are created in the manner that they transmit the same messages within an organisation, employees still interpret them in different ways and react differently to them (Guzzo et al., 1994).

Using the theoretical model the impact of implemented HRM activities on first three levels have been analysed in the study through six research hypotheses. Explanations of concepts on which they are based, such as variables through which they were measured, are explained in further text. All is empirically tested in the Croatian context, which falls into the category of developing countries, whose hotel sector is characterised by a small share of international brands, by companies with complex business portfolios, whose hotel companies do not have a developed practice of corporate reporting (Dropulić Ružić, 2011) and whose state-owned hotel companies are still going through the process of privatisation.

The distinction made in the paper between intended, current and perceived (implemented) HRM activities is evident in the determination of the HRM practice which is composed of a bundle of HRM activities, divided into: (a) actual – the ones presently implemented and on which human resources managers have the greatest influence and (b) perceived – the ones already experienced (Purcell et al., 2008). As a dependent variable, hotel company financial performance includes objective financial indicators, characteristic for Croatian hotel companies (Ivanidć et al., 2010) for the previous 5 years (averages are calculated), gathered from an independent source (FINA-Croatian financial agency), where it
is necessary to distinguish the objective financial indicators from the organisational performance which, in the majority of research measures, lean on the subjective estimates obtained from HR managers. In this way, the influence of oscillations in the financial business of hotel companies will be reduced, which are a consequence of the financial crisis.

The universalist approach resulted in a list of key HRM activities called “HRM system”, “High Performance Work System, HPWS”, High-Performance Management, HPM”, “High-Commitment Management, HCM” and High-Involvement Management, HIM”. The four most frequently observed activities in research, which are significant for company performance and which most frequently appear in a “bundle” of HRM practice (Boselie et al., 2005), are: acquisition and selection, salary system, rewarding and education and development of employees. According to universalistic perspective, there is strong statistical evidence that these four activities are also the most important for hotel companies, while not presuming any other factors which could affect the said link. After a huge amount of research in this field, and considering various impacts to improve the theory, there is still a need to answer the unresolved question of what combination of practices are likely to have the greater impact on performance and other outcomes (Guest, 2011). Although it is considered that we have moved far away from the universalistic approach, in this study it is first tested through the hypothesis to determine the existence/absence of the direct link, such as the list of current and perceived (implemented) HRM activities in the hotel business context:

**H1.** There is a positive link between HRM practice and hotel company performance.

The Croatian hotel industry is marked by the process of privatisation and it takes place in hotels which have between 100 and 200 rooms, mostly constructed in the 60’s and 70’s, intended for a mass, non-differentiated market (Čuzmar, 2009). It is not “standardised”, i.e. hotel companies are specific by their versatile and complex portfolio (they have more hotel facilities, but also campsites, and human resources related policies and decisions are delivered at the level of the whole company and not at the level of individual hotel facilities). International hotel brands are present in Croatia in a considerably lesser measure (15% of total hotel capacities) in comparison with the European hotel market (where approximately 1/3 of hotels are branded) and especially with the developed markets of North America and Asia, which directs focus towards ownership structure. Detachment of management from ownership leads to agency problems as management focuses on longer-term business performance with the emphasis on relationships with guests, while owners are focused on short-term payments and investment returns (Guillet and Mattila 2010), which is the reason why ownership is an important contingency aspect tested by the second hypothesis:

**H2.** HRM key activities in hotel companies vary in relation to the hotel company ownership.

Only large hotel companies can allow themselves to experiment with HRM practice (Hoque, 1999) and, if we consider that
HRM practice will not have the same effectiveness in a hotel company with fifty, five hundred or five thousand employees, the third hypothesis is:

**H3.** HRM key activities in hotel companies vary in relation to hotel company size.

### 2.3. AMO framework and Resource Based View in HRM practice-company performance link

RBV (Barney, 1991) is focused on the competitive advantage of a company in the application of a bundle of valuable, tangible or intangible resources at the firm’s disposal. Identification of the company’s potential key resources and evaluation of their valuable, rare, inimitable and non-substitutable resources are core settings for the theory. From the HRM point of view, it is an important theory, because it sees human potentials as a base for company competitiveness, but it is necessary to be cautious, because HRM cannot be a source of competitiveness until HRM activity can be imitable (Wright et al., 1994). AMO framework is an extension of RBV theory, according to which employees perform well when they a) can do the job because they possess the necessary knowledge and skills – they are able to do so – (A = Abilities); b) will do the job because they want to and are adequately incentivised – they have the motivation to do so – (M = motivation); c) their work environment provides the necessary support and avenues for expression – (O = opportunity to participate). These theories, by focusing on employees and identification of their potentials and investment in them, try to explain mediating variables through which the combination of HRM activities shapes employees’ individual and group characteristics which influence the organisational performance.

The majority of the set models are based on the presumption that “better” HRM activities result in more skilled, motivated, satisfied, loyal and more productive employees who contribute to the organisation’s efficiency. Among the mediating variables, which presume the mental and emotional states of employees, particularly significant are the ones which relate to: employee wellbeing, efficient hierarchical relationship, estimated organisational support, fairness, motivation, work satisfaction, work dedication and organisational climate (Patterson et al., 2007). The combination of employee satisfaction and their competency form a base for the quality of service. When employees are immersed in their work and focused on their customers (i.e. engagement), they have a higher probability to bring in profit (Xanthopoulou et al., 2009). Engaged employees who are in direct contact with guests contribute to a better perception of guest service quality (Salanova et al., 2005) and have (fully mediated) effects of HPWPs on job performance and extra-role customer service of hotel frontline employees (Karatepe, 2013). They have a high level of energy during their work performance, have a desire to put additional effort into work performance and are fully involved in the work, feeling importance, euphoria and inspiration (Schaufeli et al., 2002) which is the reason why engagement in this study is treated as an important segment of HRM results in the hotel business environment, along with employee skills, behaviour and attitudes. Employee skills include employee competency for work, cooperation between the management and employees and cooperation among employees and, although competencies are a basis for performance, they are not sufficient for advancement of organisational performance if employees do not cooperate among themselves. (Lopez et al., 2005, according to Katou, 2008). Employee attitudes in research include the grades for employee motivation, loyalty and their satisfaction with their work, while behaviour includes their willingness to give extra effort and to work in other positions in the company. Considering that, in HRM research, motives and commitment of the workforce have been under-theorised (Guest, 2011); the fourth hypothesis is set to determine whether HRM activities contribute to development at an individual level and in what measure:

**H4.** HRM practice influences HRM results measured at the individual level (employee engagement, skills, behaviour, and attitude).

The hotel business labour market is marked by employment instability, evidenced by the high rate of voluntary turnover. Employees are mainly of a younger age and they are paid 75% less compared to all industry average (Lee-Ross and Pryce, 2010). The difficulties of HRM in the hotel business are related to the poor internal labour market which is particularly important for an optimal recruitment of the seasonal workforce and the challenge of employee career development, as the system is based more on work positions rather than on a career, large fluctuations, negative image of working in tourism, insufficient investment in employee training and insufficient care of the employees. The problem is also in slow employee recruitment and a relatively fast “loss” of employees. In that context, employee loyalty is taken to objectively measure HRM performance at the company level. It is presumed that, with successful HRM practice, greater employee loyalty will be achieved, i.e., lower rates of absence, larger number of years of employees’ staying in the company and lower rates of deliberate turnover, which are tested by the fifth hypothesis:
H5. There is a positive link between HRM results measured at individual level and HRM results measured at organisational level.

As a core model in the service sector, “service profit chain” (Heskett et al., 1994) is considered and partially integrated into the theoretical model of this study. It emphasises that profit and growth are stimulated primarily by customer loyalty, which is seen as a direct result of customer satisfaction. Satisfaction is influenced by the value of services provided to customers and value is created by satisfied, loyal and productive employees. Employee satisfaction, in turn, results primarily from high-quality support services and policies that enable employees to deliver results to customers. Yee et al. (2010) empirically tested “service profit chain” and reached the conclusion that, employee loyalty is linked with quality of service, which in turn impacts customer satisfaction and loyalty, ultimately leading to company profitability. Employee loyalty is driven by enthusiasm and satisfaction which are, according to the theoretical model of this research, direct results of HRM practice. The sixth hypothesis is set to test whether employee loyalty driven by enthusiasm and satisfaction mediates in the relationship between HRM practice and hotel companies’ financial performance:

H6. HRM results measured at individual and organisational level positively mediates in the relationship between HRM practice and hotel companies’ financial performance.

3. Method

3.1. Sample and procedure

This is confirmation – descriptive research in which a universalistic, contingency and configurational approach and principles of RBV and AMO framework are tested in the hotel business context. The purpose of empirical research is to collect data on the functioning of HR practice in hotel companies and the satisfaction of its end-users (employees). In the segment of HRM results (performance) measurement, triangulation was carried out (Chow et al., 2008, Jabbour et al., 2010) which combines different methods (survey, interview and secondary data) and different sources of data collection (HR managers and hotel company employees), which is seen in Fig. 2.

Statistical units of research are hotel companies in Croatia with over 5 employees. In 2012, there were 93 active hotel companies (Register of legal entities of the Croatian Economic Chamber).

The first step refers to interviews with employees and HR managers of the hotel companies about their perceptions of HRM within their hotel organisation. The second step was the implementation of a pilot project aimed at testing the questionnaire intended for employees of hotel companies, which was carried out in the second largest (by income) hotel company situated in Istria (north Adriatic region). The 682 collected questionnaires were used to assess the validity of the questionnaires themselves.

The final questionnaire sample for HRM managers is 32, which represents a return rate of 34.4%. Considering the complexity of the research, hotel business seasonality and that, in surveys by post and Internet, the return rate is usually 30% (Tklač Verčić et al., 2010), in the field of HRM practice – organisational performance link in general is 43.3% (Erras, 2002) and in the hotel sector is 37.1% (Hoque, 1999), the return rate of this survey is acceptable.

In the sample, companies which employ between 101 and 200 persons dominate (30% of them) followed by hotel companies which employ between 50 and 100 persons (22% of them), whose majority ownership is domestic and private (46%) and which form a part of the Adriatic region (80.7%). Women dominate in HRM positions, making up 67% of the sample. The average age of this group of HRM managers is 42 years.

Leading to the conclusion that it is more important who responded to the questionnaire, than how many responded (Huselid and Becker, 2000), this study included employee assessments. HR managers were asked to share the questionnaire within the hotel company in order to determine the functioning of HRM by employees and the study encountered “obstacles on the ground” because HR in Croatian hotel companies did not accept well the fact that employees evaluate their work, they did not accept that the best research is driven by an “outsider” and they insisted that their workers do not “bother” with questionnaires during the season. The intention was to include in the sample even those employees who are employed for a specific summer period who “justified” themselves by saying that they do not know much about the hotel company.

The final sample of hotel company employees is 424, of which half is made up of women. Despite the given choice related to the completion of personal data, the majority of workers who make up the sample, have offered such data. Operating level staff dominate (31.4%) and a significantly smaller proportion is of employees of medium (7.8%) and senior management (0.7%). The average age of employees in the sample is around 40 years, and the average length of services is 14 years. By educational level the sample is dominated by workers with secondary vocational education (33.9%).

3.2. Measures

The first research instrument intended for HRM managers is used for collection of: (1) quantitative and qualitative data on HRM activities (according to Phillips, 1996; Pološki 2003; Katou, 2008; Tadic 2011), (2) HRM results at an individual level ((skills, attitudes and behaviour) (according to Katou, 2008)) and (3) HRM results at an organisational level ((consequences of employees’ loyalty to the hotel organisation) (according to Phillips, 1996)). It is divided into eight parts:

The first part – 12 nominal questions related to HRM in general within the hotel company (role, importance, position). The second part – 38 questions of interval character embodied in Likert-type scale with five levels of agreement with statements (1 = strongly disagree, 5 = strongly agree) about the quality/performance of HRM practice. The third part – 11 questions of interval character embodied in Likert-type scale with five levels of expression about the set of skills, attitudes and behaviour. The fourth part – 23 open questions about quantitative indicators of HRM activities, which are according to Philips (1996), adjusted to the Croatian hotel sector. The fifth part – 5 questions of interval character of agreement with statements (1 = never, 5 = always) about the reasons for turnover. The sixth part – 5 open questions about gender, education and total number of employees in the hotel company. The seventh part – 6 questions about ownership, legal status, business portfolio, location, existence of unions and ISO standards. The eighth part – 6 questions about the socio-demographic data of HR managers.

The second research instrument intended for hotel companies’ employees is used for collection of: (1) performance grade for HRM activities at individual level and (2) data for assessment of their engagement at work. Employees are generally not familiar with the work of HRM and therefore they are not competent to evaluate the success of HRM, so it was thought to be more appropriate to assess their satisfaction with the way HRM performance measurement activities were carried out. All questions (38) from this group are of interval character shaped in Likert-type scale with five levels of expression of satisfaction (1 = very dissatisfied, 5 = very satisfied), adjusted to employees’ questionnaires by Pološki (2003), Katou (2008) and Ghebregiorgis and Karsten (2007) and represent the first part of the questionnaire. The second part consists of 23 questions of interval character embodied in Likert-type scale with five levels of expression about the degree of engagement in the workplace.
(1 = strongly disagree, 5 = strongly agree), all according to Schaufeli and Bakker (2003) and UWES – Utrecht Work Engagement Scale. The third part consisted of 5 questions on the socio-demographic data of respondents that is indicated they were not required to fill out, or they could fill out as desired.

3.3. Data analysis

Pearson correlation coefficients for quantitative variables and Spearman coefficients for qualitative variables and multivariate analysis (factor analysis, hierarchical multiple regression and path analysis) are statistical methods used by the Statistical Package for the Social Science (SPSS 17.0) and LISREL 8.8. for data analysis. Factor analysis is used for reduction of huge numbers of variables to a smaller number of key variables (factors), while hierarchical multiple regression is used to determine the impact of factorised independent variables on dependent variables at the two levels; on the first one is a control variable and on the second level is an independent variable. For testing configurational approach, the method of Structural Equation Modelling (SEM) is usually used (Katou, 2008; Katou and Budwar, 2010), but here the crucial prerequisite concerning ratio of variables and size sample (Lončar, 2009) for using SEM is not satisfied so, for testing the mediating effects in the model, the path analysis was used. Path analysis is a simple extension of regression analysis which includes theory driven modelling of direct and indirect impacts (Halmi, 2003). Steps of statistical analysis for hypothesis testing are summarised in Table 1.

4. Results

Empirical testing of the theoretical model resulted in 9 multicriteria models which show key HRM activities for hotel companies’ financial performance, employee engagement, employee motivation and cooperation with management, their loyalty and skills and average rate of absenteeism. Testing the first hypothesis resulted in four models:

- Contribution of HRM actual activities to profit margins according to the equation: \( y = 0.355 - 1.51 \times 10^{-5} x_1 - 0.056 x_2 \), where \( y = \) profit margin, \( x_1 = \) total recruitment costs and \( x_2 = \) staff growth rate.
- Contribution of HRM actual activities to high profit and low indebtedness: \( y = -0.391 + 0.082 x_1 \), where \( y = \) high profit and low indebtedness and \( x_1 = \) benefit cost share in total salaries.
- Contribution of HRM perceived activities by hotel company employees to high profit and low indebtedness: \( y = 0.626 + 0.161 x_1 \), where \( y = \) high profit and low indebtedness and \( x_1 = \) satisfaction with development and recruitment.

Given that, in direct relationships of HRM practice (actual and perceived) and hotel company financial performance, negative links dominate (of which there are three as opposed to two positive links), H1 is not accepted, but universalist approach is confirmed.

For testing the second and third hypotheses, ownership and hotel company size were taken into consideration as moderator variables. Neither hypotheses (H2 and H3) are accepted, because HRM key activities do not differ in respect of whether a hotel company is in domestic private ownership, domestic state ownership or foreign private ownership (\( F = 0.435, p = 0.651, F = 0.170, p = 0.983, F = 0.830, p = 0.446 \)) and HRM key activities do not differ by the criterion of hotel company size. In other words, in both middle size and large hotels companies, the activities of: (1) total cost of staff recruitment, (2) growth rate, (3) average annual number of hours which professional support employees spend in further education and (4) share of cost of benefits in total salaries equally contribute to hotel company financial performance (\( F = 2.141, p = 0.154, F = 0.056, p = 0.815; F = 0.302, p = 0.587 \)). The quoted factor does not even have a moderator effect on the link between HRM activities and hotel company performance, but ownership structure has a moderating effect on the relationship between two actual HRM activities and hotel company performance ([average annual number of hours employees spend in further education in order to provide professional support and profit margin and growth rate and profit margin] (\( B = 0.112, r = 0.888, p = 0.003 \)), namely in privately owned foreign companies, which confirms the contingency approach to measurement.

Testing the fourth hypothesis, where HRM practice (actual and perceived) is an independent variable and HRM results (employee engagement, skills, attitudes and behaviour) is a dependent variable, resulted in four models:

- Impact of HRM perceived activities by hotel company employees and HR managers on employee engagement: \( y = 0.26 - 0.228 x_1 + 0.161 x_2 + 0.365 x_3 + 0.308 x_4 \), where \( y = \) employee engagement, \( x_1 = \) recruitment performance, \( x_2 = \) development performance, \( x_3 = \) satisfaction with rewarding and retention, \( x_4 = \) satisfaction with development and recruitment.
Impact of HRM actual and perceived activities by hotel company employees and HR managers on employee motivation and cooperation with management: 

\[ y = 0.534 - 2.69 \times 10^{-6} x_1 - 0.035 x_2 + 0.01 x_3 + 0.614 x_4 + 0.404 x_5, \]

where \( y \) = employee motivation and cooperation with management, \( x_1 \) = total recruitment costs, \( x_2 \) = benefit cost share in total salaries, \( x_3 \) = average annual number of hours of professional support employee spent in further education, \( x_4 \) = development performance and \( x_5 \) = rewarding performance.

Impact of HRM actual and perceived activities by hotel company employees and HR managers on employee loyalty: 

\[ y = -0.453 - 5.74 \times 10^{-6} x_1 - 0.017 x + 0.577 x_3 - 0.353 x_4 - 0.078 x_5, \]

where \( y \) = employee loyalty, \( x_1 \) = total recruitment costs, \( x_2 \) = benefit cost share in total salaries, \( x_3 \) = recruitment performance, \( x_4 \) = rewarding performance and \( x_5 \) = satisfaction with rewarding and retention.

Impact of HRM actual and perceived activities by hotel company employees and HR managers on staff skills: 

\[ y = 0.901 + 7.71 \times 10^{-6} x_1 - 0.04 x_2 + 0.413 x_3 - 0.019 x_4, \]

where \( y \) = staff skills, \( x_1 \) = total recruitment costs, \( x_2 \) = growth rate, \( x_3 \) = recruitment performance and \( x_4 \) = satisfaction with rewarding and retention.

As many as 18 statistically important links were determined between HRM practice and HRM results at the individual level, due to which it can be concluded that HRM practice considerably affects HRM results, measured at the individual level, which represents an argument that H4 be accepted and which confirms the resource based view theory.

Testing the fifth hypothesis where HRM results at individual level (employee engagement, skills, attitudes and behaviour) is a dependent variable and HRM results at organisational level (consequence of employee loyalty) is a dependent variable resulted in one model:

Impact of employee engagement on average absenteeism rate: 

\[ y = 2428.071 - 370.771 x_1, \]

where \( y \) = average absenteeism rate and \( x_1 \) = employee engagement.

Out of 12 tested relationships between HRM at the individual level and HRM at the organisational level, there is only one, statistically significant, negative relationship, so H5 is not accepted, but this model confirms the AMO framework.

The sixth hypothesis was testing mediating links in the theoretical model. First, the validity of the set theoretical model (Fig. 1) confirmed positive matrix coefficients (Fig. 3).

Mediating links were tested within the set model (a full mediating model was created), where the outcome is equal to the one in testing of the first empirical model → negative values of covariance matrix structures, which additionally confirmed the non-existence of mediating links in this theoretical model. Mediating effects were
not determined using the path analysis, so H6 is not accepted and configurational approach is not confirmed.

5. Discussion

5.1. Assessment of findings

Three HRM indicators (total cost of employee recruitment, growth rate and share of cost of benefits in total salaries), for which the statistical link with hotel company financial performance has been determined, have the same effect (positive or negative), regardless of hotel company ownership and size, which confirms the universalist approach. Increasing cost of employee recruitment and number of new employees will not resulted with profit margin increasing, which should be taken as a signal that recruitment should be systematic and planned, especially in hotel companies that have ad hoc recruitment process before opening some hotels (which is case in Croatia). On the other hand, if a benefit cost share in salaries increases (outlays for meals, annual leave contributions, Christmas bonuses, travel expenses, separation allowance, etc., on top of employee basic salary) and if employees become more satisfied with development and recruitment activities, the hotel company will record higher profits and lower indebtedness. Given that employees in Croatian hotel companies are moderately satisfied (average grade = 2.62) with investment in their education and development (Pološki Vokić, 2008), the focus should be on those very HRM activities.

According to Li et al., (2012), the work engagement mediated relationship between leader–member exchange (LMX) and employee job performance and HRM consistency strengthened the influence of LMX on work engagement. In this study, a direct impact of the quality of HRM activities on employee engagement is confirmed, which is in line with a part of the JD-R model (Bakker and Demerouti, 2007), according to which positive working conditions (e.g. career opportunities, supervisory support, skill variety) are job resources that influence on reduction of job demands and foster work engagement. The better quality implementation of developmental activities by HR managers, i.e. the better organized educational system and the more satisfied hotel company employees with the implemented rewarding and retention activities and with development and recruitment activities, the greater their engagement. The results of impacts on engagement are important in this hotel context if we take into account that Karatepe and Olugbade (2009) results point to the fact that supervisor support had significant effects on work engagement and that empirical studies about employee engagement conducted in the developed Western countries cannot be fully generalised for other cultural settings/developing countries. Retention activities need to be paid additional attention; also if we consider that employees of younger generations have a lower level of work engagement than do older generations and that the effects of work engagement on turnover were significantly moderated by generational differences (Park and Gursay, 2012) and that, according to this study, by the increase in employee engagement, a reduction in the average absenteeism rate will occur at the hotel company level, which is in line with AMO framework.

Furthermore, the cost of staff recruitment and benefits in the hotel business is not a guarantee of greater employee satisfaction and motivation, nor is it a guarantee of better collaboration with superiors and management. At the same time, this points to the fact that costs associated with people should be systematically planned and that there is a need to give consideration to reward strategies. These results point to the need to, in future analyses, research which reward strategies are more important for the hotel business – material or non-material? Additionally, it has been evidenced that the increase in the number of annual hours spent in supplementary education of professional support employees and a better quality implementation of the employee development and rewarding activities by HR managers (e.g. matching of salaries with work demands and responsibilities, equality in the system of employee participation in the ownership, rewarding based on individual performance and fairness) has a positive effect on employee motivation and their collaboration with the management, which is in line with RBV theory.

It was shown that the increase in the costs associated with employee recruitment and their benefits, as well as of those of raising the performance levels of rewarding and retention activities negatively affect employee loyalty, while the factor of recruitment performance proved to be the only one which contributes to an improvement in the level of loyalty. Long-term employment in a hotel company is perhaps a consequence of the situation in the labour market (unemployment rate), generation dominance (the average age of the employees from the sample is 40 years), as well as the degree of education (secondary vocational education), due to which employees are somewhat reluctant to change the organisation. All of this points to the need to research the reasons for hotel company employee loyalty and motivation in greater detail.

The hotel company location by sample showed as a significant control variable, where it was determined that hotel companies in the Adriatic region have lower results related to profits and higher investment results, lower profit margins, a higher employee growth rate, lower values concerning motivation factors and cooperation between employees and management, a higher fluctuation rate and their employees have a higher level of loyalty to the company and a higher level of engagement. In the hotel companies in the continental region, a higher level of competence of employees, who are prepared to cooperate with their colleagues, can be expected, which confirms the contingency approach.

5.2. Limitations and avenue for future research

There are several theoretical and empirical limitations in this study. The first limitation refers to the research width that includes extensive and complex concepts of HRM and hotel company performance. There are various factors that influence hotel company performance, so this study represents a narrower segment of research. Resource based view and AMO framework are tested at individual levels where the impact on hotel company competitiveness was not an issue and it could be said that testing this theory in the hotel business context “fell into the trap” of a positivism frame. Employee behaviour and the HRM impact on it are analysed in a quantitative sense, without understanding the meaning and consequences of that behaviour (Truss, 2002). For further research, the recommendation is to set different research configuration, e.g., from a critical realism philosophy point of view, while testing elements of the theory of organisational citizenship behaviour and attribution theory. Research of HRM practice-hotel company performance link should be focused on “depth” rather than “(quantitative) width” like this study. The recommendation is to repeat this research and, for gathering of data, carry out more interviews and focus groups with HR managers and employees. In Croatian hotel companies HRM does not have a strategic role, so it is reduced to four key activities, which is second theoretical limiting factor for full HRM profile analysis in a hotel company. The recommendation is to cover the full range of HRM activities in further research.

The third limitation refers to an absence of vertical integration, which includes the impact on business strategy and the impact of HRM strategies and policies as an important factor of contingency theory. For further quantitative study, the recommendation...
is to apply multi-level analysis, which will include the corporate level (strategic perspective), the organisation level (HRM results) and the individual level (line managers, employees and guests). For understanding the contributions of HRM results to hotel company performance, further theoretical models should also incorporate service-profit chain element and employees’ engagement model elements with a special focus on employees’ motives, values and behaviour.

The fourth, methodological limitations refer to: (a) cross-sectional research design where there is no possibility to make conclusions in terms of causality, (b) sample size of HR managers which was a limiting factor for some statistical methods and (c) the method of data collection. The recommendation is, in further studies, to use longitudinal data for testing the relationships and gathering data directly from hotel company employees. Finally, testing the theoretical model of this study with large sample sizes in different hotel business sectors (e.g. with more international chains, where HRM departments are developed and have an important role) would bring new insights for further discussion on the configurational approach to measurement and “black box” in the hotel sector context.

6. Conclusion

The key conclusion is that, in a hotel environment, HRM directly contributes to the HRM result performance, both at individual and organisational levels, as well as to hotel company financial performance. The validity of the set multi-level theoretical model is tested and confirmed at the level of direct links, which confirmed the universalist approach to measurement and the moderator effect of ownership structure, as well as the results obtained by testing of hotel company location, as a control variable, which confirmed the contingency approach. The mediating effects in the link are not determined and the validity of the configurational approach to measurement is not confirmed by this study, which cannot be generalised and it should be tested on a larger sample. Different actual (increase of average number of hours of further education of professional support staff) and perceived HRM activities (quality implementation of employee development activities and quality system of employee rewarding) affect the factors called motivation and cooperation between employees and management, employee loyalty and their skills, by which the RBV postulates are confirmed. The direct effects of HRM practice (successfully implemented development activities, employees’ satisfaction with the activities of rewarding and development and employees’ satisfaction with development and recruitment) on individual employee performance are confirmed, as well as the fact that employee engagement affects the aggregate absenteeism rate, by which the AMO framework is confirmed. After hundreds of researches of HRM practice-organisational performance link, we still have to go back to basic questions, especially if we do research in the hotel business environment, as was done in this study. The development of the “new” theories is like stacking an academic puzzle picture – it is a complex and time-consuming process. This study might help in stacking the pieces of the complex “black box” picture in the hotel sector.

References


