

HPWS Implementation in Five-star Hotels: Why Employees' Perception Matter?

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Abstract

Growth in the hotel industry resulted in the greater significance of human resource management (HRM). This industry is largely dependent on the skills and efforts of operational employees to sustain. The significance of operational employees is paramount in five-star hotels as they are the key to delivering superior quality service experience to the guests. Likewise, it has encouraged the adoption of strategic HRM within the hotel industry. Past literature predominantly shows that hotel practicing High-Performance Work System or HPWS; a form of strategic HRM work systems, is likely to benefit from improved organizational and employee outcomes. However, another research perspective associates HPWS with adverse consequences towards operational employees. Contradicting perspectives about HPWS implementation justify the need to perform an empirical study on actual HPWS perception among operational employees. This paper features an overview of strategic HRM and its presence within the hotel industry. Explanation about HPWS and its components as well as employees' views of HPWS implementation are the main highlights of this paper. Potential contributions following this study are also discussed.

Keywords: HR practices system, High-Performance Work System (HPWS), hotel, operational employees, perception

Introduction

The Growth of Hotel Industry in Malaysia

The tourism industry is the third largest contributor to the Malaysian economy (Department of Statistics Malaysia, 2018) and hotels represent a significant fragment of the industry. By 2021, the total hotel supply in this country is estimated to reach 4,915 units with 334,906 rooms. According to HVS Global Hospitality Services, an additional of 98 new hotel projects with over 25,537 rooms have been publicly announced for development between 2017 until 2021 in order to accommodate the continuous growth of tourist demand in this country. The upcoming hotel supply is expected to reform the local tourism accommodation

as more high-end hotels including five-star properties will be entering the market in the next four years. These hotels represent almost fifty percent of the total new room supply and will dominate the future of the local hotel industry (Bernhard, Chee & Teo, 2017).

Growth in the hotel industry resulted in greater significance of human resource management (HRM) and it is evidenced by the substantial body of research (Chen, Lin & Wu, 2016; Sun, Aryee & Law, 2007; Wilton, 2006; Haynes & Fryer, 2000; Hoque, 2000; Nankervis, 1995). Compared to the manufacturing business, a hotel is depending largely on their human resources' (referring to employees) skills and efforts for its survival. The HRM of employees is far challenging in this sector as compared to their counterparts in manufacturing firms (Yee, Lee, Yeung & Cheung, 2018). As such, hotel employees have to regularly learn uncertain customer needs and later customize their service delivery process (Yee, Lee, Yeung & Cheung, 2013). When service failures occur, they need to employ various service recovery actions to rectify the situation (Michel, Bowen & Johnston, 2009). While these challenging duties are uncommon among operational employees in manufacturing firms, they are the norm for hotel employees. The significant of HRM is even greater in five-star hotels as more employees are needed to deliver superior quality service experience to the guests. While labor costs represent the highest proportion of total costs in this industry (Akbar & Tracogna, 2018; Sun, 2017, Wilton, 2006), five-star hotels are constantly challenged to maintain optimum labor cost to remain competitive. Consequently, many researchers have recommended the adoption of a strategic approach in organization's HRM; it is also known as strategic HRM (Chen et al., 2016; Cafferkey & Dundon, 2015; Ahmad, 2010; Hoque, 2000).

Strategic HRM exists as a result of the integration between HRM and strategic management. Despite the differences in its definition, most authors agreed that the essence of strategic HRM lies in gaining competitive advantage by managing human assets through an integrated, synergistic set of human resources (HR) practices or work system that both complements and promotes organisational strategy (Oppong, 2017; Lockyer, Nel & Vilayvong, 2016; Huselid, Jackson & Schuler, 1997; Schuler, 1992). The goal is to ensure that HRM is fully integrated with the organizational strategy, developed HR policies are coherent, HR work system is accepted and implemented effectively by line managers and employees (Nieves & Osorio, 2017; Li & Frenkel, 2017; Schuler, 1992).

Literature Review

Strategic HRM in the Hotel Industry

Following a strategic approach, the role of HRM has been uplifted towards strengthening an organization's activities at both strategic and operational level (Devanna, Fombrum & Tichy, 1981). From this perspective, HR is regarded as a source of value creation (Becker & Gerhart, 1996). The top management also refers HR manager on matters related to human resources and recognize their contribution towards the organization's performance (Lundy, 1994; Schuler, 1990). The changed in customer demands and increased market competition have led more organizations focusing into service (Becker & Gerhart, 1996) while striving on its employees as a potential value creation. Hence, delivering superior service experience by employees is deemed a suitable platform to build a positive connection with guests; this also makes a five-star hotel appears more outstanding against the others (Kandampully, 2007). For example, Club Med Resorts emphasize on their employees to

establish rapport with their guests besides offering similar luxury facilities and amenities as of its competitors (Solnet & Kandampully, 2008). Apart from focusing on HRM and employees as sources of value creation, strategic HRM is also significant in the hotel industry because it involves environmental scanning (Ahmad, 2010).

Adoption of a strategic approach is crucial for the hotel industry in dealing with threats derived from its business environment; while survival of such hospitality business is heavily dependent on the internal management practices (Nankervis, 2000). For that reason, HR managers must be knowledgeable about the business and its environment in order to successfully adapting to current environmental change (Waddell, Cummings & Worley, 2004). HR policy and practices are essential tools to be utilized in reacting to such changes (Davidson, Guilding & Timo, 2006; Nankervis, 1995, 2000).

Continuous environmental change demands the hotel industry to be proactive and employ a strategic approach to managing human resources. This is imperative because the industry relies largely on its employees to deliver superior service besides its susceptibility towards environmental changes. Following strategic HRM, the significance of environmental scanning and employees' involvement in strategy formulation and implementation, as well as commitment to and by employees are emphasized. This allows organizations to capitalize on their strengths and opportunities while overcoming weaknesses and threats to remain competitive. Whilst the organizational strategy highlights the importance of employees in achieving a firm's objectives, a further translation of the strategic decisions are reflected in the HR practices or work system.

HR Practices System

HR practices or work system are complex and interdependent elements that should not be considered independently but, rather, should be examined as subsystems or bundle (Gooderham et al., 2008). Researches over the past three decades have proposed a variety of HR practices bundles that can be associated with strategic implementation and improved organizational performance. Interestingly, a particular focus has emerged on a high-performance work system or HPWS (Jensen et. al, 2013). HPWS appears to be commonly being examined over the course of time across industries (Cafferkey & Dundon, 2015; Bozkurt, Ertemsir & Bal, 2014; Chaudhuri, 2009; Knox & Walsh, 2005) including the hotel industry (Chen et al., 2016; Li et al., 2011; Sun et al., 2007).

High-Performance Work System (HPWS)

The concept of High performance work system has been branded in a variety of ways including HPWS, high-involvement work system, high commitment work system, high performance management system and high-performance human resource management (HRM) system (Becker & Huselid, 1999; Gittell, Seidner & Wimbush, 2010; Murphy & Olsen, 2009). Despite the differences of its name, the core of HPWS remains the same. This term can be referred to as a group of separate, but interconnected human resource (HR) practices designed to enhance employees' skills and effort (Takeuchi et al., 2007). Enhancement of employees following HPWS implementation is often associated with improved organizational commitment and productivity leading to superior financial performance (Delery, 1998; Becker & Huselid, 2006; Boxall & Macky, 2009; Posthuma, Campion, Masimova & Campion, 2013).

Components of HPWS

While the fundamentals of HPWS remain intact, individual HR practices applied in past studies were constantly evolved (Zhang et al., 2013). According to Posthuma et al. (2013), among the challenges to a better understanding of HPWS is the lack of categorization regarding individual HR practices (Posthuma et al., 2013). Therefore, they performed a meta-analysis study on HPWS across twenty years period and proposed nine broad classifications of HR practices. The following section covers all the nine classifications of HR practices, along with relevant studies that explained their contributions to a firm's organizational performance.

Compensation and Benefits

This form of HR practice is associated with direct as well as indirect payment and incentives; this practice is critical as both compensation and benefits were found to have a significant influence towards employee's productive behavior (Arendse, 2016, Sheppeck & Militello, 2000). High-performance compensation and benefits practices may include incentive compensation pay plans and bonuses (Posthuma et al, 2013). For example, a merit-based financial reward is a form of a compensation plan which offer salary raise to employees who deliver superior work performance. This form of compensation has been positively linked with the firm's sales growth (Messersmith & Guthrie, 2010). Likewise, at the individual level, their study also revealed a strong positive link between employee performance-based compensation and sales growth. However, Batt and Colvin (2011) cautioned the implication of utilizing any short-term incentives to encourage better performance. According to them, the pressure to achieve short-term performance targets have been positively associated with increased employee turnover.

Job and Work Design

This HR practice is associated with specific elements of jobs, the relationship between jobs and the organizational structure (Posthuma et al, 2013). This form of HR practice is associated with improved motivation and satisfaction among employees whose ability to exercise personal skills and talents while performing work. According to Jensen, Patel & Messersmith (2013), a job design and internal systems that encourage employees' discretion may increase their sense of job autonomy and control. As a result, employees may be feeling lesser stress at work, hence greater individual work performance and productivity can be expected from them. Among the common high-performance job and work design practices may include job enrichment as well as the use of teams (Posthuma et al, 2013).

Training and Development

Training and development (T&D) aims to improve employees' competencies on current as well as future jobs. High-performance training and development practices may include cross-functional and multi-skill training as well as training for firm-specific skills (Posthuma et al, 2013). This HR practice is imperative as it is directly linked to the functional capacity of an organization (Truss, 2001). Organizations that strive to function at an optimal level must provide a way for its employees to develop new skills (Ulrich, 1997). Despite its importance, this form of HR practice is often regarded as organizational expenses and it is commonly reduced following budgetary constraint (Sheehan, 2012). Unfortunately, such action may inhibit an organizational competitive advantage, as earlier studies indicated a

positive relationship between T&D and organizational performance; and a negative relationship with employee turnover intention (Sheehan, 2012; Shuck, Twyford, Reio, & Shuck, 2014). It was also noted that the volume of training transfer mediates the relationship between training and organizational performance. Training transfer or transfer of training can be described as the application, and maintenance of learning trained skills and behaviors from the training environment to the working environment (Baldwin & Ford, 1988). Hence, meaningful organizational outcomes can be driven by effective implementation in addition to strategic investment in training as well as the transfer of training (Saks & Burke-Smalley, 2014).

Recruitment and Selection

Recruitment and selection involve locating, recruiting as well as selecting potential job applicants. This HR practice is important because it may yield positive outcomes such as higher profitability and greater labour productivity (Michie & Sheehan, 2005), increased levels of employee commitment (Fiorito, Bozeman, Young, & Meurs, 2007; Taylor, Levy, Boyacigiller, & Beechler, 2008), and higher levels of human capital leading to higher overall performance (Takeuchi et al., 2007). The integration of innovative recruitment practices and specific selection criteria based on organizational strategy within HRM are positively linked to sales growth, market share, profit expansion, employee productivity and satisfaction (Chanda, Bansal, & Chanda, 2010). This study also corroborated the influence of strategic recruitment and selection towards the reduction of employee turnover. In fact, lower employee turnover and higher productivity are associated with HPWS implementation (Jiang, Lepak, Hu & Baer, 2012).

Employee Relations

Employee relations entail managing the relationship between employer and employee within an organization. This HR practice is significant as it influences an organization's climate and culture, which in turn relates to organizational outcomes (Godard & Delaney, 2000). For instance, employees who work within a trusting business culture were found to portray more commitment towards their organization, thus leading to better firm performance (Kim & Wright, 2011). Corporate culture also affects the process of HPWP implementation. Next, Chuang and Liao (2010) found that an organizational climate that depicts concern for employees mediated the effectiveness of HPWPs through employee helping behavior. According to Posthuma et al (2013), among the common high-performance employee relations practices would include complaint and grievance procedures as well as opinion and attitude surveys.

Communication

This HR practice deals with channels and methods in which information is exchanged (Posthuma et al, 2013). Communication is an important HPWP since it was found to be positively related with the organizational outcome (Gibson, Porath, Benson, & Lawler, 2007; Gittell et al., 2010). Information sharing practices are useful to minimize the feeling of uncertainty among employees, clarify goals and enable individuals to foresee connection between their works with the organizational strategy (Arendse, 2016). Therefore, providing employees with strategic business information through formal information sharing systems

as well as emphasizing internal communications are deemed as beneficial high-performance communication practices (Beh & Loo, 2013).

Performance Management and Appraisal

This HR practices measure and improve individual as well as team performances. This HR practice is critical because it is used to align individuals and team performances with organizational strategies (Zhang & Li, 2009). Examples of high-performance appraisal and performance management practices would include providing frequent feedback based on team and organizational goals as well as managing objectives linked to organizational strategies (Posthuma et al, 2013). While current HR performance metrics were oriented solely towards organizational goals, it is recommended that such metrics should incorporate the needs and desires of employees as well (Marin Kawamura, Eisler, Boyd, & Gessner, 2013).

Promotions

Promotions are HR practices that deal with opportunities and methods to allow employees moving into higher positions within an organization (Posthuma et al, 2013). It does not only ensure that there are candidates for job openings but at the same time acts as a type of extrinsic reward to motivate employees by providing them with opportunities to advance within the organization (Macky & Boxall, 2008). This opportunity can be linked to organizational outcomes in the sense that a higher level of employee commitment may yield a lower level of employee turnover. Additionally, Gong, Chang, & Cheung (2010) revealed that promotions based on performance appraisals were perceived by employees as the fair treatment and they elicited commitment to the organization. High-performance promotions practices may include promotions to those with good performance as well as defining career paths or progression of a job (Posthuma et. al, 2013).

Turnover, Retention and Exit Management

Turnover, retention, and exit management practices are designed to identify and address the reasons for voluntary employee turnover. This HR practice is significant in the sense that lower employee withdrawal and turnover can be linked with improved organizational performance (Hausknecht & Trevor, 2011; Huselid, 1995). Furthermore, literature also has shown that investment in long-term retention strategies minimized employee turnover, which in turn contributed to organizational performance (Batt & Colvin, 2011). Hence, it becomes even more important to retain those employees receiving a higher level of HPWS investment (Cappelli & Neumark, 2001). According to Posthuma et. al (2013), among the high-performance turnover, retention, and exit management practices are exit interviews and employee retention.

Employee Perspectives of HPWS

Although the mainstream research of SHRM views HPWS as beneficial to improving and creating positive organizational outcomes, it is primarily focused on the benefits gained by organizations while the impact of HPWS on employees have been marginalized (Fan et al., 2014). This has led to the emergence of a different research perspective so-called “darker side” of HPWS. The latter research perspective argues that HPWS has negative repercussions on individual employees due to the higher demands placed on individuals by these performance enhancing practices (Arendse, 2016). For instance, the scope of duties among

operational employees in high-contact service firms including five-star hotels is equally dynamic and challenging (Yee, Lee, Yeung & Cheung, 2018). Not only these employees have to constantly involve closer and more direct customer interactions. They also need to fulfill customers' expectations on service time, content and quality thus adding extra uncertainty and challenges into their existing duties (Chase, 1981). In other words, the "darker side" research perspective suggests that HPWS, which aimed to create a competitive advantage for organizations, do so at the expense of individual employees. Unfortunately, this form of HPWS perspective is often disregarded in HRM (Buren et al., 2011).

Moreover, several HRM scholars argued that prior research mainly pays attention towards HPWS from the firm-level management perspective and neglecting employees' actual experiences or perceived HR practices (Liao, Toya, Lepak & Hong, 2009). This managerial approach assumes uniform understanding and reaction to HPWS on behalf of all employees with little or no deviation between them. The truth is HR practices experienced by employees can be totally different from what the management perceived (Geare, et al., 2014; Nishii & Wright, 2007). Examining employees' perception from a managerial perspective (also known as counterfactual thinking) has been criticized yet remains the predominant research design (Arendse, 2016; Combs, Liu, Ketchen, 2006). Building on facts from existing research, it is assumed that employee groups from different employment status will encounter separate HPWS and HPWPs (Liao et al, 2009). Hence, this will contribute to the variability of employees' experiences with HPWS.

Notwithstanding the greater emphasis of HPWS given to strategic employees; it is equally significant to understand the non-strategic or operational employees' perspective of HPWS implementation. This is crucial for the hotel industry especially in five-star hotels as operational employees are considered the source of value creation contributing to the firm success (Kandampully, 2007). Focusing on these employees as the main provider of products and services requires particular attention to their actual experience with HPWS. A limited number of studies examined HPWS on different employment groups, even fewer have examined the actual experience of HPWS encountered by individual employees (Liao et al, 2009). Within the hotel industry including five-star hotels, the non-strategic employees are referred to as 'rank and file'; they hold basic positions in the operational departments including front office, food and beverage, and housekeeping. These employees execute strategic decisions made by top-level managers into daily operational tasks. They are compelled to perform their roles and accept the consequences of such strategic decisions (including HR practices) that may affect them both positively or negatively with no capacity to refute them. Hence, understanding these non-strategic employees' psychological outcomes following HPWS implementation is significant as it will ultimately affect the organizational performance.

Employees' positive or negative reaction towards HPWS implementation is influenced by their perceived fairness of the HPWS (Gulzar, Moon, Attiq & Azam, 2014). Hence, understanding employees' perception of fairness following HPWS implementation is crucial. The ability to understand employees' perception is useful to mitigate the negative impacts associated with HPWS implementation. Deriving from the relevancy of social exchange theory, research on the reciprocity between employees' perceived fairness following HPWS

implementation has existed in the pharmaceutical industry (Heffernan & Dundon, 2016). Interestingly, similar research perspective remains elusive within the hotel industry despite the significant of non-strategic employees within this field. Hence, this opens an opportunity for a research to be carried within the hotel industry to uncover the non-strategic employees' views of HPWS implementation.

Conclusions

Given the importance of operational employees within the hotel industry especially in five-star properties, this paper elaborates the need to view their actual perspective of HPWS implementation. Output produced from this study may benefit both the academic and industrial realms simultaneously. From the academic standpoint, findings produced will nourish existing literature on the perception of HPWS implementation among operational employees within the high-contact service sector. Likewise, the study may benefit the hotel industry especially HR managers in five-star hotels in several ways. First, the data produced may be used as a platform among HR managers to understand how operational employees in their organizations perceive HPWS implementation. Second, the same set of data may serve as an indicator to examine the practicality of existing HR practices or work system and to facilitate improvements on the overall HPWS related to operational employees.

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