CASE STUDY 3.4

Approaches to HRM in the hotel sector

As outlined in Box 3.1, HRM in the hotel sector is strongly influenced by the variability of customer demand, particularly in those establishments serving the seasonal tourism industry. The hotel sector is also heavily dependent on the external labour market as staff turnover is typically high and, therefore, a ready supply of both skilled and unskilled labour is often required to meet customer demand. This high turnover often results in problems of skills shortages in key operational areas, such as among waiting or kitchen staff. However, as Box 3.1 suggests, whilst the hotel industry context often acts to constrain managers' choice in HRM strategy, policies and practices, evidence suggests a variety of approaches to staffing and managing the workforce. The following case studies contrast the employment practices adopted in two 'similar' hotels operating in the same city.

The Mercury Hotel

'The Mercury' is a franchise establishment of a large US hotel chain. It is 4-star rated and mainly serves the commercial market, catering for business clients, including the hosting of conferences and seminars. It has almost 300 guestrooms, is located in the centre of a large UK city and directly employs more than 200 members of staff. Two-thirds of employees are employed full-time on 39-hour contracts with working patterns varying from week to week. Any hours worked beyond this are paid as overtime. The remaining third of employees are part-time (up to 25 hours per week). This structure appears to provide a balance between the need for flexibility in predictably busier periods throughout the year and as cover for short-term increases in demand. Management also make extensive use of return staff, mainly students who live in the area during term time or holiday periods to provide a further element of labour flexibility. Such employees are seen as a ready supply of trained labour but who have no claim to minimum hours, who can be shed with limited notice and who are most willing to work unsociable hours. Further, shortfalls in labour supply are met either by contracted or non-contracted casuals or by increasing permanent staff hours at short notice. Contracted casual employees are 'on-call' so that managers can demand that employees work 'as and when required', principally being used for functions such as wedding receptions. Management seek to minimise the potentially damaging effects on service quality by minimising the use of non-contracted casuals and ensuring that, whilst providing a degree of flexibility, most employees are a 'known quantity' and have received at least some training. Moreover, rather than relying solely on numerical forms of flexibility (altering staffing levels in line with demand) The Mercury attempts to meet the challenge of variable demand by training members of staff across a range of different areas; a rudimentary form of skills flexibility. The approach to staffing adopted at The Mercury appears to reflect a compromise between the need for labour flexibility and employee stability, with management attempting not to overly manipulate employee hours simply to meet the direct needs of the organisation.

In terms of employee involvement and communication, formal departmental meetings are held weekly for staff to discuss operational aspects of the hotel. Open staff meetings are held monthly, for both permanent and casual employees, the purpose of which is twofold. First, to pass on information on the performance of the hotel and, second, to act as a forum in which staff can ask questions directly of the general manager. Most importantly, a consultative committee, known as the 'Employee Forum' meets monthly and is chaired by the general and personnel manager. This forum is comprised of elected staff representatives from each department and allows staff to raise issues related to their working environment. It is also where recognition is passed on to staff for good service and employee representatives vote for 'employee of the month'.

Staff turnover is not considered a significant problem at The Mercury within the context of the industry. Management reported an annual turnover rate of approximately 35 per cent (the company target is 25 per cent). However, the HR manager claimed to do a significant amount of work to reduce this figure, particularly in the recruitment process. For example, department managers received training in interviewing techniques and ensured that candidates are made aware of the idiosyncrasies and demands of the industry. In addition, staff retention is addressed through ensuring staff development is offered to 'capable' employees and good performance is rewarded and recognised. Turnover is mainly attributed to mistakes made in recruitment and candidates' misconceptions about the industry generally, specifically pay levels and working hours. This is reflected in the fact that departing staff rarely left to work in other hotels, unless at a higher level, but tended to leave the industry. Absenteeism at The Mercury is considered acceptable. The personnel manager at the hotel suggested that an environment in which 'team-working' has evolved at the hotel and a degree of peer pressure discourages unnecessary absence.

Management at The Mercury considered skills shortages to be a huge problem in the industry, compounded by the highly competitive nature of the local labour market where it is felt that during most of the year employees would be able to leave employment at one hotel and gain employment 'five minutes down the road' in another. The HR manager claims that the inherent skills shortages in the local labour market are not felt as keenly in this hotel as in others because their image as a 'good employer' is useful in attracting and retaining staff. The package of benefits available to staff are described, by management, as 'exceptional' and are claimed to be central in recruiting and retaining high-quality, skilled employees and reducing problems of skills shortages, albeit within the context of moderate levels of staff turnover.

The Luna Hotel

'The Luna' is located approximately one mile from The Mercury and is part of a large UK hotel chain. It has 201 rooms, is also 4-star rated and employs 128 members of staff. The hotel was

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subject to a takeover six months ago and is in a period of transition, not least in the way in which HRM is conducted. Again, two-thirds of the workforce is full-time, but the current management are seeking to significantly reduce this figure, having claimed they are overstaffed with permanent employees. They plan not to replace leavers in certain departments or replace them by offering workers flexible contracts; they express a willingness to rely heavily on casuals and agency staff to plug gaps in the workforce. Even permanent employees are now employed on significantly less favourable terms than prior to the takeover. Management claimed that this provided 'working-time flexibility' for both employer and employee. The number of hours and shift patterns are adjusted and planned on a weekly basis according to business levels, with both parties able to request more or less hours in a given period. No attempt had been made to train employees across a range of tasks to provide greater skills flexibility nor is there any intention to do so, given the stated desire to keep training costs to a minimum.

Employee communication at The Luna is predominantly one-way. General manager's briefings are held for all staff every quarter to inform them about organisational and establishment strategy and managerial decisions. Managerial meetings and communication between heads of department and employees is limited to one-to-one meetings as and when required, instigated by either party, usually to deal with grievance or disciplinary issues. There is no dedicated structure or schedule to these intra-departmental meetings although some departments imposed some formality by holding five-minute 'chats' between departmental heads and staff every month. Other departmental managers preferred employees to approach heads of department to raise issues. These one-to-one meetings appeared to be the only means of upward communication. There is no other provision for employee consultation, suggestion or participation in decision-making. It appeared that even the general manager's briefing is merely a communicative device with little provision for employee feedback.

The hotel had experienced high levels of labour turnover since the takeover, some of which was likely to be as a result of the upheaval caused. Regardless, labour turnover is reported to be both problematic and beneficial at The Luna, depending on the staff involved. On the one hand, employee turnover is considered undesirable because of the costs involved in recruiting new members of staff, especially skilled workers such as chefs and maintenance workers. On the other hand, however, employee turnover is considered a source of employment flexibility and 'natural wastage' of staff viewed as positive, especially where poor performing staff are concerned. The general manager claimed that the large labour market in which the hotel operated meant that staff are readily available, albeit often lacking required skills. Management coped with this apparent skills shortage by minimising reliance on particular skills or providing rudimentary training. The high level of staff turnover often required management to adopt expedient approaches to filling vacancies, even in important frontline operational (for example, waiting and front of house) or skilled areas of work. As the HR and training manager suggested, '*When someone leaves just like that … you're in a hole and you have to get someone in, then you can't afford to wait a week of so for references to come through, when you've got a job to fill. You take a chance.*'

■ Questions

1. In what ways does the environmental context of the two hotels constrain or present opportunities for strategic choice?

2. Why do you think the two hotels have contrasting approaches to the management of their employees?
3. From a 'best fit' perspective, which of these hotels would appear to have best tailored its HR policies and practices to its competitive strategy?
4. What elements of 'best practice' HRM has The Mercury Hotel adopted and why might it have done so?
5. Drawing on the resource-based view, what elements of people resources could be exploited to create competitive advantage in the hotel industry?