

FACTORS AFFECTING THE RELATIONSHIP BETWEEN HRM AND ORGANIZATIONAL PERFORMANCE IN TOURISTIC SMEs: A CASE STUDY

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Abstract

This article studies the impact of the firm size, type and age in the Human Resource Management (HRM) and Organizational Performance (OP) relationship. The study was conducted in 175 small and medium-sized (SME) tourist resorts in Gjirokastra region (Albania) and includes information gathered through questionnaires completed by the person responsible for HRM. From the processing and quantitative analysis of the collected information it has resulted that the size and type of tourism service provided, affects the application of HRM practices and therefore also firm's OP. While firm age does not affect this relationship.

Keywords: HRM, Organizational Performance, SME, Tourism, Gjirokastra - Albania

INTRODUCTION

Nowadays, the dominance of the service industry is characteristic of many developed but also developing countries. Part of this service industry is also the tourism sector, which is known as one of the largest economic sectors that creates jobs, promotes exports and generates prosperity. This is also evidenced in the World Travel and Tourism Council (WTTC) reports, according to the latest report, which accounted for 292 million jobs in 2016, equivalent to 1 in 10 jobs in the global economy and it is expected that by 2027, the sector will support over 380 million jobs.

Tourism has also been evaluated by the Albanian Government as one of the most influential sectors in the expected, qualitative and quantitative development of Albanian economy According to WTTC statistics for Albania, tourism has directly supported 85,000 jobs

in 2016 and expects that employment numbers will rise by 34,500 to 120,000 over the next decade. Albania has three UNESCO protected sites, one of which is the historic city of Gjirokastra, which is part of the Gjirokastra region, extending south of Albania, with an area of 2884 km² and a population of 152,768 inhabitants. This region has a great tourist potential which is represented by the castles in the city of Gjirokastra and Tepelena, the archaeological sites of Antigonea and Hadrianopolis, many cult objects, over 500 buildings in the historical areas of Gjirokastra and Permet etc. There are about 150 natural monuments in this area as well as culinary or isopoliphony labe (spiritual value certified by UNESCO as a World Cultural Heritage asset), which are specific elements that make local and foreign tourists visit the region. In statistics over the years, it has been noticed that the number of tourists visiting the Gjirokastra region has been increasing and this increase has meant that the number of businesses and employees involved in this sector is also rising. While everyone is trying to build and develop infrastructure, the HR factor is an issue that needs to be treated seriously because it can turn into a major problem if it is not strategically and fully addressed.

Purpose of the study

This study focuses on identifying whether the size, type and age of the firm influences the relationship between HRM and OP practices in touristic businesses in the Gjirokastra region, given that HRM researchers have found that some of the HRM characteristics and approaches are influenced by specific local factors.

By exploring the existing literature on HRM, the main HRM practices are considered and hence recognized as the most important input practices in businesses' OP and in the way size, type and age of the firm affect the HRM-OP relationship. The analysis is based on the multiple linear regression method and it intends to identify which of the selected HRM practices impacts more the HRM-OP relationship and under what conditions of size, type and age of the firm by confronting theory with reality in the research region. This study aims to provide useful information to the HR managers of touristic businesses in the Gjirokastra region who can implement them in the ongoing efforts they make to further improve their organizational performance, as well as to the institutions that manage HR issues and adapt them to labor market requirements (e.g. education / training institutions).

THEORETICAL BACKGROUND

The Role of the HRM in the Tourism Sector

The impact of tourism on the economic development of a country and the number of employees is directly and indirectly due to the diverse structure of services it offers and its comprehensive

nature. Despite using the comprehensive term, this sector is not sufficiently described because it consists of a large number of firms that have a high diversity of property, size, lifespan and resources and provide products and services that are interlinked and complementary among them. However, there are similar elements among these firms such as providing customer service and managing human resources (HR).

The tourism sector is an intensive working service sector and its success depends heavily on the social and technical skills of employees, as well as on their commitment and attitude. Since the main product of tourism is service and as it is already known that services are intangible; they are produced and consumed at the same time, usually on location of service providers; consumers are present or participate in the service since there is usually personal interaction between the customer and the service provider. Then they have become vulnerable in personality, appearance, attitude and behavior of the service provider. Thus employees become part of the product, represent the business, and help to create its image. For these reasons, employees and their management are the key determinants of service quality, customer satisfaction and loyalty, competitive advantage, organizational performance, and business success. This belief has also been supported by many theories, models, and empirical studies that highlight the important HR role in the tourism sector and how employee performance can be managed so as to contribute to OP.

Furthermore, many authors have clearly explained how and why employees influence competitive advantage and OP. The essence of the argument is that capital or human assets, which have been directly influenced by policies, practices, management systems, skills, culture and organizational climate, contribute to sustainable competitive advantage by facilitating the development of competencies that are specific for business, create complex relationships, are embedded in its history and culture, and generate organizational knowledge. Empirical studies also show that the personality of service providers, their knowledge, skills, attitudes, behaviors, HRM practices may be related to fundamental service and organizational outcomes. These arguments point to the fact that treatment and management of employees should be a major concern for managers in the tourism sector.

There are many authors who argue that adaptation of HRM practices can lead to the creation of sustainable competitive advantage (Wright et al., 2001). Hence, to survive in this new era, businesses need to focus even more on their competitive strengths in order to realize their long-term strategies. Based on these and many other arguments, it is clear that the role of HRM and their impact on the OP of tourist businesses is a matter of great interest to be studied.

The role of SMEs in the tourism sector

To study HRM issues in a particular sector, it certainly requires identifying the particular features of the sector that affect this process. It has been mentioned above that the tourism sector is a heterogeneous economic sector, but this it is heterogeneous because of the dominance of small and medium enterprises (SMEs). According to Brown et al. (2009), although multinational companies in this sector have increased their share, still most of the industry is comprised of SMEs. Even though the SME role in the tourism sector is well known in both developed and developing countries, there is no uniformity in the results obtained from the studies performed, and this according to Heneman et al. (2000), happens because the study of HRM practices on SMEs does not have an international perspective. Also, taking into account that SMEs have a limited activity, they will not hire a HRM specialist to apply and develop sophisticated treatment for employees, and in these economic conditions a short-term perspective on managerial decision-making regarding HRM can be created and can create a poor and unstable internal labor market. Certainly, in an unstable internal market there is less chance of having trade unions and thus SMEs have more freedom in defining their HR strategies. In this respect, the tourism sector is a sector where the analysis of the particular role that HR practices can play is more important than in any other sector.

HRM-OP relationship

Numerous authors have been involved in the study of the link between HRM and OP. To emphasize the complexity of this research, they call it " the Holy Grail Research" (Boselie et al., 2005) and attempting to construct theoretical models including various factors, they call it " the black box" (Purcell, 2003). The impact of HRM practices on OP, has been widely studied for years and the results of the studies, both in developed and in developing countries, have shown that HR practices have an impact on OP and HRM is important, but unfortunately, relationships are often (statistically) weak and the results are unclear, so researchers should continue to extend the theoretical and methodological issues of the HRM and OP debate (Paauwe, & Boselie , 2005).

For the realization of this study, three theoretical approaches in this area have been considered: a) Universalistic Perspective (which states that the proven contribution of HRM activity to an firm will also contribute equally to other firms, regardless of their size, age, structure, type of business activity, industry or branch. The focus of this approach is the quantitative measurement of the direct link between specific HRM activities and company performance, or between a group of HRM activities and company performance b) Contingency Perspective (which emphasizes the importance of the company's business strategy, which

either increases or reduces the impact of HRM on its performance even in the same industry or sector and foresees that HRM practices should be in harmony with the organization's strategy and its competitive and strategic position. c) Configurational Perspective, (which emphasizes that the configuration of practices that offers stronger horizontal and vertical adaptation to a particular strategy will be the ideal configuration for the organization pursuing this particular strategy).

As far as the tourism sector is concerned, Kusluvan et.al (2010) suggests that researchers should adapt these theoretical approaches to different tourism organizations in terms of size and strategy, in various industry subsectors, and study their link to the OP results.

HRM practices

The Universalist approach resulted in a list of major HRM activities called High Performance Work System (HPWS), High-Performance Management, High-Commitment Management and High-Involvement Management (Brown et al, 2009). However, scientific research on HRM has been heavily focused on defining practices as "best practices" or "most suitable practices" that ultimately result in the organization's sustainable competitive edge. According to Way (2002), HPWS has been defined as a set of different but interrelated HRM practices that together select, develop, maintain, and motivate a highly skilled workforce, using its skills in activities that related to its work and the outcomes of work-related activities are powerful intermediate indicators in achieving high performance and sustainable competitive business advantage. (Brown et al, 2009).

On the other hand Redman and Matthews (1998) describe recruitment / selection; keeping the employees; group work; training / development; performance evaluation; remuneration management; job safety; involvement and employee relations as important HR practices aimed at providing high quality services. (Nickson, 2013). A review of Khan's literature (2010) identified five HRM core practices, namely training and development, recruitment and selection, compensation and reward, performance evaluation, and employee participation (ALDamoe et al, 2011). Tichy et al, (1984) emphasizes four general HRM practices and respectively: Selection / Promotion / Orientation; The remuneration process; Development process; and the performance evaluation process, which should be in line with the overall strategic objectives of the organization (Mohyin et.al, 2012).

Therefore, researchers admit that there is generally no defined list of applicable HR practices or practice systems that define or include HRM. They are able to list many different practices, but the four practices that stand at the top of the list are: training and development,

compensation and reward schemes, performance management (including appraisal) and recruitment and careful selection (Boselie et al, 2005).

Based on these theoretical considerations, even in this study, these four main practices have been chosen as the ones that contribute more to the OP of the studied firms.

Factors Affecting the HRM-OP relationship

Research on small businesses suggests that factors that affect HRM in SMEs are different from those in larger firms. The size of small businesses alone distinguishes them from large businesses and requires a very different management approach because their resources do not allow the implementation of various HRM activities. Small-scale firms do not usually have a formal HRM department or dedicated HR professionals and are the owners or managers who combine HRM functions with other tasks.

For SMEs, most common studies are those for specific HR practices, but there are also empirical studies that involve a larger number of HRM practices and have proven that the size of the firm is a key determinant of their approval and formalization (Hoque, 1999; Wiesner & McDonald, 2001; Cassell et. al, 2002; Altarawneh & Aldehayyat, 2010; Al-Jabari, 2012). These results demonstrate that if organizations grow, there is a growing need for decentralization and communication between staff and departments and as a result a certain level of HRM formalization is needed. Bearing in mind that more formalized practices have higher development costs, then this process can only happen with the growth of the firm. Thus, small enterprises are more informal than their middle counterparts, but the degree of approval can be improved by the characteristics of SMEs (Wiesner & McDonald, 2001). Various studies have also been conducted on the link between HRM practices and firm performance, such as the empirical study of De Kok, et al. (2003), which addressed the relationship between HRM practices and firm performance under the influence of size, age and sector differences. The results showed that the strongest relationship existed between firm size and training / development, while the weakest link was with rewards and performance appraisal. While most studies prove that the firm size has a significant positive impact on HR practices, the Ding & Akhtar (2006) study shows that the size of the firm has a limited effect on HR practices and the study results of Urbano, D., Yordanova, D., (2007) do not support the connection between firm size and adoption of HRM practices.

HRM-s role is to contribute to the implementation of business strategy, realization of business objectives and the increase of its performance. However, even if HRM best practices may be required by employees and be supported by HRM literature, the organization's interests will prevail over those of the employees. Moreover, given the differences between tourism

enterprises and organizations, a single approach to HRM practices cannot be addressed. Hence, HRM practices should not only be tailored to different organizations or enterprises, but also to employ different individuals within the same organization or enterprise. This means that HRM practices and their effects depend on the type of organization or firm. Kusluvan et al. (2010). In support of this conclusion are the findings from empirical studies which have found sector differences in the application of recruitment, compensation and training / development practices (De Kok, et al 2003), or differences between the sub-sectors of tourism (Urbano, D., Yordanova, D., (2007) and certainly these findings indicate that the type of firm affects the use of HRM practices and OP.

The paradigm of the firm's life cycle suggests that different stages of the life cycle are characterized by different working environments, different company structures and as a result different degrees of HRM formalization. Thus, the life cycle of an enterprise, or growth, maturity, decline or resurrection phase may be an important factor in the implementation of specific practices, which means that the age of the enterprise influences the application of HRM practices. This is also explained by the fact that the lack of experience, technological barriers, lack of legitimacy, etc. make it difficult to mobilize and absorb resources in new enterprises and that they may face internal obstacles to attract skilled workers . What is more, new firms tend to rely on informal management and training systems and practices, and the lack of legitimacy within the tourism industry leads to difficulties in recruiting employees. Empirical studies on this issue bring different results because there are cases where older businesses have more formalized selection practices than new businesses, De Kok, et al. (2003), cases when age is negatively related to adoption of work assessment (Wager, 1998), or when formalization of HRM practices does not depend on the age of SMEs (Urbano, D., Yordanova, D., (2007), Rouditser & McKeown (2015).

Taking into account this debate, this study aims to contribute by measuring the impact of the size, type and age of SMEs in the relationship of HRM main practices (recruitment / selection, training, performance appraisal, compensation) that have been considered as independent variables and OP (dependent variable).

METHODOLOGY

This study included 175 different firms operating in the Gjirokastra region. Their selection was random and given the heterogeneous composition of the tourism sector, this was composed by: Hotels (22%); Restaurants (22.3%); Bar-cafes (45.1%); Transport agencies (3.4%); Tourist agencies (2.9%); Fast-food and so on. (4.3%). The SME classification by size is: firms having 1-5 employees (79.4%); 6-20 employees (16.6%) and 21-50 employees (4%). While age

classification is: Firms that conduct activity from 1-5 years (18.3%); 6-10 years (22.3%); 11-15 years (20.6%); 16-20 years (18.3%); over 20 years (20.5%). The questionnaires were answered by the person responsible for HRM issues and the information obtained was processed using the multiple linear regression method. HR executive managers are probably the only qualified people who can provide information on such issues and they are the most valuable resource for HR data (Huselid and Becker, 2000). On the other hand according to Holliday (1995), in the study of small firms, in most cases, the questionnaires will be answered by the owner-managers as they decide on the management of their employees. As was the case with this study, most of the respondents were owners of these firms (79%).

RESULTS

The impact of independent variables, size, type of service, and age of the company have been analyzed separately, so the following results are divided into three parts: The first part gives the results of the impact of the size, the second part the influence of the type of service and in the third part the impact of firm age.

The impact of firm size on the HRM-OP link

From the ANOVA data analysis, for $F = 6.813$ and $df (5: 169)$, the value of $Sig = 0.000 < 0.05$, which indicates that it is meaningful to talk about links between independent variables (recruitment / selection, training, performance appraisal, compensation, firm size), and dependent OP variable. Since the values of the correlation between independent variables have a value of $[-0.7; 0.7]$, then the regression equation has been constructed.

$$OP = 2.151 + 0.130 (\text{training}) + 0.122 (\text{performance appraisal}) + 0.144(\text{firm size})$$

After the equation is built, OP is more dependent on variables in size, training, and performance appraisal, because their β coefficient is higher than for other independent variables (Table 1).

Table 1. Multiple regression analysis considering the firm size

Model	R2	Adjusted R2	t	Sig.
Constant	.168	.143		.000
Recruitment/Selection			.685	.494
Training			2.631	.009
Performance appraisal			2.565	.011
Compensation			-1.011	.314
Firm size			3.056	.003

Also, the Chi square independence test shows that OP depends on the size of the firm because the value of Asymp. Sig. (2-sided) = 0.004 < 0.05. To find out in which firms this dependency is greater the averages of the groups were compared according to the classification through the Levene Statistics Test to see if firm groups are homogeneous or not. The data show that the value of Sig = 0.000 < 0.05 indicates that the groups are not homogeneous between them, while the value of Sig = 0.001 < 0.05 for $F(2; 172) = 7.757$ indicates that it is sensible to talk about significant statistical differences among these groups. Meanwhile, the Post Hoc test carried out according to the Tukey procedure showed that there was only a difference between the groups [1-5 employees] and [6-20 employees] because of the value Sig = 0.001 < 0.05 and $M[1-5 \text{ employees}] = 3$ and $DS[1-5 \text{ employees}] = 0.399$ while $M[6-20 \text{ employees}] = 3.31$ and $DS[6-20 \text{ employees}] = 0.471$, indicating that the HRM practices relationship with OP is stronger for enterprises with [6-20 employees] than in enterprises with less than 5 employees. Other groups are homogeneous among them and have no statistically significant differences. Finally from this analysis we can say that the OP of the firm depends on its size.

Influence of firm type in the HRM-OP link

The method of linear regression equation has also been used for this analysis. the ANOVA analysis shows that for $df(5; 169)$ and $F = 6.862$, the value is Sig = 0.000 < 0.05. This means that it is sensible to talk about relationships between independent variables (recruitment / selection, training, performance appraisal, compensation, type of firm) and dependent variables OP.

$$(OP) = 2.417 + 0.114 (\text{training}) + 0.134 (\text{performance appraisal}) - 0.039(\text{type of firm})$$

After building the equation it turns out that training and performance appraisal affect OP, performance appraisal has an even higher impact than training, while for the variable type of firm it yields negative value (Table 2).

Table 2. Multiple regression analysis considering the type of firm

Model	R ²	Adjusted R ²	t	Sig.
<i>Constant</i>	.169	.144		.000
Recruitment/Selection			1.132	.259
Training			2.320	.022
Performance appraisal			2.817	.005
Compensation			-1.074	.284
Type of firm			-3.091	.002

Also, the Chi Square test shows that OP of the firm also depends on its type because of the value of Asymp. Sig. (2-sided) = 0.000 <0:05. The analysis goes further by comparing the sub-sectors to each other because the sample consists of several groups according to the type of service they offer. The results of Levene Statistics show that Sig = 0.017 <0.05 which means that these groups are not homogeneous between them. ANOVA analysis shows statistically significant differences because for $F(5; 169) = 1.427$, the value is Sig = 0.000 <0.05. While the Post Hoc test based on Tukey procedure shows that the biggest differences are between the sub-sector Hotel - Tourist Agency. The data also show that the HRM-OP link is stronger at the Tourist Agencies because $MTurist.ag. = 4$, while $MHotel = 3.2$ and $MTransport = 3.17$ and so on. Thus, it can be concluded that the type of business affects the HRM - OP connection because within the tourism sector there are differences connected to the OP of firms ranging from tourist agencies and continuing with Hotels, Transport etc.

Impact of firm age on the HRM-OP link

The ANOVA analysis again shows that there is an important statistical link between the independent variables and the dependent variable because the value of Sig = 0.000 <0.05. Even the correlation analysis of the variables between them shows that the values of these coefficients are within allowed limits, but with the construction of the linear regression equation:

$$(OP) = 2.179 + 0.120 (training) + 0.123(performance appraisal)$$

it turns out that firm age does not affect the OP variable because Sig = 0.660 > 0.05 (Table 3).

Table 3. Multiple regression analysis considering the firm's age

Model	R ²	Adjusted R ²	t	Sig.
<i>Constant</i>	.123	.097		.000
Recruitment/Selection			1.288	.200
Training			2.383	.018
Performance appraisal			2.529	.012
Compensation			-.549	.584
Firm Age			.441	.660

This conclusion is also confirmed through the Chi Square Independence test where the value of Asymp. Sig. (2-sided) is 0.183 > 0.05. Therefore it can be said that in this case the age of the firm does not affect the HRM - OP link.

CONCLUSIONS AND DISCUSSIONS

The main objective of this study was to measure the impact of firm size, type of service, and age of the firm on the HRM-OP link. Based on previous models and results in HRM, this study included four most important HRM practices (recruitment / selection, training, performance appraisal, compensation), the relationship they have with the OP of the firm and how is this link affected by the size, type and age of the firm.

The study showed that the practices that most influence OP are training and performance appraisal, but under certain conditions of firm size (when the business employs more than 5 employees) and the type of services they offer. Thus, tourist agencies are ranked first followed by Hotels, Transport Agencies and Restaurants, while Bar-Cafes and others are ranked last. It also concluded that the age of the firm does not affect the application of HRM practices and its OP.

Despite the contribution that this study brings forward, its results should be read in view of the fact that this study is regional and therefore the selected sample is relatively small, although efforts have been made to be representative in numbers and types of services. Another limitation is the use of questionnaires and collection of self-declared data without having to deal with formal documentation. It should also be noted that in each survey, the way in which respondents respond to questions is influenced (conscientiously or unconsciously) by many factors such as business status, personal, social, educational and professional credibility, but it is assumed that the respondents were honest and understood the questions of the questionnaire.

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