Strategic Management in The Hospitality Industry

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Abstract: *Modern innovative methods of HR management are leading in the strategy for developing hotel enterprises. The HR strategy is a part of the enterprise management strategy. To develop an HR management strategy, it is necessary to apply the principles used to develop an enterprise management strategy. The essence of HR management is to establish organizational, economic, socio-psychological, and legal relations between the subject and the object of management. These relations are based on the principles, methods, and forms of impact on the interests, behavior, and activities of employees to use all their potential. It is necessary to adequately estimate the importance of the HR management function and not to interpret it only as HR accounting and recruitment. It is impossible to fulfill the marketing and financial functions in the business process without competent HR management.*

Keywords: *management, subject of management, object of management, strategy, innovations.*

INTRODUCTION

Accurate mathematical calculations on the HR management have confirmed that the cost of the efficient recruitment of an employee is paid off. Regulating all variables that influence the recruitment efficiency criterion, the HR manager annually provides the organization with a net profit of 20 – 25 % of the salary obtained by each hired employee. This allows to annually obtain almost a quarter of each employee's income. The success of any organization increasingly depends on the qualifications and competencies of its employees. Despite the difficult financial situation of most Russian hotels, the costs associated with HR training start to be considered as priority and necessity. The success of the enterprise directly depends on its employees' efficiency. Investments in HR are the key to a successful hotel business. Besides, according to the statistics of the www.superjob.ru portal, in February 2018 the number of HR specialists vacancies increased by 15.4 %.

METHODS

Nowadays, innovative methods of HR management are important in the HR management system. New technologies change approaches to the HR management system (Mercer, 2016). In recent years, the HR management has changed from the department that hired and fired people and handled payroll into an instrument of growing companies that strengthens the organization's reputation, helps to make

organizational changes, and ensures high business profitability. The study methods include generalization, study, systematization, the comparison method, and the expert assessment method.

RESULTS

The area of strategic HR management was defined as "a model of planned HR activities and the activities enabling the organization to achieve its goals" (Schlesinger, Heskett, 1992), or "organizational systems designed to achieve competitive advantages through people" (Snell, et al., 1996; Sisson, 1994). Both definitions reinforce the understanding that HR management methods create valuable resources in the organization to achieve a competitive advantage through people. The researchers studying strategic HR management developed their theories that emerged in such areas as strategy, sociology, psychology, and economics (Schuler and Jackson 2005; Zaitseva 2013). Kearns (2010) explains the main difference between traditional and strategic business management: the first one copies the best practices, while the second one is perceived as unified with business strategies. He suggests the following picture of business (Fig. 1 and 2):

Figure 1. HR Business Strategy

Figure 2. Human Capital Strategy

Thus, it is possible to assume that the main task of strategic HR management is to understand how HR management practices contribute to improving the organization's efficiency. Kearns (2010) suggests testing all HR management theories to answer the question of whether these theories offer a competitive advantage and whether they create value. Some researchers assume that HR management systems should focus on strategic goals, e.g., service, innovations or security, rather than on general typologies of strategies (Bowen, Ostroff, 2004; Lepak et al., 2006; Gospel, 2009; Kabushkin, 2006; Lievens, Chapman, 2009). The cultural dimension in strategic HR management should not be ignored to understand the HR management practices in a global context. Since the mid-1990s, most studies on strategic HR management had been conducted mainly in Western countries (Batt, 2002; Bowen, Ostroff, 2004; Datta et al., 2005; Kibanov, 2010). As a result, some researchers challenged the validity of these theories in other regional and cultural contexts (Brewster, 2007; Wright et al., 2005; Schneider, Bowen, 1993).

According to the survey of 350 directors worldwide carried out by *Egon Zehnder International* (Eigenhuis, Van Dijk, 2008), nowadays HR directors are asked to manage business changes, be included in the board of directors, take a leading role in talent management, manage production relations with HR, and monitor and understand legal or other regulatory changes. The strategic HR management has several advantages over traditional HR functions, such as HR planning, workforce planning, training and development, goal-oriented motivation, planned and controlled changes, etc. The strategic HR management is more active than reactive. Being aware about business goals and areas, the strategic HR management forecasts the number and quality of employees the organization needs, predicts the staff turnover, retirement, explores the reasons of the staff turnover, and trains line managers to control staff costs and ways to retain people by supporting their motivation, satisfaction, and loyalty to the organization.

One of the main methods of strategic HR management is to constantly obtain the relevant information about the existing employees, their career plans, performance reviews for the efficient use of internal resources for business needs, as well as to check the current job descriptions in accordance with changes in the business environment.

Happy guests spend more money and return (InterContinental Hotel Group). Schneider and Bowen (1993) suggested that psychological mirroring worked in the following way: the satisfaction of one individual had impact on the satisfaction of the other one. In the services sector, employees establish relationships with customers. Since the consumption and production of services in the services sector are simultaneous, it is necessary to achieve high quality throughout the organization, even by the employees who do not directly contact with guests. Thus, these characteristics of service work increase the importance of HR management to obtain the desired results in the service sector. They suggested that "managers, striving for the service quality, should create two interrelated, but different climates: the climate for servicing and the climate for employees' well-being. The first one requires such practices as systems and logistics... while the second one focuses on meeting the employees' needs by using high quality HR management methods".

Under the influence of this model, Schleisinger and Heskett (1991; 1992) developed a theoretical model called the service profit chain, and stated that the customer satisfaction was a critical factor of profitability in the service sector, while service employees, in turn, were a critical driver for the guest satisfaction. The profit service chain focuses on the relationships between the constructions of employee

satisfaction, customer satisfaction, customer loyalty, and profitability. The goal is to provide a complete picture of the impact of considerable variables on guest loyalty and profitability. The further study of the material includes the analysis of previous studies on the service model of making a profit, as well as the results and effect of the variables that have already been tested.

According to the results of various studies, there is a considerable correlation between the employee satisfaction and customer satisfaction, but the employee satisfaction did not have direct impact on the customer loyalty. However, it was determined that the customer satisfaction and loyalty again had a positive effect on profitability. Heskett (Heskett et al., 1994; 1997) offered the service profit chain model integrating operations and HR management for the organizational improvement, especially in service enterprises. The profit service chain is a powerful phenomenon that emphasizes the importance of people – both employees and customers, and how their relations can help to improve the company performance (Fig. 3). The service profit chain is an equation that establishes the relationship between profit, customer loyalty and satisfaction, and employee loyalty and productivity. These are the links in the chain (which should be considered as offers): profit and growth are driven primarily by the customer loyalty. Loyalty is a direct result of customer satisfaction. Satisfaction largely depends on the value of the services provided to guests. Value is created by satisfied, loyal, and productive employees. In turn, the employee satisfaction is primarily associated with high-quality support and company policies that allow employees to provide customers with results (Heskett et al., 1994; 1997).
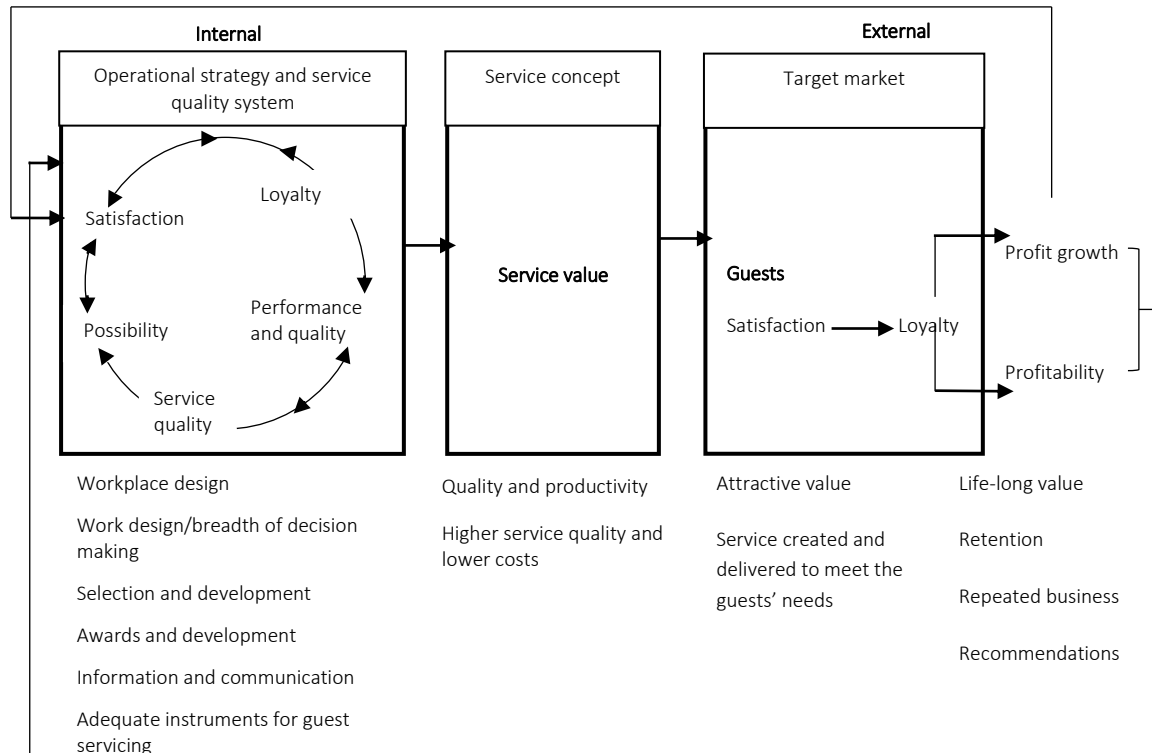

Figure 3. Service Profit Chain

They also drew attention to the possibility of developing the so-called "miss cycle", where poor working conditions caused the staff turnover. This increases the burden on other employees and guest dissatisfaction, which reduces the employee satisfaction even more and contributes to the further staff turnover (Gittell, Seidner, 2009; McGunnigle, Jameson, 2000). Schneider and Bowen (1993) determined that the climate of servicing and well-being of employees correlated with the general perception of the service quality by guest. According to the recent testing of the service profit chain model based on the sample of 291 service organizations, advanced HR practices caused the employee satisfaction, which in its turn had impact on both the service quality and guest satisfaction (Voss et al., 2005).

The employee satisfaction dominates in determining the organizational success. This is the attitude of employees to their work. It is necessary to know how an organization can satisfy and motivate its employees to achieve extraordinary results. The guest satisfaction happens to be a natural consequence of the employee satisfaction. Therefore, the organization achieves success. The employee satisfaction improves not only productivity, but also the quality of work. It is necessary to create the working environment that encourages employees to qualitatively respond to the guests' needs. This requires turning to the service profit chain model, because the guest satisfaction created by satisfied employees and the employees' excellent performance cause organizational and financial success. Thus, there is a direct correlation between the employee satisfaction and customer satisfaction.

Simms et al (1988) classified the labor market as internal and external. It is possible to assume that the strategic HR management can be more focused on the development of competencies in the main or internal labor market. Consequently, Simms et al (1988) offered the concept of strong and weak domestic labor markets, where a strong labor market was associated with low staff turnover, thereby having a strong personnel function, while a weak labor market was associated with high labor turnover and, therefore, it had a weak personnel function. Hospitality organizations tend to have a weak domestic labor market (Cushing 2004), and the function of HR management becomes a major concern for those who solve issues for the "big bosses". The further theories and studies will prove this statement.

The competitive advantage of *Four Seasons Resorts* is the service provided by front-line employees who should be treated as members of the elite team, said Isadore Sharp, the founder of *Four Seasons Resorts* (Sharp, Phillips, 2009). Nowadays, there is a dilemma in the services sector. Is the HR management more important in the services sector due to the direct customer/provider of the context? Or is it less important in this sector due to the time-consuming nature of the work and emerging competition due to the reduction in labor costs at the lower level of the product market (Gittell, Seidner, 2009)? Studying the references supporting these two different sides, the authors defined that this argument tended to overlook the fact that methods of HR management improved productivity and efficiency, and thus achieved low costs, as well as missed the importance of achieving quality even in the environment "without excesses". In their review, they also concluded that HR management had impact on the service efficiency and created loyalty, skills, and relationships.

Spellman (quoted in Cushing 2004) states that motivated people are more likely to stay with their employer and make use of their potential in terms of productivity. The meta-analysis carried out by Cooper-Hakim and Viswesvaran (2005) showed that in 185 samples the organizational loyalty was positively correlated with the performance. The

organizational loyalty is a key variable in a high-performance cycle (Lathan, Rotman, 2007) and a powerful source of motivation that can cause the perseverance in action even against the opposing forces (Taylor, 2015). This is reinforced by satisfaction (Latham, Rotman, 2007). The researchers determined that job satisfaction was closely related to the organizational loyalty (Cooper-Hakim, Viswesvaran, 2005; Mathieu, Zajac, 1990), which confirmed the earlier conclusion that job satisfaction had direct impact on the organizational loyalty (Mathieu, Hamel, 1989).

One of the consequences of loyalty is its effect on the staff turnover, which is undoubtedly a prerequisite for the HR management policy (Legge, 1995; Guest, 1995). According to this empirical study, it is possible to conclude that the motivated and satisfied workforce works best, achieves organizational goals, improves the organizational loyalty, and thereby reduces the staff turnover to the extent these satisfied employees create the guest satisfaction, which is one of the main factors that influence the profitability of the organization. Over two decades, the study had gathered a lot of knowledge that suggested that the HR management practices that had impact on the employee motivation, knowledge, skills, and behavior of employees caused hiring and retaining of the best employees, as well as organizational and financial results (Arthur, 1994; Batt, 2002; Boselie et al., 2005).

CONCLUSION

Peter Drucker convincingly stated that, despite the revolutionary shift from the organizations focused on manual workers to knowledge-based enterprises, organizations were still far from the full use of the HR available to organizations. He believed that corporations tended to produce too many products and hired the employees they actually did not need. According to him, companies should focus on three things: making a profit, meeting employees' needs, and social responsibility. As practice shows, independent Russian hotels do not measure the employees' needs satisfaction in order to manage it purposefully and do not actively promote social responsibility in their team. Eigenhuis, A. & VanDijk, R. (2008) state that the proper definition of a new business HR agenda, defined as an HR management function that adds value to the organization, should be of the highest priority and should be higher than the change of form and reorganization of the function itself (e.g., like common service centers).

Many international organizations make changes quickly. The changes are substantiated by the integration of everyday transactional processes associated with the HR management (payroll, training and benefit management, etc.) into common service centers. The reason for this is to improve the efficiency, reduce HR costs, and free up time for the remaining HR specialists in the organization for them to spend their time on the issues improving the business value. This is observed in the management of international hotel chains and in the hotels managed by one management company. In independent Russian hotels, the function of the HR department is fulfilled by the accounting department, which reduces this function to accruing salaries and vacations payments. Far from all enterprises take care about training their management team and providing it with principles of modern HR management. The international references that describe "modern HR management methods" date from at least 20 years. Most independent Russian hotels do not use even these methods. However, it is necessary to study this statement for it to be relevant.

According to the studies, when it comes to the best practices in HR management, a part of the success achieved by the most respected companies comes from the fact that they do not consider the responsibility for the development of people to be exclusively the competence of the HR department. The percentage of time when managers in these companies report on the costs of managing and developing HR is much higher than the average for all companies. This suggests that the operations- and manager-focused approach to the talent management is the most efficient. The authors are convinced that the talent management is one of the main functions of management and cannot be delegated.

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