Chapter 1

Human Resource Management and Performance in the Hospitality Industry:
Methodological Issues

Anastasia A. Katou
University of Macedonia, Greece

ABSTRACT

The purpose of this chapter is to review methodological issues highlighted in the empirical literature in the field of strategic human resource management that may be applied to the hospitality industry, and to propose possible solutions to overcome methodological problems. The chapter makes use of a general HRM-performance linkage framework that refers to the 'black box' in strategic human resource management, and is based on the three HRM perspectives (universalistic, contingency, configurational).

INTRODUCTION

Although there is evidence of an increased interest of research with respect to human resource management (HRM) and performance in the hospitality industry, systematic tests investigating the relationship between HRM and performance are yet to be conducted (Hoque, 1999). The development of the link between the adoption of HRM and performance in the hospitality industry has its origins on the manufacturing sector and much of the literature reflects this orientation (Worsfold, 1999). However, over the last 20 years, this point of reference is based on the following three key

broad areas in strategic human resource management (SHRM), or the so-called HRM-performance linkage models, that outline the way in which HR practices contribute to business performance (Delery & Doty, 1996; Mohinder & Katou, 2007):

- **Universalistic or Best Practice Model of HRM:** This model requires firstly, important strategic HR practices to be identified, and secondly, arguments that relate the individual practices to business performance, maximizing thus internal, or horizontal, fit. This model indicates that there exists a linear relationship between HR practices and

business performance, expressed by zero-order interactions between the variables that predict business performance. This means that no products of any HR practices exist among the explanatory variables (Brewster, 1999; Claus, 2003; Huselid, 1995; Osterman, 1994; Pfeffer, 1994).

- **Contingency or Strategic Fit Model of HRM:** This model requires firstly, to select a theory of business strategy, and secondly, to specify how individual HR practices interact with business strategy to result in business performance, maximizing thus external or vertical fit. This model indicates that there exists a non-linear relationship between HR practices and business performance, expressed by first-order interactions between the variables that predict business performance. This means that products of two HR practices exist among the explanatory variables (Gomez-Meija & Balkin, 1992; Huselid, 1995; Schuler & Jackson, 1987; Youndt, Snell, Dean, & Lepak, 1996).

- **Configurational or Bundles Model of HRM:** This model requires firstly, to theoretically derive internally consistent configurations of HR practices, that maximize horizontal fit, secondly, to select a strategic configuration theory, and thirdly, to link these HR practices to alternative strategic configurations to maximize vertical fit. This model indicates that there exists a non-linear relationship between HR practices configurations, or unique patterns of factors, and business performance, expressed by high-order interactions between the variables that predict business performance (Arthur, 1994; Guest & Hoque, 1994; Huselid & Becker, 1996; Ichniowski, Shaw, & Prennushi, 1997; MacDuffie, 1995).

With respect to these three models, there is no clear picture which of these three key broad areas is the predominant one (Wood, 1999). Furthermore, Schuler and Jackson (2005) advocate that there is no substantial difference between the contingency model and the configurational model. Moreover, "evidence obtained shows clearly that HRM scholars are progressively abandoning the universalistic perspective and completing their models with contingent and contextual variables" (Alcazar, Fernandez, & Gardey, 2008). However, the universalistic or best practices perspective implies a 'direct' relationship between individual HR practices, as well as internally consistent systems of HR practices, and business performance. The contingency perspective implies a 'moderated' according to business strategies relationship between individual HR practices, as well as internally consistent systems of HR practices, and business performance. The effects of the direct and the moderated relationships are operationally defined as 'main effects' and 'interaction effects' respectively (Youndt et al., 1996).

Although most studies speak of HR practices leading to performance, such a one-way line of causation is unsatisfactory (Edwards & Wright, 2001). The usual key criticism of HR practices and business performance is that, rather than HR practices leading to high performance, it is the highly performing firms that can afford costly HR practices (Huselid, 1995; Ichniowski et al., 1997). However, even by using one-way line causation from HR practices to business performance, sound theoretical development that explains how such HR practices operate is rather absent (Becker & Gerhart, 1996; Becker & Huselid, 1998; Becker, Huselid, Pickus, & Spratt, 1997; Combs, Ketchen, Hall, & Liu, 2006; Ferris et al., 1998; Guest, 1997). In an effort to address such theoretical developments in the area, authors proposed to consider intermediate linkages between HR practices, or HRM systems, and business performance (Ferris

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