

## EXTENDED ABSTRACT

# IMPACT OF HUMAN RESOURCES PRACTICES ON THE HUMAN CAPITAL AND ORGANIZATIONAL OUTCOMES OF HOTEL FIRMS

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### 1. INTRODUCTION

There is a consensus in the literature that human resources (HR) practices contribute to developing the unique character of the company's resources (Delery and Roumpi, 2017; Wright, Dunford and Snell, 2001). Therefore, personnel management is a critical tool for the competitiveness of companies in general and tourism firms in particular (Frende-Vega, Biedma-Ferrer and Arana-Jiménez, 2017). This translates into the need for both theorists and the industry to examine how HR management affects companies' performance (Madera *et al.*, 2017).

Previous studies suggest that HR recruitment, selection, and retention practices favor the development of human capital and the improvement of firms' economic outcomes (Lepistö and Ihantola, 2018; Mahmood, 2015). However, the relationship among these elements has hardly been studied in the area of tourism companies, and the most effective practices for obtaining the best human capital and economic results have not been clearly identified (Díaz-Fernández, López-Cabrales and Valle-Cabrera, 2014).

This study focuses on HR recruitment-selection and retention practices in companies that manage hotel establishments throughout the Spanish territory, in order to evaluate the role of these practices in developing human capital and improving firms' economic results. The implications of this study are expected to serve as the basis for investing in and applying various techniques for the recruitment, selection, and retention of human capital.

## **2. LITERATURE REVIEW**

### **2.1. Strategic HR management**

Companies in the hospitality and tourism sector face a highly competitive environment where HR management plays a key role in the business' success and, therefore, its survival. Unlike what may occur in other industrial sectors offering physical and technological products, in the hospitality and tourism sector, the product is intangible (*e.g.*, experiences, treatment provided), and the client's rating of the service largely depends on interactions with frontline employees (Gutiérrez-Broncano and Rubio-Andrés, 2009; Madera *et al.*, 2017). Thus, in this sector, human resources condition the quality of the product offered, determine how the company is perceived, and play an important role in client loyalty (Lillo-Bañuls, 2009), all of which directly impact the economic results.

In the field of strategic HR management related to hospitality and tourism, the literature has evolved in recent decades and made it possible to apply management systems that have provided companies with competitive advantages. In this regard, Kaufman (2012) states that HR management is an investment in the company's production that is generally viewed as an expense but has a positive effect on the company with a high economic return.

As mentioned above, this study focuses on HR recruitment-selection and retention practices. We understand that these are key practices for the sector that are analyzed for various reasons. On the one hand, the hotel industry is characterized by having low-qualified personnel (Hjalager, 2002; Walsh, Enz and Canina, 2008) and the application of practices that involve a rigorous recruitment process. In addition to evaluating aspects such as the candidates' potential, skills in relating to other people or working in teams can be important tools to improve the level of human capital in these companies. Moreover, the literature recognizes that the sector is also characterized by a high worker turnover rate (Hjalager, 2002; Lam, Lo and Chan, 2002; Yang and Wan, 2004), which means that the majority of the employees lack experience and specific skills, thus harming the company's performance.

### **2.2. HR recruitment and selection practices**

Recruitment is the process used to obtain a group of candidates with the necessary capabilities to opt for a job in the company. Personnel selection is the process of choosing the candidates, from those recruited, that best fit the profile for the job for which they are being considered. Obtaining the right people for the job means that the organization can rely on the professionalism of the members of the group and their capacity to share common values. Thus, the correct recruitment and later selection of personnel contribute to reaching the company's objectives (Lepistö and Ihantola, 2018).

Previous studies have analyzed the competitive advantage of having better qualified personnel than the competition (Lepistö and Ihantola, 2018; Mahmood, 2015). There is a general consensus that the acquisition and development of human capital is vital (Hamilton and Davison, 2018). However, obtaining this human capital is a complex issue, and

many factors influence it, given that it is not only important to select the workers with the best skills and knowledge, but also to make them fit into the organizational culture and production system of the company.

### **2.3. HR Retention practices**

HR retention practices foment employees' permanence in the company. When work relations are maintained over time, individuals are able to accumulate specific knowledge and skills for the sector, thus benefiting companies that are capable of keeping their employees. To do so, it is necessary to achieve adequate employee motivation and provide them with the necessary resources to perform their jobs in the most satisfactory way possible.

Previous studies indicate that correct personnel retention produces greater worker commitment, motivation, and empowerment. As a result, employees are absent less, their intentions to leave the company are reduced, their performance increases, and they offer extra-role behaviors that exceed their assigned responsibilities. All of this produces a set of benefits for the organization that have traditionally been undervalued. Currently, both theorists and professionals suggest that the implementation of correct retention practices provides companies with important advantages (Zhong, Wayne and Liden, 2016).

### **2.4. Human Capital**

Becker (2002) defines human capital as the individual's set of knowledge, abilities, and creativity. Human capital is one of the most difficult resources to obtain, analyze, and control; however, at the same time, it is the one that makes the difference, especially in the sectors most influenced by HR, such as the hotel industry and tourism. Many types of capital are considered input for the production of goods and services, but human capital is not merely input, given that its role is undefined. Human capital shows an intrinsic talent that can both change and mold itself and alter other inputs (Pasban and Nojedes, 2016). Thus, human capital is considered valuable because it contributes to the improvement of the organization's efficiency, collaborating in cost reduction or providing additional benefits to clients. Specifically, human capital produces advantages when it is rare or specialized in the specific activities of the company. If these conditions are present, human capital is thought to contribute to the company's competitiveness (Díaz-Fernández *et al.*, 2014).

## **3. HYPOTHESIS DEVELOPMENT**

### **3.1. HR Practices and human capital**

HR department functions include employee selection, socialization, training, and payment based on abilities, all of which are investments in the specific human capital of the company that can favor obtaining competitive advantages. Therefore, the mechanism applied by companies to establish their HR practices should be rigorous. A poorly focused HR system can result in recruiting and selecting individuals who do not have the specific knowledge, capabilities, and skills the company needs, or who have values or attitudes that

are incompatible with those of the organization (Lado and Wilson, 1994). In this study, we suggest that companies can increase their human capital levels through an intense process that includes aspects such as numerous interviews, tests, different recruitment sources, and a rigorous evaluation that allows them to select candidates with a strong potential and ability to relate to others and work on a team. Considering the previous arguments, we formulate the first hypothesis:

H1. Adopting recruitment-selection HR practices is positively related to the level of the company's human capital.

Obtaining and developing human capital is important in order to achieve business goals, but it is equally important to try to keep employees in the organization. The better trained professionals usually have the need to grow professionally and, if they are not properly acknowledged by their own company, both economically as well as professionally, they will search for these opportunities in the competition. Consequently, it is necessary for companies to profit from investments in the training and development of their human capital through retention practices focused on increasing work satisfaction, the development of career plans, and social and economic improvements, in order to reduce worker turnover and increase commitment.

When labor relationships are maintained over time, employees are able to acquire experience, abilities, and skills that are characteristic of the organization and components of human capital. Thus, through retention practices, companies will benefit from higher levels of this resource (Leana and Van Buren, 1999). Therefore, we consider that HR retention practices, by favoring low employee turnover, can improve the level of companies' human capital.

H2: The adoption of HR retention practices is positively related to the level of the company's human capital.

### **3.2. HR practices and organizational results**

The company's success in its sector depends on its employees' good work. Previous studies show that insufficient or inappropriate worker management causes higher turnover rates and less productivity and is an important reason for business failure. Consequently, effective HR systems help an organization to attract and hire the best candidates, which can achieve quantitative and qualitative improvements for the attainment of the business goals (Saddam and Mansor, 2015). Therefore, proper HR selection is vital in order to reach the business objectives. Based on the above, we suggest that the more effective the organization is in recruiting and selecting workers, the easier it will be to achieve organizational results, particularly improving its operating revenues.

H3. The adoption of recruitment-selection HR practices is positively related to the increase in companies' operating revenues.

In general, retention practices involve company investments to increase the cost of leaving the company for the employee. Employee retention is particularly significant in tourism lodging companies, given the important interaction established between the organization's personnel and the clients (Gutiérrez-Broncano and Rubio-Andrés, 2009). In this sector, providing the service represents a high degree of personalization or adaptation to the client, and employees with more experience and knowledge can do this with greater efficiency. In this regard, Walsh *et al.* (2008) highlight the importance of investments made to avoid human capital mobility in tourism companies, even though the sector usually considers it an expense and denies the importance of such investments.

Based on the above, we suggest that HR retention practices can improve the organization's results, specifically increasing companies' operating revenues.

H4. Implementing HR retention practices is positively related to the increase in companies' operating revenues.

#### 4. METHODOLOGY

The target population of the study consists of hotel lodging companies that manage establishments with three or more stars in the Spanish territory, with a staff equal or superior to 50 employees. The necessary information to test the suggested hypotheses was obtained from two information sources. On the one hand, information was used that was contained in a database created from a survey presented in the companies studied between September 2011 and March 2012. This survey was carried out in the 523 companies that made up the total population at that time. The data collection process ended with 109 valid questionnaires received.

The other information source used in this study was the Iberian Balances Analysis System (IBAS) database. From this database, the operating revenue figures corresponding to the fiscal years 2011, 2012, 2013, 2014, and 2015 were obtained for the companies studied. Regarding this point, we should mention that it was only possible to obtain, clearly and unequivocally, information on 52 of the 109 companies that were part of the aforementioned database.

In order to test the hypotheses formulated, prediction regression analyses were conducted of the human capital variable and the percentage growth variable of the operating revenues in the periods 2011-2012, 2011-2013, 2011-2014, and 2011-2015.

#### 5. RESULTS AND CONCLUSIONS

The results obtained suggest that the application of both exhaustive HR recruitment and selection practices and employee retention policies favors the development of human capital. In addition, the data indicate that the companies that used exhaustive recruitment-selection practices obtained a higher increase in their operating revenues up to three years after the survey was carried out. However, there is no evidence of this positive relationship for the growth of these revenues during the next four years after the survey.

Contrary to what was expected, the data do not show a positive relationship between HR retention practices and the increase in the operating revenues. This finding can be due to the fact that, in the services sector, accumulated experience in the same company may not be as important as in other sectors. In this field, it is relatively easy to hire employees with experience in similar positions at other companies in the sector, without the need for the new employee to spend time at the company in order to perform his/her tasks effectively. Another possible explanation might be the inertia that can arise in employees who stay for a period of time in the organization, given that new employees could show a greater interest in improving the financial outcome of their companies.

The importance of implementing rigorous policies that make it possible to recruit and select the best candidates from the market is widely acknowledged. Similarly, workers' loyalty and commitment towards their own company is considered an important factor in an increasingly aggressive job market. This study found that both policies human capital in tourism lodging companies to improve. Therefore, these companies' managers must favor the application of recruitment, selection, and retention practices in order to obtain valuable human capital, that is, employees who accept the business goals as their own, feel that they are valued fairly in performing their jobs, and have the means for their personal and professional growth. However, when it comes to achieving better financial outcomes, the study results suggest that managers must pay special attention to recruitment and selection practices.