

# HUMAN RESOURCE MANAGEMENT AS A DRIVER OF THE COMPETITIVENESS OF SMALL AND MEDIUM-SIZED ENTERPRISES IN TOURISM\*

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**Abstract:** *Human resource management, including activities and conditions that impact employee satisfaction, may be related to the performance of enterprises. Due to specific features of the tourism and hospitality industry and the labor market, it is important to find out if and which employee-satisfaction-related practices of managers are crucial to the competitiveness of enterprises in tourism. This paper examines human resource management and its importance for the competitiveness of small and medium-sized enterprises in tourism. Based on data from Slovenia, the research results demonstrate a link between human resource management (in terms of innovation support and employee satisfaction) and the competitiveness of small and medium-sized tourism enterprises. The results are moderately in line with the hypothesis on an association between human resource management and competitiveness and show that eight human resource management approaches or practices may be the most important for small and medium-sized tourism enterprises.*

**Keywords:** *Human resource management, competitiveness, tourism, management support, employee satisfaction*

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## 1. INTRODUCTION

Human resource management including activities and conditions that impact employee satisfaction may be related to the performance of enterprises in terms of absolute and relative growth [6]. Human resource management concerning services in the tourism and hospitality industry may have specific aspects because the industry has four distinctive features [24] (p. 1-2): constant fluctuations in short-term customer demand (short-term sales instability); the demand for labor is direct (productivity is based on personal ability and effort); the subjective nature of standards (every worker's output is judged subjectively); and the transferability of skills (a high labor mobility pattern). In addition, the hotel and catering labor market can be characterized as having four elements [24] (p. 15): a fairly large proportion of unskilled occupations; the transferability of skills at any level between a broad range of hotel and catering establishments; often, but not invariably, high levels of labor turnover; and low levels of pay, particularly for unskilled work. Therefore, the specific features of the industry and the labor market make it important to determine whether and which employee-satisfaction-related practices of managers are crucial to the competitiveness of enterprises in tourism. This paper examines human resource management and its importance for the competitiveness of small and medium-sized enterprises in tourism.

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## 2. THEORY AND HYPOTHESIS

Human resource management activities through leadership, employee training and improved employee satisfaction can be crucial to the work performance, quality, and performance of enterprises [30], [28], [17], [13], [12], [6]. Human resource management practices (adequate pay, benefits, education possibilities, employment continuity, and approaches to employees) tend to motivate employees [30], [28]. Human resources can be the most valuable assets of companies in tourism and hospitality [20].

Entrepreneurs in small and medium-sized hotels are often unable to meet the job expectations of their young employees, who see difficulties in communication and planning, low motivation and insufficient career options as crucial problems in tourism enterprises [23]. In this paper, we focus on human resource management practices related to organizational support for entrepreneurship and employee satisfaction as drivers of the competitiveness of small and medium-sized enterprises.

Organizational support is defined as supportive activities and conditions for the entrepreneurship of members of the organization and includes management support, rewards, work discretion, time availability, and loose intra-organizational boundaries [15]. Organizational support was found to be related to the performance of enterprises through entrepreneurial activities [3], [5]. Employee satisfaction is defined as the satisfaction of employees with their jobs or the extent to which employees like their jobs [29] and incorporates four key elements important for the operations of enterprises and their performance [6]: general satisfaction with work; employee relationships; remuneration, benefits and organizational culture; and employee loyalty.

Many drivers of performance may exist in tourism enterprises. Several performance drivers were identified in the hotel industry [7] (p. 383-384): location, market orientation, service quality, customer satisfaction, business processes, management philosophy, managerial competencies, employee competencies, hotel facilities, information technology (IT), human resource management practices (HRM), knowledge sharing, social capital, employee attitudes to work, relationship with commercial parties and other partners, team culture, corporate governance, employee satisfaction, employee innovativeness, entrepreneurial orientation, customer loyalty, employee loyalty, direct distribution channels, financial assets, brand equity, corporate social responsibility practices (CSR), organizational culture, basic environmental practices, organizational structure, and advanced environmental practices.

Among these, in their review [7] (p. 379) identified the following important assets related to employee satisfaction and innovativeness:

- employee loyalty (an employee's sense of belonging and commitment) [19], [1];
- employee satisfaction (working conditions, teamwork and cooperation, relationship with supervisors, recognition and awards) [21], [1];
- employee competencies (qualifications, experience, knowledge development, knowledge sharing between employees) [25], [18], [22];
- employees' attitudes to work (overall satisfaction, pride, consistency and devotion [27], [25];
- employee innovativeness (creativity, innovative ideas of employees) [25], [22]; and
- HRM practices (recruitment and selection, manpower planning, job design, training and development, pay system) [14], [11], [9], [8], [1], [26].

Based on the above research, we postulate the following hypothesis:

**Hypothesis 1:** Human resource management is at a higher level in enterprises with high competitiveness than in enterprises with low competitiveness.

### 3. METHODOLOGY

We used a survey questionnaire with mainly closed questions, giving the possibility of subsequent detailed processing. Human resource management was measured with items from previous research: 9 items of organizational support for entrepreneurship [16], [3], [4], [2] and 40 items for employee satisfaction [6]. Likert-type scale ratings of responses to questions mainly ranged from 1-minor emphasis to 5-major emphasis (organizational support) and from 1-very untrue to 5-very true (employee satisfaction). Competitiveness included one question ([10]; growth of the market share in the past three years) and was coded as high (growing market share) or low (market share falling or staying the same).

The data collection was conducted via e-mail. Questionnaires were sent to a random sample of small and medium-sized enterprises in Slovenia. Small and medium-sized firms were selected because they represent the majority in the economy. Enterprises in tourism (enterprises whose main activity is tourist accommodation and other tourism services in the tourism and hospitality industry) were selected for this research.

We obtained 32 usable responses; about two-thirds (21) of the firms had low competitiveness and about one-third (11) had high competitiveness. Most enterprises in the sample were aged between 11 and 20 years and small with up to 10 employees (micro firms) with total annual sales of EUR 400,000 or less. To test the hypothesis, we compared the means of the low competitiveness group with those in the high competitiveness group and applied t-tests. We chose the 0.10 significance level because of the small group sizes.

### 4. RESULTS

The hypothesis postulated that human resource management would be at a higher level in enterprises with high competitiveness than in enterprises with low competitiveness. Means of the low competitiveness group and the high competitiveness group are shown in Table 1. The majority of means of items (41 out of 49) of the high competitiveness group were higher than the means of the low competitiveness group, which is in line with the hypothesis. Moreover, t-tests indicated that for some items the mean differences were significant, namely:

- coordinated activities among units to enhance company innovation;
- increasing the autonomy (independence) of different units to enhance their innovation;
- employees feel their pay is as high as what others receive for similar work in other companies;
- the basic values of this organization include learning as the key to improvement;
- the sense around here is that employee learning is an investment, not an expense;
- this organization is always moving toward improved ways of doing things;
- most people in our organization feel a great sense of personal satisfaction when they do their job well; and
- an opportunity for personal growth and development exists in our organization.

The above eight items may be considered the most important for the competitiveness of the sample enterprises.

## 5. DISCUSSION AND CONCLUSION

The research results demonstrate a link between human resource management (in terms of innovation support and employee satisfaction) and the competitiveness of small and medium-sized tourism enterprises. The results are moderately in line with the hypothesis of an association between human resource management and competitiveness. In addition, the research shows that eight human resource management approaches or practices may be the most important for small and medium-sized tourism enterprises: two related to innovation (coordinated activities among units and greater autonomy of units to enhance innovation) and six related to employee satisfaction (the pay of employees comparable to other companies, learning as the key to improvement, learning is an investment, the company is progressing by improved ways of doing things, personal satisfaction with a job well done, the company offers an opportunity for personal growth and development).

The key scientific contribution to knowledge concerning human resource management in tourism is the examination of the linkage between human resource management and competitiveness. The theoretical consideration was upgraded with an empirical quantitative analysis on a sample of Slovenian small and medium-sized enterprises. In this research, we used changes in market share as an indicator of competitiveness and also recommend its use in future studies.

In addition to the scientific contribution, we offer some practical recommendations to enterprises, which may further support their competitiveness: (1) Manage the sub-units of the enterprise in a coordinated and autonomous way in order to increase innovation (for example: help the sub-units by: obtaining information about their needs; coordinating their activities so synergies can be achieved and innovations can be co-created; giving them decision-making autonomy as much as possible). (2) Strive for the continuous improvement of both the enterprise and its employees (continuous improvements need to become important priorities, supported with making resources and time available for continuous progress of the enterprise and the people). (3) Make employee learning one of the enterprise's top priorities (in terms of support and resources). (4) Emphasize personal satisfaction with a job well done and provide employees an opportunity for personal growth and development. (5) Payments to employees should be at the same level as they are for similar work in other enterprises (do not underpay employees).

The study is limited to employee satisfaction and innovation support as two important human resource management elements that affect the competitiveness of small and medium-sized enterprises. It does not include other elements that may also be important for tourism business competitiveness. The selected sample included a smaller number of enterprises from a single country – Slovenia. Future research could include other factors that impact the competitiveness of enterprises, and might be conducted in other countries. Despite the limitations, the study made a contribution to knowledge about human resource management in small and medium-sized enterprises in tourism.

<b>Items</b>	<b>Competitiveness</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Std. Error Mean</b>
Coordinated activities among units to enhance company innovation. *	Low	2.86	.964	.210
	High	3.64	1.120	.338
Increasing the autonomy (independence) of different units to enhance their innovation. *	Low	2.52	.928	.203
	High	3.27	1.191	.359
Adopting flexible organizational structures to increase innovation.	Low	3.00	.837	.183
	High	3.36	.924	.279
Training employees in creativity techniques.	Low	3.14	.964	.210
	High	3.55	1.036	.312
Rewarding employees for creativity and innovation.	Low	3.67	.966	.211
	High	4.00	.632	.191
Establishing procedures to solicit employee ideas for innovations.	Low	3.19	1.030	.225
	High	3.73	.905	.273
Establishing procedures to examine new innovation ideas.	Low	3.14	1.062	.232
	High	3.45	1.214	.366
Designating formal idea (project or venture) champions.	Low	2.76	1.044	.228
	High	3.27	1.104	.333
Making resources available for experimental projects.	Low	3.00	.949	.207
	High	3.45	1.036	.312
The management structure itself encourages employees to believe that innovation is part of the role set for all members of the organization.	Low	3.81	.873	.190
	High	3.45	.688	.207
Workers have discretion to the extent that they are able to make decisions about performing their own work in the way that they believe is most effective.	Low	3.76	.831	.181
	High	3.36	1.027	.310
Rewards and reinforcement enhance the motivation of individuals to engage in innovative behavior.	Low	3.90	.889	.194
	High	3.73	.786	.237
Financial resources are available for new innovative projects.	Low	3.14	.854	.186
	High	3.36	.924	.279
Individuals have time to incubate their new and innovative ideas.	Low	3.52	.750	.164
	High	3.64	.674	.203
Boundaries (real and imagined) that prevent people from looking at problems outside their own jobs in the company do not exist.	Low	3.57	.978	.213
	High	3.36	1.120	.338
Employees are satisfied with the pay they receive for their job.	Low	3.67	1.017	.222
	High	3.91	.539	.163
Given the work they do, the employees feel that they are not paid fairly. (r)	Low	4.24	.889	.194
	High	3.73	1.104	.333
Employees are relatively well rewarded financially for their work.	Low	3.57	.978	.213
	High	4.09	.831	.251
Employees feel their pay is as high as what others receive for similar work in other companies. *	Low	3.05	.973	.212
	High	3.73	.786	.237
The basic values of this organization include learning as the key to improvement. *	Low	3.62	.921	.201
	High	4.18	.751	.226
The sense around here is that employee learning is an investment, not an expense. *	Low	3.67	.796	.174
	High	4.27	.786	.237
The benefits (insurance, medical, etc.) provided to employees by the company are not satisfactory. (r)	Low	3.81	1.030	.225
	High	3.64	1.206	.364
Employees find their work challenging, exciting and gives them a sense of accomplishment.	Low	3.71	.784	.171
	High	3.73	.647	.195
Employees are satisfied with the security their job provides to them.	Low	3.90	.831	.181
	High	4.09	.539	.163
Employees feel that their fellow workers are the kind they would like to have around.	Low	3.81	.873	.190
	High	3.73	.647	.195

Table 1: Means

<b>Items</b>	<b>Competitiveness</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Std. Error Mean</b>
Employees get along well with their coworkers.	Low	4.05	.805	.176
	High	4.09	.701	.211
Employees are happy with their relationship with their fellow workers.	Low	4.10	.768	.168
	High	4.09	.701	.211
Employees feel that their fellow workers are stimulating.	Low	3.62	.973	.212
	High	3.73	.647	.195
The employees are committed to the organization.	Low	4.14	.793	.173
	High	4.18	.603	.182
Employees talk up their organization to their friends as a great organization to work for.	Low	3.95	.740	.161
	High	4.36	.674	.203
Employees feel very little loyalty to their organization. (r)	Low	4.19	.928	.203
	High	4.64	.674	.203
Employees are proud to tell others that they are part of their organization.	Low	3.90	.831	.181
	High	4.27	.647	.195
For employees this is the best of all possible organizations for which to work.	Low	3.29	.845	.184
	High	3.73	.786	.237
Supervisors in this company are willing to share all relevant information with subordinates.	Low	3.95	.973	.212
	High	4.45	.688	.207
The direction of the information flow in this company is mainly downward from bosses to subordinates. (r)	Low	2.38	.805	.176
	High	2.55	1.036	.312
This organization can be described as flexible and continually adapting to change.	Low	4.00	.894	.195
	High	4.18	.982	.296
This organization is always moving toward improved ways of doing things. *	Low	4.05	.865	.189
	High	4.55	.522	.157
There are many things in my business that are not covered by some formal procedure for doing it.	Low	3.52	.981	.214
	High	3.55	1.036	.312
Most people in our organization feel a great sense of personal satisfaction when they do the job well. *	Low	3.90	.889	.194
	High	4.55	.522	.157
An opportunity for personal growth and development exists in our organization. *	Low	3.62	.973	.212
	High	4.27	.647	.195
Most people in our organization are very satisfied with their job.	Low	3.71	.845	.184
	High	4.00	.894	.270
Employees are generally satisfied with the kind of work they do in our company.	Low	3.81	.814	.178
	High	4.00	.775	.234
Employees think their job is very interesting.	Low	3.76	.831	.181
	High	4.00	.632	.191
Employees find real enjoyment in their work.	Low	3.76	.889	.194
	High	3.91	.701	.211
Employees feel they have the opportunity for independent thought and action in their working position.	Low	3.67	1.017	.222
	High	3.91	.701	.211
Employees feel the prestige of their position within the company (that is, the regard received from others in the company).	Low	3.95	.805	.176
	High	4.27	.647	.195
Employees feel they receive enough information from their supervisor about their job performance.	Low	3.81	.928	.203
	High	4.00	.775	.234
Employees are satisfied with their working conditions.	Low	3.81	.814	.178
	High	3.91	.701	.211
Employees are satisfied with their working time.	Low	3.90	.944	.206
	High	4.00	.775	.234

\* Difference in means significant at the 0.10 level (2-tailed)

Table 1: Means (continued)

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