

THE EFFICIENCY OF THE HRM FUNCTION IN THE CROATIAN HOTEL INDUSTRY

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ABSTRACT

Knowledge and human capital are becoming a vital link in ensuring the competitiveness of hotel enterprises. The development of a knowledge-based economy has had a large impact on changes in the HRM function. Efficient and sustainable human resource management (HRM) will become a major factor and facilitator in the process of knowledge management implementation.

This paper analyzes the efficiency and sustainability of human resource management in terms of activities that contribute to knowledge management in the hotel enterprises. The study was conducted in the medium and large-sized hotel enterprises in Croatia.

Key words: HRM, knowledge management, hotel industry, knowledge, human capital

INTRODUCTION

The hotel industry is faced with growing global competition, and rapid and dynamic change in its environment. The hospitality industry as a work-intensive and service-rendering industry depends to the great extent on the quality of personnel. In the knowledge economy, personnel are seen as human capital, and the key knowledge they possess, as the most important resource. The importance of worker knowledge, competencies and skills is becoming all the greater, because of the specific features of the hotel industry, the characteristics of the products and services it offers, and the very customers that consume these services. (Vujić, Črnjar, Maškarić, 2009). To achieve business excellence and perform well, the development of the hotel industry is based on the principles of efficiency and sustainability in all segments of business.

Knowledge management (KM) principles and initiatives have been present for many years in economic practice and in the world's hotel industry. It is «a process that helps organizations find, organize, disseminate and transmit important information and qualified knowledge for the activities of an enterprise, such as solving issues, strategic planning, decision-making, etc.» (Hussain, 2004:1). The application of newer concepts of knowledge management is gaining significance. The success of the hotel enterprise will strongly depend on the ability to acquire, develop, accumulate and distribute the knowledge assets, in other words, on the management of knowledge. The key factor in the success of such an initiative is efficient and sustainable human resource management (HRM).

The development of a knowledge-based economy has had a large impact on changes in the HRM function and its roles. Traditional processes within HRM are being transformed to support changes brought about by the knowledge-based economy. HRM will not be tied to specific functional responsibilities but is role-

based and contributes directly to the creation of organizational capabilities. New roles for human resource management are: human capital steward, knowledge facilitator, relationship builder and rapid deployment specialist (Lengnick-Hall, 2003: 33). The rigid boundaries between various functions within enterprises are disappearing, while the role of HRM is expanding within each area of managerial work and activities. The processes of managing human capital in the modern hotel enterprise should considerably facilitate and support the implementation and realization of KM initiatives, through education, human capital development, teamwork, employee motivation, etc.

To establish the level of knowledge management in the Croatian hotel industry, a questionnaire-based survey was conducted in large and mid-sized hotel enterprises in Croatia's two most important regions. Research focused on analyzing the current state of knowledge management strategy from a variety of aspects. Among others objectives, research aimed at establishing the sustainability and efficiency of human capital management with regard to the activities through which it contributes towards ensuring the management of knowledge in hotel enterprises.

RESEARCH METHODOLOGY AND SAMPLE

The survey in the Croatian hotel industry was conducted in 2009. It focused on knowledge management strategy and its importance in achieving competitive advantages in large and medium-sized hotel companies (Črnjar, 2010). Previously mentioned questionnaire was posted online. Target respondents were human resource managers or, if the hotel enterprise did not have such a manager, other managers considered as being the most knowledgeable of the existing state of knowledge and human resource management in their respective enterprises. Eighty per cent of the total number of hotel enterprises filled out and returned the questionnaire.

For the purposes of this empirical research, a questionnaire was created. The questionnaire consisted of three parts and was based on previous research in this area (OECD, 2001, APQC, 2009, Davenport and Prusak (1998), Hansel et al (1999), Zack (2000), Amidon and Skyrme (1999), McKinsey (1998) etc.). The first part of the questionnaire, entitled "Competitiveness and human resource management in the hospitality industry" contained a total of six questions. Data was collected on the organization of human resources management in the hotel business, the impact of different aspects in gaining competitive advantages of hotel companies, the HR managers' expectations in terms of the efficiency of human resource management, the implementation of activities in management of human resources, and on reporting on human resources. The second group of questions, called "Knowledge management in the hospitality industry", comprised a total of eight questions. The answers to these questions provide insight into the existence of a knowledge management strategy in the hotel company and the development of this strategy. Questions focused on the assessment of existing instruments and activities relevant to knowledge management, the reasons that would motivate a hotel enterprise to introduce programs of knowledge management, knowledge management's contribution to achieving company goals, and the obstacles that stand before the implementation of knowledge management initiatives in the hotel company. "Knowledge as a strategic resource of hotel companies" was the name of the third part, which included a total of twelve questions. The answers to these questions gave insight into the new knowledge in the hotel company, the activities aimed at collecting knowledge and experience of employees, the obstacles to the implementation of new ideas, the new categories of knowledge, skills and competencies important for the hotel industry, and the degree of cooperation with an enterprise's environment in terms of sharing and gathering information and knowledge.

The study sample was selected and its size corresponds to the total number of large and medium-sized hotel companies in Primorsko-Goranska County and Istria County (according to FINE). The study included 47% of large-sized hotel enterprises (of the 26 companies in Croatia, five are located in Primorsko-Goranska County, and seven in Istria County) and 25% of medium-sized hotel enterprises (of the 74 companies at the national level, 12 are located in Primorsko-Goranska County, and six in Istria County). If we look at hotel companies by type of ownership:

- 58% of hotel companies are privately owned, since their founding and following the transformation process.
- 32% are in mixed ownership with a dominant share of private capital.
- 10% are in mixed ownership with a dominant share of the state capital.

Looking at revenue in the Croatian hotel industry, we see that 45.61% of all revenue is generated in these two counties. The total number of employees in hotels and similar accommodations at the national level is 32,463 employees, of which 39.27% are in Primorsko-Goranska County (5,056) and Istria County (7,692).

THE EFFICIENCY OF HUMAN RESOURCE MANAGEMENT IN CROATIAN MEDIUM AND LARGE-SIZED HOTEL ENTERPRISES

Both the hospitality industry and HRM have experienced significant changes. New trends and changes in the hospitality industry and the economy, in general, have influenced the development of HRM in the knowledge economy. Some of these changes are seen as follows: employees and their skills are becoming the most important asset of any company upon which its competitive advantage is based; the quality of hotel products and services will be directly affected by the customer–employee relationship; rapid technological changes are influencing the way tasks are performed; the importance of teamwork and interdisciplinary knowledge of staff and experts is growing; employee and customer satisfaction are crucial to the success of a company; interest in the environment and sustainable development is increasing; social and technological changes will force companies to constantly innovate their employees' knowledge; globalization and increased competition are affecting labor markets and tourism ;a lack of high-quality employees in the tourism sector is the result of the poor image of the hotel industry, inadequate education and development of employees, low wages, etc.

HRM in the knowledge-based economy and, particularly, in the hotel industry needs to be efficient and sustainable. The sustainable and efficient management of human resources is focused on the following characteristics (Goldsmith, Nickson 1997, 12-13):

- Enterprise policy focuses on minimizing employee turnover.
- Clearly defined criteria for advancement of employees.
- Development of key employees for the business enterprise should be carried out within the company.
- Bringing key employees from other companies.
- Possibility for advancement and development of all employees.
- Mobility of employees within the company.
- Applying the principle of “permanent seasonal workers”
- Management supports the education of all employees.
- Delegating responsibilities at all levels of the company.
- The existence of a training plan, training and employee development.
- Developing a career plan for each employee and monitoring its implementation.
- Recruitment of staff based on detailed analysis of local communities and labor markets.
- Recruitment of employees from outside the region (county) in order to better and more quickly meet the current needs of staff.
- Recruitment of employees on the basis of a long-term human resources plan.
- Provision of employees based on the current need for specific skills and knowledge in the enterprise.
- Integrating seasonal employees into training plans, training, development and advancement.
- Training and education is recognized as an obligation of all employees in the company.
- Developed motivation and reward system with clearly defined criteria.
- Providing employment opportunities to all having relevant skills and competencies.
- Defining and certifying skills and competencies of employees who perform specific work.
- Developing a business culture that encourages participation, sharing information and knowledge, communication, etc.
- Defined strategy and an integrated approach to human resources planning.
- Strategy of Human Resource Management - an integral part of enterprise development strategies.
- Programs and initiatives on knowledge management - an integral part of enterprise development strategies.
- Knowledge and skills of employees - the basis of achieving the competitiveness of enterprises.
- Extraction of significant funding for educating employees.

The question is, to what extent do HRM processes contribute to the goal of the Croatian hotel industry to become a knowledge-based industry? In order to find the answer, an empirical study was conducted in large and medium-sized hotel companies of Primorsko-Goranska County and Istria County (Črnjar, 2010). From the responses of human resource managers, that are provided in the questionnaire, the current position of HRM in

the hotel companies is determined. By using different criteria, the sustainability and efficiency of the HRM function in the hotel company can be assessed in order to support knowledge-based development.

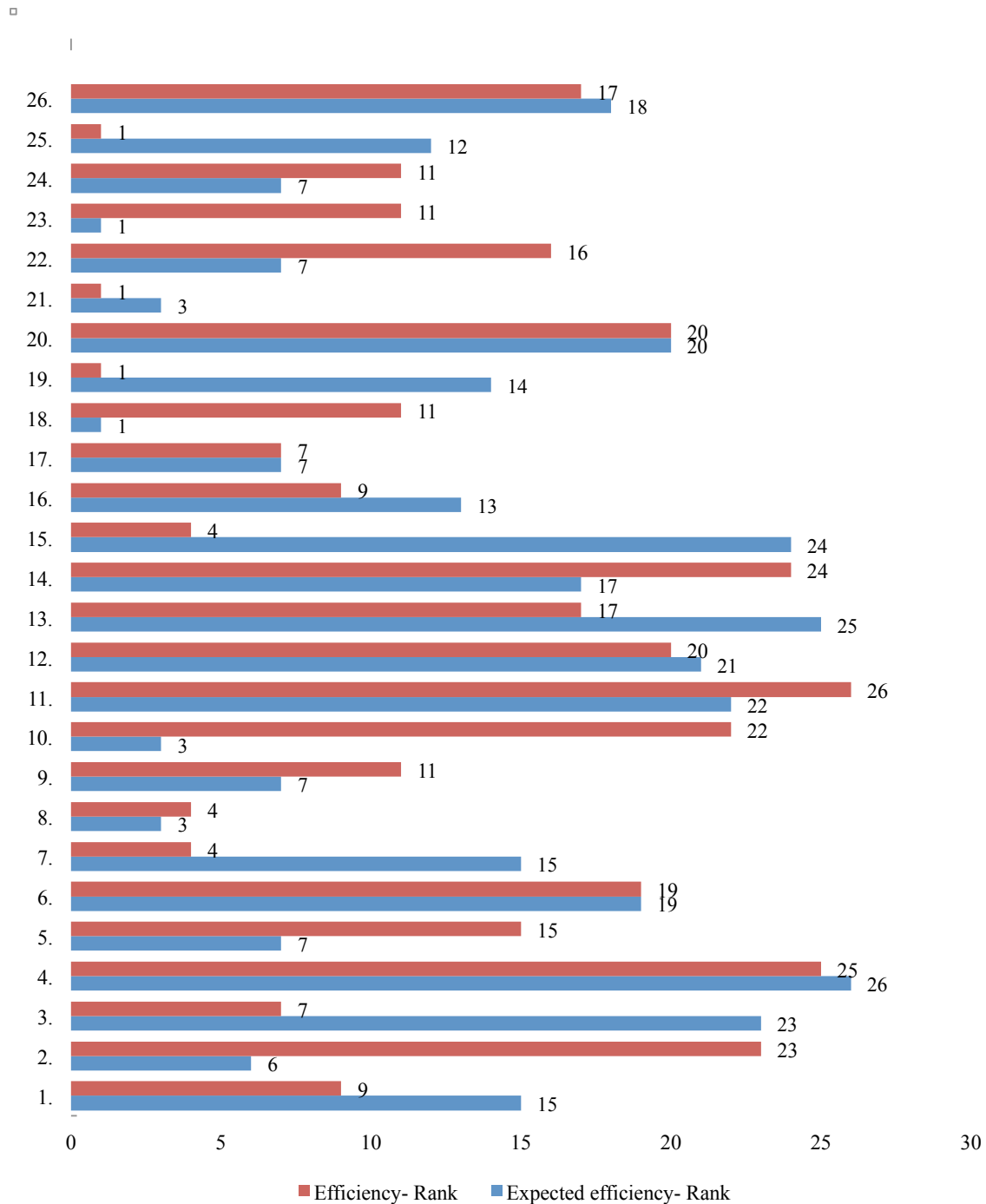
The table below shows the average expected efficiency of HRM by the HR managers in the hotel company and the average efficiency of HRM (in practice). The degree of agreement with each statement was assessed on a scale from 1 to 5, where 1 means "strongly disagree" and 5 "fully agree".

Table 1
Comparison of the average expected efficiency and actual efficiency of HRM in supporting the development of a knowledge-based hotel industry in Croatia

Number	Variable (statement)	Expected efficiency		Efficiency	
		A. S.	Rank	A. S	Rank
1.	Enterprise policy focuses on minimizing employee turnover	4.22	15	3.94	9
2.	Clearly defined criteria for advancement of employees	4.56	6	3.33	23
3.	Development of key employees for the business enterprise should be carried out within the company.	3.61	23	4.06	7
4.	Bringing key employees from other companies, environmental.	2.72	26	2.94	25
5.	Possibility for advancement and development of all employees.	4.50	7	3.83	15
6.	Mobility of employees within the company.	4.06	19	3.61	19
7.	Applying the principle of "permanent seasonal workers"	4.22	15	4.11	4
8.	Management supports the education of all employees.	4.61	3	4.11	4
9.	Delegating responsibilities at all levels of the company.	4.50	7	3.89	11
10.	The existence of a training plan, training and employee development.	4.61	3	3.39	22
11.	Developing a career plan for each employee and monitoring its implementation.	3.78	22	2.83	26
12.	Recruitment of staff based on detailed analysis of local communities and labor markets.	3.94	21	3.50	20
13.	Recruitment of employees from outside the region (county) in order to better and more quickly meet the current needs of staff.	3.06	25	3.67	17
14.	Recruitment of employees on the basis of long-term human resources plan.	4.17	17	3.17	24
15.	Provision of employees based on the current need for specific skills and knowledge in the enterprise.	3.56	24	4.11	4
16.	Integrating seasonal employees into training plans, training, development and advancement.	4.39	13	3.94	9
17.	Training and education is recognized as an obligation of all employees in the company.	4.50	7	4.06	7
18.	Developed motivation and reward system with clearly defined criteria.	4.67	1	3.89	11
19.	To provide employment opportunity to all having relevant skills and competencies.	4.28	14	4.28	1
20.	Define and certify skills and competencies of employees who perform specific work	4.00	20	3.50	20
21.	Developing a business culture that encourages participation, sharing information and knowledge, communication, etc.	4.61	3	4.28	1
22.	Defined strategy and an integrated approach to human resources planning.	4.50	7	3.78	16
23.	Strategy of Human Resource Management - an integral part of enterprise development strategies.	4.67	1	3.89	11
24.	Programs and initiatives on knowledge management - an integral part of enterprise development strategies.	4.50	7	3.89	11
25.	Knowledge and skills of employees - the basis of achieving the competitiveness of enterprises.	4.44	12	4.28	1
26.	Extraction of significant funding for educating employees.	4.11	18	3.67	17
	<i>average</i>	<i>4.18</i>		<i>3.77</i>	

A. S.= arithmetic mean; variables with the same average score have the same rank.

Graph 1
Comparison of the rank of expected and actual efficiency of human resource management in hotel enterprises



Average expected efficiency of HRM in the hotel industry. Respondents – managers of human resources - evaluated the expected efficiency of HRM in the hotel company with average scores ranging from 2.72 to 4.67. The variable “bringing key employees from other companies” received the lowest score. On other hand, the following activities received the highest average score, and HR managers expect them to be highly efficient: “developed motivation and reward systems with clearly defined criteria” (4.67) and “strategy of HRM is an integrated part of enterprise development strategy” (4.67). The respondents evaluated “development of business culture that encourages participation, sharing information and knowledge, communication, etc.” and

“the existence of training plans, training and employee development” as important HRM activities that should be efficient and support the development of a knowledge-based hotel industry.

Average efficiency of HRM in the hotel industry. Respondents – managers of human resources - evaluated the efficiency of HRM in hotel companies with average scores ranging from 2.83 to 4.28. The variable “development of career plan for each employee and monitoring its implementation” received the lowest score, meaning that the Croatian hotel companies rarely plan the career of their employees. The following HRM activities received the highest average score: “providing employment opportunities to all having relevant skills and competencies”, “developing a business culture that encourages participation, sharing information and knowledge, communication, etc.” and “knowledge and skills of employees is the basis of achieving the competitiveness of enterprises.” With a relatively good score of 3.89, the respondents rated the statements “HRM is an integral part of the development strategy of the company” and “Programs and initiatives on knowledge management are an integral part of development strategy of the company.” This fact supports the aspiration to achieve the characteristics of sustainability and efficiency in managing human resources that will be the base of developing a knowledge-based hotel industry in Croatia. Hotel industry managers in Croatia are aware that they have to build their competitive advantage on human capital. The problem is that some of the key activities that should support that aim are poorly developed, such as permanent education for all employees, development of employees etc. Looking at the size of the hotel enterprises, the research has shown that the average efficiency of HRM is slightly higher in the large-sized hotel enterprise than in the medium-sized one.

Comparing the average expected efficiency of human resource management and the actual efficiency in the hotel enterprises in Croatia, we see significant differences. Some variables do match in the expected and actual efficiency but many differ significantly. For example, “developed motivation and reward system with clearly defined criteria” is the variable that received the highest score under “Expectations”, in other words, HR managers expect this activity to be highly efficient. Looking at the actual situation in the hotel enterprises, this variable is ranked eleventh, meaning that it is not really efficient (value 3.89).

The difference is seen in the total average values of expected and actual efficiency of human resource activities that support the development of a knowledge-based hotel enterprise. The total average value of efficiency in practice is much lower (3.77) the total average value of expected efficiency from manager of HR (3.77). We can conclude that human resource management in the hotel enterprises of Croatia is not as efficient as the managers of HRM think it should be in supporting knowledge management activities and the development of a knowledge-based enterprise.

CONCLUSION

Human resource management in the hotel company is one of the most important links between KM design, implementation and finality, and the success of KM projects, initiatives and strategies. According to the collected data, the actual situation in hotel companies is worse in comparison to the expectations of human resources managers. HR managers in large and medium-sized hotel companies in Croatia have high expectations about the effectiveness of human resource management; however, the assessment of efficiency in practice is lower than expected. This stresses that the efficiency of human resource management in Croatian hotel companies is average. The average expected and actual efficiency of human resource management is higher for most large enterprises in comparison with medium-sized hotel enterprises.

The introduction of efficient and sustainable processes within the HR management function that support the knowledge management of employees will encourage the transformation and development of the hotel company as a "learning organization". In order to become a learning organization, the hotel enterprise should "transform" their employees - human resources - into "knowledge workers". These changes in the hotel enterprise will result in the achievement of business excellence, success, development, higher quality services and greater competitiveness on the global market.

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