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In Search for Best Practices: exploring the relationship between the effective use of management practices and organizational performance in the UK´s Hotel Sector

Em Busca das Melhores Práticas: explorando a relação entre o uso efetivo de práticas de gestão e desempenho organizacional no setor hoteleiro do Reino Unido

En la Búsqueda de las Mejores Prácticas: investigación de la relación entre uso eficaz de prácticas de gestión y desempeño organizacional en el sector hotelero del Reino Unido

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Abstract

The main aim of this paper is to present the results of a single sector study conducted as a survey of 213 different workplaces and designed to investigate the relationship between the effective use of management practices and performance in the UK´s Hotel sector, a high labour intensive and low skilled service industry. The questionnaire targeted general managers that were invited to answer questions about thirty two organizational capabilities and to provide information about self reported and objective performance metrics. Recruitment, training and work flexibility proved to be capable of explaining superior levels of performance in the sample investigated. The result points toward a contingent relation between management practices and performance. Another important finding points toward the importance of HR practices to the hotel industry when compared to operational practices. It also strengths the importance of business performance studies targeting single sector studies as successful strategy in finding positive effects of management practices on performance.

Keywords: management practices; best practices; performance; HRM; Hotel.

Resumo

O principal objetivo deste trabalho consiste em apresentar os resultados de um *survey* realizado no Reino Unido sobre a relação entre o uso efetivo de um conjunto de práticas de gestão e o desempenho organizacional no setor hoteleiro, um ramo de atividade econômica caracterizado por ser intensivo de trabalho não qualificado. Os questionários foram aplicados a gerentes gerais dos estabelecimentos, que foram convidados a responder questões sobre um conjunto de trinta e duas competências organizacionais, bem como prover informações sobre um conjunto objetivo de indicadores organizacionais. O uso efetivo de recrutamento, treinamento e flexibilidade no trabalho se mostraram capazes de explicar níveis superiores de

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desempenho na amostra investigada. Os resultados sugerem uma relação contingente entre práticas de gestão e desempenho organizacional. Eles apontam ainda para uma maior importância das práticas de gestão de recursos humanos quando comparadas com práticas de gestão operacional. Deve-se destacar a importância de se realizar estudos em setores específicos da economia como uma estratégia metodológica importante para a identificação de efeitos positivos entre práticas de gestão e desempenho organizacional.

Palavras-Chave: práticas de gestão; melhores práticas; desempenho; gestão de recursos humanos; hotel.

Resumen

El objetivo principal de este trabajo consiste en presentar los resultados de un estudio llevado a cabo en un solo sector de la economía que fue realizado en 213 diferentes organizaciones de trabajo y que fue diseñado para investigar la relación entre el uso efectivo de las prácticas de gestión y desempeño en el sector hotelero del Reino Unido, una actividad caracterizada como intensiva de mano de obra y de baja calificación profesional. La encuesta fue dirigida a directores generales que fueron invitados a responder preguntas acerca de las capacidades organizacionales y a proporcionar informaciones sobre medidas objetivas de desempeño. Se ha demostrado que el uso efectivo de reclutamiento, entrenamiento y trabajo flexible explican los niveles más altos de desempeño en la muestra. Los resultados sugieren una relación contingente entre las prácticas de gestión y el desempeño organizacional. También apuntan a una mayor importancia de las prácticas en gestión de recursos humanos en comparación con la gestión operativa. Vale la pena señalar la importancia de los estudios en sectores específicos de la economía como una estrategia metodológica para la identificación de importantes efectos positivos de las prácticas de gestión en el desempeño de la organización.

Palabras Clave: *prácticas de gestión; mejores prácticas; desempeño; gestión de recursos humanos; hotel.*

1. Introduction

The idea that good management practices and good performance are tightly correlated is a truism. This relation is understood and assumed to be a function of a general better resource allocation per se, no matter how resource (money, people, raw materials, information…) is conceptualized. It is also easy to understand that not all management practices are equally efficient and capable of yielding positive results, some practices are clearly dysfunctional. These ideas and the search for an optimum set of practices that would be able to maximise performance have marked and accompanied management (and related areas) throughout its history.

The process of identifying and disseminating best practices seems to be an intrinsic part of normal economic activity. On the one hand, it is possible to see an effort being made by leading companies to sustain their performance. On the other hand, many initiatives developed over the years trying to identify these practices have been sponsored either by governments (HM TREASURY, 2005; AIM, 2003) or industry bodies and associations (CBI, 2002) seeking to develop a better economic environment and to optimize overall level of managerial capabilities (performance) across the economy or a single industry (MOL; BIRKINSHAW, 2009). It could be said that such initiatives tend to happen more often in periods of economic transition, where the grounds for new working organization processes are still not clearly established, or of enhanced competition. This is exactly the nature of the process that has been observed over the last fifteen years with a renewed interested being placed, more recently, on service sector activities.

The hotel industry has not been unaffected by such movements. On the contrary, the accelerated pace of economic globalization, marked by an increased mobility of the population, has brought to the centre of managers' agendas the challenges posed by an over competitive business environment. Unsurprisingly, the search for best practices has been seen as one of the most promising alternatives in seeking to improve overall business profile.

At the end of the 90's a study was undertaken by researchers from Cornell University- Centre for Hospitality Research attempting to identify best practices in the United States lodging industry (DUBE et al., 1999). This initiative was termed by their authors as the "*most comprehensive study* of *the US lodging industry ever attempted* (p.14)". The reasons for such a research effort were primarily identified as arising from the growth in competition coupled with a reduction in profit margins, and a need to strengthen performance. In other words, strong costs pressures were in place acting as a driving force for change.

One of the most significant findings of this study was pointed out by Dube and Renaghan (1999) when they suggested, for their own surprise, that patterns of practices intake had little to do with companies' product segment. In other words, market segmentation (rating) was not associated with strategic approach or the usage of any specific management practice. In practical terms, this result supports the argument that work organization principles are independent from market segmentation, going against prevailing common sense in the sector.

The best practice approach was also taken in a study of the UK Hospitality Industry (LOGIE; QUEST, 2003) commissioned by the Best Practice Forum for Tourism, Hospitality and Leisure Industry, and undertaken by the Centre for Hospitality Industry and Performance Research, School of Management, Surrey University. Contrary to their American counterparts, the focus here was on small and medium enterprises deemed as having lower than average managerial capabilities and little access to resources. Another important difference rests on the fact that instead of a comprehensive list of practices, the product of the UK's research consisted on a description of broad categories whose application would suit any service sector activity.

Turning our attention to the set of practices identified two stands out as particularly relevant for the purpose of the current research. Their choice was driven by the fact they are related to cross-firm strengths and capabilities allowing for an identification of relevant categories to the understanding of industry specific issues and characteristics. The practices are the ones focusing on hotel operations (SIGUAW; ENZ, 1999) and the ones related to human resources (ENZ; SIGUAW, 2000; CHANG; GONG, SHUM, 2011).

Following these research traditions this study seeks to the relationship between the effective use of management practices and performance in the hotel sector. In order to do so, a single sector cross sectional study was undertaken with 213 different companies in the UK. This paper is divided into different sections following this introduction: a literature overview, a section containing main methodological procedures and measures taken; a section where results are presented and a fourth section brings the discussion and conclusions.

2. Literature Overview

2.1. Operational practices and performance

Within academic tradition it is possible to highlight two main lines of inquire that have, more recently, brought major contributions to this debate about the relationship between management practices and performance. The first line can be broadly defined within the scope of what has been previously conceptualized as the *New Economy* (VAN REENEN, 2001). This line developed following attempts to explain growths in productivity rates in the US towards the end of the nineties. This stream of research has many variations but they all follow more or less the same script/explanation: the emergence of a service economy (GRIFFITH et al, 2003; ESRC, 2004), a knowledge intensive character of the most important economic activities (LEVY; MURNANE, 2003), renewed competition (LORENZ; VALEYRE, 2005) and the Information and Communication Technology revolution (OULTON, 2002).

Initially, ICT uptake by companies was accounted for the most important factor in explaining these observed changes in productivity rates. However, no direct correlation could be found between technology investment and improvements in productivity (LEWIS et al, 2002). Soon became clear that ICT alone could not explain the whole variation from expected average and attentions turned to workplace innovations (BLACK; LYNCH, 2001, 2004). The underlying rationale behind such movement came from the fact that technology is not just plug-and-play. There is a need to change the way work is done and how the production process is organised in order to take full advantage of its possibilities (BRESNAHAN; BRYNJOLFSSON; HYTT, 2002; BROWN, et al, 2005). In short, a whole new set of management practices is needed to answer to these new organizational challenges brought in by ICT in a context of global markets and intensified competition. These practices have received many different denominations across the literature like *innovative* (YOUNG; CHARNS; SHORTELL, 2001; OSTERMAN, 1994), *modern* (CLEGG et al, 2002) and *promising* (LESEURE et al, 2004). One important characteristic of this line of inquiry is that it focuses mainly on, what can be called, operational practices.

Operational practice is one of those concepts that are frequently used but rarely defined as we can see, for instance, in Birdi et al. (2008), Patterson, West and Wall (2004) and Wood et al. (2004). They are habitually understood in opposition to employee oriented (Human Resources) practices or, at best, defined in association to manufacturing systems and approaches such as lean structure, total quality management and advanced manufacturing technology, umbrella concepts as argued by Wood (2003). In the context of this study, operational practices are understood and defined as a *"collection of procedures, ideas, values* *and tools"* (LESEURE et al., 2004) which are the expression of […] "*production organization principles"* (BOLDEN et al, 1997).

Most of this debate arose and developed within the context of manufacturing, spilling over very quickly to service sectors, where much of the attention has been placed on knowledge intensive activities (LEVY; MURNANE, 2003), as for instance professional and media services, whose importance have greatly increased relatively to more traditional activities, like hospitality and wholesale and retail. This difference in visibility between industries does not reduce, however, the need to understand and explain the relationship between management practices and performance in specific service sectors where, differently from manufacturing, there is much bigger variety of organizational forms, structures, activities and where many sectors are labour intensive. Single size does not fit all.

Hotel industry has a long tradition of self referenced research; most of it, however, focusing on activities directly related to the service delivery and service quality (SOLTANI; WILKINSON, 2010). Comparatively to these areas, issues related to operational performance are under investigated within the mainstream business, management or work psychology research.

It is still an open question the application, extent and impact of innovative management practices in a service work environment characterised by high fixed costs, low skills and high turnover. The literature addressing these questions is at best inconclusive. Much of the controversy is marked by a split between those that support the idea that services activities are fundamentally similar to those in manufacturing and as a consequence, rationalization procedures should be put in place in order to enhance overall sector productivity, and those on the opposite field supporting a specific ethos for services industries especially because of its customer interface (CRESPI et al., 2006; FRENKEL 2000). However, a close look to a daily operation in any hotel will show that this distinction is mostly misleading, not to say false, once the traditional distinction between services and products are increasingly becoming blurred (SAKO, 2006).

The biggest amount of work needed to provide a service in hotel industry relies upon the coordination and supply of a number of accessory goods and services that have to be in place well in advance its actual delivery process. In this sense, it is possible to imagine services' production process in an analogue way as a production line in manufacturing. The bigger difference would be the last stage of production where a choice of some particular characteristics is made within a set of predetermined options or the front line operation (BATT, 2000) as it is known in the literature. In manufacturing these set of choices are usually given during initial production phase. Another important aspect of a hotel operation is its high fixed costs coupled with a need to rapidly amortise costs relatively to frequent refurbishments required to keep the product updated and in good shape. This pressure on cost is translated to operations as a need to develop and function very efficiently (BATT; DOELLGAST, 2003).

In such scenario, it would be expected that good management of operational issues would positively impact company's outcomes. In this sense, it would be possible to test the impact of a set of operational management practices on performance. Hence,

H1- Effective use of operational management practices will be positively related to performance.

2.2. Human resources and performance

A second line of research renewing this interest in the relationship between management practices and performance has its origins also closely tight to the recent wave of economic transformation. The difference, in this case, is that instead of a general set of operational management practices the target is specifically focused towards the role and contribution of human resources to company's performance.

One important outcome of the recent economic process was the development of a global market capable to provide, at competitive prices, all the goods and services needed to the economic activity anywhere in the world. In such scenario, it is not possible for any single company to control any particularly important resource in order to acquire and sustain a position of competitive advantage over significant competitors. Facing this situation, firms turned eyes to their interior looking for a resource that being inimitable, valuable, not substitutable and rare could yield higher levels of performance capable of bringing and sustaining, over time, a competitive advantage (BARNEY; WRIGHT; KETCHEN, 2001; BARNEY, 1991, 2001). From this standpoint, to the election of people as the resource per excellence was only a small step.

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Once again, this broad line of investigation has many variations according to the theoretical or ideological commitments assumed by the researcher, being also possible to envisage an underlying script guiding the development in the area: the person in direct contact with any activity knows more about how to perform well in that activity than any manager (WANG; BARNEY, 2006). A sort of natural development of this idea is that a company will benefit if it succeeds to involve the worker more thoroughly in daily activity. To achieve this goal workers have to be motivated to put their knowledge and effort in doing their tasks as better as possible and to deliver discretionary effort toward their jobs.

At the same time, the economic development brought with it a bigger number of activities where a superior set of skills are needed either because they are technologically supported, or because they demand a sort of interaction with other workers (LEPAK; TAKEUCHI; SNELL, 2003), or clients, that were not so important and wide spread as before, like financial and business services.

This position, however, did not evolve undisputed. It is important to observe that, up to the present moment, the identification, definition and measurement of human resources management practices have been covered by controversy and dissent (GUEST, 2001; MACHIN; WOOD, 2005). At the same time, HR issues are more generally assumed to be important rather than empirically investigated. In the context of this study, human resources practices are understood and defined as a *"collection of procedures, ideas, values and tools"* (LESEURE et al., 2004) which are the expression of "[…] ***work*** *organization principles"* (BOLDEN et al., 1997).

Despite the growth in high skills content activities most jobs and tasks within service sectors are reputed to demand low qualifications levels (ILLERIS, 2002). They are by their nature related to interpersonal communication abilities, friendly attitudes towards customers and, not infrequently, strongly related to aesthetics outlook (KORCZYSNKI, 2005). This has lead some researchers to postulate that HRM practices, those characterised by the search, development and retention of best human resources available, are more likely to yield positive results in high knowledge sectors or similar activities. In the hotel industry this picture is particularly sharp once, with the exception of managerial positions, all other activities could be classified as low skills demanding.

However, an industry where people lies at the core of its economic activity should acquire benefits from a better selected, trained, qualified and motivated workforce. In fact, Jones, Kalmi and Kauhanen (2006), studying the retail sector, found evidence that there are benefits to adopt innovative management practices even in work settings where employees do simple tasks and are relatively low skilled, the same picture identified by Hunter (2000). The human side of these organizations are responsible for delivering the sort of quality services that customer are expecting and therefore, a better managed workforce should be capable of delivering superior performance either as a function of customer satisfaction or as a consequence of better quality. If the above arguments are true, it would be possible to test the following hypothesis

H2- Effective use of HR management practices will be positively related to performance.

2.3. Performance

One important aspect that performance/productivity studies have to deal with regards how these concepts will be assessed (CRESPI et al, 2006), how they will be measured. In other words, what is a usable and meaningful metric? It is beyond doubt that the notion of business performance is a multi-facet concept and that questions on how it can be measured have preoccupied a number of authors across many different disciplines (NEELY, 1999). The most common answer, up to the present moment, has been a reliance on financial indicators (i.e. HEO; LEE, 2009) despite a growing call for a more balanced approach.

It is important to have positive financial figures however they should not preclude the search for a more comprehensive indicators only delivered if a broader measurement system is in place (VENKATRAMAN; RAMANUJAM, 1986). An over confidence on financial metrics arises some problems: First, financial indicators are more likely to express short term tendencies rather than to predict future performance. It is a picture of the recent past rather than a projection about future developments and it is not possible to infer a position of competitive advantage from it. Second, different industries have naturally different productivity rates, return rates, cash flows and product prices. It is very unlikely that these differences could be captured or controlled for in performance related studies, at least at their current level, due to the number and complexity of variables involved. This is one of the reasons why Datta, Guthrie and Wright (2005) argue about the fact that industry does matter in performance studies and consequently, single industries studies are more likely to identify positive relationships between management practices and performance. A similar position is supported by the work Kalleberg et al. (2006) when they show the existence of sector and industry differences in up taking high performance work practices. And finally, most metrics used are unable to capture trends related to market power and market segmentation that are directly related to company's performance.

Regarding performance's conceptualization, Kaplan and Norton (1992, 1995, 1996) brought forward and further developed arguments to support a multiple performance measurement approach. According to them, the strategic thinking, or company's strategic positioning, asks for the use of not only short term financial measures and perspectives, but also long term ones. The choice of indicators should not be random but they should rather be picked up by their capability to predict future performance. In this sense, it is expected that different practices will impact distinct measures of performance in dissimilar ways. If this is true, it is possible to test if

H3- Effective use of management practices will impact distinct performance metrics in different ways.

3. Method

A postal survey questionnaire was mailed during the month of July/08 to a sample of 1,530 different workplaces throughout the UK, a convenience sample drawn from industry bodies' directories and companies´ websites identified in a preliminary study. By the beginning of August a total of 213 useful questionnaires have returned, performing a response rate of 14.50%. The survey was addressed to the hotel's General Manager (GM) with a request to be passed on to another suitable person in the same workplace if he (or she) was not available to answer at that moment or were not the most appropriate person to provide the answers requested.

The respondents were predominantly male (53,1%), around 39 years old (standard deviation. 9), with 56% of them having a university degree or higher. No important differences were identified related to gender and education among respondents. The average employee turnover rate for the whole sample is 29, 30%, a number that is absolutely compatible to national indices for the sector according to official figures from the Skills Council for the Hospitality, Leisure, Travel and Tourism Industries (VisitBritain, 2006). It has been reported that large employers, not uncommonly, have double or treble this figure (HTF, 2006). And finally, the average occupancy rate in the sample is 73.8%, well above national average (61%, VisitBritain, 2006). As the sample comprises mainly above average hotels, due to the exclusion of small and very small workplaces (less than 30 bedrooms), and as bigger hotels tend to have higher occupancy rates, the observed rate is expressing this situation.

The overall conclusion is that despite the fact that the sample addresses bigger than average workplaces its main indicators are compatible with industry patterns and consequently, are capable of adequately expressing its dynamics and trends.

3.1. Measures

3.1.1. Dependent variables

Organizational outcomes were assessed following two different approaches. In the one hand, GM was asked to provide answers for eleven self reported measures of performance relatively to their direct competitors. The importance and relevance of subjective measures of performance was addressed by Wall et al. (2004). In their investigation, the authors found evidence of convergent validity when comparing subjective and objective measures of performance, meaning that these measures are related; and construct validity, where the use of [...] *management practices to subjective measures of performance were essentially equivalent to those for objective performance* (p.112), bringing confidence to the procedure here adopted.

To all items the GM was prompted: *Relative to your direct competitors, how would you describe your*____ and answers were collected using a five-point scale with scores ranging from 1 (=*much below average*) to 5 (=*much above average*). An extra score (=6) was provided accounting for *I don't know* possibility and coded as missing variable during analysis process.

Eleven items were submitted to an exploratory factor analysis to investigate if an underlying structure were present in the data or if the items were addressing the same construct. The results showed the existence of three factors (or latent variables): *Employees' Performance (EP)*- Three-item scale with a reliability coefficient (Alpha Cronbach) of .809; *Service Quality (SVQ)*- Two-item scale with an alpha of .815; *Operational Performance* (*OP*)- It is a three-item scale with an alpha coefficient of .698. Once these scale have been set, a second order factor analysis was performed on each one of them to make sure that a single factor only was been assessed.

A second group of establishments' performance measures was collected. This consisted of two industry specific objective metrics: occupancy rate, a measure of room efficiency usage, and average daily rate (ADR), a measure of how much money the hotel is making daily per each room available to rent. These metrics were later developed into two other metrics: Annual Revenue per Bedroom (ARB) and Annual Revenue per Employee (ARE), two objective measures of productivity.

3.1.2. Independent variables

After this initial step, thirty two organizational capabilities were identified. The GM was prompted with the subsequent line: *How effective is your hotel in the following;* and answers were collected using a five-point scale with scores ranging from 1 (=not at all effective) to 5 (=very effective). Another option scoring 6 (=doesn't apply / I don't know) was also provided to avoid forcing a false answer. The results were submitted to an exploratory factor analysis and seven factors were extracted: *Recruitment*- Three-item scale with an alpha of .873. *Training*- Three-item scale with an alpha of .877. *Rewards*- Two-item scale with an alpha of .911. *Work Flexibility*- Four-item scale with an alpha of .861. *Controlling the Operation*- Two-item scale with an alpha of .730. *Benchmarking*- Two-item scale with an alpha of .853. *Performance Monitoring and Feedback*- Seven-item scale with an alpha of .905. A second order factor analysis was performed to confirm that only a single factor was been assessed.

4. Results

The basic approach to this study departs from the general assumption that management practices (independent variables), here identified, will be related with organization outcomes (dependent variables). In order to analyse this proposition and test proposed hypotheses I begin by exploring basic relations between all variables in the study to see if there is any observable or unexpected pattern emerging from available data. Table 1 below shows the values of these correlations.

All correlations bigger than .16 and .20 are statistically significant at p< .05 and p<.01 level respectively; no statistically significant result was identified between both *Occupancy* and *ARE* with any of the independent variable. *ARB* is positively correlated with recruitment only (r=.20). All independent variables show a positive and statistically significant correlation with operational performance. Employees' performance and service quality are positively correlated with all independent variables but controlling the operation.

Initial data analysis seems to suggest partial support to established hypotheses. However, due to great sample heterogeneity and the possibility of multicolinearity effects, there is a need to deeply explore data before holding on to a specific result.

Table 1 - Correlations of all variables in this study

Variables	**M**	**SD**	**1**	**2**	**3**	**4**	**5**	**6**
dependent variables								
1. *Occupancy*	73.78	11.83	---					
2. *ARE*	43,160.47	28,779.47	.10	---				
3. *ARB*	26,269.63	17,249.26	**.16***	**.23****	---			
4. *OP*	3.74	.65	**.27****	-.04	**.17***	---		
5. *EP*	3.85	.58	.08	.00	**.22****	**.44****	---	
6. *SVQ*	4.12	.64	.10	-.09	**.19***	**.44****	**.66****	---
independent variables								
7. *Recruitment*	3.74	.79	.06	.13	**.20****	**.36****	**.47****	**.32****
8. *Training*	3.89	.70	.07	.11	.01	**.38****	**.37****	**.39****
9. *Rewards*	3.50	1.07	.07	.08	.02	**.25****	**.15***	**.22****
10. *Work Flexibility*	4.00	.68	.13	.02	.07	**.29****	**.39****	**.33****
11. *Controlling the Operation*	4.00	.79	.05	.03	.08	**.26****	.12	.11
12. *Benchmarking*	3.71	.92	-.03	.07	.08	**.32****	**.23****	**.28****
13. *Performance Monitoring and Feedback*	3.99	.70	.11	.10	.06	**.46****	**.31****	**.37****

Variables	7	8	9	10	11	12	13
7. *Recruitment*	---						
8. *Training*	.46**	_					
9. *Rewards*	..28**	.46**	_				
10. *Work Flexibility*	.46**	.54**	.42**	---			
11. *Controlling the Operation*	.31**	.28**	.31**	.28**	---		
12. Benchmarking	.44**	.61**	.54**	.46**	.38**	---	
13. *Performance Monitoring and Feedback*	.49**	.71**	.51**	.50**	.40**	.68**	---

* Correlations are significant at p<.05
** Correlations are significant at p< .01
N=175 for ARE; N=176 for ARB; N=195 for Occupancy. For all others N=213. Differences in N are due to missing data.

Testing for H1

Hypothesis 1 proposes that the *Effective use of operational management practices will be positively related to performance*. To test this proposition I will make use of multiple regression analysis applying the forced entry mode. According to Field (2005), this is a method in which all predictors are forced into the model simultaneously. Differently from other methods (stepwise or hierarchical), no theoretical assumptions about predictors are made. In such situation, the statistical program will seek for the best possible mathematical solution. This is a two step process where control variables are entered first followed by the independent variable. Table 2 below shows β standardized coefficients for each model estimated according to a performance metric.

No statistically significant relations were found with any objective measure of performance. From the operational practices only performance monitoring and feedback has proved statistically capable of predicting performance in terms of quality of services, employees' and operational performance. The amount of variance explained (ΔR^2) is relatively small in the case of employee's performance (7,8%), increasing relatively to quality of services (11,2%) until reaching its highest level in terms of operational performance (15,2%).

Table 2 - Standardized coefficient in regression models for operational practices

	EP	SVQ	OP
Controlling the operation	-.001	-.055	.131
Benchmarking	.026	.049	-.010
Performance monitoring and feedback	**.281****	**.341****	**.353****
R^2	**.146**	**.207**	**.268**
ΔR^2	**.078***	**.112****	**.152****

* Correlations are significant at p<.05
** Correlations are significant at p< .01

Why performance monitoring has significant correlations with all three self reported measures of performance while both controlling the operation and benchmarking have none? A possible answer points to the nature of the performance metrics and the intrinsic characteristic of the practices themselves. In other words, it is not clear how practices can contribute to the measures. For example, how can a better control over the operation (in terms of stock and waste) contribute to employees' better performance? The same principle applies to benchmarking and service quality or operational performance. Performance monitoring, on its turn, seems to be more directly associated with the work process itself. It enables the proper flow of actions, ideas, orders and so on. Not surprisingly, it is strongly associated with goal setting and communication processes. If the organization is better prepared to follow its employees' actions and to make changes more quickly on the way the work is being performed a direct impact on overall employees' performance, service quality and general operational performance would be expected. The other practices, on their turn, seem to act on a different level. They are associated with ends rather than processes.

As I have not found grounds to hold to a positive relation between controlling the operation and benchmarking with performance, hypothesis H1 has to be rejected.

Testing for H2

Hypothesis two proposes that the *Effective use of HR management practices will be positively related to performance.* The procedure used to test for H2 is exactly the same one used for

H1. Table 3 below summarises the results. Regarding HR practices the results shows a completely different picture when compared to operational ones.

Table 3 - Standardized β coefficients in regression models for HR practices

	EP	SVQ	OP
Recruitment	**.359****	.117	**.178***
Training	**.165***	**.264****	**.204***
Rewards	-.087	.020	.089
Work Flexibility	**.173***	.106	.022
R^2	**.315**	**.246**	**.244**
ΔR^2	**.247****	**.151****	**.127****

* Correlations are significant at p<.05
** Correlations are significant at p< .01

A richer picture emerges and more complex interaction seems to be in place. Employees' performance is under direct and positive influence from recruitment (r=.359), work flexibility (r=.173) and training (r=.165) while rewards has no statistically significant relation. A relatively increased importance of recruitment when compared to the other practices may be explained because of the high employee turnover rate of the sector and by the importance of choosing the right set of "*attitudes*" as selection criteria for employment.

When performance is assessed in terms of quality of services, training (r=.264) stands out the single most important practice predicting performance. The link in this case is straight forward: better skilled workers will be able to deliver a better quality product and positively impact customer satisfaction. Not surprisingly, employees' performance and service quality are strongly correlated (r=.64). Operational performance will be positively affected by training (r=.204) and recruitment (r=.178).

There is a clear importance of both recruitment and training to performance in the hotel sample investigated. Surprisingly, no statistically significant correlation was identified between rewards and self reported measures of performance. What does it mean? The results might be just picturing a sector where very few forms of incentives but payment itself are used. Regarding work flexibility it can be said that it increases employees' performance by a better provision of skills and a broader knowledge of the work process. However, it could come at the expenses of expertise in specific areas reducing quality and overall operational performance.

One of the most important findings so far is that HR practices seems to be capable of explaining far superior levels of performance when compared to operational ones in all three categories of self reported performance measures. Uptake in HR practices can explain a good amount of variance in employees' performance (r=.247) and moderately amounts on service quality (r=.151) and even operational results (r=.127).

In the light of current results hypothesis H2 is accepted.

Testing for H3

Previous results have already shed some light over H3. It proposes that the *Effective use of management practices will impact distinct performance metrics in different ways.* However a more thorough investigation is needed. In order to test for this hypothesis all independent variables will be entered in the model simultaneously. This procedure will also allow understanding how practices interact with each other in predicting organizational outcomes.

The results (table 4) show a much clearer picture when compared to previous analyses. Depending on how performance is conceptualized it will be impacted by management practices in different ways.

Table 4 - Standardized β coefficients in regression models for all practices in the study

	EP	SVQ	OP
HR practices			
Recruitment	**.372****	.114	.138
Training	.178	**.203***	.082
Rewards	-.060	.011	.032
Work Flexibility	**.180***	.104	.000
Operational practices			
Controlling the operation	-.039	-.070	.119
Benchmarking	-.096	-.042	-.063
Performance monitoring and feedback	.048	.165	**.266****

R^2	.321	.258	.287
ΔR^2	**.253****	**.163****	**.170****

*   Correlations are significant at p<.05
** Correlations are significant at p< .01

Regarding employees' performance it is possible to see a distinct role assigned to recruitment (r=.372) and work flexibility (r=.180). The combination of these two practices is capable of predicting 25.3% variance in the sample. It is interesting observing that training came just very short of having a positive impact on employees' performance. Performance monitoring lost its capability of predicting performance. As the combination of operational and HR practices added very little to overall model predictability it is possible to say that HR practices are greatly responsible for employees' performance.

When performance is assessed in term of quality of services, training (r=.203) turns out to be the best predictor, explaining 16.3% of total variance. Here again performance monitoring lost its capability of predicting performance and operational practices brought very little contribution to service quality predictability. It is also possible to say that HR practices are greatly responsible for service quality.

When a more externally driven metric is used, as it is the case of our operational performance metric, performance monitoring and feedback (r=.266) is capable of explaining 17% of total variance and no statistically significant result can be ascribed to any HR practices.

The implications of such findings will be discussed later on. However at this point it is possible to assert that hypothesis **H3 is supported** by the findings of this study.

5. Discussion and Conclusions

One of the most important finding from this study points toward a contingent relation between management practices and performance. In other words: the impact of management practices on performance will vary according to key indicators chosen for measuring performance. More importantly, this variance in measurement issues also impacts on the effectiveness of specific practices.

This finding has clear practical and theoretical implications. In the one hand, companies should be aware of what is important in their operations and work based on a more balanced approach to performance if they want to achieve and sustain a position of competitive advantage against their significant competitors. When choosing a practice, or set of practices, to implement or further develop within their organizations managers must be aware of their possibilities and limitations. On the other hand, the importance of intra sector studies to understand the relation between management practices and performance is highlighted. Each sector has its own characteristics and particular aspects related to work and production organization processes. When companies from multiple economic sectors are put together it means that a common pattern, across a variety of different environments, is being searched for. There is a possibility that important, but particular, relations are being lost because metrics used are not sensitive to sector specificities.

Another important finding points toward the importance of HR practices to the hotel industry when compared to operational practices. It has being said that HR practices are more likely to bring a positive impact to organizations operating in knowledge intensive environment. However, the findings suggest that people do make a difference to performance even in traditional low skilled, labour intensive sector. Once again, HR practices have a differentiate impact upon operations according to the metrics being used.

The practices here identified express a trend within the sector. Hotels that experience or at least, managers that perceive an improved performance in some aspects of their operations have also reported a better use of certain practices. This does not mean that other practices are not capable of positively impacting performance in the sector. There is a possibility that the presence of systematic environment factors, such as labour shortages and demand pressures, might influence the use and effectiveness of specific management practices.

No statistically significant relationship was found with objective measures of performance. Why this happened? There are three basic possibilities to explain this: one, the measures being used are inadequate and unable to properly express organizational outcomes; two, they are not reliable; or three, there is a possible confounding variable that makes the relationship unclear. The lack of evidence of a relationship with objective measures of performance may also be a function of price dynamics, a much more sensitive issue in service activities comparing to manufacturing. This area demands further investigation and deeper attention.

Results also suggests that due to the existence and importance of a broader array of market variables (externalities) influencing performance in services environments there is a need to a deeper understanding of their impact upon operations and a need to control for their influence on future studies.

Four practices stand out for having an overall positive impact in this study. *Recruitment* and *work flexibility* associated with employees' performance; *training* predicting service quality; and *performance monitoring and feedback* predicting operational performance. All these relations look feasible and make both practical and theoretical sense.

Service quality and employees skills seem to have a different dynamic when compared to hard financial performance aspects. This could be a manifestation of deep rooted concepts by managers but could also be a sign of a trade-off between what is understood in the sector as quality and the importance of people to achieving it and the impositions of daily operations with a need to profit.

There are some unanswered questions that deserve further attention and studies, they are: the importance of market segmentation to the relationship between performance and management practices; a further investigation about differences in use of practices by national and multinational companies; and differences in use of practices and performance by chain and independent operations.

This study has some limitations. The first one is rather common in such kind of research and is associated with its cross sectional design. Performance measures were collected in a single point in time and can not be said that observed relations are consistent over time or a collateral outcome of uncontrolled variables. Another weakness refers to common method bias or responses collected from a single informant. It has been extensively argued in the literature about social desirability bias influencing respondents when filling in forms as they try to perform according to what they think is expected from them. Consequently, there is a tendency to report better results than those actually happening in the organization. Another aspect associated with single respondent answers points to the doubt over to which extent this answer do express organizational average response. About this subject, it can be argued that due to the position respondents hold on the organization, mainly general managers or directors, they are in a position to have a good general view about daily activities hence are able to adequately describe its functioning. A third limitation associated with this study refers to the relatively weakness of collected objectives measures of performance. Both ARB and ARE were estimated based on information provided by the organizations rather than being independently assessed figures. At the same time, they do not incorporate common source of revenue associated with hotel's business such as restaurant and bar revenues resulting in a possible underestimation of financial performance. And finally, a forth limitation refers to the survey small response rate despite efforts to limit it. It is unclear to what extent respondents and non-respondents differ in performance and practices uptake.

Up to the present moment the bulk of performance studies deal with multiples industries simultaneously. Such strategy has two potential setbacks. One, it shut down industry differences and average practices across the economy loosing important specificities due to the need to use very limited controls, as it is argued by Jones, Kalmi and Kauhanen (2006). Two, in order to comply with its desirable outcomes, general performance practices have to be used and, once again, there is a risk of important being missed when general metrics are applied. In this case, other forces that somehow affect these price variables, as market power and competition are not accounted for. An important strength associated with this study is its single industry characteristics that overcome much of these difficulties.

Most studies test hypothesis by collecting data at company level in a multi-site organization where the HR director has little knowledge about how practices are effectively put in place at each workplace. This study, on the contrary, collects data at organization level from an informant in close contact with day-to-day procedures enhancing the confidence in the responses' accuracy. As a development of previous argument, data are collected on effective use of practices rather than a simple measure of use.

Another important source of strength in this study is the use of multiple measures of performance combining both objective and self reported metrics. And least but not last, management practices and self reported measures of performance are defined by scales rather than single items.

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