

Impact of Human Resource Management (HRM) Practices on Hotel Industry's Performance: The Mediating role of Employee Competencies

Frank Nana Kweku Otoo,

PhD Candidate,
Lovely Professional University, Punjab,
India.
Lecturer,
Accountancy Department,
Koforidua Technical University, Ghana,
India.

Dr. Mridula Mishra,

Professor,
Department of Management,
Faculty of Business and Applied Arts
Lovely Professional University,
Punjab, India.

ABSTRACT

The aim of this paper is to examine the impact of human resource management practices on hotel industry performance by means of employee competencies. An integrated research model was developed by combining principal factors from existing literature. Data were collected through questionnaire from 700 employees of the selected hotels. The validity of the model and hypotheses were tested using structural equation modeling (SEM). The reliability and validity of the dimensions are established through confirmatory factor analysis. The results indicate that some human resource management practices influence organizational performance through their impact on employee competencies. Career planning and performance appraisal however, do not impact employee competencies of the firms studied. The research was undertaken in the hotel industry and the analysis based on cross-sectional data which cannot be generalized across a broader range of sectors and international environment. The findings of the study have the potential to help stakeholders and management of hotels in adopting properly and well-articulated HRM practices in building human capital and stimulating the necessary behaviours that create advantage for the organization. This study contributes to the human resource management literature, integrating HRM practices and employee competencies into a comprehensive research model that impacts organizational performance.

Keywords: *HRM practices, Employee competencies, Organizational performance, SEM.*

Introduction:

Human resources are considered a specific resource in an organization which influences a company's success and its competitive position (Becker and Huselid, 2006; Wright et al., 2001). Such resources take on special relevance when dealing with labour-intensive service industries especially, the hotel industry where the human factor holds the ultimate balance in the organization's success because of the important interaction between employees and guests at the service interface (Kandampully et al., 2011). Human resources (HR) remain an important determinant of

tourism production and affects destination competitiveness (Murphy and Price, 2005). Delery and Doty (1996) posited that, human resource management practices are a set of internally consistent policies and practices designed and implemented to ensure that a firm's human capital contribute to the achievement of its business objectives. Draganidis and Gregoris (2006) defined competency as "a combination of tacit and explicit knowledge, behaviour and skills that gives someone the potential for effectiveness in task performance". Cook and Hunsaker (2001) opined that, organizational performance are those attitudes' that have been

assessed or measured as to their contribution to organizational goals. Many studies on HRM and organizational performance have been conducted dealing with many different industries at the same time (e.g. Baum and Szivas, 2008; Kalargyrou and Woods, 2011). However, Cappelli and Neumark (2001), asserted that, there is an advantage in investigating HRM within a single industry. Such a limited population, they argued, ensures that measured organizational performance is comparable across observations. Ichniowski et al. (1995), supported the view of studying within a single industry by suggesting that, measurements of organizational performance, HRM practices, and control variables were more precise when a study focused on a particular industry. Despite the hotel industry's unique feature of labour intensity, only a few studies investigated the impact of HRM practices and organizational performance. Those few studies, moreover, examined only a single HRM practice and organizational performance (Maxwell et al., 2000; Watson et al., 2007). Thus, the results of the studies might be considered as biased to some extent, since a single practice can represent only a part of the effects of overall HRM practices. Examining the relation between a single practice and company-wide organizational performance may inflate the true effects of the single practice. Therefore, this study, attempted to (1) examine the impact of various HRM practices on employee competencies and (2) to study the role of employee competencies on the association between HRM practices and organizational performance.

Literature Review and Hypothesis Development:

Human Resource Management Practices:

HRM practices refer to the activities of an organization to manage its human resources and ensuring that the resources are employed for the fulfillment of organizational objectives (Schuler and MacMillan, 1984; Wright and Snell, 1991). Schuler and Jackson (1987) opined, HRM practices as a system that attracts, develops, motivates, and retains employees to ensure the effective implementation and the survival of the organization and its members. Delaney and Huselid (1996) categorize human resource management practices into recruitment and selection, training and development, participation and reward. In this study we examined three practices: training and development, employee participation and performance appraisal.

Employee Competencies:

Competency is an important concept in organization management since it is closely related to excellent work performance (Levenson et al., 2006). McClelland (1973) developed the concept of "competency" as significant predictors of employee

performance and success. Boyatzis (1982) define competency as the underlying characteristic of a person that could be a motive, trait, and skill, aspect of one's self-image or social role, or a body of knowledge which he or she uses. This view appears to be supported by Milošević et al. (2007) who assert that, competencies are a cluster of related knowledge, skills, personal qualities and experience. Hellriegel and Slocum (2011) identified employee's ethical competency, self-competency, diversity competencies, across cultures competency, communication competency, team competency and change competency as the seven key competencies that affect the behaviour of individuals, teams and effectiveness of the organization. In this study, five competencies are considered: self-competency, team competency, change competency, communication competency and ethical competency.

Organizational Performance:

Organizational performance is a complex and multidimensional concept. The potential success of a business depends on its ability to effectively implement strategies to achieve institutional objectives (Randeree and Al Youha, 2009). Tomal and Jones (2015) define organizational performance as the actual results or output of an organization as measured against that organization's intended outputs. According to Thang et al. (2008) organizational performance varies as a function of the outcome variables. They categorized outcome variables into: finance outcome (return on investment (ROI), return on assets (ROA), return on equity (ROE), return on sales (ROS), sales, market share, productivity, etc.) and non- finance outcome variables (labor turnover, absence of employees, conflict, quality of product and or service, innovation. Dyer and Reeves (1995) proposed HR outcomes (turnover, absenteeism, job satisfaction), organizational outcomes (productivity, quality, service), financial accounting outcomes (ROA, profitability), and capital market outcomes, (stock price, growth, returns) as the four possible measurement for organizational performance.

Human Resource Management contributions to Organizational Performance:

The emphasis of human resources to improve organizational performance has become stronger, not only because they cannot be easily imitated by competitors, but because they provide an effective and rapid response to market demands (Huselid and Becker, 1996). According to previous studies, HRM practices contribute to improving organizational performance including turnover rate (Huselid, 1995), labour productivity (Datta, et al., 2005), return on assets and return on equity and profit margin (Delery and Doty, 1996), and profit margin. Delaney and Huselid (1996) argued that, HRM practices leads to

improve firm performance by affecting employee skills, employee motivation, and the structure of work.

Human Resource Management Practice and Employee Competencies:

Organizations use human resource (HR) practices as critical strategic tools for promoting favourable behaviour among employees and leveraging their knowledge, skills, and abilities, which increase productivity and performance (Bartlett, 2001; Clardy, 2008). Ostroff and Bowen (2000) assert that attention to human resource and adherence to technically superior human resource practices are believed to result in more productive, motivated, satisfied and committed employees who in turn promote a more effective organization. This view appears to be supported by Boxall and Steenveld (1999) who contend that, HRM policies and practices are an essential element in building human capital and stimulating the necessary behaviours that create advantage for the organization. This is consistent with the arguments of Noe et al. (2010) who indicated that, HRM practices improve the performance of organizations by contributing to employee and customer satisfaction, innovation, productivity, and development of good reputation among firm's community.

Training and Development and Employee Competencies:

The significance of training and development to organizational development and performance has been recognized by many researchers (Cho et al., 2006; Thang and Buyens, 2010). Evan and Davis (2005) defined training as "the extensiveness of formalized programs to develop knowledge, skills and abilities" (p.76). Barzegar and Farjad (2011) contend that, given the increasing complexity of the tasks and skills needed in modern society, developing effective training strategies is of tremendous practical importance. This is consistent with the findings of Harrison (2000) and Appiah (2010) who emphasized that, training generate performance improvement related benefits for the employee and organization by positively influencing employee performance through the development of employee knowledge, skills, ability, competencies and behaviour. The following is hypothesized.

H1: Training and development has a positive impact on employee competencies.

Performance Appraisal and Employee Competencies:

Obisi (2011) defines performance appraisal as "any work process that entails setting work standards, evaluating employees' actual performance relation to these standards". Meyer and Kirsten (2005) contend that, managing performance of employees forms an integral part of an organization and reflects how they

manage their human capital. Along the same lines, Giles et al. (1997) postulate that, an effective performance appraisal should encompass an overall framework or context that enables the entire process to operate at an optimal level of performance. This is consistent with the findings of Caldwell et al. (1990) who argued that, integrated human resource and performance management policies has significant influence on employee attitude and commitment. The following is hypothesized.

H2: Performance appraisal has a positive influence on employee competencies.

Employee Participation and Employee Competencies:

Wagner (1994) defined employee participation defined as "a process in which influence is shared among individuals who are otherwise hierarchically unequal". Armstrong (2006) posited that, employee participation is an arrangement that ensure that employees are given the opportunity to influence management decisions and to contribute to the improvement of organizational performance. Similarly, Ardichvili et al. (2003), emphasized employee participation is a key element in the successful implementation of new management strategies and plays an important role in determining the degree of job satisfaction, increases the commitment of the employee as well as their motivation. This is consistent with other authors who found that, employee participation is positively related to performance, satisfaction, and productivity of an employee (Pfeffer, 1994; Verma, 1995). The following is hypothesized.

H3: Employee participation has a positive impact on employee competencies.

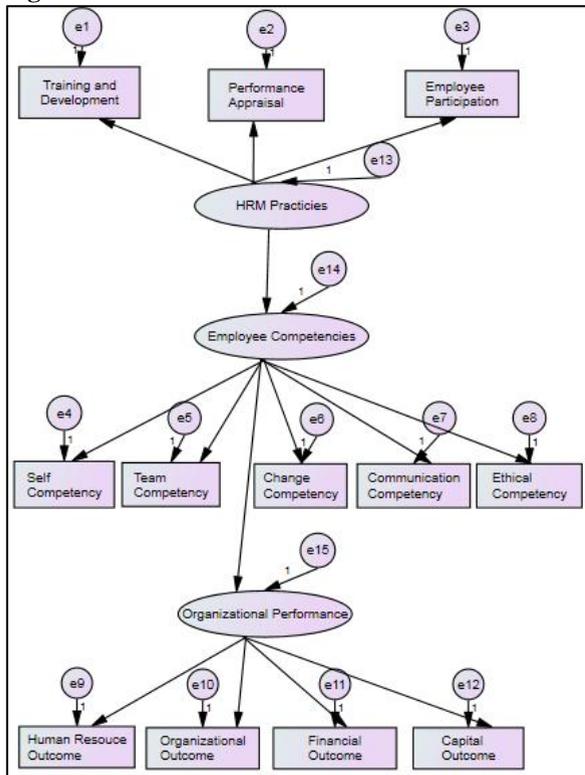
Employee Competencies and Organizational Performance:

Employee competencies are the competitive capabilities that a firm can develop to survive in a dynamic environment (Wright and McMahan, 1992). Lawler and Ledford (1997) postulated that an organization is considered to be an effective organization when it has a suitable strategy and competent employee. This is consistent with several author who found that improvements in employee competencies significantly enhances organizational performance i.e. financial outcomes and productivity (Asree et al., 2010) and non-financial outcomes (Lockhart, 2013). The following is hypothesized

H4: Employee competencies have a positive influence organizational performance.

The Structural equation model is depicted in figure 1.

Figure 1



Methods:

Research Setting and Data Structure:

In order to test the proposed model, an empirical study was conducted in 4 and 5 star rated hotel establishments in Ghana. Four to five-star rated hotels are synonymous with luxury and provide excellent and extensive facilities and highest degree of personal service, where elegance and style abound (Ordanini and Parasuraman, 2011). Information on the hotels was taken from the Ghana Tourism Authority Directory. The hotel industry has a series of characteristics that are very suitable for this study. Basically, it is an intensive sector as far as HR is concerned, there is a clear emphasis on personal service, it is highly competitive, and it is very sensitive to demand fluctuations and intensive in capital (Tracey, 2014). According to the source used, 14 hotels met the conditions for inclusion in the study. It was decided that all the sampling units would be studied and a structured questionnaire was sent to all the firms in the population. In order to obtain their cooperation, a cover letter was sent to the general managers explaining the purpose of the study. They were later contacted by phone for a meeting. Employees were chosen as key informants for the study. A total of 950 respondents were identified and reached in the selected hotels and 700 respondents reverted back with full required information corresponding to a response rate of 73.68 %. From Table 1, the majority of respondents (57.9%) were

males. More than half (52%) of respondents were in the age group 26–35 years. The majority of respondents (35.6%) had 1-5 years working experience in their respective hotels.

Table 1: Profile of Respondents

Variables	Frequency (s)	Percentage of totals (%)	Variables	Frequency (s)	Percentage of totals (%)
Gender			Education		
Male	405	57.9	Junior High	73	10.4
Female	295	42.1	Senior High	196	28
Age			Diploma	130	18.6
18-25	165	23.5	HND	134	19
26-35	364	52	Bachelor's degree	154	22
36-45	109	15.6	Master's degree	13	2
46-55	62	8.9	Experience		
			Less than one year	85	12.1
			1-5 years	249	35.6
			6-10 years	123	17.6
			11-15 years	107	15.3
			16-20 years	83	11.8
			20 years and above	53	7.6

Measures:

The variables used in this study were assessed using multiple items from different studies in the extant literature. All the items were measured using a 5-point Likert-type scale, where the respondents had to indicate their level of conformity with the different statements (1: strongly disagree to 5: strongly agree).

Training and development:

Training and development was measured using the scales of effective implementation of training programs developed by Singh (2004) and Santos and Stuart (2003). The scale which consists of ten items were modified according to the current research settings and generated three items with a reliability of 0.83.

Employee participation:

Employee participation was measured using the employee participation scale developed by Locke and Schweiger (1979). The scale which consists of ten items were modified according to the current research

settings and generated two items with a reliability of 0.77.

Performance appraisal:

Performance appraisal was measured using Walker et al. (2011) and Singh (2004) scale of performance appraisal. The scale which consists of nine items were modified according to the current research settings. The four item scale has the reliability of 0.79.

Employee competencies:

To measure employee competencies, five competencies which are necessary to enhance organizational performance was measured: team competency, change competency, communication competency, self-competency and ethical competency.

Self-competency:

Self-competency was measured using self-liking/self-competence scale (SLCS) developed by Tafarodi and Swann Jr. (1995). The scale which consists of 10 items in each dimension of self-liking and self-competence, were further divided it into equal number of positively and negatively worded items. The scales were modified according to current research settings and generated five items. The negatively worded self-competence items are converted into positively worded items, such as, "I perform inadequately in many important situations" is converted to "I perform adequately in many important situations". The five item scale has a reliability of 0.81.

Team competency:

Team competency was measured using the teamwork, self-efficacy scale developed by Eby and Dobbins (1997). The scale which consists of eight items were modified according to the current research settings and generated five items with a reliability of 0.79.

Change competency:

The self-efficacy scale developed by Ashford (1988) was adopted in measuring change competency. In the context of organizational change, change related self-efficacy can be defined as an employee's perceived ability to function well on the job, despite the demands of the changing work environment (Ashford, 1988; Jimmieson et al., 2004). The scale which consists of ten items were modified according to the current research settings. The two item scale has a reliability of 0.82.

Communication competency:

Communication competency was measured using Wierman's (1997) communication scale (affiliation/support, social relaxation, empathy, behavioral flexibility, and interaction management skills). The scale which consists of twelve items were modified according to current research settings and generated four items with a reliability of 0.82.

Ethical competency:

Ethical competence was measured using Rest (1994) competent model" for determining moral behaviour scale (moral sensitivity, moral judgment, moral motivation, moral character) and Duckett and Ryden

(1994) implementing the moral decision scale. The scale which consists of ten items were modified according to current research settings and generated three items with a reliability of 0.78.

Organizational performance:

Four dimensions of organizational performance was measured: HR outcomes, organizational outcomes, financial outcomes, and capital market outcomes.

HR Outcomes:

The HR outcome scale developed by Delaney and Huselid (1996) was adopted in measuring HR outcomes. The scale which consists of eight items were modified according to the current research settings and generated three items with a reliability of 0.76.

Organizational outcome:

Organizational outcome was measured using Chenhall and Langfield-Smith (2007), organizational outcome scale. The scale which consists of seven items were modified according to the current research settings and generated two items with a reliability of 0.77.

Financial outcomes:

Financial outcomes was measured using the financial outcome scale developed by Rowe et al. (2003). The scale which consists of seven items which are modified for the current research settings and generated two items with a reliability of 0.75.

Capital market outcomes:

Capital market outcomes was measured using the capital market outcome scale developed by Rowe and Morrow (1999). The scale which consists of four items were modified according to the current research settings and generated two items with a reliability of 0.73.

Analytic Approach:

The efficacy of the proposed model and hypotheses were analyzed using the Statistical Package for Social Science (SPSS) 20.0 and the Analysis of Moment Structure (AMOS) 20.0. In the first step, the researcher tested the measurement model. To establish construct validity, the researcher examined: (a) the relationship between the observable indicators and their latent constructs and (b) correlations among sub-dimensions. The second step was to test the overall model. Baron and Kenny (1986), classical product method was used to examine the role of employee competencies on the association between HRM practices and organizational performance.

Handling Common Method Bias:

Bagozzi and Yi (1991) define common method bias as the "variance that is attributable to the measurement method rather than to the construct of interest" (p.426). Since method biases are the main sources of measurement error, they pose a problem in the form of confounding empirical results. Conway and Lance (2010) have suggested four approaches to handle common method bias. The approaches are: a) an

argument for why self-reports are appropriate; b) construct validity evidence; c) lack of overlap in items for different constructs; and d) evidence that pro-active steps were taken to mitigate threats of method effects (p. 325). Our research was conducted at the functional level and the respondents were employees. We submit that they were in the best position to respond about human resource management practices, employee competencies and organizational performance. We adapted scale from established sources and performed validity tests by running confirmatory factor analysis. The results showed that the established criteria were satisfied. Throughout the process, we assured to protect the respondent anonymity and thus reduced the evaluation apprehension (Conway and Lance, 2010; Podsakoff et al., 2003). These steps ensured that the effect of common method bias was minimal.

Results:

Descriptive Statistics:

The descriptive statistics estimates are provided in Table 2. The results show that each of the constructs is positively and significantly correlated.

Table 2: Correlation Matrix

Items	Mean	SD	1	2	3	4	5
Training and development	10.31	3.22	1				
Employee participation	7.45	2.14	0.291**	1			
Performance Appraisal	13.80	3.64	0.367**	0.242**	1		
Employee Competencies	53.63	15.40	0.477**	0.284**	0.476**	1	
Organizational Performance	30.71	6.87	0.353**	0.200**	0.237**	0.185**	1

**Correlation is significant at the 0.01 level (2-tailed).

*Correlation is significant at the 0.05 level (2-tailed).

Measurement Model:

The overall fit of the measurement model as reported in (Table 3) was found to be reasonable. The chi-square/df ratios (3.46) were within suggested threshold (i.e., less than 5.0) indicating a reasonable fit (Wheaton et al., 1977). The root mean square error of approximation (RMSEA) value (0.068) and standardized root mean residual (SRMR) value (0.061) were lower than 0.08, indicating adequate fit (Browne and Cudeck, 1993; Hu and Bentler, 1999). In addition, all other indices (i.e., TLI and CFI estimates) were greater than the recommended 0.90, indicating adequate fit (Bentler, 1990; Kline, 1998).

Table 3: Results of the Measurement and Structural Model Tests

	χ^2	Df	χ^2/df	P	RMSEA	SRMR	TLI	CFI
Measurement model	238.566	62	3.46	0.000	0.068	0.061	0.923	0.951
Structural model - Overall model	138.096	48	2.56	0.000	0.056	0.040	0.953	0.975

Note: RMSEA=Root mean square of approximation; SRMR=Standardized Root Mean Residual; TLI=Tucker-lewis index; CFI=Comparative fit index; $p < 0.05$.

Reliability and Validity of the Scales:

To study the validity and reliability of the measurement scales used, a confirmatory factor analysis was carried out. To establish convergent validity, the three important indicators were examined; factor loadings (standardized estimates), average variance extracted (AVE) and composite reliability (CR). The results are depicted in Table 4. Cronbach’s coefficient alpha estimates for the constructs ranged between 0.77 and 0.83, exceeding the minimum value of 0.70 as recommended by Nunnally and Bernstein (1994). The standardized estimates of each construct are ranged between 0.63 and 0.91, which are higher than the suggested threshold of 0.60 or higher (Hair et al. (2006) and statistically significant ($p < 0.05$). The average variance extracted among the items of a construct are range between 0.57 and 0.70, which are higher than the suggested threshold of 0.50 indicating higher reliability of a construct (Fornell and Larcker, 1981). The composite reliability of all construct ranged between 0.77 and 0.88, which are higher than the suggested threshold of 0.70, indicating adequate internal consistency (Fornell and Larcker, 1981). From Table 5, it can be inferred that, there was a significant mediated effect of HRM practices on organizational performance (0.11, $p < 0.05$).

Table 4: Confirmatory Factor Analysis

Factor Names, Factor Loadings and Cronbach’s alpha				
Factor	Items	(λ)	AVE	CR
Training and Development ($\alpha=0.83$)	The skills and knowledge related resources that were used in the training program are available for use on the job	0.87		
	The activities of the training program provided meet the needs of the employees	0.81	0.64	0.84
	Employees are	0.71		

Factor Names, Factor Loadings and Cronbach's alpha				
Factor	Items	(λ)	AVE	CR
	sponsored to training programmes on the basis of relevant training needs			
Employee Participation(α=0.77)	My views have a real influence in company decisions	0.70		
	I have a say in selection and training decisions	0.88	0.63	0.77
Performance Appraisal (α=0.79)	Organization provides a written and operational performance appraisal system	0.70		
	Performance is measured on the basis of objective and quantifiable results	0.81	0.57	0.80
	Employees are provided performance based feedback and counselling	0.73		
	Performance review discussions are conducted with the highest quality and care	0.78		
Self -competency (α=0.81)	I perform very well in many important situations	0.81		
	I am capable person	0.69	0.58	0.87
	I am very talented	0.69		
	I deal appropriately with challenges	0.89		
	I am very competent	0.70		
Team competency (α=0.79)	I can work very effectively in a group setting	0.71		
	I can contribute valuable insight to a team project	0.68		
	I can easily facilitate communication between people	0.71	0.59	0.88
	I am effective at delegating	0.86		

Factor Names, Factor Loadings and Cronbach's alpha				
Factor	Items	(λ)	AVE	CR
	responsibilities for tasks			
	I am able to resolve conflicts between individuals effectively	0.88		
Change competency (α=0.82)	I believe i perform well in job situations following restructuring	0.76		
	Provided training i can perform well following the change	0.91	0.70	0.82
Communication competency (α=0.82)	I am a good listener	0.64		
	I generally know what type of behaviour is appropriate in any given situation	0.80	0.56	0.83
	I generally know how others feel	0.71		
	I say the right thing at the right time	0.82		
Ethical competency (α=0.78)	I make decision based on reliable evidence	0.72		
	I make decision with priority on the thoughts and values of the organization	0.74	0.56	0.79
	I make decision in consideration of what the organization places importance on	0.78		
HR outcome (α=0.76)	Ability to attract employees.	0.63		
	Ability to retain employees.	0.86	0.64	0.84
	Relationship between management and employees	0.88		
Organizational outcome (α=0.77)	Quality of products or services.	0.71		
	Productivity.	0.95	0.70	0.82
Financial outcome (α=0.75)	Profitability	0.73		
	Return on investment	0.85	0.62	0.77
Capital market outcome (α=0.73)	Market Share	0.74		
	Market Value	0.88	0.66	0.79

Notes: AVE represents average variance extracted; CR represents composite reliability. All Factor loadings are significant at $p < 0.05$

Table 5: Standardized direct, indirect and total effects of HRM Practices

	HRD Practices			p value
	Direct	Indirect	Total effect	
Employee Competencies	0.506		0.506	$p < 0.05$
Organizational Performance	0.276	0.117	0.393	$p < 0.05$

Test of hypotheses:

The proposed hypotheses were tested using structural equation modeling (SEM). The results of the structural model test depicted in Table 3, indicate an adequate fit to the data. The chi-square/df ratios of (2.56) were lower than the suggested threshold (i.e., less than 3.0) indicating a good fit (Carmines and McIver, 1981; Kline, 1998). The root mean square error of approximation (RMSEA) value of (0.05) and standardized root mean residual (SRMR) value (0.04) were lower than the suggested thresholds (i.e., less than 0.60 and 0.05) indicating a good fit (Hu and Bentler, 1999; Kline, 2010) In addition, all other indices (i.e., TLI and CFI estimates) were greater than the recommended cut off value of (0.95) indicating a good fit (Hair et al., 2006. Kline, 2010). Thus, the overall structural model reflects desirable psychometric properties. Table 6, which report the results of the hypotheses show that, three out of the four hypotheses were supported and accepted in data set.

Table 6: Inferences drawn on Hypotheses

Hypothesis	Beta coefficient	p value	Result
H1: Training and development has a positive impact on employee competencies.	0.584	$p < 0.05$	Accepted
H2: Performance appraisal has a positive impact on employee competencies.	-0.004	$p > 0.05$	Rejected
H3: Employee participation has a positive impact on employee competencies.	0.211	$p < 0.05$	Accepted
H4: Employee competencies has a positive impact on organizational performance.	0.231	$p < 0.05$	Accepted

Discussion:

This study reveals important empirical results that make a significant contribution to clarifying the question of the impact of human resource management practice on hotel industry’s performance by means of employee competencies. Hypothesis 1 confirms a positively significant impact of training and development on employee competencies. This result is consistent with the findings of Harrison (2000) and Appiah (2010) who argued that, training and development positively influencing employee performance through the development of employee knowledge, skills, ability, competencies and behaviour. Results of Hypothesis 2 suggest that, performance appraisal does not have any significant impact on employee competencies. This result is consistent with the findings of Osman et al. (2011) who emphasized that, ineffective appraisal practices can lead to many undesirable problems including low morale, decreased employee productivity and low enthusiasm to support organizations, hence decrease organizational performance. The results of hypothesis 3 confirms a significant positive impact of employee participation on employee competencies. The result is consistent with the study of Pfeffer (1994) who found that, employee participation is positively related to performance, satisfaction, and productivity of an employee. Finally, results for hypothesis 4 indicate that employee competencies have a significantly positive impact on organizational performance. This is consistent with the findings of Homer (2001) who indicated that, employee competencies are the most important foundation for successful organizational process and profits. Results of the study objective are in conformity with Baron and Kenny (1986) assertion that, to claim the mediator is completely responsible for the association between cause and outcome, the coefficient should be zero. The results are consistent with the study of Noe et al. (2010) who emphasized that, human resource management practices improve the performance of organizations by contributing to employee and customer satisfaction, innovation, productivity, and development of good reputation among firm’s community.

Theoretical implications:

From an academic perspective, this study contributes to the literature by addressing the subject of improvements of employee competencies suggested by Levenson (2005), about which further research is needed in the hotel industry. HRM plays an important role in all sectors of the economy; however, it is especially important in hotel industry where their significance is even greater. This industry is characterized by being labour-intensive and focused on satisfying guests needs (Tracey, 2014). The present study addresses these recommendations by further investigating the

relationship between HRM practices and organizational performance based on the premise that investment in (HRM) practices are an essential element in building human capital and stimulating the necessary behaviours that create advantage for the organization (Boxall and Steenveld, 1999). Few studies have performed an in-depth analysis of HRM practices on organizational performance within the industry (Maxwell, et al., 2000; Watson et al., 2007). Along the same line, few studies have focused on employee competencies of this type of organization (Kabanoff and Brown, 2008; Song et al., 2008). For this reason, and in line with other studies, this study can confirm, HRM practices impacts employee competencies in hotel industry through training and development initiative which enhances employee's capabilities and instrumental in improving overall organizational performance (Mackelprang et al., 2012) and employee participation initiative which leads to the fulfillment of individual and organizational goals (Ardichvili, et al., 2003). Another important contribution of this study is the role of employee competencies on the association between HRM practices and organizational performance. This situation addresses the important demand in literature related to the need for adherence to technically superior human resource practices which results in more productive, motivated, satisfied and committed employees who in turn promote a more effective organization (Ostroff and Bowen, 2000). Previous empirical and theoretical research on the HRM and organizational performance linkage focused on design and strategy, whereas this study focused on employees. For these reasons, our study contributes to the scarce number of previous studies that have focused on the important role of employee competencies in the HRM and organizational performance linkage literature in the hotel industry.

Managerial Implications:

In practical terms, the results lead to the consideration of a series of implications for the hotel industry. First, it is recommended for policy makers, stakeholders and management of hotels to encourage the adoption of properly and well-articulated HRM practices in hotel industry. These HRM practices the research revealed improves the performance of organizations by contributing to employee and customer satisfaction, innovation, productivity, and development of good reputation among firm's community (Noe et al., 2010). This research highlights the need to create a framework for the development of employee competencies. Employee competencies are one of the factors which determine the effectiveness of organization

performance (Hoge et al. 2005). Therefore, the hotel industry should encourage the improvements of these competencies since they affect the behaviour of individuals, teams and effectiveness of the organization (Bhardwaj, 2013; Hellriegel and Slocum, 2011). Furthermore, the study suggest that HRM practices should be configured in a way that an individual can perform effectively and meet performance expectation through improving individual competencies which will enhance organizational performance.

Limitations and Suggestions for Future Study:

There are certain limitations that offer important avenues for future research. The results of this study cannot be generalized because they come from a sample of hotels in a specific context. We should also be careful when applying the results obtained to other sectors, given the specific characteristics of the hotel industry. Furthermore, the data used in this research are largely subjective opinions of employees. Subjective assessments obtained through multi-item scales are in general fairly consistent with objective measure. Future studies could adopt the use of objective measures. Moreover, in this research the analysis is based on cross-sectional data, and so future studies could adopt a longitudinal research design to test causal relationships among the variables. In addition, the possible moderating role of other variables, such as employee performance, has not been analyzed. Based on this limitation, future research could explore how employee performance mediates the association between human resource management practices and organizational performance. Finally, the possible mediating effects of employee performance on human resource management practices and organizational performance have not been analyzed because this would require a change in the paper's structure and extend it beyond its original purpose. We encourage future research to explore the effects of employee performance on organizational performance using different human resource management interventions.

References:

- Appiah, C. (2010). *Human Resource Strategies for International Growth*. Routledge, London
- Armstrong, M. (2006). *A handbook of human resource management practice, (10th Ed.)*. Kogan Page. London.
- Ardichvili, A., Vaughn, P. and Tim, W. (2003). Motivation and barriers to participation in virtual knowledge-sharing communities of practice. *Journal of Knowledge Management*, Vol.7, 64-77.

- Ashford, S. J. (1988). Individual strategies for coping with stress during organizational transitions. *Journal of Applied Behavioral Science*, Vol.24,19-36.
- Asree, S., Zain, M. and Razalli, M. R. (2010). Influence of leadership competency and organizational culture on responsiveness and performance of firms. *International Journal of Contemporary Hospitality Management*, Vol.22, 500–516.
- Bartlett, K. R. (2001). The relationship between training and organizational commitment: a study in the health care field. *Human Resource Development Quarterly*, Vol.12, 335-352.
- Baron, R. M., and Kenny, D. A. (1986). The moderator–mediator variable distinction in social psychological research: Conceptual, strategic, and statistical considerations. *Journal of Personality and Social Psychology*, Vol.51, 1173–1182.
- Barzegar, N. and Farjad, S. (2011). A study on the impact of on the job training courses on the staff performance (a case study). *Procedia – Social and Behavioral Sciences*, Vol.29, 1942-1949.
- Baum, T., and Szivas, E. (2008). HRD in tourism: A role for government?. *Tourism Management*, Vol.29, 783–794.
- Becker. E. and Huselid, M. A. (2006). Strategic human resources management: Where do we go from here?. *Journal of Management*, Vol.32, 898-925.
- Bentler, P. M. (1990). Comparative fit indexes in structural models. *Psychological Bulletin*, Vol.107, 238-246.
- Bagozzi, R. P., and Yi, Y. (1991). Multitrait-Multimethod Matrices in Consumer Research. *Journal of Consumer Research*, Vol.17, 426-439.
- Boxall, P. and Steenveld, M. (1999). Human resource strategy and competitive advantage: a longitudinal study of engineering consultancies. *Journal of Management Studies*, Vol.36, 443-463.
- Boyatzis, R.E. (1982). *The competent manager: A model for effective performance*. Canada: John Wiley and Sons.
- Brown, M. W., and Cudeck, R. (1993). Alternative ways of assessing model fit, In K. Bollen, and J. S. Long (Eds.), *Testing structural equation models* (pp. 136–162), Newbury Park, Sage, CA.
- Caldwell, D.F., Chatman, J.A. and O'Reilly, C.A. (1990). Building organizational commitment: a multi-firm study. *Journal of Occupational Psychology*, Vol.63, 245–261.
- Cappelli, P., and Neumark, D. (2001). Do high performance work practices improve establishment level outcomes? *Industrial and Labor Relations Review*, Vol.54, 737–775.
- Clardy, A. (2008). The strategic role of human resource development in managing core competencies. *Human Resource Development International*, Vol.11, 183-197.
- Cho, S., Woods, R.H., Jang, S.C., and Erdem, M. (2006). Measuring the impact of human resource management practices on hospitality firms' performance. *Hospitality Management*, Vol. 25, 262-277.
- Conway, J.M. and Lance, C.E. (2010). What reviewers should expect from authors regarding common method bias in organizational research. *Journal of Business and Psychology*, Vol.25, 325-334.
- Cook, C. and Hunsaker, P.L. (2001). *Management and organizational behaviour, (3rd Ed.)*, Irwin McGraw-Hill, New York, NY.
- Delaney, J.T. and Huselid, M.A. (1996). The impact of human resource management practices on perception of organizational performance. *Academy of Management Journal*, Vol.39, 949-969.
- Datta, D. K., Guthrie, J. P. and Wright, P. M. (2005). Human resource management and labor productivity: does industry matter. *Academy of Management Journal*, Vol.48, 135-145.
- Delaney, J.T. and Huselid, M.A. (1996). The impact of human resource management practices on perception of organizational performance. *Academy of Management Journal*, Vol.39, 949-969.
- Delery, J. E., and Doty, D. H. (1996). Modes of theorizing in strategic human resource management: tests of universalistic, contingency, and configurational performance predictions. *Academy of Management Journal*, Vol.39, 802-835.
- Draganidis. F. and Mentzas. G. (2006). Competency based management: a review of systems and approaches. *Information Management and Computer Security*, Vol14, 51-64.
- Duckett, L. J., and Ryden, M. B. (1994). Education for ethical nursing practice. In Rest, J. R. and Narváez, D. (Eds.), *Moral development in the professions: Psychology and applied ethics* (pp. 51–70), Hillsdale, Lawrence Erlbaum Associates, New Jersey, NJ.
- Dryer, L., and Reeves, T. (1995). HR Strategies and firm performance: an approach and an

- agenda. *Industrial Relations*, Vol.23, 156-169.
- Eby, L. T. and Dobbins, G. H. (1997). Collectivistic orientation in teams: an individual and group-level analysis. *Journal of Organizational Behavior*, Vol.18, 275-295.
- Evan, W. R. and Davis, W. D. (2005). High-performance work systems and organizational performance: the mediating role of internal social structure. *Journal of Management*, Vol.31, 758-775.
- Fornell, C. and Larcker, D. F. (1981). Evaluating structural equation models with unobservable variables and measurement error. *Journal of Marketing Research*, 18 (1), 39-50.
- Hair, J. F., Black, W. C., Babin, B. J., Anderson, R. E. and Tatham, R. L. (2006). *Multivariate data analysis*, (6th Ed.). Prentice-Hall, Upper, Saddle River, New Jersey, NJ.
- Harrison R. (2000). *Employee Development*, (2nd Ed.). Institute of Personnel and Development (IPD), London.
- Hellriegel, D. and Slocum, J.W., Jr. (2011). *Organizational behavior*. Southwest Cengage Learning, Mason, USA.
- Hoge, M. A. Tondora, J. and Marrelli, A. F. (2005). The fundamentals of workforce competency: implications for behavioral health. *Administration and Policy in Mental Health and Mental Health Services Research*, Vol.13, 509-531.
- Homer, M. (2001). *Skills and Competency management*. *Industrial and Commercial Training*, Vol.33, 59-62,
- Hu, L. T., and Bentler, P. M. (1999). Cutoff criteria for fit indexes in covariance structure analysis: Conventional criteria versus new alternatives, *Structural equation modeling. A multidisciplinary Journal*, Vol.6, 1-55.
- Huselid, M.A., (1995). The impact of human resources management practices on turnover, productivity, and corporate financial performance. *Academy of Management Journal*, Vol.38, 635-672.
- Huselid, M.A., and Becker, B.E. (1996). Methodological issues in cross-sectional and panel estimates of the human resources-firm performance link. *Industrial Relations*, Vol.35, 400-422.
- Giles, W., Findley, H. and Feild, H. (1997). Procedural fairness in performance appraisal: beyond the review session. *Journal of Business and Psychology*, Vol.11, 493-506.
- Ichniowski, C., Shaw, K., and Prennushi, G. (1995). The effects of human resource management practices on productivity, NBER Working Paper 5333, Columbia University.
- Kabanoff, B. and Brown, S. (2008). Knowledge structures of prospector, analyzers, and defenders: content, structure, stability, and performance. *Strategic Management Journal*, Vol.29,149-171.
- Kalargyrou, V., and Woods, R. H. (2011). Wanted: training competencies for the 21st century, *International Journal of Contemporary Hospitality Management*, Vol.23,361-376.
- Kandampully, J., Juwaheer, T. D., and Hu, H. H. (2011). The influence of a hotel firm's quality of service and image and its effect on tourism customer loyalty. *International Journal of Hospitality & Tourism Administration*, Vol.12, 21-42.
- Kline, R. B. (2010). *Principles and practice of structural equation modeling* (3rd Ed.), Guilford Press, New York, NY.
- Levenson, A. R., Van der Stede, W. A. and Cohen, S. G. (2006). Measuring the relationship between managerial competencies and performance. *Journal of Management*, Vol.32, 360-380.
- Lockhart, J. C. (2013). Executive education: can it be too good. *Journal of Executive Education*, Vol.12,1-12.
- Mackelprang, A.W., Jayaram, J. and Xu, K. (2012). The influence of types of training on service system performance in mass service and service shop operations. *International Journal of Production Economics*, Vol.138, 183-194.
- Maxwell, G., McDougall, M., and Clair, S. (2000). Managing diversity in the hotel sector: The emergence of a service quality opportunity. *Managing Service Quality*, Vol.10, 367-373.
- McClelland, D.C. (1973). Testing for competence rather than for intelligence. *American Psychologist*, Vol.28, 1-14.
- Meyer, M. and Kirsten, M. (2005). *Introduction to Human Resource Management*, New Africa Books (Pvt) Ltd, Claremont, CA.
- Milošević, D. M., Martinelli, R. and Waddell, J. M. (2007). *Program management for improved business results*. Wiley, Hoboken, New Jersey, NJ.
- Murphy, P. E., and Price, G. G. (2005). Tourism and sustainable development. In W. F. Theobald (Ed.), *Global tourism* (3rd ed., pp. 167-192). Burlington: Elsevier
- Noe, R., Hollenbeck, J., Gerhart, B., and Wright, P. (2010). *Human resource management: gaining a competitive advantage*, (7th ed.). McGraw-Hill. New York. NY.

- Nunnally, J. C. and Bernstein, I. H. (1994). *Psychometric theory (3rd Ed.)*, McGraw-Hill, New York.
- Obisi, C. (2011). Employee performance appraisal and its implication for individual and organizational growth. *Australian Journal of Business and Management Research*, Vol.1, 92-97.
- Ordanini, A. and Parasuraman, A. (2011). Service innovation viewed through a service-dominant logic lens: a conceptual framework and empirical analysis, *Journal of Service Research* Vol.14,3-23.
- Osman, I., Sidani, Y., Al-Ayoubi, B. and Emrouznejad, A. (2011b). Data envelopment analysis model for the appraisal and relative performance evaluation of nurses at an intensive care unit. *Journal of Medical Systems*, Vol.35,1039-1062.
- Ostroff, C., and Brown, A. E. (2000). *Moving HR to a higher level: HR practice and organizational effectiveness*. In K.J. Klein and S.W.J Koslowski (Eds), *Multilevel theory, research and methods in organizations*.
- Pfeffer, J. (1994). *Competitive advantage through people*. Harvard Business School Press, Boston, MA.
- Podsakoff, P. M., MacKenzie, S. B., Lee, J.-Y., and Podsakoff, N. P. (2003). Common method biases in behavioral research: A critical review of the literature and recommended remedies. *Journal of Applied Psychology*, Vol.88, 879-903.
- Randeree, K. and Al Youha, H. (2009). Strategic management of performance: an examination of public sector organizations in the United Arab Emirates. *International Journal of Knowledge, Culture and Change Management*, Vol.9, 123-134.
- Rest, J. R. (1994). Background: theory and research. In Rest, J. R. and Narváez, D. (Eds.), *Moral development in the professions: Psychology and applied ethics* (pp. 1–26), Hillsdale, Lawrence Erlbaum Associates, New Jersey, NJ.
- Rowe, W. G., Cannella, A. A., Jr., Harris, I. C., and Francolini, T. (2003). In search of meaning: does the fortune reputation survey alter performance expectations. *Canadian Journal of Administrative Sciences*, Vol. 20,187–195.
- Rowe, W. G. and Morrow, J. L., Jr. (1999). A note on the dimensionality of the firm financial performance construct using accounting, market, and subjective measures. *Canadian Journal of Administrative Sciences*, Vol. 6, 58-70.
- Santos, A. and Stuart, M. (2003). Employee perceptions and their influence on training effectiveness. *Human Resource Management Journal*, Vol.13, 27-45.
- Singh, K. (2004). Impact of HR practices on perceived firm performance in India. *Asia Pacific Journal of Human Resources*, Vol.42, 301-317.
- Schuler, R. S. and Jackson, S. E. (1987). Linking competitive strategy with human resource management practices. *The Academy of Management Executive*, Vol.1, 207-219.
- Schuler, R.S. and MacMillan, I. (1984). Gaining competitive advantage through human resource practices. *Human Resource Management*, 23, 263-276.
- Song, M., Nason, R.W. and Di-Benedetto, C.A. (2008). Distinctive marketing and information technology capabilities and strategic types: a cross-national investigation. *Journal of International Marketing*, Vol.16, 4-38.
- Tafarodi, R. W. and Swann, W. B. Jr. (1995). Self-liking and self-competence as dimensions of global self-esteem: initial validation of a measure. *Journal of Personality Assessment*, Vol. 65, 322-342.
- Thang, N.N., NV. Thu and D. Buyens (2008). The impact of training on firm performance: Case of Vietnam. *Academy of Human Resource Development*, 3-6
- Thang, N.N. and Buyens, D. (2010). The relationship between training and firm performance: A literature review. *Research and Practice in Human Resource Management*, 18, 28-45.
- Tomal, D.R., and Jones, K.J. (2015). A comparison of core competencies of women and men leaders in the manufacturing industry. *The Coastal Business Journal*, Vol.14, 13-25
- Tracey, J.B. (2014). A review of human resources management research: The past 10 years and implications for moving forward. *International Journal of Contemporary Hospitality Management*, Vol.26, 679-705.
- Verma, A. (1995). *Employee involvement in the workplace*. In *Research in personnel and human resource management*, eds M. Gunderson and A. Ponak, CT: JAI Press, New Haven.
- Wagner, A.J (1994). Participation's effects on performance and satisfaction: a reconsideration of research evidence. *Academy of Management Review*, Vol.19,312–330.

- Walker, R.M., Damanpour, F. and Devece, K.C. (2011). Management innovation and organizational performance: the mediating effect of performance management. *Journal of Public Administration Research and Theory*, Vol.21, 367-386.
- Watson, S., Maxwell, G. A., and Farquharson, L. (2007). Line managers' views on adopting human resources roles: The case of Hilton (UK) hotels. *Employee Relations*, Vol.29, 30-49.
- Wheaton, B., Muthen, B., Alwin, D., F., and Summers, G. (1977). Assessing reliability and stability in panel models. *Sociological Methodology*, Vol.8, 84-136.
- Wiemann, J. M. (1977). Explication and test of a model of communicative competence. *Human Communication Research*, Vol.3, 195-213.
- Wright, P.M., and McMahan G.C. (1992). Theoretical perspective for strategic human resource management. *Journal of Management*, Vo.18, 295-320.
- Wright, P. M. and Snell, S. A. (1991). Toward an integrative view of strategic human resource management. *Human Resource Management Review*, Vol.1, 203-225.
