

THE IMPACT OF CORPORATE STRATEGY ON HUMAN RESOURCE PRACTICES AND BUSINESS PERFORMANCE IN HOTEL BUSINESS

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ABSTRACT

The paper explores the relationship between firm strategies, human resource practices, and business performance utilizing data collected from general managers and human resource managers of 15 five-star hotels operating in Istanbul Turkey. Firms utilizing prospector strategies are found to have an externally oriented human resource practices while defenders tend to promote within. Analyzers are found to utilize both external and internal approach. Significant differences in both financial and nonfinancial performance based on the strategic orientations were also found.

Key Words: Hotel Management, Organizational Strategy, Human Resources, Business Performance

INTRODUCTION

Previous studies suggest that a close relationship between firm strategy and human resources practices (Beer, Spector, & Lawrence, 1984; Fombrun, Tichy & Devana, 1984; Luo & Park, 2001; Miles & Snow, 1978; Porter & Tansky, 1999; Rajagopalan, 1997). Studies further suggest that in order to succeed firm business strategy and human resources practices has to be aligned (Delery & Doty, 1996; Huang, 2001; Schuler & Jackson, 1987). Even though a small number of studies examined the relationships between firm strategy, human resources practices and firm strategy (Schuller & Jackson 1987), only a very limited number of them utilized empirical approaches (Sanz-Valle, et al., 1999; Torrington et al., 2002). However, studies that examined those relationships reported contradictory findings (Shortell & Zajac, 1990; Thomas & Ramaswamy, 1996). For example, while some studies suggest that firms that utilize a prospector strategy are more likely to hire managers from external sources (Miles & Snow, 1987; Shortell & Zajac, 1990; Thomas & Ramaswamy, 1996); others suggest that firms with prospector strategy are more likely to promote within (Schuler & Jackson, 1987). Most of the studies examined the relationship between firm strategies, human resources practices and performance were conducted in manufacturing industries (Beer, Spector, & Lawrence, 1984; Fombrun, Tichy & Devana, 1984; Luo & Park, 2001; Miles & Snow, 1978; Porter & Tansky, 1999; Rajagopalan, 1997). Even though service industry became the dominant industry in most developed countries, the relationship between firm strategies, human resources practices and performance have not received adequate attention from researchers. Therefore, the purpose of this study is to examine the relationship between firm strategies, human resources practices and performance in a service industry, namely hospitality industry. This study will utilize the firm strategy typology developed by Miles & Snow (1978) utilizing data collected from general managers and human resources managers of five-star hotels in Istanbul, Turkey.

In this study, first, the firm strategy of five-star hotels will be identified utilizing Miles and Snow's (1978) typology. Afterwards, similarities and differences among firms utilizing those strategies in human resource practices including recruitment, performance appraisal, compensation, training and turnover and in business performance including both financial and nonfinancial performance.

LITERATURE REVIEW

Firm strategy typology developed by Miles and Snow (1978) suggest that firms tend to utilize one of the following four strategies; prospector, analyzer, defender, reactor. Brief description of Miles and Snow's strategic orientations are provided below. These descriptions are adopted from Avcı, Madanoğlu and Okumuş (2011).

Prospectors

These firms are externally oriented firms that strive to create competitive advantage by leading the market in pioneering new products and developing innovative techniques and processes. They are constantly involved in monitoring the external environment with the aim of responding quickly to early signs of opportunities and exploiting the benefits of being a first entrant or pioneer in a new product/market area. These firms are more likely to hire their managers from external sources rather than promoting within. Their assessment of managers' tends to heavily depend on financial results. If a manager cannot deliver the expected financial performance, they are likely to replace the manager.

Defenders

In contrast to prospector, these firms are internally oriented organizations. They stress efficiency, and are tightly organized firms focused on maintaining a niche with a limited range of products or services. As a result of their narrow focus, these firms seldom need to make major adjustments in their technology, structure, or methods of operation, and devote their primary attention to improving the efficiency of existing operations. These firms are likely to offer growth opportunities for employees and, therefore, promote within.

Analyzers

These firms blend the characteristics of both the prospector and defender orientations. These firms are able to focus on efficiency and productivity when the market is stable, while at the same time cautiously moving into a new domain with scanning and innovation when the market is dynamic or turbulent. However, they only move into a new domain after its viability has been proven by prospectors. Depending on the situation, these firms are likely to both promote within and hire managers from external sources. While they tend to offer growth opportunities for their employees, if they need a manager with different expertise, they are likely to hire externally.

Reactors

These firms do not have a consistent product-market orientation and only respond to competitive circumstance when forced to do so in a characteristically inconsistent and unstable manner. Their behavior is unstable and their decisions are oriented towards the short as opposed to the long term.

METHODOLOGY

Data for this study were collected from the general managers and human resource managers of 15 hotels in Istanbul Turkey. All hotels are positioned as a five star hotels scale brand with full service hotels. Data were collected through personal interviewees. During the interview a series of structured questions about human resources practices and business performance were asked. Answers given by general managers and human resources managers to those questions were marked by the interviewee. The firm strategy utilized by each hotel was identified through a serious questions asked about the business practices. These questions were adopted from the seminal works of Conant et al. (1990), Miles and Snow (1978), Miles, Snow, Meyer, and Coleman (1978), Segev (1987), and Snow and Hrebiniak (1980).

A total of 32 questions were asked to assess human resource practices. Questions pertaining to both financial and non-financial firm performance were asked. Financial and non-financial measures were derived from the works of Laitinen (2002), Harris and Mongiello (2001) and Phillips (1999a, 1999b). Four questions were asked to measure financial performance and five questions were utilized to measure non-financial performance.

RESULTS

Based on the general managers' responses 6 hotels were categorized as analyzers, 5 hotels prospector and 4 defenders. None of the 15 hotels were classified as a reactor. As a result, only three of the four firm strategies recommended by Miles and Snow are used in this study: analyzer, prospector and defender. As presented below in Table 1, findings indicated significant differences across business strategies in "financial" dimension of performance at the $p < .05$ level [$F(2, 12) = 44.56, p = 0.00$] and in "non-financial" dimension of business performance at the $p < .05$ level [$F(2, 12) = 37.18, p = 0.00$]. Findings also indicated significant differences across business strategies in four dimensions of human resources practices. Tukey post hoc test indicated significant differences in "recruitments" dimension at the $p < .05$ level [$F(2, 12) = 11.13, p = 0.00$]; "performance appraisal" dimension at the $p < .05$ level [$F(2, 12) = 15.81, p = 0.00$]; "turnover" dimension at the $p < .05$ level [$F(2, 12) = 194.08, p = 0.00$] and "training" dimension at the $p < .05$ level [$F(2, 12) = 56.06, p = 0.00$]. However, findings suggested that there were no significant differences across business strategies in "compensation" dimension of human resources practices at the $p < .05$ level [$F(2, 12) = 1.31, p = 0.307$].

Table 1.
Means, Standard Deviations and Univariate ANOVA Results for Business Performances and Human Resources Implications across Three Business Strategies (Analyzer, Prospector, Defender)

Factors		Analyzer	Prospector	Defender	F
Business Performances					
Financial	M	4.61	4.07	2.33	44.56*
	SD	(.33)	(.28)	(.54)	
Non-Financial	M	4.54	3.50	2.81	37.18*
	SD	(.37)	(.18)	(.38)	
Human Resources Implications					
Recruitment	M	3.11	2.67	3.58	11.13*
	SD	(.23)	(.26)	(.40)	
Performance appraisal	M	3.72	4.40	2.83	15.81*
	SD	(.25)	(.43)	(.58)	
Compensation	M	3.30	3.36	3.05	1.31
	SD	(.28)	(.30)	(.34)	
Turnover	M	3.03	2.00	3.96	194.10*
	SD	(.07)	(.24)	(.08)	
Training	M	3.71	2.55	4.00	56.04*
	SD	(.29)	(.11)	(.20)	

Post hoc comparisons presented in Table 2 suggested that the mean score for defender in financial performance ($M = 2.33$, $SD = 0.54$) was significantly lower than both Analyzer ($M = 4.61$, $SD = 0.33$) and Prospector ($M = 4.07$, $SD = 0.28$). No significant differences were found between the mean scores for Analyzer and Prospector. Significant differences were found between the mean scores of business strategies in non-financial performances. The mean score for Analyzer ($M = 4.54$, $SD = 0.37$) was significantly higher than both Prospector ($M = 3.50$, $SD = 0.18$) and Defender ($M = 2.81$, $SD = 0.38$). The mean score for Prospector was also significantly higher than Defender.

Table 2.
Tukey HSD Post Hoc Test Results Mean Differences among three business strategies

	Analyzer -Prospector	Analyzer - Defender	Prospector- Defender
Performance			
Financial	0.54	2.28*	1.73*
Non-Financial	1.04*	1.73*	-0.69*
Human Resources			
Recruitment	0.44	-0.47	-0.92*
Performance appraisal	-0.68*	0.89	1.57*
Compensation	-0.60	0.25	0.31
Turnover	1.03*	-0.93*	-1.96*
Training	1.16*	-0.29	-1.45*

The post hoc comparisons presented in Table 2 also suggested that the mean score for Defender of “recruitment” ($M = 3.58$, $SD = 0.40$) was significantly higher than Prospector ($M = 2.67$, $SD = 0.26$). Findings also indicated significant differences between business strategies in performance appraisal. The mean score for Prospectors ($M = 4.40$, $SD = 0.43$) was significantly higher than both Analyzer ($M = 3.72$, $SD = 0.25$) and Defender ($M = 2.83$, $SD = 0.58$). Significant differences between the mean scores of strategies in Turnover were also found. The mean score for Defender ($M = 3.96$, $SD = 0.08$) was significantly higher than both Prospector ($M = 2.00$, $SD = 0.24$) and Analyzer ($M = 3.03$, $SD = 0.07$). The mean score for Analyzer was also significantly higher than Prospector. The post hoc comparisons also indicated that the mean score for Prospector in “Training” dimension of Human Resources Implications ($M = 2.55$, $SD = 0.11$) was significantly lower than both Analyzer ($M = 3.71$, $SD = 0.29$) and Defender ($M = 4.00$, $SD = 0.20$). No significant differences were found between the mean scores for Analyzer and defender. Findings indicated that there were no significant differences between the mean scores of business strategies in Compensation dimension of Human Resource practices.

DISCUSSION

Findings suggested that firm strategy is likely to play a significant role on five-star hotels' human resources practices. This finding is consistent with the findings of previous studies. Findings also indicated that both financial and non-financial performance of five-star hotels are also likely to be influenced by firms strategy. As suggested by the literature, findings of this study confirmed that prospectors are more likely to hire from external sources while defenders are more likely to promote within. Defenders were found to provide more training opportunities for their employees. As a result, findings indicated that employee turnover rate for defender tend to be significantly lower compared to prospectors.

Like other studies, this study is not free from limitations. This study only examined the firm strategies of 15 hotels. This may limit the generalizability of this study. Future studies should include data from a larger set of businesses.

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