

## CHALLENGES IN FORMULATING AND IMPLEMENTING OF STRATEGIC HUMAN RESOURCE MANAGEMENT

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**Abstract:** *This is research explores the challenges faced by hotels in Pogradec, in formulating and implementing strategic human resource management (SHRM). The study addresses the lack of empirical research into SHRM in Pogradec hotels at a time of rapid growth in the tourism industry. Building on current debates regarding strategic HRM, this research explores the relationship between human resource management and business strategies, and the challenges of HRM strategy realization. The study has a particular focus on Recruitment and Selection, and Training and Development, as these two functions lie at the heart of how businesses access and develop the critical skills required to implement SHRM initiatives. This research reveals challenges in formulating and implementing strategic HRM exist within Hotels of Pogradec. The challenges include the readiness of HR as a strategic partner, the absence of clearly-defined HR-related key performance indicators, labour scarcity, and government policies relating to labour and education. Discussion of the practical implications of the study's results highlight the actions recommended as necessary for the three target audiences and the Government, to improve professional practice pertaining to strategic human resource management in hotels.*

**Key words:** *Strategic human resource management (SHRM), strategy, human resource management (HRM), challenge, industry of hotels.*

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### Introduction

SHRM<sup>215</sup> is regarded as a complex process which is constantly changing and evolving and developments in and around the field of SHRM are now well documented in the management literature. SHRM is concerned with the integration of HRM strategies with business strategies (Guest, 1987; Schuler, 1992). In recent decades, highlights the increased potential and contribution of SHRM and the need for integration between HRM and business strategy (Budhwar and Aryee, 2008). The focus of SHRM is therefore to create an alignment (fit) between the organization's HR initiatives, through its policies and practices, with the corporate and strategic business unit plans. Baird & Meshoulam (1998, p.122) propose that human resource management must not only achieve external fit, 'but also the components of human resource management must fit with and support each other'. The idea is to create a synergy between the HR policies and practices, for example recruitment and selection, and training and development, ensuring that one policy or practice supports and reinforces the performance of the other.

The review of SHRM literature in this current study is presented in three levels of analysis, namely, organizational, industry and societal. According to Boxall and Purcell (2011), organizations need to comply with the labour laws of the countries they operate in, adapt to

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national economic conditions, including the relative difficulty of recruiting suitable labour in local markets, and address the issue of differences across countries in cultural norms. Industry analysis encapsulates the 'relationship between organisation and the economic, technological and socio-political factors that are specific to their particular industry'<sup>216</sup>. The hotel industry is often seen as one with poor employee practices and it experiences high employee turnover rates due to poor HR practices. The characteristics of this industry, which is labour intensive, and the vulnerability of the industry to environmental impacts such as market fluctuations further justifies the significance of SHRM in the hotel industry. Societal analysis is about how organizations adapt to the characteristics of the societies in which they are located. With the focus on the tourism sector as one of the enablers of region of Pogradec economic development, the country needs to enable its hoteliers to generate sufficient returns to encourage re-investment into the sector as well as attract higher quality staff.

This research interest mirrors the SHRM formulation and implementation challenges from the above three analytical perspectives. With over 20 years, the issue on barriers to effective implementation of SHRM remains unresolved. More attention should be paid to implementation issues in SHRM, (Becker & Huselid, 2006). Also, as much of the SHRM literature is primarily focused on developed and rich countries, there is scope to focus research on the phenomenon of SHRM in countries with emerging economies, such as Albania. Development of SHRM within an emerging economy country, such as region of Pogradec, there is still scope to explore the subject and the challenges hotel managers face in creating the strategic impact of HR.

This research has a particular focus on two HRM functions, Recruitment and Selection and Training and Development, as these two functions lie at the heart of how businesses attract and develop the critical skills in human resources required to achieve business goals (Kelliher and Johnson, 1987, 1997; Aaker, 1989). These functions are frequently described as essential functions (Snell, 1992; Mc Gunnigle and Jameson, 2005) within the hospitality HRM literature, with huge budgets being spent annually on employee recruitment and training.

This research focuses on Pogradec hotels and it is not only one of its first kind to explore the challenges of SHRM, it is one of the first to examine the formulation and implementation challenges of SHRM faced by General Managers, in Pogradec hotels. The tourism industry is rapidly growing in region of Pogradec, because as most hotels operating in work towards ensuring that they are able to attract tourists, efforts are in place to ensure that effective business strategic plans are formulated and implemented to achieve this endeavour.

**The focus of study is:** This research is about how managers of hotels can be better prepared in embracing strategic HRM, and how the Pogradec Association of Hotels, and the government can be supportive of strategic HRM initiatives, by being aware of the challenges that they are likely to face. This thesis presents an exploration of strategic human resource management (SHRM) challenges and has twin, equally important, purposes: to make original contributions both to knowledge and professional practice in this area. Within the research area, the theme is that of challenges in formulating and implementing SHRM within region of Pogradec hotels, with a focus on recruitment and selection, and training and development.

This research also takes an approach to exploring formulation and implementation of SHRM with a focus on three analytical levels – organization, industry and society<sup>217</sup>. Organizational

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<sup>216</sup> Boxall and Purcell, 2011, p.76

<sup>217</sup> Boxall and Purcell's (2011)

fit revolves around how managers can or should, mould their HR strategies to fit in with the business strategies. Industry fit encapsulates the relationship between organizations and the specific nature of their particular industry, while societal fit is about how organisations adapt to the characteristics of the societies in which they are located.

The formulation and implementation challenges of SHRM were influenced by both industry and societal characteristics. This research aims to explore challenges from all three set of influences or analytical levels.

| Analytical Levels            | Specific themes   | Sources of the factor affecting the hotel's practices |
|------------------------------|---|---|
| <b>Organizational</b>        | <ul style="list-style-type: none"> <li>• Intended versus realized strategies</li> <li>• Strategy Integration</li> <li>• Absence of clearly defined HR</li> <li>• Perceptions of SHRM between top management,</li> <li>• line managers and HR managers</li> <li>• Recruiting effective HR managers</li> <li>• HR's position and acceptance of HR as a strategic, corporate level partner</li> <li>• Leadership and support from top management</li> </ul>  | Internal  |
| <b>Industry and Societal</b> | <ul style="list-style-type: none"> <li>• Partnership between HR and line managers</li> <li>• HR's involvement in operations: being seen as a profit oriented department</li> <li>• Challenges in strategic recruitment and selection</li> <li>• Staff turnover</li> <li>• Labour scarcity</li> <li>• English language challenge</li> <li>• Education Policy</li> <li>• Policies on labour</li> <li>• Changing attitudes towards work</li> <li>• Challenges in strategic training and development</li> </ul> | External  |

Table 1. Three analytical levels and relevant corresponding themes from the findings of this study

### Strategic HRM challenges seen from the organizational level

The research has found that top management looked at strategic human resource planning differently, depending on the nature of business ownership and branding. Hotels in Pogradec, however, do put in writing where they are, where they want to go, and how they plan to get there. This is done in both formal and informal ways, as strategic planning, to hotels in Pogradec, can be both a 'planned' or an 'emergent' outcome (McGee, Thomas and Wilson, 2005). Pogradec hotels have vision and mission statements outlined for employees and the management team is responsible for communicating these to employees. The research found

that the process of environmental scanning and strategic planning does not involve all managers and, in some instances, not even the HR Manager. If strategy is also considered as “the process by which the basic mission and objectives of the organisation are set” (Tichy, Fombrun, & Devanna, 1982, p.47), the involvement of managers from various departments in the process of environmental scanning and planning seems crucial. Top management and owners of hotels decide on the future direction of the business and it is then cascaded down to all employees. There was no clear evidence of sharing of experiences that might have provided instances for hotels to link business and human resources. Moving further, the study found that most hotels maintain sufficient control over HR policies and practices and allow minimum or no interference from property owners. Regardless of the nature of business and branding, strategy still existed in hotels, which concurs with the literature. Strategy was not only restricted in competing with one another, hotels demonstrated a spirit of working together for a win-win strategy. The research found that hotels generally work together in a particular destination to attract visitors or tourists to their location. This business strategy of collectively attracting visitors, which is seemingly logical, has a potential to be further linked, as discussed by one human resource professional, to other human resource strategies like shared training initiatives and mobilizing human capital between selected hotels. This research found that hotels are careful in formulating strategies for business growth and demand for rooms, and not being falsely led by mere statistics as it was stated by one respondent. It was highlighted that government’s involvement should be enhanced by providing adequate statistics for use in guiding business planning and expansion.

### **Perceptions of SHRM from management**

Another SHRM challenge found in this study was the differences in perceptions of SHRM between general managers, HR professionals and line managers. It was found that there were differences in perceptions of SHRM among the three groups within the context of this research.

This could affect the implementation of SHRM by top management if all groups are not ‘singing the same song’<sup>218</sup>. General managers agree in principle that SHRM has to be positioned in a more strategic perspective compared to the myopic view of traditional HRM, while recognizing that there is a lot of room for improvement before hotels can claim that they practice SHRM. However, one concern that is associated with the perception on SHRM is the ability and motivation of general employees in hotels in comprehending strategy and its related outcome, SHRM. The research also found that HR managers in hotels believe that SHRM is about ‘making more money for the company’. Such a simplistic view could lead to a narrow perception and interpretation of SHRM and ultimately affect the creativity in formulating and implementing SHRM initiatives. An example of the limited view is when HR managers highlighted employer and employee relations as the main objective of SHRM. The research also found that line managers were not concerned about the differences between HRM and SHRM. They were either not sure about or did not pay attention to such terminologies.

### **Recruiting effective HR managers**

Another important factor that enables the linking of HR strategy to the business strategy is the ability of HR leaders. This research found that HR managers could play a more effective role in strategy integration, which is supported by the literature in this respect. To effectively perform the role of a business partner, the HR manager needs to understand the organisation’s

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<sup>218</sup> Bartram *et al.*, 2007, p.37

competitive position in the industry, as well as its business direction (Lawler III and Mohrman, 2003). The quality and capability of HR managers was deemed to be a crucial factor in enabling the integration of business strategy and HR strategy. The term ‘quality’, as the research found, connotes competency in effective recruitment, labour relations and organisational politics, familiarity with the service industry, hand-on experience, and tertiary education.

The research found that HR managers in Pogradec lack the required competency to function as a strategic partner. The research found that HR managers in Pogradec hotels have technical skills, which include recruiting, selection, performance measurement, training, and the administration of compensation and benefits. However, they lack strategic skills, which require them to design and implement a set of internally consistent HR practices that will lead to the achievement of the organization’s business objectives.

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## **Strategic HRM challenges seen from the industry and societal levels**

### **Partnership between managers**

The findings suggested that the partnership between HR and line managers can be further improved. While the relationship was described as good in general, the spirit was more to ‘comply’ than to ‘understand’ and ‘participate’. Hotels in Pogradec must explore further the partnership concept, by enhancing the involvement of line managers in HRM, as in doing so there is an organizational value (Watson, Maxwell and Farquharson, 2007). The research found that there were some tensions and confusion about the expectations of line managers towards HR managers. General Managers encourage and, in some cases, require HR managers to visit and observe various departments to have a better understanding of daily operations. Line managers’ ability is limited in supporting the HR role given their workloads and job pressure (McGovern *et al.*, 1997; Watson, Maxwell and Farquharson, 2007). In some cases the over-involvement of HR in operations is seen as ‘*encroaching*’ by line managers.

This confusion is regarded as one of the sources of differences between intended and realised strategy. As much as line managers are willing to carry out HR tasks, they in return question the involvement of HR in operations. Hotels should be aware that without willing cooperation of managers to work together, implementation can become impossible. The study found that HR managers generally lack appreciation and understanding of operational processes. There is a growing concern among General Managers to recruit HR managers who have a basic appreciation of hotel operations. The study also highlighted the initiatives taken by General Managers in ensuring a stronger partnership between HR and line managers. Besides, General Managers encourage and, in some cases, require HR managers to visit and observe various departments to have a better understanding of daily operations. While effective communication was cited as an enabler in the partnership between HR and line managers, the nature of



communication was often to 'inform' rather than 'consult'. HR managers felt that their duty is to communicate the decisions of top management to the line managers.

### **Staff turnover**

SHRM formulation and implementation requires hotels to have the necessary set of employees. The inability to forecast, acquire and retain a stable workforce can halt strategic progress. This study found that staff turnover was one of the major challenges faced by Pogradec hotels, making it difficult for hotels to attract and retain the required talent. Hotels not only faced difficulties in making competitive job offers but also in retaining its labour (Boxall & Purcell, 2011). Hotels, like other organisations, have limited control over labour and employees are free to resign and seek alternative employment. The issue of staff turnover beleaguers General Managers, HR managers and line managers alike. This study revealed that hotels come up with strategies to retain employees they regard as strategically important. Internal recruitment and promotion serves as an effective motivational tool to some hotels. Another challenge identified in this study is the turnover of HR managers. The hotels in region of Pogradec, experience a rather high turnover of HR managers and the frequent change in HR leadership makes the strategic formulation and implementation process difficult. As highlighted in the findings of this research, HR operations in the hospitality industry, by virtue of being labour intensive and service- focused, are viewed as challenging. According to the findings, the inability to pay attractive remuneration is one of the reasons why hotels fail to attract and retain employees.

Employees too want to move from one hotel to another, to show in their resumes that they have worked in different hotel settings. The findings noted that two to three years is the average length of service hotels can expect from a managerial position.

### **Labour scarcity**

Staff turnover and labour scarcity is a twofold challenge. Experiencing turnover and not being able to fill vacancies effectively due to labour scarcity adds to the SHRM challenge Pogradec hotels. Hotels normally control recruitment by not filling vacant positions if the occupancy rate is low. Managers who lose employees due to attrition have difficulties in replacing them due to labour cost controls. Some operation departments have never had full staffing or the number of employees they are budgeted to recruit. Line managers complained that they often end up doing the work themselves. Cost-cutting measures including labour cost control are needed for business survival. However, if staffing levels are insufficient, the findings indicated that line managers are worried about the impact on the quality of service and guests' satisfaction.

Housekeeping and Food and Beverages departments seem to be the most affected by the labour shortage dilemma. Though to some extent the jobs in these two departments can be regarded as low or unskilled, hotels still find it difficult to attract applicants. This research confirms Boxall and Purcell's (2011, p. 27) view that, '*we should not imagine that employees are passive or lack power resources, even in low-wage, low skill conditions*'. The hotels, as the research indicated, work together under the umbrella body Association of Hotels, to address this issue and various solutions are proposed, which include outsourcing, working closely with colleges and improving the '*image of a hotel job*'. Despite working together in addressing the issue of labour scarcity, the study revealed there is competition between these hotels in attracting staff. The research found that international brands are more successful in attracting and retaining employees compared to independent hotels, having better HR policies and career paths for employees through effective succession planning.

## Conclusions and recommendations

1. The hotels at region of Pogradec should consider the HR department and its strategy to be part of the business strategy and other functional strategies, while identifying some if not all the HR best practices that should be adopted. These hotels could further improve in their strategic outlook by holding HR more accountable, by introducing clearly defined key performance indicators for the HR department.
2. It is important that managers at all levels are in 'harmony' with SHRM to ensure successful formulation and implementation of SHRM initiatives. Top management, HR managers and line managers had varying opinions and expectations on SHRM in hotels of Pogradec. Internal systems within the hotels too led to different perceptions of SHRM between the different levels of managers, measuring the outcome of HR polices and the partnership between HR and other managers.
3. There is considerable scope for HR managers to play a more effective role in strategy integration within hotels in this region.. They need to better understand the company's business direction and its competitive position in the market place, as the research found that HR managers in Pogradec lack the required competency to function as a strategic partner. Some of the strategic skills that HR managers should possess to contribute effectively in strategic integration are strategic visioning, critical thinking and problem solving skills, deep HR knowledge, and change management skills. Qualified and experienced HR managers have better credibility and secure representation, which testifies their strategic importance and allows them to contribute towards strategic integration.
4. Top management leadership is another crucial factor that enables successful formulation and implementation of strategic HRM initiatives. In integrating strategies, HR Managers rely on top leadership to direct and guide them accordingly, and this ultimately shapes HR and its strategic reforms.
5. Staff turnover was regarded as one of the major challenges. The hotels in region of Pogradec faced difficulties in attracting and retaining talent. The labour market is unpredictable and outside the control of hotels as potential employees have many other options for unskilled jobs outside the hotel industry. Changing jobs frequently, in some cases, is seen as an effort in making the curriculum vitae look more attractive, resulting in two to three years as the average length of service most hotels can expect from a managerial position.
6. The hotels are worried about investing in training and developing, for fear of becoming a 'training ground' for their rivals, where employees leave after acquiring new knowledge and skills. Although training needs analysis is well documented, in some cases, it is not effectively executed due to shortage of training funds. However, when implemented, training and development programmes are not evaluated from the basis of return on investment.
7. The political environment which includes the government policies on recruitment and training is another challenge. The hotels in region of Pogradec, depend on political support for strategy execution. Lack of clarity and inconsistency in enforcement of policies related to recruitment and training were major concerns affecting the hotels.

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