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Hospitality Culture and Climate: Keys to Retaining Hospitality Employees and Creating Competitive Advantage

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ABSTRACT

In order to gain competitive advantage, companies must determine the relationship between HR practices and firm performance. This conceptual paper proposes a model that highlights the importance of selecting people who “fit” within the organizational culture and climate of the firm. The authors propose combining established scales of hospitality culture and climate in order to assess a candidate’s fit to the organization. Ideally, these people would be more hospitality service oriented and could foster the “spirit of hospitality” through the organization and thus, on to the customer. Hiring the right people will also lead to increased organizational commitment, consequently, reducing turnover levels. This in turn will lead to higher service levels, increased customer satisfaction, and loyalty.

Key Words: Firm Performance, Hospitality Climate, Hospitality Culture, Organization Commitment

INTRODUCTION

In a world evermore characterized by the globalization of product markets, the importance of human capital as a resource that can potentially provide a competitive advantage has become more impossible to deny. Because a firm’s employees are integral to its success, researchers interested in managing human capital have increasingly focused on a firm’s human resources practices (“HR practices”) as the levers through which firms can build the human capital that makes up resources and capabilities.

The fact that human resources practices are related to firm performance has been well-documented. Substantial research has demonstrated that these practices are related to a number of firm performance measures such as market value (Huselid, 1995), return on equity (Delery & Doty, 1996), and operational measures of performance, including customer satisfaction (MacDuffie, 1995). Since research on the relationship between HR practices and firm performance is very limited in the hospitality field, determining the mediating mechanisms through which HR practices influence organizational performance is greatly needed. This is especially true in light of the inherent challenges that the hospitality industry faces in the human resource area. In this regard, it is important to recognize from the outset that the term “hospitality” — as in hospitality industry — is very significant. Unlike most service industries, it is the manner in which the hospitality employee provides the service — as opposed to the service itself — which is critical to the customer’s overall enjoyment of the product or “experience” being purchased. Accordingly, the relationship between front-line hospitality employees and the customer greatly influences customer satisfaction and loyalty. As such, attracting and retaining workers who are able to provide exceptional customer service should be a high priority for any firm in the hospitality industry. However, the hospitality industry is characterized by notoriously poor wages, low job security, long working hours, and seasonality (Deery & Shaw, 1999; Worcester, 1999). Not only is it unlikely that these job attributes will attract the most qualified candidates for exceptional customer service, but they greatly contribute to the industry’s high turnover rate.

Hospitality firms have long acknowledged and allocated significant resources towards the importance of recruiting the appropriate people suitable for the unique challenges of the industry (Bowen & Ford, 2004). These organizations routinely engage in activities to identify and select individuals who are likely to share their culture values (Schneider, 1987). These individuals are hypothesized to share common,
Two previous studies offer scales and/or dimensions that can be utilized to determine a person’s fit to either hospitality culture or hospitality climate. In the study conducted by Tepecci and Bartlett (2002) an instrument was developed to assess organizational culture and individual values in hospitality organizations called the Hospitality Industry Culture Profile (HICP). The instrument was then used to measure the fit between organizational culture and individual values on hospitality employee’s job satisfaction and behavioral intentions. One additional study by Davidson, Manning, Timo, and Ryder (2001) aimed at specifically measuring the organizational climate rather than organizational culture within four and five star hotels located in Australia. These researchers argued that organizational climate identifies underlying common dimensions across different organizations. Organizational climate was conceived as being produced by member interaction, influencing and shaping behavior and serving as a basis for interpreting the situational norms, values, and attitudes of the organizational culture. This study presented the psychometric characteristics of an instrument specifically designed to measure organizational climate in the tourism and hospitality industry known as the Tourism and Hospitality Organizational Climate Survey (THCS). Davidson et al. (2001) study is worth mentioning because it identifies common characteristics associated with the hospitality industry such as: friendless, warmth, and opportunity for advancement.

It is important for the service sector in general, and the hospitality industry in particular, to determine the relationship between HR practices and firm performance. Again, however, there is little research in this regard in the hospitality industry. This paper addresses the gap in the literature with respect to HR practices and performance in the hospitality industry by examining hospitality culture and hospitality climate as sources of competitive advantage. It is proposed that those firms which assess hospitality culture and climate will select people who are more [hospitality] service-oriented. Additionally, hiring employees that fit the hospitality culture and climate of the firm will lead to increased organizational commitment. This, in turn, will lead to higher service levels and, as a consequence, increased customer satisfaction and loyalty. As such, this paper will address the question: What HR practices can elicit organizational commitment with the organization in order to increase motivation and desire to stay with the firm? It is proposed that these linkages will create “committed” employees. This will not only improve employee retention and, correspondingly, reduce turnover costs, but it will also increase firm performance in terms of customer satisfaction and loyalty, and thereby increase both market share and profitability.

The authors hope to contribute to the strategic HR management literature — and more specifically, the hospitality industry’s HR literature — by linking HR practices to hospitality culture and climate, as a means of increasing organizational commitment. Obviously, finding and retaining exceptional service employees, and solving the industry’s serious turnover problem, would have significant managerial impact in the hospitality industry. Furthermore, the authors believe that the firms that use HR practices to create organizational commitment will stand a better chance of achieving and sustaining a competitive advantage.

LITERATURE REVIEW

Strategic Human Resource Management

As demonstrated in the previous section, the need to select and retain qualified hospitality service workers, i.e. human capital is of significant importance to the hospitality industry. Strategic HR practices that enable a firm to facilitate a hospitality culture and climate for exceptional service, enhance organizational commitment, and recruit and retain the right people, have a significant chance of creating a sustainable competitive advantage.

The main argument against the ability of SHRM practices to create sustainable competitive advantage lies in the fact that human capital is mobile and, as such, is easily replicated or stolen. However, HR practices that select employees using a combined scale that measures both hospitality culture and climate will foster an environment where employees become committed to the organization. Highly
committed employees have been shown to exhibit a greater intent to stay with the organization. Additionally, these employees have a high level of firm-specific knowledge about the organization and, more importantly, about its customers’ needs and desires. The possession of such knowledge is imperative for employees in high-level service industries like the hospitality industry.

**Conceptual Framework**

The model presented in Figure 1 proposes that HR practices that facilitate hospitality culture and climate for exceptional service will have a positive influence on organizational commitment. Increased organizational commitment will lead to increased firm performance through the attraction and retention of valuable employees (human capital). An explanation of each variable and the proposed relationships between these variables are presented in the following sections.

**Hospitality Climate**

Researchers in organizational behavior studies emphasize the importance of the organization’s structure and its climate (Schneider, 1980). Work climate is defined as the employee’s belief about working conditions (Duebe, Enz, Renaghan, and Siguaw, 2000). Employees prefer an organization that offers pleasant and rewarding experiences (King, 1999). Many researchers found that employees value an organization that provides opportunities to grow, employs competent and knowledgeable co-workers, and allows employees to be involved in decision-making (Arnett, Laverie, & McLand, 2002; Carbery et al., 2003). Employees recognize an organization where they can trust the organization and openly communicate within the organization, as a healthy work climate.

In 2001, Davidson, Manning, Nils, and Ryder attempted to describe the dimensions of organizational climate relevant to the hospitality industry. These researchers modified an instrument originally created by Jones and James (1979) which examined organizational climate for a wide range of industries, the Psychological Climate Questionnaire. The instrument was further reduced based on a study by Ryder and Southey (1990) so that it was more hospitality specific. From this a 70 item questionnaire was randomly distributed to 1,401 managers from four and five star hotels in Australia. Principal component analyses revealed seven climate dimensions applicable to the hospitality industry. These dimensions are labeled: Leader Facilitation and Support; Professional and Organizational Esprit; Conflict and Ambiguity; Regulations, Organization, and Pressure; Job Variety, Challenge, and Autonomy; Workgroup Cooperation, Friendless, and Warmth; and Job Standards. The authors argue that different sets of organizational climate dimensions will be relevant in different industries and in different studies depending on their goals.

**Proposition 1:** Human resource practices that facilitate a hospitality climate, including trust, communication, friendliness, warmth and opportunity for advancement will have a positive effect on organizational commitment and overall firm performance.

**Characteristics of Hospitality Culture**

Gordon (1991) argues that organizational culture is strongly influenced by the characteristics of the industry in which the company operates. He believes that within industries, certain cultural characteristics will be widespread among organizations, and these most likely will be quite different from the characteristics found in other industries. While examining industry culture and the effects of industry characteristics on organizations, Chatman and Jehn (1994) found even more generalizations can be made among firms working on the same tasks, using similar procedures, and experiencing similar opportunities.
to grow than occurs across industries. There may be only minor within-industry variation in organizational culture values because firms apply similar standards and similar environmental constraints shape the range of corporate strategies (Sheridan, 1992).

The hospitality industry has a unique and specific culture that can be generalized to multiple hotels, restaurants, and noncommercial foodservice outlets (Woods, 1989). It is unique in the fact that the product and the service are integrated to provide an experience for the customer; thus, the characteristics of the employee are critical to the experience. Another way to address hospitality culture as unique is to examine the words and symmetry from the individual hospitality organizations to assess the characteristics of hospitality culture.

Virtually every leading firm has developed a distinctive culture that is clearly identifiable by its employees. This culture is sometimes created by the initial founder of the firm (e.g. Walt Disney Company) (Schein, 1990). Sometimes it is developed consciously by management teams who decide to improve their company’s performance in systematic ways (Cameron & Quinn, 1999). In order to examine the uniqueness of the hospitality culture, an effort will be made to observe the culture at major international hospitality firms and to provide examples of the characteristics of hospitality managers.

Information gathered from autobiographies of the founders of major hospitality businesses sheds light on the culture of the industry and its managers. S. Truett Cathy (2002, p.45) the founder of Chick-fil-A states, “Two things set our people apart: We’re happy to be here, and we have the spirit of a servant. In his autobiography, Eat Mor Chicken: Inspire More People (2002), the focus is on customers, cleanliness, and quality food. He believes the most important people an operation has is its employees. Cathy strives to create a family atmosphere. His managers and owner operators share this unique perspective as well.

In 1999, Robert Dedman, the founder of ClubCorp International, Inc. wrote the King of Clubs. He shared common slogans that are taught to people within his organization. The slogans include: pride in belonging; hiring attitude over aptitude; treat our members (guests) like kings and queens; our members are always right; to succeed you must give value; treat mistakes as opportunities to learn; listen, learn, and serve; and we’re in the repeat business. He characterizes the business as a family affair, a home away from home, where a diversity of people and thought coexist. The managers are fun, born to serve others, are the best serving the best, have personal integrity and character, flexible, open-minded, have a servant’s heart, exhibit trust, honesty, caring, respect, fairness, and loyalty. In order to succeed managers must lead by example, exceed expectations, anticipate needs, display teamwork, and help others to succeed.

Marriott’s core values include the belief that people are number one. It operates on the principle that if you take care of Marriott people, they will take care of Marriott guests. Managers must make a commitment to continuous improvement and good old fashion dedication to hard work and having fun while doing it. Marriott strives to hire managers who radiate energy and enthusiasm, are hands-on, take care of the smallest of details, and are good listeners for a multi-cultural environment (J.W. Marriott and Brown, 1997).

Norman Brinker, the founder of restaurants such as Chili’s, Macaroni Grill, and On the Border, believes the secret of his success includes two things. (Brinker& Phillips, 1996). First, one needs to hire the best people possible to work for you. He characterizes these people as bright, energetic, honest, persistent, and flexible. Second, one needs to create and maintain an internal culture that is “can-do” enthusiastic and enjoyable. Brinker considers the foundation of your organizational culture must always be high ethical behavior.

From their website, (www.Harrah.com) one can see that Harrah’s Entertainment works to find employees who are well-suited for their corporate culture, “The hiring process is designed to help us select people who are the best fit for the role as well as the culture of the organization.” Harrah’s Entertainment CEO, Gary Loveman, was credited with transforming the Harrah’s culture where every employee was expected to and empowered to deliver a full house. There was a change in corporate culture from a “safe, family company to a meritocracy (Becker, 2003). Loveman stated: ‘I think the single biggest cultural
change has come by instilling a meritocracy. I do talent reviews annually with all of our operating and
corporate people, and frankly, I say to general managers, “Do we really want you to spend your time trying
to make a barely OK person successful: Why wouldn’t we rather have a case where employees are so good
that they are putting some heat on you and teaching you some things and pushing you around a little bit and
making you better?” If you’re not working with people who make you better, something is wrong. I wanted
to instill the notion that jobs didn’t belong to people; jobs belong to a company. It was the company’s
responsibility to get the most capable person it could find into the job.’

Disney’s culture can be reflected in the motto of the founder, Walt Disney, “Dream, Believe, Dare,
Do.” To ensure that employees at all levels would be guided by his beliefs and his visionary sense of
purpose, Walt Disney fostered what amounted to a cultlike atmosphere. His passionate belief in the need to
instill a company culture led him to set up a formal training program that has come to be known as Disney
University. Disney’s culture is communicated through powerful storytelling. Instilling the culture takes
time, but anyone who has visited a Disney theme park is well aware of what the training program brings:
Questions are answered courteously and cast members at every turn are willing to go the extra mile to make
each guest’s dreams come true. Other oft-stated core values are honesty, integrity, and an insistence on
superior quality. (Capodagli & Jackson, 2007).

**Hospitality Culture Fit**

Researchers seem to agree that culture may be an important factor in determining how well an
individual fits an organizational context (Kilmann, Saxton, & Serpa, 1986; Schein, 1985). This is called
person-organization fit which is defined as the congruence between the norms and values of organizations
and the values of persons (Chatman, 1989). The key premise is that individuals are not assigned to
organizational settings, rather they self-select in and out on the basis of fit. Those who fit stay, contribute,
and are subsequently rewarded by the organization, while those who do not leave (Bretz & Judge, 1994).

The application of organizational culture and individual values has been largely unexplored in the
hospitality industry. In 2002, Tepeci and Bartlett developed an instrument to assess organizational culture
(perceived culture) and individual values (preferred culture) in hospitality organizations called the
Hospitality Industry Culture Profile (HICP). In order to create the scale, Tepeci and Bartlett utilized the
Organizational Culture Profile (OCP, O’Reilly et al., 1991). Based upon previous hospitality research
(Woods, 1989), they also added three additional dimensions which were: valuing customers, honesty and
ethics, and respect for people. Respondents were asked to assess how well the value items described their
actual and ideal organizations. Factor analysis of this data identified six dimensions: (1) team and people
orientation, (2) innovation, (3) valuing customers, (4) honesty and ethics, (5) attention to detail, and (6)
results orientation (focus on getting the job done). The findings showed that respondents preferred a
combination of what might be thought of as “personal interest” variables including employee development,
fair compensation, honesty and ethics, and people orientation.

HICP can be used to assess the culture of individual organizations, the culture of the industry
segments, and also to measure the fit of individuals with a particular organization and with the culture of
the hospitality industry. Selecting and socializing employees to enhance organization fit potentially
improves effectiveness because employees who feel they belong to the organization are more satisfied,
have higher intentions to remain, and are more willing to recommend their organizations. The HICP scale
can also be used as the framework to define the values and culture of the hospitality organizations.

**Proposition 2**: HR practices that use a combined hospitality culture and climate scale to select
employees will be able to attract employees with a better person-organization fit. This will lead to an
increase in employee retention and affect overall firm performance.

**Organizational Commitment**

Organizational commitment is defined as a strong desire to maintain employment in the
organization (Mowday & McDade, 1979), loyalty to the organization, and mobilization of all employees in
the development of its goals, purposes, and infrastructure (Lee, Allen, Meyer, & Rhee, 2001). Satisfied
employees and employees with high self-esteem are more likely to be attached to the organization (Pierce,
Researchers agreed that organizational commitment should be treated as a multidimensional construct (Allen & Meyer, 1990; Meyer & Herscovitch, 2001). Allen and Meyer (1990) found that three separate streams of commitment and more comprehensive understanding of the nature of commitment could be achieved when all three are considered simultaneously. Allen and Meyer’s (1990) three-dimensional approach—affective, continuance, and normative—explains employees’ psychological attachment to their organization.

Proposition 3: HR practices that facilitate strong organizational commitment with their employees will have a positive relationship with attraction and retention of these employees, thus increasing firm performance.

Discussion and Conclusion

Most strategic human resource management scholars would agree that systems or bundles of HR practices are required for organizations to achieve sustained competitive advantage (Delery & Shaw, 2001; MacDuffie, 1995). HR practice bundles include generally complete sets of mutually reinforcing or synergistic practices (Dyer & Reeves, 1995).

Researchers have argued that systems of HR practices are more likely to drive sustainable performance outcomes than individual practices. For example, Dyer and Reeves (1995) argued that employee performance is likely to be greatest when its two components, ability and motivation, are influenced in multiple redundant ways. Specifically, we argue that performance is likely to be maximized through several reinforcing practices - such as using a scale of hospitality culture and climate as selection tool; providing ample training opportunities to instill the culture of the organization, facilitating a climate of trust, open communication, friendliness, and warm- which, in turn, will increase the employee’s commitment to the firm. Additionally, Delery and Shaw (2001) noted that, while certain individual HR practices are viewed as superior to others, a single superior HR practice without supporting practices in the system is inadequate as a driver of sustainable performance outcomes. Delery and Shaw (2001) argue that individual “best practices” must be part of a larger, universally superior HR system to support sustainable competitive advantage.

Researchers have consistently demonstrated as association between what have been variously called High Performance Work Systems, High Commitment HR models, and High Involvement HR systems and firm financial performance (Pfeffer, 1994, 1998). While there has been no conceptual/prescriptive or empirical work that yields a precise definition, these systems do have certain characteristics. They tend to include practices such as rigorous selection procedures, internal merit-based promotions, and grievance procedures, cross functional and cross-trained teams, high levels of training, information sharing, participatory mechanisms, group-based rewards, and skilled-based pay (Arthur, 1992). HR practices that include employee development reward, and retention plans encourage long-term employment relationships and often promote strong internal labor markets, regular team-focused assignments, and an emphasis on firm-specific knowledge (Arthur, 1992; Tsui, et al, 1997).

Generally, SHRM researchers have noted that HR systems can be described along three dimensions (Appelbaum et al., 2000; Delery, 1998; Dyer & Holder, 1988; Lepak et al., 2005). First, includes HR practices that seek to improve the knowledge, skills and abilities of the employees. For example, these practices include recruiting, selection, training, and socialization. Second, includes HR practices designed to motivate employee behavior. These practices generally are aimed at encouraging employees to go outside the expected job behaviors to positive impact organizational effectiveness. As can be seen from the narratives by founders and leaders in successful hospitality firms, this often includes cultivating both an organizational culture and climate for hospitality service. While it has been posited that one cannot intentionally set out to create an organizational culture (Barney, 1986), HR practices, particularly in recruiting, selecting and socializing new employees, will have a positive impact on organizational culture. The fact that one cannot set out to create an organizational culture also makes a well-established organizational culture difficult to imitate. This will allow hospitality culture
to be a source of sustainable competitive advantage. Finally, HR practices provide opportunities to participate in substantive decision-making regarding work and organizational outcomes. Such practices include quality circles, suggestion systems, empowerment on the job, information sharing and the opportunity to communicate with other employees and managers. Each of these HR practices will have an impact on organizational commitment and overall firm performance.

**Implications for Research and Management**

The central contribution of this work is to examine the mechanisms through which the relationship between HR practices and firm performance works. We hope to bridge the theory between the organizational behavior literature with respect to organizational commitment and SHRM. It is the authors’ hope that by linking these theories we might get a better understanding of the mediating mechanisms through which HR practices influence organizational performance. Moreover, this research hopes to bridge the gap between the mainstream business literature and the limited hospitality literature on this issue. Introducing literature linking HR practices and firm performance to the hospitality industry is of great need. This is especially true in light of the inherent challenges that the hospitality industry faces in the human resource area.

One of the primary implications for both research and management is to reinforce the value of HR practices on firm performance. HR practices that can create cultivate and facilitate a hospitality culture and climate will provide a sustainable competitive advantage through increased organizational commitment, enhanced customer service and overall customer loyalty. HR practices or HR bundles of service, such as recruiting, selecting, training and retaining employees will increase firm performance measured by both employee retention and customer satisfaction.

Furthermore, the model we propose links HR practices (attraction, selection, training, and retention) to the unique hospitality culture and climate. The model proposes that hospitality firms that foster a hospitality culture and climate will employ people who are more (hospitality) service-oriented. This in turn will lead to higher service levels and, as a consequence, increased customer satisfaction and loyalty. Additionally, this model proposes that hospitality culture and climate will lead to increased organizational commitment to the firm. From a management standpoint it is proposed that these linkages will create “committed” employees. This will not only improve employee retention and, correspondingly, reduce turnover costs, but it will also increase firm performance in terms of customer satisfaction and loyalty, and thereby increase both market share and profitability.

To advance this research agenda there is a need to address several empirical issues related to the challenges of measuring HR practices. For example, there are many individual HR practices that can be measured. However, as previously mentioned many of these individual HR practices are not sufficient alone and are more effective as HR bundles. Some researchers refer to these as High Performance Systems or High Commitment Systems. However, very little empirical research has been done to date to determine a precise definition of these systems. Therefore, further research regarding the nature and definition of these systems is necessary.

Future research will also need to address the theoretical question raised earlier. What **HR practices can elicit organizational commitment in order to increase motivation and desire to stay with the firm?** Although we propose a conceptual model which highlights using a scale to select the people who fit within the organizational culture and climate, it has not been tested empirically. Further studies are needed to develop a scale which combines the concepts of the existing scales of hospitality culture and climate. This scale should also incorporate the characteristics of successful hospitality organizations which were present earlier in this study. Researchers need a tool to measure the unique qualities of a person who would be successful within the hospitality industry and foster a climate of service. The scale could then be utilized to compare one’s fit to the industry and one’s level of commitment to the organization. Subsequent studies would need to evaluate the impact HR practices, hospitality culture and climate, and organizational commitment to the firm performance. Specifically, how this study’s model enhanced a firm’s performance, in terms of customer loyalty and retention.
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