CONSTRUCTION AND VALIDATION OF A HUMAN RESOURCE AUDIT SCALE IN SELECTED DELUXE HOTELS IN THE PHILIPPINES

Pedro Simon T. Ledesma
La Salle College Antipolo
The Graduate School, University of Santo Tomas, Philippines
Rosalia T. Caballero
The Graduate School, University of Santo Tomas, Philippines
Netship Management, Inc.

ABSTRACT

This study investigated the current practices of Philippine deluxe hotels and aimed to construct a new Human Resource (HR) Audit Scale, based on the best practices of HR management in the Philippine hospitality industry. To achieve this, employees from deluxe hotels across the Philippines were interviewed regarding the present state of their work place's HR practices. This led to the development of a preliminary HR audit questionnaire composed of 50 items that identified the best practices among the following HR management areas: Recruitment and Selection, Compensation and Benefits, Training and Development, Performance Management and Employee Engagement. A total of 300 deluxe hotel employees were then surveyed using this questionnaire to validate and optimize its contents. Cronbach's Alpha and Exploratory Factor Analysis was utilized to examine the survey data, and its results suggested that the 50 item questionnaire can be reduced to an adjusted 25 item HR scale. This improved scale, through association and modeling analyses of the previous survey data, accounts to 73% of the variance of the answers of respondents. These results reveal that the newly developed 25-item HR Audit Scale is valid and reliable.

Key Words: HR best practices, human resource management, audit optimization, Philippine hospitality industry

Introduction

The hotel industry should not be regarded as standing separate and unrelated to other industries, but rather as forming a part of a much larger hospitality industry (Gray & Liguori, 2003). While the hospitality industry is broad and diverse, organizations within it share some common concepts. One is the need for staff members with a variety of knowledge, skills, and experience that can provide products and services that are marketable and highly desirable to consumers (Hayes & Ninemeier, 2009). Human Resources (HR) Management in the hospitality industry is

no longer limited to the traditional service functions such as recruitment and selection. To be competitive, managers with human resources abilities must be adept at developing an increasingly diverse work force skilled in the new technologies (Tanke, 2001).

However it seems that presently, organizations and managers in the tourism and hospitality industry face real challenges in recruiting, developing and maintaining a committed, competent, well-managed, and well-motivated workforce (Nickson 2007). To address this issue in the Philippines' human capital sector, we developed a Human Resource Audit Scale that is intended to aid in the strategic management initiatives of the Philippine hotel industry.

Research Methodology

To develop the HR tool, we first gathered preliminary data through literature reviews and interviews of employees and hotel administrators of Philippine deluxe hotels. This was done to identify the important HR factors to be addressed in the creation of the audit scale. From these, we developed a preliminary Likert-type survey questionnaire that was validated to be novel by various HR specialists.

Deluxe hotel employees throughout the Philippines, that had consented to pilot testing, were requested to answer this preliminary questionnaire. The answers to this survey were analyzed through Exploratory Factor Analysis (EFA) to determine the most relevant items and produce the preliminary HR audit scale. EFA is a statistical procedure among factor analyses that aims to represent a set of variables in terms of a smaller number of hypothetical variables (Kim and Mueller 1978). It is a data reduction technique that aids in reducing volumes of data by obtaining and identifying the underlying correlations among them (Brace et al. 2002). In addition, EFA does not assume any specific expectations regarding the number or the nature of underlying constructs or factors for the test (Thompson 2004). Communality values were computed from the results of the rotated factor loading matrix, and from these the items that contained communality values below 0.60 were removed. After the scale items were reduced, EFA was once again employed to the results of the survey among these selected items, to determine the validity and reliability of the final HR audit scale construct.

Research Results

A total of 300 respondents, employed in 7 hotels across the Philippines, participated in the present study (Table 1). Hotels surveyed were strictly "Deluxe Hotels with no Labor Union" under the classification of the Department of Tourism and the Department of Labor, respectively. The identities of the hotels are kept undisclosed as per etiquette and the request of the respective hotel administrators. Participants from each hotel ranged from 21-60 employees, and in total were composed of 190 females and 110 males.

Table 1: Summary of the profile of respondents and hotels surveyed for the study

HOTEL	REGION	CITY	RESPONDENTS Male (Female)	TOTAL
A	NCR - 1	Manila	10 (20)	30
B	NCR - 2	Makati	21 (39)	60
C	NCR - 6	Quezon City	32 (28)	60
D	NCR - 11	Muntinlupa	12 (30)	42
E	NCR - 11	Muntinlupa	21 (40)	61
F	Region 7	Cebu	8 (13)	21
G	Region 11	Davao	6 (20)	26
				300

Through personal interviews of both employees and hotel administrators, five (5) common themes were associated with best practices in Human Resource (HR) Management in the hotel industry. These are "Recruitment and Selection", "Compensation and Benefits", "Training and Development", "Performance and Management" and "Employee Engagement". From these, a preliminary 50-item HR Audit Questionnaire was produced composed of 10 questions for each of the 5 revealed themes.

Results of the survey among respondents revealed that the sample size was adequate (Bartlett's test for sphericity=9886.10, df=1225, $p<0.0001$) and that the respondent's answers were significantly structured (Kaiser-Meyer-Olken Measure=0.914), suggesting that the questions were valid and correctly categorized for each theme. This is further supported by the results of principal component analysis (PCA) which determined 6 significant underlying factors, of which the preliminary questionnaire was revised and optimized.

From the 50 items used to formulate the initial questionnaire, results of the exploratory factor analysis reduced the scale to 25 items under four major themes. These are Employee Engagement (Cochran $\alpha= 0.89$) with 7 items, Compensation and Benefits (Cochran $\alpha= 0.86$) with 4 items, Performance and Management (Cochran $\alpha= 0.89$) with 6 items, and Recruitment and Development (Cochran $\alpha= 0.78$) with 8 items. These questions explained a total variance of 72.8% from the answers of the preliminary HR audit scale (Table 2).

Table 2: Summary of the resulting factor loading matrix from exploratory factor analysis

IF Factors	Reliability	FF Factors	Factor Loadings	Variance	Reliability
Recruitment and Selection	0.77	Recruitment and Selection	0.67-0.78	22	0.78
Compensation and Benefits	0.74	Compensation and Benefits	0.60-0.85	11.8	0.86
Training and Development	0.92	Training and Development	0.67-0.78	22	0.78
Performance Management	0.90	Performance Management	0.63-0.83	17.6	0.89
Employee Engagement	0.85	Employee Engagement	0.63-0.86	21.4	0.89
					RMSR* =0.0493

*Expected mean value of RMSR for acceptable model=0.0634

Discussion

This research is conceptually based on Katz and Kahn's Open Systems Theory (1978). This theory proposes that organizations like deluxe hotels can be considered as an open system that is constantly in active exchange with the environment, with every aspect of the organization having an input-throughput-output mechanism. With this, the organization may take input from the environment such as energy, information, money, people, raw materials, and such. After which, these inputs may be utilized through a transformative process which eventually may return to the environment as an output, in the form of products and services. It is vital for an organization such as those from the hotel industry to align its purpose, vision and current needs with that of the demands of both the inputs of the environment and also the components within the system. This is where a feedback mechanism is employed to optimize the entire system. According to Cantera (1995), this is where Human Resource (HR) auditing performs two main functions: facilitate the development of the managing process through effective information processing, and also control, evaluate and optimized the policies being applied in light of the feedback received.

Based on the best-fit model of the synthesized final HR audit scale, employee engagement is among the most valued in term of best practices in human resources in the Philippine hotel industry. Employee engagement is relatively a new concept (Macey & Schneider, 2008) and the

factors that produce engagement may be different from those that produce more traditional outcomes such as job satisfaction and organizational commitment (Macey, et al., 2009).Employee engagement has received a great deal of attention in the last five years, especially in the popular press and among consulting firms. It has often been touted as the key to an organization's success and competitiveness (Gruman & Saks, 2011).

Researches on best practices in human resource management in the hotel industry have been very keen to employee engagement. It has been supported that the amount of mediation of hotel administrators to employees' career satisfaction and creative performance seem to be significantly positively associated with higher productivity (Karatepe 2012). Also, employee engagement in relation to a clear vision of developing a good working relationship with employees has been found to be a good emergent model to be followed in Human Resource Development (Shuck et al. 2011). Indeed, financial revenue is no longer the only norm in determining best human resource practices, but rather intangible resources in performance measurement systems of the hotel industry, such as employee-employer relations, are now being seriously considered (Zigan and Zeglat 2010). Ultimately, the main function of a human resource audit is to take specific actions that will help minimize employee turnover by providing an optimized approach to orientation training, working conditions, remuneration, benefits and opportunities for advancement (Matani 2006).

In summary, this research was able to synthesize a novel Human Resource Audit Scale that can be specifically utilized to assess best practices in human resource management in the Philippine hotel industry, using Philippine deluxe hotels as a model. This 25-item audit scale has been proven as valid and reliable, with items associated mostly with employee engagement as an immediate important factor. Validity and reliability was determined through the statistical assessment and best-fit modeling of the survey answers of 300 respondents who are employees in deluxe hotels across the Philippines.

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