Human Resource Management of Small Independent Hotels: A Case Study of Cha-am Beach, Phetchaburi, Thailand

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Abstract

Cha-am Beach is a popular resort in Thailand that caters primarily for domestic travellers. Most accommodation providers in the area take the form of small or medium-sized hotels and, as such, face challenges relating to service quality levels. One important aspect of providing high quality service in the hotel sector is the human resource management (HRM) system employed in the hotels concerned. This study uses in-depth qualitative and quantitative interviews to investigate the nature of HRM in the small hotel sector in Cha-am Beach region. Analysis of the interviews has provided a number of recommendations which have been made as a means of improving the viability and sustainability of the hotels involved.

Keywords: hotels, human resource management, SMEs, Thailand

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1. Introduction

Cha-am Beach is situated in the west of the Gulf of Thailand, in Phetchaburi province. It is about 160 km away from Bangkok. It is one of the most famous beaches in Thailand because of its proximity to Bangkok, its level of personal safe, absence of nightlife and the provision of low-cost accommodation and other tourism services. For
these reasons, it is popular among local people and in the domestic conference market.

Accommodation for visitors to Cha-am Beach is mostly provided by small family businesses. Most business owners have limited management knowledge and investment capital and so find it difficult to develop their products and services and this has led to some risk. According to the Ministry of Tourism and Sport’s statistical survey (2011), the number of accommodation providers in Cha-am decreased from 135 in 2008 to 125 in 2009 and to 114 in 2010. The main competitors that small-scale hotels have are medium and large hotels which are supported by large amounts of capital and may be owned by Thai or international owners and investors, who have realized the beach’s tourism potential. The beach connects to the city of Hua Hin and, recently, land in Hua Hin has become very expensive and faces so much demand that business expansion is almost impossible there. Many of the investors that perceived business opportunities in Cha-am have bought land or acquired small-scale hotels that are now facing financial instability. Consequently, small-scale hotels will face difficulties if they do not adjust themselves to the changing environment.

The hotel industry is a service industry and so it relies to a considerable extent on human labour; that is, its service quality is directly related to its staff quality. Large-scale hotels have more advantage in human resource (HR) recruitment and development because the higher level of remuneration and welfare that they can offer makes them the preferred choice for highly capable staff. In addition, chain hotels have standard training development systems, which means they can offer superior service quality. Nonetheless, although small-scale hotels are faced with unfavourable conditions, they have opportunities to develop themselves using their strengths as small organizations with high levels of flexibility. They should focus on improving customer satisfaction and the quality of service through a process of systematic HR management.
This paper reports on the attempt to study HR management systems in place in small hotels serving the Cha Am beach area with the objective of assisting in the formulation of guidelines for developing more efficient and effective systems in line with the business environment that can contribute to sustainable growth with the involvement of local educational institutions. Consequently, it is possible to state the research objectives of this study as follows:

1. To study the current business situations of small independent hotels in Cha-am district of Phetchaburi province.

2. To study the HR management processes of small independent hotels in Cha-am district of Phetchaburi province.

3. To study HR management-related issues in small independent hotels in Cha-am district of Phetchaburi province.

In this paper, a small hotel is defined as one which does not have more than 100 guest rooms.

2. Literature Review

2.1. Small Hotels and Service Levels

There are no fixed definitions for ‘small hotel’ in the tourism literature. Some of the approaches that have been used to define them include the following:

1) Number of guest rooms – not over 100 (Henkins, cited in Poonsilp, 2004; Taki, 2006; Rattanaveerakul, 2008; Hotel Industry Learning Hub, 2010) or 1-150 guest rooms (Ismail, 2002);

2) Number of staff – 10-99 (Lee-Ross, 1999), 11-24 (Hospitality Training Foundation, cited in Lee-Ross, 1999), not over 50 (Nolan, 2002), not over 100 (Poonsilp, 2004);
3) **Investment capital** - which varies according to each region’s and country’s economy. For example, in Thailand, it is set as not more than 50 million baht, excluding the value of the land (OSMEP, 2000);

4) **Name** – inn, guest house and lodge, which refer to small scale accommodation. In Thailand, names that may also be used include Baan, Villa and Bungalow;

5) **Operations** – Most academics agree that small accommodation facilities are generally family businesses with independent management, in which the owners are involved in the tasks of daily management and operations control. In addition, small hotels’ investments and sales are restricted in scope (Medlik & Ingram, 2004).

There is a variety of hotels in terms of sizes and characteristics and, consequently, the classification requires different criteria. Ismail (2002) has proposed criteria for classifying hotels and service levels (Service Level) as either full service or limited service. A full service establishment fulfills all the needs and requirements of guests staying at the venue and can aspire to offer an unlimited range of services to meet guests’ needs. By contrast, limited service establishments do not offer a full range of services and do not aim to meet all of the guests’ needs. Most limited-service hotels offer low room rates.

Service levels can also be classified into five sub-levels (Ismail, 2002), which are: a budget hotel is one in which the average room rates do not exceed 11% of the highest rates in the market; an economy hotel is one in which the average room rates do not exceed 22% of the highest rates in the market; a mid-price hotel is one in which the average room rates do not exceed 44% of the highest rates in the market; an upscale hotel is one in which the average room rates do not exceed 66% of the highest rates in the market and a luxury hotel is one in which the average room rates do not exceed 88% of the highest rates in the market. The service level that a hotel offers has a
relationship with operational costs, which affect room rates, but there may be other relevant factors, such as the prices of land, labour rates and other operating costs.

Smith Travel Research (2010) has established guidelines for classifying hotel service levels in accordance with the room rates in the USA, which is as follows:

1. **Budget hotel** – a hotel in which the average room rates are less than 20% of the highest rates in the market;

2. **Economy hotel** – a hotel in which the average room rates are not over 40% of the highest rates in the market;

3. **Mid-price hotel** – a hotel in which the average room rates are not over 70% of the highest rates in the market;

4. **Upscale hotel** – a hotel in which the average room rates are over 85% of the highest rates in the market;

5. **Luxury hotel** – a hotel in which the average room rates are 85-100% of the highest rates in the market.

2.2. **HR Management in Small Hotels**

HR management (HRM) is an operational process comprising human resource planning, staff recruitment and selection, staff training and development, staff motivation and retention. The organization can benefit from developing more valuable staff, which can lead to organizational success, while the staff will experience higher levels of satisfaction in that their better performance can be rewarded by better pay and conditions and progress along their career tracks. HRM in a small business can be a very important task leading to success, especially in the service sector, which relies to a significant extent on human labour. A business’s survival may depend on its ability to recruit efficient, qualified people while providing them with
incentives so that they work at full capacity to maximize the business’s profits.

3. Methodology

This study used both quantitative and qualitative research methods and the data collection process can be divided into two phases:

**Phase 1**: Data collection took place through a questionnaire with the intention of studying the current situations of small independent hotels – in this case, a sample of 77 hotels was drawn and they were selected through a simple random sampling technique; the data analysis was conducted by employing descriptive statistics.

**Phase 2**: Data collection took place through in-depth interviews and non-participatory observation to study HRM processes and HRM-related issues – the key informants were hotel owners or HR managers. The data analysed in Phase 1 were used to classify the hotels according to room rates, with categories for budget hotels, economy hotels, mid-price hotels, upscale hotels and luxury hotels. The samples were selected for interviewing by a snowball sampling technique and the data were analysed using a content analysis technique.

4. Research Results

4.1. The Current Situation of Small Independent Hotels in Cha-am District, Phetchaburi Province

All the hotels studied were independent hotels which were not depending on networks either in Thailand or overseas. Overall, 77.9% were operated by their owners and 22.1% were operated by experienced people employed by the hotel owner. Most of the hotels (93.5%) had 60 or fewer rooms. Most hotels were economy hotels.
offering rooms costing 501-1,000 baht (38.9%) or budget hotels offering rooms costing less than 500 baht (37.7%).

Most of the tourists staying in the hotels were Thai (94.8%) and the majority were involved in leisure activities (85.7%) and staying for just one night (62.3%).

The principal selling points of the hotels surveyed were low prices (45.5%), convenient transportation (40.3%) and the friendliness of the staff (24.7%) (multiple answers were permitted).

Most of the hotels employed between 1-20 staff members (84.4%) and most staff members were 21-30 years old (55.8%), with high school certificates as highest level of education (50.6%). They were predominantly local residents (93.5%) and had been in their position for 1-2 years (31.1%). Most of the hotels had no HR departments and it was the hotel owners who were in charge of HRM (93.5%).

4.2. HRM Processes

4.2.1. HR Planning

Most of the hotel owners had inadequate knowledge and understanding of HR planning, especially in budget, economy, mid-price and upscale hotels, and they lacked the ability to conduct work analysis and manpower planning. They did not set staff duties clearly and, as a result, the staff had to rotate their jobs. Owners did closely supervise the performance of employees. The hotels that had HR Department were luxury hotels, in which there were HR staff and systematic HR planning took place.

4.2.2. Staff Recruitment and Selection

Most hotel owners recruited and selected staff from external sources by word of mouth from existing staff members and through the local media. The owners interviewed candidates personally.
4.2.3. Staff Training and Development

Most of the hotel owners did not think staff training was necessary as they thought it wasted money and was not beneficial to their business. They also believed that if their staff had higher levels of capacity, then they more likely to be attracted to and by other hotels. They felt that training provided by the government sector did not meet their needs and, besides, training caused the staff to be absent from work. Older staff members were assigned to train newer ones with a focus on instilling multiple skills so that the new staff could substitute for their co-workers when necessary.

4.2.4. Staff Motivation

Most of the hotels were family business which operated a patriarchal management style. Although the hotel staff received low salaries, they received more benefits and welfare than stipulated by law. The hotel owners looked after their staff as if they were members of the same family, which resulted in apparently good relationships between both parties. As for performance evaluation, hotel owners used informal evaluation through measures such as observation and obtaining information from supervisors. Concerning staff rewards, these were in the form of money.

4.2.5. Staff Retention

The most common method used for retaining staff was informal communication, because of the small number of staff involved and the small size of the organizations concerned. When the staff had problems at work, they could communicate with the hotel owner or their supervisor directly. The relationships between the staff and their supervisors or hotel owners were generally good. There were lower turnover rates among staff with longer working years at the hotels surveyed.
In general, HR-related problems in the small independent hotels were related to the quality of staff, staff training and development, discipline, unattractive salaries and benefits and the comparatively high level of turnover of younger staff members.

5. Recommendations

5.1. HRM Recommendations

The business of small independent hotels cannot be successful without an efficient HRM system. As has been seen, hotel owners play the most important role in establishing such systems and so they should be the starting point of changes. Following are recommendations for hotel owners in setting up HRM systems on a rational basis:

First, small hotel owners should adjust their opinions that an investment in HRM is unproductive and realize that it can lead to business sustainability, since staff members are the most valuable resource that a service sector firm has. The small hotel does not need a substantial HRM system as a large hotel would do but there is a requirement to take care with staff selection and training to ensure that quality standards are maintained.

Second, a Standard Operating Procedure (SOP) should be formulated for each business which includes working policies and procedures for staff members in each department, which will again help to define and maintain quality standards. Clear design of internal work processes can improve performance and, when a problem about service quality occurs, it can help in detecting the cause of the problem. HR planning should involve analysis of HR needs, capacity of existing staff members and preparation of job descriptions to define staff duties and qualifications and help provide transparent guidelines for staff selection and recruitment. Properly qualified and skilled employees should be remunerated properly, since low salaries and benefits will not attract qualified staff and this may lead to low-quality service
provision and, eventually, a decrease in customers and revenue. Great importance should be attached to staff training and development with respect to orientation, SOP, staff development and the use of external training to develop technical capacity and enable better career achievements. In general, it is better when staff members are involved in making these decisions because they are the ones who are in closest contact with customers and other important stakeholders and, therefore, they are people who have the best information on the needs of stakeholders and any gaps in existing service levels. This approach will boost staff morale as well, since people will feel empowered and valued and can have the effect of reducing the workload on the manager; however, it is still necessary for the hotel management to make it clear where the ultimate authority lies.

In some cases, the hotel manager would benefit from hiring a specific HR manager, in cases in which there are problems related to staff morale, high turnover or poor service provision, for example. Indeed, hotel owners should in general improve their knowledge about contemporary management practices and should expect to incorporate relevant management tools and technology in their own enterprises. Currently, there are various government and private agencies that provide training courses for small business owners, such as the Office of Small and Medium Enterprises Promotion, the Thai Hotels Association, the Thai Hotel and Hospitality Management Association and educational institutions. Small hotel owners should form a network with educational institutions in Phetchaburi and nearby provinces to serve as a source for recruiting permanent and temporary staff. They should also form a network of small hotel operators to allow them to share information, compare the results of operations and develop HR systems together.

5.2. General Management Recommendations

The results of the study on HRM in small independent hotels in Cha-am also revealed other problematic issues that the businesses face,
which include problems with marketing management, including identifying target markets, designing and developing products and services, setting pricing and using promotional channels. All of these issues can have an impact on company survival and on HRM directly and indirectly. Other suggestions are as follows:

1. Small independent hotels should do research on the tourist market to study tourists’ behaviour, since there is a tendency for tourists to be more individualistic and to seek new experiences. They should focus on understanding niche markets, the design of products and services that meet market demand and the development of unique products and services which can attract premium prices.

2. They should focus on the quality standards of their products and services, such as the cleanliness and hygiene of guest rooms and restaurants, safety within the hotel, aesthetics of physical design and the appropriateness of equipment provided in the hotel.

3. They should set room rates in line with operating costs and the quality of their products and services. To be able to survive in a sustainable fashion, they need to focus on improving quality rather than just cutting prices.

4. They should develop marketing channels via e-commerce in order to disseminate hotel information to potential customers. E-commerce can be used with hotels of all levels and this will help expand both domestic and international tourist markets.

5. They should form a marketing alliance. For example, they can create a brand for small-sized hotels in Cha-am and set minimum standards for member hotels and organize marketing activities together. Apart from having a strong network, this can enable them to save money.
5.3. The Roles of Educational Institutions in Developing Small Hotels

There are several ways in which local educational institutions can assist in developing small hotels to become more viable and sustainable businesses. For example, they can serve as a source of new employees by introducing small hotels to new graduates and providing the hotels with student trainees, temporary or part-time staff and internees. They can also help with networking and cooperating with relevant agencies and organizations, such as the Thai Hotels Association, Phetchaburi Hotels Association, Phetchaburi Department of Skills Development and the Tourism Authority of Thailand, Phetchaburi Office to provide small hotels with free or low-cost training.

They can also provide advice to small hotels on improving their management and marketing systems, e.g. accounting and finance for entrepreneurs, cost control, energy saving and environmental conservation, as well as new marketing approaches. Finally, they might help to conduct research to develop small hotels in terms of management to reduce operations costs, the development of information technology in small hotels and the establishment of quality standards there.

6. References


