

# **ROLE OF INSTITUTIONAL CONTINGENCY FACTORS IN HRM PRACTICES IN SERVICE SECTORS IN SOUTH KERALA**

**Christy Abraham**

Research Scholar/Faculty of Management Studies  
University of Kerala, Thiruvananthapuram, christyabraham24@gmail.com

**Dr Prakash Pillai R**

Head, PG Department of Personnel Management  
Loyola College of Social Sciences, Thiruvananthapuram, prakashpillair@gmail.com

---

**Abstract:** Effective HRM practices are necessary to manage the business uncertainties due to institutional contingency and cultural factors. This study focused on the variations in HRM practices due to institutional contingency factors in hospitality and health care sectors. The study is qualitative in nature and a case study was used. Purposive sampling method was used and primary data was collected through direct observation and semi-structured interviews. The study analyzed that various institutional contingency factors such as organizational size, structure, type of industry, nature of job etc affect the HRM practices. Proper execution of human resource management practices has a significant role in performance and satisfaction of the employees, and finally the performance of the organization.

**Keywords:** Hospitality, Health Care, Human Resource Management Practices, Institutional Contingency Factors.

---

**Introduction:** The business must have a clear understanding of the possible challenges to make best output and performance. This study is mainly concentrated to identify and understand variations in Human Resource Management Practices due to institutional contingency factors in hospitality and health care sectors. Both the industries are growing with the formation of budget hotels, coffee houses, boutique hotels, restaurants, multi specialty and super specialty health care institutions in key cities and primary healthcare centers (PHCs).

**Objectives:** The objectives are to identify the Human resource management practices in the hospitality and health care sectors and to do an inter and intra sectoral analysis of institutional contingency factors affecting HRM practices.

**Literature Review:** Dessler (2007) defines Human resource management (HRM) as the policies and practices involved in carrying out the human resource aspects including human resource planning, job analysis, recruitment, selection, performance appraisal, compensation, training and development, and labour relations and HRM plays a crucial role in the successful implementation of company's strategies (Jeevanantham, 2016). According to Zyglourakis, et al (2014) hospitals and hotels are similar in many aspects. A study conducted by Berger and Ghei (1995) on the aspect of hospitality hiring said that the success of the hotel industry depends on the excellence of its employees and their effective management in order to assist the organization to achieve its objectives. Tomar and Dhiman (2013) pointed out that the efficient management of HR function is necessary for improving and maintaining service delivery in hospitals in their study in Noida.

Theories state that effectiveness of HRM practices must be matching with the social and organizational context. Institutional theory states that organizations are under social influence to adopt practices - such as HRM - that are viewed as being appropriate for the situation (Scott, 2001). Agency theory (Jensen and Meckling, 1976) suggests that occupation and job title makes variations in HRM practices. In culture-free contingency theory Hickson and his colleagues (1974) state that the most important

parameters of organizational structure and practices are the contextual elements, such as size of the organization, industry and dependence on other organizations.

**Methodology:** This research is qualitative and a case study was used. To maintain similarity in the quality of performance and service delivery, two 5-star hotels and two super specialty hospitals in South Kerala were taken. Hotels were termed as hotel 1 and hotel 2 and hospitals were termed as hospital 1 and hospital 2 in order to maintain the secrecy. Purposive sampling method was used and primary data was collected through semi-structured interviews with experts. Direct observation was also involved in the research. The secondary data have been collected from related journals, books, newspaper and internet, etc

**Findings:** Researcher focused on the human resource management practices such as recruitment, selection, induction, performance appraisal, training & development, compensation and exit management based on institutional contingency factors such as type of industry, size and structure of organization etc in the 5 star hotels as well as super-specialty hospitals.

**Recruitment and Selection:** Hotels use different recruitment sources such as websites, agencies, employee references, campuses etc. Hotel 1 is a part of large corporate chain with clear organizational structure and it adopts more standardized and formal recruitment practices because large organizations are under more public scrutiny (Barber and Wesson, 1999). Hotel 1 is taking fresher to provide on the job training and they are termed as 'buds' and it also prefers internal recruitment. But the hotel 2 is providing internship facility to the students and they become employees based on competency. In the hospitality sector, screening of resume and the reference checking will be done followed by an interview and medical examination. Trial test is carried out for the production department candidates. Probation period of the employee in the hotel 1 is 6 months and hotel 2, its 1 year for senior level employee and 6 months for lower level employee.

The cost of recruitment in hospitals is comparatively low due to greater labour supply. Hospital 1 is larger and has greater public image and it advertises through formal channels (websites), and the need for excessive advertisement is very low due to large number of applicants. Hospital 2 is smaller and rely more on informal channels and networks (Barber and Wesson, 1999). In health care sector, doctors and nurses are having different selection criteria because of difference in the required expertise in the field, job role, and availability of qualified candidates. In hospital 1, resume screening, written test, interview with nursing co-coordinator and HR manager and approval of chairman is required for the selection of nurses. Interview of junior doctors is done by chairman and suprendent, and senior doctors by chairman and MD. In the hospital 2, for the nurses, the stages are resume screening, written test, interview with GM and HR manager and CEO. But for the doctors, it's screening of the resumes and interview with MD.

**Induction, Training & Development:-** Hotel 1 is larger than hotel 2 and the former has 3 days induction program includes common classes, meeting with the head of the departments etc. Hotel 1 has extensive training programs. They are sending their employees to other branches of the parent company for cross exposure training based on their years of experience, conducting separate workshops for employees, cross functional trainings between various departments etc. The hotel 2 has only 3 hours of induction program and it is compensated by their monthly training. In hotel 2 each employee must have 2.1 training hour/ week and 300 training hours in a department/ month. Hotel 2 has on the job training and demo classes.

Both the hospitals are not providing any kind of induction programs to the doctors because of the intake of qualified and experienced personnel. Hospital 1 provides 2 weeks induction programs to nurses and 4 days induction programs to the paramedical staff. Hospital 1 is encouraging their doctors to attend international seminars and conferences. Hospital 2 is conducting at least 1 training program in a month and they are arranging monetary support to their staff to attend various training programs of other institutions.

**Performance Appraisal:** Hotels have systematic performance appraisal practices compared to hospitals. Hotel 1 and hotel 2 have annual and half yearly appraisal process respectively by immediate supervisor. Supervisor's appraisal is by HR manager and GM. Hotel 1 has a very organized performance appraisal process and it categorizes the supervisors from S5 to S1 levels and executives from E8 to E1 levels. Hotel 1 has a peculiar system known as 'STARS'- Special Thanks and Recognition System which is an employee assessment scheme based on the positive feedback received from his guests. Hotel 2 is depending on performance appraisal for compensation, promotion and training requirements.

Hospital 1 is having performance appraisal once in 6 months by both the immediate supervisor and by self appraisal and nothing for senior doctors. Compensation and promotion etc were not based on the performance appraisal and it is a hindrance to the self motivation of the employees in hospital 1. Hospital 2 doesn't have proper performance appraisal practices till now. During the time of promotion and salary modification HR department used to discuss the past performance of the employee with concerned department head.

**Compensation and Reward Management:** Intrinsic rewards, such as the feeling of respect and belonging and opportunity for growth and learning, are valued more in small organizations compared to large ones (MacDermid et al., 2001). Large organizations tend to reward good performance with awards and recognitions (Quester and Kelly, 1999).

In hospitality sector, employees are getting monetary as well as non-monetary benefits. Hotel 1 and Hotel 2 organize picnic, sports days, parties, joy at work program, annual days, festival celebrations scholarships to the employees' children etc. Employees are getting casual leaves, sick leaves, privilege leaves and also the compensatory off. Number of Voluntary Retirement is almost nil in hotel 1. Hotel 2 has two special functions such as EVA day program for women and Town hall meeting to share their ideas, problems etc to top management. Best employee and best department will be selected during that program

Hospitals are providing mainly monetary benefits to the employees as per government regulations as per government regulations. They are providing very few non monetary benefits to its employees. Hospitals celebrates annual days, festivals etc. and provides casual leaves, medical reimbursement and insurance coverage. During birth days and in the festival period employees are getting MD's gifts in hospital 2. Even though the hospital 2 is smaller than hospital 1, intrinsic rewards are very nominal.

**Attrition Management and Exit Practices:** Hospitality sector is having a very low rate of attrition when compared to the health care sector. Hotel 1 has a business excellence model which does monthly analysis of attrition. Hotel 1 has a strict exit process which starts from the initiation of resignation letter, then the discussion with concerned department head, HR manager and team which leads to the completion of employee clearance form and also the exit interview form. Employee will have 1 month notice period in staff level and 3 months notice period in executive level. Hotel 2 is having below 5 % of attrition. Both the hotels are having similar exit process.

In health care sector, exit process is not very strict, because the employees are having only 1 month notice period, but in certain situation it's also flexible. The major reasons of exit are personal problems, opportunities in abroad, marriage etc and some of the employees joined the concerned organization only for getting work experience from a super specialty hospital. Hospital 2 having only a 24 hours notice period, so the employee exit is very high in hospital 2. Even though the hospitals are having higher attrition rate, they can manage the situation due to the larger number of prospective candidates.

**Top Management Role:** Hotels are providing more freedom and flexibility to the HR managers in decision making than hospitals. Hotel 1 is a subsidiary of a leading company in the hospitality sector. But the hospital 2 and both the hospitals are single entities and it makes difference in the case of

managerial and HR related policies and activities. Managerial support, operational freedom, strong ancestral base are important factors in the case of service excellence.

**HR Division:** Hotels have a well functioned HR department and they have proper review meetings with top management to discuss future plans and past performances. Hotel 1 has highly experienced HR manager, but hotel 2 is lacking that. Hospitals are mainly concentrating on the accreditation related requirements. The communication system and channels are not fully established in the hospital 1 even though they are having HR director, HR manager and 1 HR executive. In the case of hospital 2, HR manager is acting as the executor of the already established routine activities. Effective HR team with proper synchronization and communication finally results into employee co-ordination which is evident in the hospitality sector compared to health care sector.

**Workforce:** Both the hotels are having permanent and outsourced employees. Hotels are having 204 and 110 employees respectively. Hotel 1 has bigger organizational size, clear structure, strong ancestral base, good brand image and years of experience compared to hotel 2. Both the hotels and hospitals belong to private sector. Hospitality sector is having mainly male staff and they are having large employee- guest ratio. Hospitals are having 900 and 400 employees respectively. Hospital 1 is better than hospital 2 in terms of organizational size, structure and brand value. Health care sector prefers females and the employee – patient ratio is very low and it affects the employee motivation and productivity. **Discussion of findings**

The institutional contingency environments such as size, type of industry or job and ownership status are affecting the design and implementation of HRM practices. As organizations get bigger in size and depend on sophisticated technologies, their HRM practices become more standardized, formal, structured and job-related.

The larger organizational size, type of industry, ownership status (subsidiary of a big company), brand value, clear organizational structure has a greater role in the best HRM practices formulation and execution which is evident in hotel 1. Recruitment and selections are based on soft criteria, because hospitality and health care industry belongs to service sector. Hotel 1 is a subsidiary of large corporate chain so it has a systematic recruitment and selection procedure and it depends on various recruitment sources. Hospital 1 recruits through formal channels, while hospital 2 concentrates more on face-to-face interviews due to variation in size. Both the industries are service related so the training programs are comparatively simple than manufacturing sectors. Greater number of years of experience and large organizational size facilitate the hotel 1 and hospital 1 to arrange more effective and extensive training programs for their staff. High level job encourages participative and interactive training methodologies instead of one- way lecturing in health care sector. Hotels have systematic performance appraisal practices compared to hospitals. In large organizations, performance appraisal is more formal and periodical compared to small organizations and relies on multiple assessors which are evident in hotel 1. Even though hospital 1 has performance appraisal mechanism, but it's not considering in the case of compensation and promotion. Hospital 2 doesn't have a proper performance appraisal system due to the less effective functioning of HR department and poor organization structure. Hotels are providing monetary and non- monetary benefits due to its industry type but hospitals are providing only monetary benefits. Intrinsic rewards are more valued in small organizations, but its nominal in hospital 2 contradict to the previous literatures due to the absence of well established HR team, even though it is small in size. Hotels are having very strict and systematic exit process which is absent in hospitals. Systematic and thoroughly monitored HRM practice's formulation and implementation will generate highly motivated employees and that ultimately results into lower attrition rate which is less in healthcare sector. Hospitals are aware of the positive aspects of effective HRM practices but most of them are in paper. So the effective changes in the HRM practices and policies should be necessary and for that health care sector can consider other growing service industries.

**Conclusion:** In short the study focused on the variations in HRM practices due to institutional contingency factors in the organizations. Hospitality sector has an effective HR team when compared to the health care sector because of very supportive institutional contingency factors. Coordination of the

HR team and practices improves the overall activities of the personnel and hence the performance and growth of the hotels. Favorable institutional contingency factors lead to well functioned HR department and HRM practices and that will enhance the effectiveness of the staff and that ultimately lead to the best quality service delivery.

#### References:

1. Barber, A.E., & Wesson, M.J. (1999). A Tale of two job markets: Organizational size and its effects on hiring practices and job search behavior. *Personnel Psychology*, 52(4), 841–846.
2. Berger, F., & Ghei, A. (1995). Employment tests: A facet of hospitality hiring. *Cornell Hotel and Restaurant Administration Quarterly*, 36 (6), 28–35.
3. Dessler, G. (2007). *Human resource management*. New Delhi: Prentice Hall of India Private Limited.
4. Hickson, D.J., Hinings, C.R., McMillan, C., & Schwitter, J.P. (1974) . The culture-free context of organizational structure. *Sociology*, 8, 59–80.
5. Jeevanantham, N. (2016). Strategic HRM: Organizational Codes Of Ethics. *Business Sciences International Research Journal*, 4(1), 112–115
6. Jensen, M.C., & Meckling, W. (1976). Theory of the firm: Managerial behavior, agency costs and capital structure. *Journal of Financial Economics*, 3(2), 305–360.
7. MacDermid, S.M., Lee, M.D., Buck, M., & Williams, M.L. (2001). Alternative work arrangements among professionals and managers: Rethinking career development and success. *Journal of Management Development*, 20(4), 305–317.
8. Quester, P.G., & Kelly, A. (1999). Internal marketing practices in the Australian financial sector: An exploratory study. *Journal of Applied Management Studies*, 8(2), 217–230.
9. Scott, W.R. (2001). *Institutions and organizations*. New Delhi: Sage.
10. Tomar, A. & Dhiman, A. (2013). Exploring the role of HRM in service delivery in healthcare organizations: A study of an Indian hospital. *Vikalpa*, 38(2), 21–38.
11. Zygouraki, C.C., Rolston, J. D., Treadway, J., Chang, S., & liot M. (2014). What do hotels and hospitals have in common? How we can learn from the hotel industry to take better care of patients. *Surg Neurol*, 5(2), 49–53.

\*\*\*