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USING INTERNS AS A LABOR FORCE, AN ALTERNATIVE HR-BUSINESS STRATEGY

Room Granada Case Study

ABSTRACT

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To some extent small firms implemented a wide variety of Human Resource practices, though in a less sophisticated way than larger organizations (Hornsby & Kuratko 1990). Besides, the conventional objects for Human Resource Management (HRM) were long-term employees. However, there were some researches proving that interns or apprentices could be considering center cores for HRM. In scope of hospitality industry, interns were considered a valuable competitive advantage because short-term internship periods were perfectly suitable with labor characteristics of this industry, which was seasonal and highly turnover. Besides, HR practices were partly applied in Room Granada, which was the case study of this thesis, but those practices were likely to be insufficient and non-strategic.

Therefore, one of ambitions of this thesis was to justify why an initiative HRM strategy which focused on interns was necessary for exploiting effectively the current high-quality human resource of Room Granada. Moreover, based on available academic literatures and current HRM problems in Room-Granada, the last ambition was that the author tried in building an initiative compatible HRM systems which encompassed polices as well as practices for Room Granada.

A successful thesis is proposing both sustainable theory foundation and highly empirical application. Based on that belief, this thesis was devotedly introduced.

Key words Interns, Human Resource Management, sustained advantage.

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1 INTRODUCTION

Room Granada is a small business operating in hospitality industry. Their business is to offer accommodations to customers, which are mainly international students coming to Granada, Spain for short-term exchange study program. This particular sort of customers challenges Room Granada to adapt to high customer turnover. The firm needs to work hard to look for new customers. However, that severe circumstance sometimes is overloaded for both the manager and the interns, who are considered company's employees. Therefore, it is time building strategy for long-term development which will help the firm be run more effectively and stably. Before designing a probable strategy, appreciating the role of a firm's resources and capabilities is really prerequisite and essential.

However, a smart strategy could not be built on all resources and capacities which the firm is possessing. To compete other rivals strikingly, the strategy must depend on the resource or capacity which company considers the most vital competitive advantage.

During three months of working at Room Granada as an intern, the author had been getting accustomed with characteristics of the firms as well as its resources. Among resources such as: property, service, price....the company possesses, there is an interesting resource concerning the author. It is the force of interns. This resource is virtually the golden source for that company due to its tremendous contributions. Almost daily working tasks in the companies have been operated and maintained by their efforts. However, it is regrettable when the manager only sees and uses superficially their secondary technical skills for firm's commonplace operations, but not perceives their real precious capacities which could accelerate firm's development. Literally, this resource might subjectively be regarded as the sole distinctive competitive advantage that company could utilize to compete with other competitors.

Realizing noteworthy potentials of this human resource, the author had conducted a survey (APPENDIX 1), among interns and the manager, to verify whether intern force could become the competitive advantage for that company.

The research result indicated that all interns and even the manager recognized that the possibility for interns to become the competitive advantage exists. If the manager takes this result into account, it is time for him to raise his perception of the authentic power of this resource so that he will create a clever business competitive strategy based on this unusual advantage of which other rivals have not yet been conscious.

However, from recognizing to actualizing this circumstance is a very long pace if not having collateral assistances. Therefore, beyond indicating what the real competitive advantage is for that company, the author would like to help the manager shorten the pace by means of showing how that idea could be feasible, which is the major purpose of this thesis.

Yet the first and foremost issue now is that, to maintain that advantage, the manager needs to know how to manage his current human resource effectively. In order to accomplish this affair, cognition of HRM knowledge is really elemental and the manager need to be aware of the importance of HRM. Therefore, the first part of this thesis, HRM is introduced as essential functions of the management process.

2 HUMAN RESOURCE MANAGEMENT

2.1 Definition of Human Resource Management

Many have agreed that managing in any organization consists of five functions: planning, organizing, staffing, leading, and controlling. Among those functions, staffing gets involved in the sphere of HRM. In general, HRM is the process of obtaining, training, evaluating, and compensating employees (Dessler 2015). This general concept of Human Resource Management which is rationally embedded in employee relations have got popular and used in spreading far and wide. However, its definition is likely to be narrow. It lacks of mentioning a necessary condition which illustrates how employee management is significant. That realm is the management of work. The inevitable correlation between employee and work is a reason why the management of any organization executes managerial tasks. If a definition of HRM seems less to involve work-related implications, HRM is meaningless. Therefore, the definition of HRM suggested by Boxall & Purcell (2008), which is that HRM implies to activities related to the management of people and work, is more encompassing. This expanded concept allows us to realize many problematical perspectives in organizational level so that we could get close to savvy what HRM really is.

In the aspect of organization development HRM is an unavoidable process in developing firms. For instance, a self-employed entrepreneur who is running a small firm has more orders for customers. The consequence for this business context is that he will think of hiring people to assist tasks. Since the moment the manager decides to obtaining a first employee, his company has begun establishing first stages of HRM. After hiring, instructing and allocating the new employee in proper tasks are next probable steps of HRM. Similarly, his business is entering the world of HRM by following occurrences: more customers' needs more employees, evaluating effectiveness of current employee's performances to propose staffing moves, deciding appropriate salaries for workers for keeping their career aspirations. This example demonstrates that HRM is a necessary process that accompanies the expansion of any organization.

The next perspective is about performance amelioration. Any firm or company aims at optimizing their performances to get maximum profits. However, firm's performances are

influenced by employee's ability, motivation and their opportunity. And these individual factors certainly are under control of HRM. Therefore, HRM could be defined as a tool to govern individual performances, thereby improving organizational ones.

Finally, the definition of HRM should be broad in scope of strategic management. When a company begins building their business strategy, they do not stop at planning policies and practices of how to organize work and people. Instead of that, they will sketch different HR systems which harmonize with the business strategy. This holistic content will be introduced and explained in chapter 2.

2.2 Roles of Human Resource Management

As we have examined some basic and general HRM concepts above, HRM covers activities and practices in order to arrange work affairs and to manage people. However, this functional diversity of HRM understandably could lead the manager, whose small business firm is operated and under control of multiple tasks by himself, to be confused, even to neglect its vital managerial tasks. Therefore, it is also necessary to bear in mind the fundamental question: Why the entrepreneur needs to be aware of HRM, or the question could be interpreted into an inquiry: to what extent HRM are useful and beneficial for the organizational goals. (Boxall & Purcell 2008, 3.)

Based on one of popular organizational goals, which is to secure profitability to satisfy stakeholders, the first assistance of HRM the firm benefits from is to be cost-effective. A cost-effective HR policies, which are anchored to firm' budget for overall business expenses, could help the manager to have an appropriate HRM model for employing and maintaining workers who are as skilled and eligible for the firm's needs as possible. Take firms in service industry characterized by cost-driven competition for example. A very pricey model of personnel management, which affords for meticulous selection, high salary, expensive training, is unacceptable among those firms (Boxall 2003). They usually approve of a low-skill model of managing their labors. This regrettable consequence is a result of lacking a cost-effective HRM model, which long-term allows managers and employees provide a reliable contribution to operations. Therefore, the economic motive that

can be observed in HRM is possible for making labor productive at reasonable cost. (Boxall & Purcell 2008, 14.)

Secondly, in process of development, changes are inevitable. Those changes could stem from external motives of market or internal management. To adapt, the organization usually manipulate HR policies and practices to re-allocate human-based capacity so that the firm could be flexible. In short-run responsiveness, HRM shows its vital role in numerical flexibility, which means how many employees company needs to keep or dismiss. Moreover, controlling the number of employees suitably with change characteristics leads to financial flexibility which is punctuation in how much the company should pay for their employees.

Finally, through HRM, firms can go after sustained competitive advantage (McMahan & McWilliams 1994), which is defined by business strategy. Moreover, HRM strategy enhances the employee development which is one of basic requests of business strategy, thereby business missions and goals being achieved by means of HRM.

From the last goal above, we could see and guess a probable existence of the linkage between HRM and business strategy. Indeed, this relationship in the academic study world has established and been accepted by many researchers' literatures which is based on contingency theory. This theory is one of strategic solutions for management to determine appropriate HRM approach when it indicates which HRM methods should be chosen in harmonization with the kind of business strategy that company has pursued (Huang 2001). And finding a HRM approach for the particular case study in practice is also one main purpose of this thesis.

Before going further to the selection of a practical HRM approach, which will be discussed later, the author realized that it is really elementally holistic to view aspects of business strategy due to the important recognition of the close relationship between HRM and business strategy mentioned above.

3 STRATEGY AND HRM IMPLICATIONS

3.1 Definition of strategy

In general, "strategy" is a wide terminology resulting in various, either implicit or explicit, interpretations. Therefore, it supposed that we need to avoid the uncontrolled groundless usages of strategy language in order to barely impress. In business-related scope, that caution means that the definition of strategy must stem from elemental foundations, key disciplines which help company survive in the chosen market. And business decisions based on those factors are strategic. (Boxall & Purcell 2008, 37.)

Those foundational factors are interpreted into 'table stakes' including: proper business goals, capable people and non-human resources, by Hamel & Prahalad (1994). They believe that tailoring the firm's system based on these choices right enables the firm viable. Lacking one of those elements, the firm will deteriorate for its survival. And, 'strategy', literally and practically, is something engaged in the term of 'survival', something of significance for the firm in the future (Johnson 1987).

From approaches of strategic problems above, the definition of strategy, which is most proper for this thesis context, is firm's specific efforts to deal with the problem of viability, including goals, human, non-human, so that the firm could leverage the problem of sustained advantage.

Moreover, strategies, which are differentiated transparently from 'strategic plans' - formal paper layouts showing firm's goals by Henry Mintzberg (1994), are further viewed sets of strategic choices. In reality, organizations need to choose cleverly proper goals and then choose suitable resources to reach those goals. To accomplish that successfully, those uneasy strategic choices determined must engage all important business dimensions, which is an original reason of generating competitive strategy, financial strategy, operational strategy and human resource strategy. In other sayings, the definition of strategy is based at business unit levels and its particular strategies. (Boxall & Purcell 2008, 43.)

3.2 Strategic management and HRM involvements

If we accepted to consider strategy strategic choices like above, it is reasonable to define Strategic management as a process. This process involves some treatments to create a complete strategy. The first ones are formal planning methods, one of which dominantly applied is portfolio analysis. Besides, a learning process is really essential for strategic management. Securing a learning atmosphere within organization helps the managers learn and recognize problematic at-work affairs suggested from the others so that they would know how to do right things righter than their rivals.

As discussed above, strategic management is likely to be a cognitive process which involves key contributions from human-being elements in order to ameliorate its quality. We can see here that the more frequently the strategic management handles with environmental uncertainties, the more essential it is for the role of people with high technical and emotional intelligence emerging in the company. And acquiring and securing those key people belong to HRM sphere. Once again, HRM shows its important position in influencing on strategic management in this context.

In such a strategic perspective, senior HR specialists act here for this strategic management process improvement, mentioned above.

> They are looking at managers, identifying strengths and weaknesses, seeing who will go further and who needs to go (Hunt and Boxall 1998, 772).

In turn, strategic management affects vice versa to HRM practices by its strategy making. According to Hart (1992), there are five styles of strategy making:

TABLE 1. Styles of strategy making (adapted from Hart 1992)

Descriptors	Command	Symbolic	Rational	Participative	Generative
Style	*(Imperial)* Strategy driven by leader or small top team	*(Cultural)* Strategy driven by mission and a vision of the future	*(Analytical)* Strategy driven by formal structure and planning systems	*(Procedural)* Strategy driven by internal process and mutual adjustment	*(Organic)* Strategy driven by organizational members' initiative
Role of top management	*Commander:* Provide direction	*Coach:* Motivate and inspire	*Boss:* Evaluate and control	*Facilitator:* Empower and enable	*Sponsor:* Endorse and support
Role of Organizational Members	**Soldier:** Obey orders	*Player:* Respond to challenge	*Subordinate:* Follow the system	*Participant:* Learn and improve through self-evaluation Against agreed criteria	*Entrepreneur:* Experiment and take risks

This strategy-making framework is based on opposite roles of managers and firm members, as well as their interactions. Depending on what kind of making strategy style the firm chooses, they will employ corresponding HR practices such as hiring people and training them suitably with the role of organizational members. This engagement between strategy-making and HRM will be illustrated practically by the latter case study of this thesis.

3.3 Strategic HRM

With the same approach of viewing strategy based on a strategic choice perspective, strategic HRM is bound to choices related to labor management - managing people, and firm's performance - organizing work. These choices are arranged all time by the management structure consisting of managers and HR specialists (Boxall & Purcell 2008, 57). Besides, the definition of HR strategy needs to be clarified. Many has misunderstood HR strategy is a set of principles and practices for governing people and tasks in the firm. In contrary, organizations seldom use only one approach for managing all groups of employees. Therefore, it is more suitable to perceive HR strategy as a cluster of HR systems. (Boxall & Purcell 2008, 59.)
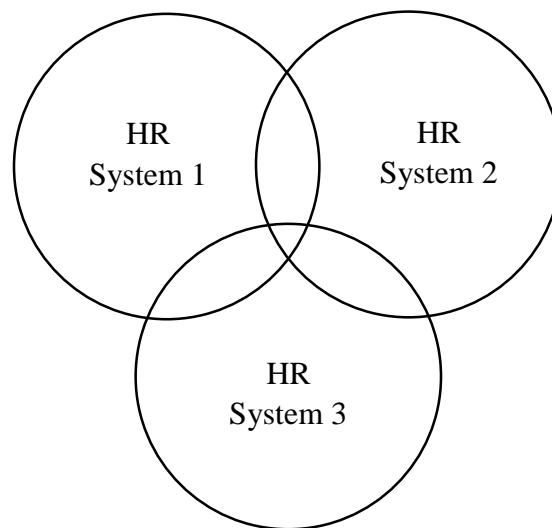

FIGURE 1. HR strategy as a cluster of HR systems (adapted from Boxall & Purcell 2008, 60)

Each HR system consists of different HR policies and practices which are designed to 'fit' business' perspectives. In the limited scope of thesis, two perspectives: competitive strategies, resources-based view, which correlate bilaterally with HR system making-decisions, are introduced in the following section. These two approaches are very significant and the most important issue because they are foundations for building the practical case study of the thesis.

3.4 HR systems

3.4.1 Influences of competitive strategy on HR systems

Beer and Spector (1985) have indicated that:

> An organization has an external strategy (or competitive strategy) which is a determined plan to compete with rivals. That enterprise also needs an internal strategy (or HR strategy) which exposes plans of managing its internal resources. Some involvements for those two distinctive types of strategies are implicative here. One of them is that the internal and external strategies must be linked.

Besides, some scholars suppose that the firm must manipulate HRM practices to fit with the competitive strategy, which declares firm's desired position in their chosen market. Veteran theorists elevating this external approach as a compelling model in HRM academia are Schuler and Jackson. These two authors suggested that HR practices need to be molded to get harmonization with one of competitive strategies categorized well-known by Porter (1985).

Competitive advantage

		Lower cost	Differentiation
Competitive scope	Broad target	Cost leadership	Differentiation
	Narrow target	Focus: Cost leadership	Focus: Differentiation

FIGURE 2. Porter's typology of competitive strategies (adapted from Porter 1985)

Porter argued that, according to the current stage of development, there are three competitive strategy the firm need to determine to achieve competitive advantages: cost leadership (becoming the lowest cost-making company in the market), differentiation (to be unique by high quality products or services) and focus (finding 'niche' market). In the cost leadership strategy, company tries to reduce inessential costs to be the lowest cost producer in the

market. In contrary, the focus or innovation strategy leads the firm to develop products and services differently in comparison with their rivals. Meanwhile company makes efforts to improve their products and services towards high quality standards by the differentiation strategy.

Based on those strategic suggestions, the firm is proposed to find an appropriate set of HR practices to strengthen performance. The reason why HR practices get involved for the request of performance enhancement in scope of the competitive strategy is that those competitive strategies only are executed successfully with assistances of workforce which is managed by HR policies and practices. Without them, it is impossible to implement the competitive strategy, thereby not getting competitive advantages. Moreover, apart from employee's skills and knowledge and abilities, employ behavior, which is the way they work with other in organizational climate so that everybody collaborate smoothie together for competitive strategy implementation, is extremely vital. Therefore, it is plausible when Schuler and Jackson (1987) assume that employee behaviors are the rationale to generate the embedded crucial linkage between HRM and competitive strategy.

Desired competitive strategy
(Cost leadership, innovation or focus)

↓

Required employee skills and behaviors
(For example, extent of predictability in behavior, degree of teamwork, extent of concern for quality, propensity for risk taking)

↓

Supportive HR practices
(Choices in staffing, appraisal, remuneration, training)

↓

HR outcomes
(Employee skills and behavior relevant to desired competitive position)
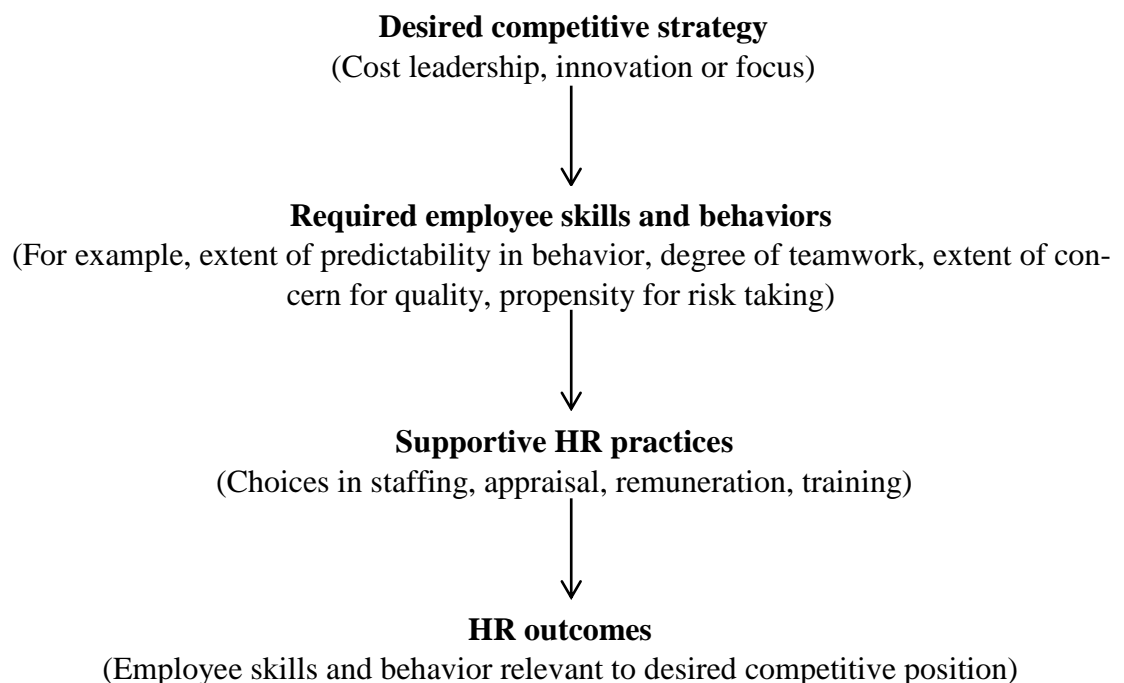
FIGURE 3. Linking HR practices to competitive strategy (adapted from Schuler & Jackson 1987)

With different competitive strategy, it has different requests for employee behaviors which are supportive by HR practices. In other sayings, choices in staffing, appraisal, remuneration and training must be well-oriented to find appropriate employees who have role behaviors compatible with the selected competitive strategy.

3.4.2 Resource- based view as a linkage between business strategy and HRM

As analyzed above, the competitive strategy influences remarkably HR practice manipulations. However, it is a one-sided exterior direction. If the manager only tailors HR practices towards the competitive strategy, advantages of their human resources could be wasted. Therefore, during three last decades, to create an explicit form for strategic HRM which is highly congruent with the competitive strategy, theorists have been influenced a dominant school which is Resource-based view. This school was originated by Edith Penrose's works, which emphasize that the firm is governed by human resources - administrating organization, and non-human assets - physical productive resources. This emphasis of human resources has fostered the importance of qualifications and experiences of the management team and their images of firm's environment. From this perspective, many theorists on strategic management have believed that noticing the Resource-based view helps the company build a bunch of human and technical resources that improves firm's performance. Furthermore, they have regarded Resource-based view as a major core of assumption for resources as competitive advantage, which is the first and foremost most concerned in business strategy.

Hamel and Prahalad (1994) argued that competitive advantage is generated from having 'core competencies' which are better than those of competitors. Characteristics of core competencies could be easily imagined as follows:
- A bundle skills and technologies that enable a company to provide particular benefit to customer
-Not specific product
- The sum of learning across individual skill sets and individual organizational units
- The gateway to the future

Based on these characteristics, we could see core competences mostly depend on skills and know-how gained by processes of teamwork as well as reciprocal learning.

The importance of human resource has been implied implicitly from the approach of core competencies above. However, That HR implication could be more explicit by Leonard (1998) who introduced a framework for identify firm's unique capabilities strengthening their services or products:

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1. *Employee knowledge and skill:* This dimension is the most obvious one
2. *Physical technical systems:* But technological competence accumulates not only in the heads of people, it also accumulates in the physical systems that they build overtime – databases, machinery, and software programs.
3. *Managerial systems:* The accumulation of employee knowledge is guided and monitored by the company´s systems of education, rewards and incentives. These managerial systems – particularly incentive structures – create the channels through which knowledge is accessed and flows, they also set up barriers to undesired knowledge-creation activities.
4. *Value and forms:* These determine what kinds of knowledge is sought and nurtured, what kinds of knowledge-building activities are tolerated and encouraged. These are systems of caste and status, ritual of behaviors, and passionate beliefs associated with various kinds of technological knowledge that are as

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FIGURE 4. The four dimensions of a core capacity (adapted from Leonard 1998, 19)

One of four dimensions of core capabilities, managerial systems, involves HR policies in the tasks for recruiting, developing and motivating employees so that the firm could access that vast useful knowledge and utilize creativities from employees.

Supported by this perspective, the company can balance their strategic management between the market-oriented strategic choice, which is connected with competitive strategy, and their internal workforce culture. Those two kinds of outlooks are really reciprocal to ameliorate the business performance. They represent both external dimensions, which consist of opportunities and threats, and internal ones: strengths and weaknesses. Boxall & Purcell (2008) emphasized more this vital interplay as follows:

One should not get carried away with either external or internal perspectives: both are necessary for a sufficient view of a firm's strategy

Internal analysis   **External analysis**

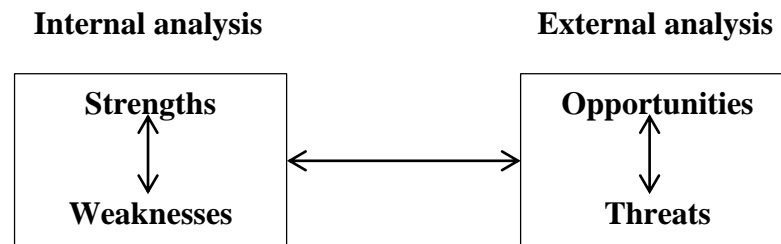| Strengths	Opportunities
↕	↕
Weaknesses	Threats

FIGURE 5. Internal and external dimensions of the strategic problem (adapted from Barney 1991)

Based on that importance, the first part of below case study will clarify what kind of competitive strategy and corresponding HR practices Room Granada should go after by means of SWOT analysis. Following that part, building HR systems for Room Granada which are examined not only by influences of competitive strategy, but also mentioned earlier perspectives, will be analyzed.

4 ROOM GRANADA CASE STUDY

4.1 SWOT Analysis

Considering of using interns as a labor force is a huge management change. To question the extent to which the change is feasible, should be based on change management tools or technique. One of most popular tools used in change management is SWOT analysis which is a dominant approach used by strategist to find out strengths, weaknesses, opportunities and threats for organizations. Moreover, finding the internal and external dimensions is an essential part of a strategic planning process which become a component of sustainable development.

In order to scan those factors, the author has studied and used both secondary data, which is gathered from academic articles or sources, and primary data, which is collected and processed by a questionnaire survey conducted by former and current interns, and semi-interview with the firm manager. In the first hand, secondary data is considered an out-standing verified evidences and perfect sources for specifying actual opportunities as well as threats so that Room Granada could decide which competitive strategy suits in their cur-rent business circumstances. In the other hand, it is likely to those conducting detailed studies inner the firm is the only absolute effective method so that internal factors of re-source-based view– Strengths and Weaknesses of the company are exposed.

After executing questionnaire survey and semi-interview (APPENDIX 1), the author real-ized and inferred internal and external factors for Room Granada in following table:

TABLE 2. SWOT matching

SWOT Analysis	*Strengths* 1) Have gained experiences of using interns before 2) Manager's consciousness of the importance of interns 3) A working environment with various multi-tasks	*Weaknesses* 1) Lacking of motivations and compensations for what interns have been contributed to the firm 2) No specific descriptive HR policies and plans 3) Have not yet deployed intern's potentials and competences
Opportunities 1) Abundant numbers of students finding intern-ship over Europe 2) Apprenticeships deliv-ered strong business bene-fits	**Strengths-Opportunities Strategy**: Build HRM plan to attract excellent interns	**Weaknesses – Opportunities Strategy**: Need of HR specialist to manage HR
Threats 1) Seasonal Customers 2) High turnover from labour force 3) More affordable rent prices from competitors 4) Service quality emer-gence as a new competi-tive success	**Strengths – Threats Strategy:** 1) Forming period-driven HR policies (S1-T1,2) 2) Business strategy on cost-reduction (S2,3 – T3)	**Weaknesses – Threats Strategy:** Shift gradually competitive strat-egy from cost-leadership to quality enhancement

As the table shown, by matching Strengths to Opportunities, Strengths to Threats, Weak-nesses to Opportunities, Weaknesses to Threats, corresponding predictable HR policies and practices are sketched so that the competitive advantage, here in Room Granada case, which is dynamic organizational internship, is maintained. This advantage could not be replicated in long-term from other local competitors because of reconciling of above listed strategies.

4.2 Strategy-making modes and HRM implications

As discussed above, HR practices are determined substantially via strategic management. Cleanlier, strategy-making process, which is under control of strategic management, lays a decisive weight on how HRM is implemented. Based on criteria of strategy-making pro-

cess framework designed by Hart, a research (APPENDIX 1) has been conducted to investigate of which styles of strategy in reality Room Granada firm currently is lead.

The result shows that both managers and interns assumed the company strategy is likely to be characterized as 'Command' style. In this kind of strategy-making mode, the manager controls all over the firm as a 'commander'. He is the strong leader who decides which strategy and actions should be applied. Those strategy or business tactics must be formed and articulated transparently. Overpowered by this upward one-dimensional guidance style, the interns play roles as 'soldiers' who follow and execute the strategy as it is imposed by the manager.

This current choice of strategy-making in Room Granada firm seems to be rational when it harmonizes similarly with academic recommendations:

> The command mode will be most prevalent among small organizations in relatively simple environments. Furthermore, the command mode will be associated with higher performance in these situations (Hart 1992).

However, Hart (1992) articulated that any single mode will undergo its own limitations and biases. Therefore, combining rationally between strategy-making modes each other is more effective for improving firm performances.

When asked what strategy-making mode needs integrating with current 'command' one, almost people of Room-Granada agree that the firm should be oriented by the combination between 'command' and 'participative' modes. The reason why Room Granada interns prefer to choose 'Participative' mode is that their inspirations have echoed with characteristics and natures of this mode, which are learning-and-feedback-involved process, cross-functional communications among people. In other sayings, they would like to contribute their business ideas and efforts so that the manager would evaluate and manifest them into strategic direction.

However, the choice of interns is subjective and needs to be verified by specialized studies from researchers prior to being taken into account of transforming it into reality. Based on contingent factors: environment and firm stage of development, this mode is supposed to be executed when the company would aim at new business stage of service improvement and conquer the more complicated market. In SWOT analysis above, we could see Room

Granada is encounter with different kinds of rivals and they must blend between cost deduction business strategy and high quality service one. Therefore, this choice of 'participative' mode is virtually rational and reasonable.

To recommend, with results of researches and studies on literature, the strategy-making process for Room Granada should be directed and implemented by combining both 'command' and 'participative' modes together in order to maximize business performances.

Along with the above conclusion, HR practices and policies are sketched in correspondence with essences of two strategy-making modes. This HR practice and policy maneuver is hoped to be consulted by the manager for designing new strategies in the future

TABLE 3. The suggested HR system in harmonization with strategy-making modes

Corresponding HR practices	Role of firm members	Strategy modes	Role of top management	Corresponding HR policies
-Select modest interns -Appraise periodically -Reward to evaluable order performances	Good 'soldiers'obeying 'orders' as it is articulated by the top	Command	-Powerful leaders -Assertive with formed requests to inferiors	-Allocate tasks to right member
-Train interns to self-learning	-Learn and improve through cross-funtional communication -Give feedbacks	Participative	-Empower -Enable members' efforts into reality	-Observe and manage individual performance -Create learning environment

4.3 Human Resource Management and Organizational Performances

Two first sections in this chapter have showed practical suggestions to the Room Granada manager for building two different sorts of HR systems based on strategic levels. Those systems need verifying in a long-term preparation for future changes. In a lower extent, HR policies and practices must be manipulated in harmony with business performances on the daily basis. Therefore, this section will analyze how perspectives of organizational performances influence on making decisions for HR policies and practices.

4.3.1 HR policies

In business world, all organizations aim at obtaining as much valuable outcomes as possible. Room Granada is not expectable. To enhance outcomes, HR systems containing different policies offer precious means of performance development for the firm. Those policies are important when it make HR practices coherent and consistent. However, in reality, HR practices guided by HR policies seems complicated due to its causal chain from being cited and intended by the manager and HR specialist to actual HR practices, resulting to perceived practices by employees, then occurring their reactions, finally leading to real organizational performance. Therefore, Room Granada needs to build a HR system with explicit policies so that HR practices are executed successfully. In order to do that, the manager of Room Granada could consult one of useful models linking HRM and performance as follows:
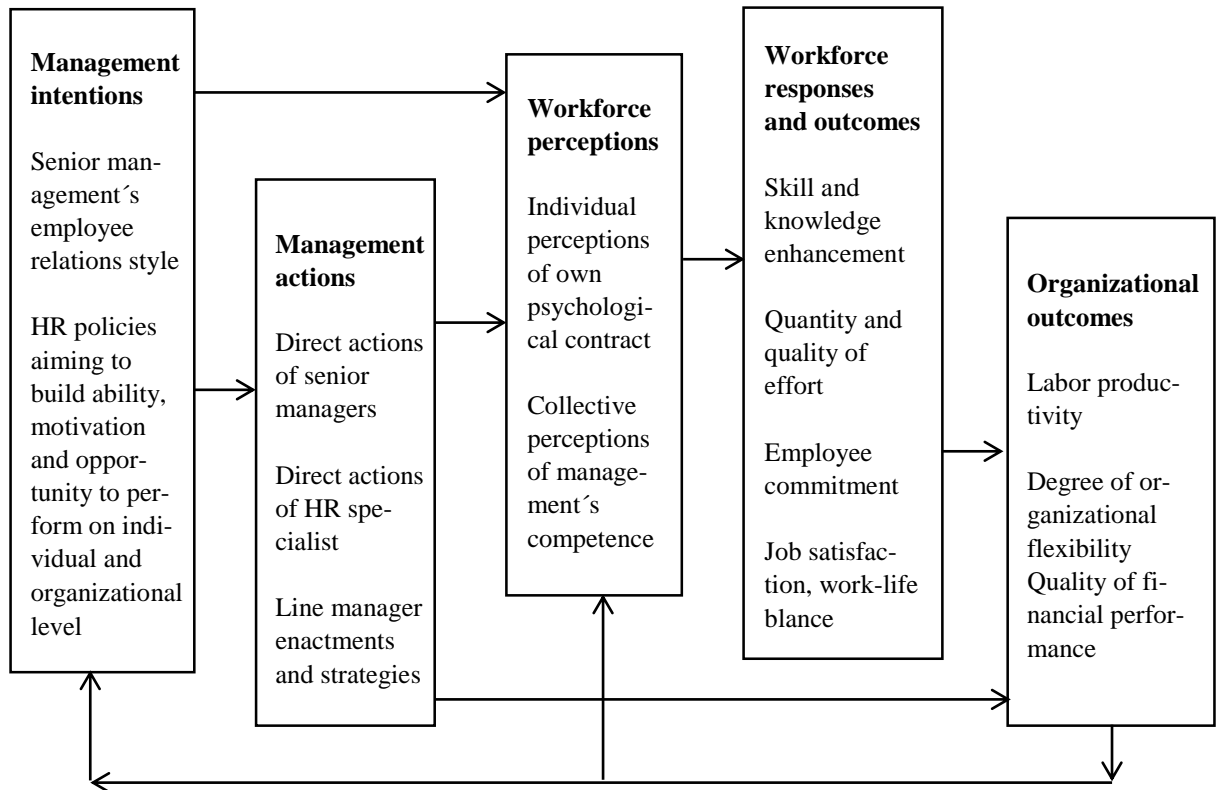
FIGURE 6. HR systems and the links to organizational performance (adapted from Boxall and Purcell 2008, 221)

- Employee relation style

The gap between intended management and actual one is filled by employee's perception or the way they interpret of what the manager did state his expectations for a desired manner of working with employees. In relation to task executions, those interpretations will influence on their attitudes and behavior based on the extent to which they evaluate such statements as 'rhetoric' and how those articulations are manifested in reality.

When asked in questionnaire sample, none of interns see a high consistency between 'what the manager of Room Granada stated and oriented the working culture (how they work together) in the beginning of internship' and the reality of working method during internship. Predictably, this phenomenon results in lacks of harmony between the manager and employees in executing tasks, thereby lessening productiveness in work. Therefore, it is suggested that the manager of Room Granada should change communication style for employee relations.

- Critical need of HR specialist

Due to above shown indication of teaming inconsistency between the manager and interns, the role of a HR specialist is really essential for Room Granada. This HR specialist as a line manager will convert HR policies to practices by transform the formal articulated values and want of the managers to informal real stated culture for interns. It means that beyond specializing HRM knowledge, the HR specialist of Room Granada must obtain general business practices such as marketing and organization management so that she could work together with the manager and ensure his task requirements assigned to interns get harmony with HR policies. In the converse direction, the HR specialist would create an informal communicative environment between her and interns in such that she could convey ideas or aspirations of interns to the manager. To sum up, the HR specialist works as mediator who connects the manager and interns by HR policies and practices.

Besides, as assistances of HR specialist in managing people, the manager could spend his time more on finance and operation management. Lucas (1996) and Price (1994) argued that the existence of personnel specialist would assist remarkably the need for ongoing employee recruitment and training which is prerequisite due the hospitality industry's labor-intensive nature and high levels of labor turnover. As high turnover of hiring interns, the workforce instability prevents the development of shared values and the development of workforce competencies (Hoque 1999, 68). Here, the role of a permanent HR specialist emerges. To tackle that problem, he/she have to motivate the new interns so as much as that they are imbued with firm's shared values, and foster new people to reach at least same proficient thresholds of previous interns which she has recorded.

A problematic disadvantage of quick turnover is that:

> It generates higher recruitment and training costs and causes the depletion of valuable firm-specific human capital" (Hoque 1999, 119).

However, if the firm recognizes that hiring a fixed specialist, who would flexibly reiterate both enrollment and training programs so that human capital is still remained, could be cost-effective, those problems does no trouble the manager as much as before. Above, we just discussed one vital part of strategic HRM which is how to manage labor better via HR practices. However, it is not the only most noteworthy role of HRM in the firm. It is very

important to emphasize again that strategic HRM is bound to choices related to labor management - managing people, and firm's performance - organizing work. Therefore, along with suggestions of HR practices for labor management, pointing out the extent to which HR strategy is linked to organizational performance through HR policies, thereby enhancing business outcomes, seems to no less essential for Room Granada

- Employee voice management policy

Employee voice is a set of opportunities in which employees can raise their say and exercise their influences. Clearly, they would like to participate in organizational decisions. The reason why the manager of Room Granada needs to notice these desires from interns is that one problem of its high intern turnover circumstance have recently occurred. With only working in a short-term period, usually three or four months, the instability of interns' commitment is understandable. The result of survey shows that their wishes for devoting efforts lessen in the latter half of internship. To tackle this problem, allowing employee participation in the firm is a good solution. The employee participation involvement helps interns feel and realize they are highly appreciated and their feedbacks to the manager are examined thoroughly. This intern' perceptions of the quality of engagement process from the manager psychologically keep their job satisfaction, thereby enhancing their efforts to company's performance until the end of internship.

However, those huge contributions of interns are not limited with their internship period. After internship, if the firm still keeps good images and relationships with interns, the probability that interns would like to help the firm more develop such as: conducting researches for their thesis, or having desire of coming back to work… is very high. And because Room Granada is a new start-up, those givings are precious for its development in the future.

Based on those above benefits of enabling employee voice, the manager needs to be aware of this policy to encourage and make interns feel comfortable and volunteer for giving free participation.

- Long-term policy for building human capital and social capital

Those policies suggested above are meant for the Room Granada to maintain instant performance quality when high-turnover situation of employees is unavoidable. However, if the manager does not propose long-term visionary HR policies, this scenario will cause troubles. First, high intern turnover is equal with high HR practices repetition. This problem will result in high recruitment and training costs. Moreover, it could make the HR specialist stressful in repeating uninteresting as before HR tasks for new interns. Second, the fact, those interns has come but all leave, will interrupt and demolish the stream of tacit knowledge which is considered as human resource advantage from resource-based view theory. The tacit knowledge which is nonverbal know-how and exclusive individually is more critical than explicit knowledge which is a set of instruction of how to accomplish tasks articulated by the firm during training. That tacit one from interns is really valuable when interns depend on it to generate brand-new useful ideas for developing company. If those initiatives do not exist continually, the firm will stop moving.

Therefore, the manager of Room Granada should consider keeping talented interns who have abundant tacit knowledge so that a human capital is built as one of solid pillars for firm's sustainable development. All firms in the business world should obtain those individual to keep and improve the firm's goals as well as missions for their wish of long-term survival or even adaptation during changes. However, in connection with other interns who lack unique competence but learn explicit knowledge fast, the human capital which is based on only few talents is not sufficient for the company. In this larger scope of all interns, creating social capital is more critical. An effective social capital consisting of human capital and other short-term employees will offer organizational advantages such as team-based learning and decisions, high levels of trust among people which factors are accelerating firm's performances.

The policy framework for building human capital and social capital is sketched by following figure:
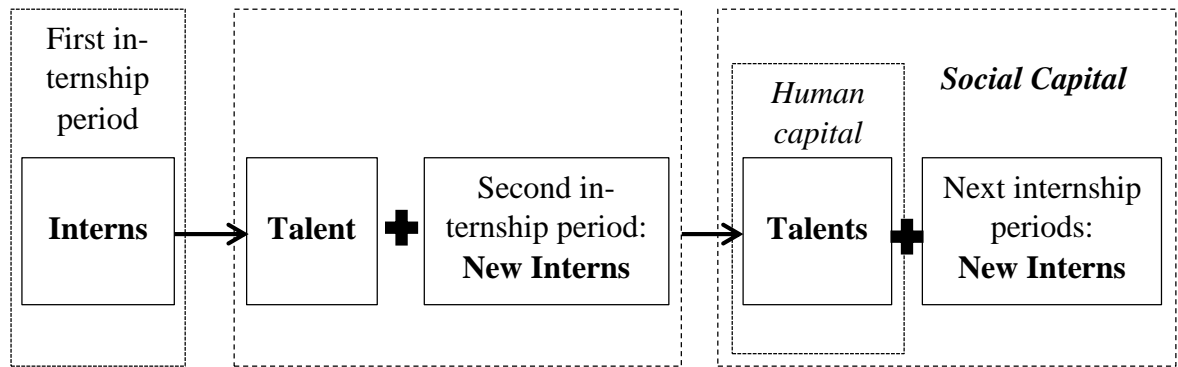
FIGURE 7. Suggestion on building human capital and social capital for Room Granada

From interns recruited, perhaps the HR specialist could suggest the manager to keep a talent who has shown dominant competence among other interns. This person will still work for the firm with other new interns from next internship periods. New interns could learn from the talent and conversely the talent would instruct them. However, new intern comings bring new high-quality stream of individual competence. The talent could not be satisfied with his current position. If she does want to be left behind, she must show more efforts for the firm. It is an optimal way for creating a fair competitive working environment so that the knowledge capability from interns always transfused to new proficient levels. Those inner capabilities, which are from retained talents, and outer capabilities, which are new interns, would expectedly help Room Granada operate effectively.

4.3.2 HR practices

Above, we just discussed one vital part of strategic HRM which is how to manage work performances better via HR policies. However, it is not the only most noteworthy role of HRM in the firm. It is very important to emphasize again that strategic HRM is bound to choices related to labor management - managing people, and firm's performance - organizing work. Therefore, along with suggestions of HR policies for work management, pointing out the extent to which HR strategy is linked to organizational performance through HR practices, thereby enhancing business outcomes, seems to no less essential for Room Granada

- Recruitment and selection

Currently, the most frequent HR practices that Room Granada is deploying are both recruitment and selection. The recruitment is advertised by their partner, which is Spain-internship. Whenever Room Granada needs new interns, they will ask Spain-internship for announcing a recruitment post on their website. When some interns are interested by the job description in that post, they then apply for the job position. HR specialist of Spain-internship will report those who have suitable abilities to the manager of Room Granada. At this point, the selection process gets executed. Usually, by formal interview with interns and investigating their CV and job application, two or three interns will be chosen for working at Room Granada from 3 to 6 months. The whole process of recruiting and selecting is replicative three or four times a year.

Result from questionnaire shows that this process has problems on both recruitments and selections. Therefore, the company should design such proper HR practices. One of many approaches could be replied recommendations on Table 3. It means the firm manager needs to find interns who have competences corresponding to criteria to both 'command' and 'participative' modes. Subsequently, those interns will be formed as a team working and cooperating in multiple tasks as natures of work environment in Room Granada.

Based on perspective of team formation, the selection process will be more easily imagined and manifested if interns are chosen via criteria of a framework which define how to build up a good team. One of dominant team management framework is Belbin's model.

TABLE 4. A typology of team roles (adapted from Belbin 1981)

Team role	Offers the team	Should aim to develop
Specialist	Their technical skills and focus	A fuller involvement in the team beyond their technical skills
Leader Coordinator	An ability to encourage and co-ordinate others, to listen, to persuade and to build consensus	Their ability to move from decision making through to action

TABLE 4. (continues)

Innovator	An ability to come up with creative ideas and original approaches in challenging circumstances	Their aims to listen to the others and to connect with current priorities in the team
Explorer Networker	Strong interests in new ideas and in people and an ability to network with them	Their ability to move from exploring and talking to making things happen
Analyst	Strong analytical abilities, a rigorous capacity to weigh up ideas and think through the implications	Their ability to empathize as well as challenge critically
Team coach	An ability to get on well with nearly all people they work with, listen to their feelings and offer personal support	Their ability to handle tough decisions
Completer-Achiever	An ability to manage the details and ensure the job is done on time and to high standards	Their ability to see when their approach is too critical of the efforts of others

According to this model and determined strategy making modes, types of team roles including Specialist, Innovator and Completer-Achiever are really suitable to the company. Therefore, the manager should consider and select interns whose characteristics and talents are suited those above team role natures.

- Training and development

As suggested, training programs must be executed in order to encourage interns to communicate cross-functionally and give feedback effectively. By mean of that, the firm has something to gain from inspiring learning process from employees. Moreover, Room Granada's know how has been building up by accumulation of practical knowledge and technical skills of previous interns. Those practices are infused and utilized repeatedly by new interns without any effectiveness verification from their own meditation on work as well as

from the manager. Therefore, enabling new people to try new things is really beneficial for firm performance's development. By means of learning via trial-and-error and giving usually informal feedbacks, the new intern could help the manager recognize shortcomings of previous know-how, thereby by themselves finding new approaches to improving it.

Unlike informal training, development plans aim at enhancing individuals' abilities to tackle brand-new problem solving to build a great working team. Those development plans could be oriented by Belbin's mode so that new interns' competences will be tailored to expected characteristics of team role which benefit both individuals and companies.

Academic arguments quite suggested that development plans are only advantageous in case of long-term employment. However, in this case study, development plans is helpful for the firm because the employment is abnormal and special, which is hiring interns. When college students begin their internship at firms, one of ambitious purposes of apprenticeship at which almost interns aim, is to learn and get new skills as well as competence. As a result, willingly helping interns develop their new abilities is regarded as a work motivation from the firm which makes interns excited in continuing working. Their excitements on work positively influence on company's performance.

- Performance appraisal

Among current HR practices in Room Granada, performance evaluation is the most disregardful process. The understandable reason why the manager ignores this HR practice is that interns have voluntarily accepted to work without salaries at the outset of work. This non-linkage between performance appraisal and rewards benefits tremendously the company owner when his company reduces a remarkable business cost on employment. However, taking advantages on this cunning circumstance from the manager is not wise if considering in the long-term. As we know, productivity and improvement of business performance is strongly linked to some extent of rewards and incentives for employees. Although interns agree to work unpaid, they only execute their work as requirements without any desires of enhancing performances with their all efforts and abilities. If this situation happens in a long time, the firm's business performance will be stagnated, thereby deteriorating company's ability to compete in the market. Therefore, a remuneration system must be designed for the company as soon as possible. And to have a cost-effective reward deci-

sions, in the first of hand, performance appraisal process must be recognized and then exercised.

In this above analyzed case, when the manager is not interestingly motivated for giving just and accurate appraisals, but he must prioritize the company's long-term benefits, a mediator, who could be a HR specialist, is essential. The mediator as a lower-level manager would conduct and summarize all evaluations of periodic interviews or individual reports. Those evaluations will be measured and rated by the mediator according to manager's expectations of how well performances have done by interns. This performance appraisal approach is likely to be operated effectively when it is well-led by the manager and well-resourced by the mediator (Boxall, 182).

- Rewards

As discussed above, remunerations are essential as motivations for interns. The manager should not ignore the reward system anymore because the reason why interns or, employees in general, enthusiastically take part in work is the need to earn the standard of living so-called 'provisioning motive' (Rose, 2003). Due to the firm's particular business characteristics, a performance-related pay system seems rational for being applied, instead of using time-based pay. Based on the extent to which interns perform assigned tasks excellently, the manager could offer bonus to interns. The quality of this decision should be depend on and controlled by performance appraisal system conducted by the HR specialist. This linkage between the performance appraisal system and performance-related pay approach is likely to be cost-effective and beneficial for Room-Granada, except for one following circumstance. If the manager only gives bonus or incentives for any intern by his achievements of an invariable task, he will just repeat those actions narrowly and could not be flexible without any better initiatives to fulfil the firm's unfolding needs (Kessler & Purcell 1992). Therefore the management including the manager and the HR specialist needs to carefully design resilient links from appraisal to pay adjustments.

5 CONCLUSION

To sum up, building HR policy and practice framework should not be cursory, even though how small the firm is. This affair could be dealt with the wholeness if the management views it from firm's strategic problems of viability, how the company could leverage goal, human and non-human to become a particular sustained advantage, rather than from instant daily-business circumstances. Moreover, different strategic problems result in strategy choices. Contemplating those choices in correlation with critical business perspectives will help the manager, of Room Granada in particular; acknowledge appropriate HR systems which could assist efficiently for the firm's performance.

From that serious outlook, the author has reviewed some dominant HR literatures which are solid foundation in building a holistic HR system. This effort with researches in reality, at the end, suggests that designing HRM framework for Room Granada should be based on three perspectives: strategy-making mode process, SWOT analysis and the internal linkage with organizational performance.

However, because of limitations of author's ability and thesis's scope, it is hoped that people who will work for Room Granada, could be new potential interns, could continue to execute better researches to ameliorate HR systems suggested in this thesis. In case of that the manager of Room Granada really strives for a productive HRM framework, some following recommendations as first critical steps for HRM-making process are proposed as final conclusion of this thesis:

- The manager of Room Granada must have specialized assistances from a HR specialist, who will not only take care of nurturing HR systems, but also integrate those systems into performance developments.
- Managing people and work should not be considered tasks which are governed by simultaneous HR practices for facing current problems. Instead of that, the manager needs to create different HR systems for being proactive with different people groups and works.
- At present, the manager must acknowledge that knowledge of interns is the core capacities which are a sustained advantage accelerating company´s development.

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This research questionnaire was conducted by collecting answers from 8 former and current interns and the manager of Room Granada. Questions proposed include:

1. Do you think that interns could be a competitive advantage which is a non-replicative resource for competing with rivals, for Room Granada?

2. Which criteria are strengths and weaknesses of Room Granada?

3. What kind of strategy-making mode is corresponding with Room Granada's business situation?

4. If suggesting one strategy-making mode for the future, what is your choice?

5. Did you find what the job descriptions were announced in the beginning of recruitment process, authentic with tasks you had had to execute during internship?

6. Are you satisfied with company's reward system?