

# **Human resource challenges faced by managers of independent restaurants in Finland**

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## Abstract

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Title of the thesis <b>Human resource challenges faced by managers of independent restaurants in Finland</b>		
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Abstract <p>Finnish independent restaurants currently face numerous human resource challenges. It is well-established that the restaurant industry is high labour demands and is heavy labour-intensive, however, it has negative images of employment conditions, leading to difficulties in human resource management. This study aims to identify the human resource issues that restaurant managers encounter in daily work. Specifically, it investigates challenges in independent restaurants. In this context, an independent restaurant is specified as the business in which the human resource department is not separated. To expose the research topic, in-depth interviews were conducted with restaurateurs in six privately-owned restaurants across the Uusimaa area of Finland. The findings show several themes regarding human resource challenges in the process of recruitment, training, and retention of employees in independently owned restaurants. The practices taken by restaurant managers to overcome these challenges are discussed. These results are put forward to HR managers for better human resource issues navigation in the restaurant industry. The negative aspects could be reversed by enhancing human resource management practices. On this basis, the concept of human resource management and its practices should be taken into account when operating a people business. The thesis work would provide reliable material to those future restaurateurs.</p>		
Keywords HRM, HRM challenges, independent restaurant		

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## **List of Abbreviations**

Food and Beverage: F&B

Human resource: HR

Human resource management: HRM

## 1 Introduction

A proliferation of globalization has generated increasingly cutthroat competition in the world's business. Hospitality, specifically Food & Beverage industry is no exception. Human resources have become one of the crucial competitive advantages for surviving and outperforming in competitions. Therefore, having a more overarching understanding of human resource management is a significant part of operating a people business. (Boella & Turner 2013, 3).

The restaurant business, similar to other service-oriented industries, has features of heavy labor intensity and highly variable labor demands that need much of the recruitment's planning efforts. Not only tangible products, but F&B businesses also offer intangible service experiences that are highly dependent on the interaction between employees and guests. Along this line, HR is critical to the quality of services, as well as customer satisfaction, and company performance (Tracey 2012, 681). Since qualified workers are critical assets for organizational prosperity and growth, restaurants are eager to attract and retain them.

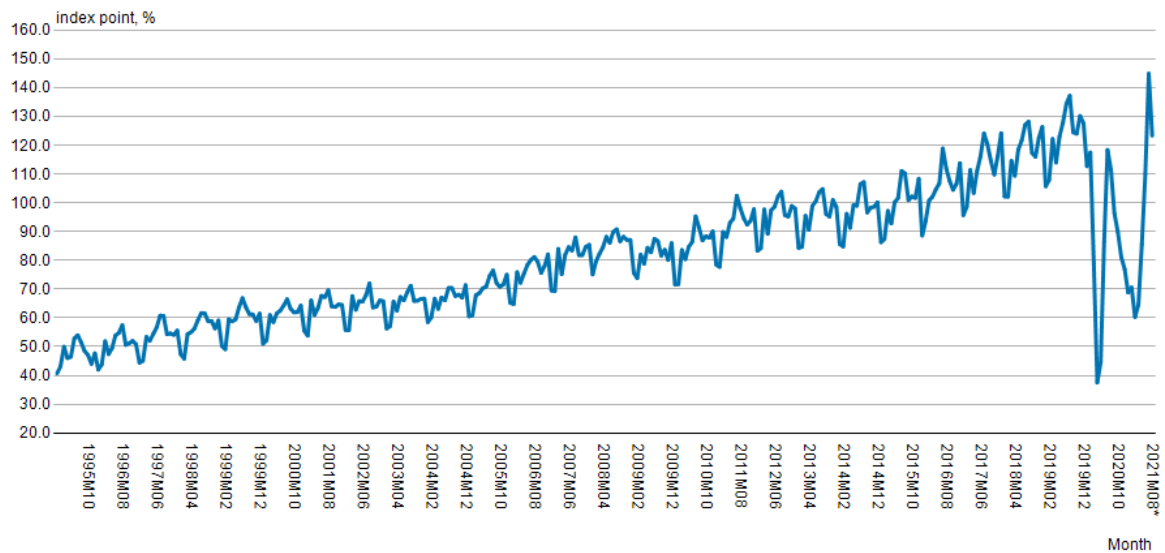
Because of the unique characteristics of the industry, human resource managers at restaurants confront numerous human resource obstacles in order to meet worldwide customer service performance standards. The challenges include intrinsic and unavoidable difficulties as well as ones that can be reduced and overcome by management actions (Boella & Turner 2013, 3). Such challenges may occur in recruiting, training, and retaining skilled workers affect restaurant managers' daily work (Leng 2013, 8).

The labor problems, together with other management tasks such as logistics, customer service, etc., undoubtedly cause many effects on the organizational operation and service quality. The consequences can be vary depending on the restaurant type and the size of the business. Besides, in such an independently owned restaurant that human resource is not a separate department, the responsibility of the restaurant manager is much greater. Therefore, restaurant managers should take consideration and plan for action in advance. This study intends to analyze HR issues and related HR practices in the foodservice sector in order to aid scholars and restaurateurs in understanding emerging HR issues and related HR practices. Focuses are put on themes regarding issues that managers in independent restaurants encounter in managing people.

## 1.1 Overview of the restaurant industry in Finland

The Finnish economy has been greatly developing with positive signs coming from almost all sectors, among which Food & Beverage stands out as one of the attractive sectors drawing enormous attention from foreigners and local investors. The Finnish restaurant industry is a vast and diverse environment. Finland has a lot of potential for enterprises in the food-service sector. New types of restaurants are constantly being opened and developed. The importance of the industry to the Finnish economy can be seen through a large number of firms, job creation, and high turnover. According to research, the turnover of the industry represented an increase of 22 percent throughout the period of 2011-2018 (MARA 2020).

Turnover of service industries (2015=100) by Month. | Accommodation and food service activities, Turnover, Original index series.



Source: Turnover of service industries, Statistics Finland

Figure 1. Turnover of service industries in Finland over years (Statistics Finland 2021)

Figure 1 described the development in the turnover of service branch enterprises between the years 1995 and 2021. As an overall trend, it is clear that the turnover of the service industry increased fairly rapidly before dropping sharply in the year 2020. Turnover began to rise in late 2020 then fluctuated until 2021, at which point they rose significantly.

In 2018, the number of restaurants throughout Finland reached over 10 thousand, most of them being small and medium-sized enterprises. It demonstrates that Finland's restaurant industry is an appealing playground for start-ups, particularly overseas entrepreneurs. Many Finnish restaurants are owned by larger corporations, while the vast majority are run by individual operators. The sector is a large employer as it has offered varied opportunities for more than 142 thousand employees. The workforce in the accommodation and food service sector in Finland grew by 21 percent between 2006 and 2019 (MARA 2021).

## Majoitus- ja ravintola-alan työllisten (työpaikkojen) määrä

Majoitus ja ravintola-alalla 95 200 työllistä (16 300 + 78 900 ) vuonna 2019, mikä on noin 3,4 prosenttia kansantalouden työllisyydestä.

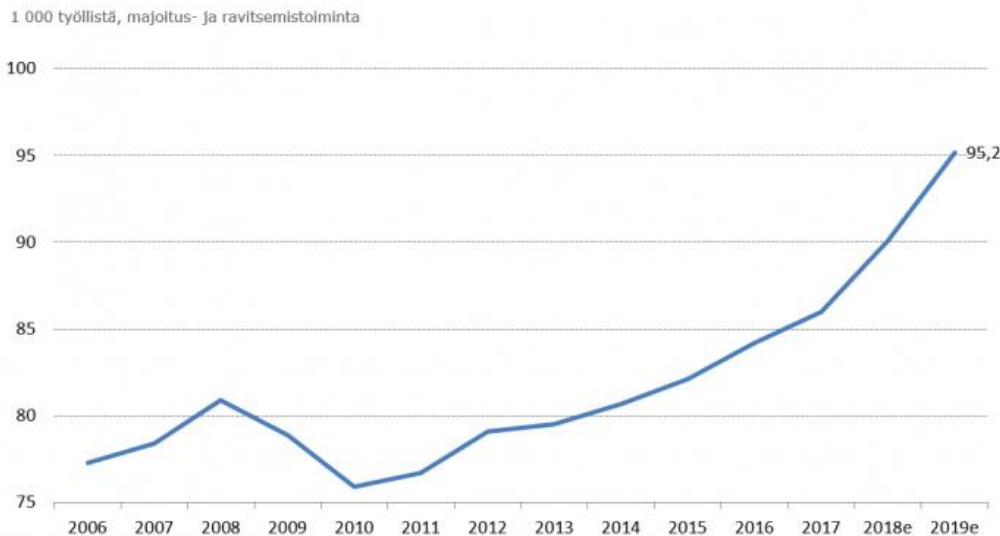


Figure 2. Number of employees in the Finnish hospitality industry (Mara 2021)

The rapidly growing F&B sector resulted in high demand for employees. The provided line graph delineates data on the changes in employees' number of hospitality businesses from 2006 until 2019. Since 2010, the number of employees within the industry had surged ceaselessly during the whole period. The workforce in the accommodation and food service sector in Finland grew by 21 percent between 2006 and 2019 (MARA 2021).

However, the COVID-19 pandemic has taken a heavy toll on the Finnish restaurant industry as revenue continuously declined, and the number of employees went down sharply. Although 2020 has been a challenging year for restaurant enterprises, the sale revenues have improved slightly this year with a prediction of more sharply in the future.

The fluctuation and growth of the food and beverage industry have tremendous impacts on human resourcing of the industry, which increased the strain on restaurant owners and managers in ensuring their establishment's survival in a competitive market, especially in small independent businesses in which human resource is not a separate department.

### 1.2 Aim of the thesis and research question

The ultimate purpose to undertake this thesis is to explore the challenges in managing human resources faced by restaurant managers in independently owned restaurants. Certain works relating to the themes will be conducted to achieve the objective of this thesis. The first part is going to present the background of the restaurant industry and theories regarding human resource management. Research is conducted on issues faced by HRM in Food &

Beverage sector and actions for these difficulties. The thesis work utilizes the qualitative research method as the expectation of the researcher is to have a deeper interview with restaurant managers regarding the topic. The study will be done by interviewing restaurant managers in privately owned businesses in the Uusimaa area where the author did the practical internship and worked. Restaurant managers have a number of responsibilities in daily work, sometimes the human resource department is not strongly considered. The result of this thesis work helps them recognize and plan for human resourcing problems that might affect their work, thus it contributes to the improvement in HRM practices in restaurant sectors.

In line with the topic of “Human resource challenges faced by managers of independent restaurants in Finland”, the focus of the work is on finding an answer to the central question: **“What are the HRM issues encountered by restaurant managers in independent restaurants in Finland?”**

### 1.3 Delimitations

Since the Finnish restaurant industry is enormous, the scope of the research is only on independently owned restaurants. The writer decided to choose this type of restaurant because human resource functions in those firms usually rest with restaurant managers, which makes their responsibilities much greater. As a result, the findings cannot be applied to the entire industry. Furthermore, because the industry is continually evolving and HR issues are constantly emerging in the new business environment, the results may not be accurate at different phases. In addition, the research is conducted mainly in the Uusimaa areas of Finland, it is probable that certain findings cannot be applied to other countries.

Rather than approaching a wide range of HR issues, the focal point of this research is on issues associated with key HR practices including recruitment, training, and retaining. Such problems as employee wellbeing, internal and external conflicts, and large-scale public crises are not mentioned. Lastly, the qualitative research method is sometimes viewed as a restriction of this thesis. Due to the social restrictions and the requirement of information sources' quality, collecting and analysing data takes a long time. As a result, the number of people that can be interviewed is limited to six.

### 1.4 Structure of the thesis

The thesis comprises the theoretical part, empirical part, and conclusion. The first chapter begins with the introduction part, which provides readers with some thoughts about the research and the background of the topic. An overview of the restaurant industry in Finland

will also be presented. Chapter two continues with the theoretical review that gives an insight into the foodservice industry with an emphasis being on privately owned restaurants.

The third chapter defines Human Resource Management (HRM), its importance, and some key HR practices. In this chapter, the features of central HR practices in the restaurant industry as well as the potential occurring in those processes are also presented. The methodology chapter will then explain the research methods, the number of interviewees, and how data was collected and analysed. The author presents the empirical part in Chapter five, which contains the results of collecting data and analysis of them, and the findings from the interview. After the findings chapter, a conclusion of the research will be given. There will also be the author's suggestions for better human resourcing issues navigation as well as HR practices based on the findings of the study.

## 2 Independent Restaurant

### 2.1 Restaurant business

Nowadays, the increasing number of meals are being eaten outside the home, eating out has become a preferred activity in social life (Walker 2011, 4). The food industry is one of the most diverse industries as there are plenty of different sectors within the industry including independent and chain restaurants, hotel restaurants, fast food, banqueting, pubs, and wine bar (Cousins, Lillicrap & Weekes 2014, 3).

Profit orientated (public or private ownership) (Foodservice as main or secondary activity)		Cost provision
Restricted market	General market	Restricted market
Transport catering	Hotels/ restaurants	Institutional catering
Clubs	Popular catering	Schools
Industrial (contract)	Fast food/ takeaway	Universities and colleges
Private welfare	Retail stores	Hospitals
	Events/ conferences/ exhibitions	Armed forces
	Leisure attractions	Prisons
	Motorway service stations	Industrial (in-house)
	Pubs and wine bars	
	ODC (off-premises catering)	

Table 1. Summary of sectors in the F&B industry (Cousins, Lillicrap & Weekes 2014, 3)

Table 1 shows various sectors in the foodservice industry, which are divided based on the variety of characteristics, location, and target customers. Sectors belonging to the general market serve all kinds of guests, while some of the categories provide services for certain types of customers. In terms of restaurants, they are often divided into four categories: fine dining, casual dining, fast-casual dining, and quick-service business. They all have distinct price strategies, service styles, atmospheres, and experiences to offer. Aside from those four types, other classifications may be made on restaurants, such as based on the man-

agement and ownership systems of the restaurants. Franchised restaurants, chain restaurants, or independent restaurants are the three basic types of restaurant management (Halim & Kumar 2019, 16). Some restaurants might belong to more than one sector (Walker 2011, 25), for example, Burger King falls into a chain and franchise restaurant, but it is also known as fast food service. This thesis will focus on restaurants operated by private owners.

## 2.2 Independent Restaurant

While many studies concentrate on huge restaurant chains, the independent restaurant business, which is a significant segment, is mostly ignored. Due to the highly fragmented restaurant market, it is usual for small independent enterprises to grow over time. The restaurant business is not only notorious for being highly fragmented, but it also has a low entry barrier and inexpensive start-up expenses, making it easy for new players to enter.

Walker (2011, 520) has defined a privately owned restaurant as a restaurant that is independent and does not belong to a chain or franchise. While a chain or franchised restaurant is owned by a corporation with different levels of hierarchy, and that are similar in terms of concept, design, service, food, and name with other restaurants in the group, the independent restaurant stands alone, unaffiliated with any organizational brand or name; an independent restaurant can be owned by an individual, a family, or a private organization, in which the business idea, menu, and experience are difficult to duplicate by other competitors. A number of categories in the foodservice sector can be run by independent owners, for instance, quick service, quick-casual, family restaurants, fine dining, and seafood restaurants, ethnic and themed restaurants (Walker 2011, 34-44). Establishing an independent restaurant tends to be relatively simple as it requires low investment, and the owner has the liberty to decide everything from concept, service method, and design to menus, and so on. Hence, those restaurants have more opportunities to be different by building unique concepts and creative menus, which put them at an advantage over other competitors in the market.

The owner(s) of an independent restaurant is usually directly involved in the day-to-day operations of the establishment. The concept given is largely affected by the proprietor, or the owner of an independent restaurant plays a significant part in determining their restaurant's concept. Regarding risk exposure, an independently owned business has a higher turnover rate. When opposed to franchised and chain restaurants, independent eateries offer more managerial flexibility. Additionally, chain and franchised restaurants receive more financial support in comparison to independent eateries ((Halim & Kumar 2019, 17).

In the restaurant industry, privately owned business does not seem to be massive companies (Kik et al. 2019, 40). The majority of independent restaurants depend heavily on local customers. (Walker 2011, 441). Compared to other sectors in the foodservice industry, the management system of standalone restaurants appears to be less complicated. More specifically, the operating system is smaller (Anh N 2020, 14), and the organization chart is likely to be less complex. The small proprietor-owned restaurant would not likely organize into departments, which means the responsibilities for operations, marketing, finance, human resources, food purchasing, and so on, are usually performed by a president or restaurant managers (Walker 2011, 193, 323).

Although having a distinctive concept that can hardly be copied, the possibility of failure in privately owned restaurants is higher compared to the other two. From all of the research conducted, it shows that independent restaurants have a low survival rate.

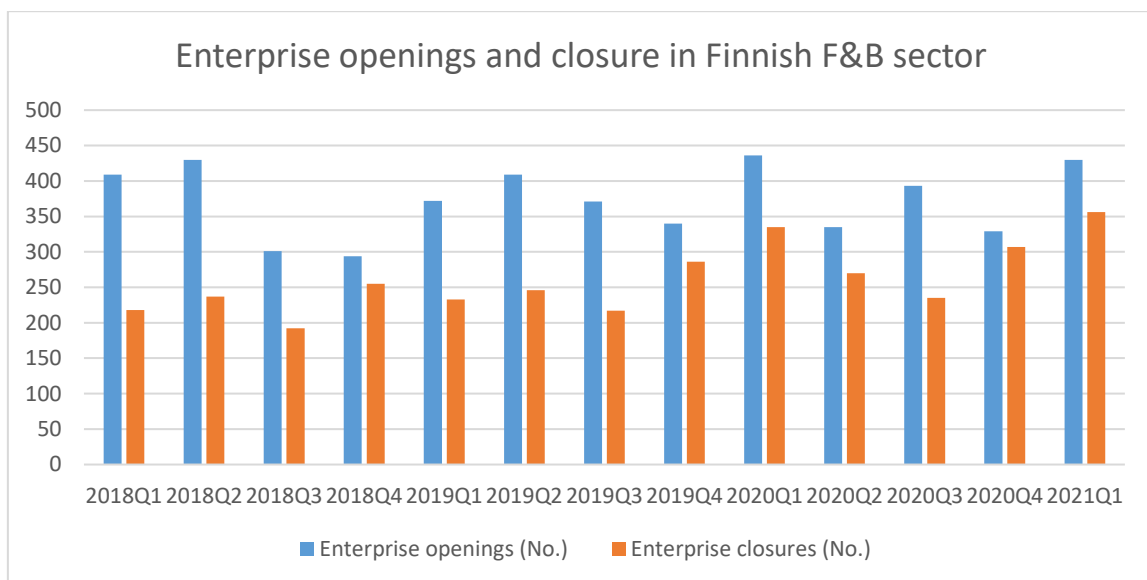


Figure 3. Restaurant openings and closures in 2018- 2021 (Statistics Finland, 2021)

The statistic of restaurants opening and closing in the Finnish market between 2018 and 2021 is illustrated in Figure 3. The graph clearly shows how the restaurant industry has fluctuated throughout the past few decades. Particularly in the third quarter of 2020, there is a considerable gap between the number of new restaurants and the number of restaurants that have closed. Market saturation, fierce competition, limited resources, and the customer dynamic were among the challenges that an independently owned restaurant faced in order to survive. The most important factor influencing the low survival percentage of independent restaurants has been the lack of resources, including human resources and its practices. Despite the fact that successfully launching and operating a restaurant remains difficult, Food & Beverage is still an attractive sector for investors.

### 3 Human Resource Management

#### 3.1 The key concept of HRM

Human resource is one of the most important pillars of any organization and an essential key to business success. Employees are a firm's human resources and one of its most valuable resources (Boselie 2014, 50). The efficiency and performance of any organization greatly depend on how well their human capital is managed. Human resource management (HRM) is human capital management. HRM focuses on themes regarding recruiting, hiring, deploying, and managing people who work for the organization. The human resource department carries out a broad range of responsibilities within or outside a business in order to achieve the goal of taking advantage of employees, minimizing risks, and optimizing return on investment as well as building the workplace culture. HRM activities include workforce planning, learning and development, recruitment and selection, training, retention, performance management and rewards, relationship management, benefits and policies etc.

Human resource management can be defined as a coherent and strategic approach to the management of human capital. According to Boxall and Purcell (2016, 7), HRM is the process through which management builds the workforce and tries to create human performances that the organization needs. A more comprehensive definition of HRM was given by Bratton & Gold (2007, 7):

*HRM is a strategic approach to managing employment relations which emphasizes that leveraging people's capabilities is critical to achieving competitive advantage, this being achieved through a distinctive set of integrated employment policies, programs, and practices.*

HRM in action is not always consistent in all sectors. Within an ever-changing business environment of the hospitality industry where the high percentage of establishments are micro-business and sole traders with fewer than 50 employees, little concern is paid to the practice of HRM. Larger hospitality businesses have more specialised HR teams with different levels of management and a range of different titles. In smaller organizations, it may be the owner or restaurant managers who have a greater responsibility. Even though the extent to which HRM can be implemented heavily based on the size and types of business, the attitude of employers towards human resource issues is believed to be the most fundamental determining factor (Boella & Turner 2013, 10). In the past few decades, the implementation of HRM practices appears to be taken more seriously in almost all sectors.

It can be said that human resource is the key component of a business today, but its management is equally essential for an organization to be fully functional and operate smoothly. Human resource management (HRM) is considered a competitive advantage that contributes to the success of a firm (Albrecht et al. 2015, 1-20). In terms of economic aspects, HRM makes good use of employees' potential capabilities, improves labour productivity, and financial performance. From a social point of view, it contributes to the dignity of employees through providing personnel satisfaction and maintaining the relationship between the employers and their employees.

Encouraging signs about the considerable concern of human resource management have been evidenced in several articles and research. The term used to describe the process of human resource administration has grown in popularity and has been increasingly professionalized in today's organizations. As stated by Armstrong & Taylor (2014, 11), "HRM has largely become something that organizations do rather than an aspiration or a philosophy and the term is generally in use as a way of describing the process of managing people".

Human resource management practices affect an organization's turnover rate, labour productivity, and financial outcome (Huselid 1995, 656-659). Tracey (2014, 689) also stated that human resource management plays a strategic role in operational and customer-related performance.

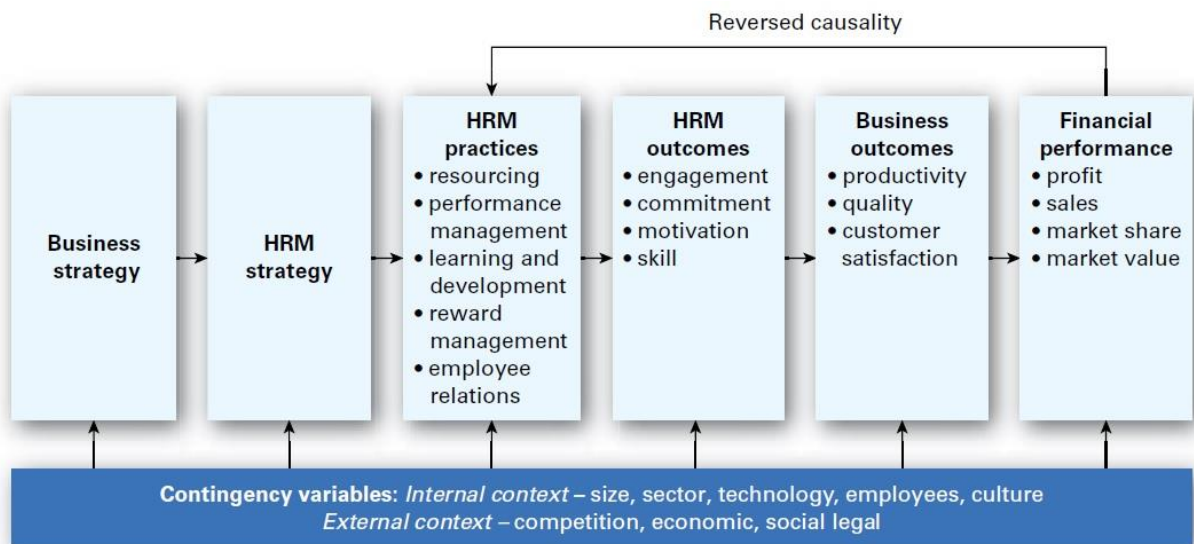


Figure 4. Impact of HRM on performance (Amstrong & Taylor 2014, 57)

Figure 4 illustrates a model of HRM's impact on organizational performance. It can be seen that employee characteristics such as engagement, commitment, motivation, and skill can have a direct impact on organizational performance in terms of productivity, quality, and

customer satisfaction. The improvement of such aspects of organizational performance increases the organization's financial outcomes. In short, HRM does not influence directly organizational performance, but through the outcomes generated by HR practices.

The importance of HRM practices lies in the management of people within the organisation to achieve the organisation's objectives. Armstrong & Taylor (2014, 5) has described these objectives as follows:

- To contribute to the achievement of the business goals by developing and carrying out HRM strategies.
- To reinforce organizational culture.
- To manage the talent of the organization and utilise available human capital effectively.
- To maintain a good relationship within the business.
- To encourage high morale in human resource management.

The operation of the human resource department fundamentally contributes to organizational success. Hence, HRM has emerged as a foremost function in every establishment. It is important to prepare and take control of the human resource management practices.

### 3.2 HRM practices in the restaurant industry

Human resource management practices can be described as a set of actions and processes to build the link between employers and employees on the purpose of adding substantial value to the firm and its objectives. HRM activities are profoundly diverse and indicate a wide range of variations across organizations. The practices of HRM depend on the occupations, organizational levels of management, business size, sectors, and societies. However, there are five key HR practices involving recruitment and selection, training and appraisal and performance management, compensation, and employee participation (Boselie 2014, 48) of which some will be further described below.

Because this thesis will not be able to cover all of the above HR practices in-depth, the emphasis will be on the following three: Recruitment, Training, and Performance management. Those HR practices were chosen because they are essential components of operating a business, regardless of its size, structure, or activity, and no business can function without employing, training, and monitoring employees' performance. This chapter will describe three major above-mentioned practices. In addition, the focus will be on the characteristics of those in restaurant sector.

### 3.2.1 Recruitment & Selection

Among the obvious functions of human resource management, recruitment is the first stage. Basically, it is the process of looking for the right people (Walker 2011, 325). While recruitment refers to the process of attracting qualified candidates and encouraging them to make applications for the vacant position, selection is the process where appropriate applicants are chosen and appointed to positions (Amstrong & Taylor 2014, 266). In general, recruitment and selection are defined as a process of creating a positive image in the labour market in order to attract qualified workers and make a selection on the best applicants. (Huda, Haque & Khan 2014, 210-222). Recruitment & selection are essential because if organizations hire proper people for the right positions, they are able to develop and succeed in the market. This function of HRM has received substantial attention since it helps the organization create a positive image in the labour market, attracting talented individuals who want to work for the company, and allowing the company to successfully choose the best applicants (Huda et al. 2014, 215).

Potential candidates can be found within the organization or hired from an external source. Every business needs to resort to both internal sources and external sources at different levels of managerial hierarchy. The steps of the recruitment and selection process involve defining hiring needs, attracting potential applicants, shortlisting applications, interviewing, examining, evaluating candidates, collecting references, background checking, jobs offering, and onboarding (Amstrong & Taylor 2014, 206). The recruiting process is identical across businesses, however, activities in the process and recruitment strategies are unique to each company depending on the size of the business, financial condition, company's image in the market, laws, and regulations, etc. Although no technique is considered as the best method to find a dedicated employee for the vacancy, many organizations today are capable of executing the process of recruitment and selection simply and effectively by implementing modern technology. Artificial intelligence, machine learning, cloud computing, and the Internet are examples of new-generation communication technologies that have supported HR innovation. Nevertheless, all recruitment efforts are made towards to goals of hiring the most qualified and suitable person for the position through the talent pool.

Over the last few years, restaurants are growing in large numbers as a response to the rising demand, leading to the need for a larger pool of employees, especially qualified workers. Nevertheless, according to research done in 2016 by The Caterer, the vast majority of hospitality businesses stated it was more difficult than at any other time in the past to find suitable employees. F&B businesses are suffering from a severe labour shortage, and the

current workforce is largely untrained, uneducated, unmotivated and unproductive. Ferreira & Alon (2008, 141- 150) also said that attracting skilled people to the foodservice industry was problematic. Due to the lack of human resources in the market, many positions in the organization go vacant. Of significance for the industry has been the substantial increase in the number of positions that companies deem difficult to fill. Demand is greater than supply, particularly among managers, chefs, and waiters. An estimation from employment and economic development departments revealed that there is already a lack of chefs, cooks, and cold buffet managers in various parts of Finland, and the inadequate workforce issues would not ease in the next years (Helsinki Times 2013).

Working in the industry does not seem attractive compared to other sectors (Boella & Turner 2013, 5). Among the reasons must be the fact that wages of restaurant workers are relatively lower than workers in other industries (Doherty, Klenert, & Manfredi 2007, 110-121). Potential recruits, as well as their parents in the case of young people, are not interested or do not want their children to build a career in this sector because of unattractive salaries and development opportunities. On that account, there is still much work to be done in terms of communicating and redirecting the current perception of the industry.

The restaurant business is experiencing a profound shortage of trained labour, which poses a significant challenge to restaurant management (Yle 2020). Many factors worsen the lack of skilled employees, for example, restaurant workers have to work late evenings and long hours, and might sacrifice their weekends, holidays for such poorly paid (Boella & Turner 2013, 5). Moreover, many employees do not see working in restaurants as a long-term career option. They believe that restaurant careers are unstable and rely on physical abilities rather than mental qualities. A large number of talented workers desire to quit their positions and enter other industries, especially when higher education workers have to do menial work for many years before being elevated (Kieu & Hoang 2020, 2).

The labour demands highly vary requiring careful recruitment and selection (Yang 2007, 252). Nevertheless, a large proportion of the industry's workforce is regarded as semi or unskilled workers (Partington 2016 according to Lucas 2004, 5) which leads to a profound lack of skilled employees. Finding the right calibres and qualified staffs becomes an increasingly concerning problem of restaurant managers. As a result, HR managers will have to reduce the staffing criteria as well as create a positive image in the market. Also, it is advised that employers follow creative recruitment and selection practices to attract potential workforce.

### 3.2.2 Training & Development

Training and Development is one of the fundamental parts of human resource management. It can be seen as the prerequisite for obtaining organizational strategic goals. The term is used to describe the process of providing employees with the knowledge and the skills required to operate within the systems and standards set by management. (Sommerville 2007, 208).

On the profit and loss statement, training is the second largest line item after marketing, but it is considered as an investment in human resources rather than an expense. The growing variety in the workplace has necessitated the development of training that attempts to raise employee knowledge and comprehension of workplace diversity, as well as to build specific skills among employees that would promote the increase of productivity and communication. The human resources training and development department is responsible for offering and supporting the learning required for employees to satisfy professional needs.

Skilled human resource has a great impact on the development activities of a firm and is the key factor in determining organizational success and competitive advantage in the world of business. Training is considered a vital function of the HR department in implementing HRM practices and policies. This process helps employees get along with the jobs quickly, moreover, it enables personnel to build up knowledge and develop their career path (Albrecht et al. 2015, 16). In many cases, investing in the training of employees takes precedence over researching and developing technology (Galanakis C 2019, 234).

This action of changing people's behavior is the bridge between the recruitment and selection process and the effective utilization of human resources. McClelland (2002, 7) indicated that training and development contribute to increasing staff's motivation and improving organizational productivity. Empirical evidence found in developed and successful organizations shows considerable concern for staff training and development.

Employees are able to gain access to training through self-directed learning and workplace learning. While self-directed learning is defined as "a self-paced process of recording achievement and action planning", workplace learning, also known as experiential learning, consists of "learning by doing and reflecting on experience so that it can be understood and applied" with advisor's intervention. (Amstrong & Taylor 2014, 305). The approaches and the capability of learning may vary and are dependent on how the employees are motivated.

Workforce training activities are diverse as the learning needs and the available resources are different across companies. There are various types of training ranging from skills training to security training. Similarly, employers can decide whether training delivery methods are coaching, hands-on practice, group training, online learning, or role-playing.

A quality training programme will ensure the overall knowledgeable personnel, help entry-level staffs get on well with the workflow, company's culture and policies, keep available human resources up to date and well-informed about new technology applications as well as provide them with development opportunities and competitive advantages in the labour market. Conducting workforce training is also beneficial for the business itself due to the fact that it strengthens employees' skills and thus, improves organizational performance and productivity as a whole. In addition, it helps to reduce accidents and risks at the workplace, developing a professional and healthy working environment.

Given the characteristics of labour intensive, the foodservice sector heavily relies on service quality to obtain clients. Employee preparation for effective restaurant work calls for continuous training to keep them informed and up to date. As described in the previous chapter, F&B businesses have difficulties with limited labour supply, hence, comprehensive training programs to address the shortage of competent workers, especially in fine dining restaurants which look for skilled and experienced workers, is a prerequisite. A considerable proportion of hospitality graduates are unprepared for employment because they lack the necessary abilities to perform properly in the workplace, and therefore require training or re-training to satisfy the industry's needs and expectations. Such skills include language and interpersonal abilities as well as service mentality.

Several studies have reported challenges in training within the industry. For example, lacking sufficient training is prevalent in restaurants (Pratten 2003, 238-239). On the one hand, the reason lies in the limited budget of some small independently owned restaurants (Yang 2007, 257). Small restaurants have a limited budget to devote to training. Besides, it is said that instead of designing budgets to suit actual training needs, training budgets were frequently squeezed. Furthermore, because training activities usually take place simultaneously with daily operation, it is difficult for businesses to measure the money and efforts spent on it. Thereby, determining return on investment (ROI, or how well a corporation invests in training and the profit generated from that investment) is also challenging. On the other hand, some enterprises do not place emphasis on training programmes (Partington 2016, 6). Although training and development are seen extremely crucial, many employers

may have different opinions, and these activities are still viewed as an expense. Some organizations, controversially, have seen the practice of training as a waste of capital and time.

Another challenge is overburdened training programs (Kalargyrou & Woods 2011, 6). In other words, employees come under pressure of acquiring new knowledge and skills. The solution is not to overload the training schedules; instead, add several pauses to enable participants some relaxation. Providing entertaining courses and using creative approaches like peer review and practicing problem-solving abilities stimulates the learning motivation, especially for younger staff. Traditional training approaches, such as classroom-based lecturing, can be unproductive and must be modified by investing additional resources.

Researches showed that training can make a meaningful improvement in key performance indicators, particularly job satisfaction ((Kalargyrou & Woods 2011, 7). Employees prefer working for organizations that offer training programs for advancement in their careers. Effective training programs enhance employee performance as well as their motivation to work and boost employee outcomes. Moreover, staff training contributes to the employee retention process (Malila 2007, 17), helping reduce the turnover intention. While much study has been done on the design and implementation of the training process, as well as the importance of training for organizational success, there has been little research done on the actual work of training in the hospitality sector.

### 3.2.3 Appraisal and Performance Management

The fast-moving labour market and competitive challenges have encouraged organizations to take increasing heed of performance management and appraisal. As defined by Armstrong & Taylor (2004, 133), performance management is “the process of performance planning and review conducted by managers and individuals”. The process comprises a wide range of activities that align teams and individuals’ performance with the organizational strategic objectives. This continuing communication process of setting targets, monitoring, assessing, and providing feedback helps firms identify ineffective management and thus, corrective measures are taken on the spot. Therefore, performance management is positively related to the business’s growth and thriving. To ensure that the performance management process is done properly, it is recommended that managers regularly hold work performance discussions with staff and give real-time feedback (Nickson 2007, 173).

In terms of performance appraisal, it is known as a regular, often annual, review of an employee’s performance against pre-determined criteria (Nickson 2007, 171). An effective performance appraisal promotes employee competencies by identifying a person’s strengths

and weaknesses as well as defining needs for training and development. Employees may be demotivated if goals are not stated and frequent feedback is not provided, as they feel that it is difficult to comprehend what is expected of them.

An effective performance management system, on the other hand, can foster a vision of success and an environment where employees are encouraged to give their best and strive for continuous development.

### 3.2.4 Employee retention and Labour turnover

Employee turnover is a common phenomenon in human resource management. One of the most hotly debated topics among academics is how to effectively control and predict turnover (Hongvichit, 2015). To maintain a creative and cost-effective business, the company must focus on retaining employees and lowering turnover rates. Employees that quit an organization because they are dissatisfied with their employment are referred to as having a high turnover rate. This has a negative impact on other employees, who may be influenced to leave their positions as a result. Employee turnover is a key issue for businesses because it affects the value of goods and services while also increasing the cost of replacing and recruiting new personnel. As a result, it serves as a substitute for enhancing the organization's production and competency. According to certain studies, a high incidence of employee turnover results in a loss of revenue at the same time. Employee confidence is affected as a result of the high rate of turnover, and new employees have a hard time getting regular customers to recognise them (Carbery et al., 2003, 649).

Employee retention is one of the most ignored aspects of growth-oriented businesses. Employees typically leave due to job discontent, a lack of supervisory assistance and feedback, a lack of training and development, and low pay (Kemelgor & Meek 2008, 76). Employee retention is influenced by management and leadership abilities and human resource practices. For example, if a manager is poorly trained and has poor leadership skills, employees will depart in a shorter length of time. The organization's productive and talented people are encouraged to stay, while the unproductive and bad performers are pressured to leave. However, if assessable, a corporation would keep all of its employees, both useful and detrimental, because they are familiar with all of the jobs and the company does not want to spend money on acquiring and training new personnel (Sigler 1999, 1).

Employee retention benefits the economy in several ways, including job security, increased earnings, and higher spending on goods and services. Employee retention is critical for the industry's economic success since an organization may devote more time to creating and less time to training them. In addition to that, retention practices produce quality results for

the industry, which leads to high consumer satisfaction. It is also claimed that having a well-trained and engaged workforce has a significant impact on employee retention.

The food service is widely known as one of the sectors that have a high labour turnover rate. The term is described as the movement of people into and out of employment within an organization (Denvir & McMahon 1992, 143). It was shown that restaurant workers shift to another industry for better pay, benefits, and opportunities.

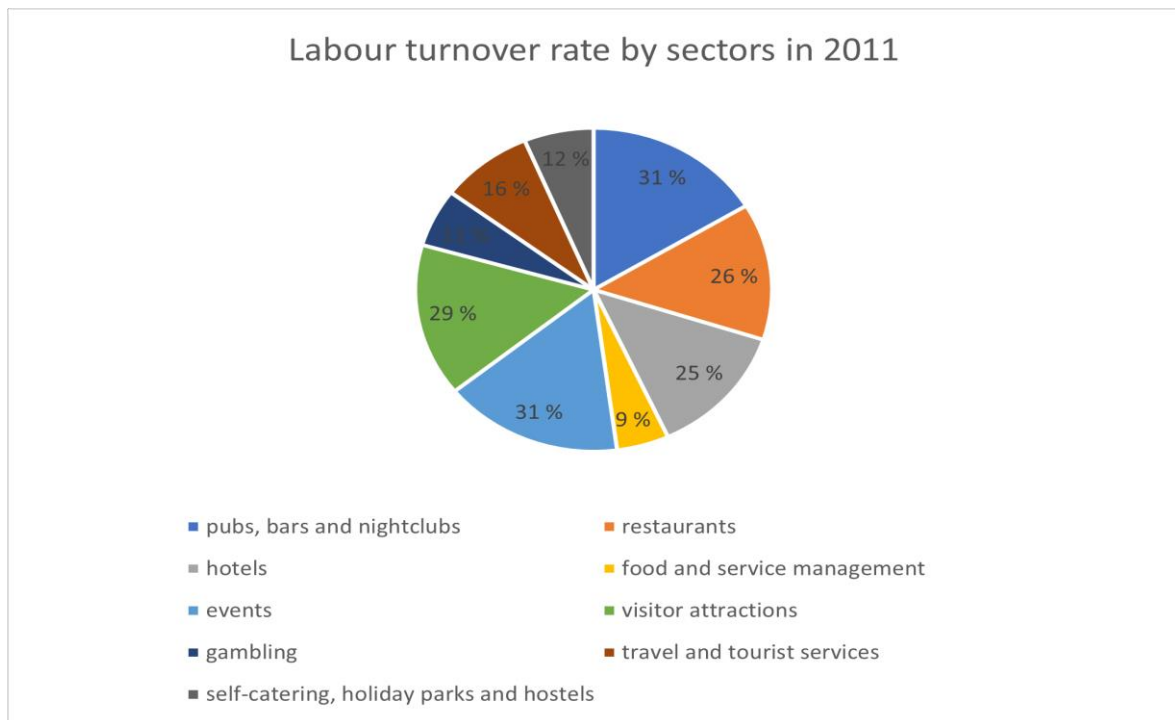


Figure 5. UK Labour turnover by sector in 2011 (Boella & Turner 2013, 9).

As being shown in Figure 5, labour turnover in restaurants appears to be relatively high. The sacrifice of weekends and holidays, as well as long working hours and late evening shifts, are all negative features of the foodservice sector, which contribute to higher turnover and the loss of talented workers. Working in tourism and hospitality is still not conducive to a healthy work-life balance. Furthermore, the seasonal nature of the industry and inadequate training contribute to a high turnover rate. Labour turnover causes costly human resourcing problems (Boella & Turner 2013, 5). In contrast, poor human resource management practices increase the number of staff leaving the organization (Boella & Turner 2013, 9).

Given the high labour turnover rate in the restaurant industry, many leaders fail to keep their outstanding staff. Retaining employees consist of many practices such as training and development, employee recognition and compensation (Moncarz, Zhao, & Kay 2009, 437-458), rewards, and career opportunities (Babakus, Yavas, & Karatepe 2017, 1580-1598).

Kieu & Hoang (2020, 269) indicated that graduates leave their jobs for a number of reasons. Those reasons may include stressful and unsafe working environment, lack of training programme, unclear policies and benefits for employees, lack of career development opportunities. Besides, motivation plays a crucial role in encouraging employees to stay. There are plenty of factors affecting staff's motivation, whereby keeping great personnel motivated is also a consistent issue encountered by restaurant managers (Walker 2011, 291).

### 3.3 The importance of HRM in dealing with HR issues

Food & Beverage is one of the most diverse sectors, comprising a range of different categories with the roots of service-oriented. Not only service-oriented but it is also known as a human-intensive industry that requires an efficient and effective human resource to provide superior services to customers. However, the majority of establishments in the industry are small and medium-sized with less than ten employees (Boella & Turner 2013, 4), only a small percentage in this sector comprises large firms. Although at the technical level, there has been a transition towards digitalization and new approaches of accessing services, the digital application within the industry is still limited (Partington 2016, 3). Moreover, workers within the industry are mostly drawn from the secondary labour market. Because of special characteristics, employment in the restaurant sector does have negative images of low pay, high turnover, the limited opportunity of development, and lack of qualified employees (Boella & Turner 2013, 4; Partington 2016, 4), which are the main reasons causing costly labour problems. Hence, professionalism in HRM practices and skill development is critical for achieving the greatest results.

For diners, it is not only the food quality that is important but also their experience. To a large extent, customers' experience is dependent on interactions they have with restaurants' staff, specifically waiters and waitresses. Since customer service is critical for F&B businesses to be successful and competitive, to achieve organizational effectiveness, it is reasonable to believe that restaurant employees are offered adequately training and outstanding benefits. However, it is frequently discovered that the contrary is true and that such personnel are the least skilled and receive the poorest wages (Nickson 2007, 5). Undoubtedly, the successful delivery of customer services is contingent on the personnel, and that those employed by foodservice businesses are a critical aspect in the industry's success. The employee, who effectively represents the industry, is primarily responsible for the creation and provision of services from the hotel to the client. The industry's performance is greatly dependent on the quality of its employees and how well they are managed to help the company reach its objectives. For those reasons, human resources must be treated

with respect and considered strategic partners, and managers in the tourism and hospitality industries must be made aware of the benefits of HRM (Knittel 2020, 33).

When it comes to risk management, emerging human problems have become a major concern for businesses (Zhong Y et al. 2021, 1). HR issues are relatively diverse in the existing business world, in which often discussed difficulties have been compounded by poor HRM practices. The risks that an enterprise's human resources face are unavoidable as part of the existence and development of the company. Human resource risks caused by key human resource management activities such as recruitment, training, and retention have a significant impact on the enterprise's operation and outcomes (Zhong Y et al. 2021, 2). Thus, identifying and reducing human resource risks have received considerable attention.

HRM practices that are effective help businesses to deal with human resource issues strategically (Fathy 2020, 118-121). Moreover, effective HR practices are critical for an organization to succeed. HRM can assist businesses in reducing the aforementioned human resource risks by finding ways to manage work more efficiently while focusing on the skills and providing mental support. HRM also helps to support the human side of the business by organizing assistance programs such as training and development to boost employee morale and motivation (Knittel 2020, 22-23). The ability of an organization to respond to evolving HR concerns is measured by the efficacy of its HR practices. In the same vein, the capability of an organization to flexibly allocate its human capital depends on whether potential HR practices can be continually optimized. As a proactive action, organizations should establish a contingency plan for addressing the risks connected with rising HR concerns and their impact on the business.

## 4 Research Methodology

The purpose of this thesis work is to explore the human resource challenges encountered by managers in independent restaurants in Finland. A particular focus lies on investigating issues occurring in key HR practices such as recruitment, training, and retaining employees. The researcher chose the qualitative research method as the main technique to empirically investigate the thesis topic. The qualitative research method is recommended when the research area has not received much attention before. Therefore, this method is commonly used in analysing a problem that requires a complicated and detailed understanding of an issue. Only by having direct and in-depth discussions with individuals, and allowing them to share their opinions can the issue be brought to light (Creswell 2013, 45).

In addition, qualitative research methodology collects a large amount of data from a relatively small group of members. According to Yin (2011, 7), data collected by the qualitative research method is closer to reality as people respond according to their knowledge, observation, and experiences instead of being limited by a multiple-choice questionnaire. In other words, qualitative methodology indicates the opinions and views of people in a study. Therefore, it is possible to look at the problem from different perspectives, not just only from the researcher's perception.

Data is collected from a variety of sources, for example, observation, in-depth interview, focus group (Yin 2011, 7-10). In this regard, the data collection of this research is mainly from in-depth interviews with HR managers of privately owned restaurants in the Uusimaa area. Depth interview will be conducted with 6 participants whose responsibilities at the workplace involve human resources management. The interviewees will be offered to do the interview face-to-face at their workplace or online via email, Zoom meeting, Google Team, etc. Due to the COVID-19 pandemic, an online interview that limits personal contact is recommended. While the interviews take place, noting down, filming or recording are used for purpose of collecting data.

### 4.1 Qualitative research method

There is no comprehensive definition of qualitative research method that adequately captures the term's complexities. Rather, the technique is described with the following five major characteristics. To begin with, the qualitative research method enables researchers to examine people's lives in real-world settings while they are doing their daily tasks. Instead of being restricted to a questionnaire with pre-determined choices of answers, they can respond to interview questions in their unique way, based on their knowledge and experience. Second, it represents people's points of view and viewpoints. Third, it considers the

context surrounding participants' lives, such as social, institutional, or environmental conditions. Fourth, the method adds to our understanding of existing notions that can help us better understand human behaviour. Lastly, information is gathered using a number of methods, including interviews and observations (Yin 2011, 7-8).

According to Bryman & Bell (2015, 390), the qualitative research process comprises six steps, which are below-mentioned in Figure 5. Finding research questions to lead the study is the first step. Researchers, on the other hand, are able to flexibly change the questions as well as the direction of research as they go through the data. The next stage is to choose suitable subjects from whom to collect relevant information, followed up by the interpretation of data gathered. Conceptual and theoretical frameworks are then built and considered whether they are needed to be adjusted before the collection of further information. The process ends with the presentation of findings and conclusions.

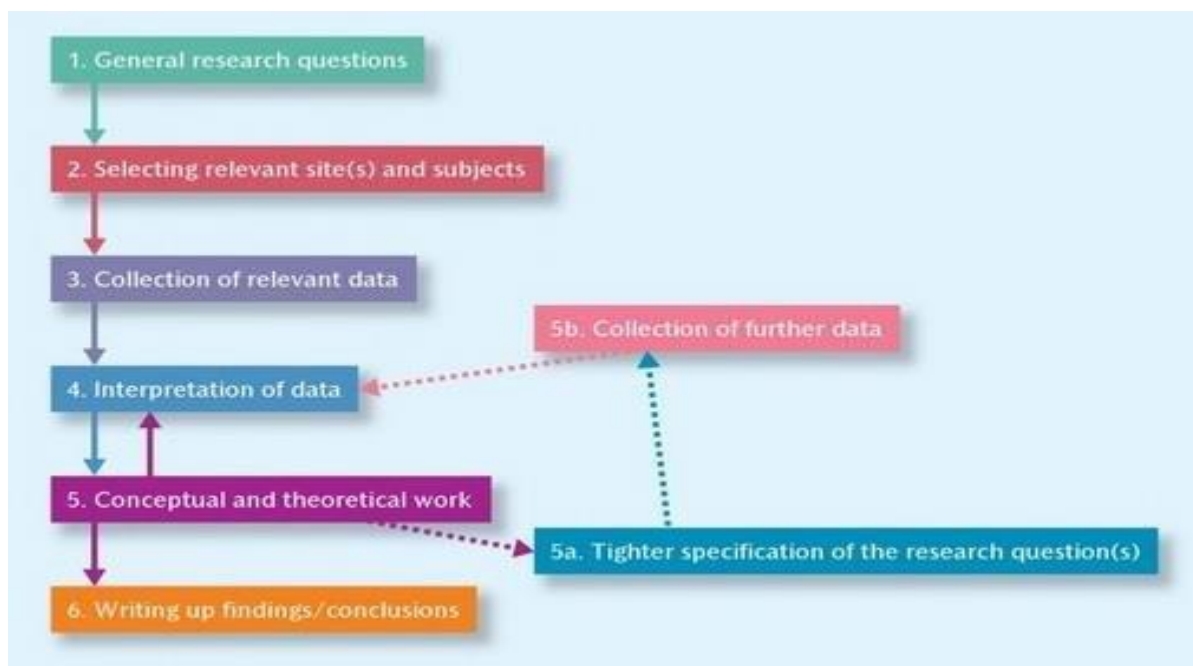


Figure 6. The main steps of qualitative research (Bryman & Bell 2015, 390)

The qualitative research method enables the researchers to conduct an in-depth investigation into a topic from individuals' points of view. Given the research topic of restaurant manager's HR challenges in which the focus is on the opinions, sentiments and behaviours of participants, the research method that stresses in-depth aspects rather than statistical dimensions appears to be more practical (Greener 2008, 80). Thus, the author utilizes qualitative research techniques to obtain more specific data that covers all aspects of the research question.

## 4.2 Data collection method

The study looked into restaurant managers' experiential knowledge that helps HRM practices foodservice businesses, either directly or indirectly. The author conducted in-depth interviews with restaurant managers to gain a rich and deep understanding of difficulties in managing human capital and their actions for further analysis and study. The qualitative interview is done in a conversational format, in which the interviewers are able to go off-scripts and ask new questions according to interviewees' replies (Yin 2011, 134). In addition, the participants can change the order of questions and the directness of words. Because the research targeted the Finnish restaurant industry, all the interviewees must work in restaurants located in Finland. The participants chosen to participate in the interviews are owners or managers of independently owned restaurants who are responsible for human resource management and have several years of experience in the field. Since the study's main objective is to investigate HR challenges in independent restaurants where the HR department is not separate, the researcher selected typical examples from small-sized businesses.

For this research, one-by-one and semi-structured interviews were applied for the data collection process. Questions in the interview were open-ended and were built on themes regarding the researching topic. The open-endedness will allow participants to respond freely in the manner they chose (Bryman & Bell 2015, 204). The schedule and order of questions were sometimes modified for better flow of the conversations as the author believed that different themes would be suitable at different phases depending on participants' responses. It also allows for more detailed answers and encourages respondents to elaborate on their views.

## 4.3 Research design

The interviews were carried out in English and sometimes, the researcher rephrased the questions to ensure respondents understood them correctly. The respondents were offered a three-part interview which was supposed to take around an hour. The interviews would acquire relevant information for scientific research while keeping the participants' personal and company secret information private. Additionally, the interviewer guaranteed every ethical problem of the research through mutual agreements.

The interview began with a warm-up section, which briefed on the study's objective, field and interview structure. The researcher also requested record permission, in case participants were not comfortable being recorded, taking notes was the alternative. Part A of the

interview focused on demographic questions including interviewees' positions and experiences, as well as information of the restaurants in which they were working (restaurant size, number of employees, etc.). The warm-up section and questions in part A helped to create a comfortable atmosphere and thus, the respondents were encouraged to be more open. Following that Part B included questions about HRM and HR practices in interviewed restaurants. Part C required responses to HR daily difficulties occurring in the process of recruitment, training and retention. In this part, the researcher also examined how the managers dealt with these challenges. However, the part of their actions was kept in short as the attention was mainly given to exploring their challenges at work. Finally, the closing part displayed the interviewer's appreciation for voluntary involvement so as to urge them to provide additional comments and recommendations to overcome HR challenges.

The participating restaurants in this research were chosen intentionally. Firstly emails were sent to fifteen restaurants throughout the metropolitan area, however the author only received nine responses in which two respondents expressed that they did not have enough time and knowledge of the field to help with the thesis work. The writer selected on purpose of having diverse samplings in regard to the participants' positions and experiences, and the restaurant concepts. Unfortunately, one of seven participants was excluded as the interview could not be arranged due to the different working schedules. Thus, there were six restaurateurs participating in the study.

Afterwards, the in-depth interviews were conducted with six participants in the Uusimaa area. The author was able to see the interviewees' actions and behaviours in their natural settings since the conversations were done at their workplace where they were experiencing the issue under study (Creswell 2012, 45). In addition to face-to-face interaction, online meetings and email connections were employed to obtain more information. Also, the writer did research participating businesses through their websites and available documentation both before and after each conversation. The study's reliability and trustworthiness were enhanced by applying different sources of data (Yin 2011, 9). Afterward, the researcher transcribed collected records word for word and utilized them for further analysis.

#### 4.4 Data analysis

When the data gathering procedure was completed, the researcher transformed all types of obtained data into transcriptions. Following that, the transcripts were reviewed numerous times to identify text segments and common themes that addressed the research question. The author employed thematic coding as the primary approach to data analysis. The approach uses codes to represent text segments, whereas themes emerge when comparable

codes are integrated to form the main category. By identifying themes and opening to relevant viewpoints, the procedure seeks to make sense of the data. Specifically, three major categories emerged from the information gathered, which would be further explained in the following chapter.

#### 4.5 Validity and Reliability

Not only does good research necessitate a good set of research instruments and sample methodologies, but it also considers validity and reliability. Despite the multiplicity of research methods, these are the important criteria for the evaluation of the authenticity and trustworthiness of study conclusions. As summarized by Creswell (2012, 250, 253), validation is a determination of a piece of research's trustworthiness or usefulness while reliability refers to the constancy of replies to various coders of data sets. In short, validity is concerned with the correctness of the measurement, whereas reliability is about its consistency. These criteria could be addressed by considering the resources of literature and data collection.

In this thesis, the writer applied a number of research approaches to ensure validity and reliability. First, the theoretical framework of the thesis was built from the careful selection of reliable sources and studies produced by well-known writers and scholars. In addition, the researcher synthesized and presented content from reputable books in the same field of research. Moreover, the findings of the research are reliable thanks to the personal interviews with owners and restaurant managers who have great experience in managing and solving human resource problems. The interview questions were designed in line with the theoretical background and were appropriate with participants' fields of knowledge and experience. Data collection was retrieved from interview records which were verbatim transcribed. Given the special characteristics of the F&B industry, the result of the study on the human resource challenges in independently owned restaurants where HR departments are not clearly defined, will not change much over time.

## 5 Results of the research

The participants of the study are six restaurateurs in Finland that have main human resource responsibility in the restaurants they are working at. Two fulfill the role as Restaurant Manager, three of them as restaurant owners, and one restaurant entrusted the restaurant supervisor with the human resource responsibility. All the interviewees adopt the criteria of working in an independent restaurant, being responsible for human resource management of the workplace and having several years of experience within the industry. This contributes to the reliability of the research.

Data collected from six in-depth interviews were merged into three themes. The first theme **Introduction** will briefly describe the size and the concept of participating restaurants, the second theme **HRM and HR practices** indicates the extent to which HRM exists in the independent restaurants, and finally theme 3 **Challenges in HRM** focuses on the human resource issues occurring in the process of recruitment, training and employee retention. All themes support the answer of the research question “**What are the HRM issues encountered by restaurant managers in independent restaurants in Finland?**”

### 5.1 Theme 1: Introduction of independent restaurants

The first theme provides information on the independent restaurants in which the participants are working at. Such information as business size, concepts and human resources of the restaurants will be presented. This theme is the important aspect influencing human resource management factors, which will be examined in more detail in the following parts.

To begin with, A is the owner of a casual dining restaurant located in a big shopping centre. The restaurant offers table service with premium menu prices. There are spaces for around 60 customers, and the owner is managing the team of 6 employees. With more than 7 years of managing and running the restaurant business, A has a lot of experience in the industry. Moreover, A shared that she is knowledgeable and experienced in the HR field as she has had staff responsibility in several businesses. During 1 hour 24 minutes of the interview, A has provided a huge range of information regarding the research topic which is a great help to the author's thesis work.

Owner B is currently running three small-sized restaurants across the metropolitan area. Two of them are inside big shopping malls with direct access to public transport stations, while the other one is surrounded by a crowded residential area. Therefore, all three businesses attract diverse customers from residents, shoppers, tourists to officers who work at nearby companies. While two restaurants located in shopping centres have the capacity of

60 people, the other one is smaller with only 20 seats. They follow half service model which is the medium of table service and counter service. In other words, customers initially place orders at the counter and staffs serve to tables once the dishes are ready. The owner started her restaurant business four years ago and now manages a team of 20 employees. She is responsible for almost all duties of the operation with the help of an assistant manager.

C is the owner of a casual dining restaurant in a densely populated area of Helsinki. His restaurant offers an a-la-carte menu with a premium price range and full table service. There are spaces for around 55 customers and it is usually full house at weekends. The restaurant does not only focus on high-quality dishes but also outstanding customer experience. Thus, the premium price range was said to be reasonable. Since it is a small-sized privately owned business, the operation is performed by the owner. C's daily work includes the management of 6 employees. Moreover, as a local businessman, C understands very well the Finnish market and people's behaviours. The interview that lasted for an hour with C gave the author a deeper view of Finnish labour market.

D has worked as a restaurant manager of a buffet restaurant for four years. The restaurant is also located in a big shopping centre and can carry a maximum of 50 guests. There are 10 staffs in total including part-time and full-time, six of which are responsible for kitchen tasks and four are working in front house. D mainly has responsibilities of human resources and customer services, meanwhile other operation tasks are performed by her superior. As D was directly involved in the process of hiring, training and performance appraisal, she concentrated straight on the research problem during the forty-minute conversation and provided valuable content.

Manager E is now working in a fusion restaurant that is inspired by Asian cuisine. E's workplace has a capacity of 30 customers. Half service is used as the main method. Six people working for the restaurant, three of which are chefs and kitchen helpers, and the other two are on the front side. E takes orders directly from her boss and is in charge of both back house and front house management. As shared by E, before getting promoted to this position, she had worked as a waitress in the restaurant for several years. Therefore, she is able to observe HR issues from both the employee's and manager's points of view.

The last participant is F, working as a supervisor for an ethnic restaurant located in the city center of Helsinki. The restaurant has around 40 seats and uses a hybrid service model. As a supervisor, F generally has ordering and staff management responsibilities. It can be said that F is a greenhorn in the field of human resources and does not have as much experience as other interviewees because she has just conducted managerial work for over a year. However, she has proven herself worthy of a management job and was considered for the

promotion after only a few months. In addition to that, she had an educational background in hospitality management. Hence, the author chose F to interview regarding the thesis topic.

In this theme, it became apparent that independent restaurants are diverse in terms of menu, price range, concepts, and service models. Participants are running a variety of food-service categories from casual dining, buffet, fusion to ethnic restaurants. Furthermore, independent restaurants are mostly small-sized enterprises with fewer than 50 employees. There is no human resource manager in any of the restaurants, instead, staff management responsibility normally lies with the owners or restaurant managers who are also in charge of other administrative tasks.

## 5.2 Theme 2: Human resource management and human resource practices

The second theme focuses on the participants' perception of HRM and the extent to which HRM was implemented in their restaurants. In addition, the researcher will describe the HR practices that were conducted in participating enterprises. The purpose of this theme is to indicate the role and the status quo of HRM in independent restaurants.

### 5.2.1 HRM

When asked if their restaurant had a specialist who is responsible for the human resource department, the participants revealed that none of them did. All respondents attributed the lack of an HR department to the company's size, claiming that they were limited in implementing HRM in comparison to larger firms. However, neither the bigger restaurant like B's one with three branches did hire an HR manager.

A and C believed that staff management responsibility could be managed well by the proprietor/ restaurant manager as there were fewer than 25 employees in their companies. They have been doing human resource management their ways for many years and did not find it important to have somebody to turn to. Two owners also added that it would make sense to have a separate HR department if they were a chain or a large firm with more than 50 employees, for example.

On the other hand, B mentioned that there was a lot for the owner to do, from dealing with external partners to ensuring smooth internal operation. Therefore, in the future she would need support from a supervisor or a manager who shares the staff management responsibility with her. Similarly, D shared that as a restaurant manager, it was a lot of work for her to deal with and it was a lot for one individual. Sometimes, due to the overloaded tasks, she needed someone that could have turned to. E and F had the same point of view that it was

necessary to employ a specialist who has knowledge and experience in the field to deal with staff matters.

Regardless of different perspectives on the HR department, all the participants agreed that HRM played a crucial role in running a service enterprise. Hardly any restaurant can operate without hiring, training new staff, and managing their employees' performance. HRM was viewed as administrative support that assisted the restaurants in improving operational efficiency. Specifically, A stated that the quality of the food and customer service strongly depends on the staff's performance. Positive attitude servers and skillful chefs would provide delicious food and pleasant service, leading to high customer satisfaction. B and C said that bad performance impacts the serving speed, especially in rush hours. The dishes might turn terrible easily and customers would never return to any poor experience. In line with what has been stated, the participants pointed out that the quality of HR and how well it is managed directly affects the restaurant operation, product quality, customer service, and company's sales. They could not run smoothly if any employees were not well-trained with proper skills and professional attitude.

As a result, the majority of interviewees believed that HRM should be paid great attention. Effective HRM strategy does not only ensure the employees' performance but also maintain good communication with them, making them feel engaged and motivated to perform their best. In contrast, it would definitely result in a number of staff matters.

### 5.2.2 HR Practices

According to all participants, critical HR practices including **recruitment, training and performance appraisal** were mainly focused when managing their human resources. HR practices were valued mostly for smooth operational assistance.

Concerning **recruitment**, it was clear that most of the participants did not prepare a recruitment plan. The process of recruitment and selection was handled unplanned and informal. Unless having a pressing need for personnel, they never review the applications. Furthermore, not all applications were viewed, and not all applicants received a response, resulting in really good candidates being skipped sometimes. Participating restaurants use a combination of internal and external recruitment sources in order to find suitable employees. Participants mostly advertised their job postings via employment websites, referrals, traditional paper-based materials, and job agencies. The internet platforms are believed to be the most beneficial source since they can draw a large number of applications, allowing managers to

choose the best staff from a pool of candidates, according to A, D, E and F. B and C suggested that referral is another popular method since the recommendations from great current or former employees are thought to be trustworthy.

When asked how they had guaranteed the right selection, it became evident that the participants focused on screening resumes and interviews. Previous experience was seen as the major selection criteria, but not a prerequisite. Applicants for chef positions should have experience in cooking to some extent, but the waitress is not always required to have many experiences. A, B, C and D shared that because training is necessary for newcomers and they are willing to train the greenhorns, having experience can be viewed as a plus, but not always the most important thing. Instead, they would look through candidates' characters, attitudes and behaviour.

Most of the participants conducted face-to-face interviews, they believed that a direct talk has led to more effective recruiting decisions. According to A and B, employers are able to observe the applicants' behaviour and attitude during the conversation, hence, recognizing whether the candidates are suitable and motivated with the positions. While half of the respondents responded that the final hiring decisions are made by the owners, the other half replied that the decisions are left for the managers as they are the ones who directly communicate and work with the personnel.

Regarding **the training process**, orientation training was shown as the most prevalent method implemented. When new workers start, they are offered a training program. Newcomers, in particular, watch the manager or the most experienced employee perform a task. During the training session, employees are required to learn and put the knowledge obtained into practice. All the participants responded that the training period usually lasts for three to six months. Throughout this period, the employees are observed whether they can get on well with the work environment and workflow.

However, hardly any restaurant had a systematic training session. Two of the participants were found to have a plan or a checklist to assure the success of their training programme, whereas there was no organized training in other restaurants. A and C justified the absence of formal training with the simple restaurant tasks and the lack of time. In the meantime, B claimed this was owing to the dynamic and ever-changing work environment of the restaurant industry:

*It is a fascinating and always-changing environment, we might be quiet one minute and crowded the next. We experience different situations and interact with a variety of individuals every single day. It is impossible to show an employee how to deal with all situations at once. I believe training is a continuous process and is handled ad hoc.*

In terms of **performance appraisal**, the result shows that it is not widely perceived as a crucial practice for improving organisational performance. Most participants' perceptions of performance appraisal indicated that it seems to be an intangible practice in the independent restaurant and that it is not viable for them. According to all respondents, performance appraisal is associated with benefits and promotion. In general, after the performance review, it is expected that excellent employees would receive a wage raise or a promotion to higher positions.

Nevertheless, there are some minor differences in terms of performance appraisal construction and frequency. Only one-third of the participants applied standardized performance assessments for their employees periodically. The other restaurants in this research gave feedback in an informal manner, in which employees receive feedback from their proprietors and managers on the spot. Several participants said that they would be able to identify bad workers based on their experience, and that a standardized performance review would be unnecessary. On the other hand, D has been thinking about the performance appraisal strategy for a long time but is unsure how to improve it. Moreover, one of the reasons for not focusing on performance appraisal strategy was the financial nature of the companies.

The findings of the second theme show that HRM was appreciated for organizational performance improvement, but was not invested as a strategic partner. Participants are hesitant to apply HR practices because they believe that HRM is costly and does not greatly contribute to the revenue growth in return. Independent restaurants in Finland had just a few HR practices in place. Moreover, HR practices were informal and ad hoc and were not implemented in a systematic manner. One reason for not administering standardly was budgetary in small-sized independent restaurants.

### 5.3 Theme 3: Challenges in HRM

Amongst the three themes that emerged from the process of data analysis, the third theme Challenges in HRM directly addresses the research question of "What are the HRM issues encountered by restaurant managers in independent restaurants in Finland?" The in-depth interviews revealed that all respondents encountered issues with staff management. The findings showed two sides: on the one hand, the first and the second themes indicated that HRM seems not to be focused in independent restaurants, and they had only a few HR practices in place, on the other hand experienced numerous difficulties in recruitment, training and retention employees. A number of reasons are contributing to the dilemma of facing HR challenges, among which are the nature of the restaurant industry and the lack of HRM focus. The findings on HR issues faced by restaurant managers in independent restaurants

are shown as follows. Additionally, coping practices done by restaurant managers are also briefly presented.

### 5.3.1 Challenges in recruitment

When asked about challenges in the recruitment and selection process, it became clear that the biggest challenge is the severe shortage of restaurant workers, especially qualified ones. The majority of participating restaurants had no trouble receiving applications, but all of them faced difficulties in finding suitable staff. Almost half of the respondents said that chef and senior position vacancies are among the hardest to fill. However, other respondents announced all restaurant positions suffer from unskilled workers, even such low entry barrier positions as waitress and kitchen helpers. F shared that just a few months ago, her restaurant encountered a serious shortage of human resources coming from both front house and back house departments, especially people with good expertise and restaurant experiences. Several interviewees also reported a considerable proportion of applicants did not have the necessary abilities to perform satisfactorily in the workplace and did not express interest in working in the industry for the long term.

Owner A stated that although restaurant jobs are easy to get hired, which means having a hospitality management degree nor a high level of experience is not necessary, working in the industry seems not to be attractive compared to other industries. According to the respondents, the reason for that lies in the nature of the working environment, which requires physical effort but offers low salaries and a long career path to achieve top managerial positions. As new graduates of hospitality management programmes, E and F said young people hesitate to enter the industry due to the pressures on low paid, long working hours and poor employment conditions. This aligns with the previous studies, which highlighted that the industry is widely known for hard work, long and irregular working schedules for low paid.

The high labour costs and sophisticated employment documentation are considered as another issue in recruitment, according to three interviewed owners. C made a list of total costs for hiring an employee in Finland including the compensation paid for the work, indirect salaries, employer contributions, and other labour expenses. Moreover, A told that employers must register with the Finnish Tax Administration's Employer Register and pay employer contributions on a regular basis. In terms of documents, as a foreign entrepreneur, B sometimes had troubles with the employment relationship registrations and reports, as well as annual salary payment reports.

Likewise, three interviewed restaurant managers expressed recruitment and selection process is costly in terms of time and effort, which constitutes dramatic difficulties in their daily work. Along with other operational tasks, the process of advertising job vacancies, screening CVs, interviewing and selecting definitely leads to overloading work, and puts more pressure on the restaurant managers. D said in spite of being an experienced restaurant manager for several years, she found it difficult to manage restaurant staff and keep eyes on daily operations simultaneously.

### 5.3.2 Challenges in training

When participants were asked about challenges faced in the training process, the findings indicate that the major issues were the lack of time and consistency. Two managers said they did not have enough time or could not spend extra time on training staff in depth. Moreover, almost every HR manager acknowledged that training programs, regardless of positions, vary from individual to individual.

It became evident that workers of the restaurant industry in Finland have varied educational backgrounds, ranging from high school diplomas, vocational certificates to bachelor's degrees of Technology, Finance or Business Administration, etc. In other words, there are differences in employees' qualifications and competencies, hence, the training instructions are not consistent with every employee. B, who is operating three branches, mentioned that although general regulations have complied, she still needed to adjust in each of those restaurants to adapt to the working culture and different customer volumes. Also, A elaborated that the learning abilities differ between individuals, for instance, a training program can be suitable for one employee, but might be overloading and stressful with the others. Besides, according to D, periodic appraisals identify an employee's weaknesses, so designed training vary according to individual deficiencies.

The difficulties in the training process are aggravating due to a lack of qualified graduates from hospitality degree programmes. Many employers would like to hire employees with hospitality educational backgrounds since they are assumed to have specific knowledge in the field and therefore, can help to reduce training costs. Nevertheless, a large proportion of hospitality graduates are unprepared for employment because they lack the proper skills to meet the job requirements, and therefore require training or retraining to satisfy the industry's demands and expectations. E and F, who studied Tourism and Hospitality Management programmes in Finnish institutions, argued that there is a significant gap between academic theory and practical work. They pointed out the education curriculum combines theoretical knowledge with practical placements, but there is still a limited connection with the real business environment. In consequence, graduates' skills and quality are witnessed

to be below standard. Besides that, a small proportion of participants revealed that given the small size of their businesses, they have a limited budget for training and development. As a result, other investments, for example in kitchen equipment, are valued over the investment in human resources.

### 5.3.3 Labour turnover and challenges in retaining

According to the findings, it became apparent that independent restaurants in Finland suffer from a high labour turnover rate. A substantial proportion of restaurant workers leave the sector owing to a lack of job satisfaction, motivation, and working environment. Roughly half of the restaurant managers saw it as an unavoidable phenomena within the industry, while the other half believed that it was mainly the result of poor employment practices.

Many people who work in restaurant businesses do not see it as a long-term career option. One-quarter of the participants mentioned a large number of their employees are students and workers from secondary labour market who look for short-term employment to supplement their income while studying or learning a new language, or while looking for a career that is relevant to their education. It is reported that many people start their careers in the restaurant business and subsequently leave to work for other industries. Despite offering training and relatively attractive benefits, most employers find it hard to retain personnel. Additionally, a minority of those interviewed were worried about cultural gaps and conflicts in the international environment as they are foreign entrepreneurs and they recruited labour from abroad.

Participants also shared the same point of view that operational positions such as managers and supervisors leave their jobs due to higher salaries in other restaurants or better offers in other industries, whereas chefs and waitresses who work in exhausting physical work, find it overwhelming, stressful and demotivated. Following that, restaurant managers also listed several major reasons why restaurant workers quit their careers. They thought the most important aspects in retaining personnel, especially skilled ones are salary and benefits policies. The results of interviews show that privately owned restaurants do not clearly define bonuses, benefits, and staff rewards systems, contributing to the decrease in staff motivation. More significantly, the absence of career growth and development, according to more than half of HR managers, also contributes to the desire to leave. Another reason is the unsafe and stressful working environment where harassment and conflicts with co-workers easily occurred. Besides these, remote distances, family reasons, age and health are revealed to have negative impacts on the labour turnover rate.

#### 5.3.4 The role of HRM practices in reducing and overcoming HR issues

When the participants were asked how they addressed HR issues, they repeatedly stated the importance of effective HRM practices. They believed the effectiveness of the HR practices will help to adapt to emerging HR problems. Given the aforementioned HR challenges, all respondents mentioned that they put more focus on HRM practices. Several actions were taken by the participants to overcome the difficulties in daily work which will be presented below. To a large extent, it was reported that the challenges in recruitment, training and employee retention in participating restaurants have been better navigated.

To respond to recruitment issues, all interviewees offered higher wages and extra benefits as well as communicated the opportunities to get promotions to higher positions. They stressed the need of redirecting the overall perception of career paths, possibilities for growth, promotion, and attractive salary within the restaurant industry. One manager responded they loosened the recruiting standards by focusing on the quantity rather than the quality of human resources and trained employees afterward. Other respondents employed skilled workers from abroad, in particular for chef vacancies. To fill these positions, the majority of HR managers use the combination of traditional methods and social media platforms, such as Indeed employment website, Facebook Jobs, WhatsApp group, referral, and walk-in applicants.

Besides, a common view among participating restaurateurs was that the reason for difficulties in training lies in the absence of a training plan and a systematic programme. Most respondents referred to the necessity of training handbooks or checklists. They believed those materials would lead to more successful training efforts.

Proper actions were taken by interviewed owners and managers in efforts of dealing with labour turnover and challenges in retention. The majority of managers offered generous salaries, benefits packages, possibilities for career growth and development, as well as the potential of getting promotions to managerial jobs through important training programs. Moreover, manager D aimed to build a positive working environment and enhance employee loyalty by focusing on listening and responding to employees' expectations. Two of the interviewees were supported and advised by their superiors to celebrate staff parties and team-building activities. Owner B also showed her considerations in keeping employees since she adopted moral and monetary motivations, particularly bonuses and special occasion gifts.

The third theme aimed to answer the main research question of the research. In relation to HR issues in the recruitment process, it is clear that restaurateurs have troubles with an

inadequate workforce, especially qualified workers. Labour costs and employment documentation, time-costly are considered as other worries when recruiting employees. Concerning training, most restaurant managers are struggling with the shortage of time, budget and consistency in training programmes. It has been found that one of the reasons is the absence of training and development plans and strategies. In terms of retaining employees, all participants experienced a high labour turnover which was caused by both voluntary and involuntary reasons. Almost all managers stated that labour turnover, together with the shortage of qualified employees, are the biggest challenges in the foodservice industry. They expressed their worries about the inadequately qualified workforce and the difficulties to keep them stay with the restaurants.

The results also showed that the effective applications of HRM practices are considered as the ways to overcome HR challenges. In fact, HRM has received greater attention in reducing and dealing with challenges, but it can be assumed that independent restaurants in Finland still lack a proactive plan for the variety of HR issues.

## 6 Conclusion

In this research, the author has identified human resource issues that restaurant managers of privately owned restaurants in Finland have encountered. Based on a qualitative analysis of challenges in the restaurant industry, it can be concluded that the nature of the industry and the lack of focus in HRM are the main reasons for the emerging HR issues. The findings indicate that managers in independent restaurants face difficulties in recruitment, training, and employee retention.

The research outcomes have met the thesis's initial aims, which were to address the question of human resource challenges in independent restaurants. Validity and reliability are guaranteed through trustworthy literature sources and the variety of samples who are experienced in the field. While the research clearly illustrates the human resource challenges faced by managers in independent restaurants in Finland, it raises the question of a broader study on the Finnish as well as the global hospitality industry. Further research can be expanded to cover other sectors of the hospitality industry. Moreover, further study is needed to examine the effects of HR challenges to hospitality businesses. The author expects to provide future restaurateurs with the information they need to conduct effective operations in the face of staff management issues. Moreover, the collection of data from in-depth interviews may contribute to the existing literature as well as further studies on human resource management difficulties.

### 6.1 Summary

The research found that independent restaurants in Finland are mostly small-sized enterprises with less than fifty employees. Notably, there is the absence of an HR department and an HR manager within the restaurants, instead, staff management responsibility rests in the proprietors or the restaurant managers. Although HRM was perceived as an operational function that affects organizational performance, the lack of relevant HR practices was seen in almost all restaurants. Recruitment and selection, training, and performance appraisal were the major HR practices taken by all participants. Indeed, there was not enough focus on recruitment and selection in those interviewed restaurants. Furthermore, businesses had limited budget and time to invest in their employees' development through training programs. The training courses were not consistent and were not implemented systematically. Performance appraisal was not paid great attention to by the majority of respondents. It is very likely to see a lack of employee-oriented in privately-owned restaurants.

The restaurant industry itself suffers from negative public perceptions of poor employment conditions and low salaries offerings. Moreover, restaurant owners/ managers often find themselves more oriented to other fields than HR when running their businesses. As a result, all respondents revealed that they experienced human resource issues. In the **recruitment process**, it became clear that restaurants suffer from an inadequate supply of employees, especially skilled workers. Moreover, recruitment is a costly process in terms of time and finances, and the owners sometimes have trouble with employment documentation. In regard to **training**, there was a lack of plans and systematic programs due to the different educational backgrounds of employees within the industry. Besides, the inconsistent training courses and the limited time spent on the practice are widely seen in independent restaurants. About **employee retention**, it could be seen that restaurants found it difficult to retain their employees. The secondary labour workforce, working environment, poor employment conditions, and HRM practices all result in the high labour turnover rate.

The author also examined the coping practices taken by the restaurant managers to deal with the aforementioned issues. It has shown a substantial consideration of relevant HRM practices in an attempt to reduce and overcome the challenges.

## 6.2 Recommendations for HR challenges

The findings of the research showed that restaurant managers are met with a set of human resource issues in their daily work. In this part, the author will identify several practices to overcome the challenges. The recommendations are based on the applications of theoretical materials and the suggestions of Finland's experienced managers. The writer discusses five opportunities to cope with those difficulties.

First of all, it is highly suggested for restaurant managers to use different recruitment and selection methods to maximize the chances of hiring devoted and qualified staff. Managers can apply more steps into their recruitment process, such as building a recruitment plan, carefully evaluating applications and focusing on a job interview. It is said that the process would be more effective if they have a recruiting plan that clearly defines what positions are sought for at a specific time, the reasons for recruiting and how. Besides, not all information in the application was viewed, instead, some participants focused only on the candidates' working experiences. This probably resulted in the lack of well-qualified employees and those who have the passion to work in the industry. Undoubtedly experience does play an important role in selection criteria, but references, candidates' skills, cover letters, and background in hospitality are also necessary to be assessed. Furthermore, the participants did not concentrate on the job advertisement and interview contributing to the dilemma of not communicate clearly the job requirements. Thus, chosen applicants were then found out

underqualified for the positions. In short, the combination of activities in recruitment and selection procedures can ultimately lead to increased recruitment effectiveness.

Secondly, the current perception of the restaurant industry must be redirected by offering better salary and benefits policy as well as providing staff with development opportunities. The industry has negative images of low pay and poor employment conditions, which pose a challenge in attracting and retaining employees. Therefore, the impact of salary and benefits to the employees' and job seekers' behaviours must be studied. Moreover, due to the fact that a large number of staff quitted their restaurant jobs to work for other industries, not only conducting salary surveys within the industry, restaurant managers should also compare with other competing sectors. The foodservice sector has to step up its game by providing generous salary levels and better incentive programs to maintain current staff as well as attract new ones. However, the salary itself is insufficient to keep employees. Another crucial factor in retaining personnel and lowering turnover rates is training and development. The satisfaction of employees rises in a learning environment, making it a fantastic chance for employee retention. To inspire newcomers, HR managers should provide them with career path opportunities. Generally, rebuilding the restaurant industry's image increases the chance to reach out to talents and motivates them to stay.

Thirdly, a quality training program is another suggestion to cope with the HR challenges. According to the findings, participants were not interested in investing in their employees' development through training programs. The training and development activities were unstructured and not implemented in a systematic manner. As a result, it is recommended to improve training procedures with the integration of creative approaches that stimulate employees to learn and grow.

Fourthly, restaurant managers can reduce or eliminate HR difficulties by building a positive working environment. In this regard, employee engagement and relationships must be given considerable attention. A good manager with perfect leadership and communication skills does not only manage their personnel's performance but also provides a positive environment in which employees feel comfortable and are encouraged to contribute their best. Social events such as team-building activities, and staff parties should be organized periodically.

Last but not least, as suggested by most participants, employee interviews and work performance discussions must be done on a regular basis to identify any problems and provide solutions. Real-time feedback allows employees to review their strengths and weaknesses and hence, develops their skills of self-learning and problem-solving. Performance appraisal

is also stated to be important in motivating staff and influencing their decisions to stay in the workplace.

To summarize, the researcher has presented five practices that she believes to ease the human resource challenges in the restaurant industry. The chapter is expected to provide valuable managerial material for restaurant professionals so that they are capable of dealing with issues in managing human resources. Those recommendations also give them effective tools to recruit and keep devoted, qualified, and talented people, resulting in greater employee satisfaction and, as a result, improved performances of the restaurants.

## **Figures**

Figure 1. Turnover of service industries in Finland over years.

Figure 2. The number of employees in the Finnish hospitality industry.

Figure 3. Restaurant openings and closures in 2018- 2021.

Figure 4. Impact of HRM on performance.

Figure 5. UK Labour turnover by sector in 2011.

Figure 6. The main steps of qualitative research.

## **Tables**

Table 1. Summary of sectors in the F&B industry.

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## Appendix 1. Cover letter

Dear Restaurant Owners/ Restaurant Managers,

My name is Nguyen Hoang Nhi, and I am studying a Bachelor of Tourism and Hospitality Management program at LAB University of Applied Sciences, Lappeenranta, Finland. I am conducting my thesis research with the topic: "Human resource challenges faced by managers of independent restaurants in Finland". The themes to be investigated contain the human resource management difficulties which you encounter when applying key HRM practices such as recruitment and selection, training and development, and labour turnover.

I am writing this letter to seek your participation in an interview regarding the research topic. We can arrange face-to-face interviews or online meetings via Skype, Zoom or Google Team. The interview is supposed to take around an hour. I would like to record the interview for scientific research purposes only, but if you would prefer not to be recorded, taking notes will be the alternative.

The interview questions can be found at the bottom of this page. Please contact me through email if you are interested in the research: [nhi.nguyen@student.lab.fi](mailto:nhi.nguyen@student.lab.fi).

Your participation is important for me to complete my thesis work successfully. I look forward to meeting you soon in our interview. I sincerely appreciate your help. Thank you for reading.

Best regards,

Nhi Nguyen.

## Appendix 2. Interview structure

Warm up section: The interviewer's words

### Part A: Introduction

1. Could you briefly introduce yourself? (Your current position, how long have you worked at this position?)
2. Could you please introduce your workplace? (The restaurant size, number of employees)

### Part B: Human resource management (HRM) and human resource (HR) practices

1. Who is responsible for HRM in your restaurant? Do you have a separate department for HR?
2. What kind of HRM practices do you conduct in your business? (Recruitment? Training? Performance appraisal?)
3. What are the outcomes of implementing HRM in your restaurant?
4. How does HRM impact your organizational performance?
5. From your perspective, why is HRM important to restaurant business?

### Part C: Issues in managing human resource

1. What are the HR challenges that you faced at your restaurant?
  - Do you have any difficulties in the recruitment process?
  - In training?
  - In keeping your employees? Does your restaurant suffer from high labour turnover? If yes, please briefly explain.
2. In your opinions, what is the main reason leading to HR issues?
3. From your perspective, what is the most challenging problem in managing your human resource?
3. How did you overcome these challenges? What practices did you take?
4. From your perspective, what role does HRM play in reducing or eliminating HR challenges?
5. Do you have any recommendations for further improvement of HRM in the future?