



Human resource management practices in the hotel industry in Vijayawada

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Abstract

The great importance of the workforce, the human resources (HR), in ensuring the commercial success of the hospitality industry and its many thousands of outlets may be succinctly summarized. At a financial level, the hospitality workforce payroll is frequently the single largest cost item, measured as a percentage of wage costs to sales. From a perspective of a service sector, the human resources are usually the first point of interpersonal contact between a hospitality enterprise and its customers. Herein lays the source of the most critical dilemmas and challenges that face the industry: to contain and control the costs of labour whilst maximizing the quality of service to the customer, the principal focus of the business. The effective management of these human resources is therefore vital to the prosperity of the enterprise, whether undertaken by the line managers and owner-managers of smaller businesses or as part of the responsibility of specialist HR managers in the larger chains. It is not surprising that in recent years both practitioners and academics have increasingly sought to tackle the key challenges facing the sector with a range of HRM initiatives and research-based proposals. Many hospitality companies have launched extensive recruitment campaigns utilizing all current means of gaining attention from potential employees, including the Internet and social media. Any analysis of the

Hotel industry won't a full-fledged one without examining the tourism industry, which is generally considered as the mother of hotel industry. Thus, Good hotel management requires a hands-on approach and strong communications and leadership skills. However, we now see an almost never-ending supply of new branded hotels, operating on an almost formulaic basis, setting out in countless manuals and checklists the dos and don'ts of human resource management, removing much of a hotel manager's accountability, responsibility and discretion.

Keywords: HRM, hospitality, service sector, hotel industry, accountability, responsibility etc.

Introduction

The strength of a nation lies not in machines but the men it possesses. No country can become strong, unless it does not make a note of the most powerful resources to people. It is clearly said by the eminent economist Adam Smith that the development of the organization as well as the nation lies in the development of their individuals. India is a large country and has vast potential to become a strong nation with its huge natural human resources. It is the third largest body of scientific and technical manpower. A country may possess abundant physical resources, but it cannot make rapid economic and social advancement unless it happens to possess people who are enterprising and have developed necessary skills and attitudes. Human resources in a developing country are an important resource and need to be fully utilized.

The hospitality industry is a 3.5 trillion dollar service sector within the global economy. It is an umbrella term for a broad variety of service industries including, but not limited to, hotels, food service, casinos, and tourism. But tourism is regarded as the principal component of hospitality industry as it generates huge foreign exchange and provides with large employment. The National Committee on Tourism defines tourism as a comparatively modern phenomenon of traveling in pursuit of leisure, culture and knowledge about other lands.

Tourism started on a massive scale in Europe as late as 19th century, though it has emerged as a worldwide enterprise in a short time. Today tourism development is sweeping the globe. It is one of the world's fastest growing industries and its role in accelerating the economic development of a nation is widely recognized. It has also emerged as the most lucrative business of the world, having tremendous potentiality for earning foreign exchange, yielding tax revenue, promoting growth of ancillary industries and generating income and employment. Tourism also contributes to the development of industrially backward regions.

Development of the Hotel Industry in India

The British established the concepts of modern catering in India during the Seventeenth Century, and in fact the first hotel in Asia was established in Calcutta under their patronage. Gradually western type of hotels was established in other cities like Bombay, Delhi and Madras. A British hotel was established in Bombay in 1840 and the Esplanade hotel was born in Bombay in 1871. The Great Eastern Hotel of Calcutta was established in 1843. After the establishment of the railway network, people traffic in the region increased. Thereafter many eating houses and primitive hotels were established near railway stations. The opening of summer

capital in remote places helped in the development of resorts hotels and catering in India. After independence the British style of operation continued for many years until the American way of hotel functioning became increasingly dominant. But hotel industry flourished only after the coming of gigantic

Chain hotels like the Oberoi group, the Taj, the Welcome group and the Ashok group. A number of major international hotel chains like Hyatt, Holiday Inn, Intercontinental Quality Inn, Ramadda and Sheraton have already been well established in India. In India hotel business was accepted as an industry only recently. Before 1937 there was hardly any establishment that could entertain more than 500 tourists at a time. After World War II important cities in India witnessed the emergence of many hotels and restaurants. In 1950, realizing the importance of tourism and acute shortage of hotel accommodation, the government of India took a decision to build hotels in the public sector. Thus, the Ashok hotel, New Delhi was established in 1956. In that year itself the government Hotel Standard and Rates Structure Committee with the objectives of (i) laying down criteria for the purpose of classification of hotels in India, keeping in view the international standard then applied to similar establishments, (ii) suggesting improvement in the existing arrangement, (iii) considering whether legislation/ assistance was necessary for the hotel industry and if so what type and (iv) suggest suitable rate structure of hotel industries.

Statement of the Problem

It's generally agreed that contemporary management literature as well as concepts have emerged in post industrial revolution era where manufacturing industry continued to be the soul of economies and this led to the emergence of research in an industrial setting. Post World War II, services industries continued to expand and economies have experienced transformation from a traditional industrial setting to an emerging service industry landscape.

Hospitality industry is considered a sub category within the services industry and has experienced significant growth with expanding global economy and positive changes pertaining to travel and hospitality industry in global environment. Further, services industry is widely accepted to be driven by customer satisfaction and therefore human resources are essential component of service delivery. Therefore investigating HRM practices in a labour intensive industry such as hotel is important.

Studies conducted by Hoque (1999), Alleyne *et al.* (2006) and Chand and Katou (2007) have examined HRM practices in hotel industry in UK, Barbados and India respectively. Although the studies have been conducted in different years and there is a significant gap between the studies, comparison of HRM practices in these studies provide significant insights on the adoption of HR practices in three countries.

Based on the findings of the above studies it can be stated that HRM in the hotel industry is widely adopted and researches are emerging from developed and emerging markets examining HRM practices. Therefore, this study focuses on identifying HRM practices in the Hotel industry in Vijayawada of Andhra Pradesh India and whether there is a significant difference in HRM practices in chain hotels and

independent hotels.

Hotel industry Part of Tourism industry

The Indian tourism and hospitality industry has emerged as one of the key drivers of growth among the services sector in India. Tourism in India has significant potential considering the rich cultural and historical heritage, variety in ecology, terrains and places of natural beauty spread across the country. Tourism is also a potentially large employment generator besides being a significant source of foreign exchange for the country.

Market Size

India's rising middle class and increasing disposable incomes has continued to support the growth of domestic and outbound tourism.

Domestic Tourist Visits (DTV's) to the States/Union Territories (UTs) grew by 15.5 per cent y-o-y to 1.65 billion (provisional) during 2016 with the top 10 States/UTs contributing about 84.2 per cent to the total number of DTVs, as per Ministry of Tourism.

As per Ministry of Tourism, foreign tourist arrivals (FTAs) in India increased 19.5 per cent year-on-year to 630,000 in May 2017. FTAs on e-tourist visa increased 55.3 per cent year-on-year to 68,000 in May 2017.

India's foreign exchange earnings (FEEs) through tourism increased by 32 per cent year-on-year to reach US\$ 2.278 billion in April 2017, as per data from Ministry of Tourism, Government of India.

India is expected to move up five spots to be ranked among the top five business travel market globally by 2030, as business travel spending in the country is expected to treble until 2030 from US\$ 30 billion in 2015. #

International hotel chains will likely increase their expansion and investment plans in India, and are expected to account for 50 per cent share in the Indian hospitality industry by 2022, from the current 44 per

Investments

The tourism and hospitality sector is among the top 10 sectors in India to attract the highest Foreign Direct Investment (FDI). During the period April 2000-March 2017, the hotel and tourism sector attracted around US\$ 10.14 billion of FDI, according to the data released by Department of Industrial Policy and Promotion (DIPP).

With the rise in the number of global tourists and realizing India's potential, many companies have invested in the tourism and hospitality sector. Some of the recent investments in this sector are as follows:

- MakeMyTrip raised US\$ 330 million from Ctrip.com International Ltd, Naspers Ltd and few undisclosed investors, in a bid to withstand competition in the ticketing segment.
- Make My Trip has agreed to buy Ibibio Group's India travel business at a deal value of US\$ 720 million, thus creating India's largest online travel firm with a value of US\$ 1.8 billion, as estimated by Morgan Stanley.
- Yellow Tie Hospitality Management Lld, specializing in franchise management of food and beverages firms, plans to invest up to US\$ 15-20 million in five restaurant

ventures of celebrity chef Mr Harpal Singh Sokhi, with the aim to have 250 outlets under these brands by 2020.

- Chaudhary Group (CG) Hotels & Resorts aims to have 200 hotels operational by 2020.
- DineEquity Incorporation has signed a franchisee partnership deal with food services firm Kwai's Group, in order to enter the Indian markets with their breakfast chain IHOP.
- As per industry experts, mid-hotel segment in India is expected to receive investments of Rs 6,600 core (US\$ 990 million) excluding land over next five years, with major hotel chains like Marriott, Carlson Rezidor and ITC planning to set up upscale, budget hotels in state capitals and tier-II cities.
- Hyatt Hotels Corporation has outlined plans of bringing its Hyatt Centric brand to India soon along with three new hotels in Kochi, Rameswaram and Hyderabad by 2017.
- Vatika Hotels Pvt Ltd has raised Rs 495 core (US\$ 74.25 million) in debt from Axis Bank Ltd to expand its hotels and quick-service restaurant chain besides its business centers.
- Accor Hotels, a French multinational hotel group, plans to expand its footprint in Guwahati and Kolkata by adding more 550 rooms to its portfolio of hotels in the next three years.

Government Initiatives

The Indian government has realized the country's potential in the tourism industry and has taken several steps to make India a global tourism hub.

In the Union Budget 2017-18, the Government of India announced some initiatives to give a boost to the tourism and hospitality sector such as setting up of five special tourism zones, special pilgrimage or tourism trains and worldwide launch of Incredible India campaign among others.

Some of the major initiatives taken by the Government of India to give a boost to the tourism and hospitality sector of India are as follows:

- The Ministry of Environment, Forest and Climate Change, Government of India, is planning to revise India's coastal regulation norms aimed at opening up the 7,500 km long coastline for developmental activities like tourism and real estate.
- The Central Government has taken a number of steps for smooth transitioning to cashless mode of payment to ensure that no hardship is faced by the tourists and the tourism industry remains unaffected from government's demonetization move.
- Maharashtra Tourism Development Corporation (MTDC) has come up with a unique tourism experience of visiting the open cast coal mine of Gondgaon and underground coal mine of Saoner, which are near Nagpur and part of Western Coalfields Limited.
- A Tripartite Memorandum of Understanding (MOU) was signed among the Indian Ministry of Tourism, National Projects Construction Corporation (NPCC), National Buildings Construction Corporation (NBCC) and Government of Jammu and Kashmir for the implementation of tourism projects in Jammu and Kashmir.

Road Ahead

India's travel and tourism industry has huge growth potential. The tourism industry is also looking forward to the expansion of E-visa scheme which is expected to double the tourist inflow to India. JW Marriott plans to have 175-200 hotels in India over the next four years.

Accor Hotels India has adopted a 'born in France, made in India' approach to increase its properties in India, which has reached a total of 45 hotels and is expected to increase to 55 hotels by 2017.

Exchange Rate Used:

INR 1 = US\$ 0.0155 as of April 17, 2017.

References: Media Reports, Ministry of Tourism, Press Releases, Department of Industrial Policy and Promotion (DIPP), Press Information Bureau (PIB), Union Budget 2017-18.

Objectives of the Study

In view of the above introductory remarks, the following have been laid down as the specific objectives of the study

1. To take a historic review of the growth of the hotel industry in Vijayawada;
2. To evaluate the operating and financial performance of the hotel industry in Vijayawada;
3. To identify the operating and financial problems faced by the hotel industry in Vijayawada And provide possible solutions;
4. To evaluate the future prospects of the hotel industry in Vijayawada.

Data Collection

Primary data was collected through an interview schedule administered to the owners of the sampled hotels spread over the study area. The interview schedule contained questions useful for drawing the profiles of the hotels as well as questions relating to core management, finance, marketing and personal problems.

Secondary Data

Secondary data in the form of archival information was collected from Government offices, concerned institutions and organizations. For discussing the theoretical aspects, 48 published sources in various libraries, archives were used.

Findings of the Study

1. The trained manpower available in the tourism industry is insufficient to meet their increasing needs. f
2. There is a wide gap between the requirement and availability of skilled and unskilled manpower in the case of Classified Hotels in the State. f
3. There is a wide gap between the requirement and availability of skilled and unskilled manpower in the case of Un Classified Hotels in the State. f
4. An average of 59 per cent of the requirement is available in case of skilled manpower for Classified Hotels in the State. There is shortage of 41 per cent of trained manpower in the case of Classified Hotels. f

5. The average operating income per room is highest in the case of 'A' grade hotels which is 10 times more than the 'D' grade hotels, which have the lowest operating income. The annual operating income per room is showing a continuous increase over the study period. The 'A' grade hotels show a compound growth rate of 11.31 percent, followed by 'C' grade hotels at 9.71 percent. The 'B', 'C' and 'D' grade hotels are showing similar increasing trends in the annual operating income per room.
6. The gross profit ratio is highest in the case of 'D' grade hotels and lowest in the case of 'A' grade hotels. The gross profit ratio in the case of 'A' grade hotels has shown an increase trend during the study period. However, there is a marginal decline in the gross profit ratio of all the remaining grade hotels which is due to the additional expenditures, but there is no significant decrease or increase in the growth of gross profit ratio. The 'A' grade hotels recorded a positive compound growth rate whereas other three grades of hotels have recorded a marginal negative compound growth rate.
7. The annual return on capital employed is highest in the case of 'A' grade hotel and lowest in the case of 'D' grade hotels. The annual return on capital employed is showing a continuous increase over the study period in case of all hotels, except 'A' grade hotels, which have shown a marginal decrease in the year 2006 as compared to the year 2005. The compound growth rate of annual return on capital employed is highest in the case of 'D' grade hotels and lowest in the case of 'A' grade hotels. The 'C' and 'B' grade hotels are showing similar trends in annual return on capital employed.
8. The 'A' grade hotels have the lowest current ratio and the 'D' grade hotel have the highest current ratio. The average annual current ratio has shown an improvement in 'A', 'B' and 'C' grade hotels from the year 2003 to 2007. The compound growth rate of annual current ratio has shown a negative growth in the case of 'A', 'B' and 'C' grade hotels. This is because these hotels have managed their working capital in a better way. The increase in growth rate in the annual current ratio in the case of 'D' grade hotel is due to receivables from foreign tourist.

Suggestions

1. Though the hotel industry in Vijayawada is showing a positive growth over the years, the growth is rather slow. The State Government should provide the required incentives in terms of better tourism policy, better tourism infrastructure, positioning of Vijayawada as a religious and medical tourism destination.
2. The 'A' grade hotels have shown growth over the study period, but the growth is not at a significant rate. These 'A' grade hotels should provide multi-bedded room to the high class domestic tourists. Competitive tariffs also will, in turn, help in the growth of these hotels. These hotels should follow an out-of-Goa promotion strategy promotion strategy to attract more guests.
3. The 'C' grade hotels should add more facilities and services to their repertoire. They should make attempt to attract more tourists to their hotels by providing better facilities and competitive tariffs.

4. The hotel industry should employ skilled and trained manpower. The government should change the employment policy of employing only the local citizens in the industry. Trained employees are the assets of any organization.
5. Whereas the Gross Profit ratio and current ratio shows an upward trend still there is a need to maintain a balance in between them.
6. The capital employed in A grade hotels is comparatively satisfactory still there is a need to improve the ratio in case of grade B and C hotels.

Conclusion

"Service to man is service to God". As the proverb says the hotel owners and the managers provide good service to their customers, which in turn will increase the profitability of the hotels. In the hotel industry, service quality, as an extremely subjective category, is crucial to the satisfaction of the customers. If they increase the quality of service will attract more customers at the same time they can expand the business, and it will lead to more employment opportunities.

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