

# Human resource management (HRM) practices and organizational performance

HRM  
practices and  
organizational  
performance

## The mediating role of employee competencies

949

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### Abstract

**Purpose** – The purpose of this paper is to examine the mediating role of employee competencies in the relationship between human resource management (HRM) practices and organizational performance.

**Design/methodology/approach** – An integrated research model was developed by combining principal factors from existing literature. Data were collected through questionnaire from 600 employees of the selected hotels. The validity of the model and hypotheses was tested using structural equation modeling. The reliability and validity of the dimensions are established through confirmatory factor analysis.

**Findings** – The results indicate that some HRM practices impact organizational performance through their influence on employee competencies. The study further revealed that employee competencies mediate the relationship between HRM practices and organizational performance.

**Research limitations/implications** – The research was undertaken in the hotel industry and the analysis based on cross-sectional data which cannot be generalized across a broader range of sectors and international environment.

**Practical implications** – The findings of the study have the potential to help policy makers, stakeholders and management of hotels in adopting proper and well-articulated HRM practices in building human capital and stimulating the necessary behaviors that create advantage for the organization.

**Originality/value** – This study extends the literature by empirically adducing evidence that employee competencies mediated the relationship between HRM practices and organizational performance of the hotel industry in Ghana.

**Keywords** Organizational performance, SEM, HRM practices, Hospitality industry, Hotel industry, Employee competencies

**Paper type** Research paper

### Introduction

In today's hyper-competitive arena, organizations stakeholders are demanding that all functional areas within the firm including human resources functions clearly demonstrate their contributions to overall organization's performance and ensure that a firm's human capital contribute to the achievement of its business objective (Baird and Meshoulam, 1998; D'Aveni, 1994; Jackson and Schuler, 1995). Such resources take on special relevance when dealing with labor-intensive service industries, especially, the hospitality industry where the accomplishment of the business is contingent predominantly on the social and technical skills of its personnel, their ingenuity and hard work, their commitment and attitude for competitive success (Gabriel, 1988). Creating competitive advantage through people requires careful attention to the practices that best leverage these assets. Human resource management (HRM) practices are a set of internally consistent policies and practices designed and implemented to ensure that a firm's human capital contribute to the achievement of its business objectives (Delery and Doty, 1996). The hospitality industry encompasses different activities and purposes including lodging, catering and other establishments besides hotels. However, Dittmer (2002) argued that the hotel industry represents a key segment of the hospitality industry. Several other authors (Enz, 2009; Poulston, 2008) deliberate that the hotel industry is a people industry. They further indicated that employees are cogitated as the focal point of the hotel industry for the reason that they may possibly develop a dazzling image for prompt and



cozy service or taint the perfect vacation reality. Hooghiemstra (1992) posited that competencies are the underlying characteristic of a person that could be a motive, traits and self-concepts, attitudes or values, content knowledge or cognitive or behavioral skills. Zhang *et al.* (2008) opined that organizational performance is the extent of success to which the organization reaches its aims. Majority of the studies on HRM practices in the hospitality industry focus on developed economies such as the UK (Watson *et al.*, 2007), the USA (Kalargyrou and Woods, 2011), New Zealand (Poulston, 2008), Spain (Agut *et al.*, 2003), Germany (Langer, 2003), Australia (Davidson *et al.*, 2010) and Ireland (Nolan *et al.*, 2010). However, with some exceptions (Honyenuga and Adzoyi, 2012; Mensah-Ansah, 2014), scant research study exists on HRM practices in the West Africa hospitality industry. Therefore, this study attempted to examine the role of employee competencies in the relationship between HRM practices and organizational performance of the hotel industry in Ghana.

### **Literature review and hypothesis development**

#### *Human resource management practices*

Minbaeva (2005) asserted that HRM practices are a set of practices used by an organization to manage human resources through facilitating the development of competencies that are firm specific, produce complex social relation and generate organization knowledge to sustain competitive advantage. This view appears to be supported by Schuler and Jackson (1987) who postulated that HRM practices are a system that attracts, develops, motivates and retains employees to ensure the effective implementation and the survival of the organization and its members. Huselid (1995) outlined HRM practices as personnel selection, performance appraisal, incentive compensation, formal grievance procedures, information sharing, labor/management participation, recruiting intensity and more training hours. Similarly, Delaney and Huselid (1996) categorized HRM practices into recruitment and selection, training and development, participation and reward. Therefore, for the purpose of this study the following HRM practices are examined: recruitment and selection, training and development, career planning, performance appraisal and employee participation.

#### *Employee competencies*

The notion of competency is complex and sometimes contradictory. Given the conceptual ambiguity associated with competencies, there is also a lack of consensus regarding their definition (Shippmann *et al.*, 2000). Norris (1991) contend that as tacit understandings of the word competence have been overtaken by the need to define precisely and to operationalize concepts, the practical has become shrouded in theoretical confusion and the apparently simple has become profoundly complicated. McClelland (1973) developed the concept of “competency” as significant predictors of employee performance and success. Mulder (2007) defined competency as a professional’s generic capability consisting of the integrated set of knowledge, skills and attitudes of a person. Similarly, Bhardwaj (2013) concurred with this definition when he referred to competency as a mix of knowledge and skills that are needed for an effective performance. Hellriegel and Slocum (2011) identified employee’s ethical competency, self-competency, diversity competencies, across cultures competency, communication competency, team competency and change competency as the seven key competencies that affect the behavior of individuals, teams and effectiveness of an organization. Along the same lines, several authors found team competency, ethical competency, change competency, communication competency and self-competency as major competencies needed for hospitality occupations (Hai-Yan and Baum, 2006; Jauhari, 2006). Accordingly, the following competencies are examined: self-competency, team competency, change competency, communication competency and ethical competency.

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### *Organizational performance*

Organizational performance is a complex and multidimensional concept. The potential success of a business depends on its ability to effectively implement strategies to achieve institutional objectives (Randeree and Al Youha, 2009). Zhang *et al.* (2008) defined organizational performance as the extent of success to which the organization reaches its aims. Dryer and Reeves (1995) proposed HR outcomes (turnover, absenteeism, job satisfaction), organizational outcomes (productivity, quality, service), financial accounting outcomes (ROA, profitability) and capital market outcomes (stock price, growth, returns) as the four possible measurement for organizational performance. Several research findings (Harris and Mongiello, 2001; Atkinson and Brander-Brown, 2001) in performance management are advocating an emphasis on both financial and non-financial dimensions such as competitiveness, service quality, customer satisfaction, organizational flexibility, resource utilization and technology. Harris and Mongiello (2001) argued that even though a hotel is thought of in a service context, in reality it encompasses three different types of industrial activity (rooms, beverage and food) that exhibit different business orientations. These three orientations call for a diverse set of performance indicators. Based on the literature, the following measures were used in the study, financial outcome, Human resource outcome, organizational outcome and capital market outcome.

### *Human resource management contributions to organizational performance*

Several practitioners and academics have advanced theories and concept in their quest to investigate and establish a synergy between HRM and organizational performance (Minbaeva, 2005; Ostroff and Bowen, 2000; Schuler and Jackson, 1987). Ulrich (1997) identified five important approaches in examining the HRM, organizational performance and effectiveness nexus: core competence, intellectual capital, organizational capability, high performance work systems and high performing teams. Similarly, several other authors have conceptualized and empirically established positive relationship between single or interrelated sets of HRM practices and organizational performance (Huselid, 1995; Delery and Doty, 1996; Youndt *et al.*, 1996). Delaney and Huselid (1996) emphasized that HRM practices lead to improve firm performance by affecting employee skills, employee motivation and the structure of work.

### *Human resource management practice and employee competencies*

Ostroff and Bowen (2000) posited that attention to human resource and adherence to technically superior human resource practices result in more productive, motivated, satisfied and committed employees who in turn promote a more effective organization. Boxall and Steenveld (1999) contend that HRM policies and practices are an essential element in building human capital and stimulating the necessary behaviors that create advantage for the organization. This is consistent with the arguments of Noe *et al.* (2010) who deliberated that HRM practices improve the performance of organizations by contributing to employee and customer satisfaction, innovation, productivity and development of good reputation among firm's community.

### *Recruitment and selection and employee competencies*

Ferris *et al.* (2002) posited that the effectiveness of recruitment practices has an impact on employee effectiveness. Along the same lines several scholars have advocated that the selection of a suitable candidate for an appropriate position should be combined with the development and enhancement of employee competencies that are relevant to the business strategies and objectives (Naquin and Holton, 2006; Lee, 2010; Hellriegel and Slocum, 2011). This is consistent with the findings of several authors who found that effective recruitment and selection leads to competitive advantage and high performance of organizations

(Chen and Cheng, 2012; Pfeffer, 1994; Storey, 2007). Based on the above contribution, the following is hypothesized:

*H1. Recruitment and selection has a significant influence on employee competencies.*

*Training and development and employee competencies*

The significance of training and development in the enhancement of employee competencies and organizational development has been espoused by several authors (Cho *et al.*, 2006; Thang and Buyens, 2010). Mackelprang *et al.* (2012) contend that training enhances employees' capabilities which are instrumental in improving overall organizational performance. These parallels finding of other authors who argue that training and development improves the competencies of a workforce which are contributory in enhancing general functioning (Barzegar and Farjad, 2011; Cheng and Brown, 1998; Swanson, 2001). Based on the above discussion, the following hypothesis is proposed:

*H2. Training and development has a significant influence on employee competencies.*

*Career planning and employee competencies*

Leibowitz *et al.* (1986) defined career planning as a process by which individuals determine their skills, interests and values. Ayanda and Sani (2010) argued that a career planning system helps employees in developing such skills which are not only important for their own development and growth but are also important for the development and success of the organization as a whole. This is consistent with the findings of Nwuche and Awa (2011) who postulate that career planning and development aligns the interests and skills of the employees with the needs of the organization which in turn leads to enhanced organizational performance. Based on the above contribution, the following is hypothesized:

*H3. Career planning has a significant influence on employee competencies.*

*Employee participation and employee competencies*

Armstrong (2006) posited that employee participation is an arrangement that ensures that employees are given the opportunity to influence management decisions and to contribute to the improvement of organizational performance. Ardichvili *et al.* (2003) contend that employee participation is a key element in the successful implementation of new management strategies, plays an important role in determining the degree of job satisfaction and increases the commitment of employees as well as their motivation. This is consistent with other authors who found that employee participation is positively related to performance, satisfaction and productivity of an employee (Pfeffer, 1994; Verma, 1995). Based on the above discussion, the following hypothesis is proposed:

*H4. Employee participation has a significant influence on employee competencies.*

*Performance appraisal and employee competencies*

Abu-Doleh and Weir (2007) deliberated that performance appraisal involves the assessment of individual or other level of performance to measure and improve performance that will help in attaining corporate objectives. Osman *et al.* (2011) contended that an ineffectual appraisal procedure results in numerous undesirable challenges comprising stalled employee efficiency, less morale, less enthusiasm in supporting organizational values and objectives consequently stalling the effectiveness of the organization. This is consistent with the arguments of several other authors who emphasized that an integrated human resource and performance management strategy has important impact on the commitment and

attitude of the workforce (Armstrong, 2005; Ostroff, 1992; Young *et al.*, 1995). Based on the above contribution, the following is hypothesized:

H5. Performance appraisal has a significant influence on employee competencies.

*Employee competencies and organizational performance*

Draganidis and Mentzas (2006) assert that employee competencies are a combination of tacit and explicit knowledge, behavior and skills that gives someone the potential for effectiveness in task performance. Similarly, several others authors postulate that the enhancement and improvements of employee competencies are very crucial for organizational performance leading to enhanced employee functioning, greater efficiency and assist in creating essential competencies for firms (Bhardwaj, 2013; Kehoe and Wright, 2013; Levenson *et al.*, 2006). This is consistent with several other authors who found that improvements in employee competencies significantly enhance organizational performance in the following respect: organizational outcomes, financial outcomes and non-financial outcomes (Asree *et al.*, 2010; Junaidah, 2008; Lockhart, 2013; Rose *et al.*, 2006). Based on the above discussion, the following hypothesis is proposed:

H6. Employee competencies have a significant influence on organizational performance.

The structural equation model is depicted in Figure 1.

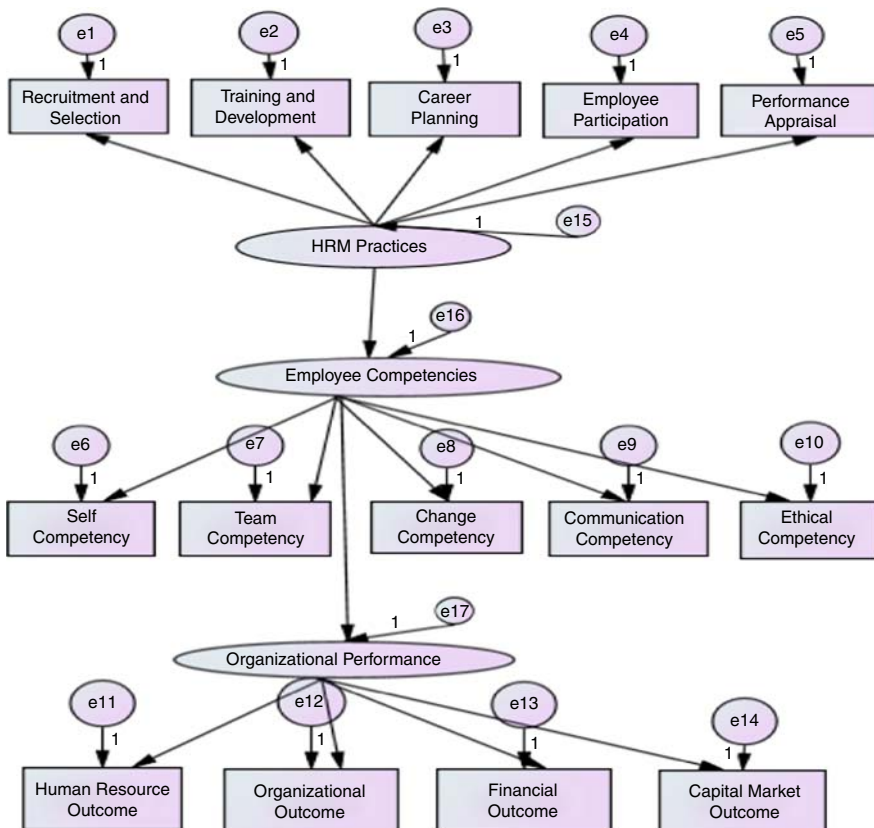


Figure 1. Structural equation model

**Methods**

*Research setting and data structure*

In order to test the proposed model, an empirical study was conducted in one- to five-star rated hotels in Ghana. Hotel classification systems are widely used in the accommodation sector as a means of providing clients and intermediaries on the standard to be found at individual establishments (Callan, 1995). Information on the hotels was taken from the Ghana Tourism Authority (2018) Directory. Accordingly, 385 hotels met the conditions for inclusion in the study. Of them, 20 of the hotels are internationally owned, while 365 were indigenously owned. A cross-sectional study design was applied using a structured questionnaire developed for the collection of primary data. Stratified sampling with a purposive sampling technique and a census survey was used in the selection of hotels. Ary *et al.* (2002) posited that stratified sampling allows researchers to analyze distinctions between a variety of subcategories of a population and ensures that defined groups are represented in the population. Employees were chosen as key informants for the study. Schein (2004) emphasized the importance of getting employee of an organization involved in a research process when he argued that employees are the actual people who implement the changes established in an organization. The Yamane (1967) simplified formula was used in determining the sample size for three-, two- and one-star rated hotels. A total of 750 respondents were identified and reached in the chosen hotels and 600 respondents reverted back with full required information corresponding to a response rate of 80 percent. From Table I the majority of respondents (52.5 percent) were males. More than half (51.7 percent) of respondents were in the age group of 26–35 years. The majority of respondents (36.5 percent) had 1–5 years of working experience in the hotel.

*Measures*

The variables used in this study were assessed using multiple items from different studies in the extant literature. All the items were measured using a five-point Likert-type scale, where the respondents had to indicate their level of conformity with the different statements (1: strongly disagree to 5: strongly agree).

*Recruitment and selection.* Recruitment and selection was measured by adapting Noe *et al.* (2010) recruitment and selection scale. The scale which consists of six items was modified according to the current study and generated two items with a reliability of 0.73.

| Variables           | Frequency (s) | Percentage of totals | Variables                 | Frequency (s) | Percentage of totals |
|---------------------|---------------|----------------------|---------------------------|---------------|----------------------|
| <i>Gender</i>       |               |                      | <i>Education</i>          |               |                      |
| Male                | 315           | 52.5                 | Junior high               | 73            | 12.2                 |
| Female              | 285           | 47.5                 | Senior high               | 196           | 32.7                 |
| <i>Age</i>          |               |                      | Diploma                   | 130           | 21.7                 |
| 18–25               | 199           | 33.2                 | HND                       | 84            | 14.0                 |
| 26–35               | 310           | 51.7                 | Bachelor's degree         | 104           | 17.3                 |
| 36–45               | 69            | 11.5                 | Master's degree           | 13            | 22.0                 |
| 46–55               | 22            | 3.7                  | <i>Experience (years)</i> |               |                      |
| <i>Department</i>   |               |                      | Less than 1               | 166           | 27.7                 |
| Front desk          | 212           | 35.3                 | 1–5                       | 219           | 36.5                 |
| Food and beverage   | 141           | 23.5                 | 6–10                      | 103           | 17.2                 |
| Maintenance         | 86            | 14.3                 | 11–15                     | 61            | 10.2                 |
| Housekeeping        | 85            | 14.2                 | 16–20                     | 28            | 4.7                  |
| Food production     | 49            | 8.2                  | 20 and above              | 23            | 3.8                  |
| Safety and security | 27            | 4.5                  |                           |               |                      |

**Table I.**  
Profile of respondents

*Training and development.* The effectiveness of training scale by Santos and Stuart (2003) and Singh (2004) was adopted in measuring training and development. The scale which consists of ten items was modified according to the current study and generated three items with a reliability of 0.83.

*Career planning.* Career planning was measured by adapting King (1999) and Gould (1979) career planning scale. The scale which consists of eight items was modified according to the current study and generated four items with a reliability of 0.82.

*Employee participation.* Employee participation was measured by adapting Locke and Schweiger (1979) employee participation scale. The scale which consists of six items was modified according to the current study and generated two items with a reliability of 0.77.

*Performance appraisal.* The scales of performance appraisal by Walker *et al.* (2011) and Amin *et al.* (2013) was adopted in measuring performance appraisal. The scale which consists of nine items was modified according to the current study. The four item scale has the reliability of 0.79.

*Employee competencies.* To measure employee competencies, five competencies which are necessary to enhance organizational performance were measured: self-competency, team competency, change competency, communication competency and ethical competency.

*Self-competency.* The self-competence/self-liking scale by Tafarodi and Swann (1995) was adopted in measuring self-competency. The scale which consists of 20 items was modified according to current study and generated 5 items with a reliability of 0.81.

*Team competency.* Team competency was measured by adapting Eby and Dobbins (1997) teamwork scale. The scale which consists of eight items was modified according to the current study. The scale is made up of five items with a reliability of 0.79.

*Change competency.* Change competency was measured by adapting Ashford (1988) change competency scale. The scale which consists of ten items was modified according to the current study and generated two items with a reliability of 0.82.

*Communication competency.* Communication competency was measured using Wiemann (1977) communication competency scale. The scale which consists of 25 items was modified according to current study and generated 4 items with a reliability of 0.82.

*Ethical competency.* Ethical competency was measured using Rest (1994) competent model for determining moral behavior scale and Duckett and Ryden (1994) implementing the moral decision scale. The scale which consists of 35 items was modified according to current study. The scale is made up of 3 items with a reliability of 0.78.

*Organizational performance.* Four dimensions of organizational performance were measured: HR outcomes, organizational outcomes, financial outcomes and capital market outcomes.

*Human resource outcome.* The human resource outcome scale developed by Delaney and Huselid (1996) was adopted in measuring human resource outcome. The scale which consists of six items was modified according to the current study and generated three items with a reliability of 0.76.

*Organizational outcome.* Chenhall and Langfield-Smith (2007) organizational outcome scale was adopted in measuring organizational outcome. The scale which consists of six items was modified according to the current research settings and generated two items with a reliability of 0.77.

*Financial outcome.* Financial outcome was measured by adapting Rowe and Morrow (1999) financial outcome scale. The scale which consists of seven items was modified according to the current study and generated two items with a reliability of 0.75.

*Capital market outcome.* Richard *et al.* (2009) capital market outcome scale was adopted in measuring capital market outcome. The scale which consists of six items was modified according to the current study and generated two items with a reliability of 0.73.

**Analytic approach**

The efficacy of the proposed model and hypotheses were analyzed using the Statistical Package for Social Science 20.0 and the Analysis of Moment Structure 20.0. In the first step, the researcher tested the measurement model. To establish construct validity, the researcher examined: the relationship between the observable indicators and their latent constructs and correlations among sub-dimensions. The second step was to test the overall model. Baron and Kenny (1986) classical product method was used in examining the role of employee competencies in the relationship between HRM practices and organizational performance. A multi-group moderation analysis with maximum likelihood criterion was applied in assessing the degree of correlation in the classification of hotels (Baron and Kenny, 1986).

*Handling common method bias*

A preliminary analysis to test the seriousness of the common method bias was conducted. Bagozzi and Yi (1991) define common method bias as the “variance that is attributable to the measurement method rather than to the construct of interest” (p. 426). Craighead *et al.* (2011) emphasize that the unchecked presence of common method bias can dent the contribution to knowledge of a study. This study adapted the techniques in handling common method bias as suggested by Conway and Lance (2010), namely, confirmation of pragmatic strides in assuaging the dangers of method effects, construct validity evidence, contention for the appropriateness of self-reports and paucity of overlay in items of distinct constructs. The scales used in the study were adapted from recognized sources and a confirmatory factor analysis (CFA) was performed for validity testing. The results indicate that the established benchmarks were adequate (Andersson and Bateman, 1997; Mossholder *et al.*, 1998). Throughout the process respondents were assured of the protections of their anonymity thus reducing evaluation apprehension (Conway and Lance, 2010; Podsakoff *et al.*, 2012). These approaches warranted that common method bias consequences remained insignificant.

**Results**

*Descriptive statistics*

The descriptive statistics estimates are provided in Table II. The results show that each of the constructs is positively and significantly correlated.

*Measurement model*

The overall fit of the measurement model as reported in Table III was found to be reasonable. The  $\chi^2/df$  ratios (3.35) were within suggested threshold (i.e. < 5.0) indicating a reasonable fit (Marsh and Hocevar, 1985; Wheaton *et al.*, 1977). The root mean square error of approximation (RMSEA) value of 0.066 and standardized root mean residual (SRMR) value of 0.054 were lower than the recommended value of 0.08 indicating an adequate fit (Browne and Cudeck, 1993; Hu and Bentler, 1999). In addition, all other indices (i.e. TLI and CFI estimates) were greater than the recommended value of 0.90 indicating an adequate fit (Bollen, 1990; Fan *et al.*, 1999).

| Items                         | Mean  | SD    | 1       | 2       | 3       | 4       | 5       | 6       | 7 |
|-------------------------------|-------|-------|---------|---------|---------|---------|---------|---------|---|
| 1. Recruitment and selection  | 9.65  | 3.42  | 1       |         |         |         |         |         |   |
| 2. Training and development   | 10.31 | 3.22  | 0.107** | 1       |         |         |         |         |   |
| 3. Career planning            | 6.99  | 2.35  | 0.113** | 0.474** | 1       |         |         |         |   |
| 4. Employee participation     | 7.45  | 2.14  | 0.557** | 0.291** | 0.335** | 1       |         |         |   |
| 5. Performance appraisal      | 13.80 | 3.64  | 0.142** | 0.367** | 0.595** | 0.242** | 1       |         |   |
| 6. Employee competencies      | 53.63 | 15.40 | 0.123** | 0.477** | 0.504** | 0.284** | 0.476** | 1       |   |
| 7. Organizational performance | 30.71 | 6.87  | 0.130** | 0.353** | 0.205** | 0.200** | 0.237** | 0.185** | 1 |

**Notes:** \*\*Correlation is significant at the 0.01 level (2-tailed); \*Correlation is significant at the 0.05 level (2-tailed)

**Table II.**  
Correlation matrix



*Reliability and validity of the scales*

To study the validity and reliability of the measurement scales used, a CFA was carried out. To establish convergent validity, the three important indicators were examined: factor loadings (standardized estimates), average variance extracted (AVE) and composite reliability (CR). The results are depicted in Table IV. Cronbach’s coefficient  $\alpha$  estimates for the constructs ranged between 0.73 and 0.83 exceeding the minimum value of 0.70 as recommended by Nunnally and Bernstein (1994) and Kline (2011). Constructs standard estimates ranged between 0.63 and 0.95 exceeding the recommended criterion of 0.60 or higher (Hair *et al.*, 2010; Kline, 2011) and statistically significant ( $p < 0.05$ ). Constructs AVE ranged between 0.52 and 0.70 which exceeds the suggested threshold of 0.50 indicating higher reliability of a construct (Fornell and Larcker, 1981; Wu *et al.*, 2008). Constructs CR ranged between 0.76 and 0.88 which exceeds the recommended criterion of 0.70 indicating consistency adequacy (Fornell and Larcker, 1981; Wu *et al.*, 2008). From Table V, it can be inferred that discriminant validity was established since the square root of the AVE values of all constructs are greater than the inter-construct correlations (Fornell and Larcker, 1981, Hair *et al.*, 2010).

*Test of hypotheses*

The proposed hypotheses were tested using structural equation modeling. The results of the structural model test depicted in Table III indicate a good fit to the data. The  $\chi^2/df$  ratios of 2.43 were within the suggested threshold (i.e.  $< 3.0$ ) indicating a good fit (Carmines and McIver, 1981; Hu and Bentler, 1999). The RMSEA value of 0.054 and SRMR value of 0.040 were lower than the suggested thresholds (i.e.  $< 0.06$  and 0.05) indicating a good fit (Byrne, 2013; Fan and Sivo, 2005). In addition, all other indices (i.e. TLI and CFI estimates) were greater than the recommended cut off value of 0.95 indicating a good fit (Bentler, 1990; Bentler and Bonnet, 1980). Thus, the overall structural model reflects desirable psychometric properties. From Table VI, it can be inferred that there was a significant indirect (mediated) effect of HRM practices on organizational performance (0.06,  $p < 0.05$ ). Table VII which reports the results of the hypotheses shows that four out of the six hypotheses were supported and accepted in data set.

**Discussion**

This study reveals important empirical results that make a significant contribution to clarifying the question of the role of employee competencies in the relation between HRM practices and organizational performance. Results confirmed *H1* by showing that recruitment and selection has a significant influence on employee competencies. This results parallels the findings of several studies which found that effective recruitment and selection leads to competitive advantage and high performance of organization (Chen and Cheng, 2012; Pfeffer, 1994; Storey, 2007). The results validates the assumption of researchers (Naquin and Holton, 2006; Lee, 2010). *H2* confirms a significant influence of training and development on employee competencies. These results support the contentions of Zumrah *et al.* (2013) who argue that employees who participated in training apply the new learned skills, knowledge and attitude in their everyday work and demonstrate better abilities and competencies in performing their job. The results are in line with the opinion of researchers (Cheng and Brown, 1998; Swanson, 2001). Results of *H3* suggest that career planning does not make any significant influence on employee competencies. This result is

| Model                            | $\chi^2$ | df | $\chi^2/df$ | $p$   | RMSEA | SRMR  | TLI   | CFI   |
|----------------------------------|----------|----|-------------|-------|-------|-------|-------|-------|
| Measurement model                | 207.700  | 62 | 3.35        | 0.000 | 0.066 | 0.061 | 0.933 | 0.948 |
| Structural model – overall model | 116.640  | 48 | 2.43        | 0.000 | 0.054 | 0.040 | 0.965 | 0.986 |

**Notes:** RMSEA, root mean square of approximation; SRMR, standardized root mean residual; TLI, Tucker–Lewis index; CFI, comparative fit index.  $p < 0.05$

**Table III.**  
Results of the  
measurement and  
structural model tests

| Factor                                           | Factor names, factor loadings and Cronbach's $\alpha$<br>Items                                    | ( $\lambda$ ) | AVE  | CR   |
|--------------------------------------------------|---------------------------------------------------------------------------------------------------|---------------|------|------|
| Recruitment and selection ( $\alpha = 0.73$ )    | Standardized and valid tests are used in the selection process                                    | 0.803         | 0.62 | 0.76 |
|                                                  | Strong merit criteria for employee selection                                                      | 0.768         |      |      |
| Training and development ( $\alpha = 0.83$ )     | The knowledge and skills associated aids used in the training programs are available for use      | 0.865         | 0.64 | 0.84 |
|                                                  | The activities of the training program provided meet the needs of the employees                   | 0.812         |      |      |
|                                                  | Employees are sponsored to training programs on the basis of relevant training needs              | 0.713         |      |      |
|                                                  | I have a plan for my career                                                                       | 0.713         |      |      |
| Career planning ( $\alpha = 0.82$ )              | I know my career interests and how to apply these to my job                                       | 0.700         | 0.52 | 0.81 |
|                                                  | I spend time reviewing my career plan                                                             | 0.831         |      |      |
|                                                  | I am able to analyze and assess my abilities, interests and values to determine my career options | 0.627         |      |      |
|                                                  | My views have a real influence in company decisions                                               | 0.694         |      |      |
| Employee participation ( $\alpha = 0.77$ )       | I have a say in selection and training decisions                                                  | 0.878         | 0.63 | 0.77 |
| Performance appraisal ( $\alpha = 0.79$ )        | Organization provides a written and operational performance appraisal system                      | 0.694         |      |      |
|                                                  | Performance is measured on the basis of objective and quantifiable results                        | 0.811         | 0.57 | 0.80 |
|                                                  | Employees are provided performance-based feedback and counseling                                  | 0.728         |      |      |
|                                                  | Performance review discussions are conducted with the highest quality and care                    | 0.779         |      |      |
| I perform very well in many important situations | 0.806                                                                                             |               |      |      |
| Self-competency ( $\alpha = 0.81$ )              | I am capable person                                                                               | 0.693         | 0.58 | 0.87 |
|                                                  | I am very talented                                                                                | 0.693         |      |      |
|                                                  | I deal appropriately with challenges                                                              | 0.890         |      |      |
|                                                  | I am very competent                                                                               | 0.696         |      |      |
| Team competency ( $\alpha = 0.79$ )              | I can work very effectively in a group setting                                                    | 0.708         | 0.59 | 0.88 |
|                                                  | I can contribute valuable insight to a team project                                               | 0.676         |      |      |
|                                                  | I can easily facilitate communication between people                                              | 0.709         |      |      |
|                                                  | I am effective at delegating responsibilities for tasks                                           | 0.857         |      |      |
| Change competency ( $\alpha = 0.82$ )            | I am able to resolve conflicts between individuals effectively                                    | 0.877         | 0.70 | 0.82 |
|                                                  | I believe I perform well in job situations following restructuring                                | 0.761         |      |      |
|                                                  | Provided training I can perform well following the change                                         | 0.909         |      |      |
| Communication competency ( $\alpha = 0.82$ )     | I am a good listener                                                                              | 0.638         | 0.56 | 0.83 |
|                                                  | I generally know what type of behavior is appropriate in any given situation                      | 0.802         |      |      |
|                                                  | I generally know how others feel                                                                  | 0.713         |      |      |
|                                                  | I say the right thing at the right time                                                           | 0.818         |      |      |
| Ethical competency ( $\alpha = 0.78$ )           | I make decision based on reliable evidence                                                        | 0.718         | 0.56 | 0.79 |
|                                                  | I make decision with priority on the thoughts and values of the organization                      | 0.744         |      |      |
|                                                  | I make decision in consideration of what the organization places importance on                    | 0.780         |      |      |
| Human resource outcome ( $\alpha = 0.76$ )       | Ability to attract employees                                                                      | 0.629         | 0.64 | 0.84 |
|                                                  | Ability to retain employees                                                                       | 0.875         |      |      |
|                                                  | Relationship between management and employees                                                     | 0.877         |      |      |
| Organizational outcome ( $\alpha = 0.77$ )       | Quality of products or services                                                                   | 0.712         | 0.70 | 0.82 |
|                                                  | Productivity                                                                                      | 0.945         |      |      |
| Financial outcome ( $\alpha = 0.75$ )            | Profitability                                                                                     | 0.725         | 0.62 | 0.77 |
|                                                  | Return on investment                                                                              | 0.849         |      |      |
| Capital market outcome ( $\alpha = 0.73$ )       | Market share                                                                                      | 0.738         | 0.78 | 0.66 |
|                                                  | Market value                                                                                      | 0.876         |      |      |

**Table IV.**  
Confirmatory  
factor analysis

**Notes:** AVE, average variance extracted; CR, composite reliability. All factor loadings are significant at  $p < 0.05$

|                              | 1                | 2                | 3                | 4                 | 5                | 6                | 7                | 8                | 9                | 10               | 11               | 12               | 13               | 14 |
|------------------------------|------------------|------------------|------------------|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|----|
| 1. Recruitment and selection | 0.073<br>(0.787) |                  |                  |                   |                  |                  |                  |                  |                  |                  |                  |                  |                  |    |
| 2. Training and development  | 0.113            | 0.481<br>(0.800) |                  |                   |                  |                  |                  |                  |                  |                  |                  |                  |                  |    |
| 3. Career planning           | 0.554            | 0.222            | 0.343<br>(0.721) |                   |                  |                  |                  |                  |                  |                  |                  |                  |                  |    |
| 4. Performance appraisal     | 0.157            | 0.381            | 0.589            | 0.0271<br>(0.755) |                  |                  |                  |                  |                  |                  |                  |                  |                  |    |
| 5. Employee participation    | 0.021            | 0.407            | 0.570            | 0.210             | 0.519<br>(0.794) |                  |                  |                  |                  |                  |                  |                  |                  |    |
| 6. Self-competency           | 0.193            | 0.282            | 0.445            | 0.357             | 0.380            | 0.653<br>(0.762) |                  |                  |                  |                  |                  |                  |                  |    |
| 7. Team competency           | 0.011            | 0.360            | 0.239            | 0.132             | 0.243            | 0.463            | 0.382<br>(0.768) |                  |                  |                  |                  |                  |                  |    |
| 8. Change competency         | 0.136            | 0.512            | 0.293            | 0.188             | 0.243            | 0.597            | 0.527            | 0.414<br>(0.837) |                  |                  |                  |                  |                  |    |
| 9. Communication competency  | 0.081            | 0.500            | 0.332            | 0.183             | 0.139            | 0.513            | 0.455            | 0.670            | 0.736<br>(0.748) |                  |                  |                  |                  |    |
| 10. Ethical competency       | 0.055            | 0.207            | 0.137            | 0.076             | 0.139            | 0.214            | 0.186            | 0.146            | 0.211            | 0.205<br>(0.806) |                  |                  |                  |    |
| 11. Human resource outcome   | 0.072            | 0.271            | 0.180            | 0.099             | 0.182            | 0.192            | 0.167            | 0.131            | 0.189            | 0.184            | 0.680<br>(0.836) |                  |                  |    |
| 12. Organizational outcome   | 0.031            | 0.119            | 0.079            | 0.044             | 0.080            | 0.123            | 0.107            | 0.084            | 0.121            | 0.118            | 0.335            | 0.500<br>(0.787) |                  |    |
| 13. Financial outcome        | 0.048            | 0.183            | 0.121            | 0.067             | 0.122            | 0.188            | 0.163            | 0.128            | 0.185            | 0.180            | 0.644            | 0.461            | 0.294<br>(0.812) |    |
| 14. Capital market outcome   |                  |                  |                  |                   |                  |                  |                  |                  |                  |                  |                  |                  |                  |    |

Note: Values in diagonal represent the squared root estimate of average variance extracted (AVE)

Table V. Discriminant validity

inconsistent with the findings of Ayanda and Sani (2010) who assert that career planning systems help employees in developing such skills which are not only important for their own development and growth but are also important for the development and success of the organization as a whole. The results does no validate the assumption of researchers (Leibowitz *et al.*, 1986). *H4* also has a similar result showing a non-significant influence of performance appraisal on employee competencies. This result supports the findings by Osman *et al.* (2011) who contend that an ineffectual appraisal procedure results in numerous undesirable challenges comprising stalled employee efficiency, less morale, less enthusiasm in supporting organizational values and objectives consequently stalling the effectiveness of the organization. The results are not in line with the opinion of researchers (Young *et al.*, 1995). The results of *H5* confirm a significant influence of employee participation on employee competencies. These results parallel the findings of several studies which found that employee participation is positively related to performance, satisfaction and productivity of an employee (Pfeffer, 1994; Verma, 1995). The results are in line with the opinion of researchers (Ardichvili *et al.*, 2003). Results of *H6* indicate that employee competencies have a significant influence on organizational performance. These results support the supposition by Cartwright and Baron (2002) when they contend that the accomplishment of an expected strategic outcomes hinges on the employee's coherence, interaction, harmonization, dedication and the improvements of suitable competencies. The results validates the assumption of researchers (Lockhart, 2013; Rose *et al.*, 2006). The results of the study objective confirm a significant indirect (mediated) effect of HRM practices on organizational performance. The results parallel findings by others studies which found that the enhancement and improvements of employee competencies are very crucial for organizational effectiveness leading to enhanced employee performance, greater efficiency and assist in creating essential competencies for firms (Kehoe and Wright, 2013; Levenson *et al.*, 2006). The results are in line with the opinion of researchers (Bhardwaj, 2013; Kehoe and Wright, 2013).

#### *Theoretical implications*

The findings of this study support the contention in literature on the subject of improvements of employee competencies suggested by Levenson *et al.* (2006) and Lockhart (2013) about which further research is needed in the hotel industry. HRM plays an important role in all

**Table VI.**  
Standardized  
direct, indirect and  
total effects of  
HRM practices

|                            | Direct | HRM practices<br>Indirect | Total effect | <i>p</i> value |
|----------------------------|--------|---------------------------|--------------|----------------|
| Employee competencies      | 0.367  |                           | 0.367        | 0.000          |
| Organizational performance | 0.395  | 0.062                     | 0.457        | 0.000          |

**Table VII.**  
Inferences drawn  
on hypotheses

| Hypothesis                                                                                   | $\beta$ coefficient | <i>p</i> value | Result   |
|----------------------------------------------------------------------------------------------|---------------------|----------------|----------|
| <i>H1</i> : recruitment and selection has a significant influence on employee competencies   | 0.110               | 0.037          | Accepted |
| <i>H2</i> : training and development has a significant influence on employee competencies    | 0.599               | 0.002          | Accepted |
| <i>H3</i> : career planning has a significant influence on employee competencies             | 0.053               | 0.225          | Rejected |
| <i>H4</i> : performance appraisal has a significant influence on employee competencies       | -0.008              | 0.193          | Rejected |
| <i>H5</i> : employee participation has a significant influence on employee competencies      | 0.202               | 0.043          | Accepted |
| <i>H6</i> : employee competencies have a significant influence on organizational performance | 0.383               | 0.015          | Accepted |

sectors of the economy; however, it is especially important in hotel industry where their significance is even greater. The hotel industry is viewed as a people industry and the effective utilization of human resource is a major challenge facing this industry (Enz, 2009; Poulston, 2008). This industry is characterized as being labor-intensive and focused on the interaction between employees and customers at the service interface which makes it unique for studying certain HR-related challenges (Kandampully *et al.*, 2011). The findings of this study address the recommendation to further investigate the relationship between HRM practices and organizational performance based on the premise that investment in HRM practices improves the performance of organizations by contributing to employee and customer satisfaction, innovation, productivity and development of good reputation among firm's community (Noe *et al.*, 2010). Relatively few studies exist on HRM practices in the West Africa hospitality setting (Honyenuga and Adzoyi, 2012; Mensah-Ansah, 2014). Similarly, relatively few studies exist on employee competencies in this organizations (Hai-Yan and Baum, 2006; Jauhari, 2006). The findings of the study also assist in clarifying the ambiguity in literature in relation to HRM practices and organizational performance (Davision *et al.*, 1996; Huselid, 1995). The findings of the study indicate that HRM practices influence employee competencies through recruitment and selection interventions which is the process by which organizations locate and attract individuals to fill job vacancies (Fisher *et al.*, 1999), training and development interventions which is the process of systematically developing expertise in individuals for the purpose of improving performance (Swanson, 2001) and employee participation interventions which is a process in which influence is shared among individuals who are otherwise hierarchically unequal Locke and Schweiger, 1979. The findings of the study support the suppositions of Ferris *et al.* (2002) who contend that the effectiveness of recruitment practices has an impact on employee effectiveness. They are also consistent with the results of other authors who found that effective recruitment and selection leads to competitive advantage and high performance of organizations (Chen and Cheng, 2012; Pfeffer, 1994; Storey, 2007). The findings are in line with the opinion of researchers (Ferris *et al.*, 2002; Hellriegel and Slocum, 2011). Similarly, the findings support the arguments of several authors who postulate that training and development improves the expertise and competencies of employees which sequentially boosts their efficiency and performance (Salas and Cannon-Bowers, 2001; Youndt *et al.*, 1996; Youndt and Snell, 2004). They are also consistent with the contentions of Harrison (2000) and Appiah (2010) who assert that training and development generates performance improvement related benefits for the employee as well as for the organization by positively influencing employee performance through the development of employee knowledge, skills, ability, competencies and behavior. The findings validates the assumption of researchers (Mackelprang *et al.*, 2012; Thang and Buyens, 2010). Furthermore, the findings support the contentions of Ardichvili *et al.* (2003) who emphasized that employee participation is a key element in the successful implementation of new management strategies, plays an important role in determining the degree of job satisfaction and increases the commitment of employees as well as their motivation. They are also consistent with the findings of other authors who found that employee participation is positively related to performance, satisfaction and productivity of an employee (Pfeffer, 1994; Verma, 1995). The findings are in line with the opinion of researchers (Armstrong, 2006; Locke and Schweiger, 1979). The study further revealed that employee competencies influence organizational performance. The findings support the contentions of several other authors who postulate that employee competencies play a central role for sustained competitive advantage (Hendry and Pettigrew, 1986; Kamoche, 1996; Lado and Wilson, 1994). They are also consistent with the results of several other authors who found that employee competencies provide the potential for effectiveness in task performance, contribute toward an individual's personal effectiveness as well as determine the effectiveness of organizational performance (Draganidis and Mentzas, 2006; Hoge *et al.*, 2005; McCall, 1998). Moreover, hotel classification moderated the path between

training and development and employee competencies as well as the path between training and development and organizational performance. The findings support the contentions of Pikkemaat and Peters (2005) who indicated that four- to five-star rated hotels are synonymous with luxury and provide excellent and extensive facilities, a high quality of service and highest degree of personal service. They also parallel findings of other studies which found that when choosing hotels, guests staying in three- to five-star rated hotels use rating systems more often than those staying at one- and two-star rated hotels (Callan, 1995; Gilbert, 1990). The findings are in line with the opinion of researchers (Pikkemaat and Peters, 2005; Ordanini and Parasuraman, 2011). Previous empirical and theoretical study on HRM and organizational performance linkage focused on strategy and design whereas this study focused on employees. This study contributes to the scarce number of previous studies that have focused on the important function of employee competencies in the HRM and organizational performance linkage literature in the hotel industry. The findings of this study highlight the important role of employee competencies as a mediating mechanism between HRM practices and organizational performance. Accordingly, this study's findings have not been previously established empirically in literature. Specifically, this study extends the literature by adducing evidence empirically that employee competencies mediate the relationship between HRM practices and organizational performance of the hotel industry in Ghana.

#### *Managerial implications*

The results of this study lead to the consideration of a series of implications for the hotel industry. It is recommended for policy makers, stakeholders and management of hotels to encourage the adoption of proper and well-articulated HRM practices in hotel industry. HRM practices the study revealed improve firm performance by affecting employee skills, employee motivation and the structure of work (Delaney and Huselid, 1996). Along the same lines, Ostroff and Bowen (2000) assert that attention to human resource and adherence to technically superior human resource practices are believed to result in more productive, motivated, satisfied and committed employees who in turn promote a more effective organization. Boxall and Steenveld (1999) concurred with this view when they postulate that HRM policies and practices are an essential element in building human capital and stimulating the necessary behaviors that create advantage for the organization. The findings of the study indicated that HRM practices influence employee competencies through recruitment and selection interventions, training and development interventions and employee participation interventions. Recruitment and selection maximizes competitive advantage for organizations (Kleiman, 2000). Management of the hotels must ensure that standardized and valid tests are used in the selection process (Ferris *et al.*, 2002). Also management should ensure a strong merit criterion for employee selection (Chen and Cheng, 2012). Training and development interventions are designed to maintain and improve effectiveness and efficiency of individuals and groups in an organization (Mondy and Noe, 1981). Management of the hotels should ensure that adequate and relevant knowledge and skills are acquired through training programs (Thang and Buyens, 2010). Management should ensure that the activities of the training program provided meet the needs of the employees (Mackelprang *et al.*, 2012). Also management should ensure that employees are sponsored to training programs on the basis of relevant training needs (Swanson, 2001). Employee participation is an arrangement that ensures that employees are given the opportunity to influence management decisions (Armstrong, 2006). Management of the hotels must ensure that the views of employees have a real influence on company decisions (Ardichvili *et al.*, 2003). Also management should ensure that employees have a say in selection and training decisions (Pfeffer, 1994). The findings of the study further revealed that employee competencies significantly influence organizational performance. The study highlights the need to create a system of enhancing the competencies of employees. Bhardwaj (2013) postulates that improvements in employee competencies affect

the behavior of individuals, teams and effectiveness of an organization. Therefore, the hotel industry should encourage the improvements of these competencies since they define the core abilities required for successful performance in a given job (Parry, 1998). Furthermore, the study suggests that HRM practices should be configured in a way that employees can perform effectively and meet performance expectations which will enhance organizational performance.

### Limitations and suggestions for future study

There are certain limitations that offer important avenues for future research. Data were collected using a cross-sectional research design; however, the adoption of a longitudinal research design would have assisted in testing the casual relationship among variables (Malhotra and Birks, 2003). Moreover, quantitative research design was used in analyzing data collected through structured questionnaires (Dillman *et al.*, 1993; Grix, 2004). Profound qualitative data are encouraged in future studies (Guba and Lincoln, 1989). The adoption of both qualitative and quantitative approaches would have provided a more in-depth as well as valuable clarifications (Remenyi *et al.*, 2005). Furthermore, the data used in this study are extensively subjective opinions of employees (Real *et al.*, 2014). Adoption of objective measures is encouraged in future studies (Benson and Hagtvet, 1996). This area could be improved by receiving feedback from multiple sources and cross-validating the responses to identify personal biases from individual respondents. Another limitation is the generalizability of the study. The results of this study cannot be generalized because they come from a sample of hotels in a specific context. We should also be careful when applying the results obtained to other sectors given the specific characteristics of the hotel industry. The present study meaningfully expands the SHRM literature by elaborating different types of HRM practices and conceptually and empirically exploring the mediating mechanism that explains the effect of HRM practices on organizational performance. As revealed in the present study employee competencies mediated the relationship between HRM practices and organizational performance. Nevertheless, further conceptual and empirical endeavors are needed to achieve a clear and comprehensive understanding of the HRM – organizational performance nexus. With regard to HRM practices, employee performance could be a promising mediating mechanism that underlies the effect of HRM practices on organizational performance. Future research is encouraged to examine the possible mediating effect of employee performance in the relationship between HRM practices and organizational performance using distinct HRM practices.

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