

Competitive advantage in hospitality and tourism: the role of human resources. Empirical evidence from Club Med

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Abstract

The tourism industry plays a key role in the economy of most countries and contributes significantly in terms of employment and GDP (Baum, 2015; Davidson et al., 2011). Under a common label, the industry actually includes organizations that are significantly different from each other (Baum, 2015; Kusluvan et al., 2010) in terms of, for example, of services offered, size, property or management.

Although this apparent complexity in categorization, we can say that tourism organizations are labor-intensive and service-centered enterprises and that human resources represent a key element for competitiveness due to the deep connection between the intangible nature of the tourism product offered, the user experiences and the personal interaction between users and service providers.

The paper aims to analyze the central role of human resources in service organizations and to examine, through an analysis of the literature, how this role has become increasingly strategic, answering the following research questions: RQ1. Why human capital, to be intended as employees and as customers, have this important centrality in the industry under analysis? RQ2. How did the strategies implemented by Club Med prove successful?

Using the empirical evidence of a case study: Club Med, the paper explains how human resources engagement has embodied the values of the organization, focus of the research, becoming an instrument of competitive advantage.

Keywords: Hospitality, service management, tourism industry, human resources

1. INTRODUCTION

The tourism industry is a particularly heterogeneous economic sector but in which two common characteristics namely being labor-intensive and service-focused emerge.

Considering this, many scholars agree that people are one of the key resources for competitiveness, since the intangible nature of the product offered means that the consumption experience is strongly influenced by the personal interaction between user and service provider.

Human resources thus turn out to be central not only on the supply side but also on the demand side.

From here, the aim of this paper is to carry out a literature review to investigate the role of human resources in the tourism and hospitality industry, also by using a case study, Club Med and the strategies used.

To summarize, the aim of the paper is to answer the following issues:

RQ1. Why human capital, to be intended as employees and as customers, have this important centrality in the industry under analysis?

RQ2. How did the strategies implemented by Club Med prove successful?

This paper contributes to expand the literature on connection organizational success and human capital in tourism industry and is structured as follows. In the following section 2, the research background is highlighted. Next, a descriptive analysis of Club Med and of the strategies deployed was conducted in section 3. Finally, in section 4 the relationship between human resources and competitive advantage is discussed, explaining how Club Med approach seems to satisfy different types of internal and external stakeholders, both primary and secondary creating value and competitive advantage.

2. RESEARCH BACKGROUND: THE TOURISM AND HOSPITALITY SECTOR AND HUMAN RESOURCES

The hospitality and tourism sector plays a key role in the economy of many developed and developing countries, making a significant contribution in terms of employment and Gross Domestic Product (Baum, 2015; Davidson et al., 2011).

Many scientists agree that human resources are one of the key resources for the competitiveness of hotel tourism organisations.

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Studies on strategic human resources management practices and systems in hotel tourism organisations are still limited; these studies agree that hotel and tourism organisations need to invest in orientation, training and continuous development of human resources, offer competitive remuneration, adopt fair and results-based staff performance appraisal and incentive systems, develop or strengthen the people-centred leadership skills of their managers, redesign work processes to offer operators the opportunity to exercise autonomy and develop new skills while performing their work, and reduce stressful conditions.

But if we take into consideration the actual practices that are most common in the sector, a picture emerges that is totally in contrast to this evidence and recommendations.

The results and considerations that emerge suggest that among the main obstacles to the full implementation of a strategic approach to human resources management in hotel tourism organisations is the adaptive attitude with which the managers and owners of many companies manage their relationship with their environment.

As it is well known, the tourism-hotel sector represents one of the main economic drivers of countries' economies, since it includes organisations that are significantly different from each other (Baum, 2015; Kusluvan et al., 2010), such as accommodation, catering, travel agencies, transportation, leisure and entertainment businesses, cultural and sports businesses, congress organization and management and all the businesses that even indirectly are stimulated by the presence of guests, tourists in a location, that are strongly interconnected with much of the national economy.

These complex sectors, under the same label, do not simply generate internal value, but in a chain the business distributes value within a complex sequence of actors (Christian, et al., 2011).

The major trends emerging in tourism and consequently into the hospitality industry are fundamental to study the tourism phenomenon from an economic and management perspective.

Over the years, trends have emerged as the changes that have altered the industry and required greater attention to human resource management in the industry. First, there is evidence of the fluidity of the tourist/consumer, i.e., belonging to several segments simultaneously, making it more complex to analyse demand and fulfil the needs driven by subjective, psychological and/or social factors, and also that consumers are nowadays increasingly seeking unique and meaningful experiences (Tsiotsou, Ratten, 2010).

Further evidence is the progressive aging of the population, improved expectancy and quality of life, high average purchasing power, and more time available, makes demand from tourists more complex and exigent.

It follows from a management point of view that among the most important missions of the accommodation industry and tourism is staff competence, professionalism, skill and above all making sure that the customer has an indelible experience (Bharwani, Jauhari, 2010). This is extremely difficult because, first of all, in these pandemic years, government subsidies for seasonal workers and other concessions have favoured the contraction of labour demand in this sector (Sun et al., 2022).

The biggest mistake is to underestimate the skills, competences and professionalism of the resource one is faced with in the selection process and subsequently in the employment relationship. In fact, some accommodation facilities from a contractual point of view have difficulty in valuing resources. This obviously pushes employees not to give their best, creating an unexciting working environment (Rahimic, 2019).

Training employees internally, with online and offline training courses, shadowing more experienced figures, requires a considerable deployment of resources - such as costs, time and personnel - for accommodation facilities. Moreover, with seasonality and an increasingly dynamic market, it is frequent that the investment in the professional growth of resources is not very remunerative for the entrepreneur: it may happen that the latter choose to accept other positions, forcing the manager to have to hire and train new figures (Butler, 1998).

The human resources management is an integrated system of complex and interconnected activities and tasks with the aim of ensuring a correct number and group of employees, their training, their skills, their interests and motivation necessary to achieve strategical development goals, a sustainable competitive advantage and the organisational success. It should then be pointed out the centrality of human resources management that, through activities and tasks needs to focus on ensuring human potentials (planning, attracting and recruitment, selection, arrangement); maintaining of human resources (security and health, organizational culture, retention of employees, services to employees); motivating and rewarding of human resources (monitoring and evaluation of work efficiency, motivation, rewarding, benefits) and, finally, on professional training and development (education and training, development of human resources, career advancement, development of managers) (Bahtijarević-Šiber, 2014).

The main objective of human resource management is to ensure a quality workforce and provide it with a stimulating work environment, training, and advancement, since staff satisfaction contributes to increasing the success and competitiveness of the entire company, especially in tourism, which is a labor-intensive, service-centered business whose products and services are strongly based on the quality of human labor. (Belias et al., 2017).

Various theoretical models have attempted to explain the role of human resources within organizations. Connected to tourism, the predominant theory is the "Resource Based View," an interpretive approach that

focuses on factors internal to a business as sources of competitive advantage, describing how internal resources can contribute to the development and maintenance of that advantage, i.e. valuable, meaning able to exploit opportunities and minimize threats, rare, i.e., scarce and for which demand is high and, finally, inimitable, that is, difficult to replicate, offering unique historical and contextual elements of the enterprise such as its own culture. (Barney et al., 2001).

Organizational resources include human capital, which is articulated in "the set of skills held by people, in their relationships and in the values they carry" (Fontana, Caroli, 2013) assuming that a particular business strategy needs a unique set of requirements related to the staff in terms of both knowledge, skills and attitudes and policies for managing the human resources.

Thus, within a business human capital, in order to guarantee competitive advantage, must be characterized by high levels of skill, motivation, and performance and should be supported by a set of human resource management policies that are valuable, exclusive and inimitable.

Human capital and strategic management of human resources are key components in the organizations in terms of philosophy and technique and their interaction is considered as a vital element in improving the assets of an organization, since it is a sustainable competitive advantage and increases the employees' efficiency (Pasban, Nojehdeh, 2016).

Tourism and hospitality are therefore configured as service enterprises; especially in them, the relationship between human capital and customers, with some additional specificities, becomes an indispensable element in the delivery of the services.

Classifying the tourism enterprise among service enterprises or manufacturing enterprises is not that automatic; intuitively, the first ones are classified as production of services, then an intangible good, while the seconds are associated with the production of goods endowed with materiality.

In the case of tourism and hospitality, the materiality of the production is not a sufficient discriminator. Within the same production unit, in fact, multiple goods or services can be produced. Consider the case of the accommodation facility, which offers in addition to the overnight service the food service, which in turn consists of by a tangible element – food and drinks - and an intangible one - the service or the atmosphere.

Then there are external elements to the enterprise that can affect its competitiveness, particularly the destination or the local supply system, but from a perspective of what is sought as customer satisfaction, are the internal elements to the enterprise that can condition the competitiveness, such as human resources (Bozzato et al., 2021).

Human resources are therefore identifiable as a key element for the competitiveness of tourism organizations, due to the deep connection between the intangible nature of the tourism product offered, the consumer experience and the personal interaction between users and service providers. Human resources can therefore modify the consumer's experience and their knowledge and skills become crucial to customer satisfaction and loyalty and to the perception of the service itself.

Deepening further the characteristics of service enterprises and focusing on human resource management, it is possible to classify tourism enterprises, based on the characteristic that determines the efficiency of the production process, namely the extent of customer contact during the service delivery. Customer contact" represents the physical presence of the customer in the service production system, which is measured by the amount of time the customer spends in the production process out of the total time in production. In the manufacturing enterprise, customer contact occurs only at the time of sale, usually away from the place of production, and is usually not handled directly by the manufacturer. Thus, it is evident how, the greater the interaction with the customer, the more difficult results in the control and rationalization of the production process.

Consequently, discussing organizations in the tourism sector, the contact appears intense, creating a high degree of uncertainty in operations, since the customer brings subjective elements that can alter the production process, and that such enterprises, precisely because they provide services with intense contact must necessarily possess and manage customer relationship capacity (Chase, 1979).

This then results in a lower efficiency orientation of interaction for the benefit of greater effectiveness, i.e., customer satisfaction is preferred to reduce operating costs. This axiom underlies the centrality of human resources in their role of creating competitive advantage, which can only be achieved through developed staff engagement.

Continuing with a classification and segmentation of the universe of service activities, it is possible to identify the critical elements to be monitored (Thomas, 1978). For equipment-based services with high customer relationship intensity (e.g., passenger transport), the critical element is the interface with the user; for equipment-based services, but with non-intensive customer contact, the critical success factor results in the ability to preside over the technological level of the process with an orientation toward reducing the cost of service delivery at equal performance offered; for people-based services with low customer relationship intensity, the key element to focus on is that set of professional skills of the staff to achieve high levels of efficiency; lastly, for people-based services with high relationship intensity, vice versa, it is necessary to preside over professional staff skills that will ensure the effectiveness of customer interaction.

It is evident, then, that in service enterprises, thus in tourism enterprises all these aspects are present and constitute value; tools, logics, processes, cultures and values that strategic management has expressed in the manufacturing field must be employed with greater attention and finesse, and with a different and higher level of sensitivity (Morais et al., 2004).

3. CASE STUDY: CLUB MÉDITERRANÉE DEVELOPMENT AND STRATEGIES

To better understand the value of human resources in stakeholders' satisfaction and the creation of competitive advantage in the tourism industry, this paper discusses a case study that is Club Med, a French company that provides tourism services in various parts of the world, where employees have embodied the values of the organization since the creation and the human resources engagement has become an instrument of competitive advantage.

Club Méditerranée know as Club med was founded in 1950 carrying out the concept that by offering "all-inclusive" holidays. Club Med welcomed around 1.7 million guests from all over the world, after sixty years with numerous villages in seaside and mountain locations

It was founded by Gerard Blitz, a former Belgian water polo player, with the help of one of his friends, Gilbert Trigano. The idea came into his mind when he went to visit his sister in 1949 at Olympic Village of Calvi in Corsica (Gordon, 2003).

The first holiday village for members was opened on the island of Majorca, Spain; the village was simple with communal cabins and facilities, creating a simply unique style of vacation and a new form of shared experience.

In a very short time, the number of holiday resorts increased enormously under the leadership of Gilbert Trigano. In 1955, the first club outside the Mediterranean was opened in Tahiti. In 1956, with the opening of the tourist village in Leysin, Switzerland, winter villages were introduced, offering skiing and other winter sports; then touristic villages were opened, in Sicily, the Caribbean, and Canada.

In the late 1960s Club Med, became a family vacation destination, and in the 1970s new shareholders came in, facilitating the opening of new destinations.

Customers and destinations continued to grow, Trigano identified the need of establishing it as an organization and by 1985, and it was changed into a publicly traded company and emerged on the Paris Stock Exchange (Anderson, 2009).

In the 1990s, Club Med went through a phase of decline due to strong competition, to Tsunami, and to terroristic attacks, so, in 1995, it ceased to exist as a club in the legal sense, becoming a full-fledged company; a chain of gyms, a bar-restaurant complex, a travel agency and a type of resort designed for young adults were launched.

A new strategy was then launched, shifting the focus back to holiday villages, returning to offer customers what they actually wanted and keeping it until now. In 2004, in fact, the Club decided to refocus - loyal to its original vision but reinventing the strategy - the business in the high-end segment of the world tourism market, in order to become the global specialist of convivial, high-end, multicultural and all-inclusive vacations.

Despite the difficulties in the industry, the group has now around 70 resorts worldwide and one cruise ship. To better understand how the change in strategy, in the mid-early 2000s, has favored the emergence of the Club Med model, we can use the tool of the SWOT analysis, a framework for identifying and analyzing an organization's strengths, weaknesses, opportunities and threats.

To better understand the strategy of Club Med we could analyze opportunities and threats in the market, product, and price. this analysis allows us to understand how the centrality of human resources has been a valuable tool in enabling the 'organization under study to establish itself.

Observing the market, we can note that among the opportunities there was a strong development of the tourism sector, a search for flexibility of the offers by the customers, the possibility of innovating due to the greater development of the e-tourism and finally new requirements and expectations of the consumers. On the other side, analyzing the threats we could observe an increasing of the word competition, the reproduction of the offer by other players, more aggressive competitors, the need for specialization and for supply's customization.

Moving on the product we can state that among the opportunities it is possible to find the diversification of the supply, the evolution of the product, the complete infrastructures satisfying the customers, the decorations of villages been looked after and appreciated by the customers and very varied and strategic setting-up of villages; among the threats the product was not accessible to all the were some problems of accessibility to infrastructures, such as schedules of opening.

Finally investigating the price, we must note the price "all inclusive" allows the customer to know exactly what it is going to spend during its stay but also generating a lack of flexibility (Julien, 2012).

As demonstrated Club Med represent a successful all-inclusive French organization of vacation resort found in a various sites of the world, mostly in exotic areas.

Besides obvious financial success, the Club also achieved important non-financial success, based on the corporation spirit and on the stakeholders' engagement and satisfaction.

4. DISCUSSION: CLUB MED AND HUMAN RESOURCES MANAGEMENT

Moving in the analysis of human resources and on stakeholders' approval, the unique concept of family, which is also the corporation spirit, has been used as an important strategy of engagement, transforming a group of strangers, i.e. employees, clients and local communities, to a group of loving and caring friends together with a distinctive set of marketing and distribution strategies (Hu, Olivieri, 2020).

For long time, the Club Med was in advantageous position regarding the relationship with customers, suppliers and workers.

In terms of customers, for instance, the Club focuses on the goal/target of offering chic and informal moments of happiness to an international clientele, proposing another way of experiencing holidays, using as instruments, motivated people with strong interpersonal skills, attention to detail and a flair for languages.

Club Med also has competitive advantages over the suppliers, earning substantial interests; business partners like airlines companies are providing the Club with air fare discounts and the organization also receives benefits from other business partners.

On the aspects of the local communities, it is important to underline that the vacation sites created work opportunities and tourism income. Especially economically discouraged countries or areas are more than willing to be sites for villages, alluring benefits including low-cost financing, sufficient foreign labor and tax breaks.

Relationship are the basic of the Club strategies focused on a product, so the Club Med itself, involving human resources.

Through registered trademarks, G.Os, G.Es and G.Ms, the organization operated on the three levers of staff, clients and local community, to take advantage of the opportunity. In fact, the G.Os are Club Med's friendly organizers, nomads in the touristic village, they are not just entertainers, their goal is to engage customers and the entertainment is part of the activity beside the professional role. Furthermore, the G.Es are Club Med's friendly employees, part of the local communities that are also major players in the stay at a Club Med. They are employees originally from the country in which the holiday village is located and they represent the rest of the staff forming the working group within a village, such as waiters, administrative or gardeners. Finally the G.Ms are the friendly members and guests, designated as members and not as mere customers; thus operating on the atmosphere of conviviality that distinguishes the Club, in which clients could feel a sense of community and of being an integral part of it.

To increase the chances of growth and to ensure its survival, the Club has therefore created a business model, turning more attention to the role that valuing the individual person, staff and client, can play in the work and cultural context.

Thus, in the case analyzed, the theory that people make the difference in terms of competitiveness and business results is realized (Tesio, Garbellano, 2010) and both the importance and centrality of human resources that need to be optimally managed, not only at the professional level but also at the personal level, through engagement operations, are evident.

Having presented the importance of people in business, it is necessary to understand in what way it is possible to give them the proper centrality. The concept of giving significance to human resources, or rather to people means that it is necessary to make sure that the values of individuals are consistent with those of the organization as well as respecting and recognizing both individual and collective ones.

5. CONCLUSIONS

Studies on strategic human resource management practices and systems in hotel tourism organizations - aimed at creating a workforce that is motivated, capable, competent, identified with organizational goals, and involved in making decisions relevant to their work and business - are still limited, as is their actual adoption in practice.

Empirical evidence from the case study, however, suggests that the adoption of such practices or systems can have a positive influence, directly and indirectly, on various performance dimensions of hotel tourism organizations, such as, for example, the quality of service provided, customer loyalty/satisfaction, innovation and creativity.

This paper reflects on these issues and highlights how in addition to engaging internal human capital, promoting active customer engagement proves to be a useful tool for competitive advantage.

From the analysis just completed, we can see how a major investment in human capital and the positioning the human resource at the center of the strategy, can generate, in the long-term, better business performances and sustainable competitive advantage.

The investment in human capital, in particular, through the business case discussion, enabled us to observe the measures that companies operating in the hospitality industry can develop.

In conclusion, we can assert that the management and training of human resources must keep pace with the evolution of consumer needs, to ensure that the service is always provided in the correct way.

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