



## **MSc Human Resource Management and Organizational Psychology**

**Department of Business Administration**

The Role of Human Resource  
Management in the Tourism and  
Hospitality Industry in South Iceland  
before, during and after COVID-19

**September, 2020**

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## **Acknowledgement**

I would like to express my sincere gratitude to my supervisor, Kjartan Sigurðsson, for his guidance, support, and encouragement during the process. Furthermore, I would like to thank the firms that participated in the research and the participants that gave their time and knowledge for this research. Lastly, I want to thank my family and friends, who supported me mentally in completing this project.

## Declaration of Research Work Integrity

This work has not previously been accepted in substance for any degree and is not being concurrently submitted in candidature of any degree. This thesis is the result of my own investigations, except where otherwise stated. Other sources are acknowledged by giving explicit references. A bibliography is appended.

By signing the present document, I confirm and agree that I have read RU's ethics code of conduct and fully understand the consequences of violating these rules in regards of my thesis.

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## **Abstract**

The literature reviewed for this thesis suggests that human resource management (HRM) has a positive impact on organizational performance. However, HRM in the tourism and hospitality industry is characterized by short-term and ad hoc measures and therefore, the industry often struggles with a negative image of employment practices and conditions. The research conducted for this thesis examines how the role of HRM is subject to change before, during, and after the COVID-19 crisis in hotels in south Iceland. A theoretical review introduces the main theories for the research and characteristics of HRM in both crises and the tourism and hospitality industry. Using qualitative research strategy, combined with a short online pre-questionnaire, the role of HRM was examined in nine hotels. The findings revealed that HRM systems are not fully developed in the hotels, and little effort is put into ensuring their development. Only a few HR practices are in place and the COVID-19 crisis has not motivated the participants to undergo a change regarding HRM. Firms in the tourism and hospitality industry could navigate a crisis better if they implement professional HR practices and develop a crisis plan. Furthermore, HRM should be seen as a tool that helps to build a competitive advantage through employees, instead of as a unit that does not provide revenue. The research provides propositions to increase benefit through HRM, as well as how to navigate better through a potential future crisis. Moreover, the conclusion chapter contains limitations to the research and suggestions for future research.

*Keywords: Human resource management, tourism and hospitality industry, COVID-19, Crises in tourism, HR Maturity Scale, Dave Ulrich HR model*

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## 1. Introduction

COVID-19 is an infectious disease caused by the recently discovered coronavirus (World Health Organization, 2020a). In March 2020, the World Health Organization (WHO) officially declared the coronavirus outbreak a global pandemic (World Health Organization, 2020b). In response to the COVID-19 outbreak, countries across the world have imposed measures such as lockdowns and travel restrictions to control the spread of the coronavirus which led to the tourism and hospitality industry being greatly economically affected (World Tourism Organization, 2020). Tourism is one of the central pillars of the Icelandic economy and a main source of employment (Óladóttir, 2018). However, due to the COVID-19 outbreak, the overnight accommodations decreased by 95% in April 2020 compared to the same month last year (Statistics Iceland, 2020) which resulted in a high unemployment rate (Hafstad, 2020d).

The COVID-19 outbreak can be deemed a *crisis* as it presents typical characteristics of a crisis in tourism such as that it is an event that disrupts the industry on a regular basis and is associated with increased media attention, economic losses, injuries, and deaths (Pforr & Hosie, 2008). To better prepare firms for an occurrence of that kind, effective human resource management (HRM) is found to be a key element in crisis management (Vardalier, 2016; Mirzapour, Toutian, Mehrara & Khorrampour, 2019).

Although the literature provides a different understanding of what HRM means and lacks an overall definition (Marchington & Wilkinson, 2005; Nickson, 2007; Collings, Wood & Szamosi, 2019), there is a consensus that HRM is the main feature that differentiates successful firms from unsuccessful ones (Marchington & Wilkinson, 2005) and that it is a key to a competitive advantage (Barney, 1995; Albrecht, Bakker, Gruman, Macey & Saks, 2015). For this thesis, HRM is regarded as how firms seek to manage their employees (Marchington & Wilkinson, 2005) in terms of hiring, training, and appraising the employees' performance via human resource (HR) practices in *recruitment and selection, training and development, and appraisal and performance*. The Ulrich (1997) HR model and Kearns' (2003) model of the HR maturity scale will be used as main theories in the research to examine the role of HRM in hotels in south Iceland.

In the service industry employees are the primary source of customer contact (Maroudas, Kyriakidou & Vacharis, 2008). Particularly in the tourism and hospitality industry employees are the main provider of the competitive advantage since they are the intermediary delivering the products and services (Young-Thelin & Boluk, 2012). The creation and provision

of successful tourism and hospitality services to the customers are mainly achieved through the employees who ultimately represent the industry (Gruescu, Nanu & Pirvu, 2008; Baum, 2012). Therefore, the front-line staff should be adequately trained, yet, it is often found that the opposite is the case. Generally, the tourism and hospitality industry often struggles with a negative image of employment practices. HRM is conducted somewhat short-term and ad hoc (Nickson, 2007; Baum, 2012), and the workplace power often lies with the employer (Baum, 2015).

Similarly, little emphasis is placed on labor in Iceland's tourism and hospitality industry, where profitability is being prioritized over the labor force (Magnússon, Minelgaite, Kristjánsdóttir & Christianse, 2018; Thórarinsdóttir, 2019). Therefore, the primary goal of this thesis is to examine whether and how the COVID-19 outbreak led to changes regarding HRM in the tourism and hospitality industry in south Iceland. The focus is on hotels in south Iceland since this region was one of the most attractive tourist destinations of the country prior to COVID-19 (Icelandic Tourist Board, 2020), but is now one of the most affected regions by the pandemic in terms of unemployment (Hafstad, 2020d). Thus, the first research question seeks to evaluate the HRM situation prior to the crisis and will be the following:

*RQ1: To what extent did HR practices exist in hotels in south Iceland before the outbreak of the COVID-19 pandemic?*

The second research question examines how the hotels handled staff matters during the crisis and what role HRM played in organizational decisions:

*RQ2: What role did HRM play in organizational decisions on how to manage the crisis?*

The third research question aims to find out what management had learned from the crisis and whether it led firms to rethink HRM:

*RQ3: What are the lessons learned from the crisis in terms of HRM?*

The literature review for this thesis revealed that limited progress was made in Iceland to explore firms' implementation of HR practices, particularly in the tourism and hospitality industry. Particularly, studies on HRM outside the capital of Reykjavik are still deficient. In an attempt to address this gap, this research seeks to enhance a better understanding of the role of HRM in tourism and hospitality firms within a rural area of Iceland. The COVID-19 crisis is a rather new occurrence and still ongoing while this thesis is written. Thus, this study will help to evaluate the current situation and aims to give managers of tourism and hospitality firms a platform to be heard. The research results will be valuable to the management of tourism and



hospitality firms in understanding and reacting to crises and developing comprehensive approaches that can lead to maximizing value and competitive advantage.

This thesis begins with a theoretical review that defines HRM and the central HR practices and theories that are relevant to this study. The theoretical review continues with insight into the tourism and hospitality industry and the effects of COVID-19. Both the tourism and hospitality industry and HRM will be put into context with crises. The methodology chapter will then introduce the number and professions of the participants and how data was collected and coded. A multiple case study was applied using open-ended interview questions that were aligned with the theoretical review and answered by managers in hotels with staff responsibility. Before the interview, the participants answered a short online pre-questionnaire. This was done to get participants involved and engaged with the topic prior to the interview. This research's main contribution reveals that firms in the tourism and hospitality industry along Iceland's south coast have limited HR practices in place. Furthermore, it sheds light on the COVID-19 crisis, which did not lead managers to rethink HRM critically. Instead, participants are hesitant towards future-planning due to the uncertain times. After the findings chapter, a discussion, and a conclusion follow, including limitations and implications for further research.

Additionally, the researcher wants to point out that the terms *tourism and hospitality industry* and *hotel industry* will be used interchangeably in this thesis. The literature refers to the tourism and hospitality industry as a whole because the boundaries between tourism and hospitality are hard to define (Kusluvan, 2003). Employment characteristics are of similar nature in both tourism and hospitality firms (Kusluvan, 2003; Francis & Baum, 2018). This research was exclusively conducted in hotels, and whenever this thesis refers to the tourism and hospitality industry, it refers to the hospitality side of it, which can be defined as all the businesses that provide food, beverages and lodging to people who are away from home (Kusluvan, 2003; Young-Thelin & Boluk, 2012).

## **2. Theoretical Review**

The theoretical perspectives in the following chapter will be divided into three main sub-chapters. The first chapter is about HRM and will provide an understanding of how HRM will be defined for the thesis and which key HR practices are being examined. Ulrich's (1997) HR model and Kearns' (2003) model of the HR maturity scale will be used as the main theories in the research. Both theories examine the role of HRM in firms. The theoretical review continues with insight into the tourism and hospitality industry with the focus of this research being on the hospitality side, meaning firms that provide food, beverages and lodging to people who are away from home (Kusluvan, 2003). A particular focus is on the tourism and hospitality industry in south Iceland and the effects that COVID-19 had on the industry. Both tourism and HRM will be put into context with crises, which will show how important it is to be prepared for unexpected events. Finally, the theoretical review will combine both fields and describe the role of HRM in the tourism and hospitality industry.

### **2.1 Human Resource Management**

Studies indicate that HRM has a positive impact on organizational performance. According to Becker and Huselid (1998), there is a noteworthy relationship between HR practices and firm performance. Jiang, Lepak, Hu and Baer (2012) argue that HR practices are related to financial outcomes both directly and indirectly affecting not only human capital and employee motivation, but also voluntary turnover (Andresen & Nowak, 2015). Based on those findings, the following chapter will begin with defining HRM and describing the relevant HR practices for this thesis. Following that, the two main theories for this research will be explained. Finally, the chapter will end with the role of HRM in a crisis in order to create an understanding of the following sections of the thesis when COVID-19 is taken into consideration.

#### **2.1.1 Defining Human Resource Management**

Employees are regarded as a firm's most valuable resource (Boselie, 2014) and HRM is often considered to be one of the most important assets a firm can have (Barney & Wright, 1998). HRM is a key factor in creating a competitive advantage (Barney, 1995; Albrecht et al., 2015) and the main feature that differentiates successful firms from unsuccessful ones (Marchington & Wilkinson, 2005). This is particularly apparent in the service industry where

employees are the primary source of contact with customers, either through face-to-face interaction at a service counter, or via telephone and internet (Marchington & Wilkinson, 2005). However, it has been subject of discussion what HRM means as argued by Marchington & Wilkonson (2005).

Nickson (2007) found that there is no common agreement on what HRM means and provides a variety of possible meanings that are somewhat unfavorable for HRM. This includes that HRM is merely a label and that there is nothing special or distinct about it, or that HRM is a manipulative term that is exploitative. However, Nickson (2007) also lists explanations that portray a positive image of HRM. For example, HRM can be seen as a map that helps practitioners understand the concept of managing people, while also being a set of professional practices that can be used to ensure a professional approach to people management. Similarly, Collings et al. (2019) found both positive and negative perceptions of HRM such as that HRM is perceived as a noxious weed that will only gain a noteworthy place in firms and contribute to managerial decisions when proved to be enduring. For some time, HRM was a controversial topic in academic circles where it was said that HRM promises more than it delivers and that it is manipulative and therewith immoral (Armstrong, 2008). Employees, on the other hand, like the presence of HRM. Employees experiencing HRM are more motivated and feel more secure and satisfied in their jobs (Armstrong, 2008).

Boxall and Purcell (2016, p. 7) provide a more detailed definition and describe HRM as “the process through which management builds the workforce and tries to create the human performances that the organization needs.” HRM is the bridge between employers and employees (Vardalier, 2016) that focuses on the relationship between the employee and the firm and that contributes to a firm’s success in terms of increased financial performance (Boselie, 2014). The role of HRM is to develop policies, practices and systems in a firm in relation to its strategic objectives that influence the employees’ behavior, attitudes and performance. Furthermore, the role of HRM is to create an environment that encourages and motivates employees to make an effort in a way that benefits the firm (Ulrich & Brockbank, 2005). This can be achieved by using the five key HR practices recruiting and selection, training and development, appraisal and performance management, compensation, and employee participation (Boselie, 2014) of which some will be explained further in the next chapter.

There is no overall definition for HRM that would sufficiently capture the complexity of the term. The perception of HRM depends on whether people are academics, managers, or employees. For this thesis, HRM is perceived as how firms seek to manage their employees

(Marchington & Wilkinson, 2005) in terms of hiring, training, and appraising the performance of employees with a particular focus on times of crises, which are characterized by managing transformation and change among employees (Armstrong, 2008).

The following chapter will further describe which practices can be used to manage the employees in the above-mentioned scope.

### **2.1.2 Key HR Practices**

As described in the previous chapter, there are five key HR practices: recruiting and selection, training and development, appraisal and performance management, compensation, and employee participation. HR practices can be described as personnel interventions or actions that contribute to shaping the employment relationship in a firm (Boselie, 2014). Furthermore, they help to ensure the survival of a firm as they can positively affect financial outcomes. Financial outcomes are dependent on how employees perform in terms of productivity, innovation, or turnover. Employee performance is the result of employee behaviors, such as employee commitment, quality, and flexibility which is highly impacted by HR practices like hiring, training, appraising, and compensating employees. HR practices may cause a wave of consequences and therefore, it is not always possible to measure the direct impact and added value of them (Andresen & Nowak, 2015).

As this thesis cannot consider all of the HR practices mentioned above in detail, the focus will be on the following three: recruitment and selection, training and development, and appraisal and performance. Those HR practices are chosen because they are crucial elements to run a firm, irrespective of its size, structure, or activity, and no firm can operate without hiring staff, training the new staff and ensuring their performance.

#### ***Recruitment and Selection***

Recruitment and selection practices are often the starting point for organizational success through HRM that can lead to increased firm performance. While recruitment can be defined as “the different activities of attracting applicants to an organization” (Boselie, 2014, p. 149), selection “consists of sifting through the pool of applicants and making decisions about their appropriateness” (Boselie, 2014, p. 149). Recruitment and selection are crucial because if firms do not hire people with proper skills, they are not able to develop products and services for the market, or to deliver them reliably (Boxall & Purcell, 2016). Since employees are

continually resigning, retiring, being promoted, or sometimes even dismissed, recruitment is a dynamic process. During this process firms do not only aim to find and retain suitable candidates, they also seek to portray a positive image to applicants because selection goes two ways and both employers and applicants can turn down a job (Nickson, 2007).

Although no universal solution has been identified as the best method to select the right person for a vacancy, there is often a ‘classic trio’ which consists of evaluating the CV, the references, and the job interview (Nickson, 2007). In any case, firms are advised to include a combination of selection methods in the recruitment process to increase the chance of hiring dedicated employees who can help the firm to achieve organizational goals (Albrecht et al., 2015). Looking at empirical evidence, recruitment and selection is positively related to labor productivity and negatively associated with employee turnover (Boselie, 2014). Furthermore, recruitment and selection practices are linked to achieving organizational success and a competitive advantage (Gautier, 2015).

### ***Training and Development***

Training and development (TD) activities help firms to build interpersonal and organizational skills amongst staff, and to change behaviors of employees in a way that can lead to improve individual, team, and organizational performance (Mansour, 2013). To ensure that firms can survive and compete in an ever more competitive environment, TD activities seek to improve adaptability, flexibility, and continuous development. Several benefits can be generated from TD activities. TD is likely to help employees to learn jobs more quickly and effectively. Furthermore, TD is likely to reduce turnover among both new and established staff, improve work performance and thus free the managers’ time, as fewer mistakes occur, and less time must be spent on correcting them. (Nickson, 2007; Mansour, 2013). Allowing employees to learn and to develop throughout their careers is vital to keep employees engaged (Albrecht et al., 2015). Employers who are committed to TD are positively perceived by employees which results in increased commitment towards the firm and a win-win situation for both parties (Maroudas et al., 2008).

TD activities can be categorized into on-site training, conducted at the employee’s place of work, and off-site training that is conducted away from the employee’s place of work (Bassi & Russ-Eft, 1997). A common method of on-site training is *job-shadowing*, a form of on-the-job training, which involves learning by observing someone with greater experience perform a task (Ostrowski Martin, Kolomitro & Lam, 2014). It is a popular training method as trainees

get to practice immediately, they get prompt feedback, and the method is inexpensive (Nickson, 2007). Another form is *job rotation*, where employees transfer between jobs and departments in their firm in a systematic way which increases inter-departmental cooperation and reduces the monotony of work (Rao, 2008). However, a concern that comes with it is the possibility of failing in front of one's colleagues and therewith damaging one's reputation at work (Ostrowski et al., 2014).

In terms of off-site training, the lecture method is widely used. It is suitable for transmitting information to many employees at a time and gives the firm and the trainer assurance that trainees complete the training. However, as communication between trainer and trainees is mainly one-way, it sometimes lacks interaction (Nickson, 2007; Ostrowski et al., 2014).

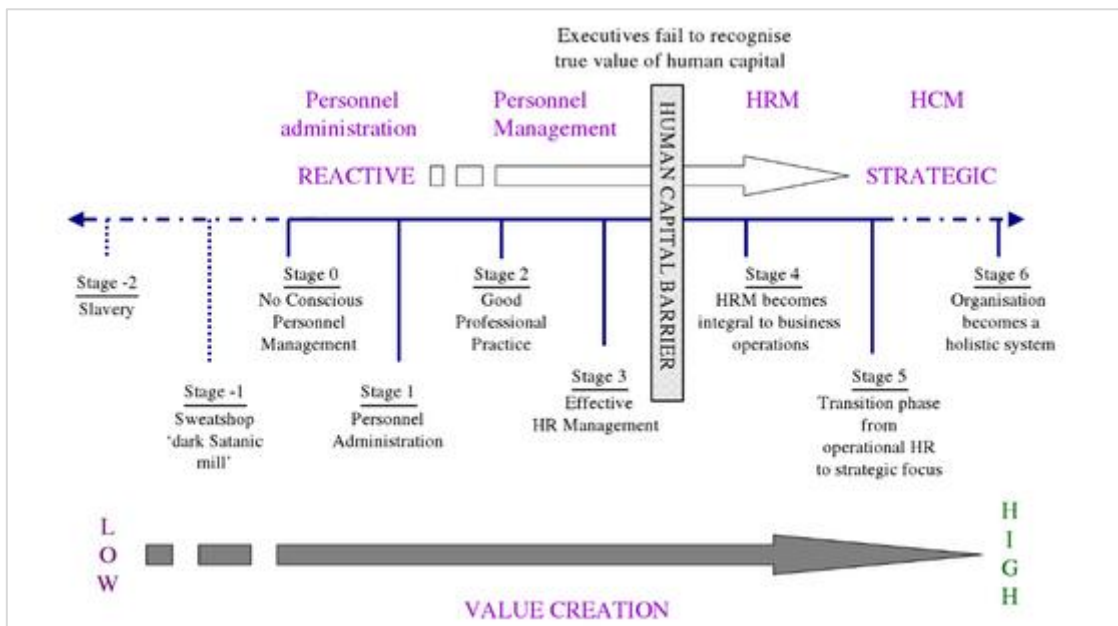
### ***Appraisal and Performance***

Increasing competitive challenges motivated firms to start focusing on performance management. Performance management can be described as an ongoing organizational process containing a wide range of activities that include identifying and assessing individual and team performance to achieve business goals (Albrecht et al., 2015). In most workplaces, employees are continually monitored and assessed by management in an informal manner, and often feedback is given on the spot. Although a regular dialogue between managers and employees about work performance is always recommended, the risk with such informality is that the feedback is dependent on individual managers and whether they are giving regular feedback. Therefore, Nickson (2007) advises for managers and their staff to meet formally to discuss performance and potential by means of a performance appraisal.

A performance appraisal is the process of reviewing a worker's performance against pre-determined criteria on a regular, often annual, basis (Nickson, 2007). An effective performance appraisal fosters the development of employee competencies as it helps to identify an employee's strengths and weaknesses, while also determining TD needs (van Esch, Wei & Chiang, 2018). Failure to set goals and provide continuous feedback can lead to employees becoming demotivated as it can be difficult for them to understand what is expected of them. However, an effective performance management system can create a vision of success and an environment in which staff can give their best and strive for constant improvement (Maroudas et al., 2008).

### 2.1.3 HR Maturity Scale

The HR maturity scale developed by Kearns (2003) is a tool that offers a range of different stages against which firms can evaluate the maturity of its HRM systems and its HR practices. The scale ranges from stage zero as the lowest level of HR practices on the left side to stage six as the highest level on the right side (see Figure 1). The further a firm is on the left of the scale, the lower is the value of their human capital. Furthermore, as firms move along the scale, they move from a reactive approach towards a strategic approach to HRM. The reactive method on the left side means that nothing is planned as part of a whole and measures are taken ad hoc. The far-right side of the scale is strategic, and strategy must work in harmony with the whole system organization (Kearns, 2010). Firms on the left are tightly controlled and provide only little freedom to act since decisions are only made at top level; firms in the middle of the scale are well-managed; and firms on the right side have the strategic direction set which everyone in the firm translates into both their daily operation and their forward thinking (Kearns, 2003).



**Figure 1:** The HR Maturity Scale (Kearns, 2010, p. 98).

Every stage has some characteristics that will be explained further in the following section. For this thesis, stage -2 and stage -1 will be left out as they do not provide an environment where one can discuss the possibilities of maximizing employee value (Kearns, 2010).

In stage zero firms are lacking HR practices entirely and do not have any plan on how to manage their employees. Due to the lack of conscious personnel management, there is no real selection process and no records are kept. According to Kearns (2003), there is an unwritten policy to pay as little as possible, which results in obsessive secrecy about salaries and good employees threaten to leave the firm unless they get a better pay. Decisions are mainly made from the top management which has a command and control mindset. The management style is intuitive rather than systematic (Kearns, 2003).

Stage one is characterized by personnel administration and firms start to keep records. Managing people is seen as managing bodies. Controlling staff, making sure the job gets done and handling disciplinary matters are features of that stage. However, pay rates are being monitored and discrepancies are being addressed. Therefore, employees are aware that inconsistencies are less likely to occur. The personal administration of that stage acknowledges that intuitive personnel decisions are not optimized (Kearns, 2003).

While firms in stage one only have the bare minimum of personnel records, firms in stage two start realizing that good professional HR practices can have a positive effect and that personnel records can be used for payroll purposes and performance comments from supervisors. Firms in that stage do not necessarily have a personnel department to do the work because the supervisors can be the ones doing it. A professional HR manager, however, might introduce expert ideas that could lead to a better selection of candidates, a better quality of customer service and less staff turnover. The main difference between stage one and stage two is the belief among the management team that HR practices bring good to the operation (Kearns, 2003).

Moving from stage two to stage three represents a shift towards a systematic approach to HRM. Stage three is characterized by professional HR practices such as a performance management system and training programs where necessary. Firms in that stage have an HR manager and supervisors start to improve their own people management skills. The firm's atmosphere is slowly but surely changing, and one can see beginnings of a performance culture where evaluation and feedback systems are put in place. Up until that stage, board and executives are not completely aware of the potential value they can get from managing human capital properly and HRM is not truly perceived as a source of competitive advantage (Kearns, 2003). As this invisible boundary is crossed between stage three and stage four, the move from stage three to stage four is even more meaningful.



In stage four HRM becomes integral to business operations. Budgeting and management information systems change in a way that firms begin to plan extra budget and extra time for training and coaching purposes. Firms are aware that managers would not find the time for training staff unless it is built in. Furthermore, instead of only creating financial and operational measures, people measures are being created through, for example, annual employee surveys. Employee views and attitudes are being correlated with business performance and therefore, performance management systems include clear business measures. Managers who perform well in the firm become role models. Another important difference to previous stages is that line managers no longer only value HRM knowhow, but, in fact, cannot successfully do their job without HRM anymore. This means that every team restructuring activity, or the development of new positions must be aligned with the HRM strategy. Managers have an active part in developing and coaching their staff to meet the firm's needs and managers who do not have the skills to do so, no longer work for the firm (Kearns, 2003).

Stage five is a transitional phase that firms must pass through to reach stage six. A transition from operational HRM to strategic focus takes place. While HRM in stage four is well managed, stage five is about moving away from super-management methods. Although the firm might still have a conventional organizational chart, the reality is more fluid. Reporting lines are clear but flexible which means that managers can make decisions without reporting them directly to higher levels. Stage five is characterized by high levels of performance and it is a period of management enlightenment (Kearns, 2003). Thus, teamwork is critical and formal training and development is replaced by the concept of learning (Kearns, 2003).

In stage six, the firm becomes a whole system. All activities in the firm are aligned with the strategic objectives which are owned by every employee. There is absolute trust between employer and employee which makes unionization unnecessary. Everyone is working well together and departmental boundaries barely exist. Although there is a nominal boss, it is common to work with other managers and teams on a regular or on an ad hoc basis. Transparency is key, ideas are exchanged freely, and creativity and innovation help the firm to move well ahead of competitors. Firms in stage six are rare if they exist at all (Kearns, 2003). In order to reach stage six, firms must move sequentially through every stage on the scale. Although a firm at stage zero could theoretically bring in an HR manager and immediately move to stage three, in reality this would cause trouble amongst the existing staff because line managers are likely not able to cope with suddenly having an HR manager advising how to manage the firm. Therefore, firms should not cut short on the natural, evolutionary organizational development cycle in terms of HRM (Kearns, 2003).

The HR maturity scale offers an effective starting point in assessing a firm’s view of the importance of HRM (Kearns, 2003). The HR practices of the hotels that participated in this research will be evaluated later in this thesis, and consequently the hotels will be placed on the scale. As a result, further recommendations can be given on how to reach a higher stage and a competitive advantage.

### 2.1.4 The Dave Ulrich HR Model

The Dave Ulrich HR Model was developed by Dave Ulrich (1997) to organize HR functions. Despite its lack of empirical evidence, the Ulrich model is popular with HR managers and positively reviewed by academics. Although it is being criticized for a rather simplistic view of firms, it shows the diversity of the HRM role and the many hats HRM must wear to fulfil its potential (Lemmergaard, 2009; Gudlaugsdóttir & Raddon, 2013). Furthermore, Ulrich (1997) proposed that when all four roles of his model are being executed as a whole, it will support HRM’s situation and ability to deliver whatever the challenges that may come along.

Ulrich developed this model to shift people’s thinking from what HRM does to what HRM delivers and therewith move from the functional HRM orientation to a more partnership organization in HRM. The core idea is to create value and deliver results, that is HR managers must not only focus on the activities or the work of HRM. Instead, they must define the deliverables of that work because deliverables guarantee outcomes of HRM work (Ulrich, 1997). Four key roles were defined that HR managers must fulfill to make their business partnership a reality (see Figure 2).



**Figure 2:** The Dave Ulrich HR Model, adapted from Ulrich (1997)

One axe in the model represents HRM's focus and ranges from long-term strategic focus to a short-term operational focus. HR managers need to be both strategic and operational. The other axe represents HRM's activities ranging from managing processes to managing people. The two axes together result in four main HRM roles:

- (1) When HRM acts as a **strategic partner**, the focus is on aligning HRM strategies and practices with business strategy and the deliverable from that role is strategy execution. By fulfilling this role, HRM helps to ensure the success of the business strategy because translating business strategy into HR practices helps a firm in several ways. Firstly, the firm can adapt to change more easily since the time from the conception to the execution of a strategy is shortened. Second, the firm can meet customer demands better because customer service strategies have been translated into specific policies and practices. Lastly, the firm can achieve a better financial performance through its more effective execution of strategy (Ulrich, 1997).
- (2) As an **administrative expert** HRM is delivering administrative efficiency. Managing the firm's infrastructure through efficient HRM processes has been a traditional HRM role. It includes staffing, training, appraising, rewarding, promoting, and otherwise managing the flow of employees through the firm. While this role has been down-played due to the shift to strategic focus, its successful accomplishment continues to add value to a firm because HR managers acting as administrative experts detect unnecessary costs, improve efficiency, and constantly find new ways to do things better (Ulrich, 1997).
- (3) When HRM takes on the role as an **employee champion** who understands employees' needs and ensures that those needs are met, overall employee contribution goes up. Employee contribution is essential to every firm and the deliverable from managing employee contribution is increased employee commitment and competence. Employee champions personally spend time with employees and train and encourage line managers in other departments to do the same. They listen, respond, and find ways to provide employees with resources that meet their changing demands. Especially in an era when downsizing has eroded the psychological contract between the employer and the employees, HRM can continue to be an employee champion by paying attention to what staff needs in those times and reacting to it (Ulrich, 1997).
- (4) The fourth key role through which HRM can add value is to manage transformation and change as a **change agent**. Change agents respect a firm's tradition, but act for the future

and therewith help to identify and implement processes for change. They find and frame problems, build relationships of trust, solve problems, and create action plans. HR managers that are change agents make change happen and ensure that change occurs as intended. The main deliverable from this role is to create capacity for change (Ulrich, 1997).

Nowadays, HR managers who work with general managers to implement strategy are often labeled business partners. However, business partners are those HR managers who act in **all four** of the above-mentioned roles, and not only the strategic partner role. The HR business partner adds value to a firm through strategy execution, administrative efficiency, employee commitment, and cultural change. HRM must therefore fulfill multiple, not single, roles (Ulrich, 1997).

### **2.1.5 The Role of Human Resource Management during a Crisis**

HRM is referred to as a chameleon profession. As it is vulnerable to outside factors such as economic conditions, HRM must constantly reinvent its role to gain legitimacy and power (Gudlaugsdóttir & Raddon, 2013). HRM has its roots in the early 20th century when it emerged as a response to the industrial revolution where its purpose was to add value by improving the partnership of workers and machines and by addressing turnover and productivity problems (Ulrich & Dulebohn, 2015). During World War I when labor shortage due to restricted immigration and workers being drawn into the military arose, firms recognized the need for HRM. It emerged as *personnel management* and as a profession with the objective to support the firm, contribute to its goals, and add value (Ulrich & Dulebohn, 2015). Although HRM's importance decreased during the 1930s depression, this setback was only temporary. During the postwar economic boom, the world was characterized by stability and experienced only few exogenous shocks. As a result, HRM was viewed as a necessary function that focused on administrative activities, but it was not viewed as adding value to a firm (Ulrich & Dulebohn, 2015).

The 1980s recession is often considered the real birth to HRM. Legge (1995) found that the market changes during that decade intensified competition and therefore caused the emergence of HRM. Ulrich and Dulebohn (2015) found that HRM began to transform in the 1980s from being an administrative maintenance function to being a core business function that could contribute to organizational effectiveness. Similarly, Vardalier (2016) argues that HRM

emerged in the 1980s and became different from what was until then known as personnel management.

Personnel management sees people as input to reach a desired output determined by the top management, whereas HRM deals with training, developing employee skills, talent management or career planning (Vardalier, 2016). However, according to Gudlaugsdóttir and Raddon (2013), there seem to be contradicting views whether the 1980s recession strengthened or weakened the role of HRM. Legge (as cited in Gudlaugsdóttir & Raddon, 2013) concluded that, although there was a temporary increase in input and power, the 1980s recession had little effect on the role of HRM. Tyson and Witcher (1994), on the other hand, mentioned that the 1980s recession led to HRM gaining more value and power even though its role changed to being more reactive than proactive.

During the outbreak of the SARS virus in the beginning of the new millennium, Lee and Warner (2005) found that the outbreak had a negative impact on both employment and HRM and that HR practices adopted by hotels were relatively low-key in their operation. HRM was mainly involved in cost-cutting activities, yet mass layoffs were not widespread as management tried to adopt other strategies to reduce labor costs without laying off employees. This paternalistic HRM approach shows concern for employee needs and cooperation (Lee & Warner, 2005).

The next crisis following the SARS outbreak was the 2008 recession. It had a dramatic effect on firms and on the labor market. HRM mainly focused on downsizing and on getting more for less. An Irish study found that there were no dramatic role changes but that HR managers gained power in decision-making in terms of cost-cutting measures to save the firm (Roche & Teague, 2012). In Iceland's case, Gudlaugsdóttir and Raddon (2013) found two main role changes for HRM during the economic collapse in 2008. First, there was a temporary role change in HRM's daily tasks by shifting to a more cost-cutting focus. HRM gained strategic power regarding the implementation and communication of several retrenchment methods and was involved in the early stages of decision-making processes. However, by taking on responsibilities outside its traditional boundaries and by shifting other operational functions to the HRM unit, HRM activities were stopped or postponed, undermining the perception of HRM as a core function. Ultimately, this may have weakened the HRM function (Gudlaugsdóttir & Raddon, 2013).

In any case, the recession in Iceland gave HRM a platform to show its capabilities. An increase of strategic input was detected but limited to retrenchment activities and developing

cost-cutting methods (Gudlaugsdóttir & Raddon, 2013). With the above-mentioned, there is no doubt that economic hardship brings HRM's knowhow to the forefront, requiring HRM to formulate and execute cost-cutting activities which leads to more importance of HRM and to more focus on the profession. However, this increased power is often not long-term, as it is a reaction to an acute economic necessity (Gudlaugsdóttir & Raddon, 2013). It does, however, show that a crisis leads to an increase in the perception and awareness of HRM.

Nowadays, it is argued that the role of HRM is ever more important during times of crisis than it was before. Vardalier (2016) found that HR managers do not only focus on administrative standpoints, but that HRM has a strategic role when a crisis strikes and the following possible effects of a crisis occur:

- Panic inside the firm
- Loss of important staff and knowledge
- High turnover
- Low performance caused by lack of morale and motivation
- Cancelling recruitments
- Cancelling scheduled training

HRM can help firms to prevent irreparable damage and diminish the above-mentioned negative impacts. Once a crisis occurs, forming a crisis management team should be one of the first steps in controlling the crisis as it helps to diminish panic and stress amongst employees. Cancelled recruitments and the loss of crucial staff usually results in fewer employees doing the same work. Whereas classic HRM approaches come up with ways to organize the work more efficiently, modern HR practices focus on the talents and on supporting them mentally in order to create loyalty that lasts throughout the crisis and beyond (Vardalier, 2016).

In terms of high employee fluctuation during a crisis, classic HRM approaches did not seek to prevent labor turnover, but instead increased it by cutting down jobs. Modern HR practices, however, recommend implementing training programs in order to ensure workers' flexibility and therewith ease inevitable transitions between tasks and duties. TD activities are an essential part in the pre-crisis period as developing human capital to respond and manage a crisis is beneficial for firms (Pforr & Hosie, 2008, Vardalier, 2016). Furthermore, panic, loss of key staff and high turnover will ultimately lead to a lack of motivation and employee morale which will result in low performance. Classic HRM approaches tend to not have a formal policy

in place to prevent this. Modern HRM, on the other hand, supports the human side within the firm and organizes employee assistance programs, such as coaching and mentoring programs to promote and maintain employee morale and motivation (Vardalier, 2016).

The lack of effective communication between decision-makers and subordinates is found to be another main reason for firms to fail to control a crisis and to reduce its negative impacts (Mirzapour et al., 2019). Crisis communication channels can vary from intranet, email updates, or the use of social media. Although social media may be used to spread misinformation, there is no way to stop the use of it. Firms might therefore use it as a communication channel for gossip handling when rumors occur (Vardalier, 2016). To prevent the spreading of misinformation, it can be useful for modern HRM to have a crisis communication plan which describes how to communicate with employees, customers, and other parties involved (Mirzapour et al., 2019).

HRM has one of the most important roles in a firm before, during, and after a crisis as HRM must not only take the firm's interest into consideration, but also those of its employees. To prepare firms better for a crisis, effective HRM is hence a key element in crisis management (Mirzapour et al., 2019).

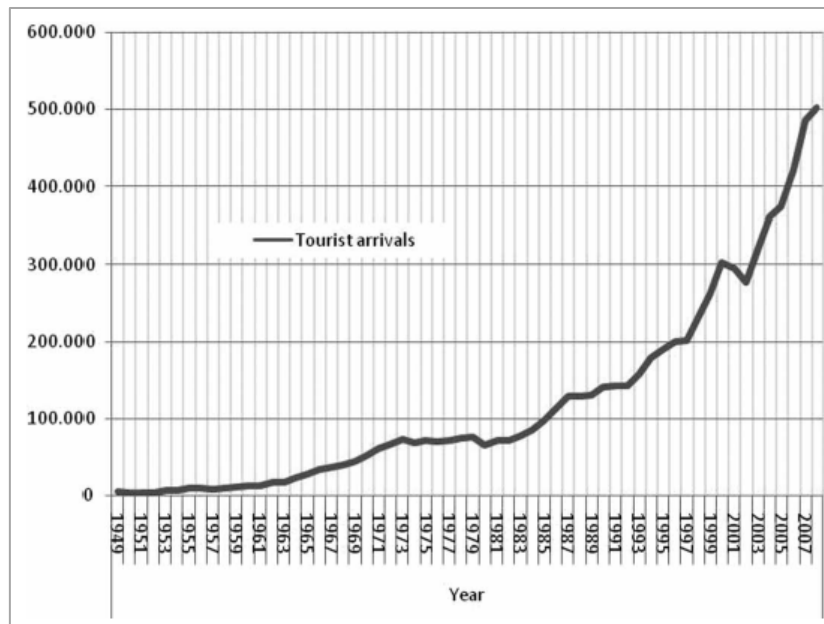
## **2.2 Tourism and Hospitality Industry**

The importance of the tourism and hospitality industry and particularly the relevance of employment in the industry in both developed and developing countries was proven by the World Travel and Tourism Council (WTTC). In 2018 the industry accounted for 10.4% of the global GDP and travel and tourism related activities accounted for 319 million jobs which equaled 10% of the jobs worldwide (World Travel & Tourism Council, 2019). The following chapter considers the importance of the industry for Iceland, followed by the impact that COVID-19 had on the industry. Since the tourism and hospitality industry is particularly vulnerable in times of uncertainty and to economic cycles, the chapter will end with a section about how crises affect the industry which will be related to COVID-19 at a later stage of the thesis.

### **2.2.1 The Development of the Tourism Industry in Iceland before COVID-19**

During the first half of the twentieth century, Iceland was still ranked amongst the poorest countries in Europe taking indicators such as modernization, infant mortality rate, life

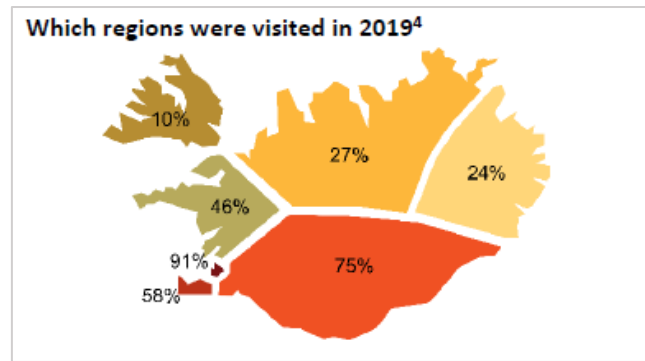
expectancy, and general living standards into consideration. However, when modernization in Iceland started, people began to come to Iceland in growing numbers, attracted by the country’s reputation as a place of natural extremes (Jóhanesson, Huijbens & Sharpley, 2010). While there was a rather slow growth in tourist arrivals until the 1980s, the numbers have been rising since then with a slight setback after 9/11, as can be seen in Figure 3 (Jóhanesson & Huijbens, 2010).



**Figure 3:** Registered Tourist Arrivals in Iceland, 1949-2008 (Jóhanesson & Huijbens, 2010).

Since 2009, an exponential growth pattern can be observed. While there were approximately 490,000 guests arriving in 2009 (Gil-Alana & Huijbens, 2018), there were 2.2 million guests arriving in 2017 (Óladóttir, 2018). In 2019 Iceland experienced a slight drop in tourist numbers which can be attributed to the bankruptcy of the Icelandic airline WOW air. Nevertheless, the number of tourists in 2019 was still higher than in 2016 (Sigurjónsson, 2019). The most attractive area for tourists is the capital area, where 91% of all tourists travel to, followed by south Iceland, which is visited by 75% of all tourists (see Figure 4, Icelandic Tourist Board, 2020).





**Figure 4:** International visitors by region (Icelandic Tourist Board, 2020)

Although a late-comer, tourism in Iceland has grown with remarkable speed during the last decades and has become one of the country’s central pillar of the economy. With the number of tourists growing, the number of people employed in tourism-related firms in Iceland has increased annually by more than 68% since 2013. Most employees in the industry work in accommodation and at restaurants. However, a substantial percentage increase of employees was amongst travel agencies, tour operators, and booking services (Óladóttir, 2018). Furthermore, tourism’s share of foreign exchange earnings increased from 26% to 42%. By that, tourism generated higher earnings than the export of marine and industrial products as shown in Table 1 (Óladóttir, 2018).

**Table 1:** The Share of Tourism in Export Revenue (Óladóttir, 2018).

	Export of goods and services (ISK billion)	Tourism* (ISK billions)	Share of tourism
2013	1,047,908	276,634	26.4%
2014	1,068,320	304,637	28.5%
2015	1,188,744	369,553	31.1%
2016	1,186,686	462,533	39.0%
2017	1,199,721	503,349	42.0%

\*Total activity of Icelandic companies operating in Iceland and abroad.

Since Iceland became a country that generates its main income from tourism, it is especially important to focus on the employees in the industry. The numbers stated above show that the tourism and hospitality industry in Iceland is important and the amount of people working in the industry raises the importance of the industry and shows that it has become an essential source of employment. Thus, managing employees in the industry plays a vital role. However, from previous research it can be assumed that HRM has not yet found its way into tourism in Iceland. Research on the immigrants’ role in the tourism boom in Iceland found that

little emphasis has been placed on labor and that profitability is being prioritized over the labor force (Magnússon et al., 2018; Thórarinsdóttir, 2019). The literature review for this thesis has further revealed that limited progress has been made on researching HRM in Iceland, and especially in the tourism and hospitality industry outside of Reykjavik. In an attempt to address this gap, this research will in the further course of this thesis seek to enhance a better understanding of the role of HRM in tourism and hospitality firms in south Iceland.

### **2.2.2 COVID-19 and its Impact on the Tourism and Hospitality Industry**

COVID-19 is an infectious disease caused by the recently discovered coronavirus. It was unknown until the outbreak began in Wuhan, China, in December 2019 (World Health Organization, 2020a). In March 2020 the World Health Organization (WHO) officially declared the coronavirus outbreak a global pandemic (World Health Organization, 2020b). As of September 13, 2020, there are over 7,2 million active cases and more than 900,000 deaths as a result of the disease (COVID-19 Coronavirus Pandemic, 2020). The virus arrived in Iceland in late February 2020. At the peak time, there were over 1,000 active cases in the country, and ten people died from the virus (Covid-19 in Iceland, 2020).

In response to the outbreak, countries across the world imposed measures such as lockdowns and travel restrictions to control the spread of the coronavirus. On the 12<sup>th</sup> of March 2020, the United States banned travel on 26 European nations (BBC News, 2020), and only a few days later the European Union decided to close all Schengen borders for 30 days (Schengen Visa Info, 2020). The travel bans consequently led to notable challenges for the tourism and hospitality industry. The industry accounted for 10.4% of the global GDP in 2018 and the WTTC suggested that travel- and tourism-related activities accounted for 319 million jobs, or 10% of the jobs worldwide (World Travel & Tourism Council, 2019). However, at present the tourism and hospitality industry is one of the most affected industries as it is usually based on interaction amongst people which was limited to an absolute minimum during the pandemic. Therefore, the World Tourism Organization (UNWTO) estimates a decline between 20 to 30% in global international tourist arrivals in 2020 which could translate into a loss of US\$ 30 to 50 billion in spending by international visitors (World Tourism Organization, 2020).

A comparable downward trend can be observed in Iceland. Although the country is not a member state of the European Union, Iceland had implemented the travel restrictions imposed for the Schengen Area and the European Union (Government of Iceland, 2020). It is expected that the travel restrictions have a negative impact on Iceland's economy as half of all firms in

the Icelandic tourism and hospitality industry are in danger of going out of business (Hafstad, 2020a). It is predicted that the pandemic outbreak could cost the Icelandic tourism and hospitality industry as much as US\$ 1.8 billion (Hafstad, 2020b).

Furthermore, by the end of March 2020, the Icelandic Directorate of Labor had received 25,000 applications for unemployment benefits with around half of the applications coming from people working in the tourism and hospitality industry or related operations (Hafstad, 2020c). Apart from the Reykjanes peninsula, the unemployment rate was the highest in south Iceland with 8.3% in March 2020, and 21% in the southern town of Vik i Myrdal (Hafstad, 2020d). Other numbers revealed that in April 2020 overnight accommodation decreased by 95% compared to the same month last year and by May 2020 the number of passengers departing from Keflavík Airport decreased by 99%, from 183,000 to less than 2,000 compared to May 2019 (Statistics Iceland, 2020). The numbers show that the tourism and hospitality industry is a major driver of jobs and growth, but that COVID-19 has dramatically changed this. The impact on tourism and hospitality firms and its workers is extraordinary. To set this crisis into a relation, the following chapter will look at how past crises have affected the industry.

### **2.2.3 Crises in Tourism**

The tourism and hospitality industry is particularly vulnerable to political trouble and economic cycles and can be negatively affected in times of uncertainty. The global nature of the industry makes it prone to outside occurrences that cause fluctuations in tourist visits. The terrorism attack 9/11, the Iraq war and the outbreak of the SARS virus led to a drop in revenue in the industry (Glaesser, 2006). These external events reduced the numbers of international travelers and left uncertainty and fragility in the tourism market (Bonham, Edmonds & Mak, 2006; Nickson, 2007).

There is consent in the literature that the main characteristic of crises in tourism is that they are unforeseen occurrences. Laws, Prideaux and Chon (2007) define a crisis in tourism as an exceptional event that is associated with increased media attention, economic losses, and injuries or deaths. They are negative occurrences that cause stable situations to become critical (Glaesser, 2006). Often, they happen without warning and with effects that are severe and sometimes catastrophic on the government and business communities. They are inevitable, episodic events that disrupt the industry on a regular basis and act as a shock on the tourism and hospitality industry. While the concern for crisis management in the industry has emerged over

time, history shows that crises in tourism and hospitality are often still poorly handled (Pforr & Hosie, 2008).

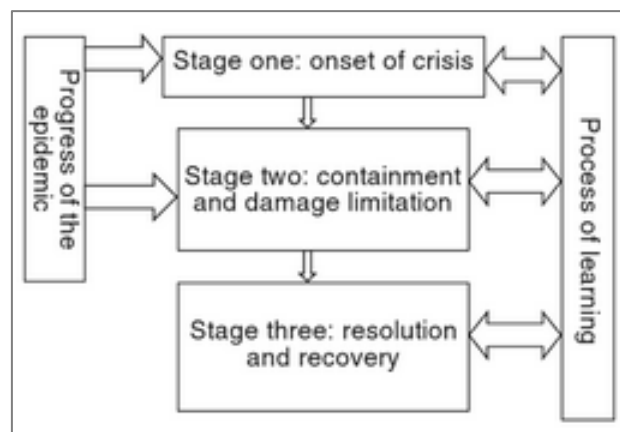
Pforr and Hosie (2008) argue that since there is always a crisis somewhere in the world, the tourism and hospitality industry seems to be under an everlasting threat of yet another crisis looming. Therefore, firms in the industry should prepare for potential risks to their establishments. Fundamentally, crisis management planning in tourism and hospitality is about preparing for events that the firm has typically not previously experienced and can be divided into four stages. The first stage is the *pre-crisis stage*, where actions are needed to prevent the effects of a potential crisis. Every hotel, regardless of its size or location, should develop a sound understanding of how specific crises might affect the tourism and hospitality industry in general, and their firm in particular. This should be done through a crisis management plan (Johnson Tew, Lu, Tolomiczenko & Gellatly, 2008).

The second stage, the *acute crisis stage*, refers to the point-in-time when the effects of a crisis are felt and cannot be reversed. For tourism and hospitality firms it is necessary to take action to protect property, customers, and employees. The emphasis during this stage should be on management responses, mobilization, and on establishing a crisis management command center. Also, this stage usually comes with cost cutting strategies. The third stage, the *chronicle stage*, is a period about self-analysis and recovery. This stage includes developing investment plans, counseling victims of the crisis including employees, and restoring customer confidence. In the last stage, the *review stage*, the firm reflects on the crisis as a whole including what went right and what improvements can be made (Johnson Tew et al., 2008).

Regarding crisis management planning in the tourism and hospitality industry, two main approaches have been identified. The first one is the *proactive* approach where a potential crisis is recognized in advance as a result of careful monitoring. Consequently, attempts are made to avoid the problem altogether or at least to minimize the impact. The second approach is the *reactive* approach after the crisis had occurred. The priority of the reactive approach lies in containing any damage and ensuring the firm's returns to stability. Firms in the tourism and hospitality industry tend to use the reactive approach and give more prominence to the issue after the crisis than in the period before a crisis was apparent. It was found that the majority of tourism firms in alpine destinations in Germany, Austria and Italy had only minimal planning and crisis management in place which increases the firms' vulnerability. The risk awareness was not high although several avalanches had occurred in in the area in the past resulting in hundreds of injured people and several deaths (Laws et al., 2007).

Although the literature on crisis management in the tourism and hospitality industry shows that crises are handled ad hoc, it would be more efficient for a tourism and hospitality firm to use the proactive approach over the passive reactive one as the proactive approach ensures a better preparation and management when a crisis eventually occurs (Pforr & Hosie, 2008). While large firms can develop permanent crisis management teams, smaller firms, which characterize the tourism and hospitality industry, are often not able to devote such resources in a similar manner. Nevertheless, tourism and hospitality firms need to plan for the unthinkable to achieve their objectives effectively and therefore must shift their attention from reacting to a specific crisis to the long-term strategic management of potential crises (Laws et al., 2007).

Concerning health-related threats, such as COVID-19, history shows that crises in the form of an epidemic have severely impacted the tourism and hospitality industry. The International Labor Organization estimated that countries that are experiencing an epidemic could lose one third of their travel and tourism employment. The SARS outbreak in Asia in the beginning of the new millennium is an example of that kind of crisis. SARS is a contagious pneumonia, a disease that little was known about, which resulted in extensive media publicity. The argument was that mainly travelers carried the virus, and thus air transport came to be perceived as particularly dangerous. The virus had mainly spread in Asia. China, Taiwan and Vietnam had lost over 50% of inbound tourism (Laws et al., 2007).



**Figure 5:** The Evolution of the SARS crisis (Laws et al., 2007).

Figure 5 shows the development of the SARS crisis. Stage one, the onset of the crisis, was very brief and the crisis quickly moved on to stage two, containment and damage limitation. In stage two the WHO distributed information about the virus, issued travel warnings, and suggested health screening for departing international passengers. Information was distributed

on how to handle possible infected people and those who had been in contact. Numerous parties involved in the crisis, such as governmental and non-governmental agencies, national and local authorities, tourism firms, other businesses, managers, and staff accepted the need for cooperation and coordination (Laws et al., 2007).

The crisis entered stage three, resolution and recovery, when the area was eventually declared free of SARS by the WHO approximately six months after the virus had started spreading. National and international parties shifted from reactive tactics to pro-active tactics, such as intensive advertising and special promotion of the area. When it was safe again to travel in Asia, a marketing plan for the area was launched with the goals to restore confidence and business, and to establish a collective Asian voice, using the media to deliver targeted information. Despite the good intentions of a marketing campaign, industry observers were skeptical about the efficacy of such action given the small size of the budgets, the short-term timeframe, the wide geographical coverage, and the competitive rivalries (Laws et al., 2007).

Similarly, Gil-Alana and Huijbens (2018) found that the marketing campaign that Iceland had launched after the Eyjafjallajökull eruption to counter the perceived negative effects of the eruption was unfounded. The funds put into the campaign could have been better spent on preparing the Icelandic infrastructure for the resumption of the inbound tourism growth trend after the effects of the volcanic eruption had diminished as history had shown that exogenous shocks impacting the inbound tourism to Iceland never seemed to have a permanent effect. Once the impact of the shock itself, such as the air traffic interruption in the case of the Eyjafjallajökull eruption, had been overcome, inbound tourism trends were likely to resume in Iceland (Gil-Alana & Huijbens, 2018). This was also observed during 9/11 when Iceland experienced only a slight and short-term setback in tourist numbers. The economic downturn in 2008 did not have a long-lasting effect on the Icelandic tourism and hospitality industry either. Moreover, in 2009, Lonely Planet, a large travel guidebook publisher, had declared Iceland as one of the trendiest destinations for tourists to visit. This and the favorable exchange rate for foreigners had led to a 10.4% increase in passengers in the first five months in 2009 (Jóhanesson & Huijbens, 2010).

Pfarr and Hosie (2008) found that disasters do not tend to have a lasting impact on tourism flows and that most tourists will resume travelling when they feel the immediate threat has passed. Nevertheless, tourism and hospitality firms should develop strategies that include crisis management and a plan for the future to minimize the negative impacts of a crisis. A well-

developed plan helps the firm to react quickly and effectively once a crisis occurs (Johnson Tew et al., 2008).

### **2.3 The Role of Human Resource Management in the Tourism and Hospitality Industry**

For tourists it is not only the physical product that is important but also the quality of their experience. To a large extent, this quality is dependent on interactions they have with a variety of front-line staff in the industry. Since those so-called ‘moments of truth’ are critical for firms to succeed, to gain a competitive advantage and effectiveness, it could be assumed that front-line staff is adequately trained to offer outstanding service. However, it is often found that the opposite is the case and that such staff is the least trained (Nickson, 2007). Consequently, the quality of services and professionalism in such firms is questionable.

When looking at HRM in tourism, several authors indicate contradictions. Baum (2007 & 2015), Nickson (2007), and Saad (2013) have found illogical HR practices in tourism and hospitality firms, such as the fact that firms are keen on providing outstanding service, but that the majority of the staff consists of low- and semi-skilled employees. Instead of providing adequate training, managers tend to do nothing because of the high turnover rates in the industry (Saad, 2013). Further contradictory is the fact that managers in the industry tend to hire low-skilled staff in order to quickly solve temporarily problems such as low productivity or turnover instead of using HRM to have long-term positive effects (Saad, 2013). Nickson (2007) points out that although the quantity of jobs in the industry is unquestionable, the quality of many of those jobs is of great concern. He notes that although it is the front-line staff that is delivering the service to the tourists, they are often the ones with the lowest status in the firm (Nickson, 2007).

Baum (2007) discovered a paradox in the drastic increase of global tourism over the past fifty years, and in the manner and conditions how people deliver tourism and hospitality services. Baum (2007) mentions that despite the growth of the industry, the delivery of the services has remained timeless even though they are subject to notable change. In a reprise of his article, Baum (2015) found that even though work in the tourism and hospitality industry has started to change, the process is slow, and several factors remain unchanged which makes it hard to come to a more definite conclusion than in his first article. The nature of tourism and hospitality work still does not provide a good work-life balance. Furthermore, the industry has

a leadership deficit, and there is a shift in workplace power in favor of the employer (Baum, 2015).

For island destinations such as Iceland, managing employees can be particularly challenging due to remoteness, access and size of the destination (Baum, 2012). Islands typically have smaller labor pools which often results in in-migration to meet recruitment demands. However, seasonality is then often the main barrier to retain migrated employees, resulting in turnover. Therefore, investment in TD for seasonal employment can be high and often in island locations, the most common form of training provided is designed to ensure that the employees meet the basic requirements of the job (Baum, 2012).

Generally, the tourism and hospitality industry often struggles with a negative image of employment practices and conditions. The problems include low wages, unsocial hours and shift duties, poor or non-existent career structures and limited opportunities for promotion, informal recruitment methods, or high levels of staff turnover (Maroudas et al., 2008; Baum 2012). The response to those challenges is often short-term managerial decisions which ultimately lead to a weak internal labor market. However, making decisions with a long-term perspective would conceivably offer more development and career opportunities for existing employees (Nickson, 2007).

With a particular focus on the three key HR practices for this thesis, **recruitment and selection**, **TD**, and **appraisal and performance**, the following is characteristic of the tourism and hospitality industry:

- Evidence suggests that **recruitment and selection** in many firms of the industry remains ad hoc and informal, especially for operative and front-line positions (Nickson, 2007). Furthermore, attracting qualified people is a challenge due to the negative employment reputation which results in a shortage of skilled and educated employees (Fathy, 2018).
- To face the shortage of qualified employees, firms need to have effective training programs (Fathy, 2018). However, in terms of **TD**, firms mainly have an informal on-the-job training in place (Young-Thelin & Boluk, 2012). Access to training tends to be restricted to those in large firms which leaves the industry relatively unqualified (Nickson, 2007).
- Regarding **appraisal and performance**, it seems like most firms in the industry are seeking to appraise their employees. However, with the predominance of small firms and difficulties in judging softer aspects to performance, a systematic approach to



appraisal remains problematic (Nickson, 2007). Furthermore, managers in the industry were found to have limited supervision skills (Fathy, 2018) which can negatively impact how feedback is given.

However, it would be wrong to paint a wholly pessimistic picture about work in the industry. Hoque (2000) revealed in his study with over 230 hotels that the hotels in his sample were utilizing several HR practices. Even though this offers an optimistic view to the industry, he also noted that the hotels he researched are rather large by industry standards, averaging 125 employees, while the industry standard is to employ less than 25 people (Hoque, 2000). Consequently, the research does not represent the industry as a whole. However, it does offer a useful description of organizational practices that support a professional and high-quality approach to service.

It is commonly said that the successful delivery of tourism and hospitality services is dependent on the employees and that those working in the tourism and hospitality firms are a crucial factor for the successful operation of firms in the industry (Gruescu et al., 2008). Employees in the tourism and hospitality industry provide competitive advantage to a firm since they are the intermediary delivering the products and services (Young-Thelin & Boluk, 2012). Only employees that are motivated and competent can deliver high-quality service and achieve a competitive advantage for their firms (Gruescu et al., 2008). The tourism and hospitality industry contains both a production aspect and a service aspect. The creation and provision of services from the hotel to the guest are mainly achieved through the employee that essentially represents the industry. Thus, the success of the industry depends highly on the quality of its employees, and on how effectively they are managed to help the firm achieve its goals (Maroudas et al., 2008). Therefore, managers in the tourism and hospitality industry need to be made aware of the advantages they can gain from HRM.

### **2.4 Taken Together**

The theoretical review presents numerous positive effects of HRM, including increased firm and financial performance, higher employee motivation, and less voluntary staff turnover (Andresen & Nowak, 2015). Furthermore, a connecting theme of the two theories chosen in the theoretical review, the HR maturity scale and the Dave Ulrich HR model, is that both models identify HRM roles and activities that help firms to improve their HRM performance. Both

models show that as long as HRM is not taken seriously, firms will neither reach their full potential, nor a competitive advantage.

Concerning HRM in the tourism and hospitality industry, it was found that the industry often struggles with a negative image of employment practices and conditions (Maroudas et al., 2008). Even though the employees represent the industry, HR practices are conducted rather short-term and ad hoc (Nickson, 2007; Baum, 2012). The tourism and hospitality industry has been going through changes in past years, but the changes happen slowly (Baum, 2015). According to the literature, HRM faces various hindrances in the industry such as low wages, unsocial hours and shift duties, poor or non-existent career structures and limited opportunities for promotion, informal recruitment methods, or high levels of staff turnover (Nickson, 2007; Maroudas et al., 2008). The following chapters will cover how those hindrances effect the tourism and hospitality industry in south Iceland under the special situation of COVID-19. Since the literature suggests that crises do not have a long-lasting impact on the tourism and hospitality industry, it will be shown in the next sections how hotels in south Iceland handled the crisis and how they prepare for the aftermath.

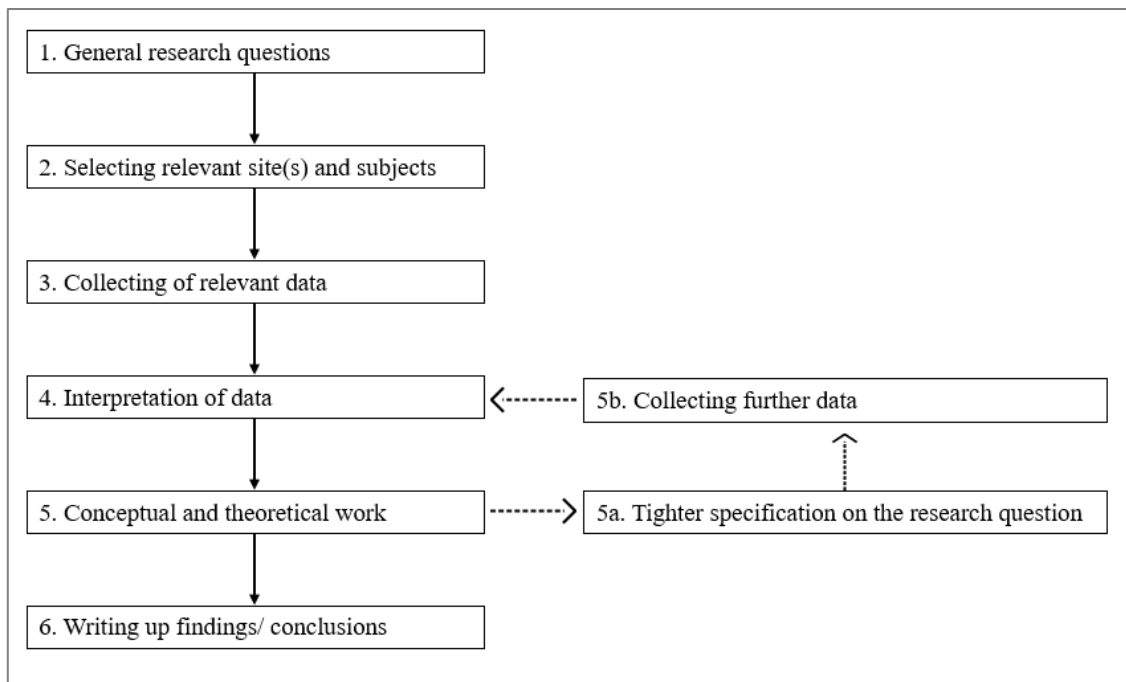
### **3. Research Methodology**

The objective of this research is to understand the role of HRM in the hotel industry in south Iceland and whether the role is subject to change before, during, and after the COVID-19 crisis. A particular focus lies on finding out which HR practices the hotels had in place before COVID-19 occurred, how HRM was addressed during the crisis and what lessons were learned from it. The research follows an inductive, exploratory approach through a qualitative multiple case study. The qualitative research method was chosen as it is particularly useful when studying a topic that has not been studied much before (Creswell, 2013). Thus, qualitative research is used to explore a problem, especially when a complex, detailed understanding of an issue is needed. This issue can only be exposed by talking directly to people, going to their homes or workplaces, and allowing them to present their point of view (Creswell, 2013).

#### **3.1 Qualitative Research**

Qualitative research allows the researcher to do an in-depth study on a topic from the perspective of an individual. The following five features to this kind of research by Yin (2011) are worth mentioning to understand why this method was chosen for this research. First, it allows studying people's lives under real-world conditions as they are performing in their everyday roles. They can respond to a question during an interview in their way using their knowledge and experience instead of being limited to a pre-established questionnaire. Second, it represents the views and perspectives of people. Third, it covers contextual conditions, such as the social, institutional, or environmental conditions within which participants' lives take place. Fourth, qualitative research contributes insights into existing concepts that can help to explain human behavior. Fifth, data is collected from a variety of sources, such as interviews and observations (Yin, 2011).

The process of qualitative research starts with finding research questions to guide the research. However, researchers are open to adjusting the questions as they move through the data. Qualitative researchers are flexible in their approach to study as they can change the direction of the investigation. The next steps involve selecting suitable subjects to then collect relevant data from them. Afterwards, the collected data is interpreted. A pilot study reveals if the research questions, the theoretical framework or similar need to be adjusted before further data can be collected. The final step of the process is to write up findings and conclusions (Bryman & Bell, 2015). The present research followed the above-mentioned steps which can be seen as a whole in Figure 6.



**Figure 6:** The main steps of qualitative research, adapted from Brymann & Bell (2015).

### 3.2 Case Study

One method for conducting qualitative research is through a case study. Case study research involves the study of a case within a real-life and contemporary setting (Creswell, 2013). The design has five components: the study's questions, its propositions (if any), its units of analysis, the logic linking of the data to the propositions, and the criteria for interpreting the findings (Steenhuis & de Bruijn, 2006). A case study can be a single or multiple case study. According to Yin (2009), the multiple case study is thought to be more convincing and sturdier, compared to a single case study. Furthermore, Eisenhardt (1989) claims that in times where little is known about a phenomenon, theory-building from a case study is particularly appropriate as it does not rely on previous literature and prior empirical evidence. Therefore, for this research, a multiple case study was conducted.

### 3.3 Methodology Process

The data collection involved a short online pre-questionnaire that was sent to the participants to gain a first-hand insight into the HR practices of those firms that were selected to participate in the research. After the participants had answered the pre-questionnaire, a qualitative interview was scheduled. The interviewees were offered to conduct the interview

online due to the COVID-19 pandemic. Nevertheless, since the number of domestic infections in Iceland was low at the time the interviews were conducted, all of the participants were comfortable with meeting personally and thus, all interviews took place at the respective interviewee's workplace.

Qualitative interviews allow the interviewer to stray away from the guide and to ask new questions to follow up on the interviewee's replies. Furthermore, the interviewer can vary the order of questions and the wording of questions. Consequently, qualitative interviewing tends to be flexible and allows to respond to the direction in which interviewees take the interview (Bryman & Bell, 2015). The data collection process will be explained further below in this chapter.

### *Case Selection*

The cases for this research were chosen by purposive sampling. The researcher did not seek for participants on a random basis but in an intentional manner. Purposive sampling aims to gather participants strategically, so that those sampled are relevant to the research and likely to contribute to the research questions (Yin, 2011). Seventeen hotel managers were contacted for this research. The criteria to participate were that the hotels are located along the south coast of Iceland and outside of Reykjavik. A pilot study with Hotel A was conducted to examine if the interview questions needed adjustment, if additional questions were required, or if questions could be excluded. Since there were no notable changes made in the questionnaire after the pilot study, Hotel A is fully included in the research (Yin, 2011).

The hotels were first contacted via phone, which led to three hotels being excluded from the research because they did not want to participate. The remaining hotels received an e-mail addressed to the hotel manager with more information about the research project. Furthermore, in this e-mail the participants were ensured anonymity (see Appendix A). Of the remaining fourteen hotels, five were non-respondents despite several follow-ups, which led to nine hotels participating in the research. All participants fell under the criteria mentioned earlier and can be seen in Table 2. Hotel managers were the main respondents to the study as they mainly had the staff responsibility in the hotels. All participants were Icelandic citizens.

**Table 2:** Research participants in chronological order by when the interviews were conducted.

<b>Hotel</b>	<b>Position</b>	<b>Gender</b>
A	Hotel Manager	Female
B	Hotel Manager	Male
C	Hotel Manager	Female
D	Head of Quality	Female
E	Hotel Manager	Male
F	General Manager	Male
G	Hotel Manager	Male
H	General Manager	Female
I	Hotel Manager	Male

### *Data Collection*

For this research, data was gathered in two steps. First, all the participants answered an online pre-questionnaire, and second, semi-structured interviews were conducted.

#### *Pre-Questionnaire*

The pre-questionnaire, that was created using the online survey tool *SurveyMonkey*, was sent to the interviewees one week prior to the scheduled interview via e-mail. It contained ten questions and the participants were asked to complete them prior to the interview. The pre-questionnaire was mainly designed to cover areas regarding HR practices in the tourism and hospitality industry to cross-check the findings from the literature where it was suggested that the industry often struggles with a negative image about employment practices and conditions (Nickson, 2007). The researcher decided to have a separate pre-questionnaire instead of including those questions in the qualitative interview. This was done to get participants involved and engaged with the topic before the interview. Furthermore, it helped the researcher to gain insight and a better understanding of the hotel before the interview and to have a clearer picture of the firm's operation. To analyze the data of the pre-questionnaire, Microsoft Excel was used to calculate statistics and to create graphs. The pre-questionnaire is provided in Appendix B.

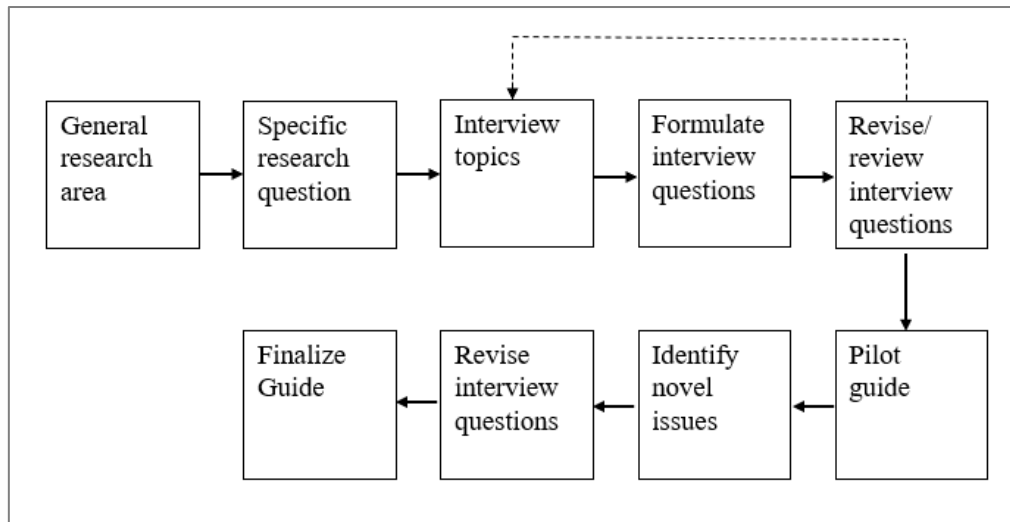
#### *Semi-Structured Interview*

The second step of the data collection contained one-on-one, semi-structured interviews. The researcher used an interview guide with a list of questions on topics to be covered and

avoided leading questions. The questions were open-ended, which allowed the participants to respond in a manner of their choosing (Bryman & Bell, 2015). The questions were not always asked in the same order. Instead, the schedule was sometimes adjusted for a better flow of the interviews when the researcher felt that topics could be addressed at different stages, depending on the interviewees' answers. The researcher had prepared sub-questions depending on the participant's answers to get a deeper understanding of the circumstances.

The interviews were conducted in English, and occasionally, the researcher worded questions differently to ensure that the participants understood the questions correctly. Furthermore, the researcher sometimes asked questions that were not included in the interview guide to pick up on things said by the interviewees (Bryman & Bell, 2015). Since case studies are about studying cases within a real-life and contemporary setting (Creswell, 2013), the interviews were conducted in the hotels that the participants worked at. The interview began with Part A which contained an introduction where the participants were provided information about the research topic, confidentiality was reassured, and the researcher asked for permission to record the interview.

The first question focused on the participant's position and for how long they have worked at the hotel. The question was used as an icebreaker to encourage the participant to speak openly. Using an icebreaker question can ease possible nervousness that might have built up before the interview. Following that the interview was divided into four more parts. Part B contained questions about the situation before COVID-19. This part was kept short as information concerning that could be taken from the pre-questionnaire. Part C contained questions on the situation during COVID-19, and Part D involved questions on how the hotels will deal with the situation after COVID-19. Finally, Part E included questions where the participants were given the opportunity to elaborate. Figure 7 shows the steps that were taken to create the interview guide. The interview guide is provided in Appendix C. The interviews were audio recorded, afterwards transcribed word for word by the researcher for subsequent data analysis (Yin, 2011), and then sent to the interviewees for their consent.



**Figure 7:** Formulating questions for an interview guide, adapted from Brymann & Bell (2015).

Since the interviews were conducted at the participants' workplaces, it allowed the researcher to observe them in their natural setting and naturally occurring situations (Creswell, 2012). Apart from the questionnaire and the interviews, follow-up phone conversations and e-mail communication was used to gain further insights. Both before and after each interview, the researcher studied the respective hotel's websites and available documents. Using different sources and triangulating data added to the study's credibility and trustworthiness (Yin, 2011).

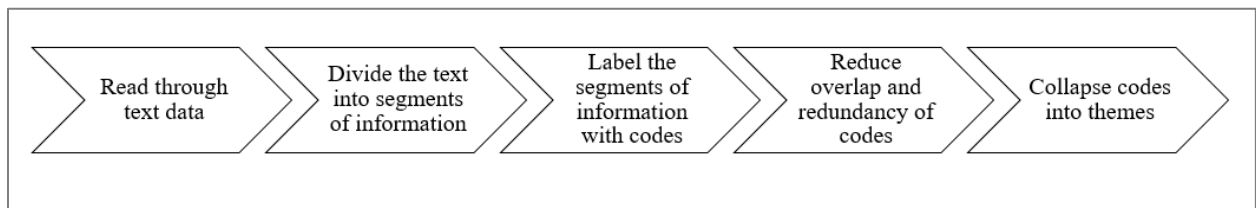
### *Data Saturation*

The sample size of the study was nine participants. The sample size was ruled by when theoretical saturation was reached, which is the point at which incremental learning is minimal since the researcher is observing phenomena seen before (Eisenhardt, 1989). Participants were added until no new information was revealed in the interviews and data saturation had been reached (Eisenhardt, 1989). At that point, adding new participants would have neither provided new information, nor would it have led to new themes emerging in the coding process (Creswell, 2013). After the interview with Hotel I, no new codes emerged, and data saturation was reached.



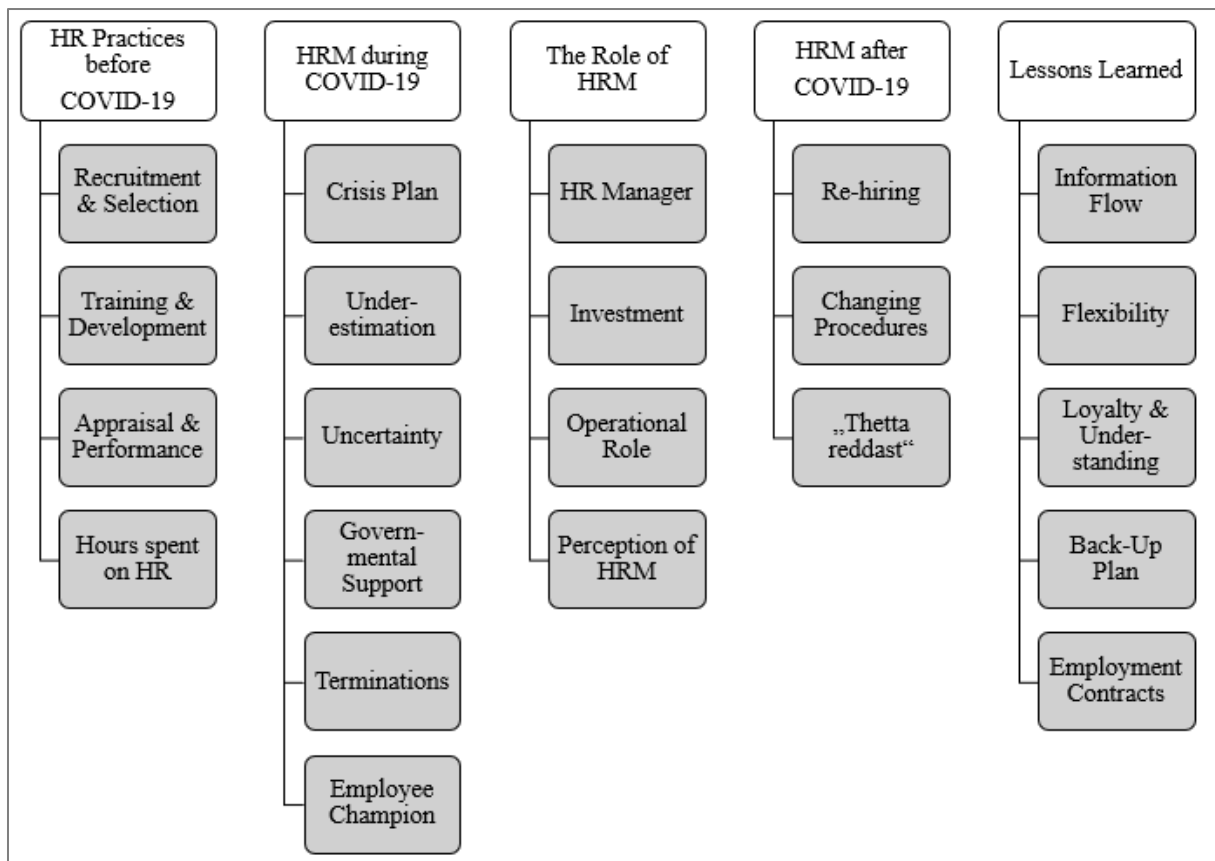
### *Codes and Themes*

After transcribing the interviews, the researcher started to examine the data by reading through it several times in order to develop codes. The coding process is an inductive process of narrowing data into themes. The process aims to make sense out of the data by dividing the text into segments, and to label the segments with codes. *Codes* are the labels that are used to describe a text segment, whereas *themes* arise when similar codes are combined to form a major category (Creswell, 2012). Figure 8 shows the process of coding data into themes.



**Figure 8:** Steps in the process of qualitative research, adapted from Creswell (2012).

To organize, label and code the data, as well as to identify emerging themes, the software *MAXQDA* was used. The software has four main windows showing imported data, codes, the coded text segments, and the text itself. It does not only support the coding process by storing the data, but it also simplifies searching through data and locating specific text or words. First, the researcher read through every interview several times identifying text segments that answer the research question. When new codes emerged, they were labeled with color coding and later similar codes were grouped to form themes (Creswell, 2012). Five themes emerged from the data, shown in Figure 9. Each theme will be further explained in chapter four.



**Figure 9:** Five themes that emerged from analyzing the data.

### 3.4 Ethical Considerations

It is essential to adhere to an ethical code when conducting qualitative research (Creswell, 2012). The researcher operated by following several ethical principles. One of those principles was honesty, which included the accurate report of data, results, methods and procedures. The researcher did not falsify or purposefully misinterpret data. Another principle was transparency, as all interviewees were asked for consent before recording. Once the interviews were transcribed, they were sent to the interviewees for consent. Third, the principle of confidentiality was ensured to the participants. Since information on human resources are of sensitive nature, the participants are kept anonymous. When writing up the results of the data collection, the researcher removed identifiers such as names or geographical cues. To distinguish the participants, letters of the alphabet were used.

## 4. Findings

The participants of the study are four female and five male employees that have the main staff responsibility in the hotels they are working at. Six fulfill the role as Hotel Manager, two of them as General Manager, and one hotel entrusted the Head of Quality with the staff responsibility. The research contributes to the literature gap of HRM in Iceland, especially in the tourism and hospitality industry outside the capital area. The goal of the research is to answer research questions RQ1, RQ2, and RQ3 with the data collected:

*RQ1: To what extent did HR practices exist in hotels in south Iceland before the outbreak of the COVID-19 pandemic?*

*RQ2: What role did HRM play in organizational decisions on how to manage the crisis?*

*RQ3: What are the lessons learned from the crisis in terms of HRM?*

The data was coded and merged into five themes. The first theme ***HR Practices before COVID-19*** will be used to answer RQ1; the second and third theme, ***HRM during COVID-19*** and ***The Role of HRM*** aim to answer RQ2; and theme four and five, ***HRM after COVID-19*** and ***Lessons Learned***, will answer RQ3. The themes appear as bold and italic letters in the chapter, whereas the codes are marked as bold text.

### 4.1 Findings RQ1

*RQ1: To what extent did HR practices exist in hotels in south Iceland before the outbreak of the COVID-19 pandemic?*

#### ***HR Practices before COVID-19***

The first theme ***HR practices before COVID-19*** emerged from four codes of which each one will be explained in this paragraph. The theme focuses on the status quo in HRM before the outbreak of the pandemic.

When asking the participants how they had ensured to have the right quality of employees before COVID-19, it became evident that most of the hotels handled **recruitment & selection** ad hoc and informal. The popular location among Iceland's south coast translated into no need for the hotels to advertise jobs. Instead, all of them received enough e-mail applications. The pre-questionnaire revealed that the majority of participants did not have any

issues finding enough employees to run the hotel, but one third had difficulties finding qualified employees. Due to the number of e-mails, not all applications were looked at and not all applicants received an answer.

Recruitment is very time-consuming. Sometimes really good applications go without being looked into. We sometimes receive hundred e-mails with applications. [...] We just put all of them into a folder. We never go over them unless we need people. So, there is nobody checking. (Hotel C)

Besides screening CVs, the participants mentioned that their most common recruitment tools are personal contacts and recommendations from current and former employees, most of them being foreigners that the participants noted were in general well connected with other foreigners. In the pre-questionnaire, one third of respondents rated *recommendations from others* as a *very important* selection criteria which was also mentioned several times during the interviews.

We review the CV of course, and we try to use a recommendation system. Current employees or previous employees that have put in good work here refer or recommend someone. That has been valuable for us. If they care about their reputation, they will recommend good people. (Hotel A)

Regarding the selection criteria, the pre-questionnaire showed that 66% of the respondents rated previous work experience in tourism as *important*, and 11% rated it as *very important*. However, when the participants were asked about their selection criteria in the qualitative interview, the majority responded that the applicants need to be able to communicate in English and that they need to be motivated. Applicants for the front desk should have experience in customer service to some extent, but not necessarily in a hotel. A challenge that the participants faced within the hiring process was that a big part of their staff members come from foreign countries and that many apply when they are still living outside of Iceland. Consequently, the managers were challenged to hire people they had not yet met in person.

It is really challenging because we often need to hire people before they arrive to Iceland and before we can actually meet them in person. That is really just a 50-50 chance whether you are actually hiring the person you thought you were hiring. (Hotel C)

To eliminate unsatisfactory hiring decisions, some of the hotels conducted video calls via the online communication tool *Skype*, while others conducted telephone interviews. Hotels that had not interviewed applicants until a couple of years ago, but had changed that approach, reported

that this decision has led to more successful hiring decisions. Several respondents were found to not talk to the applicants prior to hiring, as Hotel F stated: “Usually we just hire from e-mail. I just know that when people ask for a job abroad from their country, that those are willing to work.” In almost all cases, the final hiring decision was made by the hotel managers or general managers. One hotel left the decision to the line managers.

When questioned about **training & development (TD)**, the results show that on-the-job training was the most common method employed. New hires in particular observe someone with greater experience perform a task. In most cases, they watch an example employee or the employee with most experience. Furthermore, a checklist was commonly used to ensure a successful training period: “They are shadowing their mentor who is chosen by the head. It is an example employee. Also, there is a list that needs to be ticked off.” (Hotel A)

Most of the respondents stated that they are in a somewhat constant training process. Yet, almost no hotel had a formal training program in place. The explanation for this, according to the interviewees, was mostly due to lack of time and high staff turnover.

We have training on-the-job. There are no organized trainings. I would love to have a systematic training that I would love people to ask to go to but both with the staff turnover and the constant on-the-job that working in a hotel requires, it is just as we go. (Hotel C)

One of the hotels had a training program in place where an external trainer suggested, implemented and conducted training based on a needs analysis that was first done by talking to both managers and employees. The training program covers several topics:

We have a new training program for all new employees when they start. It is a one-month plan. But we also have all kind of courses and trainings over the year, for example ‘Hospitality tips for effective communication with tourists’, ‘Cultural Diversity Training’ or an English course. (Hotel I)

The interview with Hotel I revealed that after one year there was an increase in both employee satisfaction, based on an employee survey that was conducted before the training program and one year into the training program, and tourist ratings, based on websites such as booking.com or tripadvisor.com. Both can be seen in Table 3 and Table 4.

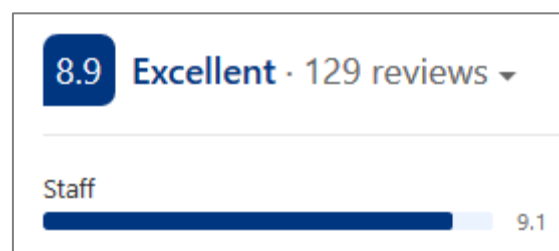
**Table 3:** Employee Satisfaction Survey Results 2018 & 2019 for Hotel I.

SATISFACTION SURVEY, 2018 & 2019	2018	2019	Change between years
I am generally, content/satisfied on my job	3,3	4,3	+1,0
I can use my knowledge and skills in my current job	4,0	4,2	+0,2
I get suitable training to do my work		4,3	
I know in advance whether I need to work overtime	3,3	3,9	+0,6
My co-workers are friendly towards me	4,2	4,6	+0,4
I can leave work if I urgently need to do so (f.ex. to doctor)	3,1	4,3	+1,2
Employees considerate/tolerant to each other during work	3,9	4,5	+0,6
I get support from my next superiors	3,3	4,3	+1,0
The workplace is free of intimations and violence	4,3	4,7	+0,4
I know what to do in my work	4,3	4,4	+0,1
Information flow is sufficient at my work	2,3	4,0	+1,6
All employees are treated equally	2,6	3,9	+1,3
My working hours are reasonably long	3,0	4,1	+1,1
I am respected as an employee	3,4	4,2	+0,8
I do manage to finish my work in the time given	3,6	4,5	+0,9
The workplace is free of communication problems	2,7	3,9	+1,2
The workplace is free of bullying	3,8	4,0	+0,2
I am unusually tired after my workday	3,8	3,5	- 0,3
I get support from my co-workers when needed	3,8	4,3	+0,5
I would recommend my workplace	3,2	4,3	+1,1

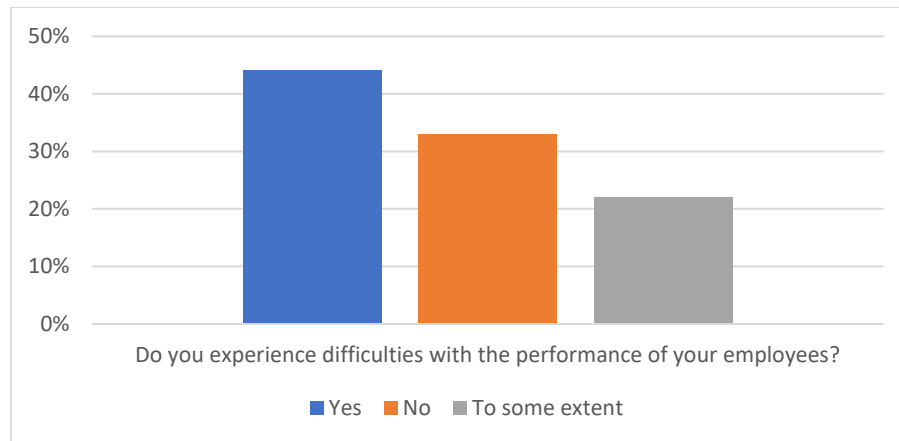
**Table 4:** Guest Reviews on Booking.com and Tripadvisor from September 2018 to January 2020 for Hotel I.

Score	1 <sup>st</sup> month	3 <sup>rd</sup> month	6 <sup>th</sup> month	9 <sup>th</sup> month	12 <sup>th</sup> month	15 <sup>th</sup> month
	10.9.2018	7.12.2018	18.3.2019	29.6.2019	1.9.2019	9.1.2020
<b>Booking.com</b>	8,7/10	8,7/10	8,8/10	8,8/10	8,8/10	8,9/10
<b>Booking.com Staff</b>		9/10	9/10	9/10	9/10	9/10
<b>Tripadvisor.com</b>	4,5/5	4,5/5	4,5/5	4,5/5	4,5/5	4,5/5

At the point of writing this thesis, the review for staff on the website booking.com has further improved to 9,1 as Figure 10 shows.

**Figure 10:** Guest reviews for Hotel I's staff, retrieved 1st August 2020.

When looking at **appraisal & performance**, the results show two sides in a way that on the one hand most hotels did not use performance appraisals, but on the other hand experienced performance problems with staff. The pre-questionnaire revealed that almost half of the respondents experience performance problems with staff, and one quarter of the respondents experience performance problems to some extent. This can be seen in Figure 11.



**Figure 11:** Hotels experiencing difficulties with staff performance.

Nevertheless, only one hotel used standardized performance appraisal forms for their staff members: “We meet once a year and we go over everything. Also, they have the chance to make a comment what we can make better as management. I like that. It is confidential and it is good to have.” (Hotel G). The other hotels of this study practice an informal feedback culture, where the employees get feedback on the spot by their supervisors as well as their line managers. When no improvement can be recognized, the hotel manager gives additional input.

Several participants trusted they could identify poor performers from their experience as managers and that a standardized performance appraisal form would not be needed: “I am working here every day. I work closely with the people. I just know. If I didn’t know that 99%, I would not be a good manager.” (Hotel F)

The weekly **hours spent on HR** before COVID-19 varied between the participants. Hotels with perceived fewer staff turnover spent less hours on staff matters than hotels that perceived their staff turnover as high: “I spend maybe four hours on it. But probably because we do not have so high turnover. [...] most of our people have been here for years, even up to ten years.” (Hotel E)

All other participants mentioned that they spend between five to ten hours on staff matters every week. Most of the respondents also added that this number is a rough estimation and that they probably spent more time on managing staff as “it never sleeps” (Hotel G).

### *Summary*

The theme *HR Practices before COVID-19* aimed to answer the first research question. Concerning **recruitment & selection**, it became apparent that hotels hired in an informal way. For example, not all applications were screened, and not all applicants were interviewed before hiring them. In terms of **training & development**, most hotels had informal on-the-job training in place, but the hotel that invested in TD achieved positive results for both employee and guest satisfaction after one year. Regarding **appraisal & performance**, most managers gave feedback on the spot but did not use standardized performance appraisals. Many participants experienced performance problems amongst staff. The participants estimated to spend between five to ten hours on staff matters every week.

## **4.2 Findings RQ2**

*RQ2: What role did HRM play in organizational decisions on how to manage the crisis?*

From the five themes that emerged from the data analysis, the second theme *HRM during COVID-19* and the third theme *The Role of HRM* will be used to answer RQ2.

### *HRM during COVID-19*

The theme *HRM during COVID-19* developed from six codes and sheds light on how hotels along the south coast of Iceland handled staff issues during the crisis.

When the participants were asked to which extent they had a **crisis plan** at hand, all of them answered that they had a plan for evacuating the hotel in case a natural crisis like a volcanic eruption occurs, but none of them had a crisis plan for events that appear to disrupt the industry on a regular basis. Hotel I stated: “Well, we did not have any plan for that.”, and even though different words were used, this answer was consistently given in all the interviews. Since the hotels in this research are located along the south coast, the researcher asked the participants to which extent insights from the Eyjafjallajökull eruption in 2010 could be used in handling the COVID-19 crisis. Most respondents said that either they or the hotel had not been there in



2010. Only Hotel A used the Eyjafjallajökull eruption as a comparison, even though the hotel manager had not been working in the hotel in 2010. When asked if the COVID-19 crisis was handled comparable to the eruption, the answer was:

In many ways you could say so, yes. With the Eyjafjallajökull eruption one could say that similar circumstances came upon us. People had to be laid off because there were simply no tourists because airline traffic stopped. It was before my time here, but I have listened to the stories of it extensively. So, we knew pretty much how to tackle it in the broadest perspective. (Hotel A)

Furthermore, the interviews revealed that one half of the respondents regret not to have had a crisis plan. Examples were given by Hotel E: “I wish I had had a plan.” and Hotel G: “It was almost last minute that we reacted. We were too stubborn.”. The other half of respondents trusted in either their own work experience as managers: “I will just take it when it comes. You never know. We can have earthquakes or volcanic eruptions. We do not know what kind of crisis will come, so we will just take it as it comes.” (Hotel H), or in the experience of the hotel owners:

The hotel owner has been working in this business for all his life almost. He has a lot of experience with all kinds of ups and downs. He is very well known in this business. [...]. He just has it. He knows how to act in this situation; how to act without having anything written down. He just knows. (Hotel I)

Another factor that influenced how the participants handled the situation was the **underestimation** of the virus.

We did not expect it to have this kind of effect. If someone had told me last year in December that we will not have any tourists travelling anywhere in the world, I would have not believed it. I never would have expected that. This would be maybe something for an apocalypse Hollywood movie. We never expected anything this big and for such a long time. (Hotel I)

The participants repeatedly mentioned that they did not expect COVID-19 to have a long-lasting effect on their hotels and thus, some of them hired new employees to train them for the high season, regardless.

I had just recently hired four new people in March. [...] We never thought that we would be closed for such a long time and we did not think it would have such a massive impact. We thought it would just be a few weeks. (Hotel C)

Additionally, a sense of **uncertainty** made further planning difficult for the participants. Hotel B stated that “It is all just a big question mark.”, and hotel H mentioned: “We do not know yet what will happen.”. The situation was both unsettling and troublesome for the participants as they were unable to project into the future or to make any strategic decisions: “One day business is fine, the other day: who knows? [...] We are without any plan right now because we do not know what to expect.” (Hotel I)

**Governmental support** from the Icelandic authorities was another factor that influenced how the participants handled staff issues during the crisis. All the respondents mentioned that the resources from the government were of great help regarding HRM, as Hotel A stated: “The Icelandic government and the solutions they introduced helped a lot.”, and Hotel I noted: “Thank God for that! I would not know how it would have worked without that.” For most participants those solutions saved the existence of the hotels: “If we did not have the help from the Icelandic government that provided resources, I know we would not have survived that.” (Hotel C)

The hotels used the incentives from the Icelandic government to reduce the employment of the employees down to 25%. However, **terminations** were inevitable as the crisis continued. The participants had to lay off most of their staff and three main approaches regarding terminations were identified. The first approach was that the participants went after *tenure* and terminated the contracts of those employees who had been working in the hotel the shortest. This approach was, for example, used by Hotel B: “The people with the shortest tenure were laid off straight away which was the weekend after President Trump announced a travel ban.”. The second approach was that the COVID-19 crisis was used to *weep out poor performers* and terminate their contracts first, as Hotel A did: “I did some picking of poor performers.”. The last approach was that hotels *terminated all contracts* to keep it equal for all workers, regardless of their tenure or performance.

We decided to give everybody the resignation letter in end of April. We did not want to fire specific people and others would stay. We thought this would look bad and people would wonder ‘Why me? Why not the other person?’. So, we decided to fire everyone in order to not pick. (Hotel I)

Regarding the Dave Ulrich HR model that was described in chapter 2.1.4, it became apparent that most of the participants took on the role of the **employee champion** during the crisis. They were honest with the staff about the poor situation for the firm, but still listened and cared about their employees and offered them to talk as Hotel B did: “We also had a meeting to just offer

them to talk, just if there is something going on in their heads to get it out.”, and Hotel G: “I also provide a service for them, give them a shoulder.” All the hotels that offer housing to their staff did not demand rent from their employees when the crisis peaked: “In the worst times they did not even have to pay rent. It was our way to support them.” (Hotel D)

Furthermore, the hotels provided flexible working hours as a gesture of good will and to keep the moral up as stated by Hotel C: “We were really flexible with the hours and the days. If it was a sunny day, we just told them to come the next day. There was no strict schedule.”

### ***The Role of HRM***

The theme emerged from questions and codes that focus on how the participants perceive HRM and to which extent HRM was included in the decision making during the crisis.

When the participants were asked if there was an **HR manager** in their hotels, it was revealed that none of them employed an HR manager. Many respondents justified the absence of an HR manager with the size of the firm and claimed to be restricted in implementing HRM in comparison to larger hotels: “I think we are a bit too small to have a full-time position for an HR manager. If we were a chain or had for example three hotels, then it would make sense.” (Hotel C)

However, neither the bigger hotels, nor the hotels that are part of a chain did employ an HR manager either. Nevertheless, half of the participants would like to have an HR manager to turn to, like for example Hotel D: “It would be really lovely because no matter how many years you studied, it is always good to have an advisor and another opinion.” With special regard to the crisis, half of the managers could have used the knowledge of a person that has experience with staff matters.

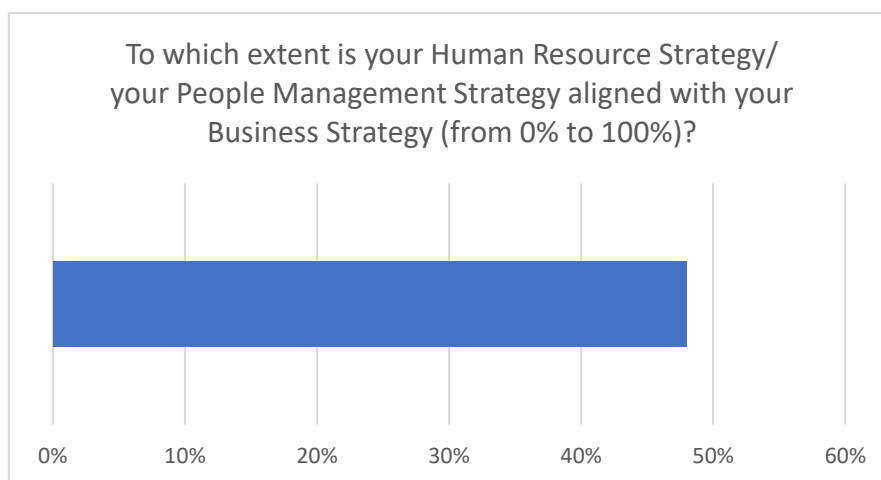
It was a difficult situation and there were a lot of questions. It was a lot of work for me to deal with this amongst with the owners, amongst with trying to figure out how we would keep us alive, looking into all solutions. It was a lot for one person to do. It would have been easier for the staff if there was someone else they could have turned to. (Hotel C)

The other half of respondents did not find it necessary to hire an HR manager. Hotel F stated: “No, I have a lot of people around me that I can ask.”, or Hotel H mentioned: “We just have been doing this our way for many years and we will not hire some specialist for it”. With special regard to the crisis half of the respondents said they would not have needed support by an HR manager.

As one goal of the hotels is to generate profit, the majority of participants was reluctant to hire an HR manager because they are costly, but in their opinion do not make money in return: “If you are in a position where you have to decide if you should buy a new vacuum cleaner or online training for your staff, it is more important at the moment to maintain the rooms.” (Hotel A). Most managers felt that spending money for an HR manager means to make an **investment** in something that does not contribute to revenue growth.

We will not put the money to a human resource manager, because then there is no money to open the hotel. We have to prioritize and filling up with some managers is not the best idea. Especially if they are not in the revenue departments. (Hotel B)

It became apparent that HRM played an **operational role** during the crisis by providing hard facts about employee contracts or salary reports: “The payroll provided that data: names, the tenure of the employees and termination periods” (Hotel A). Furthermore, the pre-questionnaire revealed that to a large extent, the participants did not align their business strategy with their HRM strategy which can be seen in Figure 12.



**Figure 12:** Strategic alignment of business strategy and HR strategy.

The overall **perception of HRM** revealed that HRM seems to be an intangible business unit to most participants and that it is not feasible for them. Hotel A mentioned: “HRM is like an inflatable balloon. It blows up and then it shrinks again.“, and Hotel B stated: “Sometimes, HR is just in the clouds. It is an imaginary job”. Furthermore, the pre-questionnaire revealed that HRM is mainly seen as *an administrative expert that helps the organization to improve operating efficiency* and least seen as *a change agent that helps the organization to adapt to*

*change*. Additionally, most participants answered that HRM should spend time on *supporting new behaviors for keeping the firm competitive*, and least answered that HRM should spend time on *listening and responding to employees*.

### **Summary**

One theme that was used to answer the second research question was ***HRM during COVID-19***. In this theme it became clear that hotels went rather unprepared into the crisis due to a lack of a crisis plan. Furthermore, they underestimated how long the virus would affect their hotels. The resources from the Icelandic government supported HRM, though terminations were inevitable in the long run. Nevertheless, all hotels cared for their employees and acted as an employee champion.

The second theme that was used to answer RQ2 was ***The Role of HRM***. It revealed that none of the hotels employ an HR manager. However, the group of participants was torn whether an HR manager was needed. One reason for not having an HR manager was of financial nature and additionally, HRM seems to be an intangible business unit for the respondents and an imaginary profession. They appreciate HRM mainly for operational support but do not attribute it with a strategic focus.

## **4.3 Findings RQ3**

*RQ3: What are the lessons learned from the crisis in terms of HRM?*

To answer RQ3 the two themes ***HRM after COVID-19*** and ***Lessons Learned*** will be used.

### ***HRM after COVID-19***

Three codes were combined to form the theme ***HRM after COVID-19***. This theme will examine the potential adjustments for HRM after the pandemic.

One task that hotels must consider after the pandemic is to **re-hire** staff for their hotel operation. Two main approaches were identified. One half of the participants would like to withdraw the terminations and re-hire all their former employees, provided they are still available. Hotel H stated: “I would hire everybody back if I can.”, and Hotel G aims to do the same: “If I need someone, then obviously I will invite those people back that I had to fire. But it is very uncertain if they will come back.”

The other half of respondents aims to re-hire their best and most loyal employees but seeks to fill up the other positions with new employees. By the time the interviews with the participants were conducted, some had already started to gradually re-hire staff, mainly at the reception and in the kitchen. The decisions were dependent on the occupancy and in terms of that, some were optimistic, but some were pessimistic: “I think this year is ruined for business. We are even planning to close in the wintertime in November and December.” (Hotel E)

Many participants used the downtime caused by COVID-19 to think about **changing procedures**. Hotel B mentioned that it intends to put more emphasis on HRM: “There will be a strategic change to more strategic management regarding human resources.”, while other participants consider changing operational aspects like the restaurant’s menu or the opening hours.

I thought about the changes that I want to make in the hotel in the future, for example in the kitchen. So, I decided to lay off my cooks. They will not be working here anymore after July. I want to change the menu et cetera and it is impossible to do it with them. (Hotel E)

The overall impression was that the hotels saw the downtime not only as a problem, but also as an opportunity: “I am also working on changing procedures. I am looking at the opening hours of the restaurant. Maybe COVID was something that was needed to tackle all this.” (Hotel F)

One change that became apparent was regarding the question of how to find new employees. While the hotels’ location seems to have led to a satisfying number of applications in the past, without having to advertise, there appears to be a change to advertising jobs on websites and national papers in the future: “We just put an advertisement in the newspaper. Also, now we have a different market because we have the Icelanders travelling. For them I need Icelandic staff and Icelandic waiters.” (Hotel D)

Overall, it became obvious that most of the participants believe that things will work out eventually after COVID-19 and many respondents mentioned Iceland’s “**Thetta reddast**”-mentality, as for example Hotel I: “Icelanders – we are used to uncertainty with the weather and volcanic eruptions and who knows what. In our culture we usually have to go with what comes, Thetta reddast.”, and Hotel C stated:

Hotels in Iceland just start selling rooms before they have even finished the hotel. So, how do you imagine they handled the staff matters? They do not give themselves time. [...] And to be honest, I think that this is very typical Icelandic behavior. It is not only

the hotel industry; it is simply the Icelandic “Thetta reddast”-approach. You just go for it.

“Thetta reddast” appears to be a common phrase in Iceland and the attitude behind it seems to be reflected not only in the Icelandic mentality, but also in how Icelanders approach business.

### *Lessons Learned*

The theme developed from five codes that focus on what the hotels learned and gained from the crisis.

When asked about staff meetings, it was revealed that most of the participants held frequent staff meetings during the COVID-19 crisis in order to keep the **information flow** at a high level. Few respondents answered that there has not been enough communication which caused misinterpretations and confusion.

I think the information flow was not good from the management to the staff. There have been times that people got angry, it was stressful. There was a lack of communication. The owner talked to the people individually but not to the whole group. This is not good because everyone understands things differently. It leads to misunderstandings between people. (Hotel D)

Participants noted that more **flexibility** is needed in the workplace to manage a crisis. As respondent Hotel G stated: “We need to be more flexible. We have usually different shifts: breakfast shift, night shift, etc. But now we all do everything. We need to adapt to new situations that no one saw coming”. Due to terminations, fewer people were available in the hotel to perform the tasks. Therefore, the employees needed to move beyond their job descriptions, doing work they have not done before.

Also, these times taught us that we have to know everything better. You have to be able to make different jobs because the work is divided on fewer people now. You have to be able to check in people, but you also need to be a waiter. (Hotel D)

Additionally, participants were concerned with the impact that the crisis may have on the relationship with staff. However, most of the respondents found a high level of employee **loyalty and understanding**. As Hotel A stated: “COVID-19 was like a mutual, invisible enemy. It was like there was this third element taking away someone’s job. So, people took it a lot better and understood it”. Furthermore, most employees showed willingness and ability to adapt to change.

I was surprised how understanding people were and how willing they were to be reaching out from their job description. [...] I was surprised to see how united people became. There was not much of anger dealing with everything. But it was difficult for everyone. The understanding was there though that we did not let go anyone because of poor decisions of the company. (Hotel C)

The crisis also revealed which employees were not loyal which was also considered an important finding.

Even though people's contracts might say that they work in housekeeping, we had to spread the work and just do what was necessary. And some of the people were not willing to do these things and referred to what their contract said and that they are not supposed to do a certain job. And I was thankful that they gave me this insight and that I understand how they think. Those people lose their opportunity to stay here long-term. (Hotel I)

Roughly half of the participants found that they need a **back-up plan** for a future crisis of similar kind, as Hotel E noted: "The lesson learned is that we need to be more ready for something like this and keep some money in the bank". However, the back-up plan does not only need to involve financial resources, but also a strategic focus.

If we did not have the help from the Icelandic government that provided resources, I know we would not have survived that. So, what I learn from that side is that we need to have a back-up plan for if something happens. It does not even have to be the extent of COVID-19, it can be a volcanic eruption [...] and we will not be able to accept guests. So, what I would take from this is to make some kind of strategic plan how we would deal with a situation like this and I would encourage the owners to set up some kind of a backup fund that is not used in investments or into dividends. (Hotel C)

Participants also mentioned several lessons learned about the **employment contracts**. Firstly, all employees should have a contract and the managers need to have a better knowledge of each contract. Hotel G stated: "What I learned is to have all the contracts with the employees 100%. You must know them. Who has which notice period, etc.? Also, we need to provide every employee with a contract". Furthermore, several respondents noted that most of their employees had a three-months' notice period which was problematic for the hotel.

We will probably not be making as many long-term contracts with people from now on. [...] we have so many people here that had been here for a lot of years. That is great



because they know the place so well. But on the other hand, they have a very long notice period of three months. Only one person had one month. That was very difficult for us. So, I think we will use more temporary contract and rather make a new contract all the time. [...] It is just not good for the business if their notice period is so long because you need to pay them for so long. (Hotel I)

### *Summary*

The two themes *HRM after COVID-19* and *Lessons Learned* were used to answer RQ3 contribute to what HRM in hotels could look like after the COVID-19 crisis diminishes. In general, the participants trust in a “Thetta reddast”-approach. Still, there were some lessons learned from the crisis, such as the need for a regular information flow, high employee flexibility, back-up plans, and employment contracts.

## 5. Discussion

This section discusses the findings presented in the last chapter, given the aim of the research to examine HRM's role in the hotel industry in south Iceland before, during, and after COVID-19. The chapter contains an interpretation of the findings in the light of previous literature and with new insights from this study.

### 5.1 Discussion RQ1

*RQ1: To what extent did HR practices exist in hotels in south Iceland before the outbreak of the COVID-19 pandemic?*

The findings of the first theme *HR practices before COVID-19* show a tendency that HRM in the hotels in south Iceland is handled ad hoc and short-term rather than long-term. Furthermore, HRM is approached somewhat reactive than proactive, which is consistent with the literature (Nickson, 2007; Baum, 2012). The short-term nature became particularly apparent regarding recruitment and selection. Since participants received enough applications before COVID-19, jobs were not advertised, and participants possibly missed an opportunity to reach out to qualified people with a background in hospitality. Furthermore, the requirements to the jobs could not be communicated, which led to the hotels receiving numerous unwanted applications that required a lot of time to screen.

Additionally, not all applications were considered, instead, they were all collected in a separate folder and only viewed when the hotel needed to fill a vacancy. This is risky as, by that time, first-choice applicants had possibly found jobs elsewhere and were not available, leaving the hotels with second-quality applicants to choose from. Furthermore, the participants did not put a big emphasis on job interviews. The literature suggests that there is a 'classic trio' in hiring consisting of evaluating the CV, the references, and the job interview (Nickson, 2007). The results of this study show that the CV does play an important role in which, but references and job interviews seemed to play a minor role. Some participants conducted video interviews, while others conducted telephone interviews. However, several respondents were found to not seek any conversation with the applicants before hiring.

The absence of relevant recruitment and selection methods contributes to the dilemma to not find enough qualified employees. Job interviews can be time-consuming, but they are useful for evaluating if the applicant has the requisite communicative or social skills which are necessary for the hospitality industry. Hotel E confirmed that the recruitment quality had

improved after they had started interviewing candidates. Generally, it is recommended to use a combination of selection methods to increase the chance of hiring dedicated employees (Albrecht et al., 2015). Since selecting the right people for a job can ultimately lead to increased firm performance and competitive advantage (Boselie, 2014; Gautier, 2015), it is recommended that the hotels bring more structure into their recruitment processes such as a recruitment strategy or a plan that explains what positions are recruited for, when, why and how.

Regarding TD, it became apparent that firms were not keen on investing in developing their employees through TD programs. TD activities were informal and not administered systematically. Most participants were found to use on-the-job training, which is common for the tourism and hospitality industry (Nickson, 2007; Young-Thelin & Boluk, 2012), in the form of job-shadowing (Ostrowski et al., 2014). A more experienced employee mainly trains new hires. This method is popular as it is inexpensive, but it also has disadvantages (Nickson, 2007; Ostrowski et al., 2014).

Participants mentioned that they face high staff turnover, and with the employees rotating frequently, the trainer often changes. This can result in quality and consistency problems in training. Therefore, it is suggested to complement the on-the-job training with more formal training. The results of Hotel I's training program confirm the success of such programs as they managed to improve both tourist ratings and employee ratings after one year. Furthermore, employers who are committed to TD are positively perceived by employees which can result in increased commitment towards the firm and reduced turnover (Nickson, 2007; Maroudas et al., 2008).

Regarding appraisal and performance, the findings revealed that performance appraisals were largely not perceived as a tool to improve performance. The literature suggests that for most hotels a systematic approach to appraisals remains problematic (Nickson, 2007), and in fact, only one hotel in this study used performance appraisals. However, the absence of performance appraisals makes it difficult to communicate to the employees what is expected of them, which can ultimately lead to demotivation. Furthermore, performance appraisals can identify TD needs that can then help to reduce performance problems (Albrecht et al., 2015; Nickson, 2007; Maroudas et al., 2008).

It was found that hotels in south Iceland had only few HR practices in place before the outbreak of the COVID-19 pandemic. In line with Kern's HR maturity scale (2003), the researcher would therefore rank the participants on stage one and two. The hotels that perceive HRM as managing bodies are ranked on stage one. Other participants acknowledged that

professional management practices have a positive effect on the firm and are, therefore, ranked on stage two (Kearns, 2003). To reach a higher stage on the HR maturity scale, the participants could consider cooperating with an HR manager to get introduced to expert ideas. This could ultimately lead to a better quality in personnel management, reduced turnover and increased performance.

## 5.2 Discussion RQ2

*RQ2: What role did HRM play in organizational decisions on how to manage the crisis?*

The findings for the theme *HRM during COVID-19* showed that HRM mainly had an operational role in the crisis. The lack of HR practices and the lack of a crisis plan made it difficult for the participants to react quickly and effectively to the crisis. Participants underestimated the crisis and acknowledged that they would not have survived the crisis without the resources provided by the Icelandic government. Although the governmental resources were of financial nature, there is no doubt that modern HR practices could have helped to diminish the effects of a crisis, too. Training programs, for example, could have helped to ensure worker's flexibility and in addition to that ease transitions between tasks and duties (Pforr & Hosie, 2008). Nevertheless, HRM was mainly related to cost-cutting activities which is similar to HRM's role during the SARS outbreak (Lee & Warner, 2005). While mass layoffs in hotels could be prevented during the SARS crisis in Asia (Lee & Warner, 2005), terminations were inevitable for the hotels in this study.

Vardalier (2016) suggested that HRM nowadays does not only focus on administrative tasks but that it has a strategic role when a crisis strikes. However, the findings of this study do not confirm that. The theme *The Role of HRM* revealed that HRM had an operational role in the crisis, focusing on administrative work and providing paperwork. Additionally, many participants trusted in their experience as managers in how to handle the crisis. They stated that neither input from an HR manager was needed, nor that they would prepare for future crises as they "will just take it when it comes" (Hotel H). However, this can be risky because the manager's knowledge might not be available in the next crisis due to unforeseen reasons. Knowledge should be made available and not only exist in the manager's mind. Furthermore, according to Johnson Tew et al. (2008), every hotel regardless of its size or location should develop an understanding of how a specific crisis might affect their operation. The managers consequently must have both the firm and employees better prepared for crises. Thinking long-

term will enable the hotels to react quickly and effectively once a crisis occurs (Laws et al., 2007).

Another factor related to the role of HRM during the crisis is that HRM is not perceived vital because participants do not see HRM as a business unit that creates revenue. Consequently, HRM did not play a meaningful role in organizational decisions during the crisis. However, HR practices can positively affect financial outcomes because they are positively related to labor productivity and negatively associated with employee turnover (Boselie, 2014; Andresen & Nowak, 2015).

In general, participants do not see HRM as a business partner that performs all four roles of the Dave Ulrich HR model (1997). Instead, the pre-questionnaire revealed that participants see HRM mainly in the role of the administrative expert that helps the organization improve operating efficiency. Interestingly, most of the participants did take on the role of the employee champion during the crisis. Characteristics of employee champions are that they listen to employees, understand their needs and respond to them (Ulrich, 1997). By offering employees to talk, arranging flexible working hours, or offering rent-free housing, hotels followed an overall paternalistic HRM approach during the crisis (Lee & Warner, 2005). Not only did they aim for transparent and frequent communication with their employees, but they also established themselves as a caring firm. Especially in an era when downsizing has impacted the psychological contract between the employer and the employees, employee champions can provide support and stability to their workers (Ulrich, 1997). Firms could navigate even better through the crisis if they also take on the role of the strategic partner, that helps the firms to adapt to change, and the role of the change agent, that helps to create the capacity for change (Ulrich, 1997).

The group of participants was torn whether an HR manager was needed for their operation. Half of the participants trusted in their own experience as managers to handle staff matters effectively; the other half of participants would like an HR manager within reach. Most respondents believed that the size of their hotel does not justify employing an HR manager. Still, all hotels, whether small or large need to hire employees, train them, and ensure their performance. Employees are a vital asset for hotels, and without them, hotels could not operate.

### 5.3 Discussion RQ3

*RQ3: What are the lessons learned from the crisis in terms of HRM?*

The theme *HRM after COVID-19* revealed that many participants saw COVID-19 not only as a problem but also used it as a chance to think about future changes for their operation. Many of those changes are not related to HRM, but it became apparent that there will be one noteworthy change in recruitment. While the hotels' location has led to a satisfying number of applications in the past, without having to advertise, participants mentioned that there will be a change to advertising jobs on websites and national papers. This is because those employees that were terminated are not waiting to be re-hired again because they found other jobs in the meantime. As it seems that many hotels will advertise jobs, hotels are advised to place a big emphasis on their job advertisements in order to differentiate from competitors.

Only one hotel stated that it will put more emphasis on strategic HRM. The other participants approach the time after COVID-19 with a "Thetta reddast"-mentality, taking on the things as they will come. While there is no doubt that certain flexibility shall remain, "Thetta reddast" seems like a somewhat reactive than proactive approach that discharges personal responsibility. However, proactive planning for a potential crisis in the future minimizes unfavorable effects of a crisis, and a well-developed plan can help the hotels to react quickly and effectively once a crisis occurs (Johnson Tew et al., 2008; Pforr & Hosie, 2008).

As this thesis is written, the COVID-19 crisis has not yet motivated the participants to undergo a substantial change regarding HRM. Still, several eye-openers were revealed in the theme *Lessons Learned*. Following the literature by Mirzapour et al. (2018), the lack of effective communication has been found to cause negative impacts in a crisis, such as misunderstandings and angry employees. Those participants that held several staff meetings were generally more satisfied with how their employees handled the crisis. They experienced more loyalty and understanding from the staff members than those who did not effectively communicate. Consequently, it is important to emphasize frequent communication with the employees to prevent misunderstandings and the spreading of misinformation (Vardalier, 2016).

Furthermore, the participants mentioned that more flexibility was needed amongst the workforce to manage the crisis. Due to terminations, fewer people were available in the hotel to perform the tasks and therefore, employees needed to reach out from their job descriptions, doing work they have not done before. Therefore, it is important for the industry to increase the connection between departments, for example, via job rotation to gain insight across

departments (Rao, 2008). That way, employees will have knowledge of different jobs within the hotel which can ultimately lead to greater resource flexibility in a crisis. Additionally, participants mentioned that they need to have a better knowledge of their employees' contracts and provide every employee with a contract to begin with. It was mentioned not to offer long-term contracts anymore, resulting in the employees having temporary contracts and, in addition to that, shorter notice periods.

Temporary work has been found to have short-term benefits, but harmful side-effects. Employees on short contracts lack a feeling of inclusion in the firm which can lead to less effectiveness (Drury, 2016), a negative impact on employee productivity, and to high levels of turnover (Lisi & Malo, 2017). As turnover was found to be an issue for the participants in this study, it would not be beneficial to increase it and it is therefore not recommended to provide employees with temporary contracts. Furthermore, the study revealed that the participants had problems finding enough qualified employees before the crisis and thus, the right expertise is hard to find. It is recommended that participants think more future-oriented. Once the crisis comes to an end, employers might see the advantages of keeping the experienced employees for as long as possible to have enough time to search for a replacement when an employee decides to leave.

### ***Summary***

The study revealed that hotels in south Iceland have minimal HR practices in place and are hesitant to change that soon. Therefore, it can be assumed that HRM has not yet found its way into tourism. The participants are cautious in implementing HR practices as in their opinion HRM does not contribute to revenue. COVID-19 is a new occurrence and participants are faced with uncertainty which makes it difficult for them to plan. It has been found that when situations lack analogies to the past, people have trouble envisioning how things will develop in the future (Scoblik, 2020). For the participants, this translates into a "Thetta reddast"-mentality. To encounter the uncertainty, it is recommended to implement systematic HRM and to develop an action plan for a variety of situations. Regardless of when the crisis will diminish, it is important to be prepared.

## 6. Conclusion

After researching the role of HRM in the tourism and hospitality industry in south Iceland before, during and after COVID-19, it was revealed that HRM systems are not fully developed in the hotels and little effort is put into ensuring their development. It is consistent with the literature that HRM is handled ad hoc and informally (Nickson, 2007; Baum, 2012). Little value is given to develop HRM, and HRM is somewhat neglected in the firms (Young-Thelin & Boluk, 2012). In terms of Kearn's HR maturity scale (2003), the participants are therefore placed on stage one and two. Regarding the Dave Ulrich HR model (1997), the research showed that participants do not see HRM as a business partner that performs all four roles. Instead, participants see HRM mainly in the role of the administrative expert that helps the organization improve operating efficiency. However, in times of a crisis, participants take on the role as an employee champion.

At the point this thesis is written, the COVID-19 crisis has not yet motivated the participants to undergo a substantial change regarding HRM and the uncertainty of COVID-19 makes it challenging to plan ahead. HRM is not seen as a strategic element in the long-term planning process. However, firms need to keep in mind that the crisis will pass eventually and that the creation and provision of successful tourism and hospitality services to the customers is then mainly achieved through the employees (Gruescu et al., 2008). Employees will thus become the primary source for increased competitive advantage, and therefore, firms need to prepare better for the time after COVID-19.

With the data collected, the proposed research questions can be answered as follows.

*RQ1: To what extent did HR practices exist in hotels in south Iceland before the outbreak of the COVID-19 pandemic?*

The research found that to a large extent, relevant HR practices were absent before COVID-19. Recruitment and selection were not given enough attention. Additionally, firms were not keen on investing in developing their employees through TD programs. TD activities were informal and not administered systematically. For the majority, performance appraisals were not perceived as a tool to improve performance.

*RQ2: What role did HRM play in organizational decisions on how to manage the crisis?*

The results of the study revealed that HRM mainly had an operational role during the crisis, focusing on administrative work and providing paperwork. Additionally, several



participants in this study trusted in their own experience as managers in handling the crisis and therefore, did not feel that support from an HR manager would have been necessary.

*RQ3: What are the lessons learned from the crisis in terms of HRM?*

The data revealed that the key takeaways were the need for communication within the firm, higher employee flexibility, back-up plans and employment contracts. Generally, the participants are hesitant to plan because of uncertainty and therefore approach the time after the crisis with a “Thetta reddast”-mentality, taking on the things as they will come.

The researcher concludes that HRM has not yet found its way into the hotel industry in south Iceland. However, with COVID-19 continuing to spread, hotels need to have an action plan in place that addresses both the current state and the potential future impact if the situation continues to worsen. It is important to be prepared to diminish panic and stress amongst employees. Furthermore, firms should use the time now to rethink whether HRM can lead to performance and competitive advantage. In general, the absence of relevant HR practices can contribute to the dilemma to not find enough qualified employees and consequently having problems with performance. TD activities have been neglected, which results in a lack of quality employees. In the absence of the performance appraisal, the hotel industry does not provide employees with the motivation to perform better (Young-Thelin & Boluk, 2012).

### ***Propositions***

Five propositions are provided for firms to increase the benefits they can gain from proper HRM, as well as how to better navigate through a potential future crisis.

P1: Emphasize advertising jobs and create an effective selection process.

P2: Complement on-the-job training with formal training and cross-training in other departments to bridge the gap to the shortage of qualified applicants and to increase workers' flexibility.

P3: Implement performance appraisals to identify training needs and to make employees aware of what is expected of them.

P4: To diminish panic and stress amongst employees in a potential future crisis, plan for the unthinkable and develop an action plan to be able to react quickly and effectively in a future crisis.

P5: Start seeing HRM as a tool that can help to increase organizational performance, instead of as a business unit that does not contribute to revenue and competitive advantage.

### ***Limitations and Further Research***

The main limitation of this research was that the researcher was an unexperienced researcher in qualitative research. Furthermore, HRM is a topic of sensitive nature and for the participants to talk about it, the researcher had to enter the research relationship in an appropriate manner. Additionally, the interviews were conducted at the participants workplaces which gave valuable insight to the research. However, due to the lack of staff during the crisis, the participants had to cover other positions themselves. Therefore, interviews got interrupted at times which negatively impacted the flow of the conversation. Moreover, the interviews were conducted in English which is neither the interviewer's nor the interviewees' mother tongue.

Future research could include conducting interviews in a more objective environment following up on whether the participants have already started to implement some of the changes they had considered, such as implementing back-up plans or increasing workers' flexibility. Furthermore, research in the capital area could be conducted to make a comparison between urban and rural approaches.

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## Appendix A

*Email to the participants after they agreed to participate in a preceding phone call*

Dear ...,

As just discussed over the phone, I am a Master student at the Reykjavik University, studying for an MSc in Human Resource Management & Organizational Psychology. For my master's dissertation I am exploring the role of Human Resource Management in hotels in south Iceland before, during, and after COVID-19 under the supervision of Kjartan Sigurdsson. The aim is to find out if the role of HRM is subject to change before, during, and after the crisis.

The evaluation of the interview will be completely anonymous. The interview will last for less than one hour and comprises of questions based around staff practices. The transcription of the interview will be handled by me only and will be sent to you for your consent. Before the interview, I will send a short pre-questionnaire that contains ten questions and does only take approximately five minutes to answer. The pre-questionnaire helps me to gain an insight and to prepare better for the interview.

In terms of the interview, I am happy to set times and venues according to your convenience.

I appreciate your participation in the research and in case you have any further questions, you can contact me via email ... or via phone ...

Thank you and best regards,

Lara

# Appendix B

## Pre-Questionnaire

### The Role of Human Resource Management in the Hotel Industry in South Iceland before, during, and after COVID-19.

Welcome to my survey.

I am a Master student at Reykjavík University, studying for an MSc in Human Resource Management & Organizational Psychology. For my master’s dissertation, I am exploring the role of Human Resource Management in Hotels in south Iceland before, during, and after COVID-19.

**This survey examines the status before COVID-19. Therefore, I kindly ask you to answer the following questions considering normal circumstances. What is it usually like when there is no COVID-19?**

The survey will take only 5-7 minutes to complete and the final evaluation in the thesis will be anonymous.

Thank you for participating in the survey, your support is much appreciated.

OK

\* 1. Who is responsible for Human Resource Management/ staff matters in your hotel/ hotel chain?

- Human Resource Manager
- Hotel Manager

Other (please specify)

\* 2. Does your hotel/ hotel chain practice any of the following Human ResourceActivities?

	Yes	No	To some extent
Human Resource Strategy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Recruitment & Selection	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Training & Development	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Career Planning	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Performance Appraisals	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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3. Please rank how important the below selection criteria are for you when you hire new staff.

	Not at all important	Low importance	Neutral	Important	Very important
Previous Work Experience in Tourism	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Previous Work Experience in Iceland	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Performance Appraisal Results	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Trainings attended	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Recommendations from others	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Other (please specify)

4. If you practice Training & Development, what kind of training do your employees attend and how often do they attend those trainings (e.g. once per year; twice per year, etc.)?

\* 5. How often are your employees appraised with a standardized Performance Appraisal form?

- Never
- Once per year
- twice per year

Other (please specify)

6. Do you experience difficulties with one or more of the following?

	Yes	No	To some extent
Finding qualified employees	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Finding enough employees to run your hotel	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Retaining employees	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Performance of your employees	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

\* 7. To which extent is your Human Resource Strategy/ your People Management Strategy aligned with your Business Strategy (from 0% to 100%)?

## HRM & COVID-19 IN THE SOUTH ICELANDIC TOURISM AND HOSPITALITY INDUSTRY

8. "Human Resource Management/ People Management is seen as..."

Please prioritize the below answers from 1=what you think is the least important to 4=what you think is the most important (this is a ranking, meaning **each number can only be used once**)

	1	2	3	4
... a business partner that helps the organization accomplish business goals."	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
... an administrative expert that helps the organization to improve operating efficiency."	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
... a champion for employees that takes care of employee's personal needs."	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
... a change agent that helps the organization to adapt to change."	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

9. "Human Resource Management/ People Management should spend time on..."

Please prioritize the below answers from 1=what you think is the least important to 4=what you think is the most important (this is a ranking, meaning **each number can only be used once**)

	1	2	3	4
...strategic issues."	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...operational issues."	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...listening and responding to employees."	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...supporting new behaviors for keeping the firm competitive."	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

\* 10. Which hotel are you working for? (This information is only for me to connect the questionnaire to the personal interview. The evaluation of the results in the thesis will be completely anonymous and cannot be traced back to you.)

Thank you very much for your answers. I look forward to meeting you for our interview.

## Appendix C

### *Semi-structured interview guide*

#### **PART A: GREETING & INTRODUCTION**

1. How long have you worked in the hotel and what is your position?

#### **PART B: BEFORE COVID-19**

2. How many employees usually work in the hotel when there is no COVID-19 crisis?
3. Is there a Human Resource Manager in your company?  
If yes: What are the main tasks of him/ her?  
If no: Who is responsible for staff matters?
4. How do you ensure that your hotel has the right quality of employees?
5. To which extent did you have a crisis management plan at hand for COVID-19?  
To which extent could you use the Eyjafjallajökull eruption as a comparison on how to tackle this crisis?

#### **PART C: DURING COVID-19**

6. Please provide me an insight about the impact that COVID-19 had on your hotel.
7. How many employees did you have to lay off due to COVID-19?
8. Was there a particular approach that was used to lay off staff?  
If yes: Which one? Was COVID-19 used to be selective about poor performers? Who made the decision on who to lay off?  
If no: How was the decision made on who to terminate?
9. What role did Human Resources play in organizational decisions on how to manage COVID-19?
10. What role did HRM play in organizational decisions?  
Did HRM have a strategic input or merely an operational role in letting people go?

#### **PART D: AFTER COVID-19**

11. Once the crisis is over, what approach will you use on re-hiring?  
Will everybody be re-hired, or will you be selective?
12. What are the lessons learned from COVID-19 in regard to HRM and staff?

13. How will you ensure to have a competitive advantage against other hotels once the tourists come back to Iceland?

14. Do you perceive HRM different now than before the crisis?

**PART E: END QUESTIONS**

15. If hotel has HR manager:

To which extent was HRM/ the HR manager helpful during the COVID-19 crisis?

If hotel has no HR manager:

To which extent would you have needed an HR manager at your side during the crisis?

16. Is there anything you would like to add to this interview?

17. Do you have any questions?

18. I would like to thank you for participating in my research.

Can I contact you again in case I realize in the further process of my thesis that another question comes up?