

THE IMPACT OF IMPLEMENTING FORMAL HRM PRACTICES ON SMALL FIRM
DYNAMICS, EMPLOYEE MOTIVATION AND PERFORMANCE IN TOURISM
AND HOSPITALITY INDUSTRY IN MALLORCA

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ABSTRACT

The Impact of Implementing Formal HRM Practices on Small Firm Dynamics, Employee Motivation and Performance in Tourism and Hospitality Industry in Mallorca

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Formalization of Human Resource Management (HRM) practices is an important component of contemporary HRM. Formalized HRM practices enable improved operational performance and bring other benefits, including increased employee satisfaction, to the company. However, contemporary management science does not provide an answer to whether effective HRM practices are universally applicable or should be tailored to an organization and its characteristics. The empirical study included small tourism enterprises in Mallorca. The aim of the study was to assess the impact of the scope and intensity of HRM formalization on the firms surveyed. A combined quantitative and qualitative approach was used. The level of HRM formalization among the surveyed companies varied, mostly being moderate. Increased employee motivation and perceived benefits depended on interacting factors, including sector and company size. The findings indicate that a significant factor in the success of formalization is the lack of a gap between planned and actual HRM policies, as well as proper communication and a supportive attitude from managers..

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CHAPTER I: INTRODUCTION

1.1 Introduction

The mere presence of Human Resource Management (HRM) practices does not guarantee improved performance. Consistent, real and effective implementation of HRM practices is crucial for enterprise growth and the development of competitive advantage. There is a fundamental difference between "intended" and "actually implemented" practices. This difference has the greatest impact on both employee satisfaction within the organization and organizational effectiveness (Khilji and Wang - 2006).

At the same time, HRM should be analyzed not in isolation, but within a broader context. Various pressures on the enterprise, including institutional (including regulatory), cultural, and market pressures, have a significant impact on HRM practices (Mayrhofer et al. - 2024).

HRM implementation is therefore neither linear nor static. On the contrary, practices evolve under the influence of countless factors and determinants, and their final shape depends on interactions between managers, employees, the organizational context, and perhaps many other stakeholders (van Mierlo et al., 2018). Effective HRM therefore requires that practices be embedded in the interpretive frameworks of organizational participants and that they acquire some form of, preferably strong, legitimacy (van Mierlo et al., 2018).

In the tourism industry, dominated by small and medium-sized enterprises, full implementation of all HRM recommendations can be difficult due to limited resources. At the same time, there are many equivalent HRM configurations potentially or actually

leading to success, including those focused on remuneration, development, and investment in human capital (Zografou et al., 2024).

HRM formalization, therefore, is not a uniform process but takes various forms tailored to the specific nature of the organization.

Mallorca, one of the most important tourist regions in Europe, is a particularly important context and a potentially excellent setting for research on HRM practices. First, small-sized companies operating in the service sector dominate the region, reinforcing the importance of human resources as a key factor in building their competitive advantage. Second, high seasonality and intense staff turnover increase pressure to develop stable, yet flexible HRM systems, while regulatory pressures on employment stability persist. Third, comparing the perspective of formalization with the actual operating conditions of companies in Mallorca allows us to examine whether and how the degree of HRM practice translates into business results in an environment that requires a high degree of adaptability, is variable, and is dynamic in every analytical dimension.

Despite growing interest in the role of formalization in HRM practices in small-sized enterprises, many uncertainties and knowledge gaps remain.

First and foremost, most theories of strategic HRM have been developed based on studies of large organizations. Therefore, they assume the presence of specialized HR departments and well-developed, formalized procedures as an inherent, constitutive feature of formalization (Atkinson et al., 2022), which is inconsistent with the above-described image of contemporary HRM as an area of implementing variable practices, dependent on various contexts, often without achieving the intended effects or even the intended scope of implementation.

In small and medium-sized companies (SMEs), owner-managers determine HR practices, and their actions are usually, though not always, characterized by high flexibility and informality. Therefore, it remains unclear to what extent models derived from large companies can be translated into the realities of a small company and how formalization affects HRM effectiveness in the context of their relatively limited resources, especially limited human resources, which are a criterion for distinguishing these entities from the overall market.

Research also indicates that as an enterprise grows, the number of procedures and documentation increases, and HRM practices generally become professionalized (Kotey & Sheridan, 2004). However, the literature does not fully explain which practices become formalized first, and which changes perhaps only appear at later stages of development. The transition from informality to formalization is also not exhaustively defined (Marlow et al., 2010).

The process of formalization, as the above observations suggest, appears to be truly inevitable, but it is increasingly emphasized that formal and informal forms coexist and intertwine in practice (Marlow et al., 2010).

It has also not been comprehensively determined whether formalization of HRM practices actually leads to higher performance in small-sized firms, or whether this performance is simply driven by economies of scale and other factors that shape growth, closely correlated with formalization. Some studies indicate that growth-oriented companies are more likely to use written and regular procedures (Barrett & Mayson, 2007), while other studies suggest that less formalized approaches can also foster flexibility, especially rapid responsiveness, and thus the ability to adapt to market realities. Particularly in the tourism industry, where staff turnover and seasonality are traditionally considered very high and crucial determinants of adopted HRM practices, it

is unclear whether formalization increases stability and professionalism or burdens already limited resources (Cetinel & Emeksiz, 2009). Furthermore, it is not only owners who shape practices of small-sized companies. Most research still focuses on owners, marginalizing the role of line managers, employees, and external HRM advisors. As a result, the role of other stakeholders, or actors or agents of formalization, is relatively underexplored (Bos-Nehles & Meijerink, 2018). Worse still, analyses of formalization often treat small companies as a homogeneous category, ignoring the specifics of individual industries (Cetinel & Emeksiz, 2009). Furthermore, there is still a lack of in-depth, comparative sectoral analyses that would allow us to determine under what conditions formalization is beneficial and when it may be less significant or even negative.

1.2 Research Problem

Small businesses constitute a significant portion of global economies. In most industries, they typically constitute at least the overwhelming majority of operating entities, sometimes accounting for the vast majority of employment, turnover, and cash flow. It is also clear that their management practices, especially those related to human resources, often differ significantly from those observed in larger organizations, as their structures are much less developed and it is difficult to expect them to employ exactly the same practices as those found in global corporations. One characteristic of many small businesses is the prevalence of informal, ad hoc management approaches, simplifications, and shortcuts. This includes a relatively lower degree of formalization of HRM practices, particularly informal management practices directly directed by the owner-manager. These practices tend to be characterized by limited structure and documentation, but also by generally simplified patterns that occur wherever all employees are directly known to

management, thus eliminating the need for formalization (Marlow and Patton, 2005; Cardon and Stevens, 2009). Informality may or may not significantly promote flexibility and facilitate direct, agile management of a small team. However, it can also lead to negative consequences, particularly inconsistency, perceived inequalities, difficulties in attracting and retaining talent, and limitations in scalability (Cassell et al., 2002; Sheehan, 2014).

A simple example of this is an employee's belief that the manager-owner treats better or favors a relative, family friend, or neighbor employed by the company.

With the growth of small businesses or the pursuit of increased efficiency and stability, the potential need to implement more formal HRM practices arises. The process and consequences of this transformation are complex and not fully explained in the existing literature. There is a noticeable gap in empirical research that systematically examines the specific impact of implementing formalized HRM practices, including structured recruitment, formal appraisals, and defined compensation policies, on the internal structure and dynamics of the company, its performance, and also—at the micro level—employee psychological states (motivation, engagement) and tangible business outcomes. The research problem, therefore, lies in the limited understanding of how implementing formal HRM changes the operational and human environments of small businesses. It boils down to the question of whether these changes collectively enhance or potentially disrupt motivation and performance.

Additionally, a crucial part of the research problem is a look at the tourism industry, for which research material remains more sparse than in the case of small-sized enterprises in general. It remains uncertain, in particular, whether the scope, scale, and impact of formalization are the same in this industry relative to all other industries or are specific. This primarily applies to regions where tourism is seasonal, which—it might

seem—may offset some of the benefits of formalization while simultaneously forcing informal practices associated with short-term employment.

1.3 Purpose of Research

The aim of this study is to determine the impact of formalizing HRM practices on the operations of tourism companies on the island of Mallorca, part of the Autonomous Community of the Balearic Islands in Spain.

The following specific objectives contribute to the achievement of these objectives:

Objective 1. To examine perceived changes in organizational dynamics related to the implementation of formal HRM practices in small tourism companies in Mallorca.

Objective 2. To examine the perceived impact of implementing formal HRM practices on employee motivation in small tourism companies in Mallorca.

Objective 3. To examine the perceived links between the implementation of formal HRM practices and subsequent performance in small tourism companies in Mallorca.

Objective 4. To identify and analyze most important challenges and factors that influence the effective implementation of formal HRM practices in small companies.

1.4 Significance of the Study

Research on HRM practices in small-sized enterprises indicates that formalizing HRM procedures can significantly impact organizational performance in many areas, including providing them with the desired development dynamics. In-depth analyses in the tourism sector, particularly in the context of Mallorca, are still lacking. The collected literature provides several reasons why this work is of scientific and practical importance.

First, previous research demonstrates that formal HRM practices can lead to increased employee motivation, creativity, and engagement. Consequently, they improve productivity and indirectly positively impact an organization's financial performance (Al-Kazlah & Badkook - 2022, Al Zyoud, 2018). In tourism, where service quality and customer contact are important, if not the most important, components of success, the importance of these practices may be even greater compared to general observations on HRM.

Second, HRM practiced in a systematic and formalized manner has been shown to improve social exchange relationships between employers and employees. From a psychological and behavioral perspective, these factors can be crucial. In particular, it has been pointed out that formalized HRM practices increase employee satisfaction and loyalty by defining clear and understandable "rules of the game" for them (Alam et al., 2024).

In Mallorca's tourism sector, characterized by high staff turnover and seasonality, despite the state's promotion of stable employment, methods that nevertheless achieve high employee stability and engagement are potentially critical factors for competitive advantage, for example, through the potential access to broader recruitment resources and interseasonal talent retention.

Third, research shows that high-performance HRM practices, which are essential without some formalization, can increase employee readiness for change and improve their individual performance (Alqudah et al., 2022).

In tourism regions, which must constantly adapt to changing market conditions and customer expectations, this relationship undoubtedly takes on particular significance, as even during peak seasons, companies undergo numerous cycles of change.

Fourth, the results of analyses indicate that in small service companies, HRM formalization, especially in the areas of training, recruitment, and possibly empowerment, promotes increased sales and service quality (Altinay et al., 2008).

Fifth, it has been demonstrated that the impact of HRM formalization on small-sized company performance is not simple and unidirectional. This relationship can be moderated by numerous factors. These factors may be related to characteristics of the HRM system other than the degree of formalization, such as employee attitudes, job satisfaction, or elements of the broader category known as organizational culture (Lai et al., 2016).

Consequently, this work is significant not only for the development of strategic HRM theory in SMEs but also for management practice in the tourism sector.

1.5 Research Purpose and Questions

Purpose of this study is to determine the impact of formalizing HRM practices on the operations of small-sized companies operating in tourism sector on the island of Mallorca, in the Autonomous Community of the Balearic Islands, Spain.

Research questions are the following:

RQ1. How do small-sized tourism companies in Mallorca perceive all the changes in organizational dynamics after implementing formal HRM practices?

RQ2. In what ways does the implementation of formal HRM practices affect employee motivation in small tourism companies in Mallorca?

RQ3. What factors most significantly influence the effective implementation of formal HRM practices in small-sized tourist companies in Mallorca?

CHAPTER II: REVIEW OF LITERATURE

2.1 Theoretical Framework

Theoretical Background and Research Area

HRM refers to two main domains – academic discipline and managerial practice. (Yorks, Abel, & Rotatori, 2022). As a scientific discipline, HRM encompasses theoretical reflections and implications for managerial practice, which in turn encompasses the activities of enterprises in the reality in which they operate.

The description of the theoretical framework therefore refers mainly to HRM as an academic discipline influencing the managerial practice.

Therefore, since both domains complement and interpenetrate each other, they should be considered together, but for the practical dimension of HRM it is advantageous to use the concept of HRM practices, which are of course accompanied by scientific reflection, doctrinal disputes and certain theoretical foundations. HRM, understood in this way, has evolved significantly over the years, reflecting changes in organizational needs, workforce dynamics in various countries, and broader economic changes.

Management theory has not yet developed a single, comprehensive, and universally accepted model of HRM. To some extent, attempts have been made to identify, if not a universal model, then at least the most effective practices, but these have not been free from controversy in academic discourse (Boxall, 2003). For this reason, for the purposes of this paper, it is impossible to adopt a single paradigm against which further considerations and empirical research will be conducted. The theoretical framework therefore encompasses a presentation of various theoretical trends in a pluralistic and partially historical approach. In light of this approach, HRM appears as a relatively fragmented, perhaps even context-dependent, set of different theories.

The chapter also presents HRM not so much as a coherent, applied academic discipline. There is a very intensive search for coherence between HRM and other areas of management, which means that HRM itself may not necessarily be internally coherent and universalistic (Abbasi, Mosleh Shirazi, Hosseini, 2017). For the purposes of this paper, HRM will be presented as a conceptual field and a landscape of tensions between various theoretical approaches. In essence, HRM constitutes a bridge between the organization and the individual. There can be no doubt that organizations are composed primarily of people. It is increasingly argued that they must be focused on people and center their attention around them (Weymes, 2005). The role of HRM, however, is not mediation, and only when we take into account the latest contexts, where it is necessary to look through the prism of knowledge management, and even more so, organizational learning, we can see that HRM practices build an unlimited set of links between the organization as a whole and the people who are part of it (Winkelen, McKenzie, 2007).

HRM can be viewed in yet another way, through the prism of differences and conflicts of interest. HRM then appears even broader than any set of practices. It is also a field of tensions between efficiency and emancipation (Duport, Janicot, 2016), instrumentalism and humanism (Legge, 1998), global convergence and local specificity (Delmestri, 2006), or broader, between globalization and locality (Zaman et al., 2021). Similarly, such a conflict can be seen between rational design and emergent practices (Boon, Verhoest, 2018), and many others, as amply demonstrated by the disputes, conflicts, and negotiations that occur in every contemporary organization (Batool, e Habiba, & Ayesha, 2021).

This does not mean that the theoretical framework of this work aligns with the poststructuralist critique of HRM as a disciplinary discourse that presents itself as neutral while simultaneously encoding ideological assumptions. While there is scope for

mentioning such a theoretical approach in any discourse on HRM, as it is impossible to abstract from the continuing importance of industrial relations traditions (e.g., Fox's pluralism), which question HRM's fundamental assumption of the reciprocity of capital and labor, a positive contribution to theory is necessary, not just the negation of existing constructs.

In the case of this dissertation, the theoretical framework is closer to comparative HRM (Boxall, 1995). Its main contribution concerns the detailed field of practice in a specific global location, Mallorca, a specific sector, the Spanish tourism sector, and a relatively specific group of entities, small-sized enterprises.

Integrating Multilevel Theory

The theoretical framework of this work situates HRM theory on at least four conceptual levels.

The first of these levels is what can be defined as the macro level. Institutional and legal conditions, particularly the specific nature of Spanish labor law and the long-standing evolution of Spanish labor law from Francoist corporatism to EU-compliant reforms, define the boundary conditions. These conditions are primarily Spain's efforts to impose strong regulatory pressure to counter youth unemployment, seasonality and temporary employment, and other unfavorable phenomena related to the economy's reliance on seasonality in many Spanish sectors, including tourism, agriculture, and even construction.

The second level of the theoretical framework is the meso-level. It encompasses HRM configurations in organizations. These emerge both in response to the aforementioned external pressures (e.g., regulatory pressures on "*fijo discontinuo*" contracts) and as adaptations to internal conditions. According to the dominant analysis

of HRM practices in the contemporary literature, external conditions primarily include internal strategies (e.g., bundles of practices consistent with competitive positioning).

The third level is the micro level. This level analyzes the psychological perception and interpretation of HRM practices by employees. This level is where internal negotiations within the organization take place, but also shapes the perceived legitimacy of the organization's actions and the outcomes of HRM practices, which can be defined as behavioral outcomes.

The metatheoretical level also merits mention. Various theoretical paradigms undoubtedly compete within HRM theory—critical, universalist, contingent, and strategic. A discursive paradigm could also be added. These define the conceptualization and assessment of HRM, the models employed, the methods for assessing practices, and many other aspects.

This requires a multi-layered theoretical framework capable of embedding various dimensions and accounting for shifts between them, particularly the various dimensions of analysis, and generalizing conclusions and transferring findings to theoretical ground. The work does not fundamentally adopt any one HRM theory as the only correct one; nevertheless, it views the formalization of HRM practices as a tool for achieving goals, thus providing the opportunity to assess their effects across various theoretical dimensions.

Given the multitude of approaches and paradigms, configurationism may be crucial for the theoretical framework of this work, as a bridging theory. The emergence of configurationist approaches plays an important role because configurationism is not simply a separate path between universalism and contingency in HRM, but an attempt to reorient it. It shifts from attempts to identify isolated best practices to systems of mutually reinforcing policies, which in turn, at the systemic level, enables the

incorporation of various theories into a new logic of thinking about HRM.

Configurationist logic allows, among other things, for the integration of digital transformation and multiculturalism into coherent HR strategies, rather than treating them as add-ons. Therefore, in the tourism sector, where these issues are gaining importance, it may be particularly relevant.

2.2 Theoretical Fundamentals of HRM

HRM organizational thinking has evolved over decades, primarily in response to changing social, economic, and technological conditions. The main HRM theories have been developed since the 1960s. At the same time, they differ in their postulates, having emerged from distinct intellectual foundations and carrying with them their own set of theoretical assumptions (Rotich, 2015).

One of the earliest theories was contingency theory that is usually attributed to the works derived from research by T. Burns and G.M. Stalker (1961).

This is not entirely accurate, as the origins of contingency theory are difficult to pinpoint (Garavan, O'Brien, 2024). Researchers have identified numerous factors that contributed to its development. It is essentially a theory whose central premise is the belief that there is no single best way to manage an organization or undertake HRM (Garavan, O'Brien, 2024; Pennings, 1975).

It was a response to the limitations of a rigid approach to organizational structure, systematically noted in the literature. In this context, they popularized the distinction between mechanical systems, operating solely for the sake of operating, and organic systems, evolving within the context of needs and in response to existing needs. According to this theory, there is no single best organizational solution – the effectiveness of organizational solutions depends on the context, especially the market

environment (Burns and Stalker, 1961). Organizations operating in stable conditions can therefore employ rigid and hierarchical systems (mechanism), while those operating in dynamic environments should adopt more flexible structures, perhaps networked and adaptive (organism). Contingency theory initiated the so-called contingency approach in management science. According to this approach, practices must be as closely adapted as possible to the external conditions existing at a given time (Burns and Stalker, 1961).

Further development of the theory led to the emergence of typologies and categorizations of organizational structures, determined by the variability of the technologies used, or also by production methods and other conditions and factors (Garavan, O'Brien, 2024).

In the 1970s and 1980s, the institutional perspective began to develop. It is believed to draw on the work of J.W. Meyer, B. Rowan, P.J. DiMaggio, and W.W. Powell (Holm, 2020). It's important to emphasize that this isn't just a managerial approach; it also has sociological roots.

The main premise of this theory is that organizations operate not only in response to economic requirements for efficiency. They cannot ignore the social context either (Boon et al 2009). They operate, among other things, under the influence of existing social, cultural, and regulatory norms, in which they are often deeply embedded (Rosenthal, 1995). To gain legitimacy in a given social context and thus survive, organizations often adopt similar structures and practices through a certain degree of conformity, or perhaps even mimicry—not even because they are the most effective in terms of competitive struggle, but because they are considered appropriate and "modern" at a given time. Institutionalism explains, in particular, the phenomenon of isomorphism, or the tendency of organizations to become similar to one another within a given organizational field (Paauwe, Boselie, 2005).

In the second half of the 1980s, the behavioral theory of HRM emerged. For the first time, it significantly linked HRM with the implementation of corporate strategy. The classic reference is the S.E. Schuler and S.R Jackson model, which assumed that the goal of HR practices is to shape specific employee behaviors that are broadly consistent with the organization's adopted competitive strategy (Jackson, Schuler, Jiang, 2014). This theory, therefore, assumed a link between strategy, expectations regarding employee behavior, and HRM tools and practices. This approach initiated thinking about HRM as a system (Ju, 2019).

The adoption of a strategic perspective in conjunction with HRM led to the emergence of the resource-based view (RBV) in the 1990s, primarily developed by J. Barney (Lazazzara, Galanaki, 2020). Unlike earlier approaches focusing on environmental fit, RBV shifts the emphasis to the organization's internal structure. The theoretically significant assumption resurfaces: that sustainable competitive advantage stems from possessing resources that are valuable, rare, and difficult to replicate, yet also organized to maximize their utilization. Among these resources, people occupy a special place, followed by their individual competencies, experiences, relationships, creativity, and style, perhaps unique to a specific team or even a single individual (Soo et al., 2017). RBV thus introduced a new approach to human capital management, treating them as a strategic resource crucial to company performance.

Currently, this theory constitutes the main paradigm of strategic HRM. There are certain connections between the RBV and contemporary strategic HRM, which, according to some literature, expose its shortcomings: a weak, superficial connection with the findings of behavioral economics, microeconomics, and even more so, macroeconomics. Problem areas include, in particular, HRM effectiveness (the "no rules

for wealth" proposal), alternative definitions of value and competitive advantage, and the neglect of marginal decision rules (Kaufman, 2016).

In a relatively similar period, the knowledge-based view (KBV) began to develop. It was an extension of the resource-based approach, but focused almost entirely on a specific type of knowledge resource – the knowledge (Lee, 1999). According to the theory discussed, this is the most important organizational resource. It should be noted that this represents a significant paradigm shift from the postulate that knowledge is the most important organizational resource (Arunprasad, 2015).

KBV draws, among others, on the work of M. Polanyi, who introduced the distinction between explicit and tacit knowledge (Tansley, Newell, 2007). Furthermore, it is partially rooted in the theory of dynamic competencies. Organizations that can effectively generate, transfer, integrate, and utilize knowledge are able to build unique value and innovation, thus developing their competitive advantage (DeNisi, Hitt, Jackson, 2003).

Against the backdrop of the above theoretical approaches to HRM practices, most of which are functional and—in a theoretical sense—positivist in nature, a completely different critical perspective stands out. Developed essentially since the 1990s, it is worth noting that it, too, is rooted in a much earlier tradition of social thought. Some scholars assume it is based on Marxist principles (Peltonen, Vaara, 2008) or perhaps its source lies in the critical theory of the so-called Frankfurt School (Longman, Mackintosh, 2024), M. Foucault's analyses (Alvesson, 2008), as well as – to some extent - feminism (Alvesson, 2008; Peltonen, Vaara, 2008) or postcolonial theory (Peltonen, Vaara, 2008; Ramirez, Böhm, 2018). In this approach, HRM is not treated as a neutral set of tools supporting organizational effectiveness, but as a field of conflict within the organization, concerning power and control, typically a conflict of interest between employee and employer

(Collings, Wood, Szamosi, 2018)., and in extreme versions of this trend, the capitalist, by its very nature, seeks to exploit the employee (Peltonen, Vaara, 2008; Ramirez, Böhm, 2018). The analysis, in a critical approach, deconstructs the manifestations of this conflict, as well as the tools and mechanisms for manipulating employees, subordinating their time, efforts, and aspirations (Primecz, 2020). It therefore encompasses the mechanisms of domination hidden in language, organizational practices, employment policies, and decision-making structures (Peltonen, Vaara, 2008). It seems that a critical approach does not propose universal models of management, but rather seeks to reveal the hidden interests and ideologies that shape the treatment of employees in organizations.

However, empirical research shows that in fact that the formalization of HRM practices is one of many dimensions distinguishing organizations with an "exploitation" configuration from those with an "exploratory" one. Less formalized systems allow for flexibility and rapid response, but limit process transparency, evaluation consistency, and the link between performance and reward. In turn, higher formalization increases transparency and stability, and thus can be assumed to foster the utilization of existing resources and knowledge (Medcof and Song - 2013).

The two classic paradigms ‘ –hard ’and ‘soft ’approach

Initially, HRM practices were informal and largely reactive. Despite their informal nature, they were strongly linked to formal issues, such as the employer's legal and administrative obligations. Thus, HRM focused on tasks closely related to accounting, including payroll and employee recordkeeping. The early stages of HRM were informal in the sense that they were characterized by a lack of structured policies and procedures, particularly in small companies, which had not developed the internal practices necessary to manage larger structures. However, as companies grew and

industrialization progressed, the need for more formalized HRM practices grew. First and foremost, the introduction of scientific management principles by Frederick Taylor at the beginning of the 20th century marked a significant shift towards efficiency and productivity, which could not bypass the problem of optimizing human labor as a classic factor of production in economics. However, there was yet no formalization of HRM as a strategic approach at that time.

The mid-20th century brought further advances in HRM, with the recognition of the human factor as a significant, if not the ultimate, factor in productivity, characterized by a significant complexity gradually revealed by the development of social sciences (especially psychology and sociology). The Hawthorne studies conducted in the 1920s and 1930s demonstrated the significant importance of social and psychological factors in the workplace indicating that human role should be viewed at least much more broadly than simply through the lens of job optimization, it must focus on an individual, not on a stream of people performing some fixed tasks.

This led to a greater emphasis on employee well-being and motivation, which in turn led to the development of more comprehensive HRM practices, which generally had more and more elements that managers should take into account.

From a theoretical perspective, it can be said that these practices certainly became more formalized, as they were increasingly based on model-based approaches, the implementation of which also required the standardization of organizational procedures. On the other hand, and much more importantly for understanding the shift in approach at the time, they also began to encompass a broader range of new dimensions, including the need for employee development, training, and performance evaluation, including in conjunction with motivational systems. The second half of the 20th century saw the

emergence of the concept of strategic HRM (SHRM), integrating human resource management with overall business strategy.

This approach assumed a priori that effective HRM could provide competitive advantage, which, in turn, clearly implied that competitive advantages could be gained by skillfully aligning human resource policies with organizational goals. Based on this assumption, the role of HRM expanded to include new approaches, including talent management, succession planning, and organizational development. At the same time, various contextual factors influenced the evolution of HRM practices, including organizational size, industry sector, and regulatory environment.

Among the theorists of HRM, Michael Beer, co-creator of the Harvard model (Beer et al., 1984), is particularly noteworthy. This model took into account the broad institutional context, stakeholders, employee engagement, and the long-term consequences of HRM policies. It can be concluded that he pioneered the concept of HRM as a complex, strategic organizational system (Kaufman, 2015).

Another fundamental approach to human resource management was the Michigan Model, also known as the Fombrun Model (Fombrun, C. J., Tichy, N. M., & Devanna, 1984). Compared to the Harvard Model (Beer et al.), this model is considered a more formalized tool, implementing a more rigorous approach (Kaufman, 2015).

The Michigan Model's elements include four fundamental HRM functions (Selection – employee selection; Employee evaluation; Employee development; Rewards – compensation system), consistent with the organization's strategy (so-called strategic alignment), which determines the choice of HRM tool.

Due to significant differences in understanding the importance of people in organizations, the above two models have become the foundation for two significantly different approaches to HRM. The differences in these approaches are illustrated in Table

1. It follows that they are profound, reaching to the very heart of the social essence of an organization and its approach not only to human resources but to business strategy and managerial essentials in general.

Table 1

Methodological differences between the Harvard and Michigan models

Area	Harvard Model	Michigan Model
The Purpose of HRM	Multidimensional consequences of HRM: not only profit, but also the quality of professional life and systemic integrity	HRM serves to achieve high efficiency and develop competitive advantage, with business results (especially net profit) as an indicator of success
The Role of HRM in an Organization	HRM as an instrument for dialogue, shaping employment relationships, and integrating the interests of various stakeholders, not just owners/shareholders	HRM as a control structure serving to achieve the company's strategic goals by subordinating HR practices to the business strategy

The Scope of Responsibilities in HRM	HRM as a broader responsibility, an element of general management, where the HR department serves, among other things, to represent employee interests to management	HRM as a responsibility of line management, an executive sphere
The Nature of the Employment Relationship	The employment relationship as a system of interdependence and shared responsibility; the need for trust, participation, and a "one culture" culture instead of a "two cultures" culture	The employment relationship as a transactional and hierarchical relationship; Employees as resources that must be selected, rewarded, evaluated, and developed
Stakeholder approach	Pluralistic approach – emphasizes the importance of various groups: employees, trade unions, local communities, and the state	Monistic approach – the owner's interests and the organization's purpose are at the heart of HRM

HRM system flexibility and transformation	HRM as a tool for organizational transformation and long-term culture change; the importance of organizational psychology, leadership, and consensus Change in the down-to-top model	HRM and its changes subordinated to strategy and the competitive environment, change in the top-down model
Perception of people in the organization	People as assets, partners in relationships, requiring development, commitment, and fair treatment	People as resources whose utility must be maximized

Source: own elaboration, based on Kaufman, 2015.

A deep contrast and clear methodological differences – between the functional-tool approach of Michigan and the humanistic-participatory approach of Harvard – resulted in the classic distinction between hard and soft HRM derived in the literature (Legge, 1995; Storey, 1992; Truss et al., 1997). Soft and hard methodological positions recur in the field of HRM in the opinions of many theoreticians.

There is, however, a gradual convergence between the two approaches in the literature on the subject, resulting from the fact that it intensively develops lists of best practices in the field of HRM, which are based on comparing the results of organizations using specific practices.

The soft approach seems to be more common in the literature and more frequently developed. In particular, its central thesis that human resources are a company's most important asset has gained significant traction in academic discourse (Muthuku, 2020). This has been partly due to pressure from influential voices among practicing managers and consultants, including Jim Collins, who coined the slogan "first who, then what" (Caulkins, 2008). Even where soft models are criticized, this assumption is usually not contested. For instance, Karen Legge (1995; 2014), as a critic of the instrumental approach to HRM, although was not an enthusiast of any form of HRM as a management ideology, her reflections exposed the false "softness" of HRM. Nevertheless, she also defended a perspective in which people are not merely resources.

Universalism and contingency in the HRM theory

The division into supporters of the hard and soft approach does not exhaust the main contemporary directions of research in the field of human resources.

A much more important debate concerns the impact of specific HRM practices on organizations. Two approaches exist. The best practice approach (Pfeffer, 1998), mentioned earlier, assumes the existence of universal HRM practices that always enhance organizational performance. In contrast, the best fit approach (Boxall, 2003) posits that HRM effectiveness depends on context—the company's strategy, organizational culture, environment, and so on. Theorists have defined this debate as the debate between universalism and contingency, respectively (Clinton & Guest, 2013).

Table 2

Contingentialist and universalist approaches in HRM

Category	Universalist Approach (Best Practice)	Contingency Approach (Best Fit)
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Theoretical Framework	There are universal HRM practices that are effective everywhere and always	HRM effectiveness depends on adapting to the organizational context and environment.
HRM Goal	Maximizing Results by Implementing Proven Practices	Maximizing Results by Adapting HR Practices to Strategy and Conditions.
Managers' Role	Implement a Set of Best Practices Regardless of the Situation	Flexibly Select Practices Depending on the Context and External Variables.
Employee Perception	All Employees React Similarly to the Same Practices (e.g., Participation, Development)	Different Employee Groups May Require Different Practices.
HRM Strategy	A Uniform Set of High-Performance Practices (HPWP/HPWS)	Individual Solutions Dependent on Industry, Culture, and Business Strategy.

Research focused on the universalist approach has certainly had a significant impact on HRM theory. Their main achievements, consisted of establishing lists of best HRM practices based on analysis of their relationship to company performance (Truss,

2002). Unfortunately, the scientific value of these achievements was questionable, as even in the early 21st century, it was demonstrated that the most economically efficient companies did not apply best HRM practices but developed their own sets (Truss, 2002).

Findings that question universalism could certainly move scholarly discourse toward the opposite position, but recent findings also show that contingency seems to overemphasize variability and fit, to the detriment of the strategic importance of HRM (Savaneviciene, Stankeviciute, 2010).

Gradually, it became clear that one of the answers to the problems in assessing best practices was the lack of systematicity in their interpretation. Arthur (1994) demonstrated that HR systems should be considered as a whole and only then understood as a system, influencing performance and employee turnover. Subsequently, MacDuffie (1995) noted that effectiveness is demonstrated by bundles of HRM practices, not individual best practices, which led to the conclusion that an HRM system should be studied as a set of practices.

The answer to these problems was a third approach, called configurationism, which rejects the idea of best practices and sometimes completely disregards the effectiveness of individual HRM practices. Instead, this approach assumes that organizational performance is determined by configuration, understood as the coherence and mutual alignment of the entire system of HRM practices, as well as their compliance with the overall organizational strategy (Sabin, 2025).

This approach has several important characteristics. The first is the pursuit of a holistic approach, i.e., not assessing individual HR tools but, at most, their sets, preferably the entire system.

The second characteristic, stemming directly from the first, is the assumption of complementarity and synergism among HRM practices, meaning that they operate effectively only when they are interconnected and coherent (Sabin, 2025).

The above two characteristics mean that it is necessary to assess HRM practices in terms of internal and external fit, meaning coherence within the HRM system and compliance with the specific nature of the company's strategy and its market environment beyond the system (Sabin, 2025).

A third inherent feature of this approach can also be identified: the assumption that HRM is a process, and one that is incremental, meaning that it involves the gradual construction of a configuration (Sabin, 2025).

The configurationalist approach presents HRM as a highly complex whole. This necessitates the development of new models that can clearly illustrate the highly complex relationships postulated in this approach.

As a result, a new approach has emerged – Human Resource System Strength (HRSS) – which aims to overcome the weaknesses of both perspectives by integrating them into hybrid models.

Bowen and Ostroff (2004), the authors of this concept, postulate three main elements of such a model: the process of communicating HRM practices (reception, interpretation, understanding), the psychological effects of system coherence (the effect of communication as actually being perceived in terms of a coherent and consistent message), and "climate strength" (the extent to which employees agree on their understanding of the HRM system). Therefore, it can be said that HRSS is a new approach stemming from the configurational foundation, as it expands it towards microfoundations, the perception and interpretation of the system, not just its coherence and effectiveness.

HRSS is not limited to the practices implemented (policy content) but encompasses in-depth reflection on the practical issues of employees' subjective perception of HRM policy and the effectiveness of the communication of related information. In other words, HRSS addresses how HRM practices used within an organization are communicated to employees (or even stakeholders) and implemented. This approach primarily develops a model according to which HRM in an organization should primarily meet three characteristics: distinctiveness, consistency, and consensus (Li & Abbas, 2024).

2.3. Contemporary scope of HRM

HRM specifically refers to the management of work and people to achieve desired goals. Unlike some other areas of management, HRM's existence requires no justification, as it is an inevitable consequence of employing people, and therefore of establishing and operating an organization (Boxall, Purcell, Wright, 2009).

There is a reciprocal (bidirectional) relationship between an organization's practices and actions and the attitudes of its lawyers. This means that HRM is not limited to the practices (much less codified practices) adopted within an organization, but is phenomenological in nature. Thus, HRM can be applied to interconnected phenomena occurring within an organization, encompassing people and their behaviors, as well as all attempts to manage them, especially conscious attempts to achieve the organization's goals (Mhatre & Mehta, 2023). This is the main reason why the scope of HRM is not precisely and ultimately defined, and we are dealing with a vague set in which it is not always possible to clearly define everything that belongs to HRM and what does not.

At the same time, the scope of HRM is evolving, influenced by changes in management theory and the environments in which organizations operate. Driving this

highly fluid change is the constant and accelerating pace of innovation in digital technologies and artificial intelligence. This implies for managers that it is impossible to isolate theoretical concepts from the changes undergoing contemporary organizations. This can be summarized by the fact that many experts believe that all parts of the modern world are, in a sense, hyperconnected (Yorks, Abel, & Rotatori, 2022). Managing organizations therefore requires consideration of highly diverse perspectives, and distinct fields cannot be completely and unequivocally isolated, thus allowing for the delimitation of what is and what is not HRM.

Against this backdrop, the dynamics of change in HRM become evident, as the global situation and technological changes influence the constantly evolving demand for new sets of skills and competencies (Yorks, Abel, & Rotatori, 2022).

Over recent decades, HRM has definitively shifted from a traditional administrative role to become a pillar of strategic management, particularly with respect to the organization's long-term task of securing strategic development resources within a given human resource context. HRM transformation is characterized by a direct impact on a company's decision-making process, its competitive position, and its long-term resilience to developments in its market environment. Modern HRM, perhaps partly modeled on the Michigan model, is a set of flexible practices that provide specific alignments between human capital and broader corporate goals. In this regard, HRM specifically ensures integration with initiatives related to innovation, performance, and sustainability (Ali et al, 2023; Stor, 2024).

The modern HR department is required to achieve results that are considered from the perspective of ensuring the company's human resources, but also its operational and strategic indicators. In particular, this is achieved by considering financial outcomes,

quality and innovation metrics, employee productivity, and organizational agility (Stor, 2024).

Contemporary HRM practices encompass every stage of the employee-organization relationship cycle, including recruitment, onboarding, training, engagement, and welfare, creating a work environment that supports employee satisfaction and productivity, and prioritizing the achievement of strategic goals. They also enhance an organization's competitive advantage, particularly by attracting and retaining the most valuable personnel (Sawant & Singh, 2024).

The four main assumptions of HRM, whose contemporary importance is great and constantly growing, include 1/ workforce planning aligned with organizational vision, 2/ career development as a tool of retention, 3/ high-performance work systems as a strategy to maximize employee productivity (especially per capita rather than individual or general), and 4/ human capital as a source of competitive advantage (Ali et al, 2023; Goswami, 2018).

Three fundamental functional areas of modern HRM can therefore be distinguished. The first area is rooted in traditional personnel administration. It encompasses planning, recruitment, selection, training, performance appraisal, promotion, dismissal, and employee compensation. The second area encompasses employee well-being, including working conditions, health and safety, and may also include housing, transportation, recreation, and medical care. Finally, the third area encompasses labor relations, trade union involvement, collective bargaining, grievance resolution, and dispute resolution mechanisms (Goswami, 2018).

The fourth, most prominent area today is the technological integration of human resources. It is clear that technology is radically, dynamically, and sometimes unpredictably transforming HRM, just like every other area of management and

organizational functioning. This area includes HR analytics, artificial intelligence, and predictive modeling, used particularly to optimize recruitment, forecast talent demand, and increase employee engagement. The literature assumes that modern technological tools support evidence-based HR decision-making and simultaneously contribute to a new transformation of HR departments. Their function is therefore shifting from centers serving as interpersonal bridges between employers and employees to strategic organizational centers with the characteristics of data-driven centers (Ali et al, 2023).

It can be considered true that it is the fourth of the indicated areas, i.e. the connection of technology with people management and their development, that defines the contemporary scope of HRM.

However, it has been shown that the implementation of modern HRM practices is not directly dependent on the company's level of digitalization, and individual companies can implement modern HRM solutions regardless of whether they are leaders in digital transformation or operate at a lower level of technological advancement (Jenkelova et al., 2023). It is also important to note that digitalization creates a supportive context, as the use of technology, for example, in communication or HR processes, facilitates the development of further HRM practices. Nevertheless, their adoption primarily stems from the organization's strategic decisions and management culture (Jenkelova et al., 2023).

There are essentially two approaches observed in organizations to the implementation of modern HRM practices.

The first is the individually oriented approach, focusing on individual development. It involves providing feedback while simultaneously supporting employee autonomy (Jenkelova et al., 2023).

The second approach is the collective orientation. It involves seeking a stronger emphasis on loyalty to the organization and striving to maximize the use of tools supporting teamwork (Jenkelova et al., 2023).

HRM's technologically driven responsibilities sometimes include ensuring companies can work remotely. This was particularly evident during the recent COVID-19 pandemic. At that time, it was recognized that HRM had to rapidly evolve remote work protocols, reconfigure onboarding processes, and sometimes even offer digital mental health support. It's important to note that some of these practices remained relevant even after the pandemic restrictions ended, as companies broke down some of the barriers associated with allowing work without a permanent office presence. Remote work has thus firmly established itself as a long-term structural element of workforce management. At the same time, agility and resilience have become important features expected of HRM systems (Ali et al, 2023).

The literature currently notes that implementing AI in HRM has the potential to revolutionize human capital management. In particular, it can significantly improve the efficiency and quality of HR decisions (Sabil et al., 2023). AI enhances the effectiveness of HRM processes primarily through predictive analytics, which allows for predicting employee turnover, identifying competency gaps, and supporting succession planning. Furthermore, these technologies enable the development, customization, and delivery of personalized training programs and recommendations for managers regarding the development of specific employees. These, in turn, can improve employee productivity and satisfaction. To some extent, they also enable the automation of simple HRM tasks. For example, HR chatbots enable immediate and 24/7 support, potentially significantly reducing administrative burdens in HRM departments (Sabil et al., 2023).

A significant challenge of contemporary HRM is Diversity, Equity, and Inclusion (DEI), which includes recruitment, equal treatment (including equal performance assessments), and the promotion of diversity at various levels of the organizational hierarchy, which the literature associates with higher rates of innovation and staff engagement (Ali et al, 2023). Generally, this task has two aspects: on the one hand, promoting a certain kind of justice, ensuring that no one is treated badly, but also the task of exploiting, translating into the company's success, the fact that it is diverse in a certain way.

This is most clearly visible in the example of cultural differences, which are becoming a key issue in contemporary HRM. Due to this reason, a very important element of modern HRM, although undoubtedly not present in all organizations, is multicultural management.

The scope of HRM in multicultural teams focuses on finding specific approaches to cultural diversity. When it occurs within an organization, it should be transformed into a source of innovation and competitive advantage. It is recognized that multicultural teams allow organizations to better understand global markets, adapt their products and services accordingly (taking into account increasingly diverse customer expectations), and possibly respond more quickly to changes in the organizational environment, the dynamics of which are characterized by different sensitivities among people from different cultures. In the context described above, HRM encompasses, in particular, the development of intercultural competencies within the entire team, especially among managers, thus shaping an inclusive work environment. It is therefore very clear that multicultural HRM significantly interferes with the organizational culture of the organization. This is particularly evident in the dominant multicultural strategy of

fostering open communication, which, according to the literature, enables the full utilization of diversity's potential (Sundari et al., 2025).

At the same time, the scope of HRM in multicultural teams also encompasses minimizing risks stemming from differing communication styles, social norms, and values found in different cultural contexts. HRM therefore serves as a mediator and facilitator in integration processes. It should strengthen trust, eliminate prejudices and stereotypes, and strive to improve teamwork effectiveness (Sundari et al., 2025).

It is assumed that a multicultural orientation is particularly important in large companies and its consequences of globalization, which means that operations require the management of multicultural, usually geographically dispersed teams. Therefore, to be able to operate at all, a minimum of cultural awareness is necessary, as well as an attempt to implement a global talent acquisition strategy, thinking about international labor markets, and compliance with international labor law (Ali et al, 2023).

For the above reasons, the better the integration of intercultural competences into strategic human resources management, the greater its impact on improving organizational performance and competitive advantage in the international arena (Rachwał, 2024).

The importance of cross-cultural aspects of HRM, however, does not have to be limited to global corporations. On the contrary, the significant role of immigration in many labor markets means that cross-cultural communication can also be part of HRM among small-sized enterprises, because these companies are also subject to various influences of globalization, and therefore they also have to adapt to the variability and diversity of the environment in which they operate (Utama & Samaad, 2025). The literature on this topic is sparse to date, focusing more on challenges than on the defined scope of HRM in smaller companies (. An exception to this are IT companies, which,

even if small, often employ multinational teams. Therefore, the issue of multiculturalism in their HRM is better understood (Pavlenko, 2022, Javali & Kumar, 2025). The above-mentioned issues are presented in the table 3.

Table 3

Methodological differences between the Harvard and Michigan models

Area of HRM	Main Practices/Activities	Strategic Purpose	Illustrative Examples/Tools
Traditional personnel administration	Workforce planning, recruitment, selection, training, performance appraisal, promotion, dismissal, compensation	Ensure efficient allocation and management of human resources	Recruitment procedures, standardized training programs, appraisal systems
Employee well-being	Working conditions, health and safety, housing, transport, recreation, medical care	Support employee satisfaction, productivity, and long-term retention	Workplace safety programs, wellness initiatives, employee assistance services

Labor relations	Trade union involvement, collective bargaining, grievance handling, dispute resolution	Maintain industrial harmony and prevent conflicts	Union–management negotiations, grievance redressal mechanisms
Strategic HRM	Workforce planning aligned with vision, career development, high-performance work systems, human capital as competitive advantage	Align human capital with long-term organizational goals and secure strategic resources	Talent management programs, succession planning, HPWS practices
Technological integration	HR analytics, artificial intelligence, predictive modeling	Enhance evidence-based decision-making, optimize recruitment, forecast talent demand, support engagement	Predictive turnover analysis, HR chatbots, digital onboarding systems

Diversity, Equity and Inclusion (DEI)	Inclusive recruitment, fair performance assessment, promotion of diversity in leadership pipelines	Foster fairness, innovation, and engagement through inclusivity	Bias-free recruitment tools, diversity training, inclusive promotion policies
Multicultural HRM	Development of intercultural competencies, fostering open communication, minimizing risks from cultural differences	Transform cultural diversity into innovation and global competitiveness	Intercultural training, global talent acquisition, international labor law compliance

Source: own elaboration.

By linking the above elements of the HRM scope with the historical evolution of HRM described above, we can assume that the individual domains of contemporary HRM are layers that emerged in a specific time sequence. This is illustrated in the figure.

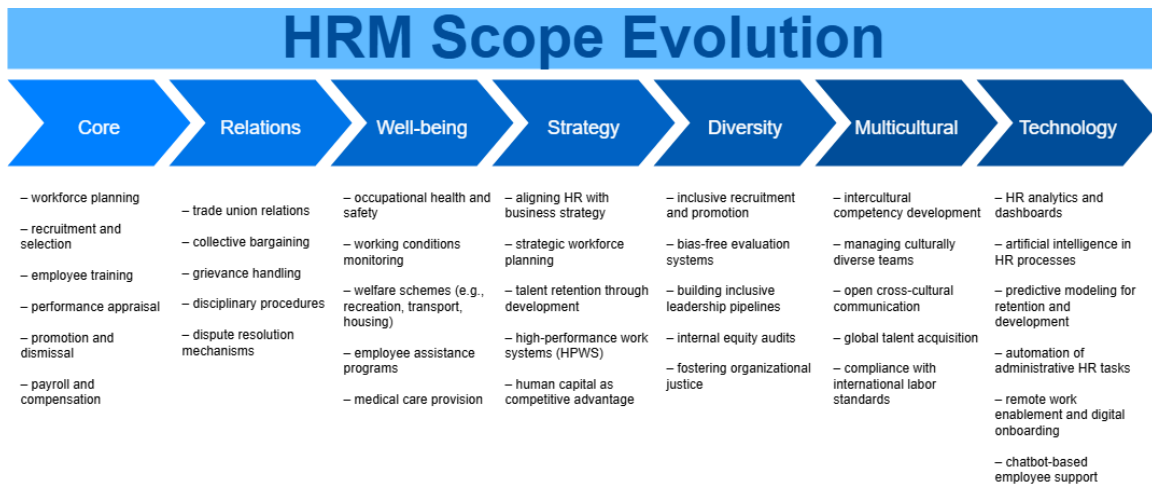


Figure 1
Layers of HRM following the chronological development of management sciences.

2.4 Formalization in HRM

Theory of formalization

Formalization is a theoretical concept that refers to the specific expression of methods of action. Primarily, it refers to the translation of concepts and theorems into a precise formal language—e.g., logic or mathematics. This, in turn, allows for the elimination of ambiguities and thus enables rigorous analysis of reasoning (Lexicon of Arguments, 2025). Thus, it can be said that formalization serves to obtain specific, clear, and readable schemes, which, in principle, facilitate the perception and understanding of empirical reality. As a method, a certain style of thinking, it was characteristic of the analytical tradition, which was intensively developed in the 20th century by thinkers striving for maximum clarity and rigor of arguments. The advantages of formalization, in its most general sense, undoubtedly include increased precision and objectivity. For example, formalized arguments are subject to clearly defined criteria of logical correctness. Thus, in subsequent analysis or the translation of theoretical conclusions into practical applications, systematic error detection and unambiguous verification of

information are possible (Hansson & Hendricks, 2018). Formal methods, as a set of tools, can explain, refine, and solve problems at the level of assumptions, translating elusive human intuitions into clear, precise formulas (Hansson & Hendricks, 2018).

On the other hand, all formalization methods shift understanding in a mechanistic direction. A good example of this is the reliance on symbolic models. It is argued that excessive detachment from everyday meanings, a certain abstraction of the transition to model-based thinking, does not always clarify the issues they address. On the contrary, formalization can obscure and oversimplify empirical evidence. Sven Ove Hansson (2000) points out that the formalization of thinking fosters a focus on details, a detachment from the mainstream of ongoing research, and perhaps a certain siloing of thinking, where the connections between reality and its representation essentially isolate that representation.

A formal style always tends to become enigmatic and lose touch with intuition, becoming understandable only to those who interact with it daily and develop it, while remaining hermetic to outsiders who have more sporadic contact with formalization.

Sometimes, formalization also constitutes a kind of unnecessary addition to existing practices. In scientific work, for example, certain attempts to formalize assertions, inquiries, and the addition of formulas can seem like "empty, snobbish embellishment" if they are not accompanied by appropriate logical rigor and concern for comprehensibility (Grzegorzcyk, 2002). It can therefore be assumed that formalization essentially means a certain way of encoding reality, which is probably not always necessary, not always clear, often requiring decoding and explanation, but in any case it creates the possibility of developing clear, transparent models of reasoning and action.

Formalization can be applied to anything that can be subordinated to some model of thinking. For the purposes of this paper, however, only one type of formalization is

relevant: formalization in management. Therefore, it is not elements of formalization theory, such as the use of mathematical formulas, that are relevant here, but rather those that influence managerial practice, such as formalized management procedures.

In management science, formalization refers to the degree of standardization and codification of activities undertaken within an organization; one could even say the degree of overall standardization and codification of the organization itself. Its core is a formalized organizational structure. Within such a structure, procedures, policies, job descriptions, and rules are clearly written and—at least in the intention or opinion of management—strictly followed (Sivadas & Dwyer, 2000).

In a somewhat simplified sense, an organization with a high level of formalization will be a structure based on specific, usually, if not always, written rules that regulate employee behavior and the processes taking place within the organization (Bauer & Erdogan, 2012).

For the above reasons, even at the intuitive level of conceptualization, formalization is clearly a key, in every respect constitutive feature of a bureaucratic form of organization. Already in classical management theories, studies of organizational structure have from the outset emphasized the need for formal rules and procedures to ensure order (Pugh et al., 1963; Scott, 2003).

Some authors even emphasize that the concept of organization is inextricably linked to its formalization. An organization, unlike an informal group of people, can only exist as a system of formal regulations for human behavior (Pugh et al., 1963; Scott, 2003).

The above discussion clearly demonstrates the benefits of formalization. It is associated with achieving predictability and consistency of action; a high level of formalization ensures that employees in similar situations make similar decisions and

exhibit similar behaviors because they are based on uniform, if not exactly identical, instructions. Thus, formalization serves as a tool for cohesion, reducing uncertainty and ambiguity. In a formalized organization, when a problem arises, procedures for resolving it also exist (Abdallah & Langley, 2014; Sivadas & Dwyer, 2000).

Unifying the spectrum of staff behavior around organizational formalization translates not only into repeatability and relative certainty, but also—to the extent that formalized procedures are relatively rational—into consistent quality and fairness in the treatment of various cases. Since formalization drives cohesion, it also serves an integrative function. As part of this function, clearly defined processes and instructions coordinate the activities of various organizational units, facilitating their collaboration and thus uniting the organization around a common goal (Song et al., 2011; Ketokivi & Castañer, 2004). Numerous scientific studies have shown that formal planning and documenting procedures significantly increases an organization's effectiveness and can even be a significant determinant of its survival in a demanding business environment (Delmar & Shane, 2003; Burk et al., 2010).

Unfortunately, when it comes to standardizing people's behavior, it's important to remember that this standardization can be contrary to their nature, as people are naturally different from one another. Therefore, reducing them to a uniform procedural framework may not so much unleash their potential as impose additional constraints, metaphorically perceived as a muzzle, bureaucratic shackles.

Once established and preserved through formal operating styles, an order or set of operating styles can later become a burden when it requires dynamic adaptations to a changing reality. The disadvantages of excessive formalization are therefore particularly apparent in dynamic, especially innovative environments. However, there is evidence that formalization can also strongly support employee innovation, provided that there are

ways to support innovation in the formalized business environment (Renkema, Meijerink, Bondarouk, 2021).

In the previous section, a typology of organizations was introduced: mechanistic and organic. It is assumed that the former, highly formalized, provide stability and operational efficiency at the expense of flexibility and—perhaps—innovation, while the latter—low in formality—are characterized by flexibility, creativity, and better adaptation to change (Burns & Stalker, 1961; Dedahanov et al., 2017). Referring to this typology, it should be noted that it has been repeatedly scientifically demonstrated that strict adherence to rules can stifle employee initiative and discourage the pursuit of unconventional solutions (Oldham & Hackman, 1981; Yuan & Woodman, 2010). It has long been noted that rigid procedures also reduce motivation and job satisfaction – employees feel constrained by a lack of autonomy (Oldham & Hackman, 1981). For these reasons, highly formalized organizations respond much more slowly to change, and the decision-making process is significantly prolonged due to the need to comply with numerous steps and approvals (Fredrickson, 1986).

However, it is not entirely certain whether a formalistic structure actually hinders innovation or whether it can create a good infrastructure for generating it. On the one hand, structure can facilitate the implementation of certain projects, including those of significant value, once they are incorporated into the corporate machinery. On the other hand, it can inhibit the development and implementation of innovative ideas (Mintzberg, 1994; Cardinal, 2001).

In HRM, formalization manifests itself through the establishment of formalized HR practices and policies. Above all, the function of the HRM department within an organization is systematized and institutionalized. This is particularly evident in the existence of clearly defined HRM tasks and procedures, as well as structures dedicated to

their implementation. Depending on the size of the organization, ranging from a single HRM specialist to extensive, international departments (Wickramasinghe, 2022).

According to contemporary studies, HRM formalization includes, among other things, a written HR policy, regular, documented procedures for recruitment, evaluation, training, and remuneration, and the designation of individuals responsible for HRM systems.

It is assumed that companies that have formalized at least the HRM function in the form of separate departments achieve a higher level of maturity (development, refinement) and intensity (frequency, emphasis) of HRM practices. This, in turn, translates into, among other things, greater efficiency. for better results in the area of human capital management (Wickramasinghe, 2022, p. 2). In other words, formalizing HRM creates structures and procedures that allow for effective employee management. Thanks to it, a lasting, clearly defined foundation is built for further improvement of the organization's efficiency and effectiveness, based on a systematic pursuit of consistent utilization and development of human potential.

According to the literature, formalization of the HR function can foster the development of appropriate HRM structures, which translates into, among other things, more effective employee management and, consequently, improved organizational performance (Wickramasinghe, 2022; Barney, 1991). On the other hand, too rigid formalization has been criticized as limiting flexibility (Mayne, Tregaskis, Brewster, 1996) and possibly restricting innovation within the company (Renkema, Meijerink, Bondarouk, 2022).

Theoretical views on formalization in HRM

HRM formalization, as evidenced by the above findings, refers to the degree to which these practices are standardized, and therefore unified and embedded in formal

procedures and regulations, and above all, the existence of dedicated organizational structures that are strong enough to give traction to HRM practices (Wickramasinghe, 2022; Barney, 1991).

Simply put, the higher the degree of formalization, the more human resource management relies on official rules and codified documentation, and less on *ad hoc*, discretionary actions.

In the context of resource-based theory, where it is essential to ensure the effective utilization of employee talents and competencies as the organization's most important resource, the formalization of HRM practices can play a dual role. Formal HR procedures and systems can help systematically develop human capital and ensure coherent actions, thus fostering the full utilization of employee potential, precisely toward what resource-based theory considers most important: creating quality that is difficult to replicate and provides competitive advantage. These observations can be argued to be based on a relatively broad body of empirical evidence and even have a certain universal appeal. Even in smaller companies, the introduction of formalized HR policies (e.g., written standards for recruitment, employee evaluation, and training) allows for better personnel management or at least translates into higher productivity or lower staff turnover (Wickramasinghe, 2022).

On the other hand, from a resource-based perspective, excessive standardization can undoubtedly reduce the uniqueness of an HRM system. It can therefore reach a level where, instead of fostering it, it limits the development of competitive advantage. If all companies implement formalization, they do so in a relatively similar manner, especially if they follow the same "best practices" derived from HRM theory. As a result, their HRM practices become increasingly imitable, and certainly not rare or unique. Therefore, they certainly cease to be unique to market competitors. Given the resource-based

theory's assumption of equivalence and parity between different ways of implementing the same HR functions (Becker & Gerhart, 1996), the lack of a single method that provides competitive advantage should encourage seeking it in a unique combination tailored to the company.

In the behavioral theory of HRM, unlike the resource-based theory, formalization is viewed in a fundamentally, though not exclusively, negative light. This applies particularly to innovation strategy. It is assumed that less formalized roles, flexible job descriptions, and long-term competency development are key factors. Nevertheless, an innovation development strategy is not the only strategy an organization can adopt. A cost-based strategy recommends high formalization, particularly rigid job descriptions, short-term evaluations, and routine procedures. Therefore, formalization from a behavioral perspective is not the foundation of the theory itself, but rather a variable adjusted depending on expected employee behavior.

Similarly, according to contingency theory, the degree of formalization is a defining dimension of organizational structure. Therefore, it should be subject to change depending on the circumstances. Formalization, along with other closely related parameters, serves as a parameter defining the configuration of an organization. This implies that formalization is therefore an integral element of the theoretical model, but it does not always have to occur with equal intensity in the realities of every organization.

According to knowledge-based theory, the scope of formalization is defined in relation to its specific element, namely knowledge formalization (codification). It serves as an auxiliary mechanism in knowledge management. Documentation, instructions, and procedures are used for this purpose. Again, excessive formalization can limit creativity, especially since not all knowledge is codified; the value of knowledge often lies beyond formal procedures.

It should be added that management science also includes so-called institutional theory. Formalization appears in this theory primarily as a result of institutional pressures on the organization, rather than as a condition for HRM effectiveness. There are essentially three categories of the impact of such pressures, which fall within the framework of various forms of pressure. These are formal HRM policies implemented in response to regulatory, mimetic, or normative pressures.

The scope of formalization in HRM

As already indicated, the key to formalization lies in the very existence of departments or employees dedicated to HRM. In part, this may certainly occur, according to institutional theory, under the influence of regulatory pressure, such as the need to account for working time. In this context, formalization appears to be a natural consequence of company development.

At the same time, as the previous sections demonstrate, the development of HRM in today's dynamically evolving business environment, which also encompasses intense technological change, seems limitless, extending into ever-new areas. Therefore, it is difficult to speak of any limitations to the scope of formalization.

Examples of the domains of formalization of HRM practices are presented in Table 4.

Table 4

Contemporary scope of HMR

Formalized HRM practice	Source
Workplace Regulations	(Roehling, Posthuma, Hickox, 2008)
Remuneration Regulation	(Walczak, 2019)

Collective Bargaining Agreements	(Aleks, Maffie, Saksida, 2020)
Recruitment Policy	(Blount, Castleman, & Swatman, 2005)
Promotion Policy	(Zou & Lansbury, 2013)
Training Policy	(Hassi & Storti, 2011)
Career Development Policy	(Afrianty et al., 2025)
Succession Policy	(Hudiyah et al., 2025)
Periodic Appraisal System	(Jończyk, & Buchelt, 2015)
Management by Objectives	(Każmierczyk, Aptacy, 2016)
Base Pay Policy	(Lengnick-Hall, Lengnick-Hall, & McIver, 2018)
Variable Pay Policy	(Siddiqui, 2011)
Bonus Regulations	(Thu, Xiang, 2013)
Non-wage Benefit Systems	(Weathington, 2008)
Working Time Policy	(Hadjisolomou, Newsome, Cunningham, 2017)
Working Time Recording Systems	(Khorsand, Peráček, & Bajžíková, 2023)
Absence and Leave Regulations	(Tomilson et al., 2018)
Diversity and Inclusion Policy	(Hina, 2024)
Anti-Mobbing Policy	(Pytel-Kopczyńska, Oleksiak, 2022)

Anti-Discrimination Policy	(Noknoi, 2011)
Occupational Health and Safety Regulations	(Gaffar, Al Brashdi, 2025)
Occupational Risk Assessment Procedures	(Maier, Burnham, DeLeo, Lynch, 2025)
Code of Ethics	(Bučiūnienė, & Kazlauskaitė, 2012)
HR Compliance Policy	(Hayek, Hayek & Williams Jr, 2013)
Layoff and Outplacement Policy	(Katherine, 1988)
Contract Termination Procedures	(Zupan & Kaše, 2005)
Age Management Policy	(Garavaglia, Marcaletti, & Iñiguez-Berrozpe, 2021)
Employee Participation Regulations	(Guest, 1986)
Automated HRM System	(Livneh, 2024)
HRM Reporting Procedures	(Jahid, Wahyuni, & Garad, 2024)
HR Audits	(Adllaleh et al., 2024).

The table above shows that the formalization of HRM encompasses not only areas traditionally associated with personnel management (remuneration, performance appraisals), but also a range of new, complex dimensions, consistent with the evolving functions of HRM. These dimensions are particularly systemic and institutional in nature. There is a visible shift from ad hoc practices to comprehensive policies, procedures, and regulations that provide a framework for both employers and employees.

2.5 Motivation and Performance Theories

Motivation theories

Motivation is defined as the process that initiates, directs, and sustains goal-directed behavior. It is not merely a momentary impulse but a complex mechanism encompassing various psychological components, such as goals, values, intentions, effort, and perseverance. Particular emphasis in motivation research is placed on its role as a dynamic psychological state dependent on the individual's perceived value and sense of efficacy and autonomy (Bandhu et al., 2024).

The concept of motivation was introduced into the literature and developed gradually, probably for the first time by William James, who in 1890 proposed the role of "instincts" as a source of action (Bandhu et al., 2024).

Various theories of motivation have developed in response to the complexity of the phenomenon and, consequently, the limitations of earlier approaches. The complexity of human behavior has necessitated the development of approaches that incorporate cognitive, emotional, social, and cultural factors. This has been facilitated by the lack of a universal definition and the need to explain the various contexts of human action (e.g., learning, work, social relationships).

For the purposes of this paper, it is particularly important to consider theories of motivation in the context of human organizational behavior.

Employee motivation is undoubtedly a factor linking HRM practices with employee behaviors and organizational outcomes. The classic distinction between intrinsic and extrinsic motivation (Sima, Lazăr, & Paru, 2023) indicates that job motivation comes from two, complementary to some extent, sources. Intrinsic motivation

arises from satisfaction and interest in the work itself, whereas extrinsic motivation is driven by rewards, recognition, or the avoidance of negative consequences.

In small enterprises, intrinsic motivation often stems from interpersonal relationships, autonomy, and meaningful customer interactions (Khan, Proverbs, & Xiao, 2022), so the factors that formalization can either strengthen or weaken depending on specific context, e.g. managerial behavior, and the clarity of expectations (Burhan et al., 2023).

From the above perspective, Vroom's expectancy theory naturally follows. This theory posits (Amali et al., 2023) that employees are motivated when they believe that effort leads to performance (expectancy), performance leads to rewards (instrumentality), and those rewards are personally valuable (valence). Formalized HRM practices, e.g. performance appraisal systems, standardized job expectations, and consistent feedback mechanisms can reinforce these links (Emmanuel & Nwuzor, 2021), whereas unclear or inconsistently applied policies, typical of informal SMEs, reduce motivation because employees perceive little connection between effort and reward (Adedipe & Adegoke, 2025).

Equally important for understanding these processes is Self-Determination Theory (Shulzhenko, 2024), which asserts that the highest level of motivation occurs when three basic psychological needs are satisfied: autonomy, competence, and relatedness. This theory advises a multidimensional conceptualization of motivation based on the degree to which a person has internalized the value of an activity (from the absence of motivation to intrinsic motivation; Kamarova et al., 2025). Formalization can support competence and relatedness by clarifying tasks and standards, yet it may simultaneously threaten autonomy if perceived as overly restrictive (Collins et al, 2025, Nguyen & Vu, 2024; Gagné et al., 2022).

In a similar vein, Hackman and Oldham's (1976) Job Characteristics Model identifies five core job dimensions (Omar et al., 2022). These include skill variety, task identity, task significance, autonomy, and feedback—that determine motivation and job satisfaction. HRM formalization particularly may strengthen task identity and feedback, e.g. through written role descriptions and structured evaluation processes, but excessive formalization can limit the other dimensions.

One of the most influential contributions to understanding workplace motivation is Herzberg's two-factor theory, which distinguishes between hygiene factors (e.g., salary, working conditions) and motivators (e.g., achievement, recognition, responsibility). The presence of hygiene factors prevents dissatisfaction but does not provide motivation, whereas true motivation stems from the presence of intrinsic motivators (Alshmemri, Shahwan-Akl & Maude, 2017).

Performance theories

Performance is a multidimensional construct shaped by organizational practices, employee behaviors, and contextual characteristics (Edwards, 2001; Hosie & Nankervis, 2016). Two main perspectives exist in the HRM field: the AMO model and high-performance work systems (HPWS).

According to the AMO model (Mahdy & Alhadi, 2021), performance arises when employees possess appropriate abilities (A – ability: skills, training, job knowledge), motivation (M – motivation: incentives, clarity of expectations, support), and opportunities for participation (O – opportunity: autonomy and participation in decision-making).

Formalization appears to impact all three components. Written job descriptions, clear recruitment criteria, and structured training enhance capabilities. Standardized feedback and fair appraisal systems enhance motivation (to a certain extent), etc.

Similarly, the HPWS theory argues that only bundles of complementary HR practices—training, participation, performance appraisal, communication, and performance-based pay—create synergies and significantly improve performance (Subramony, 2009). In this approach, isolated practices yield only limited benefits. In the SME sector, where HR practices are often fragmented and informal, formalization would therefore be a crucial first step toward building a coherent human resources management system.

In light of the above theories, the links between motivation (and its factors) and performance, and therefore the range of HRM policy tools that enable performance improvement through knowledge about motivation, are multidimensional and likely context-dependent. However, there are some universal findings regarding the impact of HRM practices on work performance through the lens of motivation.

It is currently believed that motivation should come from various sources and be related to meeting employee needs. There is ample evidence of a causal relationship (not just correlation) between the satisfaction of various needs and employee performance, the influence of need satisfaction on work behavior, and the components of employee behavior that determine work performance (Lăzăroiu, 2015). Research has shown that although compensation is the most important motivating factor, it is not sufficient. Motivation, satisfaction, and job performance interact in a circular manner. Higher satisfaction is often associated with better performance, especially in teamwork, which supports the achievement of organizational goals (Jalagat, 2016).

2.6 HRM Practices in Spain

Regulatory context

Labor law in Spain is strict, widespread, and relatively well-enforced. Employment is regulated by the following important generally applicable laws *Código Laboral y de la Seguridad Social*, 2025). It should be noted that labour law is only partially codified in the main legal act, which is the Labour Code (Ley de Empleo), and therefore its provisions are largely dispersed across several acts with a relatively wide scope of regulations, some of which were issued in the form of a royal decree:

1. Spanish Constitution (Constitución Española)
2. Employment Law (Ley de Empleo)
3. Royal Legislative Decree 2/2015, of October 23 – consolidated text of the Statute of Workers (Estatuto de los Trabajadores)
4. Royal Decree-Law 32/2021, of December 28 on the last labour market reform (entered into force in 2022)
5. Law 10/2021, of July 9 – on remote work (Ley del Teletrabajo)
6. Organic Law 3/2007 – on equality between women and men;
7. Royal Decree-Law 8/2019, of March 12 – on working time registration (control horario)
8. Law on the Statute of Self-Employed Workers (Estatuto del Trabajo Autónomo)
9. General Law on Social Security – consolidated text
10. Organic Law on Trade Union Freedom (Ley Orgánica de Libertad Sindical) (*Código Laboral y de la Seguridad Social*, 2025)

Traditionally, the Spanish labor market developed within a model imposed by an authoritarian state, where it was not very liberal. The specific nature of the labor market at that time, including the activities of entities participating in it and the practices they employed, was exceptional in Europe and even the world at that time. Besides the strong

centralization characteristic of socialist states, the labor market attempted to be highly autarkic and implement the fascist postulates of state corporatism, which involved vertical integration into sectoral syndicates subordinated to the central administration. Despite its specificity stemming from fascist ideology, the goals of this system, as in most, if not all, authoritarian states, were accelerated industrialization, totalitarian social control, and the prevention of worker unrest, at the expense of workers' rights and the deprivation of the opportunity to benefit from the dynamics of the free market (Molinero & Ysàs, 2003). Reforms aimed at eliminating this type of situation were part of the effort to end the legacy of the authoritarian regime and facilitate integration with the European Union. These included, among other things, the admission of collective bargaining and trade unions, which were to play a significant role in further reforms (Ferreiro, Serrano, 2001).

Labor law was also restructured as part of several major reforms. Primarily, in 1984, temporary contracts were liberalized, introducing significant simplifications for seasonal work and the hiring of workers for trial periods. This reform resulted in the creation of two parallel forms of employment: deregulated temporary work and heavily regulated permanent employment. This was followed in 1994 by significant liberalization, promoting labor market flexibility, including the decentralization of negotiations with the social partners. This resulted in the so-called April Agreements in 1997, with the participation of the social partners, which significantly reduced the labor market's dependence on trade unions, including lowering dismissal costs. In 2001–2002, further reforms limited employment protection and promoted women's employment after childbirth (Gil Martín, 2002).

Thus, the labor market transitioned from the intensive use of temporary contracts, through attempts to limit them, to further incentives for permanent employment, but with lower levels of security (Gil Martín, 2002).

Despite numerous interventions, a high level of labor market segmentation persisted, and the pace of permanent job creation was limited (Gil Martín, 2002).

Despite the above reforms, the first liberalization in 1984 had effects that persisted for four decades in the form of a very significant share of temporary contracts, which became specific to Spain, and their share has decreased significantly only in recent years. The percentage of workers employed on temporary contracts has gradually declined, from an average of approximately 29.7% in 2014 to 2019, to approximately 12.7% in 2024 (Bustamante, Díaz, 2025).

The strong emphasis on promoting permanent employment has led to certain paradoxical effects. Permanent contracts have been observed to dominate even in agriculture and tourism, where seasonality is a key driver for temporary contracts. At the same time, the prevalence of "permanent but intermittent" contracts has been noted (Bustamante, Díaz, 2025). In particular, the major labor law reform of 2022 aimed to combat excessive seasonality in employment, and therefore youth unemployment. This reform almost completely eliminated one form of employment, the once-common "obra y servicio" (seasonal project contract), in favor of open-ended contracts ("fijo discontinuo") with the possibility of breaks in employment. Under such contracts, employees are permanently employed with the expectation of periodic activity—for example, work during each high season and unpaid leave or standby during the low season (Rojas, 2025).

Public administration has proven exceptionally resistant to change, as employment is more flexible than in many other sectors of the economy due to the widespread use of temporary contracts.

Organizational practice

In recent years, HRM in Spanish private companies has undergone dynamic changes, including specific adaptations of practices to European standards and global trends. It still retains elements considered to stem from local culture and traditional solutions within the country's economy.

In the Spanish private sector, both modern e-recruitment methods and traditional forms of employee acquisition are used. Digital recruitment is gaining importance, although its current prevalence is moderate. Companies commonly use online job portals, social media, and professional networks such as LinkedIn. For example, empirical research indicates that 44% of HR professionals in Spain use social networks (primarily LinkedIn) for managerial recruitment, and slightly less frequently (22% and 18%, respectively) for mid-level and specialist positions (Poza, 2023).

At the same time, personal recommendations and informal contacts still play a significant role, reflected in the existence of social networks and family concessions, which have been criticized in the media. According to press reports, as many as 52% of young Spaniards (aged 16–34) seek their first job through family or friends, making it connections, not skills, that determine their entry into the job market. Referral CVs are common practice – many employers consider such candidates to have been pre-screened by trusted individuals (TNS, 2024). Candidate selection in Spanish companies is based primarily on interviews and experience assessments.

The pay structure in Spain traditionally includes a fixed base salary paid in 14 annual installments (two additional "salaries" – summer and holiday).

Spain is characterized by an exceptionally low level of financial participation and a moderate use of performance-related pay. This characteristic is particularly evident when compared to other EU-15 countries (Crane, 2023, 48).

Practices aimed at financially motivating employees occur in fewer than half of Spanish companies.

Regarding performance-related pay practices, they occur in only 48.5% of Spanish companies (compared to 61.0% in the EU-15 and 84.2% in Germany). Individual bonuses are awarded by 42.9% of organizations (compared to 88.6% in Belgium and 70.9% in Finland). Team bonuses are widespread at 38.7%, significantly lower than the EU-15 average (49.1%). In turn, practices aimed at providing employees with profit sharing are characteristic of a small percentage of Spanish organizations.

Only 13.8% of Spanish companies offer share plans, and 10.1% offer stock options. Profit sharing is used by only 23.3% of companies, compared to 52.4% in Germany and 37.2% in Belgium (CRANE, 2023).

The use of variable compensation components in Spain is more common the higher the position and the larger the company. According to recent analyses, short-term bonuses for executives are already offered by approximately 75% of small companies, 86% of medium-sized companies, and as many as 94% of large enterprises in Spain. However, while variable components are slowly becoming more widespread, their share of total compensation is usually much smaller than in other Western countries. For managers, it rarely exceeds the 10-20% range, compared to 20-30% in Anglo-Saxon countries (RRHHDigital, 2025).

Given the low prevalence of salary-based incentives, the practice of using non-wage motivators exists in Spain, but their exact prevalence is extremely difficult to assess. Some sources indicate that the concept of so-called *salario emocional*, or

"emotional remuneration," is gaining popularity in Spanish companies. It encompasses a variety of intangible benefits that improve job satisfaction – flexible hours and the option of remote work, additional training and development, health benefits, and recognition of achievements. Such practices have been gaining popularity, especially in recent years, and are seen as a potential remedy for burnout (ENERO, 2022).

Non-wage motivators include work flexibility, which is gaining popularity as a tool for talent retention, especially for young employees. This practice is reflected in the increase in the percentage of companies offering partial home office options in the last year (Dolz, 2025). In larger companies, additional benefits such as lunch vouchers, medical care, travel subsidies, and group insurance are gradually becoming standard (AEDRH, 2023).

In Spanish private organizations, employee appraisal systems are gradually evolving but still strongly reflect the country's traditional, hierarchical management culture. Periodic appraisals (e.g., annual) are common, usually conducted by the immediate supervisor, with the dominance of the line manager as the appraiser being very pronounced in Spain. Among the EU-15 countries, Spain has the highest percentage of companies (as much as 76%) relying on the immediate supervisor's opinion when appraising employees (CRANE, 2023, 40).

It is noted that Spanish companies have only recently begun to implement continuous performance monitoring tools on a wider scale, and their current prevalence can be considered moderate. Only approximately 26% of companies collect and analyze HR data in any technically advanced way (Sánchez, Ranera, Gómez, 2023).

2.7 HRM Practices in the Spanish Tourism Sector

Both labor demand and, consequently, recruitment in the Spanish tourism sector are highly dependent on seasonality and the specific regional demand for tourism services

during peak and off-season periods. Tourist regions, especially the Balearic and Canary Islands, recruit large numbers of seasonal workers each summer and, possibly, winter. Seasonal workers come from both mainland Spain and abroad. This seemingly requires creative recruitment channels. In practice, however, the tourism sector is characterized by a deep commitment to informal practices. Personal networks and word-of-mouth marketing, in particular, are key channels for recruiting seasonal workers. It is noted that the tourism sector in the most important national destinations significantly exceeds the national average in terms of reliance on referrals (Dataestur, 2025). In particular, the reason for this reliance on personal referrals is the inability of approximately half of the tourism industry's operators to fully meet the demand for labor during the peak season. At the same time, however, referrals have an advantage over social networks and online portals (Dataestur, 2025).

It should also be added that the regulatory pressure on permanent employment, mentioned above, forces the formalization of employment strategies. This particularly applies to the intermittent permanent employment mentioned in the previous section, which may apply to several consecutive seasons. A statistically observed strategy for coping with increased tourism demand is primarily the hiring of additional employees on permanent contracts. As many as 78% of hotel companies report hiring permanent employees as demand increases, while only about 10% choose traditional temporary employment (Dataestur, 2025).

Regulatory pressure on permanent employment in the tourism sector causes companies to try to adapt their HRM practices to ensure longer staff retention.

In particular, some resorts are currently trying to extend the working season or stagger start dates to take advantage of extended employment and retain talented employees beyond the summer peak in tourism demand (ESADE, 2025).

Given the circumstances described, it can be assumed that, alongside regulatory pressures, staffing shortages are two coexisting factors in tourism industry entities' attempts to establish long-term relationships with their employees.

Currently, a significant problem facing the tourism industry in Spain is not so much the lack of workers for basic tourism-related jobs, but rather the lack of qualified hotel and restaurant professionals, such as good chefs, spa masseurs, entertainment managers, etc. Consequently, the industry is increasingly seeking to attract workers from further afield, preferably from Spanish-speaking countries in Latin America (Martínez & Palacios, 2023).

2.8 Summary

Formalization of HRM practices standardizes behavior, ensuring, to the extent possible, consistency, fairness, and coordination among units within an organization. It can undoubtedly increase efficiency and even provide a chance for survival in a challenging business environment, but it can also limit autonomy, weaken motivation, and slow employee adaptation. In dynamic environments, it can also severely hinder innovation—though it can just as likely strongly support innovation if designed to do so. In HRM, formalization consists of codified policies, documented processes, and dedicated structures. Resource-based theoretical arguments link formalization with stronger human capital systems and performance, while behavioral and contingency theories view the "right" level as dependent on strategy and context. Formalization spans classic and newer, systemic HR disciplines. In Spain, the tightly regulated framework evolved from authoritarian corporatism to EU-aligned reforms, with a shift from a temporary "*obra y servicio*" to a "*fijo discontinuo*" in 2022. This has helped reduce temporary work while simultaneously providing challenges and potential opportunities

for long-term talent retention in tourism companies. However, tourism – particularly on islands – struggles with seasonal demand, a strong reliance on referrals when recruiting new employees, regulatory pressures on permanent, temporary employment contracts, efforts to extend seasons, and a shortage of qualified specialists. Given these conditions, the formalization of HRM practice in small company can be expected to have a beneficial impact as a tool for coping with demand and supply volatility and strong regulatory pressure from the state.

CHAPTER III: METHODOLOGY

3.1 Introduction

At the current stage of scientific knowledge, the link between the formalization of HRM practices and SME performance remains elusive, yet still relatively poorly understood, both conceptually and empirically. While the mere existence of HRM practices does not guarantee performance gains (Khilji and Wang, 2006), there is a growing consensus that their implementation can yield numerous organizational benefits (Trullen et al., 2020; Nehles et al., 2006).

In small firms, HRM practices are often informal and unsystematic, shaped by the specifics of the owner-manager (Atkinson et al., 2022) rather than the existing bureaucratic structure. Unlike large organizations, small-sized companies typically lack specialized staff; instead, they rely on line managers or owners whose decisions are influenced by heuristics, interpersonal relationships, and current operational needs (de Kok and Uhlaner, 2001; Urbano and Yordanova, 2008). This leads to fragmented implementation, characterized by a gap between intended and implemented practices, which has significant implications for firm development (Khilji and Wang, 2006; Trullen et al., 2020). Line managers often play a significant role in HRM dissemination, and their ability and motivation to implement the function significantly shape outcomes (Nehles et al., 2006).

HRM implementation is increasingly viewed not as a linear process but as a dynamic and recursive interaction of various actors (van Mierlo et al., 2018). HRM practices evolve, adapt, or fail depending on the course of these interactions (van Mierlo et al., 2018; Trullen et al., 2020). The complexity of this issue is exacerbated in small-

sized companies operating in highly volatile sectors. Tourism, so highly dependent on labor market conditions and seasonal employment, is certainly one such sector.

Even within the same industry and national context, SMEs employ diverse HRM configurations, ranging from minimalist, informal approaches to more structured systems (Zografou et al., 2024). The configurations of practices adopted within them appear to reflect not only structural characteristics (firm size or sector) but also strategic orientation and available support infrastructure (Urbano and Yordanova, 2008; Atkinson et al., 2022). These factors determine the bundles of HRM practices employed, and therefore the benefits obtained by firms (Zografou et al., 2024).

In this light, the tourism industry in Mallorca offers an empirically fertile and potentially theoretically relevant environment. It is a dense ecosystem of small, service-oriented firms. These networks provide a natural laboratory for studying the processes of formalization of HRM practices, the constraints they face, and their consequences. It is important to emphasize that, as de Kok and Uhlaner (2001) note, understanding of which organizational, institutional, and relational factors foster or hinder HRM formalization in small companies remains limited. The literature is particularly lacking in sector-specific, implementation-sensitive research projects that consider the role of various factors and the effects of different formalization practices.

This study addresses these gaps by examining how and why small-sized companies in the tourism industry in Mallorca formalize—or not formalize—their HRM practices. It also examines how formalization of HRM practices, to varying degrees and configurations, affects internal dynamics (e.g., motivation), operational stability, and business performance.

3.2 Research design

A theoretical construct can be understood in either a model-based or a theoretical sense. In the former, it has only the dimension of relationships between measurable, observable concepts, whereas in the latter, its meaning extends beyond operationalization and measurement, encompassing all the various aspects related to a given concept. This creates numerous potential interpretational uncertainties that should be avoided, if possible, at the level of the research model (Middendorp, 1991).

The operationalization of a construct should be directly linked to the model's elements so that any remaining "added value" is clearly identified (Middendorp, 1991).

A significant challenge for the operationalization of scientific constructs is determining their nature. They can be either objective (directly measurable, e.g., number of employees) or subjective (measurable after appropriately selecting research tools, e.g., motivation, satisfaction) (De Boeck et al., 2023).

A modeling approach, in which constructs extend beyond the scope of operationalization, is characterized by the presence of latent, multidimensional constructs. These include, for example, organizational culture, leadership style, and level of innovation. Latent constructs are measurable only through indirect measurements and require, at a minimum, the construction of cumulative scales, although they are best measured using indirect indicator modeling, often in factor analysis (Koehly & Macrum, 2018).

The importance of match between levels of theory and measurement (Nielsen, 2014), means that operationalizing theoretical constructs requires not only determining their meaning from the perspective of theoretical methodology, but also the nature of managerial activity (Udo-Akang, 2012) to which business administration refers.

In this context, structural or organizational constructs are particularly important – e.g., level of formalization, decentralization vs. centralization (Robbins, DeCenzo, Coulteret, 2015, p. 106).

Related to organizational constructs are process-based or dynamic constructs— e.g., strategy implementation—which differ from organizational constructs in that they cannot be described statically, but their operationalization requires capturing change over time (de Oliveira, Carneiro, Esteves, 2019).

Moreover, in management science, contextual as well as moderating and mediating constructs are undoubtedly of great importance – in particular, structural characteristics (especially the size of the organization), industry, and stage of development, which differentiate main effects.

Contextual constructs, in particular, recognize that each organization is unique and organized in its own unique way. They are particularly important in relation to organizational behavior (Johns, 2006).

Moderating constructs influence the strength or direction of the relationship between variables, while mediating constructs explain the mechanism by which one variable influences another (Aguinis, Edwards & Bradley, 2017).

The operationalization of constructs should generally involve three steps: (1) defining the construct, (2) selecting an operationalization that corresponds to the definition, and (3) confirming the construct's validity (Lambert & Newman, 2023).

The central theoretical construct in this study is the formalization of HRM within small-sized tourism companies. This construct cannot be operationalized as a binary presence/absence variable but along a continuum of intensity and complexity, as it should reflect the degree to which HRM practices are indeed formalized, so decoupled from ad hoc managerial discretion (de Kok & Uhlaner, 2001). Indicators may particularly include

the existence of written procedures for recruitment, performance appraisal, training policies (Urbano & Yordanova, 2008), therefore, it can be captured both by using scales and by using a set of binary variables.

The implementation dimension should preferably be conceptualized separately from formalization *per se*, due to the distinction between intended HRM systems and their actual realization (Khilji & Wang, 2006; Trullen et al., 2020). Therefore, this construct is more difficult to operationalize because it requires in-depth research compared to simple survey declarations. It is reasonable to investigate it using in-depth exploratory research, including case studies or observational studies. It can however be captured also through perceptions of consistency, managerial commitment, and the enactment of formalized practices by line managers (Nehles et al., 2006). However, it can be seen here that since one of the features of real implementation is continuity in time, it can be assumed that it is a process construct requiring time points. From a methodological point of view, implementation quality may be treated as a mediating variable between formalization and its outcomes.

Employee motivation may be seen as a proxy for short-term organizational outcomes and be operationalized using perceptual measures of employee engagement (Sokolic et al., 2024). Firm-level characteristics (moderators) should generally include size (measured by number of employees), ownership structure, presence of a dedicated HR role, and degree of external integration (Atkinson et al., 2022, van Mierlo et al., 2018). These are treated as constructs shaping both the feasibility of formalization and the mechanisms of implementation.

Finally, the contingent and configurational nature of HRM (see: literature review) should be reflected in allowing for multiple pathways toward the given level (low or

high) of HRM maturity (Zografou et al., 2024), which would opt for rejecting (at least to some extent) a linear stage model and instead grouping firms by observed HRM profiles.

The relations described in the previous section perceived as theoretical constructs are multidimensional concepts, hence their operationalization requires a modeling approach. Figure 2 shows that the dependent variable is influenced by a number of variables resulting from the specific nature of the company and the organizational context.

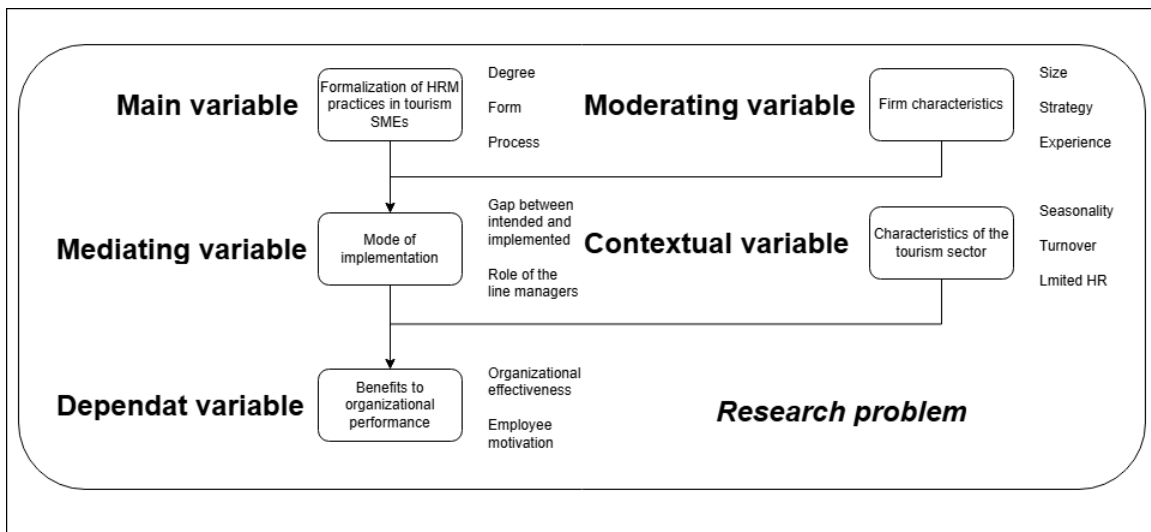


Figure 2
Theoretical concept of the study

Given the predicted impact of complex factors, it can be assumed that the research problem is systemic in nature. At the same time, the assumed importance of the owner-manager and operational managers, as well as the discrepancy between the intended and actually implemented HRM practices, indicate that the research problem should be considered from a process perspective.

The study utilized five numerical variables corresponding to the five areas of analysis. All variables are also scales of the research questionnaire. They were measured

at the individual level as the arithmetic mean of ratings in each section of the questionnaire (A–E), calculated separately for each participant. A five-point Likert scale was used (1 = definitely not, 5 = definitely yes, or an equivalent depending on the grammatical form of the question). Therefore, the indicator values represent the average ratings for a given individual within a given dimension, and the variable is a ratio.

The variable "Formalization of HRM Practices" (Section A) measures the degree of formalization of HRM practices within the organization – taking into account the written and accessible nature of HR policies, their implementation and documentation, and the transparency of recruitment, training, employee evaluation, compensation, and promotion policies. A higher value indicates a higher level of structure and standardization, i.e., greater intensity or a higher degree of formalization (Q1-Q10).

The Employee Motivation Index (Section B) reflects the level of intrinsic motivation and employee engagement (Q11-Q14). It considers a sense of meaningfulness at work, job satisfaction, the impact of HRM practices on motivation, and the feeling of being valued by the organization. The higher the value, the greater the employee's subjective level of engagement.

The Management Style Index (Section C) describes the perceived leadership style in an organization from a relational perspective. It encompasses openness of communication, the willingness of management to listen to employee opinions, support from the supervisor, and a climate of mutual trust. Therefore, a supportive organizational culture is a strong component, while managerial communication is an additional component. Higher values indicate more supportive, essentially participative leadership (Q15-Q18).

Organizational Effectiveness Perception (Section D) measures the subjective assessment of the impact of implementing formalized HRM on company operations.

Assessments include improved overall organizational performance, reduced staff turnover, and increased employee and customer satisfaction. Higher values indicate greater perceived benefits from formalization (Q19-Q22).

HRM Consistency Index (Gap Between Intended and Implemented HRM Policy; Section E) indicates the degree of alignment between the declared HR policy and its actual implementation (Q23-Q26). It includes the transparency of communication, the consistency of procedure enforcement, and the discrepancies between official policies and daily practice. Lower values suggest a greater gap between intentions and practice.

This study employed a mixed-methods research design. This approach attempted to strategically combine quantitative and qualitative approaches. This approach aims to incorporate the strengths of both approaches while providing a holistic and in-depth understanding of the previously described research problem. While quantitative methods provide broad scope and statistical generalizability, qualitative methods offer deeper insight into the phenomena being analyzed and enable exploration of the analytical context (Creswell & Plano Clark, 2018). To practically implement these assumptions, a convergent, parallel design was employed. Quantitative and qualitative data were collected simultaneously, analyzed separately, and integrated during the interpretation phase.

The main methodological justification for choosing a mixed-methods approach is the complexity of the phenomenon being studied. The interplay between the individual variables used to operationalize the study's theoretical constructs undoubtedly requires systems and model-based thinking, and goes beyond a simple examination of statistical significance.

The implemented research model in the quantitative section was constructed with the goal of identifying general patterns of HRM formalization and the perception of their

impact on organizational dynamics, thus providing a simple and transparent representation of the relationship between the independent variable and the dependent variables. These relationships were statistically modeled, with controls introduced to account for the heterogeneity of the structural characteristics of the studied companies. To a certain extent, this allows not only for statistical generalization but, above all, for the identification of stronger trends across a broad sample of small companies.

Simultaneously, the qualitative analysis sought to explore the microfoundations of formalization. Semi-structured interviews were used to explore perceptions, implementation, resistance, and routinization of HRM across organizational contexts. These approaches were particularly useful for identifying informal dynamics not necessarily captured in survey data. Importantly, the interviews allowed participants to express both retrospective and prospective perspectives on HMR.

The integration of both components was based on the methodological principles of data triangulation. Quantitative findings formed the basis for general accounts, while qualitative findings provided an interpretive framework, particularly enabling the introduction of systemic and process-based interpretations.

3.3. Population and Sample

The target population for this study consists of active small-sized companies operating in the tourism, hotel, and catering sector in Mallorca, Spain. Inclusion criteria included a specific company size (small companies), geographic location, and membership in one of the following professional categories: accommodation providers (hotels, resorts, hostels, guesthouses), tour operators and travel agencies, and food service establishments (including restaurants, bars, cafés, and catering companies, excluding those not focused on the tourism market).

To minimize the risk of bias, random sampling was used to the greatest extent possible. Due to the lack of a universal database covering all entities in the tourism industry in Mallorca, a large database was previously created. In the first stage, the database of companies was created, identified through local business directories and tourism associations (primarily, but not exclusively, based on online resources), and further recruitment was conducted via direct invitations (email or telephone).

The initial database contained 3,549 companies covering all sectors of the tourism industry, with a highly diverse topographic distribution across Mallorca. Of these, 1,000 and then additional 111 companies were randomly asked to participate in the study until a population of 120 companies was recruited. The second sampling was conducted because the initial one did not reach the target of 120 entities responding to the invitation to participate in the study.

The study participants subgroups were assumed to consist of two respondents: a manager and a line employee (worker not being a manager) from each company.

The final quantitative sample consisted of 240 respondents from 120 companies. A randomly selected subsample of 160 respondents in managerial positions was used for analyses covering performance perceptions and company-level variables.

This approach results from the fact that thanks to its use it is possible to simultaneously examine the managerial and employee perspectives.

Concurrently, 18 participants were randomly selected for semi-structured interviews. Due to the lack of consent from one company, the sampling was repeated, adding another company in its place. Participants were randomly selected for this sample, but two medium-sized enterprises were selected, reflecting the predominance of small and very small enterprises in the overall sample.

The characteristics of the surveyed companies are presented in Table 5.

Table 5

Key Characteristics of Surveyed Companies (by Study Phase and Sector)

Phase	Group of Firms / Sector	Number of Firms	Average Number of Employees (Range)	Average Years in Operation (Range)	Respondent Roles
Quantitative survey (main stage)	Accommodation providers (hotels, hostels, resorts, guesthouses)	52	17 (from 2 to 25)	19 (from 4 to 42)	52 managers, 52 line employees
	Food service establishments (restaurants, cafés, catering companies)	43	11 (from 1 to 24)	12 (from 2 to 29)	43 managers, 43 line employees
	Tour operators and travel agencies	25	14 (from 1 to 25)	15 (from 3 to 33)	25 managers, 25 line employees
Qualitative semi-structured interviews	Mixed sample across all sub-sectors	18 (individual respondents, from 14 companies)	15 (from 1 to 25)	16 (from 3 to 35)	Owner-managers (10), HR/operations managers (8)

The distribution of the main characteristics of the respondents is presented in Table 6.

Table 6

Key Characteristics of Respondents (by Study Phase and Sector)

Stage of Study	Number of Respondents	Average Age (Range)	Average Job Tenure (Years)	Education Level (Most Common)
Quantitative survey (main stage)	240 (from 120 companies)	36.8 (19–61)	6.4 (1–28)	Secondary (47%), Vocational (30%), University (23%)
By sector – accommodation providers	104	38.4 (22–61)	7.2 (2–26)	Secondary (43%), University (33%), Vocational (24%)
By sector – food service establishments	86	34.7 (19–55)	5.0 (1–18)	Vocational (46%), Secondary (40%), University (14%)
By sector – tour operators & travel agencies	50	37.1 (20–57)	6.8 (1–23)	University (40%), Secondary (38%), Vocational (22%)
Qualitative semi-structured interviews	14 (from 14 companies)	44.3 (30–59)	12.5 (4–28)	University (56%), Vocational (28%), Secondary (16%)

3.4. Data Collection and Instrumentation

Quantitative Survey

The primary quantitative data collection tool was a structured questionnaire covering perceptions of the dimensions of formalization, employee motivation, and perceived company effectiveness. The form was bilingual, with questions in English and Spanish, divided into demographic and substantive sections.

The questionnaire demographic section items are presented in Table 7.

Table 7

Questionnaire – Demographic Section (Items M1–M6)

No.	English variant	Spanish variant
M 1	How many employees does the company currently have?	¿Cuántos empleados tiene actualmente la empresa?
M 2	How many years has the company been operating?	¿Cuántos años lleva operando la empresa?
M 3	In which sector does the company operate? (accommodation/hotels, gastronomy, catering, tour operation)	¿En qué sector opera la empresa? (alojamiento/hoteles, gastronomía, catering, turoperación)
M 4	How old are you?	¿Cuál es tu edad?
M 5	How long have you been working for this company?	¿Cuánto tiempo llevas trabajando en esta empresa?
M 6	What is your highest completed level of education?	¿Cuál es tu nivel más alto de estudios finalizados?

The questionnaire substantive section items are listed in Table 8.

Table 8

Questionnaire – Substantive Section (Items Q1–Q26 by Thematic Sections)

No.	Question (EN)	Pregunta (ES)
Section A — Formalization of HRM Practices		
Sección A — Formalización de las prácticas de RRHH		
Q1	The company has written, formal HR policies that are accessible to employees.	La empresa tiene políticas de RRHH escritas y formales, accesibles para los empleados.
Q2	I am fully aware of the HR rules and procedures in this company.	Soy plenamente consciente de las normas y procedimientos de RRHH en esta empresa.

No.	Question (EN)	Pregunta (ES)
Q3	The recruitment and selection processes are standardized and consistently applied.	Los procesos de reclutamiento y selección están estandarizados y se aplican de forma consistente.
Q4	Training and development programs are formally planned and implemented.	Los programas de formación y desarrollo están planificados e implementados formalmente.
Q5	Performance appraisals follow a structured and regular process.	Las evaluaciones de desempeño siguen un proceso estructurado y regular.
Q6	Feedback on performance is provided in a consistent and systematic way.	La retroalimentación sobre el desempeño se proporciona de forma coherente y sistemática.
Q7	Reward systems are based on clearly defined performance criteria.	Los sistemas de recompensas se basan en criterios de desempeño claramente definidos.
Q8	Compensation policies are transparent and applied fairly across the company.	Las políticas de compensación son transparentes y se aplican de forma justa en toda la empresa.
Q9	Promotion criteria are clearly defined and communicated to all employees.	Los criterios de promoción están claramente definidos y comunicados a todos los empleados.
Q10	All HR procedures are documented and not left to individual discretion.	Todos los procedimientos de RRHH están documentados y no quedan a discreción individual.
Section B — Employee Motivation	Sección B — Motivación del empleado	
Q11	I feel motivated to do my best at work.	Me siento motivado para dar lo mejor de mí en el trabajo.

No.	Question (EN)	Pregunta (ES)
Q12	HR practices in my company positively influence my motivation.	Las prácticas de RRHH en mi empresa influyen positivamente en mi motivación.
Q13	I feel satisfied with my current job.	Me siento satisfecho con mi trabajo actual.
Q14	I feel valued and appreciated by my employer.	Me siento valorado y apreciado por mi empleador.
Section C — Management Style	Sección C — Estilo de gestion	
Q15	Communication within the company is open and effective.	La comunicación dentro de la empresa es abierta y efectiva.
Q16	Managers listen to employee concerns and feedback.	Los gerentes escuchan las preocupaciones y sugerencias de los empleados.
Q17	I receive support from my supervisor when I face challenges.	Recibo apoyo de mi supervisor cuando enfrento desafíos.
Q18	Leadership in the company promotes trust and mutual respect.	El liderazgo en la empresa promueve la confianza y el respeto mutuo.
	Question (EN)	Pregunta (ES)
No.		
Section D — Organizational Effectiveness Perception	Sección D — Percepción de la eficacia organizacional	

No.	Question (EN)	Pregunta (ES)
Q19	Since introducing formal HRM practices, the overall performance of the firm has improved.	Desde la introducción de prácticas formales de RRHH, el rendimiento general de la empresa ha mejorado.
Q20	Staff turnover has decreased as a result of improved HRM procedures.	La rotación de personal ha disminuido como resultado de la mejora de los procedimientos de RRHH.
Q21	Employee satisfaction has increased due to formal HRM practices.	La satisfacción de los empleados ha aumentado gracias a las prácticas formales de RRHH.
Q22	Customer satisfaction has improved since HRM practices were formalized.	La satisfacción del cliente ha mejorado desde que se formalizaron las prácticas de RRHH.
Section E — HMR Implementation Consistency	Sección E — Brecha entre las políticas de RRHH previstas e implementadas	
Q23	There is consistency between what HR policies prescribe and what is actually done in practice.	Existe coherencia entre lo que prescriben las políticas de RRHH y lo que realmente se hace en la práctica.
Q24	Communication about HR policies is clear and reaches all levels of the organization.	La comunicación sobre las políticas de RRHH es clara y llega a todos los niveles de la organización.
Q25	Leadership in the company consistently enforces formal HRM procedures.	El liderazgo en la empresa aplica de forma coherente los procedimientos formales de RRHH.
Q26	There is a gap between official HRM policies and daily HR-related decisions in the company.	Existe una brecha entre las políticas oficiales de RRHH y las decisiones cotidianas relacionadas con RRHH.

The design of the instrument was therefore closely linked to the plan for operationalizing the variables, and the questions were both numerical (Likert scales 1–5).

Section A – Formalization of HRM Practices assesses how structured and standardized the company’s HRM practices are. It measures the degree of HR policies intensiveness, including whether they are formally written, consistently applied, documented, and transparent in areas of recruitment, training, performance evaluation, compensation, and promotion. This scale is available in a version of the questionnaire intended for managers and in a version of the questionnaire intended for line workers.

Section B – Employee Motivation is intended to measure employees’ internal motivation and emotional engagement with their work. It captures how motivated and satisfied employees feel, how appreciated they feel by the organization, and whether HRM practices are perceived as a source of that motivation. This scale is available in a version of the questionnaire intended for managers and a version of the questionnaire intended for line employees. However, for methodological reasons, it is intended for consideration only in relation to line employees. Its inclusion in the version for managers as well serves to explore whether these two groups differ in their perception of own motivation.

Section C – Management Style evaluates the relational and communication practices of company leadership, especially the quality of managerial communication and features of supportive style of leadership. It measures how employees perceive managerial openness, responsiveness to feedback, supportiveness in difficult situations, and the general climate of trust and respect fostered by leaders. This scale is only available in the version of the questionnaire intended for line workers.

Section D – Organizational Effectiveness Perception is intended to capture managers’ perceptions of formal HRM practices’ influence on the broader organizational outcomes. It looks at perceived improvements in company performance, employee and customer satisfaction perception by the managers, and staff retention following formalization. This scale is only available in the version of the questionnaire intended for managers.

Section E – HRM Policy Consistency (Gap Between Intended and Implemented HRM Policy) measures the perceived alignment between formal HR policies and their actual implementation. This scale is only available in the version of the questionnaire intended for managers.

Semi-structured interviews were conducted with company owners and HR managers (or individuals responsible for HRM). The interview format covered the following topics:

1. Implementation of formal HRM practices

EN: How were formal HRM practices introduced in your company? What was the process like?

ES: ¿Cómo se introdujeron las prácticas formales de RRHH en su empresa? ¿Cómo fue el proceso?

2. Challenges and barriers

EN: What challenges or barriers did you face when implementing formal HRM practices?

ES: ¿Qué desafíos o barreras encontró al implementar prácticas formales de RRHH?

3. Perceived impact on employee motivation

EN: In your view, how have formal HRM practices affected employee motivation?

ES: Según su opinión, ¿cómo han influido las prácticas formales de RRHH en la motivación de los empleados?

4. Perceived impact on company performance and dynamics

EN: How do you think these practices have influenced the company's performance and internal dynamics?

ES: ¿Cómo cree que estas prácticas han influido en el rendimiento y la dinámica interna de la empresa?

5. Observed results and changes

EN: What results or changes have you observed since implementing formal HRM practices?

ES: ¿Qué resultados o cambios ha observado desde la implementación de las prácticas formales de RRHH?

6. Interviewee's own observations of HRM practices in the company and in Mallorca

EN: What are your personal observations about HRM practices in your company and in Mallorca in general?

ES: ¿Cuáles son sus observaciones personales sobre las prácticas de RRHH en su empresa y en Mallorca en general?

All interviews were conducted in person with computer assistance, and each interview lasted between 40 and 60 minutes. The interviews were documented using a text editor.

3.5. Data Collection and Instrumentation

Recruitment and Data Collection

Participant recruitment was preceded by the creation of a database from which companies were randomly selected and then invited to participate in the study.

All companies were contacted directly (email or telephone) after having previously developed a database of entities meeting the inclusion criteria.

In each case, the survey was conducted directly on-site, after a physical visit to the company, and paper forms were distributed. To expedite the registration of results, each form was then transcribed into a survey on Google Forms. This file was not shared with anyone via links. These measures were implemented to ensure the highest possible representativeness of the sample and to control its size, in particular to avoid bias and the so-called snowball effect (Pasikowski, 2023).

Invitations via email or phone were sent before scheduling a meeting to deliver or collect the survey, or, in exceptional cases, to deliver and collect it by courier. Contact was initiated, where possible, with the company owner or manager, and when possible, with the person responsible for HRM. Participants in interviews were randomly recruited, and all details were agreed upon in the same manner as completing the survey.

Data Management and Storage

Three tools were used to document the research results. For the research questionnaire, all results were entered via a Google form into a spreadsheet containing responses to all items. Each survey and each company was assigned a reference number.

For the semi-structured interviews, documentation tools were used, in the form of a text document.

3.6. Data Analysis and Limitations

Quantitative Data Analysis

The quantitative data in the study were analyzed in Jamovi in several stages, using its core modules and additional statistical extensions. The analysis was consistent with the variable types (Likert scales, categorical data, composite indices) and the research plan, which included hypothesis testing and exploration of relationships between variables.

Initial preparation of the data collected from the questionnaire involved converting the responses to numerical scales (1-5 for Likert scales and 0/1 for binary scales) in Microsoft Office Excel, and then importing them into Jamovi in .csv format. This was because, when working in the .xls format, the research tool would close with an error whenever the screensaver was activated. This prevented the variable category settings from being saved, but this issue was resolved when switching to .csv format. Data preparation also included assigning appropriate data types. Likert scales, although ordinal in nature, were assigned "Continuous" (previously converted to numerical values 1–5), binary responses were assigned "Nominal," and conditional variables were assigned "Filtered." Data were checked for missingness and logical errors. No missing data were found.

Descriptive statistics were generated in the Exploration module. Means, standard deviations, medians, and response distributions were calculated for all variables, both simple and composite indices (HRM Formalization Index, Employee Motivation Score, Perceived Firm Performance Index). Boxplots and histograms were also used to assess distributions. In most cases, the resulting distributions in the histograms and the Shapiro-Wilk test deviated from the normal distribution. Even when the Shapiro-Wilk test indicated a normal distribution, the histograms revealed significant shifts, questioning the applicability of parametric tests.

To verify the hypotheses, testing based on examining intergroup differences was first employed. To assess the impact of demographic characteristics on the level of formalization or motivation, the Mann–Whitney U test was used for binary variables (e.g., job type: employee vs. manager) and the Kruskal–Wallis H test for multicategorical variables (e.g., education level, business sector).

When appropriate, additional post-hoc tests were used, in particular to determine intergroup differences using the pairwise comparison method.

Furthermore, multivariate regression analysis was used to identify independent predictors of employee motivation and managerial perceptions of the benefits of formalization. Predictors were also considered as interactions between two predictors.

The second group of quantitative methods employed was correlation analysis using regression analysis. This was used to examine the relationship between HRM formalization and motivation and perceptions of company performance. Spearman's rank correlation analysis was used for this purpose. Correlations between intervening variables (communication, leadership support) and the main indices were also considered. ρ (rho) values and significance levels (p-values) were reported.

Jamovi enabled the creation of conditional subsamples (e.g., managers only – N = 160), allowing regression, correlation, and descriptive analyses to be conducted selectively for selected groups without the need to manually partition the dataset.

All analyses were performed using Jamovi 2.x with the following extensions: medmod, GAMLj, jmv, and Rj.

Qualitative Data Analysis

Qualitative data from interviews were subjected to thematic analysis. The aim of this analysis was to deepen the quantitative findings and explore the context of implementing HRM practices in micro and small tourism businesses in Mallorca.

Respondents' positions were examined in all areas covered by the study.

Mixed Methods Data Integration

Integration of quantitative and qualitative results occurred during the interpretation phase. A convergent parallel model enabled comparison and contrast of quantitative statistical results with qualitative thematic conclusions. Areas of convergence and confirmation between quantitative and qualitative results were identified.

Furthermore, qualitative results were used to expand and enrich the quantitative results.

Methodological Limitations

The limitations of the adopted research method were limited by the simultaneous use of qualitative and quantitative methods and the use of a large research sample of predominantly random nature. An additional advantage of the methodology used was the fact that the author personally visited most of the companies participating in the study.

Primary limitation of the study is the lack of cohort logic. A cohort logic refers to an approach in which a defined group of individuals sharing some characteristic is followed over time (Wang, Kattan, 2020). Not implementing this approach prevents the capture of differences resulting from the time of commencement of employment or employment at a given company. As a result, motivation levels and perceptions of HRM policies may be shaped not only by the management practices themselves but also by the duration of exposure, which was not controlled for (this deficit was only slightly

compensated for by the introduction of the demographic variable of employment duration).

The second limitation relates to the measurement of process variables at only a single point in time. As indicated in the characteristics of the operationalized constructs, the analysis of such constructs is incomplete without considering them as a variable process over time. This approach does not capture their dynamic nature and possible fluctuations, thus limiting the ability to formulate causal conclusions and assess the actual effectiveness of some HRM solutions implemented.

However, these limitations are the result of a conscious decision by the author to ensure the largest possible research sample, the highest possible degree of randomization in participant recruitment, and the highest possible quality of statistical data collection. The benefits of measurements at different time points, especially cohort measurements, with conscious management of the research process, did not outweigh the benefits of allocating the available time to ensure the study of as many companies as possible and to deepen the findings through interviews.

3.7. Ethics Related to Human Subject Participation

The study was not intended to be an experimental study. All relevant variables were observational in nature, without experimental manipulation. Informed consent was obtained from participants before data collection. These were of two types. Consents were granted on behalf of the companies by their managers, usually the owners. After obtaining consent by phone or email, the author ensured in person or by phone with the owner that the consent was maintained and binding. The second type of consent, undoubtedly more important from an ethical perspective, concerned the employees' consent to be respondents in the study. Each respondent's consent was free and voluntary.

The author's personal presence during the survey completion was particularly important to ensure that no one was coerced by their employer. Informed consent was granted after explanations provided in Spanish, and in exceptional cases, also in English.

3.8. Summary

This chapter details the methodological approach used in the empirical study. The research design utilized a mixed-methods approach, combining quantitative research, qualitative and interviews. The chosen methodology was deemed appropriate for meeting the research objectives and hypotheses while enabling a broad and in-depth understanding of the topic. Rigorous data collection procedures, systematic data analysis techniques, and careful consideration of ethical principles ensure that the risks associated with various forms of bias are relatively minimized.

CHAPTER IV:

RESULTS

4.1. Introduction

This chapter presents the empirical results. Because the results were obtained using a mixed-methods approach, they will be presented separately for the quantitative and qualitative sections and then synthesized for each research question. The study examined the impact of implementing formal HRM practices on small-firm dynamics, employee motivation, and performance in the tourism and hospitality sector in Mallorca. The study followed the convergent, parallel mixed-methods approach described in Chapter 3.

4.2. Research Question 1. How do small tourism companies in Mallorca perceive all the changes in organizational dynamics after implementing formal HRM practices?

To answer **Research Question RQ1**, the study used a mixed-methods approach **including** a quantitative survey of HRM formalization (Q1–Q10) with Likert-scale items analyzed by Mann–Whitney U and Kruskal–Wallis tests, combined with semi-structured interviews across 12 firms. **The study design was intended to** capture attitudes **and** perceived benefits. This allowed the triangulation of statistical tendencies with nuanced qualitative insights from different tourism subsectors.

Quantitative data

The level of formalization of HRM practices in the surveyed companies are moderate (Table 9). The mean values for the Likert scales of most items in Section A hover around 3.4/5, indicating at least fragmented implementation of formalization.

The most widespread practices are those related to recruitment and performance appraisals with the latter rated as more noticeable to employees than **the** managers. This indicates that employees are more aware of some formalized practices than managers.

The differences between employees and managers are not **large**, but two patterns are **clear**. Managers are more likely to report the existence of formalized policies (Q1, Q9), while employees are more likely to perceive their implementation in practice (Q5, Q6, Q10). This means that business owners and managers tend to report that procedures exist, but employees are more likely to perceive their practical aspects, such as receiving feedback.

Table 9.

Assessment of HRM Formalization – Managers vs. Employees (Items Q1–Q10)

	Managers (M)		Workers (W)			M x W			M	
									v	
									s	
									.	
									W	
Question	M	S	M	M	S	M	M	S	M	p
	e	D	e	e	D	e	e	D	e	-
	a		d	a		d	a		d	v
	n		i	n		i	n		i	a
			a			a			a	l
			n			n			n	u
										e

Q1	Written HR policies	3.46	0.84	3	3.18	0.66	3	3.32	1.08	3	0.209
Q2	Awareness of HR rules	2.94	0.88	3	2.82	0.61	3	2.88	1.05	3	0.779
Q3	Standardized recruitment	3.78	0.67	4	4.16	0.72	4	3.97	0.78	4	0.467
Q4	Planned training	3.47	0.66	3	3.33	0.72	3	3.4	0.82	3	0.356
Q5	Structured appraisals	3.26	0.81	3	3.62	0.84	4	3.44	1.01	3	0.133
Q6	Consistent feedback	3.39	0.98	3	3.91	0.99	4	3.65	0.77	4	0.666
Q7	Performance-based rewards	1.34	0.78	2	0.97	0.65	1	1.23	0.74	2	0.447
Q8	Fair compensation	4.51	0.87	4	3.99	0.72	4	4.85	1.06	4	0.056
Q9	Clear promotion criteria	3.85	0.91	4	3.29	0.98	3	3.57	0.77	4	0.726
Q10	Documented HR procedures	3.39	0.68	3	3.89	0.62	4	3.64	1.07	4	0.328

The HRM Formalization Index (Q1-Q10) represents the average of responses to questions regarding the degree of formalization (Table 10). The study found that the degree of formalization is perceived similarly by managers and employees. Employees perceive HRM practices as slightly more formalized than managers, however, the difference between groups is not statistically significant in the Mann-Whitney U test ($p=0.368$).

By sector, the highest level of formalization was found in the hotel and accommodation industry (3.71), consistent with the quality and compliance requirements often present in this segment. The restaurant industry is characterized by slightly lower formalization (3.41), while the lowest scores were recorded among travel agencies and tour operators (3.50). The Kruskal-Wallis test was used to test the hypothesis that there were no intergroup differences between sectors. The differences turned out to be statistically significant when comparing all three groups ($p=0.048$), but pairwise comparisons performed using post-hoc tests using Dunn’s method with Bonferroni correction did not allow us to determine which sectors exactly differed in a statistically significant way.

Table 10.

HRM Formalization Index – by Respondent Group and Sector

Category	HRM Formalization Index (Q1-Q10)	p-value
All firms (all respondents)	3.40	0.368
All firms (managers only)	3.36	

All firms (workers only	3.43	
Accommodation providers	3.52	0,048
Food service establishments	3.34	
Tour operators & travel agencies	3.45	

Table 11 includes descriptive statistics of managers' responses regarding the impact of formalized HRM practices on company performance.

The results show that managers perceive the introduction of formalized HRM practices as a factor positively impacting overall company performance and employee satisfaction. At least at the level of self-reported data, improvements in organizational performance and customer satisfaction are noticeable. Based on the results, reducing employee turnover seems to be one of the most difficult outcomes to achieve by small companies in Mallorca. Formalization of procedures does not always translate directly into staff stability, likely due to the specific nature of the tourism industry, which is characterized by seasonality.

Table 11.

Perceived Effects of Formalized HRM Practices – Descriptive Statistics (Items Q19–Q22)

Question	Mean	SD	Median
Q19 Overall performance	3.78	0.81	4

Q20	Staff turnover	3.45	1.93	3
Q21	Employee satisfaction	3.66	0.85	4
Q22	Customer satisfaction	3.52	0.79	4

Qualitative data

In 18 interviews of 12 firms, respondents tended to describe the introduction of formal HRM practices as a generally gradual process, often incremental and reactive. In family businesses or those with informal organizational cultures (7 of 12 companies), formalization of HRM most often arose from the need to manage personnel related perturbances (5 of 12 companies) or in response to increasing employee turnover (4 of 12 companies). However, it should be noted that for most respondents from family businesses (5 of 12 companies), the concept of "formalization" needed clarification, as they were unaware that some of the practices they employed were actually part of a conscious HR policy. This stems from the fact that, in their opinion, labor law in Spain is strictly enforced, and compliance is a dominant practice in Mallorca. Therefore, it is necessary to formalize employment, contracts, and related rules, including seasonal employment tenures under intermittent contracts.

In hotels and larger restaurants, implementations were more planned, and the impetus was sometimes derived from competitive practices, information obtained through independent research into HRM, and, in exceptional cases, collaboration with external consultants or the implementation of quality systems.

The most frequently introduced elements included formalizing employment policies. Documentation of recruitment and training policies (8 of 12 companies), clear salary and bonus structures (5 of 12 companies), and standardization of performance appraisal interviews (3 of 12 companies) were also considered common. It's worth noting that some respondents considered the introduction of bonuses and benefits to be shameful, inconsistent with the island's tradition, and not practiced by most companies. As the same employees frequently work seasonally based on long-term contracts, the companies introduce a formalized practice of creating a permanent pool of employees with long-term contracts for seasonal work (5 of 12 companies).

The most frequently cited barrier was aversion to paperwork – both among management and line employees. Managers feared that excessive paperwork would discourage employees and reduce flexibility. A lack of HR expertise (4 of 12 companies), difficulty adapting "ready-made" templates to the local context (3 of 12 companies), and limited time and financial resources (2 of 12 companies) were also cited. One company reported difficulties in implementation of a meaningful HRM policy due to high employee turnover, which discouraged the owner from developing sustainable procedures. This owner had developed a firm stance on this issue, having run a previous diving tourism business before starting a restaurant. Additionally, one respondent provided a comprehensive discussion of the ineffectiveness of formalized HRM policies, using the example of quality management practices in Japan, where percentage bonuses for better performance are not used because poor performance is generally not accepted. He stated that these beliefs are a barrier to implementing any formalization.

Respondents noted improved employment stability (7 of 12 companies), smoother operations (5 of 12 companies), and reduced interpersonal conflicts (4 of 12 companies) as a result of their own formalization efforts.

Owners and managers noted that HRM practices in Mallorca vary widely – from completely informal in small family businesses to advanced systems in larger ones. In their opinion, "mixed" practices prevail on the island: some elements are formalized (e.g., contracts, work schedules), while others remain discretionary (e.g., promotions or bonuses).

3.3. Research Question 2. In what ways does the implementation of formal HRM practices affect employee motivation in small tourism companies in Mallorca?

Quantitative data

Survey data (Table 12) shows that managers demonstrate higher levels of motivation in three of the four indicators (Q11, Q13, Q14).

In questions about motivation to give their best (Q11) and feeling appreciated (Q14), the differences are statistically significant ($p < 0.05$) in favor of managers. In the question about job satisfaction (Q13), the difference is insignificant, but the managers also have higher levels.

Only in question Q12 (regarding the impact of HRM on motivation), employees rated the situation more positively, and this difference was also statistically significant ($p = 0.018$).

Table 12.

Employee Motivation and Satisfaction – Managers vs. Employees (Items Q11–Q14)

	Managers (M)		Workers (W)		M x W		M	W		
Question	M	S	M	M	S	M	M	S	M	p
	e	D	e	e	D	e	e	D	e	-
	a		d	a		d	a		d	v
	n		i	n		i	n		i	a
										l

				a		a		a	u		
				n		n		n	e		
Q11	Motivation to do best	3.54	0.74	4	3.14	0.71	3	3.34	0.81	3	0.031
Q12	HR influence on motivation	2.74	0.99	3	3.26	0.91	3	3.0	1.02	3	0.018
Q13	Job satisfaction	2.93	0.89	3	2.69	0.91	3	2.81	1.03	3	0.152
Q14	Feeling valued	3.52	0.85	4	3.08	0.73	3	3.3	0.75	3	0.012

The results of a post-hoc comparison of sectors for the Employee Motivation Index (Q11–Q14), conducted using Dunn's test with Bonferroni correction, are presented in Table 13. It shows that accommodation employees were significantly more motivated than those employed in the catering industry, while no significant differences were found between the remaining pairs. From a methodological perspective, it can be assumed that the differences in the index values are empirically present, and rejecting them is associated with a high risk of Type II error. It should be noted that statistical significance was achieved by the pair without the highest mean difference (Janse et al., 2021).

However, since, despite the larger mean difference, the accommodation vs. tour operators difference was not significant, the reason should be sought in the fact that the group sizes were unequal, and tour operators subgroup not large enough ($n = 25$) to obtain a statistically significant result at the given level of standard deviations.

Table 13.

Employee Motivation Index (Q11–Q14) – Post-hoc Intergroup Comparison

Category	Employee Motivation Index (Q11–Q14)	p-value
All firms (all respondents)	3.11	0.029
All firms (managers only)	3.18	
All firms (workers only)	3.05	
Accommodation providers	3.27	0.037
Food service establishments	3.01	
Tour operators & travel agencies	2.95	

The results of the correlation study between the degree of HRM formalization and employee motivation are presented in Table 14. It clearly indicates that there is a generally weak, yet statistically significant, relationship between the degree of HRM formalization and employee motivation, both for all surveys and for individual subgroups.

It is worth emphasizing that the correlation between formalization and motivation is higher in the entire sample than in either of the two equal-sized subgroups (managers, employees). This paradox likely results from the sensitivity of correlation coefficients to sample sizes. Masking the correlation is one of the effects of sample size limitation (Janse et al. 2021), so in this case, the correlation was higher where the sample size was larger, i.e., for both subgroups combined.

Table 14.

Correlation Between HRM Formalization and Employee Motivation – Spearman’s rho

Category	Spearman’s rho	p-value
All firms (all respondents)	0.271	0.029
All firms (managers only)	0.188	0.084
All firms (workers only)	0.243	0.051
Accommodation providers	0.341	0.037
Food service establishments	0.198	0.091
Tour operators & travel agencies	0.261	0.118

The impact of specific formalized HRM practices on employee motivation was assessed in regression analysis using Spearman's correlation test for a subgroup of employees (Table 15). The results showed that, of the HRM practices examined, only planned training, performance-based pay, and fair pay demonstrated a significant positive relationship with employee motivation.

Table 15

Correlation Between Individual HRM Practices (Q1–Q10) and Employee Motivation

Question	Spearman rho	p-value
Q1 Written HR policies	-0.005	0.934

Q2	Awareness of HR rules	0.016	0.801
Q3	Standardized recruitment	0.028	0.667
Q4	Planned training	0.262	0.039
Q5	Structured appraisals	0.10	0.872
Q6	Consistent feedback	-0.02	0.756
Q7	Performance-based rewards	0.21	0.029
Q8	Fair compensation	0.471	0.007
Q9	Clear promotion criteria	0.008	0.902
Q10	Documented HR procedures	-0.01	0.878

Multivariate modelling

The multivariate analysis considered the following coefficients from self-reported data: the HRM Practices Formalization Index, the mathematical inverse of the number of employees (Inv_Employees), managers' declarations regarding the consistency of intended HR policies with their actual implementation (Consistency), employees' assessment of organizational leadership attitudes (Leadership), and, as modifiers, the binary coding of industry affiliation.

None of the main variables achieved statistical significance. Most importantly, there was no global effect for the entire sample explaining the motivation of regular employees based on the level of formalization of HRM practices (Formalization: Coef = 0.142, $p = 0.581$). Positive, but statistically insignificant, effects included company size

(Inv_Employees: Coef = 57.38, $p = 0.198$), managers' perceptions of the consistency of HR policy intentions and practices (Consistency: Coef = 0.191, $p = 0.402$), and even employee evaluations of leadership (Leadership: Coef = -0.062, $p = 0.718$).

All sectors differed depending on the reference group, but sector affiliation did not explain motivation levels (Hospitality: Coef = -0.082, $p = 0.712$; Gastronomy: Coef = 0.073, $p = 0.751$; Tours: Coef = 0.026, $p = 0.894$).

Statistically significant effects were obtained only in the interactive models. It had a statistically significant effect on employee motivation in the hospitality sector (Formalization \times Sector_Hospitality: Coef = 0.516, $p = 0.004$), perhaps due to the lower seasonality of employment. However, there was no statistically significant correlation in the case of the restaurant sector (Formalization \times Sector_Gastronomy: Coef = 0.128, $p = 0.328$) or tour operators (Formalization \times Sector_Tour: Coef = 0.209, $p = 0.142$).

Formalization interacted with managers' belief in HR policy consistency (Formalization \times Consistency: Coef = 0.316, $p = 0.006$) to be statistically significant. This suggests that formalization works better when accompanied by a clear and consistent HR policy. A similarly strong effect, significantly exceeding the sum of the individual effects, was observed for the interaction of formalization and employee evaluation of leadership (Formalization \times Leadership: Coef = 0.381, $p = 0.000001$).

This suggests that formalization increases motivation where management is supportive. In companies with leadership deficits, this effect disappears completely.

In contrast, the interaction of formalization with company size (Formalization \times Inv_Employees: Coef = -17.03, $p = 0.287$) was negative, although statistically insignificant. This suggests that formalization positively influences motivation in larger companies, but may have a negative effect in smaller ones.

Qualitative data

About half of the respondents (5 of 12 companies, 7 of 12 including companies with only one respondent sharing this opinion) noted an increase in employee motivation after implementing selected formalized practices. According to a single respondent, formalized practices affect workers' motivation only when their implementations was consistent and aligned with the company's realities.

In particular, they managers noted the beneficial impact of employee training (5 of 12 companies). In companies where formalization was limited to filing documents (2 of 12), no increase in motivation was observed. In a single case even a decline was observed by the company owner.

The reported increase in motivation manifested itself primarily through greater employee engagement during peak tourist seasons (4 of 12 companies), a more proactive attitude toward job responsibilities (3 of 12 companies), and higher willingness to remain in the company after the season (1 of 12 companies). Respondents described cases where employees voluntarily assumed additional roles or demonstrated initiative in problem-solving.

At the same time, according to the respondents, other factors influenced motivation as well, sometimes more strongly than formalization itself. These included interpersonal relations with supervisors (family-like environment, non-salary benefits), and the perceived fairness of work scheduling. In contrast, isolated HR interventions reported by some of the respondents (3 of 12 companies) had negligible or even negative impact declared by them. A few managers noted that when formalization initiative was accompanied by her careful attention to employee voice and participatory management, its effects on motivation were unexpectedly strong.

Specifically, practices that led to increased motivation included regular, skills-focused training, transparent criteria for bonus distribution (when applied); and clear, written descriptions of duties and expectations (observed especially in hospitality facilities). Motivation tended to be rather decreased when formalization took the form of bureaucratic control without perceived benefit to the employee, as declared in a single case. Negative effect was also declared by two managers, referring to situations when appraisal systems were introduced with training evaluators or when policies promised advancement opportunities that were not actually accessible as the firm recruited a new manager externally instead of internally as the team had been promised. In a single firm, the manager noted that the introduction of complex documentation requirements, without improving communication on workload distribution issues created ‘cynicism’ among his staff.

4.4. Research Question RQ3. What relationships are perceived between the implementation of formal HRM practices and company performance in small tourist sector companies in Mallorca?

Quantitative data

Table 16 shows the correlations (Rho-Spearman correlation) between the use of formalized HRM practices and the perception of their benefits.

The company's overall performance demonstrates the strongest correlation (0.42), characteristic of variables that directly interact rather than being indirectly related. This suggests that there is likely a direct relationship between the level of formalization and the perception of its benefits for the company. Similarly, a clear (0.22), statistically significant relationship exists between staff turnover and the level of formalization. A

potential association this may evoke is the mechanism by which only companies that have implemented a sufficiently high level of formalization to reduce excessive staff turnover perceive a link between formalization and reducing this unfavorable phenomenon. The overall data collected, including semi-structured interviews, suggests that this is a reflection of Spanish labor law, which tends to encourage the conclusion of long-term contracts for seasonal work.

Table 16

Correlation Between HRM Formalization and Perceived Benefits (Q19–Q22)

Question No.	Question Description	Spearman rho	p-value
Q19	Overall performance	0.42	0.004
Q20	Staff turnover	0.22	0.031
Q21	Employee satisfaction	-0.08	0.712
Q22	Customer satisfaction	0.17	0.058

Multivariate analysis

The multivariate analysis, similarly to the model used to explore the personnel motivation determinants, included the following coefficients from self-reported data: the HRM Practices Formalization Index, the mathematical inverse of the number of employees (Inv_Employees), managers' declarations regarding the consistency of intended HR policies with their actual implementation (Consistency), employees'

assessment of organizational leadership attitudes (Leadership), and, as modifiers, the binary coding of industry affiliation.

The direct effect of formalization was statistically significant but modest (Formalization: Coef = 0.193, $p = 0.044$), suggesting that formalization alone is a driver of perceived positive outcomes of organization. A much stronger effect was observed for company size (Inv_Employees: Coef = 152.73, $p = 0.006$), indicating that larger firms tend to perceive more benefit from formal HRM practices, likely due to their more complex need for standardized procedures.

Managers' belief in the consistency of HR policies also emerged as a significant predictor (Consistency: Coef = 0.427, $p = 0.021$), as did employee-reported leadership support (Leadership: Coef = 0.211, $p = 0.049$).

Sector affiliation itself had no statistically significant effect on perceived benefits (Hospitality: Coef = -0.163 , $p = 0.428$; Gastronomy: Coef = -0.038 , $p = 0.805$; Tours: Coef = 0.059, $p = 0.678$).

The strongest effects were observed in the interaction terms. The interaction of formalization with number of employees was highly significant (Formalization \times Inv_Employees: Coef = 38.19, $p = 0.003$). Similarly, the interaction between formalization and perceived consistency of HR practices (Formalization \times Consistency: Coef = 0.311, $p = 0.013$).

Furthermore, formalization also interacted positively with leadership quality (Formalization \times Leadership: Coef = 0.288, $p = 0.031$). In contrast, none of the sector-specific interactions reached statistical significance, implying that perceived benefits of HRM formalization are shaped primarily by organizational characteristics rather than industry type.

Qualitative data

The results of the quantitative study were largely reflected in the qualitative part of the research. The investigation revealed that a significant number of managers see the benefits of formalization.

Respondents who noticed an improvement in company performance after implementing HRM practices (8 of 12 companies) most often emphasized that the changes weren't immediate. Only over time did they bring noticeable stability and predictability to the day-to-day functioning of teams. Thus, the dominant pattern in the interviews was that formalization bring operational and financial benefits, tending to be indirect, e.g. through its impact on employee motivation. Another benefits were reported in the area of improved collaboration with external partners (employment agencies) and internal processes ('general simplification of management'). In four of the 12 companies, owners admitted that formalization—especially in the areas of salary structure, clear employment policies, and training documentation—allowed for better turnover management and the anticipation of staffing needs. In one case, the company's CEO provided a detailed explanation that he applies consistent, long-standing policies, and that, as a result, employees from the continent consistently come to him with clear expectations. Another respondent traced the principles of formalization to practices developed within his family, which partially involved applying family principles to the management ('bringing family life into the company'), and attributed this to the added value that stems from building a culture of trust ('that comes from ensuring employees don't cheat us').

In three companies with previous experience in other businesses (e.g., diving tourism and now catering; small-scale catering and now hotel management), the owners shared a pattern of behavior. They noted that shortly after implementing formal elements, they were able to reduce recurring operational errors (get more applications by being able

to clearly define the exact salary offered for specified the job) and eliminate conflicts related to unclear division of duties, but then became disillusioned (or even 'discouraged') with formalization. For them, formalization may have become an organizational learning mechanism that allowed them to avoid earlier failures, but it became a burden once their confidence grew strong.

Two managers whose companies implemented periodic appraisal elements, but without the associated bonuses, noted that regular appraisal conversations not only improved employee motivation but also allowed them to more quickly identify individuals requiring support or job changes. Ostensibly, this effect could be explained by the constructive, supportive tone. However, one of the professional managers admitted that he tended to pressure employees during these conversations and only gradually moved to supporting them. In his opinion, this evolution 'was not related to a shift from less effective practices to better ones'. He described it as the result of general improvement of the company's situation, where 'oppressive' methods were no longer necessary, but evaluation has still been needed.

In several cases (3 of 12 companies), formalization was perceived as a necessary condition for maintaining quality standards, particularly where the company collaborated with travel agencies or was subject to external audits. In this context, improved performance was understood not only as an internal effect but also as an external one – enabling further contracts and increased occupancy. Similarly, in one catering company, the owner described how the development and implementation of uniform recruitment and training policies resulted in a tangible result in consistent customer service behavior. He saw these practices likely translate into improved ratings in reservation systems, but the time taken to improve these ratings was so long that he is unsure whether this was actually the decisive factor. However, he based the belief on observations of guests in the

dining room while waiters were serving them. Another owner, running a hotel with year-round employment, clearly indicated that only after stabilizing staffing relations and formalizing internal communication did he notice a decrease in complaints and receptionist turnover. It should be noted, however, that during this time, due to his concerns about recruiting non-native Spanish speakers.

In turn, in two companies that had previously operated in a highly informal manner, the owners emphasized that only the implementation of simple procedures (schedules, job descriptions) allowed them to personally detach themselves from day-to-day management and delegate some responsibilities to line managers. This, in turn, positively impacted business growth (scale, revenue). However, these changes were spread over many years and were not the only operational improvement. In one case, the owner admitted that he had previously managed other time-consuming task (e.g. accounting and web mastering).

4.5. RQ4. What challenges and factors most significantly influence the effective implementation of formal HRM practices in small-sized companies in Mallorca?

Employees' assessments of organizational leadership attitudes (Table 17) were generally favorable, though highly variable, as revealed by the relatively high standard deviations. The direction of their variation can be identified taking into account their generally higher mean values than the medians. This indicates that the level of leadership in companies is significantly inflated by the presence of companies particularly well-rated by their employees.

Table 17

Employee Assessments of Organizational Leadership Attitudes (Q15–Q18)

Question No.	Question Description	Mean	SD	Median
Q15	Communication within the company	3.78	0.96	3
Q16	Managers listen to employee concerns and feedback	3.61	1.02	3
Q17	I receive support from my supervisor	4.85	1.08	4
Q18	Leadership promotes trust and mutual respect	3.92	0.94	4

Spearman correlation values (Table 18) indicate that Q15-Q18 items are clearly related to the degree of formalization. Although the rank correlation coefficients are low, all items are statistically significant (excepting promotion of trust and mutual respect).

Table 18

Correlation Between Leadership Attitudes (Q15–Q18) and HRM Formalization

Question No.	Question Description	Spearman rho	p-value
Q15	Communication within the company	0.18	0.048
Q16	Managers listen to employee concerns and feedback	0.17	0.043
Q17	I receive support from my supervisor	0.19	0.039

Question No.	Question Description	Spearman rho	p-value
Q18	Leadership promotes trust and mutual respect	0.06	0.146

Questions regarding the discrepancy between the company's intended and actual HR policy are difficult questions that certainly require reflection of the respondents.

The self-reported answers (Table 19) indicate a high level of appreciation for the consistency between planned and actual HR policies. However, some responses (due to high standard deviation values) underestimate the mean values.

For question Q26, due to the negative nature of the responses, a scale opposite to that given in the actual questionnaire was used.

Table 19

Assessment of HRM Policy Consistency (Q23–Q26)

Question No.	Question Description	Mean	SD	Median
Q23	Consistency between policy and practice	3.41	0.88	3
Q24	Clear communication	3.59	0.76	4
Q25	Consequent enforcement	3.62	0.82	4
Q26	Gap between policies and decisions	2.88	1.01	3

The Spearman rho test indicates the existence of certain relationships between managers' perception of HR policy as coherent and the degree of formalization (Table 20). The only statistically significant relationship, however, occurs only relation to the sense of consistent enforcement of HRM practice.

Table 20

Correlation Between HRM Policy Consistency (Q23–Q26) and HRM Formalization

Question No.	Question Description	Spearman rho	p-value
Q23	Consistency between policy and practice	0.05	0.675
Q24	Clear communication	0.108	0.061
Q25	Consequent enforcement	0.174	0.048
Q26	Gap between policies and decisions	-0.03	0.814

Identifying the factors influencing the level of effective implementation of formalized HRM practices involved analyzes of rank correlations between the particular synthetic indexes (table 20). Formalization and employee motivation show positive correlations with both HR policy coherence and management styles, but the correlations between motivation and management styles and the benefits of formalization and HR policy coherence are more clear and significant.

Table 21

Correlation Between Composite Indexes – HRM, Motivation, Perceived Benefits, Leadership, Policy Consistency

Potential Moderating Variables	Company HRM Policy Consistency Indicator (Q23–Q26)	Management Styles Index (Q15–Q18)
HRM Formalization Index	0.09 ($p = 0.310$)	0.18 ($p = 0.044$)
Employee Motivation Index	0.14 ($p = 0.072$)	0.19 ($p = 0.041$)
Perceived Benefits of Formalization Index	0.29 ($p = 0.005$)	0.11 ($p = 0.164$)

4.6. Summary of Findings

Small tourism companies in Mallorca generally perceive the implementation of formal HRM practices as moderately beneficial. The clearest improvements are seen in organizational clarity, employee satisfaction, and operational stability. However the effects on employee retention are limited. While both managers and employees recognize the presence of multiple formalized elements, their perspectives tend to differ. The managers emphasize policy existence, whereas employees more frequently declare its practical implementation. The perceived impact is stronger in hospitality firms, and depends on the company structure features. The context differences include company size and type.

The implementation of formal HRM practices affects employee motivation in small tourism companies in Mallorca indirectly and selectively, with no universal or linear effect. Formalization significantly increases motivation in given setting. This was observed when it was paired with consistent HR policies and supportive leadership. Quantitative results show only weak correlations overall ($\rho = 0.271$, $p = 0.029$). However, much stronger effects are visible in accommodation firms as well as when

some specific HRM practices (e.g. planned training) are present. Multivariate models confirm that the interaction between formalization and other constructs, especially leadership quality ($p < 0.001$), and the consistency between intended and implemented company HRM policy ($p = 0.006$), significantly increase personnel motivation.

The implementation of formal HRM practices is positively associated with perceived improvements in company performance. Quantitative data show a statistically significant correlation between HRM formalization and its performance perceived by the managers ($\rho = 0.42$, $p = 0.004$), supported by multiple regression analysis where formalization also had a significant direct effect ($p = 0.044$). The statistical effects were stronger when the above variables were combined with leadership quality, HR policy consistency, and firm size. Sector affiliation did not significantly influence the outcomes.

The effective implementation of formal HRM practices is primarily shaped by two interrelated factors. The first one is the quality of organizational leadership, while the second one is the perceived consistency between intended HR policies and their actual implementation. While variability is relatively high among the companies, quantitative data indicate that higher leadership quality—as rated by employees—is significantly associated with stronger formalization (e.g., communication: $\rho = 0.18$, $p = 0.048$; support from supervisors: $\rho = 0.19$, $p = 0.039$). Among policy consistency indicators the perception of consistent enforcement is the single indicator showing a statistically significant link to the degree of formalization ($\rho = 0.174$, $p = 0.048$). Correlational analysis between synthetic indexes further supports the view that formalization is more successful in organizations characterized by managerial support and coherent HR practices.

4.2 Conclusion

RQ1. Small tourism companies in Mallorca perceive formal HRM practices as moderately implemented and often reactive. The most visible effects of their implementation include improved recruitment and clearer operational procedures.

RQ2. Formalization affects employee motivation indirectly particularly when supported by good leadership and consistent HR policy.

RQ3. Formal HRM practices are directly associated with improved company performance, particularly in larger firms, especially when combined with appropriate leadership and coherent HR policies.

RQ4. Implementation success of formal HRM practice depends mainly on leadership quality and consistency between HRM intended policy and practice.

CHAPTER V:

DISCUSSION

5.1 Discussion of Results

The study provides a rare but important insight into the perception of HRM formalization from the perspective of small sized tourism firms operating in the specific, seasonal geographical and regulatory context of Mallorca.

The study's findings confirm that implementing formal HRM practices in small tourism companies does not automatically produce results. Their effectiveness depends on the organizational context. The results are consistent with the basic assumptions of institutional and contingency theories of HRM, especially when it comes to the importance of adapting HR solutions to the specific nature of the given company.

The example of small Spanish businesses, often with family traditions, indicates that solutions simply adopted from other companies, especially from the international corporations may be largely ineffective. The internal conditions of the companies operating within the tourism industry, have proven to differentiate the effects achieved through formalization.

Both employee motivation and the perception of improved company performance become evident only when the formalization is combined with a consistent HRM policy and supportive company leadership.

5.2. Discussion of Research Question One

The results largely support the resource-based theory of HRM. Moderate levels of formalization (average scores ca. 3.4/5) appear to support the development of employee potential (e.g., through standardized recruitment and performance appraisals). This

finding is consistent with the postulates of Barney (1991) and Wickramasinghe (2022) that formalization enables the companies to use HR systematically. At the same time, elements supporting the contingency theory approach emerge as well. The level of formalization varies significantly depending on company subsector, confirming the flexible nature of formalization, being not the setting, but rather the parameter of organizational structure (Becker & Gerhart, 1996).

On the other hand, qualitative observations illustrate the existence of limitations of HRM formalization. These limitations seem to be coherent with those postulated by behavioral theory of HRM. Formalization when rigidly implemented, faces a negative reception. Company flexibility, being a crucial feature in the tourism, may have been limited by improper implementation of formalized practices. Mentions of barriers, including aversion to bureaucracy during the interviews partially confirm the limitations identified in knowledge-based theory. The excessive formalization can stifle informal knowledge exchange and creativity.

The results obtained are however imitated by their specific cultural and institutional context. The research was conducted in Mallorca, where, as institutional theory of HRM suggests, the influence of labor regulations is strong. Therefore, some formalization may result from regulatory pressures alone (e.g., *control horario, contrato fijo discontinuo*) rather than from the strategic decisions of the companies. Another limitations concern the qualitative sample size (12 companies) and the difficulty in distinguishing intentional HRM policies from simple compliance with the legal regulations. Another significant limitation is the lack of objective outcome measures as the data are self-reported and not based on company business metrics.

Contrary to previous findings on the role of formalization in reducing turnover (e.g., Lengnick-Hall et al., 2018), surveyed managers indicate that employment stability

is difficult to achieve despite the implementation of formal policies. This finding may undermine the linear relationship between formalization and outcomes, at least in the context of seasonal employment. Furthermore, the high pay transparency is consistent with the findings in the literature indicating that pay transparency is highly effective in promoting retention and motivation (Walczak, 2019; Hina, 2024). Besides this condition being fulfilled, the formalization is not enough to stop turnover when operating on a seasonal job market.

This study makes an original contribution to HRM theory, demonstrating that the level of formalization is not only a function of organizational development, but also institutional pressures (supporting the institutional theory findings) and local organizational culture. The study revealed that managerial and employee perspectives on the degree of formalization may differ significantly. Especially, the observation that managers declare rather the existence of procedures, while employees are more aware of their actual implementation, introduces an important distinction between symbolic (intended) and functional (implemented) formalization of HRM. The dominance of so-called "mixed" practices—only partially formalized—also indicates the need to clarify the scope of the concept of formalization in small companies, as there are no clear boundaries existing between HRM policy and practice.

Finally, the confirmation that higher levels of formalization occur in the hotel industry seems to be consistent with the concept of a configurational approach to HRM. Formalization is not universal, but rather operates under specific contextual conditions (Guest, 1986).

5.3. Discussion of Research Question Two

Formalization of HRM practices has a noticeable, yet conditional, impact on employee motivation in small tourism companies in Mallorca. The effects are only evident when formalization is combined with a clear and coherent company HR policy and a defined organizational leadership style that is supportive and well-received by employees. A company that seeks to achieve motivational benefits from formalization has a low probability of achieving them sustainably and comprehensively unless it creates the right conditions in terms of strategy and organizational culture. Based on the research data, it is impossible to clearly determine the reasons for the dependence of formalization's impact on a specific tourism industry sector. The slightly higher impact demonstrated in the hotel sector may be due to lower seasonality (year-round operations) and the ubiquity of guest service standards, which can positively interact with HRM formalization.

The results mentioned above indicate that the motivational effectiveness of formalization is a function of its interaction with other factors, primarily policy coherence and organizational leadership style. The discrepancy between declared and actual standards of conduct should be minimal. The conditional nature of formalization's impact may constitute a new contribution to HRM theory.

The results are partially consistent with the assumptions of resource-based theory. Where formalization was focused on human capital development (e.g., training), positive effects were observed ($\rho = 0.262$, $p = 0.039$). These findings are consistent with the literature indicating that planned competency development promotes employee motivation and engagement (Hassi & Storti, 2011; Afrianty et al., 2025).

Behavioral theory also finds further support here. According to this theory, formalization improves motivation when it does not conflict with employee expectations and, potentially, their need for flexibility (Lengnick-Hall et al., 2018). Otherwise, it can

result in frustration and a sense of injustice. This was directly confirmed during semi-structured interviews. It may seem that some of the literature on formalization, which views it as an isolated phenomenon, prematurely postulates clear effects of formalization (Wickramasinghe, 2022). In the studied companies, the lack of an independent effect of formalization on motivation suggests that it is a highly context-dependent variable. This assumption is also supported by the lack of correlation between motivation and some typical formalization practices that should seemingly have a positive impact on motivation, such as regular feedback. This may be due to the fact that not all managerial practices translate into actions that employees understand (Khorsand et al., 2023), which they could internalize to a degree that would influence their behavior and aspirations.

Again, the main limitation of findings is that the study focused on a single geographic region, with a dominant seasonal structure and the influence of Spanish labor law regulations. Some of these regulations, by stabilizing employment (e.g., RDL 32/2021), may modify employee motivation levels. Motivation was measured self-reported, and the interaction variables did not include all potential moderators. The modeling yielded no effects for the main variables – only the interactions were significant, which increases the risk of overinterpretation.

The identified interactions between formalization, leadership quality, and policy coherence provide arguments for an integrated approach to HRM. It should combine empirically verified postulates from resource-based theory, behavioral theory, and contingency theory. The results also support an institutional approach, in that where formalization was solely a response to formal requirements (e.g., documentation without action), the effects were modest, according to interviewees.

The stronger effect of formalization on motivation, observed only in the presence of supportive leadership, can be explained using behavioral HRM leadership theory.

Formalized HRM practices undoubtedly provide role coherence and clarity, but their motivational impact depends on how they are implemented. According to behavioral HRM, policies translate into outcomes solely through managerial behavior. Supportive leadership—characterized by empathy, encouragement, and participation—enhances the perception of formal practices as developmental rather than controlling. Authoritarian leadership, on the other hand, can enhance a sense of supervision and limit autonomy, suppressing motivational benefits (Bandhu, 2024). Therefore, formalization alone is not sufficient. Its impact on motivation depends on leader behaviors, which shape how employees experience and internalize formal structures.

5.3. Discussion of Research Question Three

The formalization of HRM practices in small tourism companies in Mallorca is perceived as a factor positively impacting organizational functioning. During the theoretical analysis phase, it could be assumed that employee motivation, being more closely linked to HRM practices, would be more susceptible to the beneficial impact of HRM formalization than the benefits for organizational development, which are only indirectly related. However, a much stronger impact of formalization on the perception of its benefits than on employee motivation was observed.

The classic scientific paradigm that correlation does not imply causation may prove important here. A stronger relationship between the perception of benefits from a given phenomenon and the phenomenon itself is a well-known construct in management science.

An example of such a link is the three-factor model of innovation development (Stanisławski, 2015; Stanisławski, 2020). In this model, the perception of benefits

derived from innovation development is equivalent to a company's propensity to innovate.

Therefore, it is possible that a formalized model of enterprise HR development should assume the separate existence of the ability to implement formalization (appropriate internal and external resources, especially company size) and the propensity to formalize **the HRM practices** (equivalent to the perception of benefits).

This would explain the relationship between perceived benefits and the extent of implementation of formalized HRM practices, as well as the influence of company size on the effects of formalization.

Another interpretation could be the actual and direct impact of formalization on the resulting benefits, which, however, are not limited to employee motivation, but rather stem from the improvements in enterprise management that can be achieved through HRM formalization.

In terms of operational efficiency, the perceived effects were strongly amplified in the multivariate model by the remaining variables, including those that influenced the relationship between motivation and formalization. Again, these effects are particularly evident in larger companies with consistent human resources management and a supportive leadership style. Formalization rarely brings immediate benefits – most often, it results in a gradual streamlining of organizational governance, improved turnover management, and better collaboration with partners.

The theoretical significance of the findings lies in the fact that they demonstrate the possibility of clearly separating two effects of formalization: direct and interactive, where formalization interacts with factors such as firm size, HR policy consistency, and organizational leadership style. This supports a more nuanced approach than the previously dominant consideration of direct benefits of formalization.

According to the resource-based theory (Barney, 1991; Wickramasinghe, 2022), firms with higher levels of formalization make better use of internal organizational resources, especially in complex environments where increasing scale requires standardization. At the same time, qualitative observations that formalization leads to operational stability and reduced management errors confirm the findings on the positive role of structured HRM in growing firms (Guest, 1986).

Some indications of this in the qualitative study were the identification of instances of formalized practices being linked to the hotel business environment and government regulatory pressure.

In light of the literature review, an interesting finding is the lack of a statistically significant direct relationship between the level of satisfaction of both employees and customers with formalization. It can be assumed that these factors become significant only when factors that enhance employee motivation and operational benefits interact. Presumably, the impact of formalization on customer and employee satisfaction would be highlighted **more if** interaction of formalization with management attitudes and the alignment of intended and actual HRM policies **would be considered**.

The effectiveness of implementing formalized HRM practices in small tourism enterprises in Mallorca depends primarily on two interrelated organizational factors. The first is the consistency of HR policies, and the second is the quality of leadership style. Formalization demonstrates only weak and inconsistent associations with these variables, but its effectiveness increases significantly when accompanied by consistent enforcement of HR policies (Q25, $\rho = 0.174$, $p = 0.048$) and collaborative, supportive communication from leaders (Q15–Q17, all $p < 0.05$). This indicates that these factors are independent predictors of the effectiveness of implementing formalized HRM practices.

These results fully support the theories of institutional and configurational HRM theory – the implementation of formal practices is not solely a matter of structure, but primarily of organizational culture. Consistent implementation of HR policies (Q25), as the only component of policy coherence significantly associated with formalization, clearly aligns with resource-based theory, which posits that competitive advantage does not depend on the mere existence of practices, but on their consistent and coherent use (Becker & Gerhart, 1996).

Contrary to common assumptions, the results suggest that the mere transparency of HR policies (Q24) or their general existence (Q23) does not necessarily have a significant relationship with the level of formalization. This may indicate that communication and policy transparency are insufficient if they are not accompanied by effective enforcement and policy compliance (Q25). Therefore, these findings contradict the literature promoting documentation and transparency as the foundations of effective HRM (Roehling et al., 2008; Kaźmierczyk & Aptacy, 2016).

A serious drawback of the above scientific findings is that they are based on the declarations of companies and their employees and managers. This may cause biases, which, given the limited sample size, prevented statistical significance of the associations found in larger research samples by other authors.

CHAPTER VI:
SUMMARY, IMPLICATIONS, AND RECOMMENDATIONS

6.1 Summary

HRM formalization in small tourism companies in Mallorca does not produce uniform results, but operates effectively when combined with a coherent HR policy and supportive leadership, with clear organizational communication.

The obtained results do not contradict any classical HRM theory. On the contrary, they support some of the postulates of all the key theories developed to date.

However, they indicate that the formalization of HRM is context-dependent, at least in the specific research context of Mallorca, characterized by a high share of family businesses, seasonality, dynamic variability and consistent enforcement of labor law.

Under the conditions described above, the benefits of standardization require proper implementation. Success factors include consistency in implementing the intended goals and effective communication within the company, coupled with a supportive leadership style.

6.2 Implications

Every manager can expect failure to achieve beneficial effects from formalizing HRM practices. Factors that may cause failure include the lack of immediate effects of formalization and its dependence on other factors affecting operational efficiency and employee motivation.

For successful implementation, an appropriate plan is necessary, providing for the evaluation of effects at appropriately selected points in time and taking actions to strengthen the supporting organizational culture and appropriate communication.

A sensible approach to formalization seems to look at the goals through the lens and adopt a specific change management model that can provide a roadmap for achieving them through formalization.

6.3 Recommendations for Future Research

The obtained results are based on the respondents' self-declarations. Despite the relatively large sample and precise methodological **rigors**, the amount of data was not sufficient to obtain statistical significance of all predicted variables.

Further research is needed to confirm whether the strong contextual dependence of the effects of formalization on specific predictors also occurs in other research contexts and whether these predictors are actually weakly related to the level and scope of formalization.

For this research to be successful, it is necessary to take into account the multidimensional nature of formalization, including the **degree** of formalization intensity and not just its scope.

This research should include direct, objective measurements of variables operationalizing employee and customer satisfaction, employee motivation, impact on operational results (e.g., key performance indicators), and financial results. Obtaining in-depth results also requires considering the process-based nature of formalization, which would be best reflected in a cohort study.

6.4 Conclusion

Formalization of HRM practices is a multidimensional concept and likely dependent on interactions with other variables that should be considered by managers implementing formalized HRM practices.

However, objective confirmation of these relationships requires continued research.

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APPENDIX A
SURVEY COVER LETTER

Dear Sir or Madam,

As part of the ongoing research project on human resource management (HRM) in small enterprises in the tourism sector, I would like to kindly invite your company to participate in a scientific study.

The study represents a significant opportunity for Mallorca-based businesses. Each participant will receive information about the study's results and recommendations derived from the scientific findings, which can be applied in practice for the company's further development.

The aim of the project is to understand the impact of the implementation of formal HRM practices on the functioning and development of businesses in local context of Mallorca.

The study is intended exclusively for companies with between 1 and 25 employees. Participation involves the one-time completion of a short, anonymous paper questionnaire by two members of your team: one representative of the management (this may be the owner or any person in a managerial position) and one line employee.

The questionnaire will be delivered to your company in person by the researcher and collected at a time convenient for you.

All data collected will be used solely for academic purposes and presented in aggregate form, ensuring that no specific companies or individuals can be identified.

I would be sincerely grateful for the opportunity to conduct the study in your company and thank you in advance for your kind support and contribution to the advancement of academic knowledge.

Yours faithfully,

Patrycja Szymanska

Swiss School of Business and Management Geneva

603-765-053

Estimados señores:

En el marco de un proyecto de investigación en curso sobre la gestión de recursos humanos (RRHH) en pequeñas y medianas empresas del sector turístico, me gustaría invitar cordialmente a su empresa a participar en un estudio científico. Este estudio representa una valiosa oportunidad para las empresas con sede en Mallorca. Cada participante recibirá información sobre los resultados del estudio, así como recomendaciones derivadas de los hallazgos científicos, que podrán aplicarse en la práctica para el desarrollo futuro de la empresa.

El objetivo del proyecto es comprender el impacto que tiene la implementación de prácticas formales de RRHH sobre el funcionamiento y desarrollo de las empresas en el contexto local de Mallorca.

El estudio está dirigido exclusivamente a empresas con entre 1 y 25 empleados. La participación consiste en la cumplimentación, por única vez, de un breve cuestionario en papel y de forma anónima por parte de dos miembros del equipo: un representante de la dirección (puede ser el propietario o cualquier persona con funciones directivas) y un empleado de línea.

La investigadora entregará personalmente el cuestionario en su empresa y lo recogerá en el momento que resulte más conveniente para ustedes.

Todos los datos recogidos se utilizarán exclusivamente con fines académicos y se presentarán de forma agregada, garantizando que no sea posible identificar a empresas ni a personas concretas.

Estaría sinceramente agradecida por la oportunidad de realizar el estudio en su empresa y les agradezco de antemano su amable colaboración y su contribución al avance del conocimiento científico.

Atentamente,

Patrycja Szymanska

Swiss School of Business and Management Geneva

603-765-053

APPENDIX B

INFORMED CONSENT

I hereby confirm that I have been informed about the purpose and general scope of the scientific research study on human resource management (HRM) in small tourism enterprises in Mallorca. I understand that participation involves completing an anonymous questionnaire, and that my responses will be used solely for academic purposes. My participation is voluntary and I may withdraw at any point with no explanation needed. All information obtained in this study will be kept strictly confidential and anonymous. No personal data or identifying information will be collected or stored. The results will be presented in an aggregated form and will not allow for identification of you as an individual respondent or your company. The questionnaire will be used only for scientific analysis by the authorized researcher.

By signing below, I voluntarily agree to participate in this study and confirm that I have received sufficient information.

Date:

Signature:

DECLARACION DE CONSENTIMIENTO

Por la presente confirmo que he sido informado/a sobre el propósito y el alcance general del estudio científico sobre la gestión de recursos humanos (RRHH) en pequeñas empresas del sector turístico en Mallorca. Entiendo que la participación consiste en completar un cuestionario anónimo y que mis respuestas serán utilizadas exclusivamente con fines académicos. Mi participación es voluntaria y puedo retirarme en cualquier momento sin necesidad de dar explicaciones. Toda la información obtenida en este estudio se mantendrá estrictamente confidencial y anónima. No se recopilarán ni almacenarán datos personales ni información que permita identificarme. Los resultados se presentarán de forma agregada y no permitirán identificarme como persona participante ni identificar a mi empresa. El cuestionario será utilizado únicamente para análisis científicos por la investigadora autorizada.

Mediante mi firma a continuación, declaro que participo voluntariamente en este estudio y confirmo que he recibido información suficiente.

Fecha:

Firma:

APPENDIX C
SURVEY QUESTIONNAIRE

**SURVEY: Formalization of HRM Practices and Organizational Effectiveness in the
Tourism Sector**

**ENCUESTA: Formalización de las prácticas de RRHH y eficacia organizacional en
el sector turístico**

Please select only **one answer** that best reflects your situation / opinion for each question.

Por favor, marque solo **una respuesta** que mejor refleje su situación / opinión en cada pregunta.

Demographic section / Sección demográfica

1. How many employees does the company currently have? ¿Cuántos empleados tiene actualmente la empresa?

....

2. How many years has the company been operating? ¿Cuántos años lleva operando la empresa?

Menos de 5 años (Less than 5 years)

5–10 años (5–10 years)

11–20 años (11–20 years)

Más de 20 años (More than 20 years)

3. In which main sector does the company operate? (only one answer)

¿En qué sector principal opera la empresa? (solo una respuesta)

Accommodation/hotels – Alojamiento/hoteles

Gastronomy – Gastronomía

Catering – Catering

Tour operation – Turoperación

4. How old are you? ¿Cuál es tu edad?

Under 25

25–34

35–44
45–54
55 or older

5. How long have you been working for this company? ¿Cuánto tiempo llevas trabajando en esta empresa?

- ...
-

6. What is your highest completed level of education? ¿Cuál es tu nivel más alto de estudios finalizados?

- Primary/vocational – Primaria/profesional
- Secondary – Secundaria
- Bachelor’s degree – Licenciatura/Grado
- Master’s degree, PhD or higher – Máster ○ PhD or higher, Doctorado o superior

Substantive section / Sección sustantiva

Please indicate your level of agreement with each of the following statements

Por favor, indique su nivel de acuerdo con cada una de las siguientes afirmaciones

(1 = Strongly disagree / Totalmente en desacuerdo ... 5 = Strongly agree / Totalmente de acuerdo)

Section A — Formalization of HRM Practices / Sección A — Formalización de las prácticas de RRHH

Q1 The company has written, formal HR policies that are accessible to employees.

La empresa tiene políticas de RRHH escritas y formales, accesibles para los empleados.

1 2 3 4 5

Q2 I am fully aware of the HR rules and procedures in this company. Soy plenamente consciente de las normas y procedimientos de RRHH en esta empresa.

1 2 3 4 5

Q3 The recruitment and selection processes are standardized and consistently applied.

Los procesos de reclutamiento y selección están estandarizados y se aplican de forma consistente.

1 2 3 4 5

Q4 Training and development programs are formally planned and implemented.

Los programas de formación y desarrollo están planificados e implementados formalmente.

1 2 3 4 5

Q5 Performance appraisals follow a structured and regular process. Las evaluaciones de desempeño siguen un proceso estructurado y regular.

1 2 3 4 5

Q6 Feedback on performance is provided in a consistent and systematic way. La retroalimentación sobre el desempeño se proporciona de forma coherente y sistemática.

1 2 3 4 5

Q7 Reward systems are based on clearly defined performance criteria. Los sistemas de recompensas se basan en criterios de desempeño claramente definidos.

1 2 3 4 5

Q8 Compensation policies are transparent and applied fairly across the company. Las políticas de compensación son transparentes y se aplican de forma justa en toda la empresa.

1 2 3 4 5

Q9 Promotion criteria are clearly defined and communicated to all employees. Los criterios de promoción están claramente definidos y comunicados a todos los empleados.

1 2 3 4 5

Q10 All HR procedures are documented and not left to individual discretion. Todos los procedimientos de RRHH están documentados y no quedan a discreción individual.

1 2 3 4 5

Section B — Employee Motivation / Sección B — Motivación del empleado

Q11 I feel motivated to do my best at work. Me siento motivado para dar lo mejor de mí en el trabajo.

1 2 3 4 5

Q12 HR practices in my company positively influence my motivation. Las prácticas de RRHH en mi empresa influyen positivamente en mi motivación.

1 2 3 4 5

Q13 I feel satisfied with my current job. Me siento satisfecho con mi trabajo actual.

1 2 3 4 5

Q14 I feel valued and appreciated by my employer. Me siento valorado y apreciado por mi empleador.

1 2 3 4 5

Section C — Management Style / Sección C — Estilo de gestión

Q15 Communication within the company is open and effective. La comunicación dentro de la empresa es abierta y efectiva.

1 2 3 4 5

Q16 Managers listen to employee concerns and feedback. Los gerentes escuchan las preocupaciones y sugerencias de los empleados.

1 2 3 4 5

Q17 I receive support from my supervisor when I face challenges. Recibo apoyo de mi supervisor cuando enfrento desafíos.

1 2 3 4 5

Q18 Leadership in the company promotes trust and mutual respect. El liderazgo en la empresa promueve la confianza y el respeto mutuo.

1 2 3 4 5

Section D — Organizational Effectiveness Perception / Sección D — Percepción de la eficacia organizacional

Q19 Since introducing formal HRM practices, the overall performance of the firm has improved. Desde la introducción de prácticas formales de RRHH, el rendimiento general de la empresa ha mejorado.

1 2 3 4 5

Q20 Staff turnover has decreased as a result of improved HRM procedures. La rotación de personal ha disminuido como resultado de la mejora de los procedimientos de RRHH.

1 2 3 4 5

Q21 Employee satisfaction has increased due to formal HRM practices. La satisfacción de los empleados ha aumentado gracias a las prácticas formales de RRHH.

1 2 3 4 5

Q22 Customer satisfaction has improved since HRM practices were formalized. La satisfacción del cliente ha mejorado desde que se formalizaron las prácticas de RRHH.

1 2 3 4 5

Section E — HRM Implementation Consistency / Sección E — Brecha entre las políticas de RRHH previstas e implementadas

Q23 There is consistency between what HR policies prescribe and what is actually done in practice. Existe coherencia entre lo que prescriben las políticas de RRHH y lo que realmente se hace en la práctica.

1 2 3 4 5

Q24 Communication about HR policies is clear and reaches all levels of the organization. La comunicación sobre las políticas de RRHH es clara y llega a todos los niveles de la organización.

1 2 3 4 5

Q25 Leadership in the company consistently enforces formal HRM procedures. El liderazgo en la empresa aplica de forma coherente los procedimientos formales de RRHH.

1 2 3 4 5

Q26 There is a gap between official HRM policies and daily HR-related decisions in the company. Existe una brecha entre las políticas oficiales de RRHH y las decisiones cotidianas relacionadas con RRHH.

1 2 3 4 5

Please make sure you have answered all of the questions in the survey and that for each question you have selected only one answer option.

Por favor, asegúrese de haber respondido todas las preguntas de la encuesta y de que en cada pregunta ha marcado solo una opción de respuesta.

Thank you for your participation! / ¡Gracias por su participación!

APPENDIX D

INTERVIEW QUESTIONS

1. Implementation of formal HRM practices

EN: How were formal HRM practices introduced in your company? What was the process like?

ES: ¿Cómo se introdujeron las prácticas formales de RRHH en su empresa? ¿Cómo fue el proceso?

2. Challenges and barriers

EN: What challenges or barriers did you face when implementing formal HRM practices?

ES: ¿Qué desafíos o barreras encontró al implementar prácticas formales de RRHH?

3. Perceived impact on employee motivation

EN: In your view, how have formal HRM practices affected employee motivation?

ES: Según su opinión, ¿cómo han influido las prácticas formales de RRHH en la motivación de los empleados?

4. Perceived impact on company performance and dynamics

EN: How do you think these practices have influenced the company's performance and internal dynamics?

ES: ¿Cómo cree que estas prácticas han influido en el rendimiento y la dinámica interna de la empresa?

5. Observed results and changes

EN: What results or changes have you observed since implementing formal HRM practices?

ES: ¿Qué resultados o cambios ha observado desde la implementación de las prácticas formales de RRHH?

6. Interviewee's own observations of HRM practices in the company and in

Mallorca

EN: What are your personal observations about HRM practices in your company and in Mallorca in general?

ES: ¿Cuáles son sus observaciones personales sobre las prácticas de RRHH en su empresa y en Mallorca en general?

APPENDIX E
INTERVIEW GUIDE AND PROTOCOL

The semi-structured face-to-face interviews will be conducted in a given company, or other private and comfortable setting, lasting approximately 45–60 minutes (depending on the depth of the responses). The following protocol will be strictly followed.

Introduction and rapport building:

1. I Greet the participant warmly and thank them sincerely for agreeing to participate in the study.
2. I briefly explain the purpose of the research, which is to explore the formalization of HRM practices in small tourism companies in Mallorca and its perceived effects on employees / organizational performance.
3. I emphasize that there are no right or wrong answers. I explain that I am interested in their personal experiences and honest opinions.
4. I explain that, if necessary, the interview can be conducted in a language other than Spanish (English, Polish).

Informed consent and ethical reminders

5. I provide the participant with the informed consent form (if not already personally signed) and review the key points of the consent, which are: voluntary terms of participation, right to withdraw at any time without consequences and without any explanations, and full anonymity of the answers provided during the interview.
6. I confirm that the interview is not audio recorded, but the answers are documented by a written protocol. I remind the participant that all data will remain strictly confidential, stored securely, and will only be accessible to other companies.
7. Explain that identifiers will be removed and that only a participant code (his or her individual number) will be used in the final dissertation.

Conducting the interview

8. I Begin with the six prepared open-ended questions in the established order, allowing natural flow.

9. I use probing and follow-up questions whenever they are needed (e.g., “Can you, please, give an example?”, “How did that make employees feel?”, “Why do you think that happened?”) intended to obtain richer data.

10. I remain neutral and non-leading also whenever using probing and follow-up questions.

11. I actively listen and maintain eye contact. Whenever needed I give the participant ample time to reflect and elaborate.

Closing the main part of the interview

12. After the final question, I ask “Is there anything else you would like to add about HRM practices in your company or in the tourism sector in Mallorca that we haven’t covered?”

Member checking explanation

13. I explain the member-checking process. a protocol (with all the key excerpts of the interview) may be sent to the participant within two weeks for review if they wish. They may confirm accuracy or suggest corrections/clarifications if needed.

14. I provide clear contact details and a timeframes including time for feedback.

Conclusion

15. I sincerely thank the participant again for their time and the valuable insights they have provided me with.

16. I reassure them about confidentiality and the importance of their contribution to the study.

17. I offer to send them a summary of the final research findings once the dissertation is completed (if they express interest).

18. I declare being open to answer any final questions the participants may have.

APPENDIX F

BACKGROUND INFORMATION OF RESEARCH PARTICIPANTS

Participant No.	Age (years)	Business type (sub-sector)	Educational background	Job category	Working experience in the company (years)	Interview duration (minutes)
P01	48	Hotel (accommodation)	Bachelor's degree	Owner-manager	18	52
P02	38	Gastronomy	Secondary education	Owner-manager	12	45
P03	55	Hotel (accommodation)	Master's degree	Owner-manager	5	60
P04	47	Tour operation	Bachelor's degree	Operational level manager	15	48
P05	35	Catering	Vocational training	Owner-manager	8	45
P06	51	Hotel (accommodation)	Bachelor's degree	Owner-manager	22	58
P07	29	Gastronomy	Secondary education	Operational level manager	6	60
P08	44	Hotel (accommodation)	Bachelor's degree	HR manager	2	55
P09	60	Tour operation	Secondary education	Owner-manager	5	50
P10	39	Catering	Bachelor's degree	Owner-manager	4	47

Participant No.	Age (years)	Business type (sub-sector)	Educational background	Job category	Working experience in the company (years)	Interview duration (minutes)
P11	46	Hotel (accommodation)	Bachelor's degree	Operational level manager	3	53
P12	33	Gastronomy	Secondary education	Owner-manager	9	46
P13	52	Hotel (accommodation)	Master's degree	Operational level manager	4	59
P14	41	Tour operation	Secondary education	Owner-manager	16	46
P15	37	Catering	Secondary education	Operational level manager	11	45
P16	48	Hotel (accommodation)	Bachelor's degree	Operational level manager	4	51
P17	31	Gastronomy	Vocational training	Owner-manager	7	47
P18	56	Hotel (accommodation)	Secondary education	Operational level manager	2	57

