

## **The Effects of a High Performance Work System and Leader-Member Exchange on Organizational Performance in the Thai Hospitality Industry**

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### **Abstract**

Drawing on the resource-based view theory and the social exchange theory, this paper explores the relationship between a collectivism-high performance work system, leader-member exchange, human capital and organizational citizenship behavior, together with their effects on hotel performance in the Thai hospitality context.

Using survey data gathered from four hundred and twenty hotel staff in Bangkok, the statistical results reveal that the proposed model has a significant mediating effect that contributes to hotel performance. Based on the causal path model, organizational citizenship behavior is the key enabler on hotel performance. These findings reveal that collectivism-high performance work system and leader-member exchange are key antecedent factors and have a direct effect on hotel performance. However, human capital has only an indirect effect on hotel performance. This appears plausible since higher human capital may not lead to improved organizational performance which requires an interaction of the leader-member exchange relationship and the collectivism-high performance work system to interact on organizational citizenship behavior that directly effects hotel performance.

As a practical contribution, the present study provides HR management and line managers with concrete insights. It provides a better understanding of the sequence of mechanism-HR practices and a social exchange relationship with the leader to enhance hotel performance.

**Keywords:** High performance work system, leader-member exchange, organization citizenship behavior, human capital, Thai hospitality industry

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## ผลของระบบการทำงานสมรรถนะสูงและการแลกเปลี่ยนระหว่างผู้นำและสมาชิกที่มีต่อผลประกอบการองค์กรในอุตสาหกรรมโรงแรมไทย

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### บทคัดย่อ

งานวิจัยชิ้นนี้พัฒนาขึ้นจากทฤษฎีฐานทรัพยากรและทฤษฎีแลกเปลี่ยนทางสังคม ซึ่งแสดงให้เห็นถึงความสัมพันธ์ระหว่างระบบการทำงานที่มีสมรรถนะสูง ความสัมพันธ์ระหว่างผู้นำและสมาชิก ทูมมนุษย์และพฤติกรรมของการเป็นสมาชิกที่ดีขององค์กร เพื่อศึกษาผลกระทบต่อผลประกอบการโรงแรมในบริบทของอุตสาหกรรมบริการไทย

โดยวิธีการเก็บข้อมูลจากพนักงาน 420 คนที่ทำงานในอุตสาหกรรมโรงแรมในกรุงเทพมหานคร จากข้อมูลทางสถิติพบว่า โมเดลที่นำเสนอแสดงระดับนัยสำคัญทางสถิติที่สำคัญที่ส่งผลต่อผลประกอบการโรงแรม จากความสัมพันธ์ในโมเดลพบว่า พฤติกรรมการเป็นสมาชิกที่ดีขององค์กรเป็นปัจจัยหลักที่ขับเคลื่อนผลประกอบการโรงแรม นอกจากนี้ ยังพบว่า ระบบการทำงานสมรรถนะสูงและความสัมพันธ์ระหว่างผู้นำและสมาชิกเป็นตัวแปรต้นที่สำคัญและมีผลต่อผลประกอบการโรงแรม อย่างไรก็ตาม ทูมมนุษย์ไม่มีผลโดยตรงต่อผลประกอบการโรงแรม ซึ่งมีความเป็นไปได้ ถึงแม้โรงแรมจะมีทูมมนุษย์ที่มีคุณภาพสูงแต่หากขาดการบริหารทรัพยากรมนุษย์เชิงกลยุทธ์ และการสร้างความสัมพันธ์ระหว่างผู้นำและสมาชิกที่ดี ก็ทำให้ทูมมนุษย์ที่มีคุณภาพสูงนั้น ไม่ส่งผลต่อผลประกอบการโรงแรม

ผลต่อการปฏิบัตินั้น งานวิจัยชิ้นนี้แสดงให้เห็นให้ผู้บริหารด้านทรัพยากรมนุษย์และหัวหน้างานมองเห็นถึงการประยุกต์ใช้ โดยแสดงถึงความสัมพันธ์ของแนวปฏิบัติด้านการบริหารทรัพยากรมนุษย์และความสัมพันธ์ระหว่างผู้นำและสมาชิก ซึ่งส่งผลต่อผลประกอบการโรงแรม

**คำสำคัญ:** ระบบการทำงานที่มีสมรรถนะสูง การแลกเปลี่ยนระหว่างผู้นำกับสมาชิก พฤติกรรมการเป็นสมาชิกที่ดีขององค์กร ทูมมนุษย์ อุตสาหกรรมโรงแรมไทย

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## Introduction

The scale of Thailand's tourism industry is huge. According to the Department of Tourism's Ministry of Tourism and Sports, the number of international arrivals in 2014 was 27.4 million and the total revenue from the tourism industry was registered at a record high of 1.15 trillion baht. According to Michael E. Porter (1980), human resource management was the main function to foster the advantage of a firm's competitiveness. In the service industry where customers require superior service quality, HR functions inevitably play the major role in the production of highly developed employee skills, as well as employee behaviors and attitudes.

The Thai hospitality industry is dominated by Stock Exchange of Thailand (SET) listed companies. For example, in 2014, in Thailand alone, twelve listed companies owned and operated eighty-eight hotels, 22,881 rooms and generated approximately 36,060.47 million baht, with an occupancy rate range from 51.10-79.13 percent. Leading players, based on revenue generated from hotels located in Thailand, were Minor International Plc. (MINT), Centara Plaza Hotel Plc. (CENTEL), The Erawan group Plc. (ERW) and the Thai Hotel Investment Freehold and Leasehold Property Fund (THIF) under the TCC Land group. Most companies operated under the franchise brand of global hotel groups such as Accor, Hilton, Hyatt, Intercontinental, Marriott, Best Western and Starwood. Additionally, most companies adopted HR best practices which have been successfully implemented in a western context to initiating a different Asian context and specifically linked to a Thai cultural environment. Many hotels in Thailand have received international awards for service excellence; for example, The Mandarin Oriental hotel, CENTARA, et cetera. Hence, what would be the strategies, or recipes, for western HR practices to successfully align with an Asian cultural context to create a sustainable, competitive advantage for a firm?

Apart from the above discussed global brand names, however, many hotels in Thailand are small and medium sized enterprises. Based on data from the National Statistic Office, 93.5 percent of hotels in Thailand registered capital of less than two hundred million baht and are small and medium enterprises (SMEs). Compared to an international chain hotel, Thai SME hotels face many problems such as brand reputation, channel options to attract new guests, operational systems, social and environmental responsibilities and last, and the most important, options to hire and retain the best people. An immediate recommendation to strengthen the competitiveness of Thai SME hotels is for them to learn which HR practices successfully adopted by international chain hotel would be of benefit to them.

Hence, in this study, the primary objective is to study the individual/collectivism orientation, human resource management (HRM) practices and leader-member-exchanges that affect organizational performance in the Thai hospitality industry. The research model developed for this study is based

on a broad range of literature which includes strategic human resource management (SHRM) (Boxall, 1992; Wright & McMahan, 1992), a firm's resource-based view (RBV) (Barney, 1991), the social exchange theory (Blau, 1964) and organizational culture (Hofstede, Hofstede & Minkov, 2010).

## **Theoretical Frameworks and Conceptual Development**

Observations across the published research in strategic human resource management, uncover a key, interest-arousing finding of how firms structure their HR systems to motivate their employees and, finally, benefit to their organizations' bottom lines (Lepak, 2007). In order to understand the 'Black Box' or linking mechanism between HR practices and organizational performance, two tentative conceptual frameworks for this study were constructed through the combination of the RBV and the social exchange theory to explain the linking mechanism.

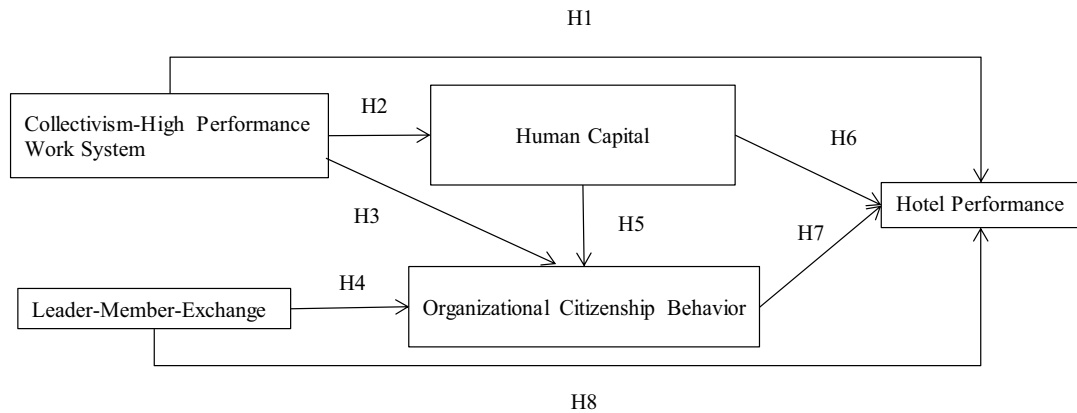
Firstly, a firm's RBV seems principally applicable to examine the linking mechanism between HR practices and the firm's performance. This is the strategic perspective which assists us to understand why a firm implements HR practices by better managing the firm's internal resources and capabilities to create a sustained competitive advantage. In the tourism industry where competitiveness is high for market responsiveness and superior service quality, a high-quality workforce is the significant resource for a firm intense competitive edge. As well, the HR function plays the main role in creating employee competencies and shaping employee behaviors and attitudes when they engaging with clients. Finally, the aggregation of superior employee competence and behavior will create a firm's uniqueness and improve its bottom line.

Secondly, based on social exchange theory, Blau (1964) argued that a person returns a kindness after receiving a favor or assistance from others. Also, each party develops an expectation of a return (Homans, 1961). However, employees also create a form of relationship with their supervisor, called leader-member exchange. When leaders provide favors or lobby for more resources, members are found to produce effort, performance and citizenship behaviors in return (Wilson, Sin & Conlon, 2010). Significantly, in the hospitality industry which requires superior service to clients, employees are required to perform citizenship behaviors for the clients. In fact, Organ (1988) defined organization citizenship behavior (OCB) as discretionary behaviors that are not part of the job description, but are a matter of personal choice that goes beyond standard behavior. So, organizational citizenship behavior is strongly related to service challenge in the hospitality industry. Consequently and based on the unique characteristics of the hotel industry, Emily Ma and Hailin Qu (2011) developed three dimensional models of OCB consisting of OCB-O (to organization), OCB-I (to employee) and OCB-C (to customers).

In conclusion, these abovementioned theories contribute to a clearer understanding of the link between HR practices and organizational performance. The resource-based view is used to derive predictions concerning strategic human resource management which motivates employees and creates human capital, while the social exchange theory helps to understand the factors facilitating the leader-member relationship that creates good organizational citizenship behavior, leading to improved hotel performance. In the next sections, these two approaches are applied to establish a strong foundation for the analysis and discussion of the study's proposed hypotheses

## Hypotheses of the Study

The conceptual framework of this study is shown in Figure 1, indicating the relationships between HR practices and hotel performance.



**Figure 1.** Conceptual Framework for This Study

### The Relationship between HR Practices and Hotel Performance

A survey by Hofstede's (2010) survey found Thailand to be a collectivist society with a low score of twenty on individualism. Following this, it may be assumed that Thai firms follow a collectivism orientation and thus, according to Brickson, implementing a collectivism style HRM will help nurture collectivist membership among the employees. In a collectivism community group needs and goals come first before those of individual. Thus, in firms with collectivist-oriented HR practices, team reward is preferred to individual reward, training and development emphasizes teamwork, and those who excel at joint effort should be promoted.

A surveyed guest expressed that “there may be an association between HRM practices and company profit and other organizational outcomes”. Accordingly, a collectivism-oriented HR will adapt in a way that leads to positive hotel performance. In order to create firm competitiveness, two concepts of the HR system-best practice and best fit-are combined. The best practice, high performance works system, will be a foundation for designing a HR system while the best fit, collectivism HR practices, will be adapted in line with the Thai cultural context to build a collectivism-high performance work system (C-HPWS).

Measurement of hotel performance can be considered from a subjective or objective point of view. The objective approach measures performance in an absolute term (Morgan & Strong, 2003). This approach, however, often faces limited data availability. This study, instead, will utilize a subjective approach where relative performance of a firm, as measured by employee views, compared to those of its competitors, is of interest (Chi & Gursoy, 2009). This approach to performance inference has been confirmed for validity for hospitality companies. (Chi & Gursoy, 2009).

Employees in the hotel industry need to have reliable knowledge about services, products and customers, as well as the ability and skill to meet customer demands. Through best collectivism culture-adapted HR practices, such as training, information sharing and performance feed back, C-HPWS selects, develops, and enhances employee human capital and subsequently hotel performance. The study, therefore, proposes the following hypothesis:

**H1: Collectivism-HPWS Adoption will be Positively Associated with Hotel Performance.**

#### **The Relationship between Antecedent and Mediating Factors**

##### *Collectivism-HPWS and Human Capital*

How does C-HPWS help develop human capital? First we need to understand the connection between collectivism orientation and HRM. With a collectivism culture in mind, Aycan (2005) suggests HRM practices should be designed to match group harmony and loyalty. HRM practices that emphasize group commitment would be preferred by individuals in this culture. Hierarchy is another dimension that should be of concern. For collectivist-oriented personnel, top-down managerial style in, for example, performance evaluation and training and development, are preferred. Specifically, designing job descriptions, defining accomplishments, planning incentives, assessing performances, and promotion based on seniority and loyalty should all be devised with group-oriented goals in mind (Ramamoorthy & Carroll, 1998). In brief, it appears that HRM practices should be aligned along the lines of societal culture and employee preferences.

The integration of HPWS and collectivism HR practices help develop human capital, particularly in terms of competence, attitude and motivation to work, as well as creativity and innovativeness. Thus, the second proposed hypothesis:

## **H2: Collectivism-HPWS Adoption will be Positively Associated with the Human Capital.**

### *Collectivism-HPWS and Organizational Citizenship Behaviors*

How should a firm achieve OCBs? Research has found several factors to influence OCB: demographic aspects (Ford & Richardson, 1994), personality traits and background factors (Baker, Hunt & Andrews, 2005). Proper employee treatment may also lead to OCB through employee reciprocation (Tsui et al., 1997). How a firm manages to shape employee perceptions of exchange relationship is a responsible area for HR practice.

The firm needs to be able to send the correct signals to employees that they are valuable assets of the firm in order for employees to reciprocate with OCB. Signaling should be on subjects that reinforce employee appreciation, recognition, fair treatment, empowerment, growth and development. This can be done via HPWS through extensive training, career planning and advancement, promotion and remuneration based on performance appraisals, as well as performance appraisals for developmental purposes. The HPWS that embrace mutually and multiple underpinning HR practices will help shape the nature of the social exchange relationship between a firm and its employees. Hence, collectivist HPWS will significantly impact on the organizational citizenship behaviors, as stated in social exchange theory that employees provide OCB, in exchange for satisfaction, of those three identities-organization, individual (colleagues) and customer. This leads to the following hypothesis:

## **H3: Collectivism-HPWS Adoption will be Positively Associated with Organizational Citizenship Behavior**

### *Leader-Member Exchange and Organizational Citizenship Behaviors*

According to social exchange theory, leaders do not have the same level of exchange relationship with all their subordinates. Instead, they develop special relationships with each of their trusted members over time, during a series of exchange processes.

Graen and Uhl-Bien (1995) suggest that the condition of leader-member exchange (LMX) relationships can also vary from low to high. Harris, Kacmar & Witt observed that the “in-group” (or high-quality exchange relationships) exhibits superior mutual trust, respect, and obligation amongst leaders and members. The “in-group” (or low-quality exchange relationships) is characterized by formal, contractual, and hierarchical interactions displaying an obvious distance amongst leaders and their subordinates. The quality of the LMX relationships has been found to significantly impact employee performance, citizenship behaviors, and turnover intentions (Wilson et al., 2010).

Employees who are treated with respect will tend to reciprocate with OCB, according to the social exchange perspective. Furthermore, social exchange relationships formed through mutual supports amongst leaders and their subordinates can also lead to OCB. An analysis

by Deluga found a positive relationship between the quality of LMX relationships, as viewed by subordinates, and subordinate OCB dimensions, including altruism, courtesy, conscientiousness, sportsmanship and civic virtue.

OCB is often analyzed in the terms of benefits toward organizations and coworkers. For the hospitality industry, however, benefits directed towards customers should also be examined. Looking at OCB from a perspective of target beneficiaries, i.e. organization, coworkers, and customers, also helps to avoid cultural issues bound to specific behaviors. In a study of hotel employees in China, Ma, Qu, Wilson and Eastman (2013) categorized various employee behaviors into the three OCB targets. OCBs aimed at organizations include advertising hotel products and services and giving positive remarks outside of work. Behaviors that support coworkers would include helping each other when in need and listening to each other's concerns. OCBs directed at customers involve holding an optimistic mind-set while carrying out work attentively and perfectly.

Hitherto, there has been no research that tested the existence of relationships between the quality of LMX relationships, as viewed by subordinates, and subordinate the OCB dimensions of an organization and/or coworkers, despite there being a relationship between these two factors. This leads to the following hypothesis:

**H4: There is a Positive Relationship between Perceived LMX Quality and Organizational Citizenship Behavior**

*The Relationship between Human Capital and Organizational Citizenship Behavior*

In order to improve hotel performance, the question remains how does human capital improve the number of OCBs? Throughout almost three decades of OCB literature, there were OCB motivations and influencing factors for OCBs categorized by Wei, et al. For example, job satisfaction, reflected by Bateman and Organ, is a consequence of high OCB, while Smith, et al. pointed out that it is influencing factor to create high OCB. For leadership support, Rioux and Penner consider it as a motivator from high OCB, while Podsakoff, et al. indicate it as an influencing factor to create high OCB.

Hitherto, there has been no research that tested the existence of a relationship between human capital and organizational citizenship behavior. This leads to the following hypothesis:

**H5: There is a Positive Relationship between Human Capital and Organizational Citizenship Behavior**

**The Relationship between Mediating Factors and Hotel Performance**

*Human Capital and Hotel performance*

It is relatively easy for a hotel to become a five-star hotel with sufficient funds for creation, decoration, and restoration of edifices and fixtures. However, what distinguishes a luxury hotel is superior service; the way guest preferences are discovered and responded to. Included in requirements for this to happen is competent staff, which means the hotel needs to understand staff motivation and invest in human capital-related variables, e.g. comprehensive training, development reviews, and staff empowering.

There are three key elements in human capital: competitive aptitude, work attitude, and responsive speed. Human capital as the core asset of an organization includes skills, experience, knowledge, commitment, attitude and personnel individual characteristics. Investing in human capital leads to better employee performance, which in turns enhances organizational performance. In short, HRM is a key way to invest in human capital.

In the hotel industry, all service providing staff, ranging from front-desk employees to housekeepers, play crucial roles in enhancing a customer's perception about the hotel. Advancement in information technology has oriented the hotel industry into a more knowledge-based industry where assets are defined as intellectual capital or INCAP. Measuring INCAP is a way to determine firm performance. Engstrom, et al. devised the Radisson SAS INCAP dimension, where human capital measurement is comprised of competence, an improvement system, intellectual agility, performance, and attitude. Thus, the following hypothesis is proposed:

**H6: Human Capital will be Positively Associated with Hotel Performance.***Organizational Citizenship Behaviors and Hotel Performance*

Various measures of organizational citizenship behaviour (OCB) have been found to have a positive effect on organizational performance. Dunlop and Lee (2004) and Sun, Aryee and Law (2007) have stated that an organization's performance indicators consist of sales, customer satisfaction, quantity and quality of production, financial efficiency, turnover, and profits. Additionally, Mark, Cummings & Cummings (2013) have argued that OCB encourages supportive and efficient interactions among employees. Dovidio, et al. described OCB as helping to reduce coordination and control costs (conflict management, employee monitoring, and managing task interdependency), leaving more resources available for other productive matters.

Organ (1988) consider that there is a relationship between OCB and a firm's performance but George found weak to support individual OCB. Unit level or team level OCB shows a closer relationship to organizational performance in terms of sales, customer satisfaction, quantity and quality of production, financial efficiency, turnover, and profits (Dunlop & Lee, 2004; Sun et al., 2007).

Notice that the indicators of organizational performance in these studies fall into three categories: organizational effectiveness, individual effectiveness, and customer effectiveness. Thus, the following hypothesis is proposed:

**H7: Organization Citizenship Behavior will be Positively Associated with Hotel Performance.**

*The relationship between Leader-Member Exchange and Hotel Performance*

Research shows that middle-level managers can significantly encourage employees' work motivation and job performance. In this study, in order to improve job performance, supervisors create higher LMX relationship by encouraging and empowering employees in work related activities.

To determine LMX outcome, the researchers have established a positive impact between LMX and employee performance, job/career/overall satisfaction, organizational commitment, employee retention, loyalty and reliability, employee engagement, career development and increased team effectiveness.

Therefore, it can concluded that a high quality of LMX relationships produces several outcomes which are vital for organizational effectiveness. However, there has been no research to test the relationship between LMX and organizational performance. This leads to the following hypothesis:

**H8: The Percieved LMX Quality will be Positively Associated with Hotel Performance.**

## **Methodology and Measurement**

This study used a questionnaire as the major instrument of data collection. It was derived from literature reviews, as well as some field interviews. In particular, the questionnaires were used to gather primary data. Each theoretical construct was made up of four or more items using a five-point Likert scale, with end points of "strongly disagree" and "strongly agree" to measure the items.

High Performance Work System Adoption can be measured by six items including selection, training, communication, reward, participation and teamwork. To improve the effectiveness of HPWS through an alignment with the cultural performance orientation of the Thai context, Collectivism will be added to HR practices. So, Collectivism-HPWS's questionnaire was measured using instruments developed by Park, Mitsuhashi, Fey and Bjorkman, Huselid, Wright and McMahan (1992) and Murphy and Olsen. Collectivism-HRM was adapted from the GLOBE study of collectivism and leadership.

Leader-Member Exchange is operationalized as the relationship between leaders and their subordinates. The relationship significantly affects organization citizenship behavior. As a driver of organization citizenship behavior, Leader-Member Exchange examines how well the relationship between direct supervisors and hotel employees drives hotel performance, particularly through the organizational citizenship behavior of both individual and customer. Based on the findings of Garen and Uhl-Bien (1995), Leader-Member Exchange (LMX) is understood to consist of six items

on a five-point Likert scale. The respondents were asked to indicate their level of agreement, ranging from one (strongly disagree) to five (strongly agree), with the statements which examine the relationship with their direct supervisors.

As a unit-level construct, human capital refers to the level of competence, attitude and motivation to work, the creativity and innovativeness of their team members. These competencies refer to those required for smooth operation. Attitude and motivation to work refers to the job satisfaction of their teams. Creativity and innovativeness refers to team members' creation of new idea for working or adapting to market need. Based on Kim, et al., the scale consists of three items focusing on competence, attitude and motivation to work, as well as creativity and innovativeness on a five-point Likert scale.

Organization citizenship behaviors refer to employees performing citizenship behaviors in relation to organization, colleagues and customers to operate smoothly, as well as satisfy customers with high quality service. This factor serves as an enabler of hotel performance. In this study, organization citizenship behaviors characterize how employees behave in ways that accomplish quality hotel performance. The measurement of this factor is based on a set of organizational citizenship behaviors proposed by Williams and Anderson and Lin, et al.

Hotel Performance refers to operational effectiveness and customer effectiveness. Here, operational effectiveness refers to the efficacy and efficiency of the hotel operation, while customer effectiveness refers to satisfaction and royalty, image and brand, handling customers, market share and customer orientation. The scale is based on hotel performance developed by Kim, et al. The scale consists of levels one (strongly disagree) to five (strongly agree), with statements examining the opinion on hotel performance.

## Population and Samples of the Study

A significant survey of the tourism industry conducted by National Statistic Office in 2011 breaks down their findings for Bangkok, according to the following division: the total number, 48,565 of working employees can be classified into 34,140 for one hundred and fifty or more rooms; 9,226 employees for sixty to one hundred and forty-nine rooms; and 5,199 employees for less than sixty rooms-all as outlined in Table 1.

**Table 1.** Population of the Study

Bangkok/ Size of establishment	Number of hotels/ guest houses	Number of hotels/ employees	% of hotel employees
Less than 60 rooms	296	5,199	10.7
60-149 rooms	200	9,226	19.0
150 or more rooms	187	34,140	70.3
	683	48,565	100.0

**Source:** National Statistic Office (2011).

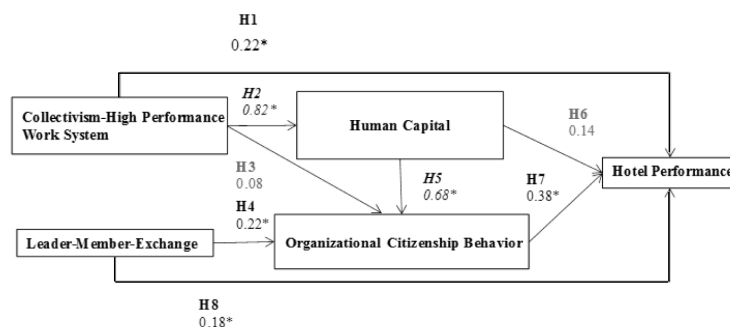
The studied data was drawn from the listed hotels with the Stock Exchange of Thailand, as well as other hotels located in Bangkok. The six hundred and eighty-three listed hotels were derived from the hotel association. Questionnaires were used to ask the hotel staff about their perceptions of the collectivism-high performance work system, the relationship with their leaders, human capital, and organizational citizenship behaviors that impact hotel performance. In fact, hotel performance involves many teams whose performance significantly affects the creation of a hotel's bottom line. The data was collected from both HR and non-HR positions through mail surveys. So, the respondents included HR managers, food & beverage managers, front office managers, finance managers, sale & marketing managers and housekeeping managers. In addition, among the benefits of gathering data from many functions within the same firm includes being able to confirm perceptions as well as validity testing. Finally, the data used in the analyses were collected with a mail survey conducted from March to August 2015.

In detail, surveys for six hundred employees were sent. Later, after careful follow-up, a total of returned questionnaires amounted to four hundred and forty, resulting in a response rate of 73.3 percent. This high response rate was achieved because care was taken to hire survey assistants majoring in tourism from the Faculty of Humanities, Kasetsart University. All these assistants had formed strong, positive relationships with the targeted hotel during their internships. Finally, it is necessary to note that twenty questionnaires were rendered unusable due to their non-completion.

Furthermore, of the four hundred and twenty respondents, 61.7 percent were female; nearly 51.4 percent were between twenty and thirty years of age and around 31.4 percent were between thirty-one to forty years of age. Most of the respondents, 58.1 percent, hold a bachelor's degree. Their current work positions are employee, supervisor and manager at a proportion of 76.0, 13.8, and 7.9 percent, respectively. They work in departments as varied as food & beverage, guest services/operations, and culinary in the proportions of 21.4, 17.6, and 13.3 percent, respectively.

## Data Analysis Procedures

Data analysis procedures were implemented step-by-step. First of all, the proposed model was analyzed using the LISREL program.



It can be concluded that six out of the eight hypothesized relationships, *H1-2*, *H4-5* and *H7-8* were found to be statistically significant at the 0.05 level in direct causal relationship, while two of them, *H3* and *H6*, were rejected.

As shown in Table 2, the analytical results of the hotel performance between collectivism-HPWS and leader-member exchange are noted in the following structural equation model (SEMs). It is indicated that the variables in model account for 71.5 percent of the variance ( $R^2 = 0.715$ ) in the hotel performance. Of the four independent variables, three were statistically significant at a significant level of  $p < 0.05$  for the hotel performance. It is shown that the best predictor of hotel performance is organizational citizenship behavior ( $R^2 = 0.827$ ). Human capital was the second most significant predictor of hotel performance ( $R^2 = 0.666$ ) because it did not have a direct impact on the hotel performance. It was also found that human capital was not statistically significant at  $p < 0.05$  with the hotel performance but it was positively related to the mediating variable significantly, in terms of both direct and indirect impact.

**Table 2.** The Coefficient of Determination ( $R^2$ ) in the Model

Variables	Structural Equation Modeling (SEMs)	The Coefficient of Determination ( $R^2$ )
Human Capital	=0.816*Collectivism-HPWS	66.60%
Organizational Citizenship Behavior	= 0.217*Leader-Member-Exchange +0.083*Collectivism-HPWS	82.70%
Hotel Performance	= 0.378*Organizational Citizenship Behavior+0.215*Collectivism-HPWS+0.184*Leader-Member-Exchange+0.141*Human Capital	71.50%

### Comparative Results of Chain and Local Hotels

As described in Table 3, the effects of variables on hotel performance differ between chain and local hotels. In chain hotels, collectivism-HPWS has a direct effect of 0.343 on hotel performance, lower than the 0.435 of local hotels. Leader-member exchange, in chain hotels, has a direct effect of 0.074 on hotel performance, higher than the 0.056 of local hotels. The variables in chain hotels can explain hotel performance at 59.8 percent, lower than the 76.4 percent of local hotels. The interpretation is that variables in the model-collectivism-HPWS, leader-member exchange, human capital and organizational citizenship behavior are relatively appropriate for explaining the hotel performance of both chain and local hotels ( $R^2 = 0.598$  and 0.764), as there are forty and thirty-four percent left that can be explained by variables not included in this study. Finally, as outlined in Table 4, the three highest gaps of collectivism-HPWS amongst chain and local hotels are training (0.55), participation (0.49) and collectivism (0.48), respectively.

**Table 3.** The Coefficient of Determination ( $R^2$ ) in chain and local hotels**Chain Hotel**

Variables	Structural Equation Modeling (SEMs)	The Coefficient of Determination ( $R^2$ )
Human Capital	=0.855*Collectivism-HPWS	73.10%
Organizational Citizenship Behavior	= 0.217*Leader-Member-Exchange +0.65*Collectivism-HPWS	90.70%
Hotel Performance	= 0.301*Organizational Citizenship Behavior+0.343*Collectivism- HPWS+0.074*Leader-Member- Exchange+0.095*Human Capital	59.80%

**Local Hotel**

Variables	Structural Equation Modeling (SEMs)	The Coefficient of Determination ( $R^2$ )
Human Capital	=0.843*Collectivism-HPWS	71.10%
Organizational Citizenship Behavior	= 0.184*Leader-Member-Exchange +0.928*Collectivism-HPWS	87.80%
Hotel Performance	= 0.481*Organizational Citizenship Behavior+0.435*Collectivism- HPWS+0.056*Leader-Member- Exchange-0.039*Human Capital	76.40%

**Table 4.** Gap of X-bar on Collectivism-HPWS between chain and local hotels

	Total		Chain hotel		Local hotel		T-test		Gap of $\bar{X}$
	$\bar{X}$	S.D.	$\bar{X}$	S.D.	$\bar{X}$	S.D.			
Total Training	3.73	0.81	4.06	0.74	3.51	0.79	-7.09	***	0.55
Total Participation	3.68	0.77	3.98	0.64	3.49	0.79	-6.88	***	0.49
Total Collectivism	3.85	0.72	4.15	0.66	3.66	0.71	-6.93	***	0.48
Total Communication	3.75	0.73	4.02	0.65	3.59	0.72	-6.27	***	0.44
Total Collectivism-High Performance Work System	3.71	0.60	3.98	0.50	3.54	0.59	-7.99	***	0.44
Total Selection	3.66	0.68	3.92	0.60	3.50	0.69	-6.53	***	0.42
Total Teamwork	3.68	0.71	3.91	0.63	3.54	0.72	-5.44	***	0.38
Total Reward	3.63	0.67	3.81	0.60	3.52	0.69	-4.62	***	0.29

## Discussion

The High-Performance Work System is recognized as an important vehicle for hotels to improve the human capital that creates their competitive advantage. How to motivate their staff to achieve customer satisfaction is critical for the overall performance of a hotel. When hotels decide to create a motivation scheme, some key variables become critical. The results of this study indicate that a hotel's performance can be measured by four dimensions, including collectivism-HPWS, leader-member exchange, human capital and organizational citizenship behavior. Empirical findings confirm a direct relationship amongst the key determinants of collectivism-HPWS, leader-member-exchange, human capital, organizational citizenship behavior with hotel performance.

However, the study also shows support for the direct effect of collectivism-HPWS and organizational citizenship behavior on hotel performance. Likewise, leader-member exchange also plays a direct role in hotel performance.

The results of this study found the hospitality companies have adopted the collectivism-high performance work system. However, this system has been adopted by these firms to different degrees-ranging from moderately to extensively. The research results also reveal that the chain hotels have adopted this approach to a greater extent than the Thai-owned hotels.

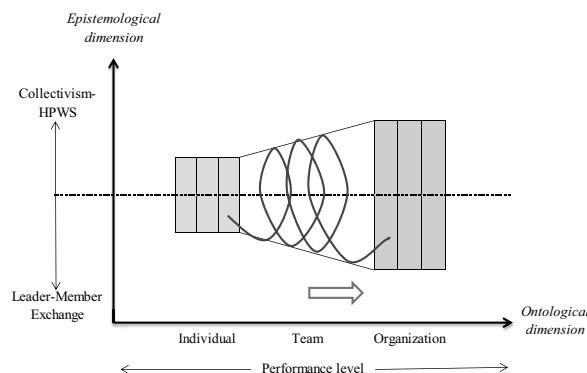
## Conclusion

### Theoretical Implications

The conceptual model expresses a linking between the individual level and unit level approaches-from *specific relationship* on leader-member exchange to *generic practices* on the collectivism-high performance work system. The multilevel effect reconciles this competing antecedent factor that can create human capital as a meaningful resource at an organizational-level performance. This study's objective was to connect these two fundamental theoretical insights from a specific social exchange relationship to a generic collectivism-high performance work system. The resulting question needing to be then asked is, "What are the different or interactive effects between a leader-member exchange relationship and HR practices on organizational performance?"

Research testing has shown that "the higher the human capital level, the higher the organizational performance" may not be true because the competitive advantage depends on the mediating role of the organizational citizenship behaviors.

Consequently, the study's findings can conclude with the expression of an epistemological dimension of the employees' relationship with both the leaders and the organization. An organization cannot improve performance by itself. A leader-member exchange relationship is the basis of organizational performance creation. The organization must mobilize human capital-*competence, attitude and motivation to work, creativity and innovativeness*-created, accumulated at the individual level. The mobilized human capital is "organizationally" amplified through a leader-member exchange and a collectivism-high performance work system, accumulated and leveraged performance at higher ontological levels. This dynamic is referred to as the "performance spiral" in which the interaction between LMX and collectivism-HPWS will synergize creating a higher OCB level as it trends up to the ontological levels. Thus, organizational performance creation is a spiral process, starting at an individual level and moving up through to the team level and, finally, to the organizational level. (see Figure 2)



**Figure 2.** Spiral of Organizational Performance Creation

**Source:** Study author

### Implications for Managers

Several important lessons for practitioners can be drawn from the discussion of the linkage between the collectivism-high performance work system and leader-member exchange to hotel performance.

1. *Collectivism-HPWS*: HR professionals should adapt their learned 'best practices' from western HR knowledge to 'best fit' the Thai collectivism-culture. For example, both chain and local hotels, the pay and bonus system is designed to maximize collectivism. The service charge is paid at the same rate for all positions, except the senior management or expat level.

2. *Leader-Member Exchange*: The relationship between a leader or supervisor with their subordinates is crucial and may form an antecedent factor to drive employee behavior.

3. *Human Capital*: an HR professional plays a key role in developing human capital across an organization at both management and staff levels. The HR process is a bundle of all HR activities from selection, training, communication, reward, participation, teamwork and collectivism-HRM.

4. *Organizational Citizenship Behavior*: This factor serves as the enabler of hotel performance. An HR professional, and management, should create optimal motivating working conditions or send the right signals to employees that they are valuable assets to the firm, so that the employees will reciprocate with high level OCB.

Based on the research data, the results support that a chain hotel has a relatively high level of high performance work system compared to local hotels, especially with the highest gap in training. A chain hotel provides *extensive* training, including mentoring during the on-board period, an on-line hospitality specialized course, while local hotels provide only *moderate* training; for example, a public training course. The second highest gap in HR practice between chain and local hotels is participation. Chain hotel create many staff engagement programs and foster a stronger teamwork spirit; for instance, via an appreciation program. The third highest gap in HR practice is selection. The HR professional of a chain hotel mentioned that the recruitment is the starting point, recruiting to put 'the right person on the right seat'. They select staff by focusing not only on competency but concentrating on a 'Can do' attitude. They will select the right people matched with their culture. So, after recruiting the 'right' staff, the HR professional has the essential role to 'unlock staff potential to make the impossible possible'. These examples of three HR recipes are the best-fit HR practices that can adopted for local hotels or Thai SME hotels. Adoption and adaptation of these, it is recommended, will increase the competitiveness of Thai SME hotels.

### **Limitations of the Study**

The limitations of this study relate to three major areas.

The first area lies on the cross-sectional study. The quantitative approach uses a single, fixed time point to examine the impact of collectivism-HPWS adoption and leader-member-exchange on hotel performance. The findings of this study are consistent with the conceptual framework in which the relationships between the variables are presumed to be causally related.

The second area lies in the generalizability of the findings. This limitation relates to the characteristics of the population. This study focuses on hotels located in Bangkok, thus limiting the generalizability of the findings to hotels in other provinces.

The last area of limitation lies in the area of measurement issues. The subjectivity of some measures may create problems associated with the validity of the constructs. Although this study adopts sets of collectivism-HPWS (e.g. selection, training, communication, reward, participation, teamwork and collectivism oriented practice), and leader-member exchange to hotel performance (e.g. operational effectiveness and customer effectiveness), all measures tend towards subjective measures asking the respondents to indicate “the extent to which” each factor exists on a Likert-type scale.

### **Suggestions for Further Study**

This study serves as an essential starting point to combine a resource-based view theory and a social exchange theory to build an empirical base that will significantly increase the knowledge of strategic human resource management and leader-member exchange and their relationship to hotel performance.

The suggestion for future research lies in three areas: the use of a longitudinal approach, the inclusion of environmental factors, and the replication of the study.

Future study should employ a longitudinal study. Although longitudinal studies are more complex and time-consuming, they are powerful in the sense that they are able to capture collectivism-HPWS and leader-member-exchange in terms of processes and changes, which a cross-sectional study cannot provide. The use of longitudinal studies would resolve the problem of causality in cross-sectional studies.

A future study of hotel performance might include the organizational factors that are related to the implementation of collectivism-HPWS, such as top management support and organizational culture. Some important external factors are relevant to the economic and technological environments.

Finally, future study might also be conducted for other Thai SME hotels in order to examine how HR practices are implemented and differ from international chain hotels. The findings increase confidence in the ability to determine the ‘how’ and ‘why’ in improving hotel performance.

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