A model linking HRM practices, service-oriented OCBs & organizational performance in Malaysian hotel industry

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Abstract
Customer contact employees are the major and direct interface contact with existing and potential customers of hotels. Customer contact employees’ behaviours and service performance are factors for a hotel to be successful. Hotels have to pay a great attention on the human resource management (HRM) practices and manage their customer contact employees’ behaviours which ultimately encourage them to provide better service quality and improve organizational performance. Therefore, the purpose of this study is to examine a model linking HRM practices, employee satisfaction, service-oriented organizational citizenship behaviours (OCBs), customer satisfaction and organizational performance in hotel industry in Malaysia. A cross-sectional survey was conducted with human resource managers, customer contact employees and customers in upscale hotels (with 4- and 5-star ratings) in Malaysia. A two-stage sampling technique was employed in which stratified sampling was used in choosing the hotels and purposive sampling was used in choosing the respondents. The data collected were analysed using the structural equation modelling analysis to examine and explain the relationships hypothesized in the proposed model. The statistical results obtained provide support to the proposed model. The findings reveal that HRM practices significantly influence employee satisfaction which in turn significantly influences service-oriented OCBs and sequentially determine organizational performance. The findings of this study are believed to
provide better understanding and knowledge for the management of hotels about the linkage of HRM practices, employee satisfaction, service-oriented OCBs, customer satisfaction and organizational performance in the hotel industry in Malaysia.

Keywords:
Customer satisfaction, Employee satisfaction, Human resource management (HRM) practices, Malaysian hotel industry, Organizational performance, Service-oriented organizational citizenship behaviours (OCBs)

1 Introduction

Malaysia, being one of Asia’s most popular tourist destinations, attracted 25.8 million tourists with tourist receipts of MYR 84.1 billion in 2018 as reported by Ministry of Tourism and Culture (2019). The tourist arrivals are targeted to show an ascending trend reaching 28.1 million and will have tourist receipts of MYR 92.2 billion by year 2019 (Ministry of Tourism & Culture Malaysia, 2019a). The statistics have shown that the travel and tourism industry has emerged as an important sector of the Malaysian economy by virtue of the amount of receipts collected from its activities.

The escalation in the number of tourist arrivals has led to the speedy development and construction of hotel establishments in Malaysia. In 2018, Malaysia has a total of 4,750 hotels compared to 4,512 hotels in year 2017. Similarly, the number of rooms supply has also increased from 292,293 rooms in year 2017 to 308,207 rooms in year 2018 (Ministry of Tourism & Culture Malaysia, 2019b). The marked growth in the number of hotel establishments in Malaysia has strengthened the competition of hotels in capturing and retaining market share. This development in the hotel industry also causes hotels to face the challenging task of coping with more demanding customers.

Travel and tourism industry in Malaysia generated 13.3% of GDP in 2018, which was equivalent to MYR 190.3 billion (World Travel & Tourism Council, 2019). Travel and tourism industry had directly contributed to 11.9% of the total employment in Malaysia which was about 1,766 thousand jobs in the year of 2018 (World Travel & Tourism Council, 2019). However, there are evidences from professional workforce solution companies (e.g. Aon Hewitt Malaysia and Monroe Consulting Group Malaysia) of the talent attraction and retention issues in the hospitality industry. The Aon Hewitt Malaysia 2015 Hotels & Hospitality Industry Survey showed that while the employment rate in Malaysia’s hospitality industry is high, so is the attrition rate. Across all support staffs in the hotel and hospitality industry, the attrition rate of 18% is double that of the general Malaysian workforce. Service providers within the hotel and hospitality industry have to compete aggressively to survive and maintain their competitive workforce.

To survive in the industry, hotels have to identify and build up their competitive advantage. Human resources are treated as an asset and source of sustainable competitive advantages that rivalries cannot imitate easily (Barney, 1991). In the hotel setting, frontline employees or customer contact employees are regarded as a unique
asset of a service organization because they are having the most frequent face-to-face or voice-to-voice contact with customers (Bienstock, DeMoranville & Smith, 2003). Customer contact employees are the major and direct interface contact with existing and potential customers of the hotel. They represent the hotel in delivering its service and symbolize the image of the hotel during the service encounters. Customer contact employees also serve as the connecting channel between hotel and customer from the first moment of arrival until the last moment of leaving the hotel.

According to Hayes and Ninemeier (2009), employees are considered as an indispensable asset for hotels to achieve their business goals. Given the labour-intensive nature of hotels, customer contact employees’ behaviours are important and crucial in shaping service delivery in accruing a competitive advantage that competitors cannot duplicate and replicate easily. Hence, customer contact employees’ behaviours and service performance are factors for hotels to be successful. As such, hotels need to pay a great attention on their human resource management (HRM) practices and manage their employees’ behaviours which will ultimately encourage customer contact employees to provide better service quality and improve organizational performance.

Customer contact employees need to not only perform their prescribed job roles but also need to display extra work-related behaviours that are beyond their formal job requirements. These behaviours are termed as organizational citizenship behaviours (OCBs) by Organ (1988). OCBs are defined as behaviours that are discretionary, extended beyond those specified by formal job descriptions and measured by formal appraisal. OCBs are not directly or explicitly recognized by the formal reward system and that in the aggregate promote the effective functioning of the organization (Organ, 1988). Based on Organ’s (1988) five-dimensional framework, OCBs are composed of altruism, conscientiousness, sportsmanship, courtesy and civic virtue.

For service organizations that have special requirements on dimensions related to dealing with customers and representing the organization to outsiders, Bettencourt, Gwinner and Meuter (2001) proposed that service-oriented organizational citizenship behaviours (service-oriented OCBs), a specific form of OCBs, is more appropriate in measuring OCBs of service employees. Service-oriented OCBs consist of three dimensions including loyalty OCBs, participation OCBs and service delivery OCBs (Bettencourt et al., 2001). The display of service-oriented OCBs among customer contact employees is deemed pivotal given their roles between hotels and customers. Service-oriented OCBs promote a more effective service delivery procedure, provide better service quality, establish a friendlier customer interaction and offer more innovative thoughts about services for better serving the customers and scoring a greater customer satisfaction (Tang & Tang, 2012).

HRM practices can assist employees in achieving their work goals, reducing their job demands and the associated physiological and psychological costs while stimulating their personal growth, learning and development (Salanova, Agut & Peiro, 2005). The treatment and management of employees should be a crucial concern for managers in hospitality organizations (Kusluvan et al., 2010). According to Morrison’s (1996) model,
an organization’s approach to HRM is instrumental in generating greater levels of OCBs that in aggregate will have a positive effect on the service quality of an organization.

A review of past literature demonstrated the effects of HRM practices on OCBs (Zhang et al., 2008; Guest et al., 2004) and the positive impact of OCBs on organizational performance (Podsakoff et al., 2009; Yoon, 2009; Koys, 2001; Podsakoff et al., 2000). In Malaysian context, studies on HRM practices and service-oriented OCBs are more concentrated on individual level outcomes (Nasurdin, Ahmad & Tan, 2016; Nasurdin, Ahmad & Tan, 2015; Choo & Nasurdin, 2014; Nasurdin, Tan & Low, 2011). However, there exists the gap whereby HRM practices and employees’ behaviour outcome variables and organizational performance are incorporated in a multilevel model. Multilevel studies in the hospitality and tourism literature are still lacking (Madera et al., 2017) as there is only a study conducted by Sun, Aryee and Law (2007) that has shown a multilevel analysis of data from hotels in China. Therefore, the objective of this study is to examine a multilevel model linking HRM practices, employee satisfaction, service-oriented OCBs, customer satisfaction and organizational performance in hotel industry in Malaysia.

2 Literature Review

2.1 Human resource management (HRM) practices

There has been an array of definitions for human resource management (HRM) practices based on previous studies. Schuler and Jackson (1987) defined HRM practices as organizational activities that are directed at managing the pool of human resources and ensuring that resources are employed towards the fulfilment of organizational goals. Lado and Wilson (1994) conceptualized HRM practices as a set of interrelated activities and process that are directed to attract, develop and maintain human resources in the organization. HRM practices are defined by Delery and Doty (1996) as a set of internal policies and practices designed and implemented in ensuring the contribution of a firm’s human capital is consistent with its business objectives. According to Mathis and Jackson (2000), HRM practices are referred to the design of a formal system in an organization to ensure an effective and efficient use of human talent to accomplish organizational goals. Similarly, Byars and Rue (2008) conceptualized HRM practices as all activities and practices that are designed to provide for and coordinate the human resources of an organization.

Based on the review of literature, there are two primary perspectives on HRM practices. The universal perspective, sometimes also called “best practices”, represents that there is a linear relationship between HRM practices and performance that can be extended to any situation (Delery & Doty, 1996). This perspective states that there is an identifiable set of best practices which when implemented could result in organizational improvement (Pfeffer, 1994). According to Becker and Gerhart (1996), one can identify the best human resources practices that have the capacity to improve organizational performance and are generalizable. This perspective posits that certain HRM practices
will have a positive impact on the performance of any organization. On the other hand, as its name suggests, the contingency perspective attempts to contextualize the various HRM practices to different organizational settings and strategies (Youndt et al., 1996). This perspective posits that the impact of HRM practices on organizational performance is conditioned by organizations’ strategic postures that may be determined by organizational characteristics, strategic situations, or competitive strategies. If a firm’s approach to competition does not rely on the talents and capabilities of employees, HRM practices may not have an effect on organizational performance (Youndt et al., 1996).

Despite some differences, some HRM practices are common across the two perspectives. Past studies (Katou & Budhwar, 2006; Daud, 2006; Huselid, Jackson & Schuler, 1997) identified four essential HRM practices namely recruitment and selection, training and development, performance appraisal, and compensation and reward. Recruitment is the process of pooling people on a timely basis, in sufficient numbers and with suitable experiences, to apply for jobs with an organization, while selection refers to the process of choosing an individual, who is best suited for the position and for the organization (Mondy & Noe, 2013). The practice of training and development is defined as the process of improving the skills and developing the ability to accomplish tasks efficiently and effectively in organizations (Robert & John, 2004). Performance appraisal is a systematic method for periodically evaluating job performance based on the pre-established criteria and organizational goals (Singh, 2014). Compensation is a combination of employee benefits and services provided to employees in return for their service, which positively affects in retaining and motivating employees (Mondy, 2010) while rewards refer to strategy, policies, and operations pursued by the organization to ensure that the value of people and the contribution they make to achieve organization goals (Armstrong, Brown & Reilly, 2011). These four HRM practices are regarded important to be included in this study.

2.2 Organizational citizenship behaviours (OCBs)

To sustain competitiveness in today’s business world, organizations always focus on hiring and retaining employees who exhibit behaviours that go beyond their formal job duty (Katz, 1964). These behaviours are essential for organizational effectiveness and performance (Katz & Kahn, 1966). In addition, the discretionary behaviours of customer contact employees will influence customers’ perceptions towards the organizations (Bowen & Schneider, 1985). Generally, employees’ behaviours in the workplace that go beyond their formal job requirements and not granted by organizations’ reward system are recognized as organizational citizenship behaviours (OCBs).

Initially, OCBs were discussed by Bateman and Organ (1983), and Smith, Organ, and Near (1983). Smith et al. (1983) defined OCBs as discretionary behaviours that are not listed as official roles. According to Organ (1988), OCBs are defined as the type of discretionary behaviours that are not directly or explicitly recognized by the formal reward system in organizations and in the aggregate, promote organizational efficiency and effectiveness. Organizational citizenship behaviours are categorized into five
dimensions by Organ (1988), namely altruism, conscientiousness, sportsmanship, courtesy, and civic virtues. Although several other taxonomies of OCB-like behaviours have been proposed and operationalized (LePine, Erez, & Johnson, 2002), most empirical researches in a variety of settings have relied on Organ’s (1988) five-dimension framework.

Organ (1990) recommended organizational citizenship behaviours to be used as a medium to maintain the relationship between employees with employers. The willingness of employees to perform an extra-role that goes beyond the prescribed and assigned roles is to support the organizations and subsequently improve organizational performance (Organ, 1997). Employees will less likely to perform organizational citizenship behaviours if they feel dissatisfied with their respective organizations.

2.3 Service-oriented organizational citizenship behaviours (service-oriented OCBs)

The working nature of employees in service organizations is different from the working nature of employees in non-service organizations such as manufacturing. Within the service organizations setting, customer contact employees who have direct interactions with customers become a part of the product, represent the organization and assist in forming the image of the organization (Hartline & Jones, 1996). Borman and Motowildo (1993) suggested that service organizations have different types and dimension of OCBs to be adapted in their working environment. Furthermore, Bettencourt et al. (2001) reasoned there is a need to further refine the general OCBs construct to include more specific forms of OCBs given the special role played by employees in the service organizations. Bettencourt et al. (2001) proposed that service-oriented organizational citizenship behaviours (service-oriented OCBs), a more focused typology of OCBs that is more appropriate for employees working in service organizations.

Service-oriented OCBs are comprised of three dimensions including loyalty OCBs, participation OCBs and service delivery OCBs (Bettencourt et al., 2001). Loyalty OCBs relate to employees’ behaviours in acting as advocates to outsiders not only of the organization’s products and services but also of its image. Customer contact employees who show loyalty OCBs will communicate willingly and provide positive information about their organization when interacting with potential customers. Participation OCBs refer to service employees’ actions such as taking individual initiatives especially in communications, to improve their own service delivery and that of their organization and peers. Employees who show participation OCBs are willing to go beyond formal job requirements and broaden their work knowledge to help outsiders and insiders and improve the communication among individuals, co-workers, and organizations. Service delivery OCBs involve behaving in a conscientious manner in activities surrounding service delivery to customers. Employees who display service delivery OCBs will show reliable, responsive and courteous service behaviours to customers (Bettencourt et al., 2001).
Several researchers postulated that the dimensions of service-oriented OCBs (loyalty OCBs, participation OCBs and service delivery OCBs) are more suitable and more fitting for service organizations (Tang & Tang, 2012; Wang, 2010; Wang, 2009). Service-oriented OCBs are deemed crucial in enhancing not only service quality but also customer satisfaction that ultimately result in their retention. Service organizations have to seek useful means to enhance service-oriented OCBs of their customer contact employees because these types of behaviours are beneficial for service delivery quality, competitive advantages and financial performance of the organizations.

2.4 Hypotheses development

2.4.1 HRM practices, organizational performance, employee satisfaction and service-oriented OCBs

Human resource management (HRM) practices are a distinctive approach to employment management which aim to achieve competitive advantage via the strategic deployment of a highly committed and capable workforce using an array of cultural, structural and personnel techniques (Storey, 2001). Katou and Budhwar (2006) stated that HRM practices have positive impacts on organizational performance. Successful HRM results in employee satisfaction and loyalty (Al-Refaie, 2015). According to Liao and Chuang (2004), HRM practices tend to enhance an organization’s service climate that in turn will motivate customer contact employees to display discretionary behaviours such as meeting customers’ demands, delivering higher service quality and increasing employees’ willingness to go beyond their call of duty. Based on the previous studies (Fiorito et al., 2007; Sun et al., 2007; Hazel & Tzafrir, 1999), it is anticipated that HRM practices will be positively related to service-oriented OCBs in employees. Thus, it is hypothesized that:

H1a: There is a positive relationship between HRM practices and organizational performance.
H1b: There is a positive relationship between HRM practices and employee satisfaction.
H1c: There is a positive relationship between HRM practices and service-oriented OCBs.

2.4.2 Employee satisfaction, organizational performance, customer satisfaction and service-oriented OCBs

Studies suggested that employee satisfaction plays a primary role in helping organizations to achieve business goals (Koys, 2003). When an organization takes care of its employees, the employees who have higher levels of employee satisfaction will take care of the customers, resulting in customer satisfaction for having better experience with the organization (Chi & Gursoy, 2009). Satisfied employees are more likely to provide better services through OCBs (Yoon & Suh, 2003) and they tend to be
more involved in their employing organizations, and more dedicated in delivering high quality services to customers. Thus, service-oriented OCBs are affected by employee satisfaction. Yee, Yeung, and Cheng (2008) revealed that job satisfaction perceived by customer contact employees is associated with service quality. Moreover, highly satisfied service employees will appear to customers in a more balanced and pleased environment, which in turn leads to positive influence on the level of customer satisfaction. Satisfied employees are more likely to be motivated and working harder than dissatisfied employees. Employees who are willing to work together and who are able to work beyond expectations tend to work more efficiently, provide better services to customers and thus, create higher customer satisfaction (Koys, 2003). Consequently, the following three hypotheses are proposed:

H2a: There is a positive relationship between employee satisfaction and organizational performance.

H2b: There is a positive relationship between employee satisfaction and customer satisfaction.

H2c: There is a positive relationship between employee satisfaction and service-oriented OCBs.

2.4.3 Service-oriented OCBs, customer satisfaction and organizational performance

Tang and Tang (2012) considered service-oriented OCBs as an important factor in enhancing not only service quality but also customer satisfaction in service organization. Service-oriented OCBs promote a more effective service delivery procedure, provide better service quality, establish a friendlier customer interaction and offer more innovative thoughts about services for a better serving of the customers and scoring a greater customer satisfaction (Tang & Tang, 2012). Sun et al. (2007) revealed that service-oriented OCBs are significantly related to the performance of hotel in terms of productivity. In addition, high level of service-oriented OCBs suggest high quality ties or high level of attachment to the organization and leading to low turnover that improves organizational performance. Therefore, two hypotheses are postulated as below:

H3a: There is a positive relationship between service-oriented OCBs and customer satisfaction.

H3b: There is a positive relationship between service-oriented OCBs and organizational performance.

2.4.4 Customer satisfaction and organizational performance

Reaching and maintaining high level of customer satisfaction have many benefits for business organizations (Min, Min & Chang, 2002). As suggested by the service-profit chain, the relationship between customer satisfaction and financial performance should be positive and the higher the customer satisfaction, the more favourable the performance measures should be (Chi & Gursoy, 2009). Satisfied customers have the
potential to become loyal customers, who will not only consume services again, but also spread positive word-of-mouth of the firm. Moreover, satisfied customers may be more tolerant for possible service failures. Altogether, these factors eventually result in the improvement of organizational performance. Hence, it is hypothesized that:

**H4:** There is a positive relationship between customer satisfaction and organizational performance.

Figure 1 depicts the proposed research model of this study.

![Proposed research model](image)

**3 Methodology**

**3.1 Research design and data collection procedure**

This study employed a descriptive quantitative approach. A cross-sectional survey was conducted to gain information on the human resource management (HRM) practices, employee satisfaction, service-oriented organizational citizenship behaviours (OCBs), customer satisfaction and organizational performance from the human resource (HR) managers, customer contact employees and customers in the hotel industry.

The target population of this study comprised of all upscale hotels in Malaysia. As mentioned in previous studies (Lee & Morrison, 2010; Sun et al., 2007), upscale hotels refer to large hotels with 4- and 5-star ratings. Hotels labelled with 4-star and 5-star categorization were selected for this study because these hotels are considered large and have a more systematic and organized human resource department (Nasurdin et al., 2016, Ekiz, Khoo-Lattimore & Memarzadeh, 2012). Based on the official published record in September 2018 by the Ministry of Tourism & Culture Malaysia, there are 320 upscale hotels across Malaysia (including Peninsular Malaysia, Sabah, Sarawak, Wilayah Persekutuan Kuala Lumpur, Wilayah Persekutuan Putrajaya and Wilayah Persekutuan Labuan). A two-stage sampling technique was employed in this study. Stratified random sampling was used in choosing the hotels from 4- and 5-star ratings and purposive sampling was used in choosing the respondents which included HR managers and
assistant HR managers, customer contact employees who were working in front office department and food and beverage (F&B) department, and customers who had stayed in the hotel for at least one night.

At the initial stage, the HR managers or authoritative members of the top management of the hotels were contacted to seek permission for the data collection by sending a formal letter. However, only 10 hotels consented to participate in the survey during the period of September to December 2018. Due to the constraints imposed by the participating hotels, the researchers were prohibited from having a direct contact to the customer contact employees or customers of the hotels. Therefore, survey packages were sent and collected via mail or drop-and-pick method. Each survey package addressed to the HR managers of the participating hotels contained 2 questionnaires for the HR managers, 10 questionnaires to be distributed to the customer contact employees and 10 questionnaires to be distributed to the customers. Two weeks were given for the respondents to complete and return the questionnaire to the HR managers. The questionnaires were obtained through mail or personally collected by the researchers. A total of 20 questionnaires from HR managers and assistant HR managers, 100 questionnaires from customer contact employees and 100 questionnaires from customers were received and found to be useful for the data analysis.

3.2 Measurements and data analysis

The instruments for this study were self-administered questionnaires. The use of questionnaire ensures that confidentiality is upheld, saves time and it is easy to administer. Three sets of questionnaires were developed for this study. The first set of questionnaire was intended for HR managers and assistant HR managers, the second set was for customer contact employees, and the third set was developed for customers. The questionnaires were developed based on the previous researches in order to assure the content validity of the questionnaires.

HRM practices construct were comprised of 29 items which included 4 essential HRM practices: recruitment and selection (9 items), training and development (6 items), performance appraisal (5 items) and reward and compensation (9 items) were adapted from various sources (Nasuridin et al., 2016; Nasuridin et al., 2015; Tang & Tang, 2012; Sun et al., 2007). Service-oriented OCBs were measured by 16 items adapted from Bettencourt et al. (2001) which included loyalty OCBs (5 items), participation OCBs (5 items) and service delivery OCBs (6 items). The measure of employee satisfaction included 7 items which were derived from the existing literature (Katou et al., 2014; Chi & Gursoy, 2009). Customer satisfaction construct was measured using 4 items that were adapted from Chand (2010) and Chi and Gursoy (2009). The measurement of organizational performance was comprised of 3 items based on studies conducted by Al-Refaie, (2015) and Chand (2010). All constructs were measured using a five-point Likert scale, ranging from “1” = “strongly disagree” to “5” = “strongly agree”.
The data obtained from the survey were analysed through Structural Equation Modelling (SEM) approach using SPSS AMOS software version 22. The Structural Equation Modelling analysis procedure involved two stages, namely the measurement model and the structural model. In the measurement model, the researchers validated the constructs through the Confirmatory Factor Analysis (CFA) procedure for validity and reliability. While in the structural model, the researchers modelled all the validated constructs and executed the SEM procedure to test the hypotheses of the study.

4 Findings

4.1 Demographic profiles

In terms of the customer contact employees’ demographic profiles, out of the 100 customer contact employees who completed the survey, 63% are males and 37% are females. Regarding the nationality, 78% of the employees are Malaysians whereas 22% are non-Malaysians. About half of the employees (48%) are Malays, followed by Chinese (25%), Indians (16%) and other races (10%) such as Iban, Kadazan, etc. The mean age for the customer contact employees is 26.78 years old (SD = 6.76). In terms of the highest education level attained, about 36% of the customer contact employees have a diploma. In terms of work department, 55% of the employees are from the front office department while the remaining 45% are from the F&B department. In addition, majority of the employees (50%) have been working in the hotel industry for 1 to 3 years. Meanwhile, 60% of the employees have been working in the particular hotel for 1 to 3 years.

The results show that of 20 HR managers and assistant HR managers who completed the survey, 75% are females and 25% are males. In terms of ethnicity, the sample of HR managers is comprised of Malays (45%), Chinese (35%) and Indians (20%). Regarding the highest education level attained, about 60% of the HR managers have a bachelor’s degree. The mean age for HR managers is 34.15 years old (SD = 7.92). In terms of job experience, majority of the HR managers (50%) have been working in hotel industry for 4 to 6 years. In addition, 40% of the managers have been working in the particular hotel for 1 to 3 years.

With regards to the customers who participated in the survey, 60% out of the 100 customers are females and 40% are males. In terms of the nationality, 88% of the customers are Malaysians whereas 12% are non-Malaysians (from Australia, Canada, New Zealand, etc.). Regarding the ethnicity, a majority of the customers (63%) are Malays, followed by Chinese (14%), Indians (11%) and other races (12%). The mean age for the customers is 36.18 years old (SD = 10.99). About 86% of the customers have stayed in the hotel for the period of 1 to 3 days. The highest percentage of the reasons for the customers’ stay in the hotels are for work purpose (42%) and for holiday purpose (26%) while other reasons include for business, pleasure, visiting people, etc. Besides, more than half of the customers (57%) are staying in the hotels for the first time as compared to 18% of the customers who have stayed for 2 to 3 times.
4.2 Measurement model assessment

Table 1 illustrates the results of the measurement model. It shows the composite reliability (CR) estimates for all constructs ranging from 0.956 to 0.993, indicating all measurement items are reliable in measuring the respective construct (Fornell & Larcker, 1981). The average variance extracted (AVE) for all constructs are above the cut-off-point of 0.50 (Hair et al., 2014). Therefore, it can be concluded that all constructs have achieved convergent validity, and the constructs have explained a good amount of variance with the respective composition of indicators.

Table 1: Results of measurement model

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Items</th>
<th>Loadings</th>
<th>AVE</th>
<th>CR</th>
</tr>
</thead>
<tbody>
<tr>
<td>HRM Practices (HRMP)</td>
<td>RS</td>
<td>0.986</td>
<td>0.980</td>
<td>0.995</td>
</tr>
<tr>
<td></td>
<td>TD</td>
<td>0.985</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>PA</td>
<td>0.987</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>RC</td>
<td>0.982</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service-oriented OCBs (SO-OCBs)</td>
<td>OCBL</td>
<td>0.991</td>
<td>0.987</td>
<td>0.996</td>
</tr>
<tr>
<td></td>
<td>OCBP</td>
<td>0.986</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>OCBS</td>
<td>0.988</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee satisfaction (ES)</td>
<td>ES1</td>
<td>0.971</td>
<td>0.956</td>
<td>0.993</td>
</tr>
<tr>
<td></td>
<td>ES2</td>
<td>0.979</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ES3</td>
<td>0.981</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ES4</td>
<td>0.986</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>ES5</td>
<td>0.982</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ES6</td>
<td>0.978</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ES7</td>
<td>0.989</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer satisfaction (CS)</td>
<td>CS1</td>
<td>0.993</td>
<td>0.992</td>
<td>0.998</td>
</tr>
<tr>
<td></td>
<td>CS2</td>
<td>0.997</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>CS3</td>
<td>0.993</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>CS4</td>
<td>0.996</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizational performance (OP)</td>
<td>OP1</td>
<td>0.996</td>
<td>0.993</td>
<td>0.998</td>
</tr>
<tr>
<td></td>
<td>OP2</td>
<td>0.999</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>OP3</td>
<td>0.993</td>
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</tbody>
</table>

Note: Computation formulas for AVE and CR are as follows: \( \text{AVE: Average Variance Extracted} = \frac{\text{Sum of squared standardized loadings}}{\text{number of construct items}} \). \( \text{CR: Composite Reliability} = \frac{(\text{Sum of standardized loadings})^2}{(\text{Sum of standardized loadings})^2 + \text{Sum of standard error}} \)

Discriminant validity was examined by comparing the AVE values with squared correlations between two constructs (Fornell & Larcker, 1981). From Table 2, all the squared correlations between two constructs are below the AVE value of each construct. In other words, the AVE of the latent variable exceeds the corrections of other constructs which fulfils Fornell and Larcker’s (1981) criterion. The tabulated values
depicted in Table 2 meet the threshold of discriminant validity. Thus, it can be concluded that the discriminant validity for all constructs is achieved in the measurement model.

Table 2: Discriminant validity

<table>
<thead>
<tr>
<th>Constructs</th>
<th>HRMP</th>
<th>SO-OCBs</th>
<th>ES</th>
<th>CS</th>
<th>OP</th>
</tr>
</thead>
<tbody>
<tr>
<td>HRMP</td>
<td>0.980</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SO-OCBs</td>
<td>0.663</td>
<td>0.987</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ES</td>
<td>0.651</td>
<td>0.976</td>
<td>0.956</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CS</td>
<td>0.910</td>
<td>0.637</td>
<td>0.626</td>
<td>0.992</td>
<td></td>
</tr>
<tr>
<td>OP</td>
<td>0.094</td>
<td>0.082</td>
<td>0.081</td>
<td>0.069</td>
<td>0.993</td>
</tr>
</tbody>
</table>

Note: AVE (Diagonal); Squared correlation coefficient (off-diagonal); HRMP = HRM practices; SO-OCBs = Service-oriented OCBs; ES = Employee satisfaction; CS = Customer satisfaction; OP = Organizational performance

Subsequent to confirming the measurement model validity, the model fit was assessed. The results show the measurement of model fit statistics as: \( \chi^2 = 651,934 \), df = 179, p-value = 0.000; \( \chi^2/df = 3.642 \); GFI = 0.780; CFI = 0.969; RMSEA = 0.107. The GFI statistics are slightly lower than the generally accepted cut-off value of 0.90. Cheung and Rensvold (2002) denoted that most of the goodness-of-fit index would be slightly smaller in complex models due to the error terms in CFA and SEM models are hypothesized to be zero. Thus, the measurement model is deemed to have reasonably fitted the data.

4.3 Structural model assessment

The overall fit statistics of the proposed model (Figure 2) indicate satisfactory model fit: \( \chi^2 = 953,411 \), df = 180, p-value = 0.000; \( \chi^2/df = 5.297 \); GFI = 0.749; CFI = 0.949; RMSEA = 0.137. The model explains that 64.9% of the variance in employee satisfaction, 97.8% of the variance in service-oriented OCBs, 65.2% of the variance in customer satisfaction and 93.6% of the variance in organizational performance (Figure 2). The \( R^2 \) for the whole model is 0.936, which means the model is good as it captures 93.6% of the endogenous construct by including certain exogenous construct. In other word, 93.6% of the organizational performance could be estimated by using four exogenous constructs in the model namely HRM practices, employee satisfaction, service-oriented OCBs and customer satisfaction.
Based on the results of hypothesis testing in Table 3, HRM practices are positively related to organizational performance ($\beta = 1.593$, $p < 0.001$), therefore supporting H1a. HRM practices are positively associated with employee satisfaction ($\beta = 0.806$, $p < 0.001$), thus supporting H1b. There is a positive relationship between HRM practices and service-oriented OCBs ($\beta = 0.073$, $p < 0.001$) which supports H1c.

Table 3: Results of hypotheses testing

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Beta coefficient</th>
<th>p-value</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1a : HRMP $\rightarrow$ OP</td>
<td>1.593</td>
<td>0.000*</td>
<td>Supported</td>
</tr>
<tr>
<td>H1b : HRMP $\rightarrow$ ES</td>
<td>0.806</td>
<td>0.000*</td>
<td>Supported</td>
</tr>
<tr>
<td>H1c : HRMP $\rightarrow$ SO-OCBs</td>
<td>0.073</td>
<td>0.000*</td>
<td>Supported</td>
</tr>
<tr>
<td>H2a : ES $\rightarrow$ OP</td>
<td>-0.191</td>
<td>0.293</td>
<td>Not supported</td>
</tr>
<tr>
<td>H2b : ES $\rightarrow$ CS</td>
<td>0.290</td>
<td>0.364</td>
<td>Not supported</td>
</tr>
<tr>
<td>H2c : ES $\rightarrow$ SO-OCBs</td>
<td>0.929</td>
<td>0.000*</td>
<td>Supported</td>
</tr>
<tr>
<td>H3a : SO-OCBs $\rightarrow$ CS</td>
<td>-1.093</td>
<td>0.000*</td>
<td>Not supported</td>
</tr>
<tr>
<td>H3b : SO-OCBs $\rightarrow$ OP</td>
<td>-1.590</td>
<td>0.000*</td>
<td>Not supported</td>
</tr>
<tr>
<td>H4 : CS $\rightarrow$ OP</td>
<td>-0.211</td>
<td>0.000*</td>
<td>Not supported</td>
</tr>
</tbody>
</table>

Note: *Significant $p < 0.001$

H2a posits that employee satisfaction will have a positive relationship with organizational performance. But the results provided in Table 3 contradict the hypothesis ($\beta = -0.191$, $p > 0.05$), so H2a is rejected. The plausible explanations for unsupported hypothesis H2a might be employee satisfaction has no direct significant impact on organizational performance as suggested by Chi & Gursoy (2009) and there is an existence of clear link between employee satisfaction and organizational
performance in both direction, but with a pretty weak intensity (Bakotic, 2016). Employee satisfaction is also insignificant in predicting customer satisfaction ($\beta = 0.290$, $p > 0.05$) and H2b is rejected as well. Dolen et al. (2002) posited that if customers like the performance of the employees and express gratitude or satisfaction, in turn, it is also expected to lead to a higher level of employee satisfaction. Employee satisfaction is a significant predictor of service-oriented OCBs ($\beta = 0.929$, $p < 0.001$) and resulting in H2c being supported.

As shown in Table 3, service-oriented OCBs are significantly associated with customer satisfaction ($\beta = -1.093$, $p < 0.001$) but the path between service-oriented OCBs and customer satisfaction is inversely related, resulting in H3a being rejected. Similarly, service-oriented OCBs are significantly related to organizational performance but show negative relationship ($\beta = -1.590$, $p < 0.001$), thus H3b is also not supported. Bolino et al. (2005) noted that OCBs might stem from self-monitoring or self-serving motives and have a negative impact on employees’ job attitudes, which in turn affect customer satisfaction and organizational performance. The relationship between customer satisfaction towards organizational performance is found to be statistically significant but with a negative path ($\beta = -0.211$, $p < 0.001$), thus H4 is rejected. Gursoy & Swanger (2007) argued that while customer satisfaction is at the very core of hospitality operations, customer satisfaction may not result in a higher organizational performance because it is considered as a “given” factor, which is an expected and natural part of day-to-day operations.

5 Conclusion

The purpose of this study is to examine a multilevel model linking HRM practices, employee satisfaction, service-oriented OCBs, customer satisfaction and organizational performance in hotel industry in Malaysia. Overall, the statistical results obtained provide support to the proposed research model. The findings confirm the multilevel model linking HRM practices, employee satisfaction, service-oriented OCBs, customer satisfaction and organizational performance. In particular, the findings reveal that HRM practices are significantly related to organizational performance, employee satisfaction and service-oriented OCBs. These findings concur with those of previous studies.

Employee satisfaction is found to be a significant predictor of service-oriented OCBs. However, contrary to expectation, employee satisfaction is found to have non-significant relationships with customer satisfaction and organizational performance. The findings of this study also show that service-oriented OCBs are significantly associated with customer satisfaction but the relationship is in the reverse direction. There is a negative relationship between service-oriented OCBs and organizational performance as well as between customer satisfaction and organizational performance although both relationships are found to be statistically significant. As a conclusion, the findings reveal that HRM practices significantly influence employee satisfaction which in turn significantly influences service-oriented OCBs and sequentially determine organizational performance.
The findings of this study are believed to provide better understanding and knowledge for the management of hotels about the linkage of HRM practices, employee satisfaction, service-oriented OCBs, customer satisfaction and organizational performance in the hotel industry in Malaysia. The results suggest that perceptions of customer contact employees regarding their hotel’s HRM practices influence employee satisfaction and service-oriented OCBs. Thus, full understanding and cultivation of good HRM practices in hotels can enhance employee satisfaction and service-oriented OCBs. Subsequently customer contact employees are likely to be more willing to assist customers by going beyond their duty which will enhance customer satisfaction and improve organizational performance. The findings of this study are invaluable to acknowledge the management of hotels on the importance of noting the dynamism and complexity of HRM practices and employees’ behaviours in relation to organizational performance.

The findings of this study are believed to provide a holistic view to scholars in the field of hospitality and tourism on the connection and relationship of variables in the multilevel model in the hotel industry. The importance of understanding the relationship between employees, customers and organizational performance has been acknowledged by Chand (2010). This study reveals that HRM practices improve employee satisfaction and service-oriented OCBs which in consequence enhance organizational performance, and thus extends previous studies (Nasurdin et al., 2016; Nasurdirn et al., 2015; Choo & Nasurdin, 2014) that focused on HRM practices and service-oriented OCBs only. This study paves the way for further studies that would integrate HRM practices and other operational factors in the context of analysing improvements in service delivery, increase customer satisfaction and enhance organizational performance.

6 About the author

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7 References


