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### The Effect of Human Resource Practices on The Relationship between Hotels Star Rating and the Creation of New Organizational Culture

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#### Abstract

The study intends to find the effect of human resource practices on the association between hotels star rating and the creation of new organizational culture. Change assists business to keep up with the industry trends, appealing to customers and encourage flexibility and adaptability. The study employed quantitative technique for data collection. Data was collected from 302 employees including top, middle and lower management from 15 star rated hotels from three big cities of Pakistan. Stratified random sampling technique was used, and data was analyzed through SmartPLS latest version. Data revealed that there is significant negative effect of human resource practices on the relationship between hotels star rating and the creation of new organizational culture. The study recommends that organizations may work on change adaptation to remain successful in the business world. Change adaptation is necessary in transitions and in advent of technology. Human resource in organizations are the change agents. Organizations will need to have motivated and committed staff members who can support organizational goals and objectives. Staff hired through fair recruitment and selection process, compensated

keeping in view internal and external equities, provided need-based trainings and developed keeping in view the careers of an individual and future prospects will keep employees motivated and committed. Limitations of the study and future calls are also part of the study.

**Keywords:** Hotels star rating; human resource practices; new organizational culture, hospitality sector of Pakistan

### **Introduction**

Today is an era of turbulence and radical changes. Changes are taking place in consumer, labor market, technology, globalization, financial market, values and the perception of the employees regularly. Organization must learn to adapt changes otherwise embraces failure (Alvesson & Sveningsson, 2015). Most of the organizations accepted the fact that, they will need to change otherwise death is eminent. Researchers stress change for survival in the market place (Graetz & Smith, 2010; Lewis, 2019; Sturdy & Grey, 2003). To understand and manage change, has become an integral part of consultants, managers, leaders, politicians, and corporate executives job description.

Organizational culture plays an important role in the change mechanism. The change takes place in organizational culture in one way or another. It is the culture which changes or it helps to bring changes in any phenomenon (Alvesson & Sveningsson, 2015). In many cases, when organization fails to bring changes, it is because the organizational culture was neglected part in the process. Organizations get success when the culture is adaptable and responsive (Khan, Khan, & Hussain, 2020).

Human resource management plays an important role in organizational success. Organizations get success when the human resource has success ingredients, which are, knowledge, skills, competencies, capabilities, and behavioral seriousness, helping and accomplishing change strategies (Abdullah &

Sentosa, 2012). Human resource management plays central role in bringing in change.

Organizational change in hotels is the area which attracts researchers around the globe. They conducted research in different part of the world exploring the change agents including proactivity of employees, leader's vision, organizational climate, change schema, mental map, servant leadership, appropriateness, management support, change efficacy, personal valence, willingness, ability, possibility to innovate, readiness for change, employee engagement, leadership support, communication and employee resistance to change (Belias & Trihas, 2022b; Chiang, 2010; Irfan, 2021; Muhtasom, Ahmad, & Rahman, 2020; Pereira-Moliner, Pertusa-Ortega, Tari, López-Gamero, & Molina-Azorin, 2016; Presbitero & Teng-Calleja, 2017; Radwan, 2022). Most of the research are conducted in developed part of the world. Less research has been conducted in the developing part of the globe. The study attempts to fill the gap by employing moderating variable of human resources between hotels and the creation of new organizational culture focusing on one dimension of TQM.

This study intends to evaluate the influence of HR practices on the association between star rated hotels and new organizational culture creation in hotels sector of Pakistan. When human resource practices intervene, does it bring any change in the association between star rated hotels and new organizational culture creation. The study scope is limited to three big cities of Pakistan. Policy makers, industry, community and academia will be benefited from the study in terms of theory and practice.

### **Literature Review**

Smart organizations transformed themselves proactively with the anticipation of change in the marketplace to remain compatible with the business environment. Those organizations who do not accept changes posed by the environment, embrace failure (Flanding, Grabman, & Cox, 2018). Various factors including age,

job security and seniority, job function, values, perception of organizational culture, organization background, understanding challenges and need for change are catalysts for change. Leadership and trust in leadership also support this organizational change (Heim & Sardar-Drenda, 2021). Tourism sector is more prone to changes as the taste and likes dislikes of the customers are changing rapidly (Belias, Rossidis, & Valeri, 2022). The role of change management is very crucial in the hospitality sector, so it is imperative to understand it and get benefits from the phenomenon. This change becomes easy when employees and organization readiness level are appropriate (Taufikin, Zamroni, & Muthohar, 2021). Necessary change is possible through human resources. Human resources is the source through which organizations bring positive and necessary changes (Belias & Trihas, 2022a).

### **Star Rating Hotels**

Star ratings generally reflect facilities, quality of service, management standards and customer satisfaction. The rating system in hotels is either official or unofficial. The official rating system is based on government approved criteria and run by the respective government of the country, state or region. Unofficial system is owned by private entities specialized in star ratings (Blomberg-Nygard & Anderson, 2016; Martin-Fuentes, 2016). Pakistan has an official star rating system. Star rating system has got various advantages for stakeholders. Government, tour operators and travel agencies are benefited. It gives information to the customers for comparison and decision making. Marketers can market facilities accordingly. It helps in positioning the product and services (Hanif, Hussain, & Khan, 2022).

### **The Creation of New Organizational Culture**

Total quality management is getting more attention in recent researches as new concepts are emerging in the field (Liu, Liu, Gu, & Yang, 2023). It is a philosophy, through which organizations strive for continuous improvement, customer satisfaction and focusing on internal and external customers (Jasti, Venkateswaran,

Kota, & Sangwan, 2022). Organizations focus remains on customer satisfaction in this ever-changing business environment. Change in customer preferences, environment and other external factors force organizations to respond so that they remain in the run. Management needs to change its products, services, system, values and the managerial landscape to meet the expectations of their customers. Organizations which show stubbornness tend to face failure (Vuori & Huy, 2016).

The creation of new organizational culture, focused on quality oriented products, services and system, is the need of the day (Hanif & Hussain, 2023). Culture, which is responsive, adaptable and consistent in accepting positive changes from the environment. Kurt Lewin change theory of three stages explains the change process including unfreezing, moving and refreezing (Hussain et al., 2018). Organization at first stage, will unfreeze the existing situation or status-quo by increasing the driving force, decreasing the restraining forces and will need to find the combination of both methods. In the second stage of moving, organization will make the employees realize that the status-quo is not beneficial for them and need to work for new and relevant information. Connection with the well-respected leader is needed to support the change process. In the third stage of the change process refreezing will need to establish as the change takes place. Now to implement it organizations need to institutionalize the change formally and informally through policies and procedures (Cummings, Bridgman, & Brown, 2016; Memon, 2021; Rosdiana & Aslami, 2022).

### **Human Resource Practices**

The new era is the era of competition. Organizations who are ahead in competition enjoy large market share and profit. Effective and efficient human resources are one of the vital sources which keep organizations ahead in competition. Most of the organizations are dependent on their workforce to get competitive advantage. In human resource management, organizations manage their personnel effectively and efficiently for the achievement of organizational

goals and objectives. It is all about identifying, recruiting, selecting, training, developing, compensating, appraising, and providing job security to organizational work force in the best interest of an organization (Alzoubi, Ghazal, Sahawneh, & Al-kassem, 2022; Doz, 2020; Salas-Vallina, Alegre, & López-Cabrales, 2021). The study of Alqudah, Carballo-Penela, and Ruzo-Sanmartín (2022) showed that there is significant positive association of high performance human resource practices and readiness to change. This change is positively associated with individual and organizational performance. When companies are involved in a change process, they need to have a more people-oriented culture than bureaucratic culture. It helps to enhance individual performance thus resulting in organizational success.

### **Methodology**

Quantitative research methodology was used in the study. Adapted research tool i.e. questionnaire was used for data collection. The data was collected from three stratas of hotels' employees i.e. lower, middle and top management through stratified random sampling from three hotels each from one to five star category hotels from three big cities of Pakistan i.e. Peshawar, Islamabad and Lahore. Data analysis was carried out using SPSS and smart-PLS softwares. Validity and reliability of the tool were ensured.

### **Data Analysis and Results**

The study was carried out to enquire the influence of human resource practices on the association between star rated hotels and new organizational culture creation.

### **Evaluation of Measurement Model**

The measurement model is used for assessing the quality of constructs through reliability and validity. Various calculations are done in measurement model including outer loadings, reliability and construct validity, discriminant and convergent validity,  $f^2$ ,  $R^2$  and model fit. The value recommended for loadings are 0.70 (Hazirah & Lay, 2021). Composite reliability, Average Variance Extracted, and factor loadings were used to determine convergent validity. Accepted values

are 0.70, 0.50 and 0.60 respectively (Hazirah & Lay, 2021). To check the internal consistency, Cronbach Alpha was employed. Threshold for the value is 0.70 but Shin et al. (2004) are of the opinion that the value above than 0.50 is reliable. The value of Cronbach Alpha is above the accepted level in the study. All these values are presented in Table. 1. Factor loadings and Coefficient of Determination values ( $R^2$ ) are there in Figure 1.

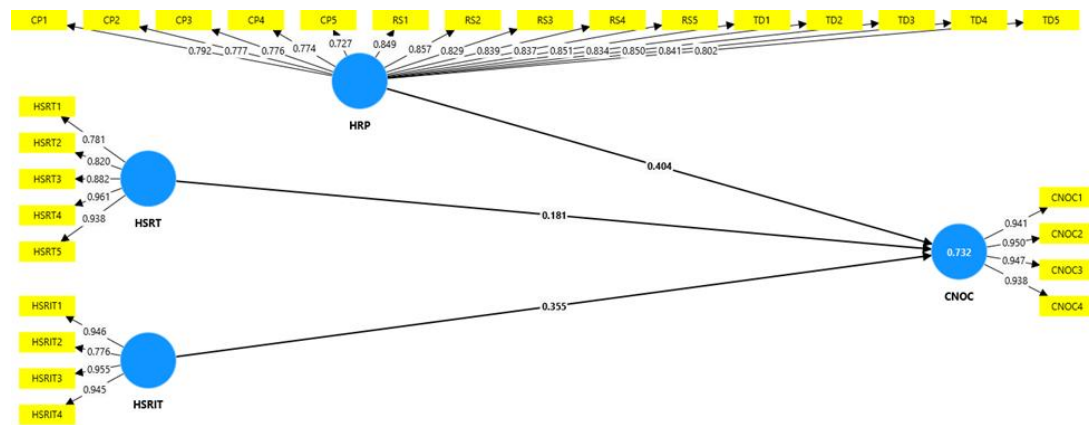


Figure 1. Measurement Model

Table 1: Measurement Model Evaluation

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
CN	0.959	0.96	0.97	0.891
OC				
HR	0.964	0.968	0.968	0.667
P				
HS	0.928	0.949	0.949	0.825
RIT				
HS	0.925	0.932	0.944	0.772
RT				

Discriminant validity assesses the magnitude of constructs differs from one another. Former Larcker Criterion (FLC) and HTMT were employed to enquire Discriminant validity. FLC states that the square root of the average variance

extracted by a construct must be greater than the correlation between the construct and any other construct. The cut off value of HTMT are  $\leq 0.85$  (Roemer, Schuberth, & Henseler, 2021) and  $\leq 0.90$  (Henseler, Ringle, & Sarstedt, 2015). The values of both are presented in Table 2 and 3.

**Table 2: Forner Larcker Criterion**

	CNOC	HRP	HSRIT	HSRT
CNOC	0.944			
HRP	0.799	0.817		
HSRIT	0.783	0.683	0.808	
HSRT	0.655	0.677	0.794	0.799

**Table 3: Heterotrait and Monotrait (HTMT)**

	CNOC	HRP	HSRIT	HSRT
CNOC				
HRP	0.789			
HSRIT	0.831	0.696		
HSRT	0.818	0.705	0.846	

### Evaluation of Structural Model

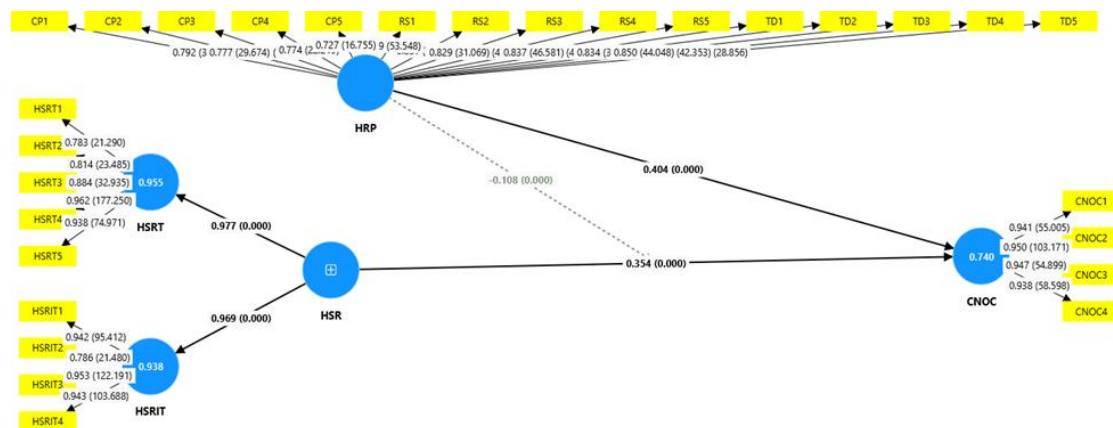
SmartPLS is a tool through which models can be measured having complex structures (Sander & Teh, 2014). Structural model represents the interrelationship among variables. The association among variables are explored in Structural Model. The relationship may be between independent variable and dependent variable or any third variable either mediating or moderating can intervene. How well a model calculates the observations is called “goodness of fit”. In regression analysis, the most frequently used method is coefficient of determination ( $R^2$ ) (Onyutha, 2020).  $R^2$  value lies between 0 and 1. The values 0.25, 0.50 and 0.75 are regarded as weak, moderate and significant (Yılmaz Isikhan, Karabulut, & Alpar, 2016). Effect size is measured when independent and dependent variables are continuous. Effect size ( $f^2$ ) is also measured in the study. The threshold are 0.02 small, 0.15 medium



and 0.35 large (Cohen, 2013).  $Q^2$  is employed to assess predictive validity of the model. It refers to the estimation of predictive relevance of the model (Akter, D'ambra, & Ray, 2011). The value above zero confirms the predictive relevance of the model. It is measured with the help of Bindfolding procedure in SmartPLS. The values of  $R^2$ ,  $f^2$  and  $Q^2$  are presented in the Table 4. Which are within the threshold.

**Table 4:** Coefficient of Determination ( $R^2$ ), Effect Size ( $f^2$ ), and Predictive Relevance ( $Q^2$ )

	$R^2$	$f^2$				$Q^2$
			HRP	HSRIT	HSRT	CNOC
CNOC	0.732	CNOC				0.20
		HRP	0.311			
		HSRIT	0.089			
		HSRT	0.023			



**Figure 2:** Structural Model

The study intended to find out the influence of human resource practices on the association between star rated hotels and new organizational culture creation. The data revealed that there is significant negative effect of human resource practices on the association between independent variable and dependent variable. Table 5 shows the values of path coefficients, means, standard deviations, t-values and p-



The findings of the study uncovered that when human resource practices intervene, the association between star rated hotels and new organizational culture creation are affected negatively. The direct relationship between both is significantly positive but the intervention of human resource practices makes it negative. It means that with the intervention of moderating variable, the relationship between independent and dependent variable gets weaken. The finding of the study are align with the findings of the studies of (Bani-Hani & Hamdan-Mansour, 2021; Lee & Son, 2023; Liang, Wang, Wang, & Xue, 2018).

Human resource practices in hotels in Pakistan are not up to the mark. Hotels in Pakistan are confronted with problems in their recruitment and selection, compensation practices and training and development. The upscale hotels generally do not advertise its open positions and fill these positions through referrals which sometime don't find right candidates. The downscale hotels are found less concerned about hiring specialized people for their open positions. They hire raw people having no experience and less education for key positions. Due to huge supply of labor in the market, they find candidates for their positions on low compensation terms. These small hotels encourage temporary employment due to low package and job security. Education level is also an issue for upscale hotels. Due to which they hardly contribute to quality in hotels. This issue is an obstacle in their career development as they show less intent for promotions (Bagri, Babu, & Kukreti, 2010). The outcome is less or no interest in training and development. These trends of human resource practices in hotels in Pakistan collectively weakens the relationship between hotels and the creation of new organizational culture.

It is hereby concluded that organizations may work on change adaptation to remain successful in the business world. Change adaptation is necessary in transitions and in advent of technology. Human resource in organizations are the change agents. Organizations will need to have motivated and committed staff

members who can support organizational goals and objectives. Staff hired through fair recruitment and selection process, compensated keeping in view internal and external equities, provided need-based trainings and developed keeping in view the careers of an individual and prospects will keep employees motivated and committed.

The study has theoretical and practical implications for all stakeholders. The proposed study has significance for hospitality industry by knowing the need for and importance of change for sustainable business. Organizations may need to keep motivated and charged up human resources so that organizations' mission and vision are supported. Policy makers can also be benefited so that they can encourage organizations for positive changes and make merit-based recruitment and selection, need based trainings and equity-based compensation. The current study will add something to the existing body of knowledge by highlighting the need and importance of change and keeping best human resource practices for the satisfaction of internal and external customers. New windows for researchers in academia are also opened by analyzing positive change and finding best human resource practices for individual and organizational benefits.

The study is conducted to find out the effect of human resource practices on the relationship between hotels' star rating and the creation of new organizational culture. The study is cross sectional. Quantitative research technique was adopted. Only three cities were chosen for data collection. 15 hotel properties were taken as a sample. Only one dimension of total quality management was taken as a dependent variable i.e. the creation of new organizational culture. Recruitment and selection, compensation and training and development were taken among human resource practices. Future studies can employ qualitative technique for in depth insight. Some other dimensions of total quality management can be taken. Researchers can try other variables as moderator/mediator for finding new trends.

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