

## Human Resources Management Practice and Organizational Performance (A Case Study of Line Manager Support in Star-Hotel, Bali, Indonesia)

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**Abstract:** This research aims to determine performance of star-hotel in Bali Province, Indonesia through application of human resources management practice and line manager support. Hotel serves as one of the important facilities in supporting tourism existence through provision of excellent and world-class standard hotel services and facility for any tourists. It is necessary for a hotel operational to obtain supports from various parties either its employees or managers. A line manager cannot be considered to have a weak role since it serves as an employer supervising directly any employees at organizational operational level. They directly involve in implementation of human resources management and always monitor team performance in which they lead. So, the given supports will influence on employee performance in the organizational performance achievement. There are 141 units of 3, 4 and 5-star hotels as these research populations with the number of sample is 60 hotel units and by line managers in different divisions as the respondents. Data analysis used Partial Least Square Path Modeling (SEM PLS) model and processed through SmartPLS Version 3.2.6. Research results show that there is positive and significant correlation between human resources management practice and line manager supports. However, it is found insignificant correlation between human resources management practice on organizational performance as well as between line manager support on organizational performance. Discussion, research limitations and recommendation for future research are described.

**Key words:** Human resources management practice, line manager support, organizational performance, hotel industry Bali Indonesia, limitations, recommendation

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### INTRODUCTION

Entering ASEAN Economic Community (EAC) in fact creates considerable chances and challenges in Indonesian economy and business. EAC today has been applies as a cooperation among ASEAN (Southeast Asian Nations) members to realize stable economy and support its member competitiveness in global economy world (Suroso, 2015). This condition directs Indonesia as one of the ASEAN members entering free-trade area and it certainly must be ready to face more competitive competition, both in obtaining resources and producing qualified products. Such conditions allow any business actors in Indonesia to find out any strategic chances and ideas so that they can survive in an increasing dynamic and uncertain global business environment not excluding hotel business, mainly in Bali Province as a tourism destination in Indonesia.

Hotel industry in Bali faced a great rapid growth in the last 3 years. There was an increase on hotel growth by 4,13% in 2012 until 2013 and a rapid increased by 9,69% in 2014 with the most growth faced by 3-star until 5-star hotels. Based on the information it can be seen from star hotels, mainly 3-star until 5-starts hotels faced the growth

in a rapid manner than star hotels beyond it, and these certainly lead to increasingly tense and competitive competition among star hotels in Bali Province. However, the growth on hotel level is not followed by the growth on room occupancy from year to year. Based on BPS data, the room occupancy of 3-5 star hotels was by 65% in 2013 and decreasing by 60% in the two following years. This decrease indicates a problem in performance sustainability management in hotel industry.

Satisfaction and service quality are not enough to build customer behaviors that profit the company. According to Luftim (2014), human resources management plays a strategic function to have an ability to face competition and realize achievement on organizational objectives. Therefore, human resources management process in the organization is conducted through some activities realized in human resources management practice. Meanwhile, better human resources management practice is believed to be able to improve organizational the effectiveness (Lawler, 2005) and organizational performance by Irianto (2011).

There are many researchers on the relatedness of human resources management practice and final results of organization. Some of researchers finding out

that both variables have positive and strong direct relationship (Wright *et al.*, 2001; Batt, 2002; Arthur *et al.*, 2003; Wood *et al.*, 2010). However, there are some researchers finding out different results (Wall and Wood, 2005; Sani, 2012; Rashid, 2013). Cho *et al.* (2006) found that the human resources management practice has insignificant relationship on return of assets. Meanwhile, Sani (2012) also found out insignificant relationship of human resources management practice and organizational performance.

Inconsistency on empirical results indicates direction and chances for this research to input relationship variable of the human resources management practice and organizational performance. It will study on line manager support variable given that there are still any limited researches studying on line manager role related to both variables (Soens *et al.*, 2012). One employer directly on employee or below level manager or line manager serves a very fundamental role and function to improve employee performance, employee knowledge and working behavior (Larsen and Brewster, 2003). They are personnel selected by the management because of their high competence and professionalism as well as leadership ability to manage their employees to achieve organization objectives (Mat and Susomrith, 2014). So, it is necessary to study the line manager support in the human resources management practice for the achievement of organization performance.

### **Theoretical review**

**Human resources management practice:** Human resources is a greatly important part in an organization, because it is the core competence to achieve competitive excellence as well as determinant on what to be done by the organization (Nengah, 2011). Internal resources and ability can influence on determination of any strategic selected by a company when it has to face competition in its external business environment.

Organization has resources including all resources to be considered as organizational strength and weakness in the forms of tangible and intangible assets that are binding the company. Further, Barney (1991) described that resources are a series of factors owned or controlled by a company consisting of tangible assets and intangible assets as well as capacity as ability based on knowledge and experiences in managing resources; all of these can grow in higher level than other companies producing the same products or services.

In the organizational resources management, it is necessary for some activities to be taken, the activities are called as human resources management functions or

practices consisting of various activity processes. Minbaeva determined the human resources management practice as a series of practices used by the organization to manage human resources through competitive excellence. Tan and Nasurdin (2001) mentioned that the human resources management practices relate to specific activities and any policies designed to develop, motivate and maintain the employees as well as make sure the effective function for organizational sustainability.

Experts determine the human resources management practice activities into some types. Ahmad and Schroeder (2003) mentioned that it covers emphasis on employee selection or recruitment process (it is well-adjusted to organizational culture, addressed to find out any employees with proper behaviors, attitudes and skills), compensation provision activity and employee development process including training in which all of these will create work supports among their teams. Schermerhorn (2002) in his study used skilled labor recruitment, development and retention activities to support the organizational mission and goals. Meanwhile, Werner (2009) provided an emphasis on four main activities, namely selection and recruitment, communication and motivation, training and development, as well as prosperous and compensation. Irianto (2011) described that the human resources management practice activities consist of all activities ranging from employee planning until dismiss; it also includes other activities including preparation of position analysis, recruitment, followed by selection and placement and then consecutively payroll function, performance appraisal, training and development, career management, employee relationship guidance as well as designing on various quality of working life program.

Further, this research will take five human resources management practice activities referring to Quansah including recruitment and selection, compensation, training and development, performance appraisal and career planning. These references are also partly used by previous researchers such as Irianto (2011) using recruitment and selection, compensation, training and development; Tan and Nasurdin (2011) using performance appraisal, career management, training, reward systems, and recruitment. These five activities have covered overall activities of human resource management practices from initial stage (recruitment) to employee retention as an important activity undertaken to the improve its productivity, so that it can achieve the organization final performance.

**Line manager supports:** Operation of an organization business wheel requires roles of various parties, mainly a manager support. The manager is a person playing organizational key role and organizational operation he is the one who ensures that the organization can achieve its goals, runs its plans, oversees its implementation and ensures all employees reach any organization determination (Sunday and Somoye, 2011).

According to Katou (2008) and Gerhart (2005), the existence of managers is greatly required in achieving organizational goals. It also serves as a mediator between organizational work direction and improvement of its employee's performance. Managers are responsible for all employee activities and productivity, playing a crucial role in their work success (Sunday and Somoye, 2011). The social exchange theory states that if there is a good correlation between employee and manager direction work expectations then they will be able to build and produce positive behavior among both elements. Employees will develop positive workplace behaviors on their employers and their employers will be able to assist and encourage them to achieve organizational goals. Here, there will be a reciprocal relationship in a positive relationship but it can also happen otherwise (Bakshi *et al.*, 2009).

Line managers according to Boxall and Purcell (2008) are those who directly supervise employees at organization operational level who are directly involved in the implementation of human resource management and always monitor team performance in which they lead. Line managers include a supervisor who oversees employees in every part of the organization such as in finance, marketing, sales and production including human resources (Papalexandris and Panayotopoulo, 2005). In his research activities a line manager is known to be heavily involved in human resource management activities (Renwick, 2003) and handling of his subordinates. Papalexandris and Panayotopoulo (2005) mentioned that human resource management activities are part of the line manager's job responsibilities.

It can also be said that line managers are people under middle manager having responsibility and directly supervising its employees in the department. They research directly with their employees to build positive behaviors at work place and help as well as encourage them to achieve organizational goals.

The line managers in this study will refer to Nehles *et al.* (2006) namely a line manager who is in a different department, taking responsibility for daily work as well as in human resource management practices. Where measurements on the support given will refer to Lansbergen using four indicators: implementation of new recruitment, selection and orientation activities,

implementation of training and development activities, implementation of employee supervision, compensation and career development and implementation of employee performance appraisal.

**Organizational performance:** Essentially, each organization or company will always try to achieve its predetermined goals through its operational activities. Currently, hotel organization puts customer satisfaction as its main pillar orientation to achieve its goal, namely profit orientation. Lusthaus *et al.* (2002) mentioned that to achieve organization working results in a maximal manner, each organization must try to meet its goals by utilizing its resources while ensuring on long term organizational sustainability. It means that the organizational performance can be achieved if there is an implementation of research or task in an effective, efficient and relevant manner by its stakeholders.

According to Irham (2011) performance is a result obtained by an organization resulted in one certain period. Moeheriono (2012) provided performance definition as a description on implementation achievement level of an activity or a police program in realizing organizational targets, goals, vision and mission presented in strategic planning. Hugh (2002) mentioned that the organizational performance appraisal can be conducted through four manners namely shareholder's performance achievement level on fulfilment of their needs such as shareholder's needs, customer's needs on services and products, employee work satisfaction need, effectiveness is a level in which an organization is said to be success in achieving its predetermined goals, efficiency is a level in which an organization using its resources financial performance is how an organization can survive in short term or long term manner, it can be seen from its profit, investment levels or others.

It can be concluded from various researcher's views on measurement of organizational performance that the organizational performance is a multi-dimension and complex thing but none propose a multi-dimension measurement model in an empiric manner taken from various direction in an overall manner. This research refers to measurement tool from balance scorecard perspective given that the organizational performance should be seen from various directions or perspectives, either financial or non financial aspects, including within or outside organization, namely customers.

Balance scorecard proposed by Kaplan and Norton (2010) then used in a research by Ketut (2010) takes four perspectives used to measure a company performance known as financial and

non-financial perspectives. This theory describes that financial perspective determines organizational performance seen from some points of views namely profitability, achievement of planned financial targets by the organization. This perspective consists of income growth, productivity growth, cost saving and asset utilization; Internal business process perspective aims to express all new processes that must be mastered properly by the company. This perspective includes; improvement of innovation, operational process, post-sales service; customer perspective is an indicator on how the organizational customers and otherwise it can be seen from customer satisfaction level. This perspective includes customer satisfaction, customer acquisition (the level in which a company can attract customers) customer retention, market targets, customer profitability; learning and grow perspective. It is taken from human resources and organizational procedure factors playing a role in long term growth. This perspective includes improvement of personnel capability, improvement of information system capability as well as motivation, empowerment and harmony.

**MATERIALS AND METHODS**

This research was conducted at star-hotels in Badung Regency, Bali Province, Indonesia with classification of 3, 4 and 5-star hotels. There are 141 units (BPS 2015 data) as the population with a sampling error rate by 10%, then the number of samples targeted in this study is 60 hotel units. The respondents in this study are line managers. The line managers are defined in two criteria; first comes from different departments or divisions that implement human resources management practice and second has capacity or ability to know organization performance and is directly involved

in the company’s strategic decisions. So, out of the criteria, it is selected three different divisions, namely marketing division, operational division and human resources division. These divisions are predicted to be able to answer any research instruments related to this research.

The data are analyzed using Partial Least Square Path Modeling (SEM PLS) model and processed with SmartPLS Version 3.2.6. Conceptual frameworks can be described in Fig. 1.

Before the data is used, there is a prior testing to determine whether the data used are valid or reliable. For validity testing, results of outer model testing in Table 1 show that all items can be used as the outer loading of all data result are more than 0.50.

Meanwhile, testing results on research data reliability in Table 2 show that all of the constructs have Cronbach’s alpha coefficients more than 0.60 composite reliability coefficients more than 0.70 as well as AVE and communality coefficients more than 0.50 (Solimun, 2010). However, all of the measurement models used in this research has reached high validity and reliability.

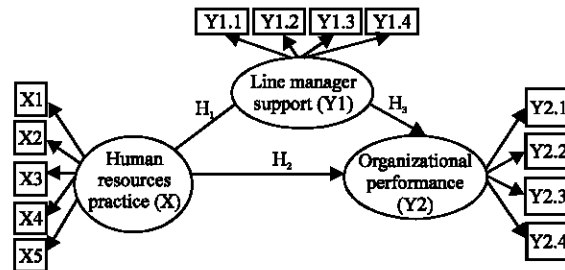


Fig. 1: Effects of human resources management practice on organizational performance through line manager supports

Table 1: Outer loading results

Human resources management practice (X)		Line manager support (Y1)		Organizational performance (Y2)	
1	2	1	2	1	2
X1	0.782	Y11	0.644	Y21	0.836
X2	0.840	Y12	0.824	Y22	0.586
X3	0.893	Y13	0.720	Y23	0.807
X4	0.892	Y14	0.866	Y24	0.865
X5	0.869				

Table 2: Convergent validity test results

Constructs	Alpha Cronbach coefficients	Composite reliability	AVE	Communality	Result information
Human resources management practice	0.910	0.932	0.733	0.733	Reliable
Line manager support	0.763	0.851	0.590	0.590	Reliable
Organizational performance	0.780	0.860	0.611	0.611	Reliable

## RESULTS AND DISCUSSION

This research will discuss on 3 hypotheses based on the proposed research model namely 1 Hypothesis ( $H_1$ ) the human resource management practice affects positively on the line manager support, 2 Hypothesis ( $H_2$ ) the human resource management practices affects positively on the organizational performance and 3 Hypothesis ( $H_3$ ) the line manager support affects positively on organizational performance. Based on the data processing results, it is described these research results based on the Table 3.

Then, it is described in more detail about the results of hypothesis test based on the path coefficient testing in Table 3.

### **Human resource management practices affect on the line manager support; Hypothesis ( $H_1$ ) is accepted:**

Correlation between these variables has coefficient with positive direction. Calculation result show that there is path coefficient by 0.553 and t-statistic by 6.299 and  $p = 0.000$  ( $p < 0.05$ ) indicating a decision that the human resources management practice affects significantly on the line manager support. These results also prove that it is obtained the average perception index of the human resources management variable in overall manner including in good index category. Also, respondent's response on the proposed indicators obtain answer reaching the average by 85.30%, meaning that it is including in good category.

Based on the five indicators proposed in this variable, it shows that all of the question items proposed obtain high answers. In the selection and recruitment application indicator, it obtains the highest average by 4.41% with the answer including in the three until five scales indicating that the selection and recruitment practice has been applied in a proper manner. Also, in the performance appraisal, career development as well as training and development activities, out of the answers given by the respondents in three until five scales, it indicates that these practices have been applied in the field in a regular manner based on their work needs. This indicates that the human resources management practice is applied properly in which this can improve the line manager support in the practice implementation to achieve the organizational performance in an overall manner.

Thus, the hypothesis stating that better application of the human resources management practice will lead to better line manager support it can be accepted. It means that the proper human resources management practice in hotel industry will improve the role of line manager support in each division.

This research result is in line with a research conducted by Jackson and Schuler (2000) in which they obtained integrated and significant correlation between the human resources management practice on the line manager supports. The line managers are directly responsible for its division or section as a partner of human resources management department. They have an active role in the implementation of human resources management practice process for its subordinates. The same result is also expressed by Alfes *et al.* (2013) in their research concerning public sector in United Kingdom finding out that the human resources management performance achievement significantly is greatly affected by the line manager. In this case, the role of line manager support is improving significantly in line by the improvement of human resources management practice in an organization.

### **Human resource management practices affects on the organizational performance; Hypothesis ( $H_2$ ) is rejected:**

Correlation between these variables has coefficient with positive direction. However, calculation result show that there is path coefficient by 0.016 and t-statistic by 1.197 and  $p = 0.843$  ( $p > 0.05$ ) indicating a decision that the human resources management practice affects in significantly on the organizational performance. The proper the human resources management practice in hotel industry indirectly describes on the organizational performance.

Improvement on organization performance is the final end achieved by a company through its existence and operation so that it can achieve profit, efficiency, customer satisfaction, employee guidance, market expansion and others. In current hotel organization, the customer satisfaction is the main pillar orientation in realizing its goal to achieve profit. Achievement on organizational performance is supported by various variables including the human resources management practice (Kennedy and Anne, 2015).

Although, according to Irianto (2011) the human resources management practice in a company has crucial effects on the organizational performance but in this research it is found out insignificant correlation between both variables. This result indicates that the improvement on human resources management practice does not affect significantly on the improvement of organizational performance. The human resources management practice conducted in star-hotels in Badung Regency, Bali through selection and recruitment, performance appraisal activity, career development as well as training and development and compensation indicators is found out to have no effect on the organizational performance improvement

Table 3: Path coefficient testing results in inner model

Correlation	Path coefficient	SD	t-statistic	p-values	Decision
HRM practice --> line manager support	0.553	0.089	6.299*	0.000	Positive sig.
HRM practice --> organizational performance	0.016	0.087	1.197 <sup>NS</sup>	0.843	Positive in sig.
Line manager support --> organizational performance	0.153	0.166	0.540 <sup>NS</sup>	0.265	Positive in sig.

Information: NS = p>0.05; \* = p<0.05

significantly. It means that all of the indicators are yet able to serve as the main reason on achievement of organizational performance improvement.

These research results support a study by Cho *et al.*, (2006) finding out that the human resources management practice has insignificant correlation on the return of assets as the organizational performance indicator. Also, it is in line with a research conducted by Sani (2012) finding out that there is an insignificant correlation between human resources management practice on organizational performance. But, this result does not support researches conducted by Batt (2002), Wright *et al.* (2001), Lepak and Snell (2002), Nayyab *et al.* (2011), Osterman (2011), Som (2008), Kennedy and Anne (2015) finding out positive significantly correlation between human resources management practice on organizational performance. This research result is also contrary to a study conducted by Chand and Katou (2007) conducting a research on hotel industry in India finding out that the human resources management practice has positive correlation on hotel performance and quality of services mainly on recruitment, selection, work plan, job design, training and development as well as reward system programs.

**Line manager support affects on organizational performance; Hypothesis 3 (H<sub>3</sub>) is rejected:** Correlation between these variables has coefficient with positive direction. However, calculation result show that there is path coefficient by 0.153 and t-statistic by 0.540 and p = 0.265 (p>0.05) indicating a decision that the line manager support affects insignificantly on the organizational performance.

Although, Kim and Brymer (2011) in their research concerning hotel industry found out that there is positive correlation between the line manager support on the hotel competitive performance, this research does not find out the same result. This research obtains that higher line manager support does not significantly affect on higher star-hotel performance in Badung Regency Bali.

This result also proves through respondent's response providing weak response on the questionnaires related to the line manager support in achievement of organizational performance. One of which is in the line manager involvement item in decision on salary increase and employee performance appraisal in which the respondents disagree on the statement and provided

two-scale answer. It is also on training and development provision as well as suitable employee selection items. These responses indicate a reason on insignificant achievement of organizational performance. The test results describe that the line manager support insignificantly affects on achievement on good organizational performance in financial, customers, internal process, growth and learning perspectives in organizational performance indicator used in this research.

These research findings are not consistent to a research conducted by Kim and Robert (2011), Hutchinson and Purcell (2003), Firth *et al.* (2004), Kim and Brymer 2011, Yoon and Suh (2003) expressing that the increasing support given by line manager will lead to the improvement of organizational effectiveness and performance in more competitive manner.

## CONCLUSION

The results of this research analysis found a positive and significant correlation between human resource management practices on line manager support, this indicates that the line manager position cannot be underestimated considering that they are the closest people working with subordinates, who see and monitor on employee's performance directly on its division. It is necessary to take into account on the line manager support in human resources development especially on the implementation of human resources management practices because in its implementation a line manager can touch directly to the employees he leads so that it can achieve efficiency on achievement of organizational performance goals.

It also found insignificant relationship between human resource management practices on organizational performance and on line manager support. This illustrates that the improvement on human resource management practices implementation in star hotels in Bali is not a major cause on improvement of line-manager support and also has not been able to support significantly on overall organizational performance.

Recommendation for star hotel managers in Bali, they should be able to maximize the role of line managers in the organization. A line manager support is very important in achieving company goals both organizational effectiveness and performance.

## LIMITATIONS

This research uses perception method in measuring organizational performance so it can create bias in its measurement. Also, the respondents who are participated in this study are taken from one division in one company namely line managers so there is considerable possibility of mono response bias.

The use of indicators for each variable is still very limited such as the variables used in human resource management practices that use only five indicators which are known by research theories and results; previously there are more than five indicators of human resource management practices. This may affect on final result of the organizational performance in an overall manner.

## RECOMMENDATIONS

Any future research can be recommended to use respondents taken from various position levels so that the responses can represent organizational employees and the results can be generalized. Also, it can conduct performance appraisal on hotel organization from human resources aspect so that it can use broader indicators in human resource management practice variable. This indicator addition later will be able to provide different illustration or considerable effects on organizational outcomes in an overall manner.

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