

High-Performance Work Practices (HPWPs) in Small Boutique Hotels: Evidence from Rachamankha Hotel, Chiang Mai¹

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Abstract

High-Performance Work Practices (HPWPs) are increasingly being employed by independently owned small boutique hotels as the means of distinguishing themselves within highly competitive hotel markets. This recent trend is accompanied by a notable increase in the number of independently owned boutique hotels located in those tourist regions experiencing marked growth. This phenomenon is particularly prevalent in Chiang Mai, Thailand, and one of the pioneering examples is the Rachamankha Hotel, a customized 24-room boutique hotel which demands high-performance work practices from its employees as the critical, primary strategy in its efforts to maintain a competitive advantage.

This study uses practical evidence to exemplify how HPWP is regarded as one of the strongest tools employed to guarantee optimum customer service. Accordingly, one-time in-depth interview techniques are used to discern how Rachamankha Hotel has sustained its employee-administration operations.

“Training”, “Empowerment” and “Reward” are the three pivotal characteristics of HPWPs, systematically employed by the Rachamankha managerial staff, predominantly populated by members of the so-called “Generation Y”. Also known as “Millennials”, members of “Generation Y” were born in the early 1980s to early 2000s. Continuous training programs, both formal and informal, are used to coach the staff, who gain knowledge regarding the best work performance practices when completing their duties. These training programs are combined with employee relationship

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practices which are intended to empower and reward employees for their best performances, increase employees' work satisfaction and provide higher quality service to the hotel guests and customers. Training is fundamental: without adequate and continuous training, empowerment and reward alone are unlikely to be effective incentives. This study suggests that these three HPWPs should be applied simultaneously to frontline duties in order to ensure overall success in the hotel industry.

Keywords: Chiang Mai, Boutique hotel, Employee satisfaction, High-performance work practice, Empowerment

Introduction

In 2013, the leading tourism magazine, *Travel + Leisure* (2013), ranked Chiang Mai as among the world's top ten best cities for hotels. There has been a marked increase in the number of visitors to Chiang Mai (7.9 percent increase in 2013 compared to 2012). In recent years, Chiang Mai welcomed more domestic (8.4 percent) than foreign tourists (6.8 percent). Indeed, the majority of tourism revenue in 2013 was generated by domestic visitors. From a total of 58.5 billion baht (approx. 1.63 billion US dollars²) for the whole of Thailand, approximately 36.5 billion baht (62.4 percent) was generated by domestic visitors, whereas foreign tourists accounted for 22 billion baht (37.6 percent). The Chiang Mai hotel industry benefited from both the increase in total number of guest arrivals (an increase of 16.9 percent) and higher hotel occupancy rates (an increase of 7.2 percent) in 2013 over 2012. Of these hotel guests, 60 percent were from Thailand and 40 percent were non-Thai (Department of Tourism, 2013).

Unsurprisingly, the significant growth in the number of hotel guests, the higher room occupancy rates and the increased revenue in Chiang Mai have all raised the competitive environment across all sectors of the hotel business field. Based on a 2013 Jones Lang LaSalle report, there are now 543 hotels in Chiang Mai, providing 27,389 rooms. A majority of the newly opened hotels are independently owned or owner-operated boutique hotels (Jones Lang LaSalle, 2013). Research conducted by Kapiki (2013), using data collected between 2008 and 2011, showed that independent hotels performed well, in terms of efficiency and profitability, compared to chain

² Exchange rate 1 US dollar = 35.72 baht as of 18 September 2015

hotels. Similarly, data gathered between 2002 and 2008 for 51,991 hotels in the United States, showed that independent hotels achieved higher average daily rates (ADR) and room revenue, per available room (RevPAR), compared with the chain hotels (O' Neill & Carlback, 2011).

To succeed in the hotel business, especially in a highly competitive business environment, a hotel has to identify and market its distinctive value and performance edge compared to its competitors, as perceived by its guests and customers. These factors must be known to the leisure and business customers to permit them to formulate an informed decision about when and where they choose to stay. Likewise, hotels need to analyze and develop marketing strategies to meet the needs of each customer type (Chu & Choi, 2000). Hotel competitiveness chiefly depends on the quality of its human resources and employee-performance management practices, which are necessary to create a competitive advantage through customer service encounters (Hartline, Wooldridge & Jones, 2003). These challenges firmly place the hotel strategic focus directly on its human resources management.

High-performance work practices (HPWPs) in the service sectors were introduced and studied by Orlitzky & Frenkel (2005), who concluded that businesses operating mostly within the service sector have fewer areas for strategic development planning, in terms of productivity factors, compared to businesses operating primarily within manufacturing sectors. Numerous researchers (Becker & Gerhart, 1998; Huselid, 1995; Takeuchi, Lepak, Wang & Takeuchi, 2007) noted that HPWPs have been applied as a method to maximize competitive advantage, and more specifically, that HPWPs directly affect the level of human capital among employees in an organization. Nevertheless, it remains difficult to define HPWPs precisely because there are various interpretations. Karatepe (2013a; 2013b), for example, postulates that the key indicators representing HPWPs in the hotel business include training, empowerment and rewards, leading to good work-engagement and higher levels of employee-performance output. The presence of high-performing frontline employees is a key factor in a successful business because they can most effectively ensure good quality of service, leading to successful service recovery³ and retain customer loyalty. Also, frontline employees with high-level HPWPs retain their jobs, resulting in lower staff turnover, despite frontline duties being stressful and requiring long working hours (Chi & Gursoy, 2009; Guchait, Kim & Namasivayam, 2012; Karatepe, 2013a; 2013b).

³ Service recovery defines the actions taken by a business in response to service failure.

In fact, customers promptly recognize distinctive high-quality service, on the basis of service encounters at those hotel businesses that had invested a considerable amount of time, effort and resources in staff training (Hartline, Wooldridge & Jones, 2003). A study conducted by Ashill, Rod & Carruthers (2008) indicated that training, empowerment and employee performance — all parts of HPWPs — generated higher, effective levels of response regarding job satisfaction and organizational commitment. Additionally, hotel management focused on these elements, has been shown to not only have positive influences on service recovery performance, but also results in lower employee turnover.

As mentioned above, the trends for hotel businesses, evidenced by the recent openings in Chiang Mai, has been mostly marked by an increase in independently owned or owner-operated small boutique hotels. This trend signals that independently owned hotels will likely become increasingly prevalent in this market. The Rachamankha Hotel, one of the first luxury owner-operated boutique hotels to be located within the historic Chiang Mai area, is one of the avant-garde in the owner-operated boutique hotels in this highly competitive market. In 2014, the Rachamankha was awarded distinction and recognized as one of the top 25 small hotels in Thailand by the world's largest and best-known travel website, TripAdvisor (TripAdvisor Traveler's Choice Award: Top 25 Small Hotels in Thailand, 2014). Built in 2004, the design of the Rachamankha hotel and its 24 serviced rooms show the mixed influence of Chinese architecture and Northern Lanna Thai culture.

The Rachamankha stands out as a hotel with highly ranked customer-satisfaction status, based on the customer-contact by its employees. This suggests that employee performance is considered the essential attribute for most customers. The study undertaken for this paper, involving detailed observation and analysis, and one-time in-depth interviews, aims to provide useful insights into the successful strategies and operational decisions of the Rachamankha management. The study conducted evaluations of the HPWPs of hotel employees in line with recent studies by Karatepe (2013a; 2013b), which confirmed that HPWPs can reliably be regarded as one of the most significant standards for gauging customer service quality.

Theoretical Background: HPWPs

HPWPs have been increasingly regarded and used as an emerging organizational staff-managerial model. Its implementation has been discussed in literature outlining competitive distinctive perception factors related to how HPWPs work in practice (Tamkin, 2004). HPWPs are classified from a universal perspective in

organizational behavior, because human capital is the root of comparative advantage in an organization (Barney, 1991; Wright & McMahan, 1992). Other studies (Arthur, 1994; Delery & Doty, 1996), have noted that human resource practices, considered from the strategic viewpoint of human resource management, should be adopted by all organizations of any level, size, industry or business. HPWPs, if appropriately used, can result in superior, more efficient performances than changes in organizational structure (Huselid & Becker, 1997).

HPWPs ensure enhanced human capital performance. Many studies have found that HPWPs can be applied as part of a competitive strategy and internal policies of an organization. Optimally, adopting programs that lead to HPWPs have a positive influence on human resources and serve as operational “best practice” as part of a business strategy. However, the ultimate success of using HPWPs depends on how organizations apply these high-performance work practices to their strategic management, as well as how their employees perceive this practice (Huselid, 1995; Kochan & Osterman, 1994; Luna-Arocas & Camps, 2008; Pfeffer, 1994).

In the literature that discusses several HPWP studies, the Pfeffer model (Pfeffer, 1994) is one of the most recognized models in human resource management (Luna-Arocas & Camps, 2008; Tamkin, 2004). In Pfeffer’s (1998) work, the model, bearing his name, comprises sixteen practices depicting “what effective companies do with people” and seven uses. The seven uses employed for a fruitful organization are: employment security; selective hiring; self-managed teams and decentralization of decision-making as the basic principles of organization design; comparatively high compensation contingent on organizational performance; training; reduction of status differences; information sharing.

Pfeffer’s (1994) theoretical model provides examples of how to improve profits by focusing on people-based managerial practices, which in turn leads to employees with a higher commitment, higher performance and higher involvement. In addition, a study by Huselid (1995) based on a national sample of 968 firms across a wide range of industries and firm sizes in the United States, provided evidence that the return on investment of HPWPs training not only lowered the rate of employee turnover but also raised productivity in sales, market value and profits.

Recent studies focusing more directly on the hotel industry, such as the study by Karatepe (2013a; 2013b) emphasize that only three elements – training, empowerment and rewards – are compelling practices for frontline hotel employees. Frontline staff in a hotel are the key players in service quality because they engage with customers either face-to-face or voice-to-voice during service performance episodes (Yavas, Karatepe & Babakus, 2010). Consistent with this, several other recent studies (Boselie, Dietz & Boon, 2005; Kim, Tavitiyaman & Kim, 2009; Pfeffer, 1994) convinc-

ingly suggested that employee training, empowerment and rewards are influential in high-performance work practices for frontline employees in all service organizations. A recent study by Karatepe (2013b) of 174 full-time frontline staff in four- and five-star hotels, reported that if the employees were trained under HPWPs — focusing on the three key elements of training, empowerment and rewards — the employees are more committed to their jobs and are less likely to leave the employing organization.

In addition, evidence gleaned from a study of 157 hotels in Taiwan revealed that training, one of the key HPWPs factors, significantly decreased the rate of employee turnover and improved the retention rate of employees. The fundamental precepts of this study suggested that hotel managers should focus on developing and cultivating employee knowledge, skills and functional performance abilities. That is, improvements in general training that focuses on information is beneficial. For example, improving the level of knowledge that employees have with regard to the details of hotel policies and procedures, or the steps to be applied as remedial activities, and efforts made to correct employee skill-inadequacies, resulted in fewer employee errors. Improvements in the level of knowledge also resulted in procedural standardization, which in turn led to a marked reduction in costs as well as improved employee efficiency (Cheng-Hua, Shyh-Jer & Shih-Chien, 2009).

Based on the cycle of success model by Schlesinger & Heskett (1991), good service is based on effective and productive employees in frontline personnel positions. When the hotel provides adequate training and ensures employee empowerment and reward as part of practices leading to HPWPs for its frontline employees (evidenced by enhanced supervision and an enhanced sense of employee authority), the hotel's employees not only felt more confident and empowered to serve their clients, it also resulted in a significant increase in both job and customer satisfaction. In their study, Schlesinger & Heskett (1991) explained that frontline employees who were satisfied with their work tended to stay longer in the service organization, provided increased levels of productivity, and customer costs were reduced by 10-15 percent. Also of significance, this study demonstrated the relationship between job satisfaction and service performance; empowered and satisfied frontline staff most positively influenced how customers perceived service quality. And, of course, well known to the hotel industry, high levels of service quality has a profound influence on customer satisfaction, value and loyalty, which are the three major elements of customer lifetime value (Gazzoli, Hancer & Park, 2010).

Some studies (Karatepe, 2013a; Kim, Tavitiyaman & Kim, 2009; Yavas, Karatepe & Babakus, 2010) showed that the interaction of all three elements – training, empowerment and reward – are optimal to achieve HPWPs. That is, merely empowering frontline staff without a proper training program and on-going supervision does

not produce such positive outcomes. Likewise, merely training employees without bestowing the empowerment and authority to act is both inefficient and ineffective.

The third element – reward – implicates management’s efforts to motivate employees to upgrade his or her service quality. Implicit in this is the universal recognition that if managers treat their employees well, employees in turn are more inclined to treat their customers well. Reward, one of the fundamental management commitments to service appraisal, particularly influence hotel employees in Thailand as they evaluate their personal level of job satisfaction (Kim, Tavitiyaman & Kim, 2009). Employees in the hotel business use personal rewards as a primary means for evaluating how much the employer/hotel values their service delivery (Arnett, Laverie & McLane, 2002). Hence, for an organization to attain distinctive HPWPs, implementing an appropriate reward system is critical. The intent of a reward is to encourage service staff to practice appropriate professional behavior. The reward must be recognized as being valuable and fair, such that each staff member deems that the reward scheme is suitable and potentially beneficial for oneself, thus contributing to their job satisfaction. However, the studies have shown that a reward system must be implemented with both appropriate training and empowerment policies, in that frontline staff should be rewarded when they deliver good service quality to customers and make appropriate decisions that adeptly resolve difficult customer situations.

Research Methodology

This study used an in-depth interview as the main data collection method. Kvale (1996) and Legard, Keegan & Ward (2003) stressed that an in-depth interview involves a form of conversation that enables the qualitative researcher to ascertain the subject’s point of view and to discover the meaning of their experiences. The interview, as a qualitative research tool, is used to gain descriptions but requires thoughtful interpretations of what is actually expressed. The methodology is multi-faceted, primarily seeking to gauge and evaluate the importance of what the interviewee states while simultaneously seeking to comprehend accurately and respectfully the interviewee’s point of view. Thus, the goal of the qualitative research interview is to encourage and enable the interviewees to speak freely, so they are motivated to openly confide and disclose their genuine perspectives and attitudes regarding the topic objectives.

The interviews undertaken for this research were based on the standard techniques suggested by Kvale (1996: 88) and involved the seven stages of an interview investigation: thermalizing; designing; interviewing; transcribing; analyzing; verifying and reporting. This method is characterized as a knowledge of question forms

methodology; that is, a focus on the interaction between interviewer and interviewee, as well as analytical attention given to what is spoken (Kvale, 1996). Tuntirattanasoontorn (2008) states that the benefit of using an in-depth interview is to investigate areas which cannot be directly examined by other research approaches and also to best discern the perspective and gain a good understanding for a particular group or sample.

Generally, the small boutique hotel can be defined using quantitative characteristics, such as a hotel with fewer than 200 guest rooms and with less than 2,000 square feet of meeting or conference space. Qualitatively, boutique hotels are defined as hotels with a special sense of style, such as a unique contemporary interior and environment or an adaptive use of an old or urban building, often with smaller room spaces, often with a focus on amenity (Wheeler, 2006). Two small boutique hotels first emerged in Chiang Mai with Northern Lanna-style revival design – Tamarind Village was the first to open, followed soon after by the Rachamankha Hotel. The latter incorporated a mix of Chinese dwelling and Northern Lanna-style architecture.

The study employed a qualitative, homogenous sampling method. A purposive sampling approach was carried out in this study and the sample units selected met the same criteria with regard to years of work experience, age and job characteristics. Specifically, the study's homogenous sampling focused principally on employees below the age of 35 (characterized here as the Generation Y mentioned earlier), who were frontline employees and with at least seven years of work experience. However, the hotel owner and the general manager – both above the age of 35 – were critical of the study. This homogenous sampling provided detailed pictures of Rachamankha employees who fit within the criteria of representative Generation Y persons, who are frontline employees, but with work experience. The majority of Rachamankha employees are aged between 27 and 30 years, fit into the population of persons characterized as Generation Y, which is consistent with Agmapisarn's (2014) observations that Generation Y persons have now become the biggest employee sector of the workplace in hospitality industry.

As for the sampling size, Ritchie et al. (2014: 118) has stated that, as a general rule of thumb, in qualitative samples for a single study, normally fewer than 50 individual interviews may validly comprise a representative sampling. Indeed, the number of interview subjects necessarily depends on the objectives of the study. For instance, if the objective of a study is to determine the world experiences of one particular individual, such as gaining information via a biographical interview, one subject is appropriate. In typical interview studies, 5-25 interviews are acceptable, due to the amount of time and the resources required for most studies but also because additional interviews are redundant in that they provide diminishing returns (Kvale, 2007: 43-44).

For this study, one-time in-depth interviews were conducted at the Rachamankha Hotel, Chiang Mai on August 30-31, 2014. With regard to the homogenous sampling, nine people with at least seven years of job experience at Rachamankha were selected and then interviewed. The people interviewed were: the hotel owner; the general manager; seven frontline employees, aged 35 or younger. An individual face-to face interview was conducted, averaging 60 minutes. This allowed the interviewees to converse comfortably, to voice opinions from their own perspective and to formulate responses using their own words for the topic objectives. The questions and interaction intentionally focused on training, empowerment and rewards at the Rachamankha Hotel, the key HPWPs in this study.

Findings

Formal Training

The Rachamankha, unlike other Chiang Mai hotels, is noted not only for its hospitality but also for providing employment opportunities to diverse populations, most notably to members of minority groups, such as the Taiyai people, a Thai ethnic group living in the northern region of Chiang Mai Province. Most Rachamankha employees are aged between 27 and 30 and are therefore ascribed to “Generation Y”. The number of “Gen Y” people in the hospitality industry has increased dramatically in recent years. Indeed, this generation of employee is the world’s largest and fastest growing sector of hotel employment (Solnet & Hood, 2008). Frequently, “Gen Y” members are portrayed in negative terms as being overly confident, narcissistic, materialistic and lazy. These generalized characteristics vary from country to country, as well as with each individual, but some commentators have opined that representatives from this generation of employees, regardless of national origin, exhibit similar traits, attitudes and perspectives, possibly due to the globalization and influence of social media, the pervasive export of Western popular culture and other influential socio-political events and circumstances (Stein & Sanburn, 2013).

These factors cause additional challenges to the Rachamankha Hotel, as it seeks to provide its new recruits (70 percent of whom are unskilled labor) with rigorous training. A study by Tuntirattanasoontorn (2008) argues that the most significant service problem in the Thai hotel industry is employee-related – specifically, that employees often lack the requisite customer relation skills and knowledge about hotel practices and policies. Because of this, the owner of Rachamankha provides in-house training courses focusing on six major areas: history; geography; culture; antiques; table etiquette; wine knowledge. Training classes are conducted

over several weeks for small groups of 4-6 staff members. The hotel owner stated that: “Knowledge in these areas can instill confidence in frontline employees when they talk with or serve our patrons, who come from widely different backgrounds: royal family members, Hollywood stars, businessmen and holiday travelers.” Additionally, the Rachamankha focuses on English-language training because the hotel owner believes that good English-language skills are needed in order to achieve good service quality in the hotel industry. Often, service failures are caused by misunderstandings between patrons and hotel employees, caused by a poor grasp of the English language among frontline employees. Therefore, the hotel must first address the threats of miscommunication. “The proficiency of English is now a necessary job requirement to work here,” said the hotel owner. To ensure a high-level of language competence, the owner hired a native English speaker, as an English teacher for his staff. Later, the English teacher was promoted to general manager at the Rachamankha. During the English language training, both the hotel owner and the general manager implement “the three Ps: Politeness, Personality and Participation”, aimed at preparing the staff for communication with guests. In order to achieve a high standard of service quality at the Rachamankha, all frontline staff must show courtesy in their dealings with customers.

The Rachamankha staff members are intentionally trained to function in teams of work groups. Teamwork is valued and is particularly effective at the hotel, partially in recognition that a majority of the Rachamankha workforce are members of “Gen Y”, who seem to appreciate and embrace a sense of comradeship. The teamwork approach not only promotes communication and an open exchange of ideas and perceptions, but also raises productivity. At the Rachamankha, teamwork training is one of the pivotal aspects of HPWPs. It has been effective in attracting and retaining “Gen Y” staff, who otherwise may overemphasize their individualized sense of self-importance and restlessness. The goals of the training are to deepen staff members’ maturity and to guide them as they ascend the promotion track within the organization (Agmapisarn, 2014; Cairncross & Buultjens 2007).

Informal Training

The Rachamankha owner introduced an informal training program for his frontline and back of house staff, a so-called “Dine Out Training” – in other words, a field trip. Most weeks, a few of the Rachamankha staff are selected and funded, during their time-off periods, to dine out for lunch or dinner, or to take drinks at well-known or new restaurants, bars and hotels in the Chiang Mai area, or even in Bangkok. This “Dine Out Training” is a useful follow-up exercise to the staff’s formal training because

it engages the participants in experiential activities related to hospitality services and also opens up to them a wider perspective on service quality. This “experiential learning” is an interactive learning experience in that the service employees learn from the experience of being customers, and encountering how other hospitality venues provide quality service. The field trip is a fruitful and conducive educational tool for a transformational learning experience, especially when implemented in conjunction with the traditional in-house formal training. It significantly increases the frontline staff’s practical knowledge and enhances their on-the-job learning (Goh, 2011).

The “Dine Out Training” involves all Rachamankha frontline and back of house staff members, on a rotational basis. One employee, a 28-year old man, reported that his visits to other venues such as fine restaurants, hotels and bars, while in the role of customer, provided him with an awareness of other employees’ serving styles and gave him practical insights into service quality as well as visible lessons on table manners. Similarly, a 31-year-old male frontline worker, who has seven years’ working experience at the Rachamankha, stated that he had gained helpful experience regarding differing restaurant environments and atmospheres by dining out in the new places. He noted that it was insightful for him to see how other staff work in these varied, differing atmospheres encountered at the other restaurants and hotels. He felt that the experience provided him with a better understanding of his profession and helped him to gain ideas leading him to provide better service. These reports are consistent with research by Ashill, Rod & Carruthers (2008), who noted that proper training provides employees with a positive influence on service-recovery performance by the mediating role of job satisfaction. When service failures happen at the Rachamankha restaurant – slow restaurant service, customers waiting for a breakfast table, low-quality food or beverage, for instance – the back of house and frontline service staff have come to understand better how to prevent such occurrences and how to better perform service recovery methods, in part because of their “Dine Out Training” experience.

As part of their informal training, Rachamankha employees also are allocated two major assignments to organize: a staff party and an annual field trip. The staff party is an event where the employees organize a party for themselves. The hotel is closed for one and a half days to facilitate intensive hotel cleaning and event organizing. The staff is provided with a pre-determined budget, and then tasked to decide the theme of the party, prepare the venue, announce a dress code, and prepare the food and beverage. For example, in 2014, a black-tie themed staff party was held: male employees wore formal black-tie attire and females wore evening gowns.

The second tasked event is the annual employee field trip. Employees are paired up and then assigned tasks that manage the entire trip. Before the trip begins,

one team of employee pairs, for example, is assigned to book tickets and to organize car rentals and hotel reservations for the trip. Another team is then tasked with preparing the trip as a travel site study and will act as tourist guides for the duration of the trip. Another team undertakes to plan, and to order food and beverage for the trip, at restaurants booked for the trip. Such duties give the members a sense of responsibility, teaching them skills using creative ideas to address tasks and problems, while resulting in each staff member building cohesiveness by working in teams.

These two annual major assignments encourage the participants to think and work in both small- and large-group team dynamics. Consistent with research conducted by Testa & Sipe (2012), team orientation is one of the crucial competencies in service leadership. This attribute is particularly significant in a highly competitive hotel market such as Chiang Mai. Additionally, teamwork instills service leadership perceptions while developing a team spirit. Employees learn to value the contributions of all team members, in that each participant builds upon the opinions, inputs and skills they provide, as well as the contributions of others. Effective team training establishes good working relationships between the front and back of house employees, thereby achieving high service quality. Effective training seeks to improve interpersonal communication among the entire hotel staff, a significant factor in the leadership-competency model in the hotel industry. In this regard, the employees noted that the owner and general manager are willing to listen to, and are receptive to, a staff member's opinions, especially to innovative suggestions. In turn, if any conflict develops between employees during any service process, the parties involved are required to address it quickly, determine the best solution and resolve the conflict amicably.

The Rachamankha owner demonstrates the level of courtesy he expects from the staff in their interactions with each other. It is his custom to always use polite words with a soft voice tone when he teaches his employees, and it is his custom to address his staff with the courtesy title, "Khun" before their names, so that each employee feels that they are treated with respect. This practice is supported by Sturman & Ford (2011), who maintain that profitable hotels treat the service staff with integrity. If treated without respect, frontline staff will feel connected to their workplace only via their paychecks, in which case they are more likely to be tempted to respond to job offers by other hotels with equal or better benefits. The attrition in staff may cause a material loss to the original hotel, which had invested in training the departing employee. Recent work by Testa & Sipe (2012) and Chung-Herrera *et al.* (2003) further concludes that interpersonal communication referred to as listening and communicating openly and persuasively, lowers misunderstanding and diminishes the

potential for conflict. Indeed, efficient communication and listening are indispensable proficiencies for employees to reach higher leadership positions.

For effective delivery of services at the Rachamankha Hotel, the general manager agrees that competent communication is a necessary skill between employees and customers, for the highest levels of service quality. He encourages his staff to establish effective communication systems and process policies instantly and independently while talking with their clients. He observed, however, that “often the drawback for Thai employees in the hotel industry is that they are reluctant to take responsibility at an individual level and as such can be slow to make decisions out of fear of being responsible for that decision’s outcome. Often, the Thai employee prefers to defer to those above them or to postpone making a decision. The procrastination undermines guests’ confidence in the interaction. In an interaction between the employee and the patron, the hotel management seeks to support an employee’s sense of empowerment, supporting the employee’s freedom to perform, but while being aware that they must take full responsibility for their decisions. This is where problems can lie generally with Thai employees, in my opinion. They very much prefer to work as a team and tend to avoid acting as an individual whenever possible. Their society leads them to be reluctant and to avoid taking full responsibility and they prefer to have the voice of the team rather than only the voice of the individual.” Because of this cultural preference to avoid making independent decisions, it is important to have continuous formal and informal training programs focusing on learning for the staff, teaching them how to communicate effectively, quickly, confidently and responsibly, so that they can carry out their duties more productively.

Empowerment

There are various definitions of “empowerment,” and the Rachamankha hotel characterizes this quality as task meaningfulness and the freedom to perform, which is consistent with the employee-customer research completed by Gazzoli, Hancer & Park (2010). In terms of task meaningfulness, it is significant to note that many Rachamankha staff had no prior hotel experience. Many of them had worked previously in unrelated enterprises as security guards, gardeners, cleaners and truck drivers. They were offered the opportunity to work at the hotel by the owner and the general manager, and in each instance the job offers and the opportunities were based on the broader personality traits of the recruit. After they had been hired, the Rachamankha management reported that most of the staff developed a strong sense of pride and

caring about their job, and were able to carry out their responsibilities well, often showing determined self-commitment and self-involvement.

By way of example: a 31 year-old male employee who has worked at the Rachamankha hotel as a restaurant server for nine years, but had previously worked as a hotel security guard before being hired by the Rachamankha front desk officer. During the interview, he expressed deep gratitude to the hotel owner and the general manager for providing him with the opportunity to work in this position. He felt the position was a good match for his personality and he expressed the enjoyment he finds in greeting and talking with people. However, speaking English was a formidable barrier to him, since he had no prior training or background in this skill. As a security guard, he had watched other staff that spoke English and yearned to develop the same level of fluency. The Rachamankha provided him with foreign language training, but he admitted that, although “I love to meet and talk with people, to speak with foreigners makes me a bit nervous. I have been offered to take an English course with the general manager and during it I worked so hard to learn as quickly as I could because I want the chance to work as a front officer. Now I feel more confident and able to explain things in English, even if it is not quite good. I feel more comfortable than before that I am able to greet my customers or explain where to go out in Chiang Mai while they are staying here.”

Another 28-year old male with seven-years working experience as a front officer explained that, “It is a great opportunity for me to work here because I was a truck driver before, but my salary was low. Having been trained by the hotel owner, I now feel that I am able to work in the hotel and earn more compared with my previous job. This job is meaningful to me and I also care about what I do because the job is more secure and not as physically demanding as my prior job as a truck driver.” These interviews were consistent with the study by Gazzoli, Hancer & Park (2010), who found that empowered staff feel more confident and are able to carry out their duties effectively when their skills and talents are matched with the right job.

Another important aspect of employee empowerment is the “freedom to perform.” The hotel owner stated: “Rachamankha employees have their own freedom to decide how to go about their operations, using their personal initiative to carry out their tasks. After having both formal and informal training, they are able to decide what to do, basing their service decisions on the goal of ensuring their customers feel at home when they stay at the Rachamankha.” Notwithstanding the level of training provided by the hotel, the original recruitment and selection process for all Rachamankha staff is quite rigorous. Ultimately, the Rachamankha owner makes the final selection decision. It is important to him that potential Rachamankha employees display enthusiasm and have realistic career goals. He recognizes that once they are recruited, staff members

are poised as ambassadors of Rachamankha. The hotel owner shared, for example, that a key attitude he looks out for during the initial interview process, is that of care about their work and a sense that employment at Rachamankha will be meaningful for them. With these attitudes, he knows that potential employees will be able to carry out the hotel goals and provide good quality service.

In addition, while working at the Rachamankha, the management requires the staff to follow executive-hotel standards and policies. One indispensable policy, overseen personally by the hotel owner, is known as the “Three Requests.” The owner maintains, “Working here (Rachamankha), I make three specific requests of each of my employee, to which I want them to be able to adjust, demonstrating their adaptability.” Making these three requests allows him to offer feedback and coaching on a particular employee’s behavior and attitude towards their work. For example, to a male service employee who may present an “unclean and disheveled look” while working, the hotel owner will ask for better personal grooming before starting work as one of his three requests. Each staff member receives three different requests regarding his/her behavior and personality. A serious response to each of the requests, as evidenced by a change, is taken to indicate that the staff member is keen to prove themselves capable for the required work duties, as well as possessing the necessary drive and initiative to fit within the hotel culture. If someone fails to follow these requests, hotel owner would ask him/her to evaluate and reconsider whether his/her demeanor is consistent with Rachamankha’s values and culture. The hotel owner as a leader added that: “These three requests are not difficult to comply with and are an improvement imperative to them. I also discuss the importance and justify the reasoning behind these requests so that they can see the big picture to which they may need to adapt.”

On the other hand, the hotel owner recruits new staff partially based on their physical attributes. He said, “Pleasantly attractive service staff is another vital strategic marketing point for the Rachamankha Hotel because many customers prefer to be greeted by attractive and charming frontline staff when they are in our hotel.” Consistent with this, research by Hamermesh (2013) revealed that better-looking people tend to sell more products or attract more new clients, bringing in more business for the employers, just as a clever workers will. Although good-looking people are likely to earn on average 3-4 percent more than those with average looks, which is undeniably a form of discrimination, the staff member’s attractiveness and personal appearance does tend to increase their productivity. The Hamermesh (2013) study included findings from a 2008 British study of a Dutch TV game show, which revealed that teams consisting of people with pleasant but average looks were always voted off from the TV competition, despite being just as skilled (or as productive) at answering questions as teams with good-looking people.

The Rachamankha Hotel has come to realize that their service staff is possibly the most significant feature of the hotel's service presentation and is at the core of the hotel's brand. The staff undertakes to customize service delivery every day, personalizing the relationship with guests, thereby leading to customer loyalty. Imbued with a sense of empowerment, the Rachamankha staff feel more confident and satisfied with their work, which results in providing their customers with high service value – fully aware that service quality appraisal is based on their guest's perceptions. For example, even the initial presentation by the front desk staff is considered a vital cue of the high level of service delivery expected at the Rachamankha. Arriving guests expect such service when first checking in, and if this initial interaction does not function smoothly, they will negatively judge the overall hotel service quality. By being in continual contact with their customers, hotel staff reflect an attitude that each has the "freedom to perform" and an acute sense of "task meaningfulness" such that each can respond to each guest's needs competently. At the core of high-quality service is the continual positive interaction and competent performance that matches a guest's expectation, to increase customer value, satisfaction and loyalty, setting the Rachamankha apart from its competitors (Gazzoli, Hancer & Park, 2010; Hartline, Wooldridge & Jones, 2003; Lovelock & Wirtz, 2011; Schlesinger & Heskett, 1991).

Reward

The Rachamankha owner and general manager both realize that it is their responsibility as the Rachamankha management team to prepare the hotel employees to provide exceptional service experience and to motivate the staff to offer the best possible customer experience. Although some studies argue that there are several influences regarding job performance, Sturman & Ford (2011) postulate that reward is only one of a number of motivation tools capable of creating and providing an environment which encourages employees to reach the hotel's goals. After recruiting and training their staff, the Rachamankha Hotel also offers both financial and non-financial rewards as a management strategy to create such a positive environment. As a result, employees derive more job satisfaction and are more motivated to go the extra mile for quality customer-service delivery during their employment at the Rachamankha. In contrast, a study by Kim, Tavitiyaman & Kim (2009) claimed, surprisingly, that not all hotels in Thailand provide HPWPs in terms of training, empowerment and reward, often because of the high costs involved. However, since setting up his hotel business in Chiang Mai, the Rachamankha owner has maintained a strong and clear picture of the necessity to embrace each of these three HPWPs elements.

Financial reward is considered a part of the HPWPs reward element and is also the predominant motivator (Robbins & Judge, 2011). Although all hotels provide some form of a reward system, Rachamankha employees receive a salary that is intentionally above the minimum wage, plus extra monthly income depending on the service charges. The owner knows that a Rachamankha paycheck can meet his employees' living needs because most of them are from a poor family background. He recognizes that staff members need to earn income that provides a living wage, and he is confident that the base salaries are sufficient for staff to meet their living costs. In addition to the wage and health care benefits provided, each staff member receives a bonus on his/her birthday, regarded as a birthday gift from the management.

The owner said that the Rachamankha is like a house with a small number of employees living closely together, so they are like his family members. Similar to how family members behave towards each other, we all respect, value each other and listen to the needs and preferences if a member is in need of help. For instance, if a staff member is experiencing financial difficulties, the hotel owner will grant an interest-free loan.

Indeed, fairness is the foundational principle of the Rachamankha reward system. If favoritism or preferential treatment should be sensed by the employees, feelings of resentment, inequality and unfairness will fester, resulting in lower job motivation, higher absenteeism, increased staff turnover and even pilfering. With regard to the latter, Rachamankha has a zero tolerance for theft committed by employees. If any staff member unlawfully removes even one piece of either hotel or customer property, they will be dismissed and, if the internal investigation finds them guilty, the matter is sent to the police. To minimize the motivation for pilfering, the hotel owner and general manager provide not only a fair and equitable compensation, but they also convey a sincere deep trust in each employee, often by regular personal communication to each staff member, as if each were a family member.

Hence, service employees are dutiful, feel more obligated to conform to management expectations and seek to repay their employer's consideration by demonstrating greater work engagement and high service quality performance (Karatepe, 2013a).

Interestingly, although the enterprises are conducted within an Asian culture, most employee rewards provided in the hotel business in Asia tend to be financial rather than non-financial, a custom which is more related to Western culture (Kim, Tavitiyaman & Kim, 2009). Also, Panmunin (1993) found that the Thai "hidden" caste system has increased pressure on Thai hospitality employees, who can experience low self-esteem due to the inherent perception in Thai society that a job involving duties performed for others, in a domestic or business setting, is historically carried out by

people of humble origin. Accordingly, in order to improve work morale and acknowledge the Rachamankha Hotel as a desirable workplace, the hotel owner and general manager always use commendatory words to reinforce their employees' professional behavior, as one primary indicator of a non-financial reward. Although these words are simple and straightforward, the employees are motivated to carry out their duties correctly and their actual behavior is powerfully influenced. The Rachamankha owner reported that he always commends his staff with respectful words, such as "thank you" or "good job," every time they conduct themselves correctly. In turn, employees acknowledge and show appreciation when they observe and comment on mutual good work.

This respectful expression of appreciation and reinforcement creates a positive dynamic, leading the Rachamankha staff to engage in positive employee behavior. It also serves to result in longer job retention overall. Since its inception in 2004, the Rachamankha Hotel has retained more than 70 percent of its original employees, while less than 20 percent have resigned or have been asked to leave for failure to comply with the Three Requests.

Loyalty and commitment are critical to the hotel environment. The Rachamankha owner shared that, "Once any staff indicates a plan to resign from our hotel or is thinking of leaving, I would let him or her go immediately without any notice and if he/she plans to come back, I would definitely not accept that. I feel that once you show a desire to find a new job, you no longer feel loyal to our hotel so why would you persist to stay longer." According to the hotel record, no staff departures evidence the displeasure with the work environment. The records show that most staff left employment for a few, consistently similar, reasons: to move back to their hometown or to stay closer to family. Only a few were asked to resign because of failure to comply with the Three Requests.

The data collected at the Rachamankha is consistent with research reported by Arnett, Laverie & McLane (2002). Once employees receive either financial or non-financial rewards which they perceive to be equitable and based on their actual job performance, job satisfaction increases and service provided to guests and customers improves. Employees who favorably review rewards made to them are more inclined to provide excellent service.

With regard to the Rachamankha, above all else, employees expressed great pride about working at the hotel and all shared the perception that employment at Rachamankha is family-like, meaningful and that the hotel was a worthwhile part of their life. This pride seems to drive the staff to engage in a level of service delivery that assists the Rachamankha Hotel to meet its objective to be amongst the top, small boutique hotels in Chiang Mai, in terms of high service standards and hotel guest satisfaction.

Conclusions

In the highly competitive environment of the hotel business, the Rachamankha is acknowledged as one of the small boutique hotels in Chiang Mai with the highest levels of guest satisfaction. It has gained its competitive advantage by implementing a distinctive strategy, based on practical application of employee High-Performance Work Practices (HPWPs), focusing simultaneously on the three elements of training, empowerment and reward. Once the Rachamankha service employees have perceived clearly the meaning of these three HPWPs, they commit themselves to high levels of work engagement and receive significant job satisfaction as repayment. Ultimately, they continuously provide high quality services to each of their guests and customers, a strategy which, in turn, has attracted a base of guests loyal to the Rachamankha.

Training, one of the three HPWPs elements focused upon this study, shows that the Rachamankha Hotel has successfully crafted both formal and informal training programs, which are particularly effective with hotel staff who are aged predominantly within “Gen Y”.

Under these training programs, they develop the knowledge, skills and abilities to serve their customers well. The training provides service leadership competency, teaches employees how to best serve their clients, provides them with confidence in making decisions or implementing policies, and lowers the occurrence of service failure. Of particular note is the “Dine Out Training”, a key part of the hotel’s overall training, a sort of role reversal where Rachamankha employees experience being “on the other side of the fence” as customers. Overall, they are taught how to do their job competently, how to deal with customer problems and to facilitate customer needs, and how to nurture a customized good service relationship with their customers. The findings are consistent with the research by Elmadag, Ellinger & Franke (2008), which noted that informal training is an effective and powerful tool to improve the commitment of frontline employees to quality service.

Without proper training about hotel policies and practices, the empowerment of employees would not be effective. However, at the Rachamankha, along with their training, employees have been empowered by understanding task-meaningfulness and being provided freedom within performance. The service staff has received hands-on training and management feel more confidence and self-reliant in carrying out their work duties, due to the fact that they understand the purpose of their duties. This engenders job satisfaction and results in better service delivery.

The management team effectively and efficiently recruit and screen potential employees, seeking staff to match the personality and expectations of the candidate with the job requirements. Undeniably, personal attractiveness and deportment are

important factors in the employee recruitment decision process, due to the reality that the attractiveness of staff does draw more attention to and brings more business into the hotel.

Rewards, predominantly through fair job evaluation and compensation, ensure longer retention of frontline employees. It also engenders a positive influence on employee job satisfaction, encouraging the staff to deliver high-quality service (Berry & Parasuraman, 1991). Because of this, the Rachamankha hotel provides a level of salary above the minimum wage, along with other compensations such as emergency interest-free personal loans and annual birthday bonuses. This compensation package increases the powerful impact of job satisfaction and imbues a loyalty to remain working at the Rachamankha.

As for recommendations and perceptions gained from the study, it was amply evident that the talents of the management team provide the essential key to success in small and boutique hotel businesses. Specifically, the management team must intentionally recruit individuals who fit well with the definitive requirements of frontline service work, the organizational culture and the work environment. Furthermore, it is incumbent on the management team to create and maintain a harmonious environment (some characterize it as a family-like work environment), but with professional work standards, with attractive career and growth opportunities for employees, so that each are willing to consistently demonstrate highly qualified work standards resulting in the delivery of excellent service to their patrons. On the one hand, HPWPs evidentially increase the rate of productivity growth as well as profitability, since there is a strong relationship between high commitment practices by frontline employees with the hotel's overall financial performance (Schlesinger & Heskett, 1991). Frontline employees, carefully recruited, followed by comprehensive training and competitive salaries, including rewards, result in employees who are more satisfied with their jobs, thereby providing higher quality, customer-pleasing services. In turn, regular patrons appreciate the service consistency and are willing to continue their patronage. The boutique hotel's focus on employee training and development results in a lower rate of staff turnover. Building employee relations, which in turn result in customer loyalty, best serve to attract new patrons. By relying on these modes of customer service, boutique hotels need not expend money on costly customer loyalty retention schemes or other marketing schemes, and profit margins noticeably increase.

Although this study focused on and examined only the factors of training, empowerment and reward as the critical elements of a successful HPWPs initiative, it has provided a clearer picture into how HPWPs may be applied to the small hotel business. This study provides anecdotal evidence confirming employee satisfaction results from creative and effective training, empowerment and reward systems, which

are translated into high service quality and customer satisfaction. Future studies should provide more detail on the practical execution of HPWPs applied by other manager, perhaps by completing wider comparisons with additional small boutique hotels in Thailand.

Finally, 2015 is the launch of the ASEAN Economic Community (AEC) and Thailand will be an important part of the “single market and production base” which potentially allows 70 percent of foreign equity into the tourism business and promotes the free flow of goods, services, investments and skilled labor into the county (Kanithasen, Jivakanont & Boonnuch, 2011). Related enterprises will be affected. The Thai service sector potential will increase, as will competition within the service sector. This situation should result in lower prices and increased service quality. With regard to the AEC, one of the overall aims in Thailand focuses on tourism, and one of the key sectors will be the hotel market. Already, the hotel market in Chiang Mai, for example, has become noticeably highly competitive because of service liberalization, and it will soon enlarge the service market. To survive in such intense service competitiveness, the owner-operated small boutique hotels will need to strategize skillfully. This study recommends intentional, purposeful engagement of HPWPs as an effective strategic management tool to ensure the success of the Thai hotel industry, thereby gaining dominance under the AEC agreement within the hospitality business.

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