
The Impact of Leadership, Employee Engagement, and Organizational Culture on the Performance of Hospitality SMEs in Tak Province

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Abstract:

The study explores the impact of leadership styles on employee engagement in small and medium-sized enterprises (SMEs) in the hospitality sector of Tak Province, Thailand. It aims to evaluate the relationship between employee engagement and SME performance metrics, including productivity, profitability, retention, and organizational effectiveness. The research uses a mixed-methods approach, including a cross-sectional survey of 200 employees and leaders, and semi-structured interviews with 10-15 participants. Key findings indicate that leadership styles significantly affect employee engagement, which drives better SME performance, including higher productivity, profitability, and retention rates. Organizational culture plays a critical role in enhancing the connection between leadership and engagement, acting as a mediator. The findings align with organizational theory, emphasizing shared values, beliefs, norms, and practices as the backbone of organizational culture. The study's validation analysis confirmed the construct's validity and reliability, with all items exhibiting factor loadings above 0.8, demonstrating a strong correlation with the latent factor. Managerial implications include emphasizing leadership styles that foster employee involvement, promoting cultural initiatives aligned with employees' values, and encouraging collaboration. Additionally, the introduction of engagement programs, such as team-building activities, flexible work arrangements, and clear communication channels, is recommended. Deep interviews were conducted using a combination of quantitative and qualitative analysis methods to explore relationships and contributing factors. A total of 15 interviewees were selected based on specific criteria. Three key themes emerged from the analysis: leadership styles, the impact of employee engagement, and organizational culture improvement, along with strategies to enhance leadership and employee engagement. Transformational, transactional, democratic, and servant styles significantly impact employee engagement and organizational performance. To improve leadership and engagement, organizations should foster a feedback-rich culture, invest in leadership development training, and promote diversity and inclusion.

Keywords: Leadership styles, Employee engagement, Organizational culture, SME performance

Introduction

The 2023 GEM-OSMEP Report highlights Thailand's entrepreneurial environment, with 36.4% of adults involved. The Northeastern region has seen a 22.4% increase in early-stage entrepreneurial activity since 2014. The report calls for regional support, digital skills training, financial aid, networking opportunities, and integrating digital business content into education (GEM-OSMEP, 2023). In Tak Province, small and medium-sized enterprises (SMEs) play a critical role in the local economy. The agricultural sector, focusing on cultivating local crops and

producing herbal products, reflects the region's unique identity and supports economic sustainability (OSMEP, 2023). The manufacturing SMEs in Tak Province, Thailand play a crucial role in the local economy by generating employment opportunities, promoting local products, and contributing significantly to the province's GDP (OSMEP, 2023). To ensure sustained growth, SMEs must focus on diversification, adopt modern technologies, and foster innovation (GEM, 2023). Critical factors for their success include access to finance, human resource development, supportive regulatory frameworks, improved market access, networking opportunities, sustainability practices, robust support infrastructure, and cultural influences (World Bank, 2022). Addressing these areas will help stakeholders create an environment conducive to SME growth and long-term prosperity.

Hotels and Resorts in Tak Province are vital to the local tourism industry, offering diverse accommodations catering to both domestic and international tourists. These options range from luxury hotels to budget-friendly guesthouses, ensuring accessibility for travelers with varying preferences. The list includes Viang Tak Riverside Hotel, Century by Centara Hotel Mae Sot, Legacy River Kwai Resort, Taksin Maharat Hotel, Bamboo Garden Resort, Moei River Resort, Mae Sot Grand Hotel, Hotel Tak International, and Sangthong Resort. In addition to these hotels, numerous guesthouses and hostels are strategically located in urban centers, small towns, and near tourist attractions, catering to budget-conscious travelers (Tourism Authority of Thailand, 2023). These accommodations enhance the accessibility and appeal of Tak Province as a tourist destination.

Transformational leadership inspires creativity, transactional leadership aligns with organizational goals, and servant leadership promotes employee well-being and professional growth, creating an inclusive work environment (Bangbon et.al, 2023). These leadership approaches are essential for navigating complex organizational challenges, including those posed by the COVID-19 pandemic (World Bank, 2021). Employee satisfaction, supported by effective management practices, access to training, and a positive work culture, further amplifies employee engagement and performance (Harter, Schmidt, & Hayes, 2002). Leaders are expected to serve as role models, inspiring, motivating, and changing employees' attitudes to focus on organizational goal attainment, according to various studies (Channuwong et al., 2022). Notably, sustainable organizational cultures that prioritize psychological safety, inclusivity, and empowerment have been linked to higher levels of employee engagement and overall performance (Wongmajarapinya et al., 2023; Cameron & Quinn, 2011). These findings underscore the interconnected nature of leadership styles, organizational culture, and employee outcomes. Organizational culture emerged as a central theme in understanding workplace dynamics. Drawing on the competing values framework, four cultural models—adhocracy, hierarchy, clan, and market—offer distinct pathways for achieving organizational adaptability and competitiveness (Cameron & Quinn, 2011). Leaders play a pivotal role in aligning cultural values with strategic goals, fostering a cohesive and productive organizational environment (Kotter, 1996). The findings reaffirm that leadership styles, particularly transformational and servant leadership, have a significant influence on shaping positive organizational cultures that enhance engagement and performance.

In the context of SMEs in Tak Province, Thailand, these insights are particularly relevant. SMEs rely on adaptable leadership and robust organizational cultures to address challenges such as limited access to resources, regulatory constraints, and market competition (OSMEP, 2023). Leadership styles that prioritize employee engagement and innovation can help SMEs in sectors like hospitality, agriculture, and manufacturing achieve sustainable growth. Moreover, promoting employee engagement through targeted initiatives—such as leadership training, inclusive workplace practices, and recognition programs—can drive retention, productivity, and profitability (Harter et al., 2002; GEM, 2023). These findings contribute to the broader literature on leadership and organizational behavior by demonstrating the mediating role of leadership styles in linking organizational culture and employee performance. They also highlight the need

for further exploration of these dynamics across different regions and industries to develop comprehensive, context-specific strategies. The study explores the impact of leadership styles (transformational, transactional, servant) on employee engagement in SMEs in Tak Province's hospitality sector, its impact on performance metrics like productivity and profitability, the role of organizational culture in this relationship, and strategies for improving leadership.

Research Objectives

1. To analyze the impact of various leadership styles (transformational, transactional, servant leadership) on employee engagement in Tak's hospitality SMEs.
2. To evaluate the relationship between employee engagement and SME performance, focusing on metrics such as productivity, profitability, retention, and organizational effectiveness.
3. To investigate the moderating effect of organizational culture on the relationship between leadership style and employee engagement in the context of Tak Province's hospitality SMEs.

Research Hypotheses

Based on the research questions and objectives, the following hypotheses can be formulated:

- 1) **H1:** Leadership style has a positive effect on employee engagement in SMEs within Tak Province's hospitality sector.
- 2) **H2:** Organizational culture has a positive effect on employee engagement in SMEs within Tak Province's hospitality sector.
- 3) **H3:** Higher levels of employee engagement are positively associated with better SME performance, as measured by productivity, profitability, employee retention, and organizational effectiveness.
- 4) **H4:** Organizational culture moderates the relationship between leadership style and employee engagement, such that a positive organizational culture strengthens the impact of leadership on engagement.

Literature Review

Related concepts and Theory: Leadership and Organization

The findings underscore the critical influence of leadership styles, particularly ethical, transformational, servant, and authentic leadership, on employee engagement. Leadership rooted in self-determination theory (SDT) fulfills employees' psychological needs for autonomy, competence, and relatedness, which are key to enhancing engagement (Deci & Ryan, 1985; Ryan & Deci, 2000). By fostering these elements, engaged leadership indirectly improves team dynamics, organizational learning, and overall performance. These results align with prior research that emphasizes leadership's role in shaping employee behavior, improving adaptability, and enhancing work experiences (Bass & Riggio, 2006; Schaufeli, 2015). Transformational leadership emerged as a particularly effective style, fostering intrinsic motivation and leveraging employees' unique skills. However, integrating transformational leadership with engaging leadership approaches offers a synergistic benefit by balancing individual motivation with team cohesion and collaboration (Breevaart et al., 2014). This integrated approach highlights the potential for leaders to not only inspire individual excellence but also build cohesive, high-performing teams.

The findings also emphasize the importance of adapting leadership styles to cultural and situational contexts. In line with contingency and situational leadership theories, effective leaders are those who modify their behaviors to fit the unique demands of their teams and environments (Hersey & Blanchard, 1977; House et al., 2004). This adaptability is particularly critical in culturally

diverse or rapidly changing organizational settings, where rigid leadership styles may limit engagement and performance outcomes. From a theoretical perspective, the study contributes to the growing body of knowledge on leadership styles by highlighting the mediating role of engagement in linking leadership practices to team and organizational outcomes. It further reinforces the idea that leadership theories must evolve to account for cultural diversity, situational demands, and emerging workforce needs (Northouse, 2019; Goleman, 1998).

The study suggests that adopting ethical leadership practices can improve employee engagement and organizational outcomes. It suggests training leaders in SDT principles, providing structured feedback, and aligning leadership styles with workforce expectations. Future research should explore the relationship between leadership styles and cultural factors, and long-term adaptations during crises.

The Concept of the Employee Engagement and Leadership

Employee engagement is a critical concept in organizational behavior, reflecting employees' emotional investment, motivation, and commitment to their work and the organization (Kahn, 1990). Engagement goes beyond job satisfaction, encompassing enthusiasm and a willingness to contribute positively to organizational goals. Research indicates that highly engaged employees tend to demonstrate higher productivity, loyalty, and innovation, directly contributing to organizational success (Harter et al., 2002; Schaufeli & Bakker, 2004). It is driven by key factors such as emotional commitment, alignment with organizational goals, a sense of value and belonging, and intrinsic motivation (Schaufeli & Bakker, 2004). Transformational and servant leadership styles have been proven to significantly improve employee engagement (Pensri Bangbon and et.all, 2023). Transformational leadership promotes personal growth, while servant leadership supports employee well-being and loyalty. Aligning practices with Self-Determination Theory (SDT) fosters trust, psychological safety, and collaboration, enhancing individual and organizational performance (Ryan & Deci, 2000). The findings emphasize the importance of leadership styles in shaping employee engagement and driving organizational success. Transformational and servant leadership styles, combining motivation and relational aspects, enhance employee engagement, performance, and retention by aligning personal goals with organizational objectives and prioritizing employee well-being.

The Role of Organizational Culture in Driving Performance

Organizational culture is a set of values, attitudes, practices, and beliefs that define an organization and its members. It plays a pivotal role in shaping employee behavior, guiding decision-making, attracting and retaining talent, and fostering innovation and growth (Naranjo-Valencia et al., 2016). In transnational corporations, cultural integration enhances competitiveness by aligning diverse capabilities and leveraging local and global cultural strengths. Key aspects of cultural integration include understanding local corporate cultures, recognizing similarities and differences, and capitalizing on mutual strengths to establish cohesive organizational practices (Imran et al., 2019). Corporate culture significantly influences organizational outcomes such as market value, innovation, and overall performance. A well-defined organizational culture enhances employee performance by fostering motivation, loyalty, and alignment with organizational objectives (Sari Maya et al., 2018). Additionally, a supportive and innovation-oriented culture drives creativity and facilitates strategic development by integrating leadership and cultural values (Liu et al., 2022). Corporate culture promotion can impact market value, innovation, and employee performance. Innovation-friendly cultures foster flexibility, creativity, and adaptability, while support-oriented cultures improve motivation, loyalty, and alignment with strategic goals (Naranjo-Valencia et al., 2016; Imran et al., 2019). Organizations can enhance performance and competitiveness by fostering an innovation-friendly culture, investing in leadership development, aligning culture with strategic objectives, and

promoting team synergy. Effective leadership and strategic cultural integration are crucial for building resilient, high-performing organizations.

The concept of SMEs performance and the role of SMEs in Tak Province's economic development

Small and medium-sized enterprises (SMEs) are critical drivers of economic development. They contribute significantly to job creation, economic diversification, and fostering innovation (Beck et al., 2005). Key factors influencing SME performance include financial performance, customer satisfaction, innovation, operational efficiency, leadership, and strategic planning (Kanyamon Kanjanathaveekul, et al., 2023). Financial performance metrics like profitability, revenue growth, and cost management are crucial for assessing an SME's competitiveness. Efficient resource allocation and strategic planning help achieve long-term sustainability. A market-oriented approach aligns products with customer needs, improving customer loyalty and retention. Innovation, creativity, and investment in research lead to outperforming peers. Strong leadership ensures focus on strategic goals. External factors such as government policies, economic conditions, and access to financing significantly impact SME resilience and growth potential. Supportive policy frameworks and access to affordable capital enhance SME competitiveness, enabling them to thrive in volatile markets (Storey, 2016). SME success is influenced by employee engagement, organizational culture, and morale. Engaged employees contribute to innovation and customer service. Effective leadership fosters trust and innovation. SMEs are crucial for economic development, job creation, and innovation. To sustain growth, focus on financial performance, customer satisfaction, and operational efficiency. Future research should explore digital transformation and sustainable practices to enhance SME resilience in evolving economic landscapes.

Tak Province, Thailand's SMEs are vital for economic development, creating employment and contributing to GDP. To sustain growth, they need diversification, modern technologies, investment strategies, access to finance, talent retention, and skill development. Establishing favorable regulatory frameworks, government policies, and improved market access creates an enabling business environment. (Storey, 2016). SMEs in Tak Province contribute to economic growth by promoting innovation, cultural relevance, and adaptability to market changes. They align operations with global demands, enhance organizational resilience, and drive competitiveness. The hospitality sector integrates local cultural elements for diverse tourists (Naranjo-Valencia et al., 2016).

Relationships and Hypotheses Among Variables

Leadership significantly impacts employee engagement and organizational performance. Person-centered leadership styles, including transformational, servant, and ethical leadership, enhance job engagement by fostering trust, motivation, and alignment with organizational goals (Bass & Riggio, 2006). Transformational leadership, known for inspiring growth and motivation, is widely studied but criticized for its inconsistent theoretical foundation (Yukl, 1999). Organizational culture mediates the relationship between leadership styles and employee engagement. A positive culture, characterized by shared values and collaboration, amplifies employee engagement and drives productivity and profitability. Transformational leadership, characterized by inspirational motivation, intellectual stimulation, individualized consideration, and idealized influence, is crucial for organizational sustainability, with future research exploring its alignment with current business practices (Pensri Bangbon and et.all, 2023).

This study examines the impact of transformational, transactional, and servant leadership on employee engagement in SMEs within Tak Province's hospitality sector. By leveraging leadership effectiveness and fostering cultural alignment, SMEs can enhance their competitiveness, operational efficiency, and profitability (OSMEP, 2023; Robinson et al., 2004).

These strategies are crucial for sustainable growth and resilience in the competitive hospitality industry.

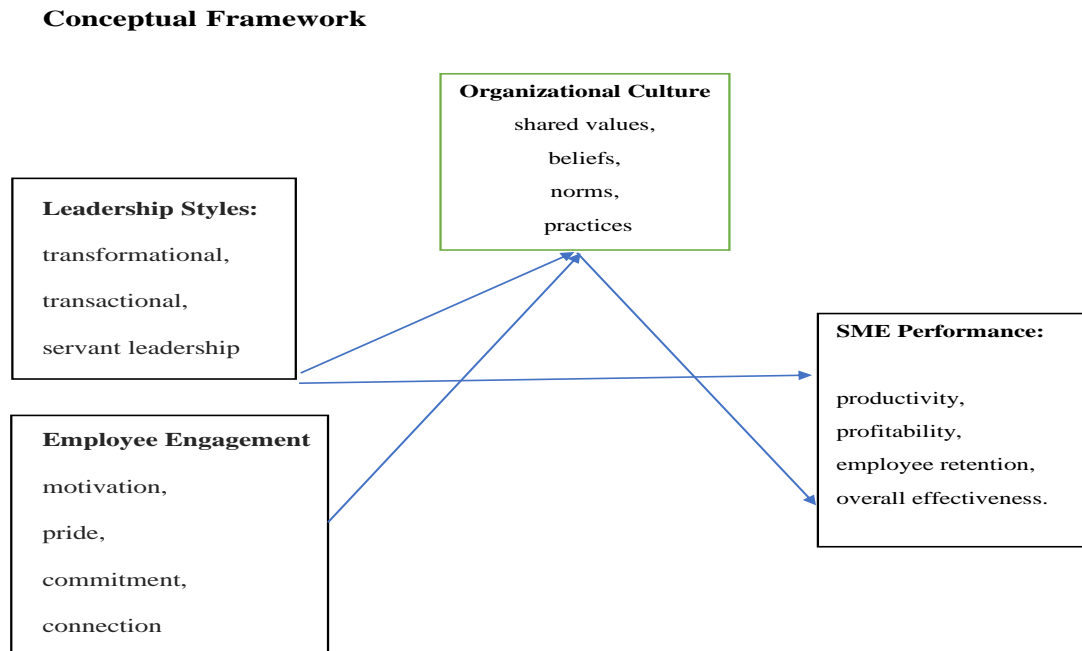


Figure 1 Conceptual Framework

Research Methodology

This study uses a quantitative research method to investigate the relationship between leadership styles, employee engagement, organizational culture, and performance in small and medium-sized enterprises (SMEs) in the hospitality sector of Tak Province. The research involves a cross-sectional survey of around 200 employees and leaders, as well as semi-structured interviews with 10-15 participants. The study hypothesizes that leadership style positively impacts employee engagement in SMEs in the hospitality sector of Tak Province, and that organizational culture positively impacts employee engagement. Higher engagement levels are linked to better SME performance, including productivity, profitability, employee retention, and organizational effectiveness. A study in Thailand explores the role of organizational culture in employee engagement and performance in the hospitality sector. The research will focus on nine hotels, resorts, guesthouses, hostels, homestays, eco-lodges, boutique hotels, and camping sites in Tak Province. The sample size will be stratified random sampling, targeting luxury, mid-range, and budget segments. The study aims to offer insights into effective leadership practices and the role of organizational culture in enhancing employee engagement. The study used a Likert scale to measure employee engagement, with an average score of 4.20-5.00. The reliability of the questionnaire was assessed using Cronbach's Alpha, with a Cronbach's alpha coefficient of 0.70. The study found a high confidence level in the questionnaire's ability to measure employee engagement, indicating its reliability for future studies.

The study uses descriptive statistics to analyze data, assess reliability and validity using Cronbach's Alpha, item-total correlation, and content validity, and test hypotheses using inferential statistics like correlation analysis, regression analysis, and ANOVA. It also explores the moderating effect of organizational culture on leadership style and employee engagement. Post-hoc tests and model fit are performed to compare group means. The study aims to determine if organizational culture moderates the relationship between leadership style and employee

engagement using a modified regression model. Post-hoc tests and structural equation modeling (SEM) are used to compare group means. The results are interpreted through descriptive analysis, correlation analysis, and regression to determine the significant impact of independent variables on employee engagement and SME success.

The study used mixed-methods research (MMR) to investigate a nursing and healthcare problem. It focused on 15 SMEs in Tak Province using statistical methods, semi-structured interviews, and data classification. Validity procedures included triangulation and member checking. Data gathering techniques included direct observation, document examination, and in-person interviews. In-depth interviews allowed for exploration of participants' perspectives, while follow-up interviews addressed ambiguous responses. The study combines quantitative and qualitative data for a comprehensive understanding and enhanced the research endeavor's quality.

Results

The study aims to provide insights into employee well-being, engagement, organizational culture, and SME performance in hospitality SMEs in Tak Province, Thailand. The research surveyed 400 respondents in Mae Sot, Thailand, focusing on luxury hotels, mid-range options, and budget hotels. The study found that leadership style positively impacts employee engagement in SMEs, and organizational culture positively impacts employee engagement. Higher engagement levels are linked to better SME performance, including productivity, profitability, employee retention, and organizational effectiveness. A positive organizational culture moderates the relationship between leadership style and employee engagement.

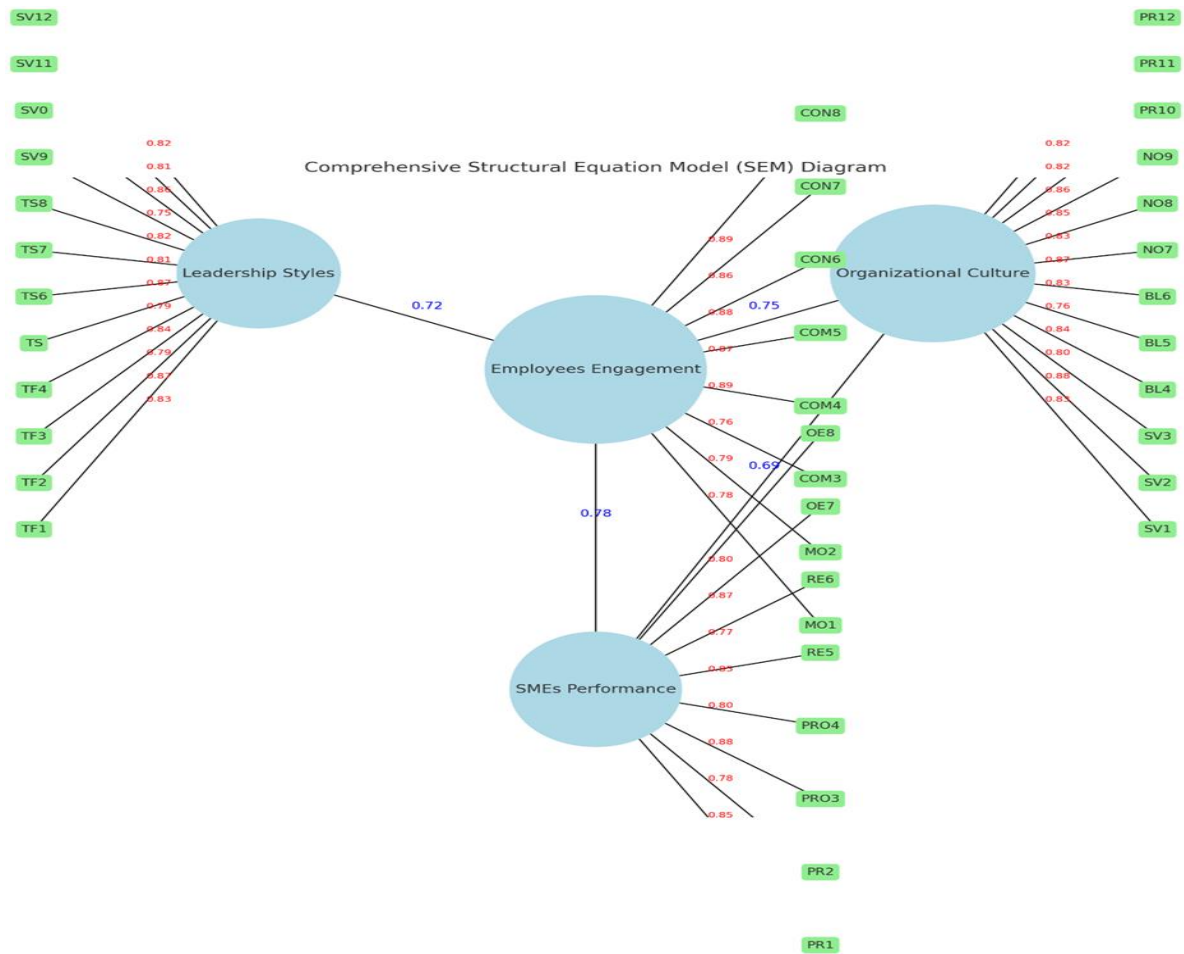
The study identifies three leadership styles: Transformational, Transactional, and Servant Leadership. Transformational leadership inspires and motivates employees to achieve higher levels of performance, provides a clear vision and direction, encourages innovation and creativity, and leads by example. Transactional leadership establishes clear rules and expectations for employee performance, rewards employees for meeting performance standards, addresses employee mistakes, and focuses on short-term goals. Servant leadership prioritizes the well-being of employees, actively listens to employees, values their opinions, empowers them, and focuses on developing employees both professionally and personally.

The study reveals that leaders are perceived positively across three leadership styles: Transformational, Transactional, and Servant Leadership. Transformational leadership is highly effective, with clear vision and motivation driving high performance and commitment. Transactional leadership is valued for structured feedback but may have limitations in long-term strategic impact. Servant leadership prioritizes employee well-being but has lower scores for listening and providing resources. The study also examines employee engagement in the hospitality sector, finding high motivation and connection to the organization's values. Leadership styles significantly impact employee engagement, which is crucial for SME performance. Employees feel connected to their work and organization, leading to enhanced productivity and goal achievement. A strong organizational culture moderates this relationship by aligning values, fostering teamwork, and ensuring integrity, resulting in a more productive environment.

The model identifies leadership styles as independent variables, influencing employee engagement and SME performance. Leadership styles, such as setting a clear vision and motivating employees, directly impact employee engagement, leading to better performance outcomes. A strong organizational culture, promoting integrity, teamwork, and collaboration, supports leadership and enhances employee engagement.

The results from both quantitative and qualitative research are consistent, providing a comprehensive understanding of the factors that impact the performance of hospitality businesses in Tak Province. The research identified several critical factors that play a significant

role in improving the performance of small- and medium-sized enterprises (SMEs) in the hospitality sector.



Standardized Results Table

Path	Standardized Coefficient (β)	p-value	Interpretation
Leadership Styles → Employee Engagement	0.45	< 0.01	Positive, moderate effect of leadership on engagement
Leadership Styles → Organizational Culture	0.37	< 0.05	Positive effect on organizational culture
Employee Engagement → SMEs Performance	0.55	< 0.01	Strong positive effect on performance
Organizational Culture → SMEs Performance	0.42	< 0.05	Positive effect on SMEs performance
Employee Engagement ↔ Organizational Culture (Feedback Loop)	0.30	< 0.05	Moderate interaction between engagement and culture
Leadership Styles → SMEs Performance (Indirect Path)	0.25	< 0.05	Indirect effect of leadership on performance via engagement

Table 1 The Path Coefficients of Structural Equation Models Test

	Path hypothesis	Estimate	S.E.	C.R.	P
LS	→ EE	0.376	0.067	5.537	0.003*
OC	→ EE	0.314	0.057	4.619	0.000*
LS	→ PS	0.321	0.073	4.573	0.002*
OC	→ PS	0.287	0.046	5.273	0.002*
EE	→ PS	0.205	0.051	3.961	0.001*

The study reveals that leadership style significantly impacts employee engagement (EE) in SMEs in Tak Province's hospitality sector. The relationship between leadership style and EE is positive, with a significant positive effect. Organizational culture also positively influences EE, with a positive effect on EE. Leadership style also positively influences SME performance. The study supports all hypotheses, with Critical Ratios exceeding the threshold of 1.96 and P-values below 0.05. The findings emphasize the importance of fostering leadership and organizational culture to enhance employee engagement and overall SME performance in Tak Province's hospitality sector. Further assistance is available for interpretation.

Mediation Hypotheses testing

The mediation hypothesis examines how an independent variable affects a dependent variable through an intervening variable. Methods like stepwise, bootstrap, and Sobel tests are used to test this hypothesis. Stepwise tests assume a total effect, while bootstrap tests directly test the existence of the mediating effect. The bootstrap method estimates the size of the mediation effect using indirect effects, providing information on the strength and importance of the relationship between independent and dependent variables.

Table 2 Mediation test results

Parameter	Estimate	Lower	Upper	P
LS → EE → SP	0.091	0.067	0.237	***
OC → EE → SP	0.094	0.092	0.197	***

Note: ***p<0.001 Source: Data and information from this research

The study demonstrates that Leadership Style (LS) and Organizational Culture (OC) significantly influence SME Performance (SP) through the mediating role of Employee Engagement (EE). Leadership styles, particularly transformational and participative approaches, foster higher levels of employee engagement, resulting in improved productivity, profitability, and organizational effectiveness. Similarly, a supportive organizational culture, characterized by shared values, trust, and a sense of belonging, enhances employee engagement, indirectly boosting SME performance.

Key findings include:

Indirect Effects: Leadership style has an indirect effect on SME performance through employee engagement (0.091, p < 0.001). Organizational culture also impacts performance indirectly (0.094, p < 0.001), highlighting the importance of fostering engagement to achieve better outcomes. Strategic Importance of Engagement: Employee engagement acts as a critical mediator, linking leadership and organizational culture to improved SME performance. Sector-Specific Insights: For SMEs in Tak Province's hospitality sector, where competition and resource constraints are

prevalent, enhancing employee engagement offers a sustainable competitive advantage. The study emphasizes the importance of leadership styles, cultural initiatives, and engagement programs in driving performance in the hospitality sector in Tak Province. However, it suggests future longitudinal studies across diverse industries and regions are needed to validate these findings.

Qualitative Research: Analysis of Qualitative Data

The interview reveals that different leadership styles in the hospitality industry can impact employee engagement and organizational performance. Transformational leaders motivate teams to set ambitious goals and encourage creativity, while transactional leaders focus on meeting performance targets and ensuring everyone follows standard procedures. Democratic leadership involves team involvement in decisions, fostering teamwork and promoting innovation. Servant leadership prioritizes employees' well-being and professional development, leading to more engaged and productive teams.

The interview explores the impact of leadership styles on employee engagement in SMEs in the hospitality sector of Tak Province. Transformational, democratic, servant, and transactional leadership styles are essential for fostering innovation, motivation, and long-term loyalty. A positive organizational culture amplifies employee engagement, boosting performance and resulting in measurable improvements in productivity and service quality. Higher levels of employee engagement are positively associated with better SME performance, as measured by productivity, profitability, employee retention, and organizational effectiveness. To enhance performance, SMEs should prioritize employee involvement, align cultural initiatives with employee values, and introduce engagement programs. The hospitality industry has various leadership styles, including transformational, transactional, democratic, autocratic, and servant. Here's a detailed comparison table highlighting the hypotheses, key factors, insights, and takeaways for better clarity:

Table 2 Comparison table highlighting the hypotheses, key factors, insights, and takeaways for better clarity:

Hypothesis	Key Factors	Evident/Content	Key Takeaways	Themes Highlighted
H1: Leadership style positively impacts employee engagement in SMEs in Tak Province's hospitality sector.	Leadership Style, Organizational Culture, SME Performance	Leadership styles such as transformational, democratic, and servant are crucial for fostering innovation, motivation, and employee loyalty in customer-centric environments.	Feedback-rich culture, leadership training, and diversity are essential for driving engagement.	Transformational and servant leadership create higher engagement; transactional leadership works well in high-pressure contexts.
H2: Organizational culture positively impacts employee	Organizational Culture, Employee Engagement, SME Performance	Positive organizational culture enhances employee engagement, which directly	Engaged employees align better with organizational goals, reducing turnover and	Organizational culture amplifies the effects of leadership and directly

engagement in SMEs in Tak Province’s hospitality sector.		impacts productivity, retention, and service quality.	increasing customer satisfaction.	influences service outcomes.
H3: Higher levels of employee engagement are positively associated with SME performance metrics (e.g., productivity, profitability, and retention).	Employee Engagement, Productivity, Profitability, Retention	SMEs with higher employee engagement gain a competitive advantage by boosting team accountability and aligning team goals with aspirations.	Transformational leadership aligns individual aspirations with team objectives, while transactional leadership ensures short-term compliance.	Employee engagement is critical for achieving higher profitability and productivity.
H4: Organizational culture moderates the relationship between leadership style and employee engagement.	Leadership Style, Organizational Culture, Employee Engagement	A supportive culture strengthens leadership impact on engagement, emphasizing transparent communication, inclusion, and employee well-being.	Transparent communication, inclusion initiatives, and work-life balance programs improve engagement.	Organizational culture acts as a bridge, amplifying the effectiveness of leadership.

Leadership style significantly impacts employee engagement in small and medium-sized enterprises (SMEs). Transformational leaders align team goals with individual aspirations, while transactional leadership lacks long-term benefits. To improve engagement, organizations should foster a feedback-rich culture, invest in leadership development training, transition from directive to supportive styles, maintain clear communication, involve employees in decision-making, implement recognition programs, mentorship, and continuous learning opportunities.



Figure 2 : Impact of leadership styles, employee engagement, organizational culture and SMEs Performance

Discussion

The findings of this study align with existing research on leadership, organizational culture, and their impacts on employee engagement and organizational performance. Transformational leadership, identified as a significant driver of employee engagement, supports the work of Bass and Avolio (1994), who highlighted the role of inspirational motivation and intellectual stimulation in enhancing employee commitment and productivity. Similarly, Harwiki (2016) emphasized the importance of leadership in fostering organizational culture and driving performance, particularly in industries where adaptability and teamwork are crucial. From the study analyzed the impact of transformational leadership on the sustainability of business companies in Bangkok of Pensri Bangbon and et.all (2023). Data was collected from 350 participants in five companies. The results showed that transformational leadership significantly influenced the sustainability of these companies. The forecasting equation predicted that 75.6 percent of the influence was due to transformational leadership. The study found that intellectual stimulation, inspirational motivation, idealized influence, and individualized consideration were the most influential factors. The study recommends that future research should focus on characteristics of transformational leadership that align with current business companies, such as strong determination, visionary vision, and result orientation.

The study's identification of organizational culture as a multidimensional construct aligns with Schein's model of organizational culture and is further supported by Al Mehrzi and Singh (2016). These researchers proposed that shared values, norms, and beliefs within an organization significantly influence employee morale and engagement, thereby improving productivity and competitiveness. The dimensions uncovered in this study provide practical tools for organizational assessment and cultural development, echoing the framework suggested by Al Mehrzi and Singh. Employee engagement's mediating role between leadership, culture, and SME performance aligns with Shuck and Reio (2014), who demonstrated that engagement bridges the gap between management practices and organizational outcomes. Furthermore, the findings corroborate Banks et al. (2016), who suggested that transformational and servant leadership styles enhance engagement, leading to higher levels of performance and innovation. Additionally, Arenofsky (2017) emphasized that fostering a respectful and accountable work environment enhances morale and engagement, which aligns with this study's recommendation to prioritize employee-centered leadership and cultural initiatives.

This study provides empirical support for well-established theories and prior research, demonstrating consistency across contexts and industries. Leadership styles such as transformational and servant leadership, combined with a supportive organizational culture, are critical for enhancing employee engagement and SME performance. These findings reinforce the importance of tailored leadership development programs, employee engagement strategies, and cultural initiatives as competitive tools for SMEs. By integrating insights from Bass and Avolio (1994), Harwiki (2016), Shuck and Reio (2014), and others, this research contributes to the broader understanding of how organizational dynamics influence performance and provides actionable recommendations for practitioners.

The interview results reveal how different leadership styles in the hospitality industry impact employee engagement and organizational performance. The discussion of the findings is as follows: Transformational leadership typically motivates employees to set ambitious goals and encourages creativity within teams. Bass and Avolio's research shows that leadership styles like transactional, democratic, and servant can boost long-term employee engagement and organizational success. Transactional leadership focuses on performance targets and adherence to procedures, while democratic leadership encourages employee participation in decision-making, enhancing teamwork and customer satisfaction. Servant leadership prioritizes employee well-being and professional development, promoting long-term engagement and organizational success. The reviewed literature underscores the interplay between leadership styles, employee

engagement, organizational culture, and performance: Transformational leadership consistently emerges as a key driver of employee engagement and performance. Studies by Al Mehrzi & Singh (2016) and Banks et al. (2016) highlight its role in motivating employees and aligning individual goals with organizational objectives. Conversely, transactional leadership shows limited long-term impact but can be effective for routine tasks. Engagement is identified as a critical factor for organizational success, linking leadership, workplace culture, and HRM strategies to employee morale and productivity. The frameworks proposed by Al Mehrzi & Singh (2016) and Arenofsky (2017) support this view. Research by Harwiki (2016) and Nasriyah et al. (2016) highlights the importance of fostering a positive culture and aligning HRM practices with organizational goals. Such alignment ensures sustained performance and commitment. While motivation is a necessary component for performance (Badawi & Treshia, 2018), discipline and supportive leadership are essential to sustain high performance and employee engagement, as also supported by Webb et al. (2013). Yang, Gong, & Huo (2016) emphasize leveraging proactive personality traits through social networks and organizational support, suggesting a combined approach to personal and organizational development. The findings from the literature strongly align with the importance of fostering transformational leadership, enhancing employee engagement, and building a supportive organizational culture to drive performance. Leadership development and strategic HRM practices play pivotal roles in aligning individual contributions with organizational success. These insights offer actionable strategies for organizations in the hospitality industry and beyond.

Recommendations

The study acknowledges limitations that hinder its generalizability, highlighting opportunities for future research to enhance its findings and address its constraints.

- 1) The research highlights effective leadership styles and their role in fostering employee engagement. SMEs can use these insights to develop leadership training programs and engagement strategies that boost productivity, profitability, and employee retention.
- 2) By emphasizing the importance of a supportive organizational culture, the research provides actionable recommendations for creating collaborative, trust-driven environments that enhance innovation and operational efficiency.
- 3) The findings offer sector-specific strategies for SMEs, particularly in Tak Province's hospitality sector, to address challenges like resource limitations and high competition. Implementing these strategies can lead to sustainable growth and improved performance.
- 4) Future research should explore SMEs in diverse provinces, industries, and cultural settings to generalize findings. Comparing results across regions and cultures would provide deeper insights into how variations influence leadership effectiveness, organizational culture, and employee engagement.
- 5) Conducting longitudinal studies can reveal long-term effects on SME performance, revealing trends in leadership, culture, and employee engagement. Investigating technology adoption, market conditions, and government policies can enhance understanding.

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