




Transformational leadership and job performance: the mediating role of corporate social responsibility in hotel industry in the Philippines

Drixel M. Ortega , San Beda University, Philippines
2022-10084@sanbeda.edu.ph

Transformational leadership impacts job performance within organizations, particularly in micro, small, and medium enterprises (MSMEs). Corporate social responsibility is a mediating factor in the relationship between transformational leadership and job performance. Survey data were gathered from MSME hotel employees in the Philippines. A significant positive impact of transformational leadership on both job performance and corporate social responsibility was found using partial least squares-structural equations modelling. Moreover, corporate social responsibility positively affects job performance but does not mediate transformational leadership and job performance nexus. Exploring other leadership styles provides a more comprehensive understanding of the dynamics. This study also has implications for managers.

Keywords: leadership, transformational leadership, corporate social responsibility, job performance, MSMEs, hotels, Philippines

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Introduction

Micro, Small and Medium Enterprises (MSMEs), particularly in developing countries, significantly drive economic growth. It accounts for most businesses worldwide and contributes to job creation and economic development. About 90 percent of businesses and more than 50 percent of employment worldwide are represented by MSMEs (WB 2015). Over 99 percent of business enterprises in the Philippines are MSMEs, generating 65 percent of the country's total employment. In 2021, the top five industry sectors based on the number of MSMEs were: (1) Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles; (2) Accommodation and Food Service Activities; (3) Manufacturing; (4) Other Service Activities; and (5) Financial and Insurance Activities. Almost 50 percent of them were operating in Luzon, wherein the National Capital Region (NCR) had the highest concentration of MSMEs with about 19 percent. An MSME in the Philippines refers to any business activity or enterprise engaged in industry, agri-business and services that has (1) an asset size (excluding land) of up to Php100 million and (2) an employment size with less than 200 employees (Statistics 2021).

With the challenging and rapidly changing nature of modern business and the geopolitical environment, such as Artificial Intelligence's increasing popularity in automating business operations and consumers becoming more motivated to purchase from companies committed to making the world a better place (Stobierski 2021), the role of leaders is important in navigating a volatile, uncertain, complex, and ambiguous world. De Jong and Hartog (2007) describe leadership as a process of influencing people to achieve desired results, whereas Lok and Crawford (2004) declare that leadership determines the success and failure of a firm. Moreover, a firm's performance is significantly influenced by leadership, a concept deeply rooted in literature (Yanney 2014). These leadership styles include, among others, autocratic leadership, democratic leadership, transactional leadership, strategic leadership, servant leadership, and transformational leadership (Yusra et al. 2016). These styles can impact employee job performance and, consequently, organizational performance.

One of the most popular leadership styles practiced nowadays is transformational leadership. Bass and Avolio (1995) identified four transformational leadership components: charismatic role modelling, individualized consideration, inspirational motivation, and intellectual stimulation. Researchers are increasingly drawn to the study of transformational leadership because of its significant and positive impacts on job performance and overall organizational performance (Manzoor et al. 2019). The accumulated literature trends show that transformational leadership influences job performance, task performance, organization performance, and corporate social responsibility. Furthermore, the transformational leadership scholarship proposes that transformational leadership practices significantly affect job performance in developing countries (e.g. India, Malaysia, Philippines, and Sri Lanka) (Hongdao et al. 2019). Based on literature trends, studies have explored transformational leadership, job performance, and corporate social responsibility, primarily within large organizations in developed countries. These topics have been applied to SMEs in developing countries, such as Pakistan, to expand the existing literature. However, more research needs to be conducted on how transformational leadership through corporate social responsibility activities influences job performance in Philippine MSMEs. This study fills the gap.

MSMEs are a significant segment of the Philippine economy and contribute to job creation and economic growth. However, challenges related to job performance, employee motivation, and sustainable business practices persist within these organizations. Understanding the dynamics of transformational leadership, job performance, and corporate social responsibility presents an opportunity to address these challenges. Although transformational leadership has gained extensive recognition for its positive influence on job performance, the mechanisms through which it operates in the context of MSMEs in the Philippines and the role of corporate social responsibility practices as potential mediators between transformational leadership and job performance still need to be explored. Therefore, the study aims to examine the effect of transformational leadership on job performance through the mediation of corporate social responsibility in hotel MSMEs in the Philippines. Specifically, we examine (1) the effect of transformational leadership on job performance, (2) the mediating mechanism of corporate social responsibility between transformational leadership and job performance, (3) the influence of transformational leadership on MSME employees' perceptions on corporate social responsibility; and, (4) the incorporation of corporate social responsibility as a fundamental strategic value in the operations of MSMEs.

Literature Review, Theory, and Hypotheses Development

MSMEs in the Philippines are the backbone of the national economy. Because of the adverse economic effects of the novel coronavirus disease, COVID-19, MSMEs remain confronted with a sharp drop in demand and revenues even if the Philippine economy has moved to recovery. This is the opportune moment to assist MSMEs in their recovery and resurgence. In today's dynamic and competitive economy, the significance of leadership has grown substantially. Leadership style is fundamental in determining a

firm's performance, and the ethical qualities of leaders can directly influence employee job performance (Manzoor et al. 2019). This is crucial in shaping the organization's long-term success (Banaag 2023). Gill et al. (2006) build on this by emphasizing that leaders play a crucial role in influencing outcomes and stimulating, motivating, and acknowledging followers, underscoring effective leadership's multifaceted impact on organizational performance. Aftab et al. (2021) add that effective leadership plays a crucial role in the success of various businesses, including small and medium-sized enterprises.

Transformational leadership is one of the widely adopted leadership styles. Lyubykh et al. (2022) categorize transformational leadership into four dimensions. First, idealized influence or charisma involves leaders creating positive images by exuding self-confidence to bolster employees' assurance. Second, individualized consideration involves leaders inspiring employees' maximum potential through care and humanized management, fostering improved creativity and learning abilities. Third, intellectual stimulation involves leaders inspiring employees to enhance their problem-solving abilities by encouraging them to approach challenges from various perspectives and maintain an objective standpoint. Fourth, inspirational motivation means leaders use symbols and emotions to boost employees' enthusiasm for achieving common goals. Transformational leadership, known for its positive impact, has been linked to favourable employee job performance outcomes (Khan & Khan 2019).

Employee job performance refers to how well company employees achieve goals aligned with the company's overall objectives (Otuya & Akporien 2020). It can be categorized into task and contextual performance (Kalia & Bhardwaj 2019). Task performance involves behaviors associated with the job, while contextual performance encompasses interpersonal and motivational factors. Greening and Turban (2000) add that employee job performance is multifaceted, considering not only the output in terms of quality and quantity but also the effectiveness of their work and their interpersonal behaviors within the workplace. Hence, leaders have to understand performance metrics and use effective reviews to ensure their workforce meets business and customer needs (Lei 2011).

Corporate social responsibility is a multifaceted model encompassing economic, legal, ethical, and discretionary societal expectations on organizations at any time (Carroll 1979). In addition, corporate social responsibility is rooted in stakeholder theory, acknowledging the importance of various parties such as owners, customers, employees, suppliers, non-government organizations, and the local community. It emphasizes considering and addressing the interests and impacts of all relevant stakeholders (Munilla & Miles 2005). Internally, corporate social responsibility optimizes organizational efficiency through quality, health and safety, human resources, and environmental management. This entails a commitment to maintaining high standards within the organization's operations for the benefit of its employees (Hongdao et al. 2019). Externally, corporate social responsibility reflects a company's efforts to contribute positively to society and the environment through social welfare initiatives (Islam et al. 2019). Moreover, Kusi et al. (2021) indicate that corporate social responsibility often focuses on leadership and its influence on organizational practices concerning the local community. This emphasis on leadership aligns with the broader adoption of corporate social responsibility practices, ensuring attention to the needs of both primary and secondary stakeholders (Vera & Crossan 2004).

The Theory and Conceptual Framework

This paper is anchored on leadership theory and focuses on transformational leadership. It posits that transformational leadership behaviors can positively impact employee attitudes and behaviors, ultimately improving job performance. Leadership, in general, involves influencing, guiding, and motivating individuals or groups to achieve common goals and objectives. Leadership is "the ability to influence, encourage, and permit workers to contribute to the achievement and efficiencies of the organization" (Bushra et al. 2011). Scholars agree that leaders and the style they employ in managing their organizations play a significant role in the success of their firms (Alazzani et al. 2019, Manzoor et al. 2019). A transformational leader often exhibits altruism and a willingness to self-sacrifice for the greater good of

their followers and the organization (Waldman et al. 2006). Leaders demonstrate this via corporate social responsibility, among others, which, in turn, can inspire employees to go above and beyond their regular duties, resulting in enhanced job performance (Hongdao et al. 2019). Figure 1 provides a visual representation of the interconnectedness of the variables within the operational framework that this study will test and measure empirically. The independent variable is transformational leadership, which influences the dependent variable job performance through corporate social responsibility acting as a mediating variable.

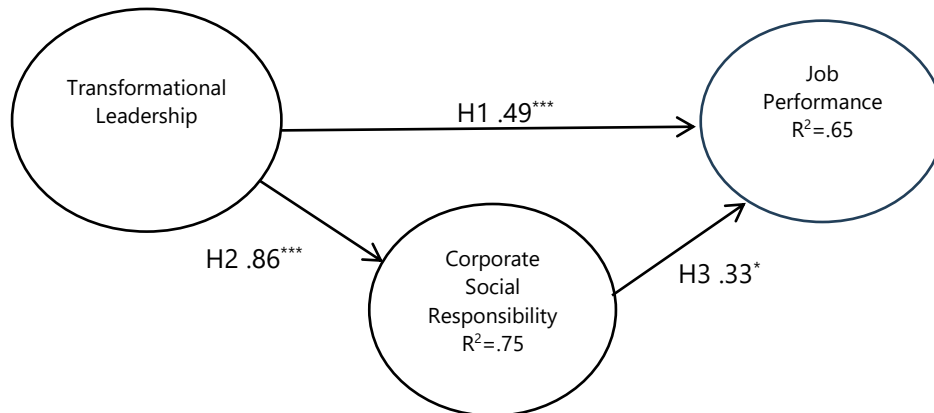


Figure 1. Interconnected Variables

* $p < .05$, ** $p < .01$, *** $p < .001$; Standardized coefficients shown

Hypothesis Development

Leadership and job performance are two intertwined fundamental aspects that significantly impact an organization's success. Often considered the driving force behind employee motivation and engagement, leadership plays a pivotal role in influencing the behavior of individuals within a workplace. Jiang et al. (2017) state that transformational leadership is the most effective for influencing employees and achieving organizational goals. Jena et al. (2018) describe transformational leadership as inspiring subordinates to look beyond self-interest, fostering confidence and a willingness to exceed expectations. Naeem and Khanzada (2018) studied the relationship between transformational leadership, job performance, and the mediation of job satisfaction in Pakistan's health sector. They found that transformational leadership plays a significant role in job performance, such that the qualities of a transformational leader motivate and influence employees to perform at a higher level. This is underpinned by the study of Wang et al. (2022), wherein the findings indicated that transformational leadership has a positive effect on affective organizational commitment and job performance. Santya and Dewi (2022) obtained similar results in their study, demonstrating that transformational leadership positively and significantly impacts employee performance. In the context of SMEs, transformational leadership significantly influences and ultimately predicts employees' job performance (Manzoor et al. 2019). Similarly, Hongdao et al. (2019) have demonstrated in their research that effective transformational leadership practices inspire and motivate employees, encouraging them to meet individual and team expectations, ultimately resulting in enhanced performance. Hence, the first proposed hypothesis is:

H1. Transformational leadership has a significant positive relationship with employees' job performance.

Leaders transcend traditional boundaries. Beyond profit margins and shareholder value, it encompasses a profound commitment to broader societal well-being and ethical conduct. This shift towards responsible and ethical leadership finds its embodiment in transformational leadership. This style inspires and

motivates within the organizational context, extending its influence on corporate social responsibility. Corporate social responsibility, according to the European Commission (2011 p. 6), refers to the responsibility of enterprises for their impact on society. In addition, Waddock (2004) defines corporate social responsibility as the continued commitment of a business to behave ethically and contribute to economic development while concomitantly improving the quality of life of its employees and their families, the local community and society at large. Organizations perform corporate social responsibility activities by reducing carbon footprints, improving labor policies and practices, community volunteering, diversity, equity and inclusion, and charitable global giving (DMI 2022).

Studies have shown the link between transformational leadership and corporate social responsibility. Waldman et al. (2006) highlighted that transformational leadership positively influences corporate social responsibility and shapes and impacts corporate social responsibility strategies. Du et al. (2012) discover a positive correlation between transformational leadership and strategic corporate social responsibility. A recent study by Kusi et al. (2021) highlights the importance of transformational leadership in setting a clear direction, motivating employees, and cultivating a sense of value for team members who actively fulfill their social responsibilities. This leadership style encourages individuals to excel within the organization and contribute positively to society. Moreover, in Vương's (2023) study on employees in MSMEs in Vietnam, a positive correlation was observed between employees' perception of corporate social responsibility and job performance, highlighting the importance for managers to implement effective corporate social responsibility strategies for enhanced work attitudes and behaviors. Building on these findings, the second hypothesis is formulated as follows:

H2. Transformational leadership has a significant positive relationship with corporate social responsibility.

Corporate social responsibility has evolved into a critical framework that defines an organization's commitment to ethical practices and societal impact, demonstrated by integrating social and environmental concerns into business operations. This commitment, in turn, has profound implications for employee job performance. Cegarra-Navarro and Martinez-Martinez (2009) posit that corporate social responsibility mechanisms are employed to guarantee the sustainability and competencies of firms, which, in turn, may contribute to enhancing organizational performance. Evidence shows that engaging in corporate social responsibility activities cultivates a positive perception of organizations and influences job performance. This conception is corroborated by the findings of Story and Castanheira (2019), indicating that employees tend to reciprocate with enhanced job performance when they perceive that their organization is actively investing in corporate social responsibility initiatives and when these initiatives align with their values and beliefs. Furthermore, Skouloudis and Avlonitis (2015) argue that an individual's perception of corporate social responsibility profoundly impacts their sense of responsibility in the workplace. This can be explained further using Blau's social exchange theory (1964), wherein reciprocity occurs when individuals perceive that their organization is investing in corporate social responsibility initiatives and aligning with their values. Hence, employees are more likely to reciprocate by demonstrating enhanced job performance and a more substantial commitment to their responsibilities. Sarfraz et al. (2018) suggest a strong link between corporate social responsibility and job performance, asserting that the former improves a company's reputation for potential employees and significantly influences employee job performance. This is further supported by Sarfraz et al. (2018b) and Paruzel et al. (2021), who found a positive relationship between employees' corporate social perceptions and job performance. Drawing upon these findings, the third hypothesis is formulated as follows.

H3. Corporate social responsibility has a significant positive relationship with employees' job performance.

The Mediation Effect

The interplay between leadership, corporate social responsibility, and job performance forms a dynamic nexus at the forefront of contemporary organizational research. Transformational leadership, characterized by its ability to inspire, motivate, and empower employees, has catalyzed organizational success. Its emphasis on vision, innovation, and individual growth aligns with the principles of corporate social responsibility. This, in turn, serves as the conduit through which transformational leadership enhances job performance.

Manzoor et al. (2019) investigated the influence of transformational leadership on job performance, with corporate social responsibility as a mediating variable, carried out within the context of SMEs in Pakistan. The findings indicated a positive relationship between transformational leadership and job performance. It also reveals a mediating role of corporate social responsibility between transformational leadership and job performance. Hongdao et al. (2019) share the same notion in their study involving employees working in law firms in Pakistan. The results of their study confirmed their conjectures that transformational leadership is significantly related to job performance and corporate social responsibility and that the latter mediates the relationship between transformational leadership and job performance. In addition, similar results were obtained in the study of Aftab et al. (2021), which studied the immediate effect of ethical leadership on job performance and explored the indirect mediating impact of corporate social responsibility on the nexus of ethical leadership and job performance. Results indicated that ethical leadership has a strong positive connection with job performance and corporate social responsibility and that corporate social responsibility positively influences job performance. Furthermore, it reported a strong mediating effect of corporate social responsibility in the nexus of ethical leadership and job performance. Therefore, the fourth proposed hypothesis (not shown in the diagram) is:

H4. Corporate social responsibility has a mediating effect on the relationship between transformational leadership and job performance.

Methodology

This study used a cross-sectional survey questionnaire design to test the linkage between transformational leadership (TL) and job performance (JP) by mediating corporate social responsibility (CSR). The research design is most appropriate for studying and analyzing observational data collected within a population (Hongdao et al. 2019). A self-administered pen-and-paper questionnaire was distributed to employees of purposively selected MSME hotels in Tacloban City in the Philippines. Of the 70 circulated questionnaires, 61 were received, resulting in a response rate of 87 percent. The sample included 46 percent of males and 54 percent of females. Within the 20–30 age range, 67 percent of respondents were represented, and 85 percent reported having 1–5 years of job experience. Additionally, a significant majority, 51 percent, held bachelor's degrees in education. Respondents provided verbal consent before participating and were briefed on their responses' confidentiality. The survey questionnaire used multiple items and 5-point Likert scales adopted from Hongdao et al. (2019) for measuring transformational leadership (TL=7 items), corporate social responsibility (CSR=9 items), and job performance (JP=7 items).

Analysis and Results

The partial least squares-structural equations modelling (PLS-SEM) with Smart PLS 4 was used to determine the constructs' relationships (Ringle et al. 2015). PLS-SEM, a non-parametric test, is known for its leniency toward the test of assumptions (Viernes & Pasco 2023). Also, it has gained significant popularity and is frequently used in most business management studies (Ali et al. 2018). Further, the statistical results were interpreted based on the methodology outlined by Hair et al. (2015). To test the

reliability of constructs (TL, CSR, JP), Cronbach's alpha (CA), composite reliability (CR), average variance extracted (AVE), and Rho_A values were assessed.

Table 1 reports that JP has the highest mean value of 4.22, indicating that respondents have a positive and strong perception of their job performance at work. TL and CSR mean values indicate a moderate level of similarity, suggesting that these aspects hold comparable significance among the respondents. Moreover, CA, CR, and Rho_A are all above .70, indicating good reliability. The R^2 value shown in Figure 1 indicates the proportion of variance in the dependent variable explained by the independent variables. The substantial R^2 values of corporate social responsibility ($R^2=.75$) and job performance ($R^2=.65$) strengthen the model's predictive outcome capability. Moreover, there are indications of model fit of the final model with values of $SRMR=.06$ and $NFI=.74$.

Table 1. Reliability and Validity Results of Variables

Descriptive Statistics, Construct Reliability and Validity Test Results						
Construct	Mean	SD	CA	CR	AVE	Rho_A
CSR	3.64	.95	.96	.96	.76	.96
JP	4.22	.72	.94	.95	.75	.94
TL	3.59	1.11	.95	.96	.79	.95
Discriminant Validity Test Results - Heterotrait-Monotrait Test (HTMT)						
JP ↔ CSR	.80					
TL ↔ CSR	.89					
TL ↔ JP	.82					
Discriminant Validity Test Results - Fornell-Larcker Criterion						
	CSR	JP	TL			
CSR	.87					
JP	.76	.87				
TL	.86	.79	.89			

Similarly, the values for AVE exceed .50, suggesting good convergent validity. Furthermore, the Heterotrait-Monotrait (HTMT) values fall below .90, indicating the presence of discriminant validity. This means that the constructs are sufficiently different from one another. This is further reinforced by the Fornell-Larcker Criterion values that show correlations below the square root of the AVE. The relationships between the constructs (TL, CSR and JP) have correlation values. TL has a positive relationship with CSR ($r=.78, p<.00$) and JP ($r=.72, p<.00$). Similarly, CSR shows a positive relationship with JP ($r=.61, p<.00$). The presence of positive correlations initially supports the hypotheses of this study, indicating a positive association between the constructs involved. Table 2 reports PLS path coefficients and Hypotheses test results.

Table 2. PLS Path Coefficients and Hypotheses Test Results

Construct path	Path Coefficient	p-value	Results
TL → JP	.49	.00	H1 supported
TL → CSR	.86	.00	H2 supported
CSR → JP	.33	.02	H3 supported
TL → CSR → JP	.29	.06	H4 unsupported

Discussion

H1 is supported. Transformational leadership positively and directly affects job performance ($\beta=.49, p<.00$). This is aligned with the findings of the study by Naeem and Khanzada (2018), showing that

transformational leadership plays a significant role in job performance within the health sector of Pakistan. Qualities associated with transformational leadership inspire employees to perform better. Wang et al. (2022) obtained the same findings in their study involving 845 hotel employees in China, indicating that transformational leadership has a positive effect on job performance. In a Chinese context, transformational leadership is crucial for motivating employee attitudes and performance. Moreover, Lai et al. (2020) showed in their study of nurses that employees inspired by transformational leadership are more inclined to fully engage in their work, leading to improved task performance and a higher likelihood of displaying helpful behaviors.

H2 is supported. Transformational leadership has a significant and direct relationship with corporate social responsibility ($\beta=.86, p<.00$). This finding is reinforced by various studies in literature, such as those by Tuan (2012), Du et al. (2013), and Khan and Siddiqui (2021). These studies consistently highlight a positive association between transformational leadership and corporate social responsibility. This connection is attributed to transformational leaders' charismatic and intellectually stimulating characteristics. Charismatic leaders are likely to engage in behaviors and advocate policies that relate to corporate social responsibility (Menges & Manyike 2019). Further, Golja (2019) added that transformational leadership, particularly with supportive and responsive leaders, accelerates the transition toward Corporate Social Responsibility 2.0.

H3 is supported. Corporate social responsibility positively and directly affects job performance ($\beta=.33, p<.05$). This result is consistent with the conclusions stated in the study of Jnaneswar and Ranjit (2020) wherein the data from 306 full-time employees in the Indian manufacturing industry revealed a positive relationship between corporate social responsibility and employee job performance. Silva et al. (2022) find incorporating corporate social responsibility initiatives into company strategies is worthwhile, as employees' perceptions and performance are positively influenced by their organization's corporate social responsibility activities. However, corporate managers should accurately identify the specific types of corporate social responsibility activities that resonate positively with the employees. Not all corporate social responsibility initiatives equally motivate employee job performance (Otuya & Akporien 2020).

H4 is unsupported. Corporate social responsibility does not mediate the relationship between transformational leadership and job performance ($\beta=.29, p>.05$). This represents a situation of direct-only non-mediation, meaning that the relationship between transformational leadership and job performance is significant without the involvement of corporate social responsibility as a mediating factor. This finding contrasts studies that identified corporate social responsibility as a mediating factor between transformational leadership and job performance. The research by Jnaneswar and Ranjit (2020) reached a contradictory conclusion, indicating that corporate social responsibility mediates between transformational leadership and job performance, though it was only partial. Hongdao et al. (2019) present evidence that corporate social responsibility mediates the connection between transformational leadership and job performance. This mediation is facilitated by introducing organizational, social, and psychological contexts of corporate social responsibility. Further, the study highlights that employees experiencing exemplary leadership behaviour and effective corporate social responsibility policies are likely to demonstrate elevated job satisfaction, leading to higher levels of job performance. In the same vein, Manzoor et al. (2019) identified a positive and confirming mediating impact of corporate social responsibility in the relationship between transformational leadership and job performance, implying that the qualities of transformational leadership and corporate social responsibility strategies may enhance employees' job performance.

Implication for Managers

The findings of this study establish a connection between transformational leadership, corporate social responsibility, and job performance. It delves into how transformational leadership significantly shapes

corporate social responsibility, emphasizing leaders' critical role in fostering socially responsible practices within organizations. These practices motivate and inspire employees, promoting individual and team capacities and contributing to improved job performance. Notably, this connection stands out because, contrary to literature trends, corporate social responsibility does not mediate between transformational leadership and job performance in the context of the hospitality industry in the Philippines. Industry-specific dynamics and cultural nuances could influence this. After Typhoon Yolanda and amid ongoing COVID-19 challenges, priorities may focus on basic needs. Resource constraints and the urgency for swift recovery highlight the importance of direct leadership influence, prioritizing immediate and tangible actions over the slower, indirect effects usually associated with corporate social responsibility activities. Practical implications, especially relevant for MSME hotels, can be drawn from this study. First, organizations should strategically recruit leaders with solid transformational leadership qualities. Recognizing the significant impact of transformational leadership on corporate social responsibility and job performance, selecting leaders with these capabilities is crucial for shaping socially responsible practices and enhancing overall job performance. Additionally, the finding that corporate social responsibility does not mediate the relationship between transformational leadership and corporate social responsibility indicates that hotels can prioritize fostering transformative leadership styles to directly influence job performance, without necessarily relying on corporate social responsibility as an intermediary. Second, the study highlights how leaders are vital in shaping corporate social responsibility practices. Hotels are urged to actively promote socially responsible initiatives by integrating corporate social responsibility values into their culture (e.g. replacing disposable plastic water bottles with refillable options). Moreover, leaders should actively advocate and engage in responsible practices, such as fostering a balance between work and personal life, to motivate and inspire employees. Third, given transformational leadership practices' motivational and inspirational impact, organizations can leverage these qualities to foster teamwork and individual capacities. Encouraging a collaborative and innovative environment, facilitated by transformational leaders, improves team dynamics and enhances individual job performance.

While this study has strong points, it also comes with certain limitations. The research employs a cross-sectional design to collect data on a single city. Future studies can use a longitudinal technique across a broader geographic area, allowing for a more in-depth exploration of causal connections over time with a large sample size. Further, this study only considers one leadership style for predicting job performance, overlooking the potential impact of other leadership approaches. Subsequent research could explore the influence of different leadership styles on job performance. In addition, future research is necessary to identify other potential mediator variables that could impact the relationship between transformational leadership and job performance within the Philippine context.

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Author



Drixel M. Ortega (ORCID 0009-0007-9338-5921) is an entrepreneur and real estate consultant specializing in the management of hotels, hostels, dormitories, co-living spaces and co-working facilities. Mr. Ortega can be contacted at ortegadrixel@gmail.com or 2022-10084@sanbeda.edu.ph