



# Why is hospitality employees' psychological capital important? The effects of psychological capital on work engagement and employee morale

Soyon Paek<sup>a,1</sup>, Markus Schuckert<sup>b,2</sup>, Taegoo Terry Kim<sup>c,\*</sup>, Gyehee Lee<sup>c,3</sup>

<sup>a</sup> Faculty of Hospitality and Tourism Management, Macau University of Science and Technology, Avenida Wai Long, Taipa, Macau

<sup>b</sup> School of Hotel and Tourism Management, The Hong Kong Polytechnic University, 17 Science Museum Road, TST-East, Kowloon, Hong Kong SAR, China

<sup>c</sup> Department of Tourism Management, College of Hotel and Tourism Management, Kyung Hee University, 26 Kyunghedae-ro, Dongdaemun-gu, Seoul 130-701, Republic of Korea

## ARTICLE INFO

### Article history:

Received 24 February 2014

Received in revised form 29 April 2015

Accepted 6 July 2015

### Keywords:

Psychological capital

Personal resources

Work engagement

Employee morale

Conservation of resources theory

Job demands-resources model

## ABSTRACT

This study examines work engagement as a partial mediator of the effect of psychological capital (PsyCap) on employee morale in a sample of hotel employees. A survey was carried out with 312 front-line staff from 15 five-star hotels in Seoul, Korea. A one-month time-lag design (Time 1: PsyCap and work engagement; Time 2: employee morale) was used to reduce potential common method bias. The hypothesized relationships in the model were tested using structural equation modeling. The results suggest that work engagement partially mediates the effect of PsyCap on job satisfaction and affective organizational commitment. Specifically, front-line employees with high PsyCap are more engaged with their work and more likely to display job satisfaction and affective organizational commitment. The study concludes with a discussion of its empirical findings, strengths, theoretical contributions, and practical implications. Limitations and their implications for future studies are also reviewed.

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## 1. Introduction

Why is psychological capital (PsyCap) relevant? As Maltz et al., 2003 point out, measuring organizational success is a continuous challenge, requiring the use of different assessment approaches which take both monetary and nonmonetary criteria into account. Measuring various types of capital is one such approach. In other words, the concept of capital is no longer confined to the monetary/financial context (previously the dominant approach), but now extends towards a more differentiated understanding (Anheier et al., 1995). Based on this development, it has been argued that in order to be successful and sustainable, an enterprise needs to assess different forms of capital, such as human, cultural, social, or reputational. However, according to scholars such as Luthans et al. (2008) and Avey et al. (2009), these approaches fail to measure

another critical aspect, namely the psychological and attitudinal strengths of individuals as identified through components such as motivation, work engagement, job satisfaction, and affective organizational commitment. Since existing paradigms do not properly incorporate these employee assets, Luthans and Youssef (2007) and Nelson and Cooper (2007) have driven the development of PsyCap as a construct. They come from the perspective of positive organizational behavior, which in turn is based on the positive psychology of Peterson and Seligman (2004). In this context, the concept of PsyCap designates and measures the different behavioral states that are ultimately relevant to the performance of an employee within an organization (Luthans et al., 2007b).

Excellent employee performance is important and desirable in all industries and sectors, but in the labor-intensive service industries, employees are a particularly important part of the product and form the core of the service experience (Slåtten and Mehmetoglu, 2011). Hospitality staff can deliver competitive advantage in terms of building and maintaining host-guest relationships (Onsoyen et al., 2009) and quality, and building guest loyalty (Chi and Gursoy, 2009). Highly motivated and engaged employees are critical to the success of service organizations and enterprises (Bakker and Demerouti, 2008; Slåtten and Mehmetoglu, 2011).

\* Corresponding author. Fax: +82 2 964 2537.

E-mail addresses: [spaek@must.edu.mo](mailto:spaek@must.edu.mo) (S. Paek), [markus.schuckert@polyu.edu.hk](mailto:markus.schuckert@polyu.edu.hk) (M. Schuckert), [tgkim@khu.ac.kr](mailto:tgkim@khu.ac.kr) (T.T. Kim), [ghlee@khu.ac.kr](mailto:ghlee@khu.ac.kr) (G. Lee).

<sup>1</sup> Fax: +853 2882 5990.

<sup>2</sup> Fax: +852 2362 9362.

<sup>3</sup> Fax: +82 2 964 2537.

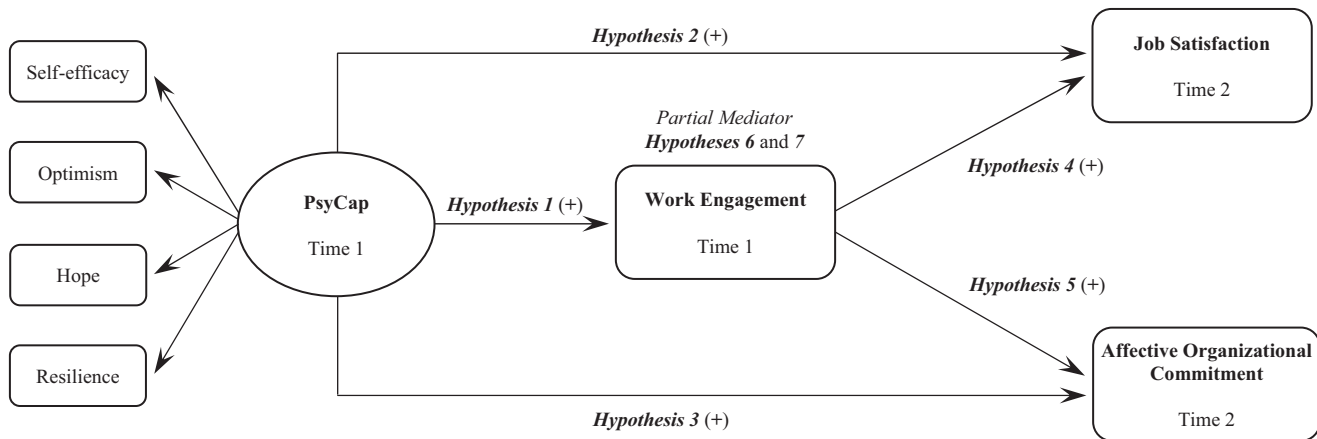


Fig. 1. Research model and hypotheses of work engagement as a partial mediator of the relationship between PsyCap and employee morale.

The virtuous circle of employee performance, perceived quality, profit, and management support is well characterized in the service management literature (Grönroos, 2000). Based on this chain of cause and effect, recent research in the hospitality context places the employee and his/her settings, motivations, engagement, and satisfaction with the work environment and conditions at the center stage, not only conceptually but empirically (Slåtten and Mehmetoglu, 2011). In the hospitality industry in particular, employees' mental outlook, mood, and behavior are very important as they exert a critical influence on performance, outcomes, and customer satisfaction. Such engagement affects the service climate and employees' achievements as well as customer loyalty (Salanova et al., 2005). Among the several attitudinal and behavioral factors relevant to this, the concept of work engagement is particularly prominent, given its strong relationship with work performance and competitive advantage (Baumruk, 2004).

Bakker and Demerouti's (2007, 2008) job demands–resources (JD–R) model proposes that job resources such as personal psychological resources lead to improved employee engagement and in turn positively affect job-related outcomes. Since then, in the management literature, meaningful initial academic attention has been paid to the investigation of the relationships between personal psychological factors, work engagement, and job-related outcomes. In the hospitality domain, despite the theoretical and managerial significance of the link of personal psychological factors, work engagement, and job-related outcomes, as employees' competitive advantage is pivotal in the success of hospitality firms, there is little empirical evidence of the holistic relationships among these variables. Only a few recent studies in the hospitality literature have examined a part of these relationships (e.g., Karatepe and Olugbade, 2009; Karatepe et al., 2006) or dealt with limited sub-constructs of personal psychological factors, work engagement, and job-related outcomes (e.g., Karatepe, 2014). These studies tested hope, trait competitiveness, and/or self-efficacy. Therefore, the originality and significance of the present study lies in its holistic examination of personality-related constructs, work engagement, and job-related outcomes. It does this by aligning work engagement with PsyCap as an antecedent and measuring as outcomes the effect on job satisfaction and affective organizational commitment, as components of employee morale.

Furthermore, as will be discussed below, the role of work engagement as a determinant of job-related outcomes has still not been fully researched or understood (Christian et al., 2011; Karatepe et al., 2013). In the hospitality context, empirical evidence of its antecedents and consequences is also lacking (Karatepe, 2011; Slåtten and Mehmetoglu, 2011). In addition, among personality-related constructs, PsyCap has been considered separately from

work engagement in most past empirical studies. While both are considered highly relevant to, and important in, achieving positive work outcomes, such separation leads to the idea that they are limited. Therefore, we propose that there is a full and significant link between PsyCap, work engagement, and outcomes such as employee morale.

In extending the research base, this study therefore attempts to close these gaps by investigating the partial mediating role of work engagement in the relationship between PsyCap and employee morale as represented by job satisfaction and affective organizational commitment in a hospitality environment, based on data collected from front-line employees in top-tier hotels. It draws on the conservation of resources (COR) theory (Hobfoll, 1989, 2001) and the JD–R model of work engagement (Bakker and Demerouti, 2007, 2008) to examine the following research questions:

**Research question 1:** Does PsyCap directly and positively predict work engagement and employee morale?

**Research question 2:** Does work engagement, in turn, directly and positively predict employee morale?

**Research question 3:** Does work engagement partially mediate the effect of PsyCap on employee morale?

## 2. Theoretical foundation, research model, and hypotheses

Fig. 1 presents the research model setting out the hypothesized relationships. It is proposed that employees' PsyCap is positively related to their work engagement (Hypothesis 1). Furthermore, work engagement acts as a central “switch” and predictor of employee morale (i.e., job satisfaction and affective organizational commitment; Hypotheses 4 and 5), such that there will be a positive relationship between PsyCap and employee morale as mediated by work engagement (Hypotheses 6 and 7). However, the model also proposes that work engagement is only a partial mediator, because there is a direct relationship between PsyCap and the two components of employee morale (Hypotheses 2 and 3). At a glance, this proposed model is clearly innovative in terms of its analysis of employee morale-related job outcomes based on PsyCap, partially mediated through work engagement as a core concept of the JD–R model.

### 2.1. The COR theory and the JD–R model as underlying frameworks

In order to outline the proposed approach, we explain the role of PsyCap as an antecedent of work engagement using the COR theory

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