



Psychological contract fulfillment in the hotel workplace: Empowering leadership, knowledge exchange, and service performance

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ABSTRACT

This study developed and tested a group-level model involving empowering leadership, psychological contract fulfillment, knowledge exchange, and service performance. In 28 Taiwan's tourism hotels, data stem from 56 hotel departments and comprise 258 employees was used to test the research hypotheses through structural equation model. We found that, as anticipated, empowering leadership was positively related to psychological contract fulfillment and knowledge exchange; psychological contract fulfillment was positively related to knowledge exchange and service performance; and knowledge exchange was positively related to service performance. This study highlighted that psychological contract fulfillment partially mediated the relationship between empowering leadership and knowledge exchange; knowledge exchange fully mediated the relationship between psychological contract fulfillment and service performance. Theoretical and practice implications, limitations, and suggestions for future were presented.

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1. Introduction

In the current rapidly changing business environment, Taiwan's hotel industry faces an increasingly competitive environment (Chiang and Hsieh, 2012). The business environment comprises several unfavorable factors such as layoffs, downsizing, and loss of job security, and other related forms of organizational change have eroded the psychological contract between employees and employers (Epitropaki, 2013; Ye et al., 2012). In addition, supervisor's influence to support superior service is critical to tourism organizations (Asree et al., 2010; Gill et al., 2010; Testa and Sipe, 2012; Uen et al., 2012). Therefore, when employees cannot perceive the fulfillment of commitments by organizations or employers, such as in terms of pay, promotion, and job security, employees exhibit decreased willingness to devote their skill, effort, knowledge, and loyalty (Cavanaugh and Noe, 1999), which leads to an increase in the turnover intention (Collins, 2010; Sutton and Griffin,

2004). Ghiselli et al. (2001) noted this problem: "Turnover remains one of the most troubling issues for hospitality businesses".

On the basis of social exchange theory, psychological contract has been defined as "individual beliefs, shaped by the organization, regarding terms of an exchange agreement between individuals and their organization" (Rousseau, 1995). Therefore, psychological contract is the employment exchange relationship between employees and employers or organizations, representing an agreement between employees and employers regarding their mutual obligations in an employment relationship (Rousseau, 1990). The level of agreement and mutuality is an essential component of a psychological contract between the two parties. When both parties agree to the terms, psychological contracts are more likely to be fulfilled (Ho, 2005; Rousseau, 2004; Ye et al., 2012). That is, when employees perceive that psychological contract obligations are fulfilled, they believe that their employers or organization values this employment relationship. Previous studies have provided evidence of the antecedents and consequences of psychological contract fulfillment, such as organizational support, leader-member exchange, organizational citizenship behavior, organizational identification, trust, turnover, self-perceived employability, and job performance (e.g., Chi and Chen, 2007; Dulac et al., 2008; Lo and Aryee, 2003; Lub et al., 2012; Restubog et al., 2008; Shih & Chen, 2011; Shih & Chuang, 2013; Sturges et al., 2005). However, despite several

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studies' assertions that effectively managing individual knowledge and knowledge exchange within the workplace has become critical to service innovation performance and business success (Cohen and Levinthal, 1990; Collins and Smith, 2006; Hu et al., 2009; Wang and Noe, 2010), few studies have investigated the relationship between employees' psychological contract fulfillment and knowledge exchange in hotels. In addition, we also find that knowledge management research is insufficient in both the academic and practical arenas for the tourism and hospitality industry (Cooper, 2006; Grizelj, 2003; Hallin and Marnburg, 2008; Ruhanen and Cooper, 2004). Hallin and Marnburg (2008) identified that employees in the hotel industry should have specific business knowledge to accommodate the changing external environment and satisfy customers' diverse needs. Therefore, through the development of information technology and the diversity of customer demands, the service processes of hospitality enterprises are becoming knowledge-based, knowledge-intensive (Kahle, 2002), and innovative (Den Hertog et al., 2011; Nievesa et al., 2014). These research gaps motivate the present study to examine the causal relationship between employees' psychological contract fulfillment and knowledge exchange in hotels.

In addition, regarding the antecedents of employees' psychological contract fulfillment, the leaders can determine and influence resource distribution and the extent of reward for followers and thus influence employee's experiences, expectations, and cognition of their employment relationship (Cullinane and Dundon, 2006). The current number of employees with a high degree of autonomy is higher than ever; thus, hotel supervisors with empowering behavior may encourage employees to improve their service attitude and passion for customers. Srivastava et al. (2006) demonstrated that empowering leadership behaviors has assumed special importance, consistent with the trend toward increasing employee autonomy (Bennis and Townsend, 1997), and defined empowering leadership as a shared power that increases subordinates' intrinsic motivation. Empowerment can be considered a term of the contract between the two parties, when hotel supervisors empower subordinates, subordinates perceived respect from their supervisors. Although some studies have explored the positive association between leadership and psychological contract (e.g., Chu and Kuo, 2012; Epitropaki, 2013; McDermott et al., 2013), the existing literature contains few studies regarding the impact of empowering leadership on employees' psychological contract fulfillment in the hotel industry. Therefore, on the basis of social exchange theory, this study investigates the proposed model of employees' psychological contract fulfillment as related to empowering leadership, employees' knowledge exchange, and service performance. To summarize our arguments and highlight our contribution, this proposed model significantly contributes to organizational behavior literature and hotel management practice by examining the antecedents and consequences of psychological contract fulfillment and knowledge exchange in improving service performance in Taiwan's hotel industry. The ensuing sections review the literature; present the hypotheses; and describe the methodology, analysis, results, and conclusions regarding academic and managerial implications and suggestions for further study.

2. Literature review and hypotheses

2.1. Psychological contract fulfillment

Social exchange theory describes human behavior as involving a subjective and interpretive interaction with others which attempts to exchange rewards when individuals perceive that they obtain equal benefits through participation (Blau, 1964). Researchers have increasingly adopted social exchange theory as a theoretical

foundation for understanding relationships between individuals and organizations (Coyle-Shapiro and Conway, 2005). Psychological contract is defined as "individual beliefs, shaped by the organization, regarding terms of an exchange agreement between individuals and their organization" (Rousseau, 1995). That is, psychological contract is an unwritten work agreement between the employer and employee that reflects both parties' mutual work expectation.

The psychological contract is perceptual, and employees and employers may differ in their interpretation of its content and the degree to which each party has fulfilled the mutual obligations of the exchange (Coyle-Shapiro and Kessler, 2000). Recent psychological contract research has focused on the negative or dysfunctional consequences associated with perceived breach of contract and contract violation (e.g., Bunderson, 2001; Deery et al., 2006; Raja et al., 2004; Restubog et al., 2008; Zhao et al., 2007). Dabos and Rousseau (2004) also noted that less attention has been paid to the positive or functional outcomes associated with agreement and psychological contract fulfillment (e.g., Chi and Chen, 2007; Coyle-Shapiro and Kessler, 2000; Lambert et al., 2003; Lester et al., 2007).

As psychological contract theory, such contracts involve transactional and relational contract dimensions. Raja et al. (2004) stated that academically defined transactional contracts are short-term, have a purely economic or materialistic focus, and entail both parties' limited involvement. In contrast, relational contracts are long-term and broad, as they are not restricted to purely economic exchange and include terms for loyalty in exchange for security or growth in an organization (Morrison and Robinson, 1997; Rousseau and McLean-Parks, 1993), such as long term job security, and career development. However, Arnold (1996) found that previous empirical work regarding whether training is transactional or relational is inconsistent. Therefore, Coyle-Shapiro and Kessler (2000) suggested that "training obligations" are neither transactional nor relational but rather a separate component of a psychological contract. Thus, according to the literature supporting psychological contract theory: transaction contract focus on pay-benefit exchange over a limited period, including higher pay and position; relation contract focus on individual support for employees, such as providing a safe job environment and career development opportunities; training contract focus on providing opportunities and resources to train employees and help them grow. In short, when employees and employers mutually agree on the contract terms, their future exchanges expand into actions that are predictable by each party, facilitating planning, coordination, and effective performance (Dabos and Rousseau, 2004; Rousseau, 1995).

2.2. Empowering leadership and psychological contract fulfillment

Since the rise of employee autonomy, leaders have utilized employee empowerment as a technique to achieve goals and increase organizational effectiveness (Conger and Kanungo, 1988). Empowering leadership is a style of leadership in which leaders can arrange the distribution and exercise of power to subordinates to develop subordinates' self-control and autonomy (Liu et al., 2003). Empowering leadership comprises five factors: coaching, informing, leading by example, showing concern/interacting, and participative decision making (Arnold et al., 2000; Srivastava et al., 2006).

Regarding the antecedents of psychological contract fulfillment, some studies have noted that mental models develop from past experiences and guide new experiences. Different schemas influence the nature of employees' employment relationships with their employers, and schema are more likely to change when employee are motivated to make the required cognitive effort (Dabos and

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