



## Retaining hotel employees as internal customers: Effect of organizational commitment on attitudinal and behavioral loyalty of employees

Tang Yao<sup>a,b</sup>, Qi Qiu<sup>c</sup>, Yigang Wei<sup>a,b,\*</sup>

<sup>a</sup> School of Economics and Management, Beihang University, Beijing, China

<sup>b</sup> Key Laboratory of Complex System Analysis, Management and Decision (Beihang University), Ministry of Education, China

<sup>c</sup> College of Business Administration, Capital University of Economics and Business, Beijing, China



### ARTICLE INFO

#### Keywords:

Organizational commitment  
Hotel employee turnover  
Internal customer  
Attitudinal loyalty  
Behavioral loyalty

### ABSTRACT

High employee turnover has been a concern of the hotel practitioners and academics. Previous research more focused on reducing employee turnover by improving economic incentives. However, psychological incentives are getting more concerned now. This study aims to analyze the psychological mechanism affecting the attitudinal and behavioral loyalty of employees in hotel sector. This study uses organizational commitment theory and regards the hotel employee as an internal customer to construct and verify a conceptual framework. Several important findings are observed. First, affective, normative, and continuance commitment have apparent and varying effects on the attitudinal and behavioral loyalty of employees. Second, the attitudinal loyalty of employees significantly promotes behavioral loyalty. Third, employee trust and satisfaction in hotel sector are vital antecedents of the three dimensions of organizational commitment. These findings have important implications for managing hotel employee turnover and improving the psychological achievements of employees to consequently enhance attitudinal and behavioral loyalty.

### 1. Introduction

The hotel sector in the tourism industry has experienced unprecedented development in the past decades and now plays an increasingly important role in emerging markets. Specifically, hotel service is considered a comprehensive economic activity that aims to earn foreign currency for the Chinese economy (Zhang, 1995). However, the literature on the Chinese hotel sector remains lacking in systematic investigations, thereby raising several critical issues, for example hotel human capital and human resources (Tsang and Hsu, 2011). Specifically, high employee turnover is a challenging issue among hotels in China and its cause has not yet been effectively explained (Xu and Li, 2014). Statistics collected by the Tourism Association Human Resources Development and Training Center reveals that the average employee turnover rate of Chinese hotels in 2016 was as high as 3.34% per month (Hotel Vision of China, 2016). High employee turnover not only leads to weakened credit and reduced staff loyalty and cohesion in Chinese hotels but also threatens the survival and development of such enterprises. Moreover, high employee turnover negatively affects the quality of services and customer satisfaction (Chi and Gursoy, 2009; Davidson et al., 2010), thereby leading to decreased customer loyalty and tarnished brand image (Dusek et al., 2014).

Despite ample practical research indicating the significance of hotel employee turnover, theoretical emphasis on turnover remains insufficient (Line and Runyan, 2012). Previous studies on the hotel sector regarded employees as an operant human resource (Ineson et al., 2013; Wu and Xu, 2005), and the core issue for enterprises was the reduction of employee turnover by improving the salaries, fringe benefits, and work conditions of employees (Guan et al., 2014). However, such focus disregards the importance of the internal demand of employees as social persons. Employees are more focused on various motivating factors, such as recognition for their achievement, responsibility, and sense of importance to an organization, than enhanced economic returns (Mowday et al., 2013). More importantly, employees strongly expect their jobs to provide self-actualization and self-development (Rafiq and Ahmed, 2000). Hence, to improve employee satisfaction and loyalty and thus reduce employee turnover, it is worth further studying from the perspective of psychology, sociology and other disciplines (Xu and Li, 2014), specifically the nexus between the psychological needs and work performance of employees must be explored.

In response to the suggestion for exploring methods to retain hotel employee loyalty, studies in different disciplines have been done to find various causes of employee turnover. In human resource discipline, many extant studies referring to employee retention and employee

\* Corresponding author at: School of Economics and Management, Beihang University, Beijing, China.

E-mail addresses: [yaot@buaa.edu.cn](mailto:yaot@buaa.edu.cn) (T. Yao), [qiuqi2012@126.com](mailto:qiuqi2012@126.com) (Q. Qiu), [weiyg@buaa.edu.cn](mailto:weiyg@buaa.edu.cn) (Y. Wei).

loyalty have examined organizational commitment and its relationship with antecedents and consequences. Meanwhile, traditional human resources research considers loyalty to be a simple concept (Bloemer and Odekerken-Schröder, 2006), comparing to the composite view of loyalty in marketing research, i.e. the concept of loyalty includes attitudinal and behavioral aspects (Zhang et al., 2014). To our best knowledge, few investigations on hotel employee turnover have integrated the two constructs and verified the impact of organizational commitment on attitudinal and behavioral loyalty of employees within a single model. Hence, following the logic that employees could be viewed as internal customers and loyalty should be treated as a composite concept including two dimensions of attitudinal and behavioral aspects in marketing research, this study aims to investigate the relationship between organizational commitment and hotel employee loyalty (attitudinal vs. behavioral) and provide practical solutions to effectively resolve the high employee turnover in this sector.

## 2. Literature review

### 2.1. Hotel employee turnover and loyalty

High employee turnover, which usually manifests a lack of employee loyalty, is a well-documented problem in the hotel sector and has been noted by practitioners and academics (Deloitte, 2010). “Tangible and financial factors”, including working conditions, compensation, and benefits, that make hotel employees loyal and encourage them to stay with a company have been studied extensively (Dusek et al., 2014). Ineson et al. (2000) argued that the hotel employees in their study are optimally motivated by increased wages and tangible incentives, such as competitive salaries and bonuses, which were closely related to management and supervisory employee loyalty, respectively. Lam et al. (2001) found that hotel employees are particularly sensitive to economic compensation and, in certain situations, payment is the most crucial contributing factor to job satisfaction and worker retention. Aksu and Aktas (2005) believed that employee sensitivity to salary issues is an understandable outcome of the natural desire of humans to ensure proper living standards and security. Moncarz et al. (2009) revealed that employee retention is generally significantly influenced by the hiring and promotion practices of an organization; in the US lodging industry, non-management employee turnover was positively reduced by providing training regarding organizational mission, goals, and direction and employee recognition, rewards, and compensation (Moncarz et al., 2009).

Aside from economic compensation, several facets, such as social involvement and affective factors, are key determinants that significantly contribute to hotel employee loyalty. Becker (2002) claimed that commitment to management and, more importantly, commitment to work groups significantly influence job satisfaction and employee loyalty. The findings agree with those of Ineson et al. (2000), who revealed the critical importance of a supportive management and a feeling of close affiliation with the company to operative retention. Ineson and Berechet (2011) verified that respect for management and pride in the company are vital for hotel employee retention. Ineson et al. (2013) further verified that the positive benefits of social involvement in the workplace exert a greater impact on employee loyalty than monetary rewards. According to Israeli and Barkan (2003), the intent to stay with a company may be fuelled by factors other than payment and employee satisfaction can be considerably enhanced by social issues. Their case study shed light on how employee loyalty improved after a social event and how the importance of financial benefit, as a factor contributing to employee loyalty, shifted from primary to secondary. The results of Poe (2003) showed that informal, non-monetary recognition is as important as salary for retaining employees. These findings agree with those of other studies, which underscored the role and importance of certain non-monetary factors, such as corporate culture, human interactions, and employee self-fulfillment, on hotel

employee retention (e.g., Milman, 2003; Moncarz et al., 2009).

Employees can be treated as internal customers, according to internal marketing theory (Huang and Rundle-Thiele, 2014). This paradigm with key functions, such as internal communication and training, can affect employees and lead to improved outcomes, especially in the hospitality sector (e.g. Huang and Rundle-Thiele, 2014; King and Grace, 2010). Informing, educating, developing, and motivating employees, who are key members of an internal market, are important in increasing employee job satisfaction (King and Grace, 2010), reducing turnover (Budhwar et al., 2009), and consequently strengthening employee loyalty (Zeithaml et al., 1990). Traditionally, human resources researchers consider loyalty to be a simple and integrated concept (Bloemer and Odekerken-Schröder, 2006). However, from the perspective of marketing, loyalty is a composite view of attitudinal and behavioral aspects that has extended from customer loyalty to employee loyalty (e.g., Tanford, 2013; Zhang et al., 2014). Extant studies on customer loyalty distinguish customer loyalty between attitudinal and loyalty factors (Bandyopadhyay and Martell, 2007). Attitudinal loyalty focuses on the psychological expression of individuals, including intention to retain or recommend to other potential customers (Dick and Basu, 1994). Behavioral loyalty refers to behavioral outcomes, such as repurchase (Yim and Kannan, 1999). Omitting either form of loyalty or integrating them into one variable for the measurement of overall loyalty would be unsuitable. Doing so would not only overlook the different effects of either attitudinal factor or behavioral factor on loyalty but also hinder the determination of the effect of the interaction between attitudinal loyalty and behavioral loyalty (Geçti and Zengin, 2013). Given that employees can be viewed as the internal customers of a company and employee loyalty is not exploratory as complex loyalty, we discuss employee loyalty as a two-dimensional construct in terms of attitudinal and behavioral loyalty in this research.

### 2.2. Organizational commitment

Organizational commitment indicates the commitment of employees to an organization (Angle and Perry, 1981). According to the three-factor model of Meyer and Allen (1991), organizational commitment consists of three components, i.e., affective, continuance, and normative commitment. On the basis of their work, Robbins and Judge (2007, p. 81) described each dimension as follows. Affective commitment is “the degree to which an employee identifies with a particular organization and its goals and wishes to maintain membership in the organization.” Continuance commitment is “the perceived economic value of remaining with an organization compared to leaving it.” Finally, normative commitment is “an obligation to remain with the organization for moral or ethical reasons.”

Employee organizational commitment and its relationship with various work domains and related outcomes, such as performance (Atmojo, 2015), employee engagement (Albdour and Altarawneh, 2014), service quality (Dhar, 2015), work–family conflict (Wayne et al., 2013), and employee turnover (Yin-Fah et al., 2010; Zopiatis et al., 2014), have been extensively studied. However, the effect of organizational commitment and its resulting influence on employee loyalty in the Chinese hotel sector have rarely been examined. Satisfying the psychological needs of hotel employees to maintain their attitudinal and behavioral loyalty to the corporation when employee loyalty is treated as a complex concept rather than an integrated one remains an unresolved issue. Hence, this study aims to examine the influence of organizational commitment on hotel employee attitudinal and behavioral loyalty in the Chinese hotel sector.

## 3. Hypotheses development

### 3.1. Employee trust and satisfaction

Prior research showed that the most salient variables of employee

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