



Impact of service climate and psychological capital on employee engagement: The role of organizational hierarchy

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ABSTRACT

Despite the important role of employee engagement, research on the psychological factors affecting employee engagement is scarce. Furthermore, engagement research has focused on frontline employees, overlooking management employees. This study tested a conceptual model of the interrelationships among service climate, psychological capital, employee engagement, and turnover intention and explored the mediating effects of employee engagement. Structural equation modeling was used to examine the hypothesized relationships and an invariance test was employed to determine the effect of organizational hierarchy with a sample of hospitality frontline and management employees. Psychological capital and service climate were critical to elevating employee engagement and showed a stronger impact for managers' engagement than frontline employees' engagement. Furthermore, employee engagement was a critical mediator. The study fills important gaps in the hospitality literature and extends social exchange theory by showing reciprocal relationship differences between frontline employees and managers through an examination of organizational hierarchy.

1. Introduction

Employee engagement is a key component affecting employee performance and organizational financial success (Rothbard and Patil, 2011). Employee engagement is “a positive work-related psychological state characterized by a genuine willingness to contribute to organizational success” (Albrecht, 2010, p. 5). According to a recent Gallup report (2017), only 31% of service employees in the US is engaged in their work. Furthermore, the service occupation has the second lowest level of employee engagement, surpassed only by manufacturing. The report also reveals different levels of engagement by organizational hierarchy. In general, varying degrees of work engagement create a performance gap that costs US businesses up to \$550 B a year in lost productivity (Gallup, 2013). Indeed, a focal problem in the hospitality industry is that service-oriented and labor-intensive work depends on employee engagement.

Engaged employees perform better than disengaged employees via more positive emotions, better health, and heightened resourcefulness while also stimulating the performance of others in the workplace (Bakker and Oerlemans, 2011). Many studies in hospitality have focused on how employee engagement affects employee outcomes such as organizational commitment (e.g., Paek et al., 2015), job performance (e.g., Karatepe and Ngeche, 2012), job satisfaction (e.g., Park and

Gursoy, 2012), and extra-role customer service (e.g., Karatepe, 2013a) rather than what factors influence the level of engagement. However, the work environment fosters employee engagement (Macey et al., 2009) and may lead to several behavioral outcomes depending on the context (Rothbard and Patil, 2011).

Service climate as a work environment has been studied in hospitality and refers to “employee perceptions of the practices, procedures and behaviors that get rewarded, supported, and expected with regards to customer service and customer service quality” (Schneider et al., 1998, p. 151). When employees recognize that their work is supported and rewarded, they feel obligated to meet performance expectations, elevating their level of engagement based on a psychological contract with the organization (Macey et al., 2009). Furthermore, engaged employees are more likely to have positive perceptions of their work experience, translating to positive attitudes (Saks, 2006).

Along with creating an optimal service climate for employees, it is also vital to understand how positive attributes such as psychological capital (PsyCap) elevate their level of engagement. Individuals tend to flourish when positive factors are given greater emphasis (Cameron and Spreitzer, 2011). PsyCap constitutes an individual's positive psychological state of development (Luthans et al., 2007) and is a critical predictor for understanding the varying degrees of employee engagement (Karatepe and Karadas, 2015). Karatepe and Karadas (2015) suggest

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that frontline employees with high PsyCap are more engaged while Walumbwa et al. (2010) found that leaders' PsyCap positively influences followers' states, behavior, and performance. In other words, both frontline and management employees' PsyCap is important.

In spite of the widely recognized importance of employee engagement, notable gaps still exist in the literature. First, limited research has examined how the work environment affects employee engagement (i.e., Lee and Ok, 2015). Research into service climate as employees' perception of the work environment is scarce in hospitality and has mostly examined how service climate affects customer-related outcomes such as customer satisfaction (i.e., He et al., 2010). Furthermore, existing research has narrowly focused on the work environment's effect on employees' psychological engagement, neglecting engagement's behavioral component (Macey et al., 2009).

Second, surprisingly, only a few hospitality studies have investigated how employee engagement affects employees' intention to leave the organization (e.g., Karatepe and Ngeche, 2012). This is a predominant concern in the lodging and food service sector where the turnover rate has increased annually over the last five years (US Department of Labor, 2015). Moreover, employee engagement and turnover intention research has narrowly focused on frontline employees and a non-US sample.

Third, while there is evidence of the relationships among PsyCap, employee engagement, and turnover intention, empirical research is scarce regarding the mechanisms of employee engagement. Current research lacks a comprehensive model that can uncover the role of antecedents in employee engagement leading to employee outcomes. Youssef and Luthans (2011) also indicate the need to investigate the potential mediation role of employee engagement.

Finally, the role of organizational hierarchy in understanding employee engagement is largely unexplored. In particular, research is needed to examine how the type of employee (e.g., frontline vs. manager) influences the level of service climate and subsequently shapes employee attitudes and performance (Hong et al., 2013). Similarly, Avey et al. (2011) indicated the need to determine whether PsyCap matters based on the level of analysis such as employee groups or organizational hierarchy.

To address the current identified gaps in the hospitality literature and provide a holistic view of the linkages among constructs, this study develops and tests a comprehensive model of employee engagement as a mediator by simultaneously examining antecedents and an outcome variable along with a moderator using a US hospitality sample. Therefore, this study aims to understand (a) the relationships among service climate, PsyCap, employee engagement, and turnover intention, (b) the mediating role of employee engagement to understand its underlying mechanism, and (c) the moderating effect of organizational

hierarchy on the relationships among constructs. Fig. 1 depicts the conceptual model of this study.

2. Conceptual framework

2.1. Social exchange theory

Social exchange theory (SET) contends that a series of interdependent interactions between individuals creates mutual obligations (Emerson, 1976). This social exchange relationship occurs when employers take care of their employees, who reciprocate with effective work behaviors and positive attitudes (Cropanzano and Mitchell, 2005). SET supports the conceptual framework of this study and explains why employees have varying degrees of engagement (Saks, 2006), which differentiates their work outcomes. It is important for employees to bring positive resources (i.e., PsyCap) to the workplace. However, creating and maintaining an optimal service climate encourages employees to become more engaged in their work based on a pattern of reciprocal responsibility. When employees are rewarded and supported by their organization, they feel more confident and are also compelled to meet or exceed performance expectations. Engaged employees take more initiative (Bakker and Leiter, 2010), are highly dedicated (Rothbard and Patil, 2011), and as a result have lower turnover intention (e.g., Park and Gursoy, 2012). Thus, employees are likely to exchange their engagement and performance for supportive supervision by managers and the organization (Li et al., 2012).

2.2. Conceptualization of employee engagement

Employee engagement, an employee's positive psychological presence in a role at work, has been conceptualized in three different ways. First, Kahn (1990) defines personal engagement as "the harnessing of organization members' selves to their work roles: in engagement, people employ and express themselves physically, cognitively, emotionally and mentally during role performances" (p. 694). Rothbard and Patil (2011) suggest that engagement consists of two cognitive sub-components, absorption and attention, and a physical component, energy. Maslach and Leiter (1997) argue that work engagement is the direct opposite of the burnout dimensions of exhaustion, cynicism, and ineffectiveness and characterize it by energy, involvement, and self-efficacy. Schaufeli et al. (2002) put forward the third conceptual definition of work engagement as "a positive, fulfilling, work related state of mind that is characterized by vigor, dedication, and absorption" (p. 74). Vigor refers to the degree of energy and mental resilience at work. Dedication refers to the degree of involvement in work and absorption to the degree of concentration and engrossment in work. Engaged

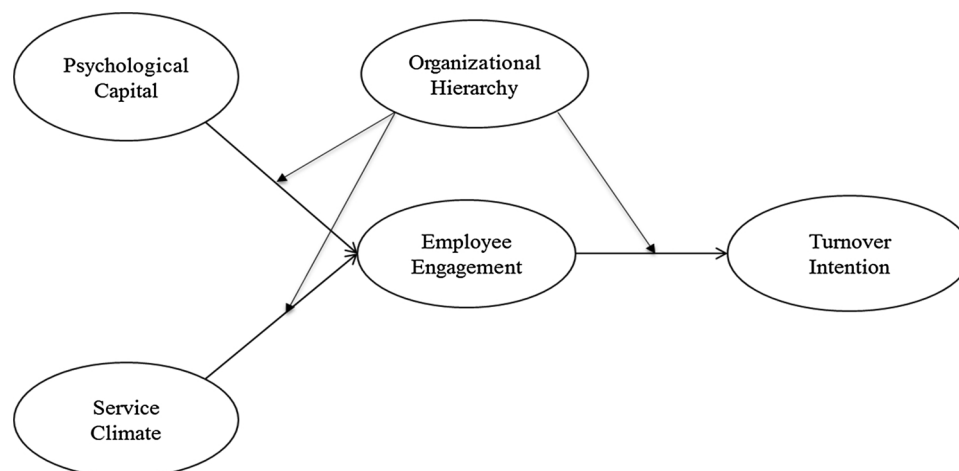


Fig. 1. Conceptual model.

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