



# Effects of psychological contract breach on attitudes and performance: The moderating role of competitive climate

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## ABSTRACT

The performance of hotel employees is an important driver of customer satisfaction, which in turn affects hotels' financial outcomes. Hotel managers should encourage their staff to deliver quality service and should inspire them to perform their best. This study advances a multilevel model that draws connections among competitive climate, organizational identification (OID), job performance, affective commitment (AC), and psychological contract (PC) breach from a sample of hotel staff. The results indicate that (1) PC breach is negatively related to OID and AC, (2) OID and AC have a significant positive relationship with job performance, and (3) competitive climate at the organizational level moderates the effects of OID and AC on hotel workers' in-role performance. These results offer valuable implications for managers to produce more efficient hotel human resource management techniques.

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## 1. Introduction

Human resource is a powerful function that offers strategic management and direction in all areas that influence a hotel's operations (Lockyer and Scholarios, 2004). With the proper human resource management in place, hotels and companies alike can expect to improve on workers' job performance and accomplish goals, which include improving productivity and increasing hotel profits (Sturman et al., 2011). The conceptual and empirical evidence presented in the literature, for example, the service-profit chain, point to the importance of employees' organizational loyalty and identification as ultimate drivers for organizational profitability because committed employees are able to deliver a high quality of service to customers (Heskett et al., 1994; Homburg et al., 2009).

Employees' ability to devote their efforts to excelling at their jobs and identifying closely with the organization's goal are highly dependent on the organization's ability to fulfill its psychological contract (PC), which binds both the employee and employer

in terms of the expected contributions and outcomes of both parties (Blomme et al., 2010; Turnley et al., 2003). A PC is commonly regarded as a person's understanding of his/her responsibilities towards the company and the way he/she meets the company's requirements (Bashir and Nasir, 2013). Fulfillment of this perceived contract encourages trust and provides mutual benefits for employees and employers (Lester et al., 2000; Robinson, 1996; Rodwell et al., 2015). However, when employees perceive a company reneges on its promise, they experience a series of negative responses (Dulac et al., 2008; Robinson et al., 1994). In the broader literature, researchers associate a breach of a PC with employee attitudinal responses, including PC violation (Dulac et al., 2008), organizational commitment (Raja et al., 2004), organizational citizenship behaviors (Shih and Chuang, 2013), job satisfaction (Raja et al., 2004), organizational cynicism (Bashir and Nasir, 2013; Johnson and O'Leary-Kelly, 2003), and turnover intention (Dulac et al., 2008); these factors, in turn, are largely associated with employee behavioral responses, such as job performance.

However, the linkage leading from PC breach to job performance through OID has rarely been explored (Epitropaki, 2013) despite the fact that prior research has acknowledged the identification–performance relationship both from the conceptual and empirical lenses (Ashforth et al., 2008; Galvin et al., 2015; Zhang et al., 2011). Hence, the first objective of this study is to investigate the influence of PC breach on employee job performance

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through the mediating role of OID when employees' organizational AC is taken into account. In essence, this study interrogates the role of both cognitive (i.e., OID) and affective (i.e., AC) responses as mediating factors of the breach-performance link. By including both affective and cognitive responses to a breach, this study also seeks to advance the literature by assessing the first research question: which one of the two responses (affective or cognitive) has a stronger, direct, and mediating effect on employees' ability to carry out their jobs?

Perhaps a more critical question is how would the subdued effects of employees' cognitive and affective responses to their job performance be mitigated by the working environment, such as an organization's competitive climate, after they experience a breach of PC? We argue that such a competitive climate resides within an organization as a shared culture and practice that shapes employees embedded within it (Hofmann et al., 2003; James et al., 1978). A competitive climate is particular prevalent in the hospitality industry, specifically in hotels, due to the high level of service standard and customer experience in the business; common practices of benchmarking with customer satisfaction; the high level of requirement to remain at specific star ratings and hotel chains, and the high pressure from competing for awards and recommendations from organizations such as TripAdvisor, Louis Vuitton City Guide, Michelin Guide, and Forbes (Lam et al., 2015; Marriott, 2014). The Marriott hotel chain, for instance, has been successful at maintaining the highest customer satisfaction rating and charging the highest management fees in the industry due to its excellent service offerings through a group of loyal associates within a highly competitive work climate. Hence, under a competitive environment in which team members are expected to work within and between departments, hotel employees often compete with each other through internal and external customer evaluations of their job efficiency and accuracy. In fact, a competitive work climate has been attributed as the primary driver of employee job performance (Brown et al., 1998; Grizzle et al., 2009).

Hence, the second contribution of this study lies in its multilevel research design that takes into account the boundary condition of the competitive climate in the work place at the organizational (i.e., hotel) level. In essence, this study seeks to advance the literature by demonstrating how a competitive climate could reconcile the negative impact of PC breach on employee job performance despite debased organizational commitment and identification. Different from prior organizational behavior research on organizational environment and climate (Wang and Hsieh, 2013; Wei et al., 2010), the focus of this study is on a shared understanding of competition in an organization that draws attention on service performance, which fosters employees perusing an organizational goal at the organizational level rather than at the individual level (Brown et al., 1998). Results of the study broadened the social identification theory (Ashforth and Mael, 1989) and theories pertaining to employment

relationship and employee behaviors (Ashforth et al., 2008) to conjecture a model (see Fig. 1) of affective (AC), cognitive (OID), and behavioral (job performance) responses on employees' perceived breach that are contingent on the social context that they are subsumed within.

## 2. Theoretical background

### 2.1. Psychological contract, fulfillment, and breach

A psychological contract (PC) is characterized as a person's belief about the terms and conditions of a mutual exchange contract between him/her and another party (Robinson, 1996). In contrast to official or recommended contracts, a PC is perceptual. In an organizational setting, a PC is an undocumented agreement bounding an employee and the employer, and it sets mutual agreement between the two parties (Robbins, 2003). This mutual understanding further sets the employees' and the affiliated organization's expectations about the roles and outcomes of both parties, whereby the employees expect the organization to fulfill it promises to treat them impartially and provide them with fair compensation for their efforts (Judge and Welbourne, 1994; Tekleab et al., 2005). Likewise, the organization expects the employees to conform to organizational rules (Zhou, 1993), demonstrate a positive work attitude (Conway et al., 2011), identify with the organization's mission and agenda, be loyal to the organization (Allen and Meyer, 1990a,b), and fulfill specific job requirements and in-role behaviors (Turnley et al., 2003). The last three role expectations are the very criteria that motivate this current study.

Employees often imbue a perceived contract with meanings that are associated with great importance to their presence in an organization. Empirical evidence shows that employees who fulfill a PC often demonstrate a positive wellbeing and attitude towards work (Conway et al., 2011), are more inclined to embrace and identity with the organization (Rodwell et al., 2015), have a greater likelihood to exercise organizational citizenship behaviors and commitment (Lester et al., 2000), and have an elevated job performance and other in-role behaviors (Turnley et al., 2003; Walker, 2013). Yet, employees and their employers may perceive a perceptual gap between themselves when misunderstandings arise or both parties fail to deliver promised inducements (Lester et al., 2000). Such situations create a breach of the PC.

Involved parties perceive a breach of such a contract as a betrayal of the mutual agreement and understanding between employees and their employer (Morrison and Robinson, 1997). An important aspect of the PC rests on the theory of breach: an employee's recognition that the employer fails to fulfill one or more requirements within the PC in a way commensurate with the employees' contributions (Robinson, 1996; Robinson et al., 1994). Conway and Briner (2005) suggested that contract breach is one of the most vital

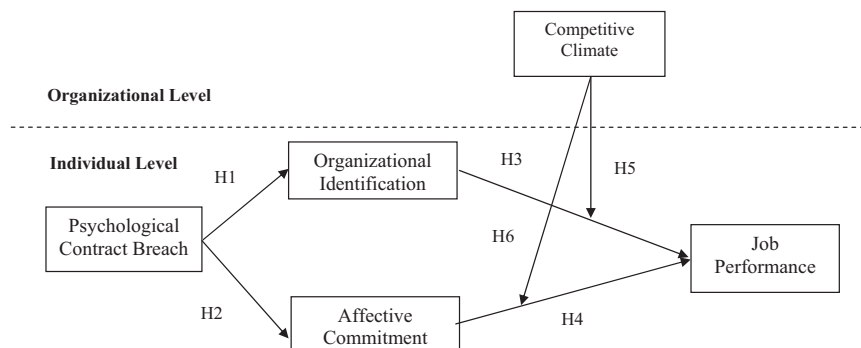


Fig. 1. Multilevel research model.

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