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A Study on the Correlations among Psychological Contract, Organizational Citizenship Behavior, and Performance in the Hotel Industry

Yi-Min LI¹

Abstract

The rapid development of the tourism industry in Taiwan has facilitated domestic five-star hotels or their branches to be progressively established. In consideration of apparent off-peak/peak time and low/high seasons in hospitality industry, hotels have considered flexibly adjusting their human resources to reduce personnel costs. Such a flexible human resource measure could affect the employees' perceived employer obligation and achievements. When there are differences, the employees could consider their psychological contract as being violated and further affect their attitudes and behaviors towards the organization. Aiming at a large-scale listed hotel chain in Taiwan, the employees distributed 305 questionnaires copies. A total of 184 valid copies were retrieved, with retrieval rate of 60%. The research results show significant correlations between (1) psychological contract and organizational citizenship behavior, (2) organizational citizenship behavior and job performance, and (3) psychological contract and job performance. According to the research results, managerial implications for the hotel industry are proposed.

Keywords: psychological contract, organizational citizenship behavior, job performance, hotel industry

Research background

The hotel industry is a business selling “personal services”. In addition to offering accommodation, food and beverages, hotels also provide functional facilities for recreation, entertainment, fitness, social gatherings, and conferences.

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As the government is promoting the tourism industry and nowadays people focus more on leisure life, domestic five-star hotels or their branches have been progressively established, and the demands for human resources are also increasing in the hotel industry. The Taiwan Tourism Bureau estimates that until 2012, there will be 98 newly open hotels in Taiwan, the job vacancies in the hotel industry will increase by 129 % in the next two years. Apparently, the importance of the hotel industry is increasing in Taiwan. When a lot of industries move abroad because of low prosperity, hotel industry is still holding onto their status in Taiwan.

The hotel industry is one of the labor-intensive industries, which requires the investment of enormous human resources. The requirement for labor-intensiveness in the hotel industry is therefore larger than in other industries. Moreover, the hospitality industry presents obvious low/high seasons- which require human resource adjustments to cope with the industrial characteristics which are necessary for human resource management. People are the major assets in the service industry. In order to acquire favorable operation performance, hotels need to depend on the investment of enormous service manpower. Moreover, peak/off-peak time and low/high seasons obviously appear in the industry where special arrangements are required for the management, such as human resource adjustment in special intervals, extension of business hours, and employment of part-time staff. Such flexible human resource measures would affect the employees' perceived employer obligations and achievements. When there are differences, the employees might consider their psychological contract as being violated and further influence the attitudes and behaviors towards the organization. In fact, in addition to specific induction proposed in the labor contract, such as salary, welfare, working hours, and vacation, the perceived damage of psychological contract between either managers or general employees and the company presents negative correlations with employee trust, job satisfaction, organizational satisfaction, and retention, while such damage appears to be a positive correlation with turnover. To balance the employees and the organization, psychological contract, in addition to labor contracts, is included. Psychological contract, organizational citizenship behavior, and performance are therefore integrated for analyzing the hotel industry in this research.

Research definition and hypothesis

Psychological contract

Psychological contract, as a mental model, is a special contract style for people forming promises, acceptance, and reliance. Robinson & Rousseau (1994) defined the psychological contract as either employees or the organization believing that the other party would practice their obligations by following a relationship. Accordingly, psychological contract was the trust between employees and the

organization, who expected that the other party would fulfill the obligation when a party did its obligation. MacNeil (1985) divided psychological contract into transactional contract and relational contract. Rousseau & Parks (1993) considered that transactional contract presented high specialty, and the regulated focus was narrower. Possibly because of the factors of money and economy, the time scale (employment relationship) was shorter, and extreme flexibility appeared between the exchange parties (labors and employers) in order to reconsider the contract content and even exchange new transactional partners. Relational contract, on the other hand, did not show a time limit. The regulated focus was broader and emotional factors, in addition to money and economy, were also included, such as mutual trust and strong motive for retaining a permanent relationship. Bernardin and Beatty (1984) defined psychological contract as the psychological intervention of employees in the organization, to which the employees were willing to contribute and present loyalty and would request economic feedback from the organization, such as job security, being respected, interpersonal relationships, and organizational support. Moorhead & Griffin (1998) indicated that Psychological Contract was established based on the transactional relationship between induction and contribution, i.e. employees provided the contribution and efforts to achieve the organizational objectives, while the organization offered correspondent induction for exchanging or appealing the employees' contribution and efforts.

Three dimensions for psychological contract constructed are applied to the measurement scale (George *et al.*, 2002): (1) Organizational shared vision refers to the shared vision of an organization and the employees being the core value of the organization, who expect to encourage the members to enthusiastically pursue a common mission; (2) Environment support refers to an organization offering secure and comfortable working environments for the members' profits; (3) Human care refers to an organization treating its members as its own and taking care of each other to foster loyalty in the organization.

Organizational citizenship behavior

There are always some members with enthusiastic services, insisting on obligations, not haggling, and willing to pay for others or the organization without asking for return in a team or an organization. The behaviors of such people might not directly correlate with organizational performance, but it could intangibly enhance the cooperation or productivity in the organization (Morrison and Robinson, 1997). When a manager assesses the job performance of the subordinates, extra-role behaviors irrelevant to the job, in addition to the objective productivity, are also taken into account and regarded as the performance measurement standard. Such extra-role behaviors are called organizational citizenship behavior (Smith *et al.*, 1983). Konovsky and Pugh (1994) regarded organizational citizenship behavior as the behaviors of a member independently determining the

request beyond the duty, which was not included in the formal reward of the organization. In addition to the formal request of work, an employee engaging in unconditional and volunteer behaviors would enhance the organizational effectiveness (Robbins, 2001). Farh *et al.* (2004) considered organizational citizenship behavior as an organizational member automatically perform the behaviors benefiting the organization, the individual, or group and the innovative behaviors taking good care of a job.

Podsakoff & MacKenzie (1997) proposed the characteristics of organizational citizenship behavior, including (1) Organizational citizenship behavior as a manifest behavior. (2) Organizational citizenship behavior as a spontaneous behavior, without being regulated by the reward system in the organization. (3) Organizational citizenship behavior as a positive prosocial organizational behavior. Cohen & Vigoda (2000) pointed out the characteristics of organizational citizenship behavior, containing (1) Motive as altruism, not as a reward. (2) Automatic behaviors being induced to help others. (3) Extra-role behaviors beyond responsibility, regulation, or contract. (4) Pro-social behaviors for other people and groups in an organization and the entire organization. (5) A complete concept with multiple dimensions. Referring to Bettencourt *et al.* (2001), three dimensions are applied to service-oriented organizational citizenship behavior in this study: (1) Loyalty: identity and support of organizational value, products (or services), and image; (2) Service delivery: behaviors of following the service regulation, industriousness, and obedience; (3) Participation: automatic investment, particularly in opinion sharing and information communication, for enhancing the service quality of the organization, colleagues, and the individual.

Job performance

Performance, the degree of an employee fulfilling the job, is used for measuring the current job performance of an employee. In general research on organizational behaviors, performance is the comprehensive performance of efficiency, effectiveness, and efficacy (Evans *et al.*, 1996). Performance is evaluated for adjusting salary, promotion, retaining talent and unemployment, and awards (Booth, 1996). Different organizations, sectors, or industries reveal distinct performance objectives and measurement methods. Performance evaluation contains the processes of observation and judgment, which are likely to be affected in the process, such as the relationship between the evaluators and the ones being evaluated and the importance and consistence of the evaluated target. Adler (2008) indicated that the connection of performance evaluation with service provision would induce the employees to improve the quality of their services. Zeithaml *al.* (1988) also considered that behavioral performance evaluation could encourage the employees performing the service behaviors to be consistent with customer expectation. Campell (1970) regarded job performance as the behaviors of an

individual, as a member of an organization, completing the performance of roles expected, regulated, or formalized by the organization. Maisel (1992) pointed out that job performance is the value, quality, or amount of an individual contributing to the job, i.e. the employee's productivity; the higher the productivity showed the high overall management performance of the organization.

The research structure of Cambell (1990), who divided job performance into task performance and contextual performance, is applied to this study. Task Performance refers to the behaviors directly or indirectly related to the organizational technical core, while contextual performance indicates the social and psychological behaviors of the organization for supporting the operation of the technical core.

Research hypothesis

Cambell (1990) defined job performance as the behaviors of organizational members achieving organizational expectations and regulations so as to cope with the formal roles in the organization. It is directly related to the organizational expectation or the assigned tasks conforming to the request for the work role, including job description, operation standard and interim orders from superiors. Organizational citizenship behavior, also named extra-role behaviors, was defined by Organ (1990) as independent behaviors of an individual. Such behaviors did not reveal direct or definite correlations with rewards, but could enhance the organizational efficiency, including colleague cooperation, execution of extra tasks without complaints, keeping time, automatically helping others, efficiently utilizing time, as well using organizational resources, sharing opinions, and actively and positively representing the organization.

The practice of psychological contract is related to job performance and organizational citizenship behavior of the employees (Turnley *et al.*, 2003). When employees perceive that the organization is fulfilling the responsibility in a mutual relationship, they are more devoted to completing the organizational tasks or set objectives. They will also consider themselves as being responsible for beneficial behaviors in the organization, present beneficial citizenship behaviors for the organization, and exchange responsibilities for organizational fulfillment so as to balance mutually beneficial relationships. Such relationships would reflect on employee behaviors when perceiving the organizational actualization of psychological contract, because of the employee expectation of future rewards (Hui *et al.*, 2004). For example, when employees perceive the actualization of psychological contract, they would present the behaviors conforming to organizational objectives or organizational citizenship and expect the supervisors to immediately offer rewards or affecting the supervisors in making decisions beneficial for future rewards.

When employees perceive that the organizational induction exceeds or conforms to what was actually received, the organization fulfills the psychological contract with the employees, with higher actualization. The employees would perceive the future responsibility and contribute to the organization as expected to be the exchange of the organization offering induction and fulfilling its promise. In this case, the employees would consider their obligations to enhance personal responsibilities for rewarding the organization (Coyle-Shapiro & Kessler, 2000) and work hard to reward the organizational investment (Wang *et al.*, 2003). They are willing to invest permanent loyalty to the organization, learn special skills for the organization in enhancing the job performance, and present extra-role behaviors that are beneficial to the organization. According to the above literature studies, the following hypotheses are presented: (1) *Hypothesis 1*. Psychological contract presents significant correlations with organizational citizenship behavior; (2) *Hypothesis 2*. Organizational citizenship behavior shows significant correlations with job performance; (3) *Hypothesis 3*. Psychological contract shows significant correlations with job performance.

Research methodology

Model of methodology

The Goodness of Fit test for LISREL is generally measured from the Goodness of Fit of the entire model (i.e. the external quality of the model) and the internal quality of the model. The Goodness of Fit index is commonly used for the Goodness of Fit test of the entire model, including (1) The Chi-Square ratio (χ^2 ratio), which is less than 3, for the difference between the actual theoretical model and the expected value, (2) The Goodness of Fit Index (GFI) and Adjusted Goodness of Fit Index (AGFI) which show the better Goodness of Fit when approaching 1, (3) The Root Mean Square Residual (RMR) to reflect Goodness-of-fit Residual Variance/Mean of Covariance, which is less than 0.05, and (4) The Incremental Fit Index (IFI), which shows the excellent Goodness of Fit of the model when it is greater than 0.9 (Hair *et al.*, 1998).

LISREL, which is often used for the assessment of intrinsic quality, contains (1) The Square Multiple Correlation (SMC) index for individual manifest variables, as R² of manifest variables and latent variables, which should be great than 0.5, (2) The Component Reliability (ρ) of latent variables, as Cronbach's α of the observed index in latent variables, which should be greater than 0.6, and (3) The average variance extracted from the latent variables, which is calculated by the sum of various manifest variables R² in a latent variable divided by the number of manifest variables, presenting the percentage of latent variables being measured through manifest variables, and the value should be greater than 0.5 (Sharma, 1996).

Research sample and subject

Targeting employees of a large-scale listed hotel chain in Taiwan, 305 copies of questionnaires were distributed, and 184 valid copies are retrieved, with a response rate of 60%.

Reliability and validity test

The questionnaire contents are based on the past theory; after considering the actual situation of the research subject, a measuring instrument is designed for actually expressing the essence and complete representativeness so as to ensure that the questionnaire conforms to the content validity. Furthermore, the final communality estimation of the Factor Analysis results is utilized for testing the construct validity of the measured items. The acquired validity appears in $0.721 \approx 0.906$, presenting the favorable validity of the questionnaire. In foundation research, a reliability above 0.8 shows high reliability, while a reliability above 0.7 is acceptable in exploratory research. The Cronbach's α reliability measured in this study appears as $0.787 \approx 0.892$, corresponding to Wortzel's (1979) statement of the Cronbach's α between 0.7 and 0.98 as being in the high reliability range.

Data Analysis

Model Goodness of Fit Test

Maximum Likelihood (ML) is applied to the estimation, and the LISREL analysis result achieves convergence, where the Goodness of Fit indices for the extrinsic quality of the entire model show (1) χ^2 ratio = χ^2 (63.92) / degree of freedom (21) = 2.7791, less than 3, (2) Goodness of Fit Index (GFI) 0.93, greater than 0.9, and Adjusted Goodness of Fit Index (AGFI) 0.85, greater than 0.8, (3) RMR 0.049, less than 0.05, and (4) Incremental Fit Index 0.98, greater than 0.9. Overall speaking, the actual samples of 172 are greater than the basic number of samples, 135.73, and the Goodness of Fit indices of the entire model pass the test, showing the favorable extrinsic quality of LISREL.

Regarding the intrinsic quality test, the SMC of manifest variables is greater than 0.5 (Table 1), revealing the favorable measurement indices of latent variables. Moreover, the latent variables of psychological contract, organizational citizenship behavior, and job performance present a component reliability greater than 0.6 and the average variance extracted of dimensions is also greater than 0.5 (Table 2). Apparently, it conforms to the test requirement for intrinsic quality.

Table 1. SMC between variable and dimension

Psychological Contract			Organizational Citizenship Behavior			Job Performance	
Organizational Shared Vision	Environment Support	Human Care	Loyalty	Service Delivery	Participation	Task Performance	Contextual Performance
0.62	0.75	0.83	0.68	0.71	0.86	0.79	0.87

Table 2. Reliability and average variance extracted from variables

Item	Psychological Contract	Organizational Citizenship Behavior	Job Performance
Content reliability	0.723	0.821	0.746
Average variance extracted	0.68	0.76	0.70

Test of path relationship

When the latent variables selected are organizational shared vision, loyalty, and task performance and are fixed at 1 as the reference indicator (Bollen, 1998), the estimated value between other dimensions and variables is significant, according to the relationship path diagram in Figure 1. Clearly, environment support =1.10 and human care=1.23 appear as better explanations than the organizational shared vision. Participation=1.08 shows a better explanation than loyalty, and contextual performance=1.05 in job performance is comparatively higher than task performance. The verification of the research hypotheses are shown in Table 3.

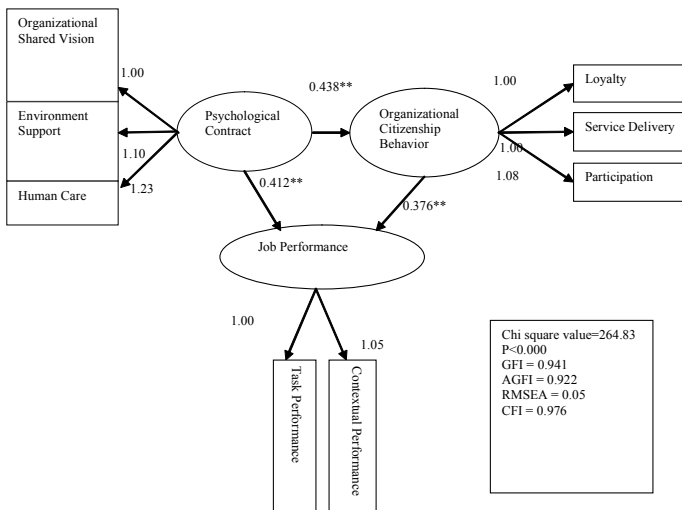


Table 3. Hypothesis verification

Research hypothesis	Correlation	Verification	P	Result
Hypothesis 1	positive	0.438	0.00	Supported
Hypothesis 2	positive	0.376	0.00	Supported
Hypothesis 3	positive	0.412	0.00	Supported

Conclusions

According to the research results, the employees' organizational citizenship behavior would be higher when an organization presents higher fulfillment of psychological contract. Such a result conforms to the essence of a social exchange relationship between an organization and the employees. The research results present certain contribution to either psychological contract theory or organizational citizenship behavior theory. First, it proves that the fulfillment of psychological contract could be the antecedent of organizational citizenship behavior to expand the application of psychological contract Theory. Second, the range of the antecedent of organizational citizenship behavior is expanded. Among the antecedents of organizational citizenship behavior, employees and organization were separately treated. This study verifies that the fulfillment of psychological contract is the antecedent of organizational citizenship behavior and the fulfillment of psychological contract is the interaction between an organization and the employees that both of them are integrated into the consideration. According to the above results, an organization should maximally fulfill the employees' psychological contract in order to enhance the organizational citizenship behavior. It reflects the essence of mutually beneficial relationship between employees and the organization. Accordingly, the following practical implications are presented: in order to enhance the employees' citizenship behaviors, more attention should be paid to organizational shared vision, environment support, and human care so that the employees are satisfied with such psychological contract.

Suggestions

The important results and findings are organized in this study. Aiming at the practicability, the following suggestions are proposed.

1. Maintaining favorable psychological contract balance. Remaining favorable psychological contract relationship could enhance organizational citizenship behavior and job performance of employees in hotel businesses. It is therefore suggested that the managers in hotel businesses should reinforce the psychological contract management and maintain the balance so that the entire organization appears favorable psychological contract atmosphere to achieve the maximum

organizational performance. When the employees perceive the organization fully fulfilling the expected responsibilities, they would develop the potentials and change working attitude from “asking me to work” into “I would like to work” for the multiple growth of performance and the implementation of organizational objectives.

2. Establishing effective psychological contract alert mechanism. To establish an effective alert mechanism for psychological contract to move towards favorable directions, the following three integrations should be achieved: (1) the integration of organizational objectives, team objectives, and individual objectives, (2) the integration of overall benefits, team benefits, and individual benefits, and (3) the integration of competition and cooperation principles in a team. A hotel business should thoroughly utilize formal and informal communication channels and the psychological contract alert mechanism to deal with problems at the budding state, retain talents in the business, and enhance the performance.

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