

The Mediation Effect of Psychological Contract Fulfillment on Discretionary Human Resource Practices and Organizational Citizenship Behaviors of Hotel Employees

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Abstract. The aims of this study were to investigate the relationship between discretionary HR (Human Resource) practices and OCBs (Organizational Citizenship behaviors), and to clarify the mediating effects of psychological contract fulfillment. 380 operational employees from 22 large hotels in Malaysia participated in this study. The results show that discretionary HR practices, particularly training and development, performance management, and participation and involvement have significant positive relationship with either OCBO (Organizational Citizenship behavior – Organization) or OCBI (Organizational Citizenship behavior – Individual). Furthermore, psychological contract fulfillment was a significant mediating mechanism of the relationship between discretionary HR practices and OCBs. These findings suggest that practicing hotel managers should continue to place greater emphasis on HR practices in order to enhance feeling of psychological contract and to promote greater OCBs among hotel's operational employees.

Keywords: Discretionary HR Practices, Psychological Contract, Organizational Citizenship Behaviour

1. Introduction

Tourism industry has been performing extremely well in the Malaysian economy. From 2006 to 2009, revenue from the tourism industry increased 67.1% to RM53.4 billion and tourist arrivals increased 43.6% to 23.6 million. In 2010, a total of 24.6 million tourists arrived in Malaysia and spent RM56.5 billion. For Malaysia to be competitive in the global tourism industry, service-oriented organizations such as hotels, an important sector in the tourism industry, need to be proactive in their human resources implementations in order to deliver high quality services to their customers [1]. However, the understanding of how it is that HR practices impact employee attitudes and behavioral outcomes is still lacking, especially within the Malaysian hotel industry [2] [3]. According to Li, Frenkel and Sanders [4], HR practices are the means through which employee perceptions, attitudes, and behaviors are shaped. Therefore, building on somewhat limited research conducted to date on discretionary HR practices and psychological contract, this study proposes to examine the employees' assessment of the quality of discretionary HR practices on their perceptions of psychological contract fulfillment and its impact on organizational citizenship behaviors (OCB). Additionally, this study intends to investigate the role of psychological contract as the mediating variable on the relationship between discretionary HR practices and OCB.

2. Literature Review

2.1. Discretionary HR Practices

Discretionary HR practices are those which the organization chooses to invest in, are typically more strategically focused, and are different from those which are transactional [5]. The researcher conceptualized discretionary HR practices are those which imply optional investment in the human capital of the organization in programs and practices such as those included in the selection, training and development, participation and involvement, pay for performance, and performance management initiatives. In contrast to discretionary HR practices, non-discretionary HR practices are administrative, are considered a cost of doing business, and its activities are typically associated with mandated compliance [5]. These more traditional HR

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practices are transactional in nature and are requirement of doing business [5]. Both discretionary and non-discretionary HR practices are posited to influence employees’ behavioral outcomes such as organizational citizenship behaviors (OCBO and OCBI) and turnover intention [6]; and organizational outcomes such as performance, customer commitment, and organizational commitment [7].

2.2. Psychological Contract

According to Rousseau [8], psychological contract is individual beliefs, shaped by the organization, regarding terms of an exchange agreement between an individual and the organization. Employees may have different beliefs of promised and mutual obligations with organizations. Recent research by Lee and Kim [9] considers psychological contract to be composed of beliefs regarding exchange relationships that are shaped by the employee’s experience in “current” organization. Psychological contract can be operationalized based on the terms and elements of contract. It can be a form of specific obligations such as job security for loyalty or of rather general types such as relational or transactional obligations. Psychological contract breach occurs when an individual perceives an organization to have failed to fulfill promised obligations [10]. Although a recent study by Lambert, Edwards, and Cable [11] suggests breach and fulfillment may have differential effects on outcomes, most research uses the term fulfillment as the opposite concept of breach based on the above definition.

2.3. Organizational Citizenship behavior (OCB)

Organizational citizenship behavior (OCB) was defined as “individual behavior that is discretionary, not directly or explicitly recognized by the formal reward system, and that in the aggregate promotes the effective functioning of the organization” [12]. The researcher proposed five-dimension framework OCB comprising altruism, courtesy, conscientiousness, civic virtue, and sportsmanship. According to the review of Podsakoff, Mackenzie, Paine, and Bachrach [13], prior empirical researches on the antecedents of OCBs found that job attitudes, task variables, and leadership behaviors are strongly related to OCBs. Job satisfaction, organizational commitment, and perceptions of fairness appeared to be important determinants of OCBs. Chiu and Tsai [14] found that profit sharing had significant effect on OCBs. Based on the data obtained from hotels, Sun, Aryee, and Law [15] found high-performance HR practices are positively related to service-oriented OCBs. However, what specific HR practices can be used to elicit OCBs have not been empirically tested. Based on the above discussion, the following theoretical framework was proposed:

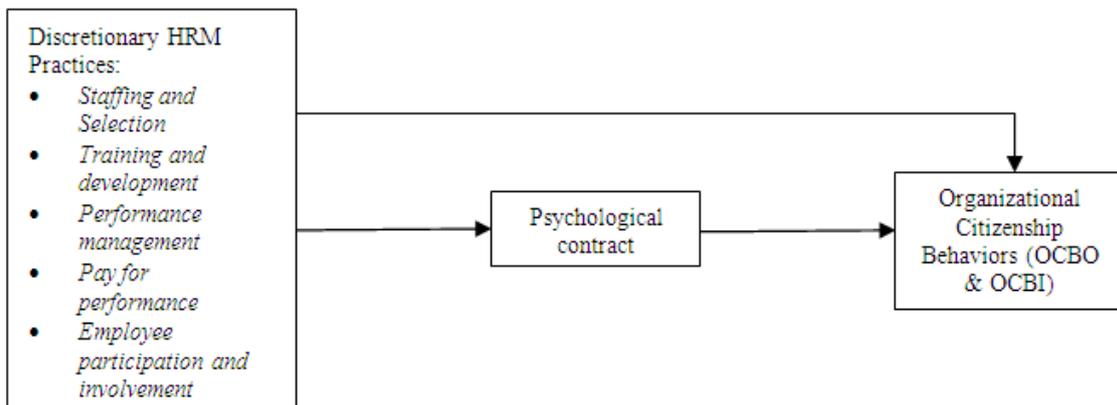


Fig. 1: Research framework

Figure 1 (Research Framework) hypothesized that discretionary HR practices have a direct positive influence on OCB and psychological contact. Subsequently, psychological contact will have positive influence on OCB and mediate the relationship between HR practices and OCB.

3. Methodology

3.1. Sample and Data Analysis

A total of 630 questionnaires were distributed to operational employees attached to 22 large hotels in Malaysia. These hotels had expressed their willingness allowing their employees to participate in this study.

Questionnaires were distributed to the human resources manager of each participating hotels. Each manager was told to randomly distribute the questionnaires to their respective operational employees. The researcher would then collect the completed questionnaires from the human resource managers two weeks after the date of the distribution. Of the 630 questionnaires distributed, a total of 411 questionnaires were returned. Of these, 31 responses were found to be non usable. Therefore, only 380 questionnaires (60.3%) were coded and analyzed. Hypotheses were tested by using hierarchical multiple regression analysis with OCBs as the dependent variables. Baron and Kenny's [16] mediation rules were followed for testing mediation effects of psychological contract fulfilment.

4. Results

4.1. Hypothesis Testing

Hypotheses in this study predicted that direct positive relationships exist between the discretionary HR practices, psychological contract fulfillment, and OCB dimensions, as well as indirect relationships between the discretionary HR practices and each outcome (OCBO and OCBI) through psychological contract. Table 1 shows the summary of the regression analyses, direct and indirect relationships on OCBO.

Table 1: Summary of the Regression Results on the Influence of Discretionary HR Practices and Psychological Contract on OCBO.

Predictors	Model 1 Std. β (OCBO)	Model 2 Std. β (Psychological Contract)	Model 3 Std. β (OCBO)
Discretionary HR Practices			
Staffing & Selection	.07	.09	.05
Training & Development	.42**	.37**	.08
Performance Management	.10	.19**	.06
Pay for Performance	.08	.10	.06
Participation & Involvement	.31**	.33**	.11
Psychological Contract			.34**
R^2	.41	.46	.31
Adj. R^2	.39	.44	.29
R^2 Change	.39	.44	.19
F -Change	10.45**	19.06**	95.39**

Note: $N = 380$; * $p < .05$, ** $p < .01$

From Table 1, when discretionary HR practices were entered into the equation to be regressed onto OCBO (Model 2), discretionary HR practices variables were able to explain 39.0% (R^2 change = .39, F -change = 10.45, $p < .01$) of the observed variations on OCBO after controlling for the effect of the five demographic variables. Of the five HR practice dimensions, training and development ($\beta = .42$, $p < .01$) and participation and involvement ($\beta = .31$, $p < .01$) were positively and significantly contributes to the prediction of OCBO. On adding the five discretionary HR dimensions to be regressed on psychological contract (Model 3), the R^2 value increased to 0.46 suggesting that 44% (R^2 change = 0.44) of the variance in psychological contract fulfillment is being explained by the perceptions of the quality of HR practices. Three of the five HR dimensions were found to have significant and positive effects on psychological contract. Training and development had the strongest positive effects on psychological contract fulfillment ($\beta = .37$, $p < .01$) followed by participation and involvement ($\beta = .28$, $p < .01$) and performance management ($\beta = .19$, $p < .01$). On the effect of mediation (Model 4), the effect of both training and development and participation were found to be insignificant ($\beta = 0.08$, $p > .05$; $\beta = 0.11$, $p > .05$). This implies that psychological contract fulfillment fully mediated the relationship between training and development and participation and involvement and OCBO.

Table 2 shows the regression results on OCBI. From Table 2 (Model 2), discretionary HR practices variables were able to explain 37.0% (R^2 change = .39, F -change = 46.87, $p < .01$) of the observed variations on OCBI after controlling for the effect of the five demographic variables. Training and development ($\beta = .32$, $p < .01$) and performance management ($\beta = .31$, $p < .01$) were positively and significantly contributes to the prediction of OCBI. On mediation effect (Model 4), the effect of both training and development and performance management were found to be insignificant ($\beta = 0.08$, $p > .05$; $\beta = 0.11$, $p > .05$) with the

existence of psychological contract. This implies that psychological contract fulfilment fully mediated the relationship between training and development and performance management and OCBI.

Table 2: Summary of the Regression Results on the Influence of Discretionary HR Practices and Psychological Contract on OCBI.

Predictors	Model 1 Std. β (OCBI)	Model 2 Std. β (Psychological Contract)	Model 3 Std. β (OCBI)
Discretionary HR Practices			
Staffing & Selection	.12	.09	.13
Training & Development	.32**	.37**	.11
Performance Management	.31**	.19**	.09
Pay for Performance	.09	.10	.08
Participation & Involvement	.09	.33**	.11
Psychological Contract			.38**
R^2	.39	.46	.36
Adj. R^2	.37	.44	.28
R^2 Change	.37	.44	.18
F -Change	46.87**	19.06**	87.13**

Note: $N = 380$; * $p < .05$, ** $p < .01$

5. Discussion

The purpose of this paper was to examine hotel employees' assessment of the quality of discretionary HR practices on their perceptions of psychological contract and its impact on OCBs. Second, was to investigate the role of psychological contract as the mediating variable on the relationship between discretionary HR practices and OCBs. Results from this study showed that discretionary HR practices in the form of training and development, performance management, and employee participation and involvement significantly influenced hotel employees' feeling of psychological contract fulfilment, and subsequently their extra-role behaviors. Hence, when hotel employees highly perceived that their organizations had provided them with extensive training program to enable them to do their jobs better and when they satisfied with training opportunities given to them, they will reciprocate with positive work performance behaviors in the form of both OCBO and OCBI. The results also impliedly showed that proper management of employee performance was important in ensuring positive feeling of employees' psychological contract fulfilment and extra-role behaviors. Thus, performance appraisal processes and targets must be transparent to employees. They must be allowed to participate in goal settings and been given timely feedbacks.

This paper has contributed to our understanding of HR performance link by focusing on employees' key behaviors (OCBs) known as contributing to competitive advantage. Although the result of this paper alone does not ensure that discretionary HR practices contributes to organizational effectiveness through OCBs, it was suggested that OCB has a positive influence on organizational effectiveness [13] [15]. The results of this study allow practitioners to see the impact of HR practices on both psychological contract and employee outcomes which could impact organizational performance as well. Findings from this study suggest that organizations should recognize the role of performance management practices on outcomes such as extra-role performances. Hence, training both managers and employees on how to navigate through the process of objective setting, providing feedback, and the evaluation itself is critical. Further, hotel organizations also need to continue to promote employee participation and involvement practices at all levels. It is important to note that employees need to be trained in the areas they are expected to participate in, in order for the organization to realize the benefits of their involvement.

5.1. Conclusion

This study has achieved its objectives in determining the influence of discretionary HR practices and psychological contract on OCB. Empirically, HR practices pertaining to training and development, performance management, and employee participation and involvement have significant influence on psychological contract and OCB. In addition, psychological contract was found to be significant mediator on the proposed relationship. There are some limitations which necessitate caution in accepting the results of

this paper and call for future studies. First, this paper treated HRM as a bundle of practices and did not adequately deal with complex differential effects of breach and fulfillment on outcomes. Second, data were collected from the same respondents. Some researchers [17] argue managers may not have enough chances to observe employees' OCB. Finally, a multi-level research treating HRM as an organizational level variable will provide more practical implications.

6. References

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