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...
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. Yousef 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 employees 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 (Bakker and Leiter, 2010), 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 subcomponents, 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.](image)
employees have a high level of energy and strong identification with their work (Rothbard and Patil, 2011) and experience active, positive emotions, including joy and enthusiasm, and the integration of their job and personal resources (Bakker and Oerleman, 2011).

2.3. Employee engagement literature in hospitality

Hospitality scholars have recognized the importance of employee engagement, investigating its antecedents and consequences, as well as its mediating and moderating roles, in affecting employee performance and organizational financial success. The hospitality literature has focused on (1) what employees bring to organizations such as personality (Kim et al., 2009), psychological capital (Karatepe and Karadas, 2015; Paek et al., 2015), and a generational perspective (Park and Gursoy, 2012), (2) what organizations offer employees, including procedural justice (Karatepe, 2011), work characteristics (Burke et al., 2013), high-performance work practices (Karatepe, 2013a), challenge stressors (Karatepe et al., 2014), and organizational characteristics (Rigg et al., 2014), and (3) how co-workers or leaders influence employee engagement through leadership style (Stanislawov and Ivanov, 2014), leader-member exchange (Li et al., 2012), co-worker support (Karatepe et al., 2010), supervisor support (Suan and Nasurdin, 2016), and abusive supervision (Lyu et al., 2016). Although there has been notable study of employee engagement in hospitality, research specifically on its antecedents and outcomes in a holistic approach is scarce.

2.4. PsyCap and employee engagement

PsyCap recognizes the power of employees’ positivity and refers to an individual’s positive psychological state of development characterized by self-efficacy, optimism, hope, and resilience (Luthans et al., 2007). High-efficacy individuals continuously challenge themselves with higher self-determined goals and also seek difficult tasks (Luthans et al., 2007). Hopeful individuals set realistic but challenging goals and expectations through self-directed determination, energy, and perception of internalized control (Luthans et al., 2007). Optimists are more likely to embrace change, see opportunities for the future, and focus on capitalizing on those opportunities (Luthans et al., 2007). Employees with high resiliency sustain a positive attitude and bounce back when beset with problems and adversity.

PsyCap has recently received more attention from hospitality scholars due to its role in fostering positive behaviors. Employees with a high level of PsyCap were more satisfied with their job and tend to help co-workers or superiors (Jung and Yoon, 2015). Karatepe and Karadas (2015) investigated how PsyCap affects Romanian frontline employees’ job, career, and life satisfaction. Another study with a sample of frontline employees in Korea analyzed how PsyCap influenced work engagement and employee morale (Paek et al., 2015). Still, it remains unclear how to promote employee engagement, warranting further examination of the relationship between PsyCap and employee engagement (Paek et al., 2015).

H1. PsyCap is positively related to employee engagement.

2.5. Service climate, employee engagement, and turnover intention

Service climate rests on a foundation of fundamental support for employees to perform their job effectively (Schneider et al., 1998). Organizations that pay close attention to their guests’ expectations and needs tend to create service climates that foster positive employee behavior (Schneider et al., 1998). Three major components represent the construct of service climate: customer orientation, managerial support, and work facilitation (He et al., 2010). Customer orientation assesses the extent to which an organization prioritizes its guests’ interests and incorporates systems to accommodate guests. Managerial support concerns an immediate supervisor’s support and rewards to employees for delivering quality service. Work facilitation addresses the service-related conditions (e.g., human resource practices, guidance, cooperation among team members) favorable for employees to deliver quality service to guests.

While service climate research has been used to predict employees’ attitudes and behaviors in the workplace, few studies have been conducted in hospitality. In addition, the research has focused on the impact of service climate, with most studies examining the relationship between service climate and customer outcomes (e.g., He et al., 2010) rather than service climate as a predictor of employee attitudes and behavioral intention. To build a positive service climate, employees must recognize that they will be rewarded for providing quality service and receive managerial support to perform effectively (Schneider et al., 1998). In other words, when psychological needs are fulfilled, employees are more likely to invest time and energy as well as be engaged.

H2. Service climate is positively related to employee engagement.

Positive work-related experiences and emotions result in positive work outcomes (Saks, 2006). Engaged employees are more passionate, energetic, and dedicated to their organization than disengaged employees (Rothbard and Patil, 2011); thus, they are willing to go beyond the normal expectations of their job, increasing work performance and satisfaction. Furthermore, engaged employees are more involved in their organization (Saks, 2006), demonstrate effective performance, and have less intention to leave voluntarily (Karatepe and Ngeche, 2012).

H3. Employee engagement is positively related to turnover intention.

2.6. Mediating role of employee engagement

Recently, hospitality scholars have emphasized the mediating role of employee engagement and its power in work-related outcomes such as job performance (Karatepe, 2011, 2013a; Li et al., 2012), extra-role performance (Karatepe, 2013b), job satisfaction, affective organizational commitment (Paek et al., 2015), and extra-role customer service (Karatepe, 2011, 2013b). Employee engagement as a mediator can explain the relationship between PsyCap and satisfaction (job, career, and life) (Karatepe and Karadas, 2015) and between PsyCap and affective organizational commitment (Paek et al., 2015). However, the potential mediating effects of employee engagement between PsyCap and turnover intention and service climate and turnover intention have not been empirically tested. Based on SET in a service organizational context, the level of engagement is expected to play a central role in mediating employees’ attitudes and behavioral intentions. Empirical studies further support this argument. Employees with high PsyCap are not only more satisfied at work and more committed to organizational citizenship behavior (OCB) but also have less turnover intention (Avey et al., 2011). Yoon et al. (2001) argued that there are indirect effects of service climate on employees’ job satisfaction via their work effort. In another study, a supportive organizational climate increased employee outcomes such as satisfaction (Luthans et al., 2008a). Employee satisfaction is well known to predict turnover intention. Based on the literature, this study suggests that employee engagement mediates the relationship between the antecedents and consequences of employee engagement.

H4. Employee engagement mediates the relationships among PsyCap, service climate, and turnover intention.

2.7. Organizational hierarchy

Important insights have been gained regarding individual attitudes and behaviors based on organizational hierarchy. Organizational hierarchy (structure) is defined as “the enduring characteristics of an organization reflected by the distribution of units and positions within the
organization and their systematic relationships to each other” (James and Jones, 1976, p. 76). An individual’s behavior within an organizational setting represents an intersection between the behavioral demands of the task situation and the behavioral requirements that the individual has developed from his or her personal background and demographics (Herman et al., 1975). Herman et al. (1975) also proposed that it is important to consider the effects of an individual’s task demands and personal standards to predict the individual’s behavior within the organizational setting since people with similar backgrounds (e.g., demographic characteristics) tend to display similar behavioral standards.

Corley (2004) found that each hierarchical level had different perceptions of company identity, characteristics, and even nature. Cole and Bruch (2006) report a significant amount of variability in turnover intention in their structural model across hierarchical groups. Furthermore, significant differences based on the organizational hierarchy existed regarding the importance of employees’ corporate social responsibility orientation (Angelidis et al., 2008). Based on the literature, organizational structure may influence employees’ attitudes and behaviors; however, little research into this relationship has been conducted for hospitality employees. Lu et al. (2016) recently examined organizational hierarchy (i.e., supervisors and frontline employees) differences for work engagement, job satisfaction, and turnover intention and found that supervisors had higher levels of work engagement and lower turnover intention. In contrast to Lu et al. (2016), this study tests a model of employee engagement (i.e., antecedents and outcomes) based on organizational hierarchy in the hospitality workplace. Therefore, this study proposes differences based on employees’ hierarchical position.

H5: a: The impact of psychological capital on employee engagement differs between frontline and management employees.

H5: b: The impact of service climate on employee engagement differs between frontline and management employees.

H5: c: The impact of employee engagement on turnover intention differs between frontline and management employees.

3. Method

3.1. Sample and data collection

Convenience sampling was used for data collection over a two-week period during March 2014. Data were collected from four casino resort properties with high occupancy inventory ranging from 2522 to 3960 rooms in the southwestern US. The survey was prepared in two languages: English and Spanish. Since one of the industry languages: English and Spanish. After the survey was developed, language experts translate it into Spanish since one of the industry languages: English and Spanish. The survey was administered to employees who were currently working in a hotel company. After the pilot survey, minor word changes were made such as replacing “hotel” to “property.” For example, the question for service climate was changed to read: “My property has clear ideas about customers and their needs.” The original item reads: “My hotel has clear ideas about customers and their needs.” The reliability and validity of the measures were also examined.

After the pilot survey and pretest, an intercept survey approach was used near the employee dining room at each property, seeking employees’ participation. Two versions (English and Spanish) of the survey were provided to those who voluntarily agree to participate in the study through either an online survey (Qualtrics.com) or a paper-and-pencil survey. The researchers provided a cover page with written assurance of anonymity prior to employees agreeing to participate in the survey. Reminder e-mails were sent to employees via the human resource department twice during the survey period. As a result, 362 surveys were collected and used for data analysis.

3.2. Measures

The PsyCap questionnaire (PCQ) developed by Luthans et al. (2007) consists of 24 items with four subscales, efficacy (e.g., I feel confident contributing to discussions about the company’s strategy), hope (e.g., If I found myself in a jam at work, I could think of many ways to get out of it), resilience (e.g., I usually manage difficulties one way or another at work), and optimism (e.g., I always look on the bright side of things regarding my job), each containing six items. PsyCap, as a core variable, predicts attitudes and performance outcomes more accurately and powerfully than its stand-alone components (Luthans et al., 2007). This has been confirmed and supported by several studies in the hospitality literature (e.g., Mathe-Soulek et al., 2014; Paek et al., 2015) and this approach is used in this study. The service climate scale used is from He et al. (2010) with three subscales: customer orientation (e.g., My property always responds quickly to the customers’ feedback and suggestions, six items), managerial support (e.g., My manager is responsive to my requests for help or guidance), and work facilitation (e.g., I have the manuals and resource materials I need to provide services, four items). The subscales have six, four, and four items, respectively. Employee engagement is assessed with the Utrecht Work Engagement Scale (UWES) short version consisting of three subscales with three items each: vigor (e.g., I feel energized at work), dedication (e.g., I am proud of the work that I do), and absorption (e.g., I am really focused when I am working hard) (Schaufeli et al., 2002). Finally, turnover intention is adopted from DeConinck and Stilwell’s (2004) scale and measures employees’ intention to leave their current employer by four items. A sample item is: “Within the next six months, I intend to search for another job.”

3.3. Data analysis

Preliminary statistics were obtained using SPSS 21.0 including data screening and preparation. Skewness and kurtosis of each variable were examined for univariate and normalized estimates and checked for multivariate kurtosis. Anderson and Gerbing’s (1988) two-step approach was employed to analyze the data using EQS 6.1. The fit of the measurement model was tested first and, then, structural equation modeling (SEM) examined the hypothesized relationships among the constructs. The Satorra-Bentler (S-B) scales χ2 test and standard error (SE) corrections used as the data were not normal. Finally, an invariance test between frontline and management employees was conducted.

4. Results

4.1. Respondent characteristics and descriptive statistics

The final sample for data analysis was 290 after deleting incomplete responses and outliers. Participants’ ages range from 20 to 69 years. The majority of respondents was white (52.2%) and the front of the house (e.g., table games, slots, front desk) was represented by 57.6% of responses and outliers. Participants’ ages range from 20 to 69 years. The majority of respondents was white (52.2%) and the front of the house (e.g., table games, slots, front desk) was represented by 57.6% of respondents. The sample predominately consists ed of full-time employees (87.6%) and most participants were frontline employees (58.8%), with the remaining 36.5% at the manager or supervisor level and 4.7% at the director and above level. Table 1 presents the descriptive statistics and correlations among the study variables.

4.2. Common method bias

This study utilized cross-sectional data, which are vulnerable to common method bias. Common method bias has been a concern in
behavioral research because it is a critical source of measurement error. Three primary techniques to control for common method bias were used in this study: the design of the research procedures and two statistical controls (Podsako et al., 2003). All respondents were assured that their answers remained anonymous; thus, respondents were less likely to modify their responses to be more socially desirable. Different scale endpoints and counterbalancing of the question order were also implemented. Harman’s single-factor test as a statistical control was used as a strong determiner of common method bias (Podsako et al., 2003). When common method bias is highly accountable for covariance among the constructs, the result of confirmatory factor analysis (CFA) should indicate that a single-factor model fits the data. However, the result of the single-factor model did not represent the data well: S-B scaled \( \chi^2(54) = 741.0545, p = 0.000, \text{CFI} = 0.543, \text{IFI} = 0.546, \text{RMSEA} = 0.264 \). Therefore, the results provide empirical evidence that the inter-item correlations were not driven by common method bias.

In addition to Harman’s single-factor test, this study additionally used an unmeasured latent method factor approach. This technique is more rigorous and is recognized as being practical compared to other techniques such as partial correlation procedures and CFA marker techniques (Min et al., 2016). In the measurement model, factor loadings of all items with and without the unmeasured method factor were compared. All factor loadings of items decreased, except for Hope, which increased from 0.731 to 0.752, for the unmeasured method factor. On average, factor loadings of 0.11 were explained by the unmeasured latent method factor. This equates to an average of 4% of the variance of each item being accounted for by common method variance. The results of this additional test suggest that common method variance was not a pervasive problem in this study.

### 4.3. Second-order CFA

Second-order CFA was conducted for the variables of PsyCap, service climate, and employee engagement due to multiple dimensions. The results of the second-order CFA show a good fit to the data. The hierarchical model of PsyCap shows a good fit as S-B scaled \( \chi^2(148) = 208.8525, p = 0.000, \text{CFI} = 0.974, \text{IFI} = 0.974, \text{RMSEA} = 0.038 \). All factor loadings and dimensions were significant, ranging from 0.63 to 0.89 \( p < 0.05 \). The second-order CFA of service climate also showed a good fit to the data: S-B scaled \( \chi^2(51) = 85.1092, p < 0.001, \text{CFI} = 0.966, \text{IFI} = 0.966, \text{RMSEA} = 0.048 \). All factor loadings of indicators and dimensions were significant, ranging from 0.77 to 0.91 \( p < 0.05 \). Additionally, the second-order CFA of employee engagement had an adequate fit to the data: S-B scaled \( \chi^2(6) = 11.5631, P > 0.05, \text{CFI} = 0.996, \text{IFI} = 0.996, \text{RMSEA} = 0.057 \). All factor loadings of indicators and dimensions were significant, ranging from 0.81 to 0.96.

### 4.4. Measurement model

To test the model, indicators were constrained to load only on the factor they were designated to measure, factor covariances were free to be estimated, and error terms associated with each indicator were uncorrelated. Goodness-of-fit indices show that the measurement model fit the data reasonably well: S-B scaled \( \chi^2(44, N = 290) = 48.5634, p = 0.485, \text{CFI} = 0.976, \text{IFI} = 0.977, \text{RMSEA} = 0.066 \). The reliability coefficient (rho) for the indicators was 0.930 for the four-factor model. All factor loadings were significant (see Table 2). Variances (\( R^2 \)) of the indicators accounted for by their corresponding construct range from 0.415 to 0.922, demonstrating that the explained variances were substantive.

Construct validity was assessed by convergent and discriminant validity and the composite reliability of each construct above the 0.7 threshold recommended by Hair et al. (1998). Convergent validity was also established with all indicators significantly loading on the proposed construct and the average variance extracted (AVE) was above the recommended cutoff of 0.5 (Baguszi and Yi, 1988). This confirmed that the measures were internally consistent; thus, convergent validity was established. Each AVE was higher than the squared correlation coefficients, indicating that the measurement model had sufficient discriminant validity. All correlation coefficients were also significant. These validity checks provided preliminary evidence that the measurement model had construct validity.

### 4.5. Structural model

The structural equation model was used to test the hypothesized interrelationships among the variables. The results showed a good fit to the data as S-B \( \chi^2(48) = 87.6352, p = 0.000, \text{CFI} = 0.978, \text{IFI} = 0.978, \text{RMSEA} = 0.053 \). All structural regression coefficients were significant (see Fig. 2). According to the Wald and Lagrange multiplier (LM) tests, it was not necessary to re-specify the model.

The path estimates show that PsyCap had a significant positive direct effect on employee engagement (\( \beta = 0.45, p < 0.001 \)), supporting H1. Employees’ perceptions regarding service climate had a significant positive direct effect on employee engagement (\( \beta = 0.35, p < 0.001 \)), supporting H2. Employee engagement had a significant and negative direct effect on turnover intention (\( \beta = -0.27, p < 0.05 \)), supporting H3. The results also showed several significant indirect effects (Table 3). Employee engagement had a significant and negative indirect effect (full mediation) between PsyCap and turnover intention (\( \beta = -0.121, p < 0.05 \) and between service climate and turnover intention (\( \beta = -0.094, p < 0.05 \)), supporting H4.

### 4.6. The invariance test

The structural model was used to test the baseline model of each hierarchical group. The frontline employee group adequately fit the
data as S-B $\chi^2(49, \ N = 185) = 99.0653, \ p = 0.000, \ CFI = 0.954, \ IFI = 0.954, \ RMSEA = 0.075$. The baseline model of the management group showed a moderate fit to the data as S-B $\chi^2(49, \ N = 105) = 95.5958, \ p = 0.000, \ CFI = 0.943, \ IFI = 0.945, \ RMSEA = 0.096$. All fit indices showed a good fit to data, but the RMSEA exceeded the recommended range of 0.05–0.10 (MacCallum et al., 1996).

The structural path coefficients between the two groups were also tested (Table 4). All path coefficients were invariant except PsyCap to employee engagement and service climate to employee engagement. The results show that both PsyCap and service climate had a stronger effect on employee engagement for the management group than the frontline group. Specifically, the path between service climate and employee engagement showed a large gap between the two groups ($\beta_{\text{Management}} = 0.632, \ \beta_{\text{Frontline}} = 0.327, \ p < 0.05$). Thus, H5 was supported.

5. Discussion

5.1. Conclusion

This study tested a conceptual model of the factors affecting employee engagement and its mediating role leading to turnover intention for both hospitality frontline employees and managers. The findings showed that service climate (environmental factor) and PsyCap (personal resource) predicted employee engagement, which in turn affected turnover intention. Importantly, organizational hierarchy was found to moderate the hypothesized relationships in the model. Specifically, hospitality managers displayed higher PsyCap and stronger service climate impacting employee engagement than frontline employees.

Overall, this is the first research study in hospitality to address the mechanism of employee engagement as a mediator by simultaneously examining antecedents and an outcome variable along with a moderator using a US sample of frontline employees and managers.

5.2. Theoretical contributions

Several findings from this study provide unique contributions in the following ways. SET was used as the framework to conceptualize the model and underscores the critical role of employee engagement. Support for the model results in validating SET as an important framework for understanding the employee-employer reciprocal relationship and specifically for the hospitality context. Furthermore, unlike the study by Karatepe (2013a), social exchange theory explains the reciprocal relationship for frontline and management employees. Thus, this study fills the gap in the social exchange theory literature by including new variables, a US sample, and a test of employees at two different levels of organizational hierarchy.

Moreover, the literature provides support for the importance of organizational hierarchy in examining employee perceptions (Corley, 2004) and this is confirmed in the current study. The strength of the relationships between both antecedents and engagement differ significantly for the two groups. Specifically, PsyCap and service climate show a stronger impact on managers’ engagement than frontline employees’ engagement. The hospitality literature has recognized the importance of PsyCap as a way to increase frontline employees’ engagement (Karatepe and Karadas, 2015). This study extends the current literature by showing that this causal relationship exists and is significant for both frontline and managerial employees.

Furthermore, service climate and psychological capital are critical to all employees (Schneider and Bowen, 1993; Luthans et al., 2007). Managers are part of the service delivery chain, which is driven by the service climate (Mayer et al., 2009). Managers perform their work within the service climate and enact the service climate for frontline employees, thereby raising its salience for managers compared to frontline employees. Psychological capital is a positive employee state that can be further developed through training (Luthans et al., 2007).
Managers by the very nature of their job qualifications (i.e., education, experience, training, skills and knowledge) have a greater opportunity than frontline employees to increase their psychological capital capacity to be effective. From an SET perspective, the exchange relationship, between the antecedents and engagement was perceived differently by managers and frontline employees. The findings regarding organizational hierarchy extend SET by recognizing the value in understanding the potential reciprocal relationship differences between groups.

In addition, very limited research has examined the link between service climate and employee engagement (e.g., Salanova et al., 2005). For example, Salanova et al. (2005) reported that employee engagement along with organizational resources predicted service climate for hotel front desk and restaurant employees. Unlike that study, the results of the current study revealed that service climate has a strong direct effect on employee engagement. The result of the direct effect supports the service climate literature suggesting that employees’ needs should be met before customers’ needs (Schneider et al., 1998). Employees experiencing a positive service climate tend to provide positive emotional work behaviors, which leads them to be more motivated to provide quality service (Liu and Yang, 2007).

The meta-analysis by Avey et al. (2011) indicated that PsyCap is negatively related to undesirable attitudes such as turnover intention. The mediating effect of employee engagement from this study adds value to the current literature by uncovering the focal role of employee engagement in explaining the relationship between these two constructs. To our knowledge, this is the first study to reveal an indirect effect of service climate on turnover intention through employee engagement. Sowinski et al. (2008) noted the need to examine the effects of service climate in the workplace. This study further validates this relationship by collecting data from several US hotel properties and also fills the gap in the literature by testing the direct and indirect relationships between service climate and turnover intention. Thus, the current study extends the service climate literature by identifying employee engagement as a mediator, thereby providing a deeper understanding of the service climate and turnover intention relationship.

5.3. Practical implications

The study findings reveal that it is essential to focus on positivity in the workplace through selection, training, and development of employees along with the education and training of current and future managers. In the selection process, hospitality human resource managers should consider their criteria for the recruitment and hiring of employees who possess a high level of PsyCap, specifically, strong self-efficacy, optimism, hope, and resilience. For instance, self-efficacious people can be distinguished by several characteristics; they have strong goals, welcome and thrive on new challenges, are highly self-motivated, and dedicate their effort to accomplishing their goals (Luthans et al., 2007). These characteristics can emerge in the selection process through such techniques as an in-basket exercise, leaderless group discussion, computer simulation, and behavioral and situational interview questions or surveys. These selection criteria are especially meaningful for managerial positions since a leader’s level of PsyCap plays a critical role in developing followers’ PsyCap (Walumbwa et al., 2010). Employees who embody PsyCap feel confident contributing to the company’s strategy and goals. They see things from a positive perspective and possess the ability to solve problems and move forward when confronted with challenging situations. Thus, they are likely to engage more in their work.

It is also important to consider hiring employees who are open to development since positive resources such as PsyCap can become stronger through human resource practices (Luthans et al., 2007). For employees who are currently working, it is critical to provide training and development efforts, both of which enhance the positive resources of employees’ PsyCap. Employees’ level of PsyCap has a negative relationship with turnover intention among hotel employees (Karatepe, 2014). As tested among management students and various managers across industries, organizations can boost employees’ PsyCap with short training interventions and increased on-the-job performance (Luthans et al., 2010). For example, a training program of one to three hours can enhance employees’ level of PsyCap through their participation in goal setting, group learning, and pathway exercises (Luthans et al., 2008b). Further, employees improved their self-efficacy, optimism, hope, and resilience through web-based training that was relatively inexpensive, convenient and effective.

This study provides insights into the importance of creating and maintaining the organization’s service climate. Service climate has been identified as particularly important in personal service industries, such as hospitality, and requires the investment of resources to ensure a strong and supportive environment (Hong et al., 2013). Dedicating resources to creating, maintaining, and enhancing the service climate provides employees with a work environment that fosters the realization of individual and organizational benefits.

Hospitality human resource departments should invest resources in the selection and training of employees aligned with the desired service climate. Specifically, human resource personnel should determine the service-oriented behaviors most desired in employees. Service-related behaviors have a positive affect on employee performance and organizational success (Schneider et al., 1998) and consist of individual’s traits, knowledge, and skills that drive attitudes and behaviors. For example, employees’ personality plays a role in fostering service climate. Salvaggio et al. (2007) found that conscientiousness and emotional stability were personality traits that positively affected service climate. In a study of restaurant employees, Ployhart et al. (2011) found that personality and cognitive ability affected employee service performance behavior and unit effectiveness. For current employees, sufficient resources should be provided for the relevant training and supportive managerial practices, including service-related performance rewards, necessary to perform effectively within the desired service climate. Training should focus on employees’ ability to carry out the work of their current job, while also preparing them for career advancement (Wan and Chan, 2013).

Leadership behaviors are essential to the establishment and continuation of service climate (Bowen and Schneider 2014). Hospitality organizations should consider training managers in service-oriented leadership. Service climate is strongly supported and advanced by service-oriented leadership compared to general leadership (Hong et al., 2013). In a study of hotel employees, Ling et al. (2016) found that servant leadership or service to others approach was important in promoting subordinate service-oriented behaviors. Employees’ who have this service orientation contribute positively to the organizational service climate (Bowen and Schneider, 2014). Role modeling by leaders may be an effective method of training subordinates to emulate service-oriented behaviors. Servant leadership creates a trusting, fair and collaborative approach to service (Paris and Peachy, 2013).

For a service climate to develop leaders should pay close attention to the everyday routine tasks of employees and offer feedback and coaching to improve their service oriented performance. Such an approach provides powerful inspirational motivation for employees while opening a variety of ways to communicate. Tang and Tsaur (2016) found that a supportive supervisory climate fostered front-line hospitality employee’s service-oriented behaviors. In addition, managers must ensure that direct service delivery employees receive adequate systems support from operations, marketing, and information technology (Bowen and Schneider, 2014).

Overall, service climate not only benefits the organization, but also the employees’ themselves. Employees with a supportive service climate are more engaged at work, suggesting an exchange relationship. This exchange or reciprocal relationship highlights the importance of employee and organizational contributions to engagement. In addition, Walumbwa et al. (2010) suggested that when service climate perceptions are high, PsyCap has an even a stronger impact on performance.
Moreover, this study found a stronger relationship between service climate and employee engagement for management employees than for frontline employees. Frontline employees directly focus on the services delivered to customers. However, the supervisor’s leadership can influence both the quality of service provided by frontline employees (Hui et al., 2007) and their engagement. Thus, hospitality organizations should dedicate sufficient resources to supporting a service climate that increases employees’ positive perceptions of their work environment, which will, in turn, positively affect engagement for both frontline and management employees.

Employee engagement fully mediates the relationship between antecedents (PsyCap, service climate) and employees’ turnover intention, thus highlighting the powerful effect of employee engagement. While the financial impact of employee turnover is well known, turnover does not only increase the cost of employee staffing; high turnover intention also causes an organization to lose employees with a high degree of knowledge, skill, and ability, which results in a negative impact on organizational culture and employee morale. The major recommendation of this study for hospitality is to adopt specific strategies to enhance employees’ PsyCap and service climate to engage employees, which can potentially increase the retention of talented employees.

6. Limitations and future study

This study has several limitations. The same participants in the study rate the predictor and criterion variables at one point in time, which makes the study vulnerable to common method variance (CMV). If common method variance is not controlled properly, it may diminish the reliability and validity of any scale used in the study (Min et al., 2016). Although approaches to reduce possible common method variance were implemented in developing the survey instrument, processing data collection, and additional statistical checks (Harman’s single-factor test and an unmeasured latent method factor approach), data from the same participants may still represent a limitation. The current study used proximal separation, but using temporal separation (collecting data at two different times with an appropriate lag time) and/or psychological separation would be helpful in reducing CMV (Podsakoff et al., 2012) in future studies. In addition, Min et al. (2016) recommended employing different sources for independent and dependent variables. Using multiple statistical controls such as combining Harman’s single-factor test and an unmeasured latent method factor or conducting the CFA market technique is also recommended to hospitality researchers to control the impact of CMV (Min et al., 2016). A limitation is also the generalizability of the findings as the sample represents hospitality employees working within the same US corporation. Therefore, future research should be conducted in a number of different hospitality corporations to enhance external validity. In addition, organizational hierarchy was examined only at two levels: frontline employees and managers. Future research should consider additional levels of hierarchy, such as frontline, middle, and senior managers, along with direct service employees. Also, the impact of organizational hierarchy on the relationships in the model may be influenced by workplace culture and, thus, workplace cultures worth examining in relation to organizational hierarchy.

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References


