

## **The Effect of Psychological Contract and Affective Commitment on Turnover Intentions of Hotel Managers**

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### **Abstract**

*High employee turnover within the hotel industry, especially amongst managers, has become one of the major concerns to researchers and practitioners. One of the major challenges for the hospitality industry is to retain these highly skilled employees. The purpose of this study is to investigate the psychological contract approach to the employment relationship with regard to the hospitality industry. The results demonstrate that psychological contract measures, in particular job content and promotion opportunities, can explain why there is a substantial amount of variance in intention among hotel managers with regard to leaving the organization, especially when the mediating role of affective commitment is taken into account. In this paper, managerial implications are discussed, and recommendations for further research are made.*

**Keywords:** Psychological Contract, Affective Commitment, Turnover Intentions, Hotel Managers

### **INTRODUCTION**

The hotel industry is faced with the challenge of personnel shortage. Globally, the turnover rate in the hotel industry is estimated to range from 60 percent to 300 percent annually, which is far higher than the 34.7 percent annual turnover rate reported in the manufacturing industry (Walker & Miller, 2010). Nevertheless, this high turnover rate is not only confined to the operational employees alone. It has been discovered that a high turnover rate also existed among managerial employees within the hotel industry. For instance, Ghiselli (2000) reported that the managerial turnover rate in the hotel industry in the United States ranges from 35 percent to 47 percent as compared to about 8 to 15 percent in the non-service industries. Additionally, Ingram and Brown (2000) in their study on turnover discovered that the turnover rate among middle-managers in the UK was significantly higher in the hotel industry as opposed to other service-oriented industries.

Research studies have shown that management-level turnover is globally increasing rapidly (Birdir, 2002; Ramley, Radzi, & Hemdi, 2008). Past studies regarding turnover rates of hotel managers in various countries have been reported. For instance, 29.5% in the USA (Iverson & Deery, 1997), 86% in Hong Kong (Lam, Zhang & Baum, 2001), 57.6% in Japan and Singapore (Khatri, Fern, & Budhwar, 2001), and 66% in Malaysia (Hemdi & Nasuridin, 2005). One of the major challenges for the hospitality industry is to retain managers who are termed as highly skilled employees. From an international perspective, Walsh and Taylor (2007) also suggest that retaining highly skilled staff is becoming a primary challenge for the hospitality industry. In addition, Hoque (1999) emphasizes the importance of HRM for the retention and the development of highly skilled staff.

Although management-level turnover is inevitable, a high turnover has a significant negative impact on the productivity and profits of an organization. Walker and Miller (2010) suggest that the costs of hiring and supervising a new replacement co-worker, rather than dealing with a coworker who is leaving, can amount to 70% of his annual salary. This figure is supported by Hinkin and Tracey (2006). In addition, a high turnover rate may lead to the erosion of the company's implicit knowledge base (Coff, 1997), which is one of the important key variables for competitive advantage (Delery & Dotty, 1996; Lado & Wilson, 1994). In the resource-based view as an influential research stream within strategy literature (Shore, Porter, & Zahra, 2005), the accumulation and deployment of valuable and rare intangible and tangible resources, which are difficult to imitate, are a way of gaining competitive advantage (Zahra & Nielsen, 2002).

Intangible resources occupy a central role in the resource-based perspective (Grant, 1991). Intangible resources are hard to imitate because they are not visible at first sight, and even when they are spotted, competitors can hardly decipher which resources are being used and how they are used (Reed & DeFillippi, 1990). Also, the development cycle is hard to compress for some intangibles (Shore et al., 2005). Hence, an organization's human resources are a prime intangible resource to look for competitive advantage because they take time to develop, and are hard for outsiders to understand and difficult to imitate. A highly skilled labor force can harness and exploit service-based competencies in ways that lead to competitive advantage (Lado & Wilson, 1994). Lado and Wilson (1994) argue that organizations that are unable to hire and retain highly skilled staff, especially the managers will either hinder or possibly destroy the development of organizational competencies and competitive advantage. Both the specific skills of employees and the amount of trust in the employee–employer relationship provide an indication as to whether or not organizational competencies will be enhanced or diminished (Lado & Wilson, 1994). As such, we can argue that the nature of the employment relationship is an important variable for the construction of organizational competencies and competitive advantage.

## **LITERATURE REVIEW**

### **The Employee – Employer Relationship**

The construction and maintenance of mutual commitment in the employment relationship are important indicators for employee turnover (Meyer & Allen, 1997). The way in which commitment is built in the employment relationship has been the topic of several research studies (Guest, 1998; Hemdi & Nasuridin, 2006; Robinson, 1996; Rousseau, 1989). Coyle-Shapiro, Taylor, Shore, and Tetrick (2005) distinguish five perspectives on the employment relationship and the way in which trust is built. These are: the social exchange perspective, the justice view perspective, the industrial relations perspective, the legal perspective and the economic perspective.

The first perspective is the social exchange view, in which the employment relationship is considered as an exchange of tangible and intangible benefits (Coyle-Shapiro et al., 2005; Shore & Coyle-Shapiro, 2003). The emphasis on the exchange of intangible benefits makes this perspective differ from the economic exchange perspective. Eisenberger, Huntington, Hutchison, and Sowa (1986) argue that the fulfillment of important socio-emotional needs is similar to the fulfillment of the individual needs for respect, caring and support in interpersonal relationships. Trust and the norm of reciprocity are the basis for this type of exchange (Blau, 1964).

Another perspective is the justice view of the employment relationship. In this view, a justice perspective captures how individuals perceive their exchange relationship in terms of reciprocal fairness (Coyle-Shapiro et al., 2005). Folger and Cropanzano (1998) argue that in this view, not only the perceived reciprocal fairness should be considered but also the moral mandates about social conduct held by society in general, which is an important regulator of the perceived fairness of management actions.

The third perspective is the industrial view of the employment relationship. The key assumptions are the existence of an inherent conflict between employer and employee and the perspective that employer and employees are collective parties involved in continuous negotiation processes (Kelly, 2005). The industrial view tends to emphasize the regulation of the relationship at national, industrial and organizational levels.

The legal view tends to emphasize the legal aspect of the employment relationship. The ways in which the expectations and obligations between the individual employee and the employer are justified and legally contracted are the object of this perspective. The last perspective is the economic view of the employment relationship. In the economic view, the employee and the employer are two distinctive parties who strive to maximize the benefits in their relationship (Block, Berg, & Belman, 2005). Employers seek to maximize profit and only participate in different forms of employment relationship if this increases competitive advantage. The employee party, as a collective or individual, seeks to maximize the utility of his returns by engaging in different forms of labor participation depending on the wage offered (Coyle-Shapiro et al., 2005). The tangible benefits are emphasized in this perspective.

However, these five perspectives use different angles. When using them to understand management-level turnover in the hospitality industry, their use as a complementary framework can provide a more comprehensive lens through which the employment relationship can be viewed. In this unified perspective, the individual – influenced by societal values – is part of a collective, interacting with the employer, who, in turn, is subject to market competition and is located in a societal and cultural context.

Tangible and intangible assets are a part of the interaction process, and it is the extent to which expectations and perceptions are met that leads to the development of trust in the relationship. One particular approach which is aligned with this unified perspective is the perspective of the psychological contract.

### **The Concept of Psychological contract in Employment Relationship**

Rousseau (1989) conceptualized the psychological contract as individual-level cognition and made this the object of her research studies. Focusing on employee's perceptions, she defines the psychological contract in terms of "individual beliefs regarding the terms and conditions of a reciprocal agreement between that focal person and another party" or as "individual beliefs in a reciprocal obligation between the individual and the organization" (Rousseau, 1989, pp. 121–123). Morrison and Robinson (1997) define the psychological contract as the employee's beliefs about reciprocal and promissory obligations between himself and the organization. Although the psychological contract is an individual-level construct, it reflects beliefs about tangible and intangible items that are to be exchanged in the context of a dyadic relationship. According to Rousseau (1995), obligations are commitments to future action and refer to attitudes and intentions. The emphasis on the employee's belief about what should be exchanged is an important characteristic of the psychological contract (Robinson, 1996). Another important characteristic is that the psychological contract is inherently perceptual and subjective (Rousseau, 1989; Ten Brink, 2004). Shore and Tetrick (1994) stressed that this was a set of beliefs shaped by multiple sources of input and by cognitive and perceptual biases.

As such, a psychological contract may differ from the formal, written legal contract but is very real to the individuals who hold them. Behavior and attitudes are influenced quite significantly by an individual's perception of his obligations, and perceptions of how well the other party's obligations have been fulfilled (Morrison & Robinson, 2005; Robinson, 1996; Shore & Tetrick, 1994; Tekleab & Taylor, 2003). The lack of fulfillment of aspects of the psychological contract will lead to a violation of the contract, with a change in attitudes and of behavior as a consequence (Rousseau, 1989; Morrison & Robinson, 1997). Rousseau (1989) suggests that a violation of the psychological contract may lead to strong emotional reactions such as anger, resentment and a sense of injustice. Regarding behavior, Robinson and Rousseau (1994) conducted a research study in which they found that violation of the psychological contract may lead to an increase in employee turnover. As such, the notion of a psychological contract provides a framework within which behavior and employee attitudes, such as the intention to leave an organization, can be researched and interpreted (Hancer & George Thomas, 2003).

Research studies on management-level staff turnover in the hospitality industry often concentrate on the numbers of employees who are moving from one organization to another within the hospitality industry or to other industries. Lucas and Deery (2004) argue that little research has been done on the motivation of these mobile employees, which can lead to employees actually leaving within the context of the psychological contract of employees and the possible violations of the contract (Hancer & George Thomas, 2003). The few research studies which have been done on the retention of hospitality managerial staff and the role of HRM are often related to the hospitality industry in a specific country (Hemdi & Nasurdin, 2008; Hoque, 1999; McGunnicle & Jameson, 2000).

In empirical research, many researchers (Coyle-Shapiro, 2001; Robinson, 1996; Robinson & Rousseau, 1994; Robinson & Morrison, 2000; Tekleab & Taylor, 2003) have used or based their measuring constructs of the psychological contract on Rousseau's questionnaire (1990). Some researchers have added employer's obligations to Rousseau's constructs of the psychological contract (Herriot, Manning, & Kidd, 1997; Morrison & Robinson, 1997). Based on the research studies, Herriot et al. (1997) distinguishes 11 items in the psychological contract. These are: job content, development opportunities, job security, work climate, intra-organizational mobility, work-family balance, autonomy, salary, performance-related pay, clarity about the task, and promotion opportunities. Thus, the first objective of this study can be highlighted: the relation between psychological contract and turnover intentions.

### **The Relationship between Affective Commitment and Turnover Intentions**

Various definitions of turnover intentions can be found in the literature. Tett and Meyer (1993) referred to turnover intentions as a conscious and deliberate willfulness to leave the organization. It has been conceptualized as the last in the sequence of withdrawal cognitions, which consists of thinking of quitting and intent to search for alternative employment.

Although turnover intentions need not necessarily lead to actual turnover, Bluedorn (1982) found that turnover intention was highly correlated with actual turnover behavior in thirteen out of fourteen empirical studies. In fact, studies on turnover have shown that turnover intention is the best immediate predictor of voluntary turnover (Griffeth, Hom, & Geatner, 2000; Lambert, Hogan, & Barton, 2001; Price, 2001). A meta-analysis undertaken by Steel and Ovalle (1984) confirmed that intentions were more predictive of turnover than attitudes such as job satisfaction or organizational commitment. The turnover intention – turnover relationship is supported by the attitude-behavior theory (Fishbein & Ajzen, 1975), which holds that one's intention to perform a specific behavior is the immediate determinant of that behavior. Since significant positive relationships have been found between turnover intentions and actual turnover (Bluedorn, 1982; Mowday, Porter, & Steers, 1982; Steel & Ovalle, 1984), turnover intentions have been recommended as a proxy in measuring actual turnover (Price, 2001; Price & Mueller, 1981).

Organizational commitment, as an attitude, has been defined as “the relative strength of an individual's identification with and involvement in a particular organization” (Mowday, Steers, & Porter, 1979, p226). This definition, reflecting an individual's affective commitment represents a major approach to the study of organizational commitment (Meyer, Stanley, Herscovitch, & Topolaytsky, 2002) and appears to be the most desired form of commitment. In addition, affective commitment has been found to correlate with a wider range of job-related outcomes, for example, turnover, absenteeism, job performance, and organizational citizenship behavior (Hemdi & Nasurdin, 2008). Researchers have agreed that commitment is the best single predictors of turnover intentions and subsequent actual turnover (Lum, Kervin, Clark, Reid, & Sorola, 1998; Allen, Shore, & Griffeth, 2003).

The above literature review is in line with the social exchange theory (Blau, 1964) and the norm of reciprocity (Gouldner, 1960) suggesting that the presence of psychological contract fulfillment signaling care and concern towards employees well-being and development may induce employees to reciprocate by enhancing their display of affective commitment, as well as a willingness to stay longer in the organization. Hence, the second research objective can be put forward: the relation between affective commitment and turnover intentions and the mediating relation between psychological contract and turnover intentions.

### **Employee Age, Psychological Contract, and Turnover Intentions**

Apart from the scarce use of the psychological contract in research studies as a framework in the hospitality industry to explain employee turnover, not much attention has been paid to the relation between age and the related phase in the life course and the psychological contract of employees working in the hospitality industry. For example, in the research study Walsh and Taylor (2007), no distinction is made among the respondents based on age. Nemiroff and Colarusso (1990) suggest that, during adulthood, the perspectives of human beings change dynamically as they get older. Different research studies (Gould, 1978; Levinson, 1978) suggest that different stages in adulthood can be distinguished. Each stage has a core theme as an attractor for the development process. Roughly, three stages for adulthood can be distinguished (Sparrow, 2000). The early adulthood stage (22–32 years) can be described as the age at which founding a family and building a career are the main themes. In the middle adulthood stage (33–44 years), more attention is given to family life and the education of children.

The value of having a career decreases, and the importance of work pleasure, social recognition and self-actualization grows. In the late adulthood stage (45–65 years), besides work pleasure, the balance between autonomy and interdependency becomes more important (Sekaran & Hall, 1989). Empirical research studies (Hall & Mirvis, 1995; Sparrow, 2000) in different industries confirmed this categorization of age groups. Also, exploratory research studies to the psychological contract of managerial employees in the hospitality industry seemed to support this categorization of age groups for further research (Ramley et al., 2008). Schalk (2005) indicates that these changing perspectives and needs will lead to a change in ideas and needs about important obligations of the employer and themselves. Hence, the psychological contract of employees will change during the life course (Hall & Mirvis, 1995). The predicting variables for turnover intentions will be different for each stage of development. Hence, a third research objective can be put forward: the influence of age on the relationship between the psychological contract and the intention to leave.

## **METHODOLOGY**

### **Subjects**

The purpose of this study is to investigate whether perception of psychological contract affects hotel managers' affective commitment and turnover intentions.

This study was correlational in nature since the primary objective was to identify variables that might influence employees' turnover intentions. In this study, the unit of analysis was individual managerial-level employee working in large hotels located in the state of Selangor, Kuala Lumpur, and Pulau Pinang, Malaysia. Managerial employee is defined as a person who performed the managerial tasks (i.e., planning, organizing, directing, controlling) on subordinates who performed the work of producing goods and services for the organization (Walker & Miller, 2010). For the purpose of this study, hotel managers was defined as full-time hotel departmental supervisors or managers, who have been employed for more than six months, and attached to the front office, housekeeping, food production, and food and beverage service departments. A total of 630 questionnaires were distributed to managers attached to 22 large hotels. These hotels had expressed their willingness allowing their managers to participate in this study. Questionnaires were distributed to the human resources manager of each participating hotels. Each manager was told to distribute the questionnaires to their respective departmental managers. 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.

This study was conducted cross-sectionally, in which all study variables were measured at the same point of time. This cross-sectional type of research is also consistent with previous studies on turnover intentions (Ghiselli, Lalopa, & Bai, 2001; Hemdi & Nasurdin, 2005; Lam, Lo, & Chan, 2002). This field study was conducted in a non-contrived setting, that is, in the managers' natural work environment with minimal interference from the researcher.

### **Measurement**

The first part of the questionnaire consisted specific questions on the respondent's gender, age and current position. Following these opening questions, the questionnaire continued with questions related to the measures of the psychological contract, affective commitment, and turnover intentions. The psychological contract contents are measured using a validated questionnaire from Kickul and Lester (2001). The mediating variable, affective commitment was measure using a 9-item scale derived from Mowday et al. (1979). And finally, the dependent variable, turnover intentions was measured using 5 items taken from Hom and Griffeth (1991) and Wayne, Shore and Liden (1997). Responses to all the items were made on a 7-point Likert scale ( $1 = strongly disagree$  to  $7 = strongly agree$ ). The reliabilities of the scales are more than sufficient, as all Cronbach's alphas are well above .75.

### **Method of Analysis**

Factor analyses were initially undertaken for the study variables. Descriptive statistics such as mean, standard deviations, reliability coefficients, and Pearson correlations were computed to understand the variability and interdependence of the subscales derived from the factor analyses. The hypothesis was tested using hierarchical regression (Cohen & Cohen, 1975). Given that age, gender, marital status, education, and organizational tenure may influence affective commitment and turnover intentions as noted by previous scholars (Hemdi, 2008; Lum et al., 1998; Ghiselli et al., 2001; Tepeci & Bartlett, 2002), these variables were controlled in the statistical analyses. To test for the mediation effects of affective commitment, the procedures as suggested by Baron and Kenny (1986) were followed.

## **RESULTS**

### **Profile of the Respondents**

The mean age of the respondents in this study was 38.1 years ( $SD = 7.09$ ) where most of the respondents are in the age groups of 21–30 and 31–40 years old. In this study, gender distribution was slightly higher for males. Of the 380 respondents, 217 respondents (57.1%) were males and 163 respondents (42.9%) were females. 266 of the respondents (70.0%) had educational qualification of Professional Certificate, Diploma, or a degree while the remaining respondents (30.0%) had qualification up to secondary level. Most of the managers (232 managers or 61.1%) were married, while the remaining 38.9% of the respondents were unmarried. Respondents were also asked to answer questions about departments in which they worked, organizational tenure, and hotel location. The managers were almost equally represented by the four operational departments; namely Front Office (23.2%), Food Production (24.7%), Housekeeping (27.1%), and Food & Beverage Service (25.0%).

In terms of organizational tenure, 199 respondents (52.4%) had 6 months to 3 years of work experiences at the current hotel, 60 respondents (15.8%) indicated they have worked between 4 to 5 years, whilst the remaining 121 respondents (31.8%) indicated they have worked at the current hotel for more than 5 years. Of the 380 responses, 152 responses (40.0%) came from large hotels in Selangor, 131 responses (34.5%) were from Pulau Pinang, and the remaining 97 responses (25.5%) were from Kuala Lumpur, Malaysia.

### **Factor Analysis**

Principal component factor analysis with varimax rotation was conducted to validate whether the measures used in this study are conceptually distinct. Three separate factor analyses were conducted respectively on psychological contract, affective commitment, and turnover intentions. Items with loadings greater than or equal to .50 were chosen (Igbaria, Livari, & Maragahh, 1995). On the other hand, a cut-off point of .35 is observed for cross-loadings (Igbaria et al., 1995).

A one-factor solution was obtained explaining 73.61% of the total variance in psychological contract. The KMO measure of sampling adequacy was 0.93 indicating sufficient intercorrelations, while the Bartlett's Test of Sphericity was significant (Chi square = 1227.30,  $p < .01$ ). All the eleven psychological contract items as conceptualized were retained. A similar factor analysis was undertaken to unveil the dimensionality of affective commitment. A single factor solution emerged explaining 70.00% variance. The KMO measure of sampling adequacy was 0.69 indicating sufficient intercorrelations, while the Bartlett's Test of Sphericity was significant (Chi square = 551.32,  $p < .01$ ). Finally, another factor analysis was carried out to confirm the dimensionality of turnover intentions. A one-factor solution was also revealed explaining 62.66% of the variance in turnover intentions. The KMO measure of sampling adequacy was 0.83 indicating sufficient intercorrelations, while the Bartlett's Test of Sphericity was significant (Chi square = 384.70,  $p < .01$ ). Cronbach's alphas for the measures were 0.76 for psychological contract, 0.82 for affective commitment, and 0.80 for turnover intentions, exceeding the minimum recommended level of 0.60 (Sekaran, 2000).

### **Descriptive Statistics**

Table 1 indicates the intercorrelations of the study variables. Moderate to strong correlations were found between job content, development opportunities, work atmosphere, autonomy and promotion opportunities on the one hand, and affective commitment and turnover intentions on the other. Thus, the more positive the respondents were about these job elements, the higher their score on affective commitment and the lower their score on turnover intentions. Weaker correlations were found for the remaining psychological contract measures and affective commitment and turnover intentions. In addition, affective commitment and turnover intentions were highly correlated ( $r = -.60$ ,  $p < .01$ ). The mean values for psychological contract measures as well as affective commitment were slightly on the high side ranging from 4.28 to 4.76. The standard deviations for these variables ranged from 0.98 to 1.20. Turnover intentions for the sample were considered moderate with a mean score of 3.87 (SD = 0.82).

**Insert Table 1 Here**

### **Hypotheses Testing**

To test the postulated hypotheses, psychological contract variables and affective commitment were regressed onto turnover intentions. The multiple regression analyses were control for age, gender, marital status, education, and organizational tenure. Table 2 presents the regression results of these analyses.

**Insert Table 2 Here**

From Table 2, results in the total group of respondents shows that job content ( $\beta = -.45$ ,  $p < .01$ ) and promotion opportunities ( $\beta = -.22$ ,  $p < .01$ ), were found to be significant predictors of turnover intentions, explaining 36.2% of the variance in turnover intentions. The results showed that the more positive the respondents were about their job content and promotion opportunities, the less were their intentions to leave the organization. In the second regression, affective commitment was entered after the psychological contract measures to test for mediation. It was found that affective commitment partially mediated the relationship between job content and turnover intentions as the beta coefficient dropped from ( $\beta = -.45$ ,  $p < .01$ ) to ( $\beta = -.30$ ,  $p < .01$ ) in the presence of affective commitment. Also, respondents' age were partially mediated by affective commitment as the beta coefficient drop from ( $\beta = -.25$ ,  $p < .01$ ) to ( $\beta = -.13$ ,  $p < .01$ ).

The effect of promotion opportunity ( $\beta = -.22, p < .01$ ) became insignificant ( $\beta = -.11, p > .05$ ) in the presence of affective commitment, thereby, implying full mediation. In other words, promotion opportunity has only an indirect effect on turnover intentions via affective commitment. Salary popped up merely as a significant predictor; the more positive the respondents were about their salary, the less were their intentions to leave. Similar regression analyses were conducted to determine whether the psychological contract variables are equally important in different stages of adulthood. In the youngest age group (21–30 years), job content ( $\beta = -.40, p < .01$ ), salary ( $\beta = -.23, p < .01$ ), and promotion opportunities ( $\beta = -.22, p < .01$ ) negatively and significantly explained the variance in turnover intentions ( $R^2 = 44.5\%, p < .01$ ). The analysis also shown that job content ( $\beta = -.40, p < .01$ ) was totally mediated by affective commitment as the beta value became insignificant ( $\beta = -.13, p > .05$ ). Respondents' psychological contract perceptions on salary and promotion opportunity were found to be partially mediated by affective commitment as the beta coefficient dropped from ( $\beta = -.23, p < .01$ ) to ( $\beta = -.17, p < .05$ ) for salary and ( $\beta = -.22, p < .01$ ) to ( $\beta = -.20, p < .05$ ) for promotion opportunity, respectively in the presence of affective commitment.

In the age group 31–40 years, the most important variables explaining the intention to leave were job content ( $\beta = -.41, p < .01$ ) and work–family balance ( $\beta = -.28, p < .01$ ) where, again, job content is entirely mediated by affective commitment as the beta value became insignificant ( $\beta = -.14, p > .05$ ). On the other hand, work–family balance affect on turnover intention was partially mediated as the beta value drop to ( $\beta = -.21, p < .05$ ) in the present of affective commitment. Thus, besides high scores on job content, high scores on work–family balance go together with low scores on intention to leave for this age group. For the oldest group (41–50 years), turnover intentions was best explained by job content and performance-related pay ( $R^2 = 40.6\%, p < .01$ ). The results showed that the more the organization offers performance related pay, the higher the turnover intentions. Further, job content and performance-related pay were partially mediated by affective commitment, as the beta coefficient dropped to ( $\beta = -.32, p < .05$ ) for job content and ( $\beta = -.20, p < .05$ ) for performance-related pay respectively. Results from Table 2 showed that affective commitment was negatively and significantly affect turnover intentions for the total group as well as for the all age groups.

## **IMPLICATIONS, LIMITATION, AND CONCLUSIONS**

### **Theoretical Implications**

Results from this study have demonstrated that psychological contract variables can significantly explain a substantial amount of variance in turnover intentions for hotel managers. Further, affective commitment was found to be an important mediating role in the relationship between psychological contract variables and turnover intentions. In addition, the analyses revealed that at different stages of adulthood, different factors might play a role when considering the intention to leave the organization. Among the psychological contract variables, job content appeared to be the most significant predictor of hotel managers' turnover intentions, followed by promotion opportunities and salary. Thus, the greater the extent to which individuals find that their jobs include challenging, comprehensive and diverse works, the less likely they are to leave their organizations. This effect was partially mediated by affective commitment, i.e. the more that respondents perceive their job as one which includes challenging, comprehensive and diverse work, the more they are committed to the organization, and in turn, the less likely they are to leave the organization. This is in line with the study by previous scholars (Hemdi & Nasuridin, 2006; Walsh & Taylor, 2007) who found that challenging work was an important factor influencing affective commitment, and in turn turnover intentions.

Therefore, in terms of the psychological contract perceptions, this might mean that the expectations among hotel managers are rather high, and that a slight violation of this expectation towards the negative side is what makes them consider leaving the organization. Promotion opportunities and salary were also related to hotel managers' turnover intentions. The more the respondents agreed to the fact that their organization offered them promotion opportunities and competitive salaries, the less inclined they were to consider leaving the organization. The results also highlighted significant influence of equitable and competitive salary and availability of promotions for younger managers' (age 21 – 30 years) turnover intentions. However, these factors play a less significant role for the older respondents. Further, it was shown that affective commitment is an important variable in explaining the intention to leave (Hemdi & Nasuridin, 2008; Meyer & Allen, 1997; Ten Brink, 2004; Walsh & Taylor 2007). Psychological contract measures such as job content, promotion, salary, work-family balance, and performance pay were significantly affected turnover intentions.

These factors were also found to be directly related to affective commitment, and in turn were also found to operate as a mediating variable between psychological contract measures and turnover intentions. Age was a significant variable in explaining the intention to leave the organization. The younger the respondents, the more likely they were to leave the organization. This effect was also partially mediated by affective commitment: the younger the respondents, the less committed they were to their organization and the higher were the intentions to leave. In addition, age seems to be a moderator variable, as in different age groups, different factors are important in explaining the intention to leave. This is in line with the theoretical conceptions discussed in the introduction (Hall & Mirvis, 1995; Sparrow, 2000). Job content is the most important explanatory variable for each age group. In the youngest age group, in which the respondents had just started their career, promotion opportunities and salary seem to be important additional factors in explaining the intention to leave.

This is in line with a previous research study carried out by Sparrow, (2000). In the age group 31–40 years, work–family balance was an important additional variable in explaining the intention to leave. The higher these respondents rated the flexibility to combine work and private matters, the less likely they were to leave the organization. These findings seem to support Schalk’s (2005) conceptual framework. For the older group (41–50 years), performance-related pay was an important additional explanatory variable after job content. The more they perceived their organization as having a policy of performance-related pay, the more likely they were to leave the organization. As discussed in the introduction, the need to become more autonomous with regard to choice of goal and interesting activities may be a possible reason for this relationship (Sekaran & Hall, 1989).

### **Practical Implications**

According to Rousseau (1995), it is only the individuals who develop psychological contracts and not organizations. Organizations provide individuals with a context in which psychological contracts can evolve and develop. As such, the organization can influence the psychological contract of employees directly through its agents and indirectly through administrative contract makers. The findings of this research study provide some important suggestions for managers in hospitality organizations to concentrate on the key predictors of the psychological contract for the explanation of managers’ turnover intentions. This study distinguishes predictors for turnover intentions for all the age categories and the specific predictors for specific age categories.

One of the strongest predictors for turnover intentions among all ages in this study is job content, which is also an important predictor for affective commitment. A job refers to the extent to which employees are satisfied with their jobs. Within the context of this study, job content is conceptualized as how much the job demands from managers and the possibilities the managers to have control over their job. Excessive work demands can lead to higher levels of psychological strain and job dissatisfaction. The impact of these demands may be offset by the perception that one has control over important aspects of the job environment. Indeed, highly challenging and demanding work combined with high control is considered an active job that has beneficial outcomes for individuals. At the other extreme, low-demanding work with low levels of control will lead to strain and reduced job satisfaction. Also, the combination of highly demanding work with low levels of control will lead to strain because anxiety will be created about the job performance and the personal consequences of not completing the work in a specified time frame. Low-demand work combined with high levels of control will lead to boredom and dissatisfaction. As such, jobs which are perceived as challenging and have enough possibilities for control may lead to a lower turnover intentions and also actual turnover. The practical implication of this perspective for hotel managers is the design of jobs. Because individuals will become more experienced and task-mature in a specific job over time, hotel managers should be able to design their jobs with flexible boundaries: employees can obtain more tasks in a specific job (e.g. activities, responsibilities, intrinsic development opportunities) with the provision of more control opportunities (e.g. autonomy, power).

Affective commitment has been found to be a significant predictor for hotel managers’ turnover intentions for all ages. Literature on increasing affective commitment indicates the use of primary and secondary contract makers to get the interests of the employees aligned with the interests of the organization (Arthur, 1994; Appelbaum, Bailey, Berg, & Kalleberg, 2000; Huselid, 1995). The practical implications for hotel organization is to concentrate on the alignment of manager’s interests with the interests of the organization, and, as previously discussed, to pay attention to job content, which is an important positive predictor for affective commitment. In the 21–30 age category, salary and promotion opportunities are important negative predictors for turnover intentions.

Individuals are building a career and family life, and salary and the opportunity for promotion to raise income are important in this stage of life. Practical implications for management may be twofold. First, management should know whether the promotion possibilities and salary heights in their organization are perceived as unfair by managers in comparison with the conditions in other industries. Too much perceived unfairness by managers with too little compensation from other job characteristics may lead to turnover intentions.

Secondly, care should be taken in the communication in the recruitment process of new managers, to align the perceptions of new personnel with realistic possibilities for salary and promotion in the organization. Consistency in promises related to salary and promotion opportunities are important to prevent violation of the psychological contract (Rousseau, 1995). In the 31–40 age category, the family–work balance is a negative predictor for turnover intentions. Work in the hospitality industry is known to be hard and involves long working hours at irregular moments (Hoque, 1999), which means that adjustments between work and family life may become troublesome. The practical implications for management are that they should take into account the needs of managers in this age group by expanding the control possibilities for managers to adjust work life and family life. The use of secondary contract makers such as HRM policies may play an important role in preventing this aspect of the psychological contract from being violated. In the 41–50 age category, performance rewards are a positive predictor for turnover intentions. The practical implications for management may be to develop HRM policies to meet the demands of this category of employees.

### Limitations

A limitation of this study is that all the variables were measured at the same time, and thus one cannot infer any causal relationships. Although it seems likely that a positive attitude about the job content reduces turnover intentions, one cannot say this definitely unless it is tested in a longitudinal study. In addition, the attitude towards leaving the organization was measured as intentions. The decision of an individual to actually leave the organization might be dependent on other or additional factors. Here again, a longitudinal study in which the hotel employees are followed throughout their career would yield valuable results. Finally, in this study, job content has proven to be an important predictor. Although this study has shown the importance of job content, further research into the aspects that makes a job satisfactory is necessary.

### Conclusions

This study has shown that psychological contract variables significantly explained hotel managers' affective commitment and consequently their turnover intentions. Thus, within the context of this study, the psychological contract variables can be used as a basis to define and to execute HRM practices in the hospitality industry. Hospitality management (i.e., hotel managers) need to realize that they are acting as primary contract makers, directly influencing not only policies and procedures, but also the development of the psychological contract of their employees. In this research study, insight into the possible predictors for turnover intentions have been provided, which can serve as a tool for HRM in hospitality organizations.

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**Table 1: Intercorrelations of the Study Variables.**

	1	2	3	4	5	6	7	8	9	10	11	12
1. Turnover intentions												
2. Affective Commitment	-.60**											
3. Job content	-.50**	.55**										
4. Development Opportunity	-.35**	.36**	.61**									
5. Job security	-.20**	.23**	.33**	.40**								
6. Intra. orgn. Mobility	-.21**	.27**	.38**	.55**	.41**							
7. Work-family	-.20**	.18**	.19**	.15**	.13**	.08						
8. Work atmosphere	-.40**	.45**	.51**	.60**	.31**	.40**	.24**					
9. Autonomy	-.38**	.46**	.53**	.45**	.23**	.28**	.19**	.61**				
10. Salary	-.27**	.20**	.22**	.28**	.20**	.13*	.16**	.30**	.22**			
11. Performance pay	-.20**	.20**	.24**	.33**	.11	.25**	.07	.35**	.24**	.51**		
12. Role clarity	-.19**	.30**	.30**	.44**	.25**	.25**	.08	.44**	.28**	.25**	.24**	
13. Promotion Opportunity	-.32**	.30**	.44**	.62**	.34**	.57**	.06	.50**	.30**	.35**	.37**	.34**

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

**Table 2: Summary of the Regression Results on the Influence of Psychological Contract and Affective Commitment on Turnover Intentions.**

Predictors	Turnover Intentions							
	Total Group (N=380)		21 – 30 Years (n = 185)		31 – 40 Years (n = 110)		41 – 50 Years (n = 85)	
	Std. β <sup>a</sup>	Std. β <sup>b</sup>	Std. β <sup>a</sup>	Std. β <sup>b</sup>	Std. β <sup>a</sup>	Std. β <sup>b</sup>	Std. β <sup>a</sup>	Std. β <sup>b</sup>
<b>Control Variables</b>								
Age	-.25**	-.13**	-.22**	-.19**	.05	.05	-.13	-.02
Gender <sup>a</sup>	-.09	-.07	-.12	-.11	.10	.09	-.13	-.02
Marital Status <sup>b</sup>	-.05	-.07	-.06	-.05	-.05	-.06	-.06	-.05
Education	.02	.02	.02	.03	.02	.03	.03	.02
Organizational Tenure	-.01	.01	-.02	-.02	-.02	.03	.02	.01
<b>Psychological Contracts</b>								
Job content	-.45**	-.30**	-.40**	-.13	-.41**	-.14	-.55**	-.32*
Development opportunity	-.07	-.05	-.08	-.06	-.07	-.08	-.06	-.06
Job security	-.10	-.08	-.09	-.10	-.08	-.08	-.07	-.07
Intra-organization mobility	-.08	-.08	-.08	-.09	-.08	-.09	-.08	-.08
Work family	-.07	-.09	-.06	-.08	-.28**	-.21*	-.11	-.10
Work atmosphere	-.11	-.10	-.09	-.09	-.07	-.08	-.07	-.08
Autonomy	-.06	-.07	-.08	-.10	-.09	-.06	-.09	-.08
Salary	-.10	.15*	-.23**	-.17*	-.09	-.09	-.10	-.09
Performance pay	-.02	-.03	-.04	-.05	-.04	-.07	-.28**	-.20*
Role clarity	-.08	-.09	-.07	-.09	-.06	-.07	-.08	-.07
Promotion opportunity	-.22**	-.11	-.22**	-.20*	-.10	-.09	-.09	-.08
<b>Affective Commitment</b>		-.44**		-.41**		-.50**		-.52**
R <sup>2</sup>	.362	.456	.445	.512	.265	.375	.406	.566
Adj. R <sup>2</sup>	.345	.423	.417	.463	.234	.333	.353	.517
F -Change	43.37**	45.56**	20.21**	25**	12.34**	15.78**	9.91**	14.74**

Note. \*p<.05, \*\*p<.01; Dummy Coded, <sup>a</sup>male = 0, female = 1; <sup>b</sup>single = 0, married = 1.