







# 4th INTERNATIONAL STRATEGIC MANAGEMENT CONFERENCE

"Exploring for International Competition and Cooperation Strategies to Foster Regional Development"



Proceedings of 4<sup>th</sup> International Strategic Management Conference

June 19 – 21, 2008 Sarajevo, Bosnia-Herzegovina

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## THE INTERACTION BETWEEN ORGANIZATIONAL CYNICISM AND PSYCHOLOGICAL CONTRACT VIOLATION IN TERMS OF STRATEGIC HUMAN RESOURCE MANAGEMENT

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#### **ABSTRACT**

Due to increasing competitive agility, changing customer preferences, transforming nature of workforce and anxieties associated with service quality in hotel enterprises, the relationship between organizational cynicism as a new paradigm of employee—employer relations and psychological contract violation should be examined in terms of various dimensions. The purpose of this study is to elaborate the interaction between organizational cynicism and psychological contract violation in terms of strategic human resource management. The findings of the research indicate that psychological contract violation increases organizational cynicism. The results prove that the managers when compared to non-managers exhibit less cynical behavior. In contrast to previous studies, it has been stated that the employees receiving training in tourism and hotel management have shown more cynical behavior than the ones not receiving training in the same field. Nevertheless, it has been determined that the employees at the level of elementary education have demonstrated more cynical behavior considering the ones who are educated at the level of vocational high school. Moreover, it is observed that when the age of the employee is low, there is an increase in cynical behavior. Finally, the implications for middle managers and employees in hotels and the alternative fields for future research are discussed in the light of research findings.

Keywords: Human Resource Management Policy, Organizational Cynicism, Psychological Contract Violation, Strategic Human Resources Management, Hotel Business

#### INTRODUCTION

Despite the prominence of the behavioral approach in strategic human resource management (SHRM) thinking, the relationship based on the trust in the frame of global competition is vital for the organization as well as the employees-suppliers. As the organizations determine the politics of the SHRM, they have to focus on some concepts such as organizational trust, perceived organizational support and organizational cynicism at the same time.

For the present study, the difficulty of the adaptation to new relations both inside and outside of the organization, long-term commitment, the strategic integration of welfare, skill development practices with team-based problem solving practices, the changing organization structures and the forms of new relations among the organizations require to discuss the organizational cynicism and psychological contract breach in terms of empirical and theoretical facts. In this context, organizational cynicism as a new paradigm of employee–employer relations, is no longer restricted to particular groups of philosophers or schools of thought, but also is widespread among organizations. Despite its extensive history, organizational cynicism has only recently emerged as a focal topic in the organizational psychology and human resource management literature.

Traditional human resource management emphasize solely on physical skills; training covering only specific tasks; functional and sub-functional specialization; and concern for individual efficiency. The traditional perspective did not place the emphasis on 'people' and therefore paid more attention to 'task' at the expense of people and their development (Karami et al., 2004: 52). That is, this approach pays a limited role in strategies for competitive advantage (Horwitz, 1999: 188–189). However, Strategic Human Resource Management (SHRM) focuses on the total contribution of the firm; innovative and creative behavior; overall effectiveness and cross-functional integration (Karami et al., 2004: 52). It requires a holistic approach, with not only an internal integration between personnel systems (recruitment, selection, rewards mechanisms and appraisal performance management), but also an integration between those systems and the organization's strategy overall (Baker, 1999: 51).

SHRM contributes to organizational effectiveness in all types of industries, but particularly so in highly competitive and labor-intensive ones, such as tourism. Particularly, the success of organization is largely dependent on customer satisfaction and employee behavior in this industry (Jolliffe and Farnsworth, 2003: 313). In this context, SHRM gives more recognition to the needs of employees and the importance of their commitment to the organization (Reid et al., 2002: 245). Employee commitment is seen as an important way of securing SHRM. But this is a difficult challenge, given the increasing job insecurity in many countries and industries. It requires the development of new psychological contracts (Baker, 1999: 51).

In light of trends toward global organizational strategies, restructuring, and downsizing, psychological contracts are playing an increasingly important role in contemporary employment relationships (Pate and Malone, 2000: 158). Particularly, downsizings have extremely negative effects on downsizing victims and their communities. Downsizings also have significant negative repercussions for survivors. Downsizings negatively influence survivors' behaviors by lowering productivity and increasing absenteeism. Unfortunately, unwritten psychological contracts between employees and their employers are usually violated when downsizings or other organizational changes occur. They also negatively affect survivors' attitudes by reducing organizational commitment, morale, job satisfaction, while increasing turnover intention, cynicism and job stress (Erickson and Roloff, 2007: 37).

Whereas studies have begun to show the effect that increased cynicism can have on some organizational outcomes, few empirical work has focused on the relationship between organizational cynicism and psychological contract violation. Therefore, the goal of this study is to investigate the relationship between organizational cynicism and psychological contract violation for Strategic Human Resource Management in hotel businesses licensed by the Ministry of Culture and Tourism in the Cappadocia Region of Turkey.

#### LITERATURE REVIEW

Dean et al. (1998) have defined organizational cynicism as a negative attitude toward one's employing organization, comprising three dimensions: (a) a *belief* that the organization lacks integrity; (b) negative *affect* toward the organization; and (c) tendencies to disparaging and critical *behaviors* toward the organization that are consistent with these beliefs and affect. Organizational cynicism is emerging as a result of ineffective leadership, insensitive downsizing and delayering strategies, the loss of faith in the leaders of change, mismanaged change efforts, poor organizational performance, layoffs, bureaucratic structure, distrust of management and its motives in many organizations.

It is a fact that the emotional state of survivors is profoundly affected after layoffs, especially when communication is inadequate and when, until the downsizing actually takes place, the old psychological contract is still believed to be in effect. Survivors are likely to feel increasingly less confident in their ability to manage their own careers and feel great insecurity about their future. When this feeling of helplessness is coupled with pessimism and a bleak vision of the future, a common response is cynicism.

Particularly, psychological contract violation is the emotional precursor to the onset of organizational cynicism (Delken, 2004: 1). The psychological contract is defined as an individual's expectations regarding the obligations that exist between an employee and an organization. When an employee perceives that the organization has failed to meet its obligations, the psychological contract is violated (Andersson, 1996: 1403). Psychological contract violation is a subjective experience, referring to one's perception that another has failed to fulfill adequately the promised obligations of the psychological contract (Robinson, 1996: 576). Cartwright and Holmes (2006) demonstrate that various factors such as poor communication, lack of alignment between policies and practices, perceptions of managerial incompetence, limited voice in managerial decisions, role ambiguity, and person-role conflict lead to the psychological contract violation.

In the 1980s, the globalization of the economy and the rise of multinational corporations have led to considerable interest in Strategic Human Resource Management (SHRM). In fact, SHRM is not a completely new and revolutionary field – rather its roots can be traced back to the mid-1950s. In this respect, SHRM is defined as the pattern of planned human resource developments and activities intended to enable an organization to achieve its goals (Jain, 2005: 167). In other words, SHRM is perceived as the means whereby the strategic goals of the firm are maximized by increasing the more efficient use of its human capital (Williams, 1994: 7).

As pointed out in the beginning of this study, the relationship between the organization and employees has weakened, often resulting in distrust and cynicism towards the organization. This negative attitude can more increase if employees do not receive consistent messages through formal or informal channels (O'Neill and Adya, 2007: 418). Especially callousness, cynicism, hypocrisy and malpractice often spread like a cancer within organizations and these negative attitudes have major influences on the ethical behavior of HR managers in organizations (Van Gramberg and Menzies, 2006: 8).

The relationship between HR managers and their subordinates appeared to be important in relation to the generation of perceptions of fairness (Searle and Ball, 2004: 717). When expectations were positive but currently not being met, the disappointment may begin to breed resentment and loss of respect for 'the management'. Cynicism grows rapidly under this kind of circumstances (Keith, 2006: 8-7). The consequences of cynicism include poor performance, low morale, high absenteeism, and turnover, disillusionment, distrust, and job dissatisfaction and fewer citizenship behaviors.

Employees respond to an environment positively in which there is mutual trust. HR manager should relate positively to trust; therefore a manager's credibility forms a crucial component of trustworthiness. Accordingly, developing an ethical approach is an important way of achieving positive performance. Especially, effective managerial communication and organizational support can lessen some of the negative effects of downsizings (Baker, 1999: 53). However, for cynics, organizational support can be perceived as manipulation rather than behavior undertaken to cultivate an acceptable social exchange relationship (Byrne and Hochwarter, 2008: 58). Thus, HR managers should inspire and motivate employees toward change in an organization and performance beyond expectations. In such a context where the manager is continuously challenging the status quo, the follower should be less cynical about organization change in the future (Avey et al., 2008: 115).

Several studies have examined the relationship between organizational cynicism and psychological contract violation. Mirvis and Kanter (1991) focused on the relationship between cynicism and psychographic profile of the workforce. They suggested that an individual's level of cynicism is determined by a combination of past experience, personality, and current circumstances, but they provided no evidence for the relevance of personality traits. Similarly, Robinson (1996) investigated the relations between employees' trust in their employers and their experiences of psychological contract violation by their employers. The results showed that the relationship between trust and psychological contract violation was strong and multifaceted. Initial trust in one's employer at time of hire was negatively related to psychological contract violation after 18 months on the job. Consistent with previous studies, Cheung and Chiu (2004) examined the process by which the fulfillment of the psychological contract influenced work outcomes through perceived organizational support and leader-member exchanges. The findings suggested that the extent of psychological contract fulfillment was positively related to employee attitudinal (affective commitment and attachment to supervisor) and behavioral outcomes. Both perceived organizational support and leader-member exchanges were found to fully mediate the relationship between perceived contract fulfillment and task performances. Moreover, Chrobot-Mason (2003) examined the psychological contract held by minority employees as it relates to diversity, and the implications of violating the contract on minority employee job satisfaction, commitment to the organization and organizational cynicism. Results supported that organizational cynicism was found to be positively related to perceptions of contract violation. Finally, James (2005) elaborates the antecedents and consequences of cynicism in organizations. Findings indicated that four workplace perceptions (perceptions of organizational politics, organizational justice, psychological contract violations, and perceived organizational support) significantly influenced organizational cynicism.

Kelly and Kelly (1991) identified that the major factors such as lack of real choice, lack of trust, unequal power and shares, lack of genuine institutional support caused cynicism among members in low-status groups. Furthermore, O'Brien et al. (2004) investigated cynicism and disengagement among devalued

employee groups. The results of study have indicated a high level of cynicism among the members in the groups who are in a low status.

Pate and Malone (2000) observed the psychological contract violation in terms of the durability and transferability of employee perceptions. The findings indicated that the relationship between officer cynicism and years of service was slightly stronger. They suggested that a negative experience with one employer led to negative perceptions of employers in terms of trust, loyalty and commitment. Further, the study showed that outcomes as a result of perceived violation were durable. On the other hand, Albrecht (2002) investigated the perceptions of integrity, competence and trust in senior management as determinants of cynicism toward change in two public sector organizations. The results suggested that perceptions of integrity and trust in senior management influenced cynicism toward change. Contrary to expectations, employee perceptions of the competence of senior management did have a direct influence on neither trust nor cynicism toward change. Furthermore, Pugh et al (2003) examined the relationship between an individual's psychological contract violation by a former employer and his or her attitudes toward a new employer. According to the findings, violation was negatively related to trust in the new employer, and positively related to employee cynicism. Lastly, it might also be argued that organizational tenure influences the interpretation of a perceived psychological contract violation.

# **METHODOLOGY**

A questionnaire was structured to gather primary data from middle managers and employees in hotel businesses. Two measures consisted of a 5-point Likert-type scale ranging from (1) 'strongly disagree' to (5) 'strongly agree'. Organizational cynicism was measured with 14 items adapted from Dean, Brandes, and Dharwadkar's (1998) organizational cynicism measure. The items were classified in terms of the three general attitudinal dimensions of negative beliefs, negative affect, and negative behaviors. The 14-items organizational cynicism instrument had reliability (Cronbach's alpha) of 0.954. Usually, a value of 0.70 in the Cronbach's alpha is considered adequate in order to ensure reliability of the internal consistency of a questionnaire (Nunnally, 1978). On the other hand, psychological contract violation was measured with five items developed by Robinson and Morrison's (2000) psychological contract violation measure. The 5-items psychological contract violation instrument had reliability (Cronbach's alpha) of 0.949.

The sampling is from middle managers and employees in hotel businesses licensed by the Tourism Ministry in the Cappadocia Region. Participants work in storey services, front-offices, and food and beverage departments of these hotels. Interviewers were recruited to distribute questionnaires to 250 subjects. In total, 132 employees responded to the survey. Of middle manager and the employees who responded, 114 provided useable questionnaires on all study variables for a response rate of 45.6 per cent. This rate is an acceptable response rate for this kind of study (Lewin et al., 1995; Pierce and Henry, 1996).

The sample consisted of 46 (40.4 percent) females and 68 (59.6 percent) males. The mean age of the respondents was 28.81 years (S.D. = 7.75), 47.4 percent of the respondents married and 52.6 percent was single. In terms of education levels, 15.8% of the respondents had graduated from primary \$6001, 54.4 % from secondary school, 14.0 % from high school, 14.0 % held Bachelor of Science degrees, and 1.8 % had Master's degrees. Furthermore, nearly half of the participants completed the tourism and hotel management training (48.2%).

Respondents held a variety of status in businesses. They included top administrative status (36.0 percent) and employee status (64.0 percent). Respondents' average organization tenure was 5 years in the present hotels. When worked departments are taken into consideration, it is seen that the participants to the survey are more employed in front-offices (37.7 percent), storey services (28.9 percent), and food and beverage departments (33.3 percent) in these hotels.

### RESEARCH FINDINGS

Table 1 reports means, standard deviations and correlations among variables. As predicted, psychological contract violation was found to be positively related to organizational cynicism (r = 0.738, p<0.01). Moreover, there was also a positively significant relation between job status and organizational cynicism

(r=0.465, p<0.01). On the other hand, organizational tenure, education and age were negatively related to organizational cynicism at the 0.01 level.

#### -TABLE 1-

Furthermore, hierarchical regression was used to analyze the relationships among variables. The block of control variables (demographic variables) and psychological contract violation were introduced into the model. The variance inflation factors (VIFs) associated with each regression coefficient (ranging from 1.34 to 1.65) was all smaller than the suggested threshold of ten indicating that multi-collinearity is not a problem (Morrow-Howell, 1994). Furthermore, correlations between variables ranged from 0.738 to -0.325 and were significant at a minimum level of 0.01. Given that none of the bivariate correlations was greater than 0.80, we can assume that multi-collinearity is not a problem in data (Grewal et al., 2004).

In step 1, psychological contract violation was entered in the analysis. The results from regression analyses in Table 2 suggest that the overall model was significant ( $R^2$ =0.544; F (1-112) = 33.648; p<0.001). That means that 54.4% of the variance in organizational cynicism was significantly explained by the independent variable. The results showed that psychological contract violation made significant effect on organizational cynicism ( $\beta$ = 0.738; p<0.05). In step two, demographic variables were added to the model and after controlling for the demographic variables, psychological contract violation explained additional 4.2 percent of the variance in organizational cynicism.

#### -TABLE 2-

The Independent t Test and the One-Way ANOVA Analysis have been conducted to determine whether to display the differences of the approaches related to the cynicism case of the employees and the middle managers employing in the hotel businesses in terms of demographic features.

When the results of t test are observed in terms of the employee position, it can be stated there is a significant difference between the managers and non-managers regarding to the cynical behavior  $[t_{(112)}=-5,557; p=0,000<0,05]$ . The results apparently indicate that the managers (Mean=2,10; S.E= 0,49) when compared to non-managers (Mean= 2,98; S.E= 0,91) exhibit less cynical behavior. When taking into consideration the t test results relating to professional education, it has been determined a significant difference between the employees receiving training in tourism and hotel management and employees not receiving training in tourism and hotel management [ $t_{(112)}=-5,186; p=0,019<0,05]$ . It is interesting that the employees receiving training in tourism and hotel management (Mean= 3,01) have shown more cynical behavior compared to the employees not receiving training in tourism and hotel management (Mean= 3,79).

According to the results of ANOVA Analysis, a significant difference relevant to cynicism has been determined between the employees existing in the group of under the age of 25 and the employees who are 30 and above the age of 30 [ $F_{(4-109)} = 7,162$ ; p=0,009 < 0,05]. It can be said that the employees who are 30 and above the age of 30 (Mean= 2,11; Std. Error= 0,59) have shown less cynical behavior when compared to those who are at the age of 21-30 (Mean= 3,02; Std. Error= 0,88). In general, as the employees' age in hotel businesses decreases, it has been established an increase of the cynicism fact.

When the cynical behavior is evaluated in terms of education, it has been observed a significant difference between the employees graduating from the elementary education and those who have vocational high school [F  $_{(4-109)} = 2,874$ ; p= 0,019 <0,05]. The employees at the level of elementary education (Mean= 3,11; Std. Error= 0,85) have shown more cynical behavior than the employees who are educated at the level of vocational high school (Mean= 2,17; Std. Error= 0,82). On the other hand, when the results of the ANOVA analysis of the respondents are observed in terms of their organizational tenure, a significant difference has been established [F $_{(4-105)} = 3,304$ ; p= 0,014<0,05] among the employees having the tenure of 2-5 years (Mean= 3,03; Std. Error= 0,84), the employees having the tenure of 6-9 years (Mean= 2,23; Std. Error= 0,83) and those having the tenure of 10 and above 10 years (Mean= 2,16; Std. Error= 0,72). In other words, in this study, as organization tenure (years) increases, it has been observed a decrease of the cynical behavior.

#### CONCLUSION

Human resources need to be managed strategically for businesses to enjoy sustainable competitive advantage in the global marketplaces. Businesses overrate the employees' commitment to the organization in order to attract, satisfy and motivate well-qualified workforce. In this context, the HR managers endeavour to overcome the organizational cynicism by adopting applications of SHRM practices which cover the components such as the employee commitment, career satisfaction, life satisfaction, and social support. In this respect, the main aim of this study was to investigate the interaction between organizational cynicism and psychological contract violation in terms of strategic human resource management. In line with the cynicism literature, the present study analyzed that psychological contract violation would influence on organizational cynicism. At this juncture, it can be stated that the present findings are partially consistent with previous studies (Andersson, 1996; Chrobot-Mason, 2003 and O'Brien et al. 2004) in identifying effects of psychological contract violation on organizational cynicism. The results indicate that psychological contract violation increase organizational cynicism, which is consistent with the findings of Chrobot-Mason (2003).

When the approaches relating to the cynicism case of the middle managers working and the employees in the hotel businesses are evaluated in terms of demographic features, the results indicate that the managers have shown less cynical behavior than non-managers. This finding is similar to the results of studies conducted by Kelly and Kelly (1991), and O'Brien et al. (2004).

In contrast to previous studies, it has been stated that the employees receiving training in tourism and hotel management have shown more cynical behavior than the employees not receiving training in tourism and hotel management. It can be concluded that this situation reflects the indicator of the people receiving professional education in the sector are not satisfied with the work atmosphere and the indicator of not being created job opportunities considering the qualified workforce. On the other hand, as the employees' age in hotel businesses decreases, it has been determined an increase of the cynicism fact. But, it has been established that the employees at the level of elementary education have shown more cynical behavior than the employees who are educated at the level of vocational high school. Finally, it has been determined that there is a decrease in cynical behavior as organizational tenure increases. This situation indicates that the employees having stable career life incline to the cynical behavior in a lower level. This result resembles the results of the study conducted by Pate and Malone (2000).

The findings of this study need to be interpreted with the following limitations in mind. First limitation is that the results cannot be strictly construed to be representative of all middle managers and employees in hotel businesses around the world due to the highly limited nature of the sample. Therefore, the study needs to be replicated in different industrial settings. Also, because these findings may be subject to cultural and economics factors, there is also a need to replicate the study in cultural and economic contexts that differ from the present one. Second, participants may have been biased to present positive aspects of their businesses.

There are several potential areas for future research. First, the relationships between social-identity functions and cynicism are in need of investigation. Second, it would be interesting to establish the specific reasons of organizational cynicism for different industries or organizations.

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Table 1: Descriptive statistics and intercorrelations among study variables

	Mean	Std, Dev.	1	2	3	4	5	6	7	8	9
1. Cynicism	2,68	0,89									
2. Psychological contract violation	2,71	0,82	0,738**								
3.Gender	1,41	0,49	0,109	0,142							
4.Marital status	1,48	0,50	-0,202*	-0,277**	-0,274**						
5.Age	2,94	1,15	-0,436**	-0,455**	-0,164	0,550**					
6.Education	2,31	0,96	-0,248**	-0,178	0,003	0,030	0,167				
7.Tenure (years)	2,31	0,92	-0,320**	-0,412**	-0,152	0,527**	0,581**	0,066			
8. Professional education	1,51	0,50	0,440**	0,307**	-0,083	-0,192*	-0,244**	-0,470**	-0,203*		
9. Worked Department	1,95	0,84	0,188*	0,045	-0,232*	0,155	0,052	-0,440**	-0,005	0,137	
10. Job Ștatus	1,65	0,47	0,465**	0,520**	0,041	-0,377**	-0,533**	-0,187*	-0,456**	0,303**	0,006

\*\* Correlation is significant at the 0.01 level (2-tailed).

Correlation is significant at the 0.05 level (2-tailed).

Table 2: Summary of hierarchical regression results of organizational cynicism

Independent variables entered	St. B	S.E.	$\mathbb{R}^2$	t	Sig.
Step 1 $F(1, 112) = 133.648$					- 0
Psychological contract violation	0.738	0.070	0.544	11.561	0.000
Step 2 $F(6, 101) = 33.701$	¥ 20				
Psychological contract violation	0.672	0.075		9.703	0.000
Gender	0.035	0.121		0.528	0.598
Aarital status	0.042	0.133		0.573	0.568
Age	-0.139	0.009		-1.856	0.066
Education	-0.067	0.066		-0.944	0.347
Vorked department	0.139	0.077		1.930	0.056

Notes:  $R^2 = 0,544$  for step 1;  $\Delta R^2 = 0.042$  for step 2 (p< 0.05) Dependent variables: Organizational cynicism