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Relationship Between Perceived Organizational Politics and Turnover Intention of Hotel Industry in Malaysia

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Abstract: Employee's turnover is a perennial problem in the hotel industry. This study presents the influence of perceived organizational politics on turnover intention among frontline employees of hotel industry in Malaysia. Meanwhile, this study aims to develop a conceptual framework for examining the relationship between perceived organizational politics and employee's intention and whether psychological contract mediates this relationship.

Key words: Perceived organizational politics, psychological contract, turnover intention, hotel industry, mediates

INTRODUCTION

Services represent the majority of today's economy, not only in developed countries but also developing countries throughout the world. In most countries, the service sector of the economy is very diverse, comprising a wide array of different industries that sell to individual customers and business customers as well as to government agencies and nonprofit organizations Lovelock and Wright (2002). Service industries also account for most of the growth in new jobs Bryner (1997). In Malaysia, the tourism industry has been identified as the key driver in the growth of the service sector (11). However, the growth of the service industry and the tourism industry in Malaysia as a whole had been embittered by the high turnover rate in the hotel industry which plays a major role in the service as well as the tourism industry. Labor turnover as "the movement of people in and out of employment within an organization" Denvir and McMahon (1992). It can be voluntary or involuntary.

Employee turnover is the rotation or changes in possession of workers around the labour market between different firms and organizations as well as between the states of employment and unemployment. Organizations had invested a lot of capital on the employees in terms of training, development and induction and retaining of the employees. Therefore, managers must recognize or try to minimize the problem of employee turnover in their organization. In order to do this they must first understand the possible factors that will contribute to turnover among employees.

RESEARCH BACKGROUND

The services sector is an important component of the world economy with tourism industry has become the largest and most dynamic industry in today's economy. WTTC (2014) reported that the direct contribution of travel and tourism to Gross Domestic Product (GDP) in 2013 was MYR 70.4 billion or about 7.2%. This is forecast to rise by 7.0% or about MYR 75.3 billion in 2014.This primarily reflects the economic activity generated by industries such as hotels, travel agents, airlines and other passenger transportation services (excluding commuter services). But it also includes for example, the activities of the restaurant and leisure industries directly supported by tourists.

In Malaysia, the stated that the tourism sector was the sixth highest contributor to the Malaysian economy in 2014 and will continue to experience development and diversification, remaining a top growth sector in the world economy. The industry also generated 881,000 jobs directly in 2013 (6.7% of total employment) and this is forecast to grow by 5.1% in 2014-926,000 (6.9% of total employment). This includes employment by hotels, travel agents, airlines and other passenger transportation services (excluding commuter services).

Besides that, hotel industry in Malaysia welcomed a total of 27,437,315 international tourists in 2014 which generated a revenue of RM 72 billion an increase of 10% compared with RM 65.4 billion in the previous year. This industry also recorded an average occupancy rate of 63.6%, an increase of 1% compared with 62.6% in 2013. Seven states that recorded higher than average

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occupancy rates were Pahang (81.1%), Kuala Lumpur (69.7%), Selangor (68.2%), Putrajaya and WP Labuan (67.6%), Penang (65.2%) and Sabah (63.8%).

Futhermore, Tourism Malaysia in collaboration with immigration department stated that Malaysia showed a total of 5.1 million or 18.7% of international tourists to Malaysia in 2014 came from medium haul markets compared with 4.9 million or 18.9% of international tourists in 2013. China, India, Australia, Japan and South Korea were the five major markets from this medium haul segment. ASEAN remained the single highest contributor to international tourist arrivals with a share of 74.3% or 20.4 million tourists in 2014.

PROBLEM STATEMENT

Many studies such as Masdek *et al.* (2011), Ishak *et al.* (2011) and Saad *et al.* (2011) claimed that the hotel industry is facing high employee's turnover which this problem affect organisational performance such as diminished research efficiency and productivity (Davidson *et al.*, 2010) diminished labour productivity, financial performance, customer service and quality and safety (Hancock *et al.*, 2013) and many others. Turnovers in hotel also could affect a country's economy if this problem is not monitored and managed properly.

One of the significant predictors of employee turnover is related to the organization because organizational factors are an important consideration in understanding employee attitude and behaviour at research because they are able to shape the way employees think, feel and behave (Robbins and Judge, 2010). Despite the aforementioned empirical studies on the role of organizational factors in predicting employee turnover at research, literatures indicate that less attention has been paid to the influence of perceived organisational politicsand employee turnover. Hence, there is a need to investigate the relationship between perceived organisational politics and employee turnover.

RESEARCH OBJECTIVE

In order to assist Malaysian government to transform Malaysia from middle-income nation to high-income nation by 2020 there is need to improve and strengthen all Malaysian sectors including hospitality and services industry performance and reputation. Thus, it is very crucial for leaders in each indutries to understand leadership quality to manage entire organization in more effective and efficient way. Hopeful to this all leaders able to lead all their employees in achieving company's mision and objectives to fulfill the demand of competitive world. Therefore, the objective of this study is to examine and understand the relationship between perceived organizational politics and turnover intention among hotel employees.

LITERATURE REVIEW

Turnover intention: Turnover intention is one's behavioural intention to quit. Turnover intention as the behavioural intentions illuminating an individual's intention to leave or stay and is considered to be the primary antecedent or actual turnover behaviour. Reducing turnover in a newly established organization is very important for productivity and to maintain a stable corporate reputation and image. Therefore, knowing turnover's effects are important for organization to allow the problem to be handled wisely and correctly.

Labor turnover has become a critical problem for the hospitality industry mainly because of its dependency on the "human factor". Therefore, because of the financial and moral effects on hospitality organizations, many researchers have focused on these issues in the last few decades. Researchers such as Kuria *et al.* (2012) studied the internal and external causes of employee turnover in Kenyan hotels located in Nairobi. They directed their attention to the research umbrage, unfavorable working conditions, stress, long researching hours with minimal wages and poor training programs. The factors affecting employee's satisfaction and the organization's role to enhance an employee's commitment toward the organization (Seta *et al.*, 2000). They argued that proper training, work progress and compensation could improve employee's satisfaction toward the organization.

According to Fair (1992) the inadmissible, high labor turnover rate, content may shape the relationship between turnover rates and performance reduction in human capital. Scholars such as Ortin and Cannella (2004) asserted that the wage factor produced the major intent for turnover.

Perceived organizational politics: Perceived organisational politics is an important factor in explaining the reason why employees contemplate leaving their organizations in which they are currently researching for. According to Ferris *et al.* (2000) perceived organisational politics "involves an individual's attribution of behaviours of self-serving intent and is defined as an individual's subjective evaluation about the extent to which the research environment is characterized by co researchers and supervisors who demonstrate such self-serving behavior". While the management of an organisation cannot totally prevent the highly skilled

employees from leaving their jobs or organisations, however, it is important for managers to understand effects of organisational politics on employee's turnover intention, so as to minimize the occurrence of such decision.

In synthesizing the literature on the effects of perceived organisational politics on employee's turnover intention, it is valuable to discuss (Blau, 1964) social exchange theory. Essentially, social exchange theory suggests that when organisational politics do not favour an employee in return to that unfavourable research environment he/she is likely to consider leaving his/her job (Gouldner, 1960). Past research has demonstrated that organisational politics perceptions are important for predicting employee's turnover intention in a variety of contexts, including manufacturing, health sector, government and banking sector, among others. Specifically, Vigoda (2000) conducted a study examine the relationship between perception of organizational politics, job attitudes and work outcomes among 303 public sector employees in Israel. The study established a significant and positive relationship between perception of organizational politics and intentions of exit.

PSYCHOLOGICAL CONTRACT

Psychological contract consists of employee's expectation about what they owe their employers such as hard work, loyalty and commitment in exchange of what their employers owe them such as opportunities for skill development, career growth, competitive compensation, healthcare benefits, among others (Coyle and Kessle, 2000).

According to 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. There is a potential problem for the psychological contract in that it has typically been studied from the individual researcher's perspective. Indeed, research on employee perceptions of breach or violation of promises by the organisation and their consequences (Morrison and Robinson, 1997), including behavioural consequences such as absence, labour turnover and withdrawal of cooperation and extra role behaviour, comes close to addressing some of the outcomes often explored in more traditional employment relations. 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 and George, 2003).

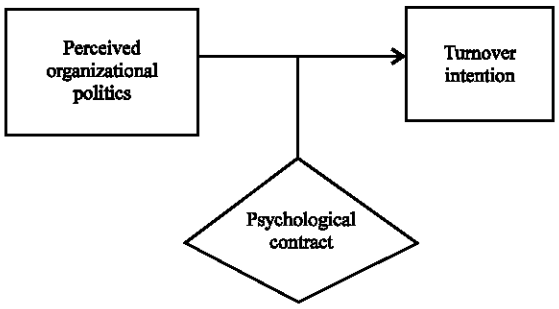

Fig. 1: Proposed theoretical framework

THEORETICAL FRAMEWORK

Having identified the variables in the reviews of the relevant literature, the criterion variable of interest in this study is turnover intention and the predictor variable is the perceived organizational politics (Fig. 1). Based on the previous studies that found significant and positive relationships between perceived organisational politics and turnover intentions (Abbas *et al*., 2014; Bedi and Schat, 2013; Harris *et al*., 2007; Huang *et al*., 2003; Miller *et al*., 2008; Vigoda, 2000). The psychological contract is mediates the relationship between perceived organizational politics and turnover intention.

CONCLUSION

Organizations invest a lot on their employees in terms of induction and training, developing, maintaining and retaining them in their organization. Therefore, managers at all costs must minimize employee's turnover. Therefore, there is need to develop a full understanding of the employee turnover, more especially, the sources. What determines employee turnover, affects and strategies that managers can put in place to minimize turnover. Meanwhile with globalization which is heightening competition, organizations must continue to develop tangible products and provide services which are based on strategies created by employees.

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