MEDIATING ROLE OF TRUST BETWEEN AUTHENTIC LEADERSHIP AND EMPLOYEE ENGAGEMENT IN HOTEL INDUSTRY IN MALAYSIA

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MEDIATING ROLE OF TRUST BETWEEN AUTHENTIC LEADERSHIP AND EMPLOYEE ENGAGEMENT IN HOTEL INDUSTRY IN MALAYSIA

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ABSTRACT

This purpose of this study is to investigate the relationship between authentic leadership and employee engagement, as well as, to examine the mediating role of trust in leaders in the context of Malaysian hotel industry. This study deployed a quantitative research design. Questionnaire survey among 199 employees attached to the Malaysian hotels from Malaysia was carried out to test the hypotheses of this study. Data were collected from four- and five-star hotels in Malaysia. Collected data were analysed by utilising SPSS version 20.0 and SmartPLS-SEM approach. The result revealed a direct and indirect significant influence of authentic leadership on employee engagement, and a direct and significant influence of authentic leadership on trust in leaders. Additionally, it was found that the relationship between authentic leadership and employee engagement was partially mediated by trust in leaders. This study indicates that in the hotel industry, authentic leadership have a substantial influence on employee engagement, highlighting the importance of good trust relationship in the workplace. The top management is encouraged to train and develop managers and supervisors to practice authentic leadership as it is being found to be effective in boosting employee engagement. Implications and limitations were also addressed. Suggestions for future research were included.

Keywords: Employee Engagement, Authentic Leadership, Trust in Leaders

APPROVAL

This is to certify that this thesis conforms to acceptable standards of scholarly presentation and is fully adequate, in quality and scope, for the fulfilment of the requirements for the degree of Doctor of Philosophy

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DECLARATION

I hereby declare that the thesis submitted in fulfilment of the PhD degree is my own

work and that all contributions from any other persons or sources are properly and

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or in part, for a degree at this or any other university. In making this declaration, I

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LIST OF ABBREVIATIONS

SDT Self-determination Theory

ALQ Authentic Leadership Theory

SET Social Exchange Theory

SPSS Statistical Package for the Social Science

PLS-SEM Partial Least Square Structural

Equation Modeling

SEM Structural Equation Modeling

ALQ Authentic Leadership Questionnaire

UWES Utrecht Work Engagement Scale

AVE Average Variance Extracted

HTMT Heterotrait-Monotrait Ration

VIF Variance Inflation Factor

VAF Variance Accounted For

CVR Construct Crossvalidated Redundancy

CHAPTER 1.0

INTRODUCTION

1.1 Background of the Study

The first section of this chapter presents and discusses the research study's background. The problem statement, purpose of study, research objectives, and research questions are all outlined in the following sections of the chapter. The study's justifications and relevance will be explained, as well as definition of terms will be presented.

Competition in the global hotel market is getting more global as hotels seek new methods to thrive and clients have more options (Yu et al., 2014). As a result, in the age of the global paradigm shift to the experience economy (Van Soest & Vogt, 2019), the value of frontline service workers for excellent customer experience (Ramirez, 2019) and customer loyalty (Smith, 2018) is an open secret of success for serviceoriented businesses. It's because customer service is an intangible product, and its quality predicts customer delight and, as a result, participation in the company's value creation process (Cambra-Fierro et al., 2014). The hotel business, being a serviceoriented company, relies heavily on human capital. Therefore, if hotel organisations wanted to stay competitive, they must maintain and keep a suitable level of quality service, which is even more crucial given the changes in guest/consumer behaviour and digitalization technologies (Barykin, et al., 2021). For a long-term competitive edge, hotels rely significantly on their personnel to provide excellent service. Unfortunately, the hospitality business has a high turnover rate, which has been demonstrated to have a detrimental influence on financial performance and contribute to a decrease in service quality owing to the loss of competent staff (Haldorai, et al., 2019). Furthermore, in the hospitality literature, the importance of service staff' active participation in achieving customer pleasure, loyalty, and long-term connections with consumers is extensively established (e.g., Kim, 2008; Liao & Chuang, 2004, 2007; Maria Stock et al., 2017; Masberg et al., 2004; Raub, 2004). "What remains to build a differentiated strategy is that it must be raised to a 'uniquely human' approach," Bolton (2014, p264). Since workers are at the heart of customer care and service delivery, it's critical for managers to maintain excellent relationships with their subordinates in order to ensure that consumers receive high-quality service (Wang et al., 2017). Employee engagement, in addition to specialised leadership requirements, is a crucial component of an organization's performance and competitiveness (Strom, Sears, & Kelly, 2014). As the twentieth century proceeded, it became evident that what mattered most was employee engagement (McKergow, 2015). Employee engagement is critical in the hospitality sector since it is people-focused and service-oriented (Chen and Peng, 2019; Huertas-Valdivia et al., 2019). Employee engagement has emerged as a key source of competitive advantage, with the ability to address organisational challenges and contribute to organisational success in terms of financial performance (Yap & Kee, 2017) and productivity.

As a result, it is critical for hotel organisations to guarantee that personnel are engaged and committed to sustaining and providing consistent, responsive, and excellent customer service that continuously meets and exceeds customer expectations, as well as service excellence (Suan & Nasurdin, 2016). Hospitality companies have realised that in order to be success in the long run, they need engage individual or hire individuals who are passionate about their jobs and have a lot of energy to put into their work (Agarwal et al., 2012). Furthermore, practitioners have considered engaged people to be significant resources for an organization's survival, growth, and sustainability (Agarwal et al., 2012). Employee engagement has become a prominent research issue for many academics in recent years, as it has been demonstrated to be a

desirable alrernative for service companies (Jose & Mampilly, 2014). Many previous studies (e.g., Alfes et al., 2013; Karetepe & Demir, 2014; Menguc et al., 2013, Paek et al., 2015) found that those who are engaged at work put in more effort and show more enthusiasm as well as more passion, leading in higher job performance and better customer service. Employee engagement has gotten a lot of attention recently, because to accumulating evidence that higher employee engagement can contribute to organisational competitive advantages. However, the behaviour of direct superiors determines the level of employee engagement (Gyensare, et al., 2019). Leadership becomes the most important factor in mobilising an engaged and motivated workforce, great leaders must be able to mould and groom their employees' attitudes and behaviours (Hao & Yazdanifard, 2015). As a result, leadership behaviours have a big impact on staff engagement. Employees' psychological state, behaviour, and performance were found to be influenced by authentic leaders (Hu, et al., 2018).

Leaders, as the "essential helmsmen" and "key figures" of an organisation's path, are beginning to encounter scenarios in the workplace where team members' enthusiasm is dwindling (Malinga et al., 2019). Individual engagement is at an all-time low, necessitating the implementation of positive leadership that fosters a favourable work environment for team members. This makes it easier for members to find purpose at work, and they feel safer and more committed to their jobs as a result (Malinga et al., 2019). Leadership marks the survival of an organisation (Kemmerer, 2014). Therefore, leaders in the organisation play a critical role in attracting, developing, and retaining people, particularly in today's rapidly changing business climate, in order to enable the organisation to maintain its performance development and growth (Spreitzer & Porath, 2012; O'Tool, 2009). Meanwhile, in today's competitive business world, organisations require a more ethical and positive kind of leadership to manage and lead employees to

higher levels of productivity; thus, authentic leadership plays a vital role (Onorate & Zhu, 2014; Algera & Lips-Wiersma, 2012). Good leaders not only can influence, lead, and manage their employees, nevertheless, those leaders who are not honest, unethical, untrustworthy, unreliable will struggle to retain their talented staff in the organisation (Brown & Mitchell, 2010; Toor & Ofori, 2009). In today's competitive economic environment, "real" has become an unrestricted "reality," and virtual communities have stepped in to fill the hole left by the decline of genuine community life, as a result, the need for authenticity has emerged (Goffee & Jones, 2005), and it is also incredibly crucial in the workplace. To re-establish a sense of stability, security, hope, optimism, and significance in today's organisations, a new leadership approach is required (Avolio, Garner, Walumbwa, Luthans, & May, 2004). Authentic leaders, according to (Hsiung, 2011), always embrace diversity in the workplace and know how to utilise, develop their employees' abilities, and empower their staff appropriately. The study of authentic leadership is still in its early stages in the field of leadership research (Northouse, 2013). The authentic leadership concept has been used to a wide range of situations and groups (Northouse, 2013; Onorato & Zhu, 2014). According to Hassan and Ahmed (2011), authentic leaders consistently display a high level of integrity, with a sense of purpose and a dedication to their basic principles. Furthermore, authentic leaders have the ability to build excellent working connections among teams, resulting in beneficial outcomes such as employee engagement, retention, organisational commitment, and job satisfaction (Hassan and Ahmed, 2011). Authentic leadership has been found to favourably influence employee attitudes and behaviour in the past, include job satisfaction, engagement, commitment, as well as trust (e.g. Borgerson, Hystad, & Larsson, 2014) by the efforts and actions of the leader. Authentic leadership has also been demonstrated to predict results both at the individual levels (e.g.,

employees' well-being and performance), as well as at the collective levels (e.g. trust, psychological and performance) (Gardner et al., 2011). On the other hand, authentic leadership has been discovered to be still in its early stage of development (Avolio and Mhatre 2012; Gardner et al., 2011). Aside from that, there are still relatively few empirical studies on the outcomes of authentic leadership and the mechanisms by which such benefits are realised (Avolio and Mhatre 2012; Gardner et al., 2011).

The hotel sector is noted for its poor pay, excessive workload, regular and tedious jobs, and significant stress when compared to other industries (Burke, Koyuncu, Fiksenbaum & Tekin, 2013). Authentic leaders may build a culture of respect, credibility, and trust among their peers by exhibiting their personal authenticity (Bamford, Wong & Laschinger, 2013). Authentic leader's priorities good psychological capability and ethical behaviour, cultivate a positive leader-follower relationship, and foster a work climate that encourages followers' personal growth (Walumbwa et al., 2008). According to Grobelna (2019), the key issue and challenge for organisations is to retain passionate and committed personnel while also driving employees' commitment to the organization's ideals. As a result, employee engagement is being seen as a possible key to intercept and treat these issues, and it is also being investigated by many academics on a regular basis (Park et al., 2017). Employees that are more engaged are crucial to an organisation's success (Yoo and Arnorld (2014). Previous research has found that organisation's ability to operate more efficiently is linked to engaged individual's ability to effectively fulfill role responsibilities (Karatepe et al, 2014; Wahlberg, Ramalho, and Brochado, 2017); notably for service organisations such as hotels, obtaining and retaining customer-contact personnel who are worked-engaged is a priority (Min, Kim & Lee, 2015).

Furthermore, the nature of guest contact job in the hotel sector is well known, requiring hotel staff to be upbeat, positive, and enthusiastic, as well as maintain both social and interpersonal skills while on the job (Gatling et al., 2016). Employees are also expected to treat all guests with respect, sincerity, and courtesy. In order to achieve customer satisfaction, employees are also necessary to provide personalized services and reply to complaints promptly. Because of the particular nature of the hotel sector, employees who work in the industry must be emotionally, psychologically, and spiritually healthy.

Employee engagement has grown so crucial to businesses in recent years that several measures have been developed to achieve it (Bailey et al., 2017; Crawford et al., 2014). Unfortunately, many of them have failed miserably, a fact that some experts attribute to employees' lack of trust in their bosses (Zak, 2017). Trust is essential in corporate relationships, particularly between employees and leaders, and it is the foundation for developing and maintaining effective organisational cultures (Wang & Hsieh, 2013; Wong & Cummings, 2009). The essential to positive leadership's currency is trust, or as the saying goes, "trust is the one thing that changes everything" (Covey & Merrill, 2006, p.1). Trust has also been supposed to be based on followers' direct encounters with their leaders, and it has been regarded as one of the most essential influential aspects influencing organisational relationships and success (Braun et al., 2013). Besides, according to Erdem (2003) suggested that a trusted environment capable of enhancing social energy in order to strengthen, increase productivity, ability, and capability of employees, and enhance creativity at work; at the same time, to delegate power and encourage employees to take control of their work, and accept responsibility and accountability at work, as well as to reduce absenteeism, employee turnover, and transaction costs.

Furthermore, trust demonstrates a desire to be vulnerable in order to maintain a safe and respectful relationship between employees and leaders (Norman et al., 2010; Hassan & Ahmed, 2011). On the other hand, employees can effectively and efficiently execute their responsibilities and go above and beyond the call of duty in their employment without receiving any visible benefits because they have trust in their boss. This effect is related to the concept of 'workers going the extra-miles' which is a trait of engaged employees who are willing to above and beyond the call of duty (Schaufeli & Bakker, 2010). Mone, Eisinger, Guggenheim, Price, and Stine (2011) cited Mone and London (2009:209), who discovered that "having a supervisor employees can trust is a primary driver of engagement" and suggested more research. According to the author "a high degree of employee engagement shows a better level of trust and loyalty between the individual and the organisation". As a result, it is critical to enhance employees' commitment through trust, as this will enable the organisation to engage talents within the organisation (Biswas & Bhatnager, 2013:23). This implies that the employee will develop a stronger level of commitment to their employer. Being an effective leader requires you to gain the trust of your employees. In commercial interactions, trust has long been seen as the vital tool. Direct supervisors, according to Hunt and Aldrich (1998), have a greater influence than CEOs. According to Hasel and Grover (2017), organizational citizenship behaviour, morale, and performance are all influenced by trust.

Thus, trust is visible as a critical component as one person's belief in building faith in another's competency that he or she would always act fairly, ethically, and predictably (Nyhan, 2000). Employees' perceptions of a leader's character, such as competence, integrity, and care, lead to a sense of trust in that leader (Dirks & Ferrin, 2002). Furthermore, trust in leaders is defined as an employee's readiness to be

vulnerable to a leader's actions in exchange for a favourable anticipation of the leader's goal, according to Schoorman, Mayer, and Davis (2007). It has been discovered that trust in leaders have a beneficial impact on good outcomes include job satisfaction and OCB (Dirks & Ferrin, 2002). As a result, trust in leaders is one of the most critical aspects of employee engagement.

1.2 Statement of Problem

Long working hours, excessive job demands, a lack of training, organisational politics, emotional dissonance, performing the same task in a confined space, work–family conflict stress, a high turnover rate, and dysfunctional customer behaviours are common in frontline service jobs in the hotel industry (Chen and Wu, 2017; Dai et al., 2016; Jung and Yoon, 2015; Karatepe et al., 2014; Wong and Huang, 2014). Because frontline personnel are continuously in contact with consumers, they must have a sensitive and proactive attitude toward their demands (Dai et al., 2019). As a result, engaged personnel become a critical component in ensuring service quality (Li et al., 2012).

Employee engagement is critical in the hospitality business, which is people-focused and service-oriented (Chen and Peng, 2019; Huertas-Valdivia et al., 2019). Employees that commit great energy, emotional dedication, and deep focus to work (Bakker et al., 2011; Schaufeli et al., 2006) are vital to a company's drive for competitive advantage, financial success, and long-term achievement (Albrecht et al., 2015; Xanthopoulou et al., 2009). Employees are at the heart of customer care and service delivery; therefore, it is critical for managers or supervisors to maintain excellent relationships with their subordinates in order to ensure that consumers receive high-quality service (Wang et al., 2017). Since the 1990s, the supervisor–subordinate

relationship has gotten a lot of attention because of its significant impact on employee performance (Wang et al., 2017).

A leader's or superior's care and support is critical in maintaining and enhancing staff effectiveness in a hospitality organisation, according to several studies (e.g., Hsiao et al., 2015; Karatepe, 2013; Wu & Chen, 2015). Organisational leaders' leadership style, according to Conger and Kanungo (1987), can impact followers' attitudes and behaviour, as well as their decision to leave or stay in the organisation. In addition, according to Zou et al. (2015) suggested that hotel industry academics and practitioners should pay more attention to and focus on the importance of leadership behaviours, as good leadership can assist hotel organisations retain talented people while also addressing shortcomings of hotel employments.

Hotel managers are facing the challenge of managing a constant changing workforce (Han & Hyun, 2015; Karatepe, 2013). Bushra et al. (2011) stressed that the success of an organisation is fully dependable on the hardworking, loyalty and involvement of both managers and employees. Therefore, employee engagement become a major issue in management and requires urgent attention on how managers/leaders can keep and retain talented employees in an organisation. Thus, one of the key factors in why employees engage with an organisation is their leaders. If leaders in the hotel organisation always show their care and support towards employees, hotel employees tend to stay behind and continue to work together with the leaders in order to boost the company's efficiency, productivity and profitability (Poulston, 2008).

In the hotel industry, most of the time employees are required to be confident and enthusiastic. Hotel employees also need to be always sociable and keep up good communication and interactive skills at work at all times. Hotel employees need to show courtesy and being responsive at all times when they are interacting with guests.

Therefore, hotel employees need an effective leadership approach. Hotel personnel face a variety of challenges, including low income, a heavy workload, long and irregular working hours, routine and repetitive duties or activities, and role demands from customers and peers (Burke et al., 2013; Kusluvan et al., 2010). As a result, care and support from leaders are important. In recent decades, the effects of leadership and leadership styles on employees have become a popular topic of research in the service and hospitality business, as different leadership styles have varying effects on employees in terms of outcomes (Quintana et al., 2015). The leader-follower relationship (Brownell, 2010), employees' current job satisfaction (Rothfelder et al., 2013), as well as firm performance (Kim and Brymer, 2011) are all influenced by leadership.

The nature of the hotel industry where employees always face long working hours with poor welfare and benefits, role stress will have negative impact towards employees' commitment, thus, demotivated employee at work. Employees in hotels have a low self-esteem and self-confidence as a result of their stressful jobs. As a result, it will cause individuals to have unfavourable work attitudes, preventing themselves from fully engaging in their tasks (Karatepe and Olugbade, 2009). Employees who are highly engaged at work, on the other hand, will feel more vibrant, eager, zestful, dedicated, and committed to their jobs (Karatepe and Karadas, 2015). Therefore, hotel executives must understand the significance of engaging and retaining those talented employees, as engaged employees in return able to help organisation to retain more customers.

For hotel industry, as it is a labour-intensive industry, majority of the employees, especially employees on the front line, play a critical role for the organisation (Wirtz et al., 2008). Employees who work in a service organisation in a

customer-centric manner, according to Rothfelder et al. (2013), they represent the organisation, and they are also the brand, the ambassador, and the image of the organisation. In the organisation, if employees are well taking care of, as a result, trust exists between employees and immediate superior. When trust exists between employees and their immediate superior, employees tend to be more willing to except and volunteer themselves to take up more challenging tasks and yet still remain committed to the organisation (Kelley & Thibaut, 1978). However, if trust is no longer exist between employees and their immediate superior, employees might refrain from taking up new tasks or reluctant to change when needed or avoid communicating with superior as employees feel that they cannot trust their superior to be transparent, and disengaging themselves from jobs (Kelley & Thibaut, 1978). In consequence, this situation will cause employee lost their interest at work, feel lack of dedication at work; start to show pessimistic behaviors and will have the intention to look for job somewhere else. According to Gatling, Kang and Kim (2016) authentic leaders are individuals always with his or her self-esteem and own uniqueness, who show trustworthiness and being openness to others. Authentic leaders are transparent, openly express their feelings and passion to employees, yet able to manage and hold back his or her disproportionate feelings or behaviours that might cause employees feel uneasy or might reflect bad image of himself or herself towards the organisation.

Hotel organisations have realised that if organisation wants to achieve sustainable success in the competitive environment, it is important for the organisation to first engage its employees who is passionate, vigour and vibrancy at work (Agarwal et al., 2012). Besides, engaged employees also part of the key driver for organisations' continuance, development, enduring and future expansion (Agarwal et al., 2012). Despite the fact that employee engagement has a significant impact on an organisation's