



Maida Petersitzke

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Developing an Integrated Perspective on  
Managing Employee Perceptions of Obligations

With a Foreword by Prof. Dr. Michel E. Domsch

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## **Foreword**

The psychological contract describes the employer-employee relationship as an individualised exchange between organisations and their members. This exchange clearly goes beyond what is usually agreed upon in a written work contract and extends into the area of values such as accountability and fairness. News coverage shows us many examples of how management by objectives and pay for performance are not effective in binding managers and employees to the interests of their employers. This is why psychological contracts are such a relevant issue these days.

While existing research shows a positive relationship between unbroken psychological contracts and motivation as well as in-role and extra-role behaviours, there has been little interest in the concept from the perspective of strategic human resource management or leadership research. The research presented by Maida Petersitzke focuses on these issues and thereby makes an important and very valuable contribution.

After presenting a well-structured and clearly-written overview of existing research and the theoretical basis of psychological contracts – which has rarely been described in detail – the present research focuses on the following two issues:

Maida Petersitzke presents a conceptual framework which affords the description of an organisational exchange offer that is sustainable and tied to the human resource strategy. She also provides an empirical study of leadership behaviours that facilitate a positive perception of the psychological contract by employees and thereby generate employee behaviours in the interest of the organisation.

In her comprehensive empirical study, Maida Petersitzke focuses on the role of line managers. This perspective is of great interest to both researchers and practitioners. The comparison of the perspective of subordinates and their direct superiors makes this piece of research particularly valuable. Its results impressively show that concepts which are well-known to researchers, for example regarding communication behaviours, are not necessarily applied in practices as much as one would wish.

Maida Petersitzke presents a complex subject matter in a clear and convincing way. Her work offers remarkable insights that are relevant to management practice. I hope this work will be widely read by both practitioners and academics.

Michel E. Domsch

## **Preface**

Throughout my work many people have supported and encouraged me. I would like to thank my first advisor, Prof. Dr. Michel Domsch, for continuously supporting me and for helping me focus on the management side of the project. I would like to thank my second advisor, Prof. Dr./UCB Ansfried Weinert, for his interest in my study and for helping me clarify the research methodology I have used. I would also like to thank Prof. Dr. Claudia Fantapié Altobelli for agreeing to be my third examiner in the oral examination.

Also, I would like to thank all the participants who have taken part in this study by working their way through a questionnaire that could have been shorter. I was very lucky to be allowed access to my participants by the then-management of the Hanseatische Verwaltungs- und Wirtschaftsakademie, namely Till Walther and Marc Petersen.

Furthermore, I was able to get participants interested in this study more easily by offering participation in an online personality test, the Visual Questionnaire, which provides feedback to participants. The relationship between personality and a range of factors related to psychological contracts proved highly significant and deserves further research. Unfortunately, I was not able to include these interesting results in this piece of work because of my focus on management issues. I would like to thank Dr. David Scheffer and 180° visual systems for letting me use this innovative and insightful test.

Three people have particularly helped me in the final phase of the project: many thanks to Olaf Wiel, Natalja Press and Martin Kohner for layout and proof-reading! Thanks also to Dr. Detlef Steuer who very patiently gave very good advice on the data analysis.

Special thanks to my partner, Tobias Uhlmann, who broadened my perspective by teaching me sociology and supported me particularly during the pleasantless phases of completing this work. Last but not least, I would like to thank my parents, Marianne and Franz Petersitzke, who have always supported me in my academic ambitions.

Maida Petersitzke

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# 1. Introduction

## 1.1. Prologue

Critics argue that the concept of the psychological contract is of limited interest to organisations, that the theoretical basis of the model is weak and that psychological contract research has collected a lot of mileage over the last ten to fifteen years. It is suggested here that these critics are right.

However, if psychological contracts are of limited interest to organisations today, this is because research has failed to explore systematically what organisations can do to manage psychological contracts. It is not surprising that organisations have limited interest in a perspective that is presented as highly complex and that does not feature any tangible instruments or more than a few management recommendations spread across the literature. Also, psychological contract research has largely ignored theories that have the potential to shed light on the concept. And finally, psychological contract research has collected mileage by focussing on breach of promises by organisations as perceived by employees.

The conclusion, then, is not to classify psychological contracts as belonging to the fads and fashion category and to abandon research efforts. The conclusion is to use the wealth of existing research to clarify how the concept is relevant to organisations and what organisations can do to facilitate positive psychological contracts.

Psychological contracts concern something very fundamental, namely the exchange relationship between an individual employee and the organisation this individual works for. This relationship involves recurring episodes of give and take between the two parties where the employee contributes something to the organisation, for example by proposing an innovative idea or by securing a large contract, and receives something in exchange, for example a bonus or a promotion. Episodes of give and take can sometimes be easily observed by third parties, for example when an employee receives a bonus upon successful completion of a project. Sometimes episodes of give and take span a larger period of time or are not as clearly identifiable, for example with periods of strong contributions by employees during an organisational crisis and a promotion two years after the end of the crisis. The promotion to a higher management level may or may not be a direct outcome of the contribution during crisis.

Basic conditions of the exchange relationship are defined in the legal work contract which commonly includes weekly hours, pay, social benefits, entitlements to paid holidays and conditions under which the relationship can be terminated by either of the parties (Spindler, 1994). The idea behind the psychological contract is that employees commonly feel obliged to contribute much more to their organisation than hours worked or fulfilment of a defined task. Additional obligations develop and change over time and may include employee contributions such as being flexible with regard to what tasks are part of a job, continuously looking for ways to reduce costs or regularly working unpaid overtime. Also, organisations are seen to be obliged to offer

more to employees than pay, benefits and holidays. Psychological contracts may also involve additional organisational obligations such as protecting jobs by avoiding downsizing, offering support with career development and opportunities for internal promotion or providing training to ensure employability.

Psychological contracts have been defined and are defined here as individual beliefs, shaped by the organisation, regarding terms of an exchange agreement between individuals and their organisation (Rousseau, 1995). These beliefs have also been described as individual perceptions (Isaksson et al., 2003). The terms of the exchange agreement have also been described as obligations and differentiated from expectations (Bartscher-Finzer & Martin, 2003; Zhao et al., 2007). Psychological contracts are thought to be highly individualised. They may vary across people, across organisations and across time. Two people in the same job working for the same organisation may not have the same psychological contract. An individual's understanding of mutual obligations is thought to evolve on the basis of promises that one of the two parties has made explicitly, on the basis of observing how others in the organisation have been treated or on experiences with organisational systems and culture (Rousseau, 1995), for example experience with human resource policy and practice (Guest, 2004b) or leadership (Bartscher-Finzer & Martin, 2003). However, psychological contracts are also shaped by factors outside the control of the organisation, for example experience in previous jobs (Tsui & Wang, 2002), personality (Raja et al., 2004), business ideologies (Edwards et al., 2003) or professional ideologies (Thompson & Bunderson, 2003). As psychological contracts are something very individual, there may be little agreement on the terms of the exchange relationship between an individual employee and representatives of the organisation such as the CEO, a human resource manager or the direct superior of the individual concerned. This presents a considerable challenge to organisations.

## **1.2. Relevance of the Concept**

Other authors have described at length why psychological contracts matter to organisations. These descriptions usually refer to changing notions of careers, (DeFillippi & Arthur, 1994; Hall & Moss, 1998) and job security vs. employability (Garavan et al., 2000) or changes in the nature of work (Dopson & Neumann, 1998) which have led to the emergence of a new psychological contract, i.e. a new understanding of what employees are required to contribute and what organisations have promised to offer in return. It has also been argued that the relevance of the psychological contract stems from fundamental changes in values of the work force (Fürstenberg, 1993; Klages, 1993). These changes have been argued to necessitate that organisations manage psychological contracts systematically so that employees perceive the exchange relationship to be balanced and perceive their employing organisation to act in keeping with its obligations even in situations where old promises are broken and new promises are made (Granrose & Baccili, 2006). Dopson and Neumann (1998) provide

a good example of how employee obligations under the traditional and the new psychological contract can be described. Table 1 illustrates their model. Systematic changes in organisational obligations on the other hand are commonly described as a shift from providing job security, careers within one organisation and personal support to providing employability and challenge, involving a shift from long-term commitment to employees to a shorter-term focus (see for example Baruch & Hind, 1998; Herriot & Pemberton, 1995a; Lee, 2001; McLean Parks & Kidder, 1994; Weinert, 2004). For a good description of changes at work and their consequences see Herriot and Pemberton (1995b).

<b>Old Psychological Contract</b>	<b>New Psychological Contract</b>
<b>Knowledge</b>	
Demonstrate specialised expertise	Gain capabilities in general management areas
Establish and maintain systems and routines	Assist subordinates in monitoring and maintaining systems
Focus inside the organisation	Focus inside and outside organisation
<b>Motivation</b>	
Plan career in terms of upward promotion	Avoid rewards that add layers of hierarchy
Equate responsibility with span of control	Equate responsibility with meeting performance targets
Be seen to achieve work-life balance	Be seen to work long hours
<b>Goals and Means</b>	
Maintain status quo	Look for ways to innovate and improve
Follow written procedures or custom and practice	Take risks and experiment
Work towards broad goals in area of specialism	Meet budget and performance targets regardless of specialism
<b>Role Behaviours</b>	
Exercise authority in a benign dictatorial style	Exercise authority in a participative, empowering style
Focus on needs of one's own area of responsibility	Cooperate with other units to achieve organisation-wide goals
Use one's own initiative to judge performance	Use measures through IT to judge quality and quality of output
<b>Ethics</b>	
Differentiate personal from organisational values	Join personal to organisational values
Maintain privacy outside the organisation	Be seen to be publicly committed to organisational mission and ethos
Live organisational ethics but do not talk about it	Publish ethics statements

Table 1: Middle managers' old and new psychological contracts (Dopson & Neumann, 1998)

Most of the authors cited above have argued that fundamental changes have occurred and are occurring in the relationship between organisations and their employees and that a wide range of organisations are affected by this. Herriot et al. (1998) on the other hand have pointed out that there are arguments for and against seeing the changes described above as qualitative and fundamental transformations. D'Art and

Turner (2006) have also argued against a fundamental change in the employment relationship.

While a discussion of these issues goes beyond the scope of this work, it is important to highlight that other changes have also been argued to underline the relevance of psychological contracts to organisations. Changes in business strategy, restructuring (Hallier & James, 1997a), for example as a consequence of a merger or an acquisition (Bellou, 2007), or culture changes (Marr & Fliaster, 2003b) which may occur independently of global changes in the nature of work, affect what is being exchanged between an organisation and its employees. Also changes in top management, a change of supervisor, a job change within the organisation or a change of the personal circumstances of an employee can affect employees' views of what is to be exchanged. Psychological contracts are affected for example by changes in

- Performance standards where employees may be increasingly required to act as intrapreneurs (Nerdinger, 2003)
- Working hours where employees are asked to work unusual hours
- Career support where employees are required to assume responsibility for their employability (Lombriser & Uepping, 2001)
- Personal requirements with regard to coordinating work and family (Scandura & Lankau, 1997; Sturges & Guest, 2004)

The important point here is that changes in the relationship between organisation and employee that affect what is being exchanged are usually met with resistance by employees (see for example Michelman, 2007). When changes are framed to involve primarily a loss of job security, a loss of career opportunities with the current employer and a loss of organisational commitment to employees along with an increase in working hours and required flexibility, then resistance is expected to be severe. Organisations whose employees understand changes as offering opportunities for employability, challenge, added responsibility, pay for performance and life-long learning have much to gain. Changes in the workplace that are understood by employees as promise-breaking have been demonstrated to negatively affect employee in-role performance, extra-role performance, affective commitment to the organisation, intention to stay in the organisation and heighten the risk of anti-citizenship behaviours (see for example Coyle-Shapiro & Kessler, 2000; Johnson & O'Leary-Kelly, 2003; Kickul et al., 2001; Rigotti & Mohr, 2004; Robinson, 1996a; Tekleab & Taylor, 2003; Thompson & Heron, 2005). In other words, psychological contracts matter to organisations because when employees perceive their organisation not to have kept its obligations, those who stay in the organisation may neglect their work duties and those who have highly marketable skills may leave (Turnley & Feldman, 1999a, 1999b).

### 1.3. Past Research on Psychological Contracts

In the past psychological contract research has focused on exploring processes such as

- Formation of the psychological contract (de Vos et al., 2003; Rousseau, 1995; Thomas & Anderson, 1998)
- Change in the psychological contract (Dickmann, 2001; Grote, 2000; Hiltrop, 1995; Marr & Fliaster, 2003a; Marr & Fliaster, 2003b; Nerding, 2003; Raeder & Grote, 2002; Rousseau, 1995)
- Breach and violation of the psychological contract by the organisation (Lo & Aryee, 2003; Morrison & Robinson, 1997) – breach of obligations by employees remains under-researched
- Consequences of breach and violation of the psychological contract (see references given above)

Also, basic characteristics of psychological contracts have been researched in detail, such as its

- Content (Guzzo et al., 1994; Herriot et al., 1997)
- Status, i.e. broken or unbroken (Guest & Conway, 2002a)
- Dimensions, for example transactional, relational or ideological (DeMeuse et al., 2001; Grimmer & Oddy, 2007; Lester et al., 2007; Thompson & Bunderson, 2003)
- Features, for example tangibility and stability (McLean Parks et al., 1998)
- Types, for example instrumental or weak (Janssens et al., 2003)

More recently research has focused on various other themes, for example

- Psychological contracts under flexible work arrangements (De Cuyper & De Witte, 2006; Guest, 2004a, for a review)
- Influence of personality on psychological contracts (DelCampo, 2007; Raja et al., 2004)
- What employees can contribute to protecting their psychological contracts (Boddy, 2000; Conway & Briner, 2005; Rousseau, 2005; Wellin, 2007)

The organisational perspective on psychological contracts on the other hand remains under-researched. Psychological contracts are commonly defined as employee perceptions of mutual obligations. Consequently, organisations do not have psychological contracts, only individuals do. So what do organisations have? And who represents the organisation in the psychological contract (Guest, 1998)? Although some progress has been made in answering these questions, Liden et al. (2004) have stressed that psychological contract research has failed to conceptualise an employer perspective. It has also failed to develop an understanding of how different representatives of the organisation cooperate to influence employee psychological contracts. Tsui and Wang (2002) have called for research that integrates the concept of the employment relationship with research on psychological contracts. It will be argued here that research on the employment relationship and particularly on

employment strategies (Lepak & Snell, 1999) is indeed very informative with regard to understanding the employer perspective on psychological contracts. The role of individual representatives for managing psychological contracts also remains under-researched. The central role of the supervisor has been highlighted (Baccili, 2001; Kotter, 1973; Shore & Tetrick, 1994) but no systematic account exists about what opportunities supervisors have to facilitate positive psychological contracts.

Furthermore, psychological contract research has generated a range of management recommendations. Rousseau (1995) for example has offered a description of how to handle three different kinds of change in the psychological contract. Some of the management recommendations proposed in the psychological contract literature are very abstract, for example the recommendation to only make those promises which can be kept. Also, recommendations are spread across the literature. Few studies have focused on how organisations can systematically influence psychological contracts of their members in a positive way. Rousseau (2004), for example, has identified windows of opportunity that emerge when employees are ready to accept change in their psychological contract. In a case study approach, Grant (1999) as well as Hallier and James (Hallier, 1998; Hallier & James, 1997b) have considered psychological contract management with regard to communication processes in change situations. However, Schein (1970) has argued that psychological contracts develop and change constantly through negotiation and re-negotiation. In other words, psychological contract management is an issue not only during times of organisational change but also on a day-to-day basis. In this vein, Guest and Conway (2001, 2002b) have discussed people management practices and communication channels that help to create positive, i.e. unbroken, psychological contracts.

A third issue that is severely under-researched is the theoretical basis of the psychological contract model. Rousseau (1998) has explored the link between leader-member exchange and psychological contract. Thompson and Hart (2006) have analysed psychological contracts in the context of social contract theory. However, many other theories have potential to inform psychological contract research. Publications on psychological contracts usually cite social exchange theory (Blau, 1964) and the norm of reciprocity (Gouldner, 1960). Sometimes, equity theory (Adams, 1965) is also stated as the theoretical basis. Nevertheless, psychological contract researchers have not explored the assumptions which this research makes and its fit with current psychological contract research. There are other theories which can be expected to be informative with regard to psychological contract research, for example tit-for-tat research (Axelrod, 1984; Chasiotis, 1995) or inducement-contribution theory (March & Simon, 1958). The above mentioned theories all refer to exchanges between at least two parties. However, psychological contracts are defined here as individual perceptions of the exchange. Rousseau (2001) has specified that psychological contracts can be described as schemata and mental models. It is argued here that exploring employee perceptions by drawing on research from cognitive

psychology is important in order to understand how psychological contracts are created and how they can be changed.

#### **1.4. Aims of this Research**

It is the overall aim of this research to further develop the organisational and thus management perspective on psychological contracts. More specifically, its aims are to

1. Explore the organisational view on obligations between the organisation and their employees at a conceptual level
2. Develop an integrated description of what challenges organisations that want to facilitate positive psychological contracts face independently of the specific content of an employee's psychological contract, also at a conceptual level
3. Identify supervisor opportunities to influence the psychological contracts of their subordinates in a positive way, both at a conceptual and at an empirical level
4. Explore a neglected perspective on psychological contracts – breach of obligations by the employee – by analysing its antecedents and outcomes

It is a secondary aim of this research to explore the theoretical basis of the psychological contract model and its relevance to organisations.

#### **1.5. Research Perspective**

At this point it seems important to clarify the research perspective taken here. Firstly, psychological contracts as defined here do not describe an exchange relationship. They describe individual beliefs about the exchange relationship. Although this definition may at first seem counterintuitive, it has one major advantage. It implies a clear unit of analysis for psychological contract research – individual perceptions. Thus, this is a model or a theory of individuals, not of organisations or of leaders (Latornell, 2007). It is assumed here that psychological contracts are based on a reciprocal relationship that motivates individuals to bestow benefits on the other party as benefits have been bestowed on them. This motivational effect is assumed to occur because individuals strive towards balance in their relationships. It has been described as the norm of reciprocity (Ekeh, 1974; Gouldner, 1960).

Secondly, when considering an organisational perspective on psychological contracts, a definition of the organisation is needed. In line with March and Simon (1958) an organisation is defined here as a system of coordinated social behaviours of individuals who can be described as organisational members. However, this research only considers employees as members of organisations. Suppliers, investors, distributors and consumers are not considered here. Consequently, when the organisation is mentioned in the following, this refers to the overall system that individual employees are members of but at the same time view as an exchange partner external to themselves. This notion is in line with the idea of generalised exchange discussed by Ekeh (1974). Psychological contract research (Baccili, 2001) found that employees



differentiate between views of the organisation as a whole and views of their direct supervisor as a representative of the organisation. This highlights another important aspect. The need to formally define the organisation arises from exploring an organisational perspective on psychological contracts. However, the psychological contract model itself is not a theory of the organisation but is concerned with individual perceptions. Thus, when individuals are asked about their exchange relationship with their organisation, organisations are defined as whatever the individual perceives to be the organisation. Also, individual employees ascribe roles to others in the organisation. Baccili (2001) found that employees see their direct superior and not the organisation as a whole as responsible for keeping certain organisational obligations. Thus, in the following direct superiors will be described as organisational representatives because they are viewed as such by their subordinates.

Thirdly, this research seeks to explore supervisor opportunities to manage psychological contracts in a positive way. However, this does not constitute leadership research in a traditional sense. Theories of leadership are predominantly oriented towards the leader identifying for example character traits (Stogdill, 1974), competencies (Boyatzis, 1982) or dimensions such as transformational and trans-actinal leadership (Bass, 1990). Other leadership theories focus on the interaction between leaders and followers (see for example Graen & Uhl-Bien, 1995). The concept of the psychological contract presents a model not of leaders or of leader-subordinate relationships but of followers. Neuberger (1976), for example, has argued for the appropriateness of a focus on followers in leadership research. Using employee perceptions of the exchange relationship with their employing organisation as a starting point, it is one of the aims of this work to identify not general leadership qualities but leader behaviours and practices that make a difference to employee perceptions regarding this exchange relationship. It is proposed here that applying any of the common leadership models to psychological contracts would forfeit the purpose of using the employee perspective as a starting point for the analysis. However, one model of leadership will be discussed as part of this work, namely leader-member exchange (Graen & Uhl-Bien, 1995; Liden & Graen, 1980) because it may be easily confused with the perspective of the direct superior on his or her subordinate's psychological contract.

Fourthly, psychological contracts by definition include those perceptions of obligations that are shaped by the organisation. This assumes that organisations can shape employees' perceptions of obligations at all. A number of researchers have highlighted the central role that direct superiors play for managing psychological contracts (see for example Baccili, 2001; Kotter, 1973). In anticipation of the empirical results of this research, it seems important to point out that participants of this study on average reported that their direct supervisor had indeed influenced their understanding of mutual obligations between themselves and their organisation. It is not assumed here that an employee's understanding of mutual obligations can be

determined by the organisation. Individual factors have been shown to play a role. Also, it will be argued here that supervisors can manage psychological contracts only in concert with other organisational representatives such as recruiters or mentors (Rousseau, 1995).

Fifthly, when exploring psychological contract management it is of central relevance to define the aim of such management attempts. The aim of psychological contract management is defined here as facilitating positive psychological contracts. Positive psychological contracts are defined as a state where employees report that generally their organisation has kept its obligations in the past, that there is a fair balance between what they contribute to the organisation and the rewards that they receive from the organisation and that they trust the organisation to keep its obligations in the future. This conceptualisation is based on work by Guest and Conway (2002b). It is not argued here that all organisations aim at creating fair exchanges with their employees, but it will be argued that doing so is of advantage for organisations in the long run in most cases, particularly when retention of employees is desired by the organisation, when innovation and intrapreneurship are required from employees and in customer-facing positions.

It is important to highlight that this definition does not include keeping of employee obligations. Yet, keeping of employee obligations is of relevance to positive psychological contracts as keeping of employee obligations and keeping of organisational obligations are expected to be reciprocally related. A recent longitudinal study (Conway & Coyle-Shapiro, 2006) has shown that employee performance is reciprocally related to keeping of organisational obligations as perceived by employees. It is not argued here that employee performance as measured in organisations is the same as employee obligations. Employee obligations as perceived by employees generally relate to more abstract themes than measures of employee performance. For example, Conway and Coyle-Shapiro (2006) measured employee performance as sales volume and sales targets met. Measures of employee obligations may include issues such as looking for ways to reduce costs or being flexible as to which tasks are part of the job (Coyle-Shapiro, 2002). However, results of the study by Conway and Coyle-Shapiro (2006) point in the expected direction.

Sixthly, this research differentiates between process and content management of psychological contracts. A similar differentiation has been proposed by Conway and Briner (2005). A content perspective on psychological contract management would describe which inducements organisations offer to employees and which employee contributions are required. It would aim at identifying which mix of inducements and contributions organisations should offer to employees taking into account relevant contingencies. This perspective is of relevance to this research and will be discussed in connection with employment strategies. However, this research is mainly concerned with a process perspective. Organisational inducements and contributions expected are largely treated as a given here. It is one of the aims of this research to identify ways in

which supervisors can facilitate positive psychological contracts once the decision on what is to be offered is taken. In other words, the management recommendations that will be proposed here are formulated so that they are expected to have validity independently of the specific employment strategy practiced in the organisation at large.

Finally, the target groups that this research is concerned with have to be clarified. The organisations represented in the empirical part of this research span the full range from very small to very large (> 50,000 employees). A wide range of industries is represented. Both for-profit and public sector organisations are included. Notwithstanding, previous research as well as the management recommendations proposed here aim mainly at organisations that fulfil the following criteria:

- For-profit or public sector organisations that directly employ the majority of their members (this excludes organisations that function mainly through voluntary work or through alliances with free-lancers)
- Organisations that are large enough to differentiate meaningfully between direct superiors and upper management (this excludes organisations where the direct superior of all employees is also the managing director or owner of the organisation)
- Organisations which employ at least one human resource professional (excluding organisations where the managing director or owner handles all issues regarding human resource management)
- Organisations that can be said to have a formal human resource system including for example performance appraisal, pay for performance or personnel development activities (this excludes organisations with no standardised human resource procedures at all)

It is not argued that psychological contracts do not play a role in very small organisations. It is thought that larger organisations may have something to learn from small organisations where people management may be highly flexible and individualised. However, some of the complexities of psychological contract management described in the following arise from a situation where the need for standardisation in people management needs to be balanced with the idiosyncrasy of psychological contracts and where the actions of organisational functions such as line management, human resource management and top management need to be coordinated.

When the term employee is used throughout this research, it refers to organisational members who do not have formal authority over others. These employees will also be referred to as subordinates. Leaders are defined here as organisational members who have disciplinary authority over others in the organisation and who are labelled in German as “Führungskraft”. While leaders of course also have psychological contracts with their organisation, this research considers only non-leaders when referring to employees or subordinates. See Marr and Fliaster (2003b) for a discussion of the

psychological contract of organisational leaders. The job roles that the non-leaders considered as part of this research may hold in the organisation span the complete range from highly qualified to unskilled workers, such as engineers employed as researchers, junior sales managers, personal assistants or production workers. This is not to say that organisations may have an equal interest in facilitating positive psychological contracts for different employee groups. Consequently, when reference is made in this research to direct superiors or supervisors, this may in rare cases refer to top management, for example when the personal assistant of the CEO is concerned. More commonly, supervisors as described here are expected to be members of lower management or less commonly middle management. The two terms supervisor and direct superior are used interchangeably here.

### **1.6. Structure of this Research**

The way in which this research generates ideas about supervisor opportunities to facilitate positive psychological contracts is by scanning the existing literature on psychological contracts. As has been detailed above, none of the otherwise common theories of leadership are employed here as this would forfeit the aim of developing recommendations based on a follower's perspective. Only the concept of leader-member exchange will be discussed briefly in order to differentiate it from the supervisor perspective on psychological contracts. Part A of this research is concerned with introducing the reader to the basic ideas that have shaped the understanding of psychological contracts and extends these ideas by exploring three theories relevant in this context.

Thus Chapter 2 introduces a variety of possible definitions of the psychological contract, discusses associated conceptual problems and presents the definition used here in more detail. It also differentiates the model from related concepts such as leader-member exchange or perceived organisational support.

Chapter 3 provides an overview of the most important research on psychological contract dimensions and the main processes involved from an employee perspective, namely formation, breach and change of the psychological contract. Chapter 3 also argues the relevance of psychological contracts for organisations based on past empirical research.

In pursuit of the secondary aim of this research, exploring the theoretical basis of psychological contracts, Chapter 4 discusses three theoretical approaches which represent the diversity of possible perspectives. Social exchange theory is explored because it is the most commonly cited source of ideas about psychological contracts. Research on mental models is included because it reflects the nature of the psychological contract when it is defined as individual perceptions. And finally, the resource-based view of the firm is considered because it will be argued to have potential for underlining the relevance of positive psychological contracts to organisations at a conceptual level.

Part B of this research is concerned with reviewing existing material on the organisational perspective on psychological contracts and opportunities to facilitate positive psychological contracts. The development of an organisational perspective on psychological contracts forms the conceptual basis for exploring supervisor psychological contract management.

Chapter 5 reviews literature on the employment relationship, human resource systems as well as on employment strategies and summarises existing management recommendations. A model is proposed that describes an organisational perspective on psychological contracts, thereby addressing the first aim of this research.

Chapter 6 reviews literature that has in some way considered the supervisor as a manager of psychological contracts.

Chapter 7 reviews existing material about the function of several human resource practices for managing psychological contracts.

Chapter 8 offers a summary of the most important findings from the previous six chapters of the review.

Part C is concerned with the empirical part of this research. While the literature review covers a wide range of aspects deemed necessary to demonstrate the complexities of managing and researching psychological contracts, the empirical study focuses on (1) extending the empirical evidence for the business relevance of psychological contracts and on exploring supervisor opportunities to avoid (2) perceptions of psychological contract breach by the organisation as perceived by employees and of (3) breach of obligations by employees.

Chapters 9 and 10 include a description of the aim of the empirical study, formulate the hypotheses and introduce the reader to the method of the empirical study.

Chapters 11 and 12 present the results of the empirical study and discuss results with reference to the literature reviewed. In pursuit of the fourth aim, these two chapters include empirical results and a discussion of breach of obligations by employees.

Part D and thus Chapter 13 is concerned with integrating the results of the empirical study with the literature reviewed in Part A and Part B. In pursuit of the second and third aim of this research, this chapter includes a model of four alignment challenges faced by organisations which want to systematically facilitate positive psychological contracts and specifies what supervisors can contribute to this. In further pursuit of the fourth aim, this chapter includes the formulation of ideas for further research on breach of obligations by employees.

## **PART A**

## **2. Definitions and Related Concepts**

### **2.1. Introduction**

There is an ongoing debate about the appropriate definition of a psychological contract. This debate peaked in the middle of the 1990s and probably culminated with an exchange of arguments published in the *Journal of Organisational Behaviour* in 1998. Since then the debate has cooled down although most of the central issues are still unresolved. Generally, there are two kinds of definition of the psychological contract. Followers of Denise Rousseau and her colleagues define the psychological contract as a mental model of an individual employee about his or her employment relationship. The second most common definition of psychological contracts views the construct as an exchange relationship between two parties. This kind of definition is based on work by Argyris (1960) and Schein (1970).

There are a number of issues one has to consider when attempting to define what exactly psychological contracts are. First, a list of common definitions and an overview of the key points under discussion in the scientific community will be provided. Additionally, some further considerations of the agency problem will be presented. Also, the differences between psychological contracts and related concepts such as legal contracts or leader-member exchange will be outlined. Finally, the definition and approach used in this piece of research will be presented.

### **2.2. List of Definitions**

The psychological contract has been defined as

“an implicit contract between an individual and his organisation which specifies what each expects to give and receive from each other in their relationship” (Kotter, 1973; p. 92)

„individual beliefs, shaped by the organisation, regarding terms of an exchange agreement between individuals and their organisation“ (Rousseau, 1995; p. 9)

“perception of the two parties, employee and employer, of what their mutual obligations are towards each other” (Herriot, 2001; p. 38)

„the perceptions of both parties to the employment relationship – organisation and individual – of the reciprocal promises and obligations implied in that relationship“ (Guest & Conway, 2002a; p. 22)

“the perceptions of reciprocal expectations and obligations implied in the employment relationship” (Isaksson et al., 2003; p. 3)

“The notion of the psychological contract implies that the individual has a variety of expectations of the organisation and that the organisation has a variety of expectations of him. These expectations not only cover how much work is to be performed for how

much pay, but also involve the whole pattern of rights, privileges, and obligations between worker and organisation” (Schein, 1970; p. 12)

### 2.3. The Discussion on Definitions

#### 2.3.1. Mental Models

The debate on definitions centrally revolves around whether psychological contracts are mental models or exchange relationships. Mental models are systems of related elements that constitute a prototypical abstraction of a complex concept. Mental models develop from past experience and guide the way new information is organised (Stein, 1992). Some elements in mental models may be shared by a group of people in the same occupation, organisation or really any group of people, but other elements of a mental model may be unique to the person holding the idea (Rousseau, 2001). Mental models include different levels of abstraction. They may contain several connected ideas at a low level of abstraction. These ideas may lead to the development of an idea at a higher level of abstraction which helps to interpret lower level ideas or elements. Figure 1 provides an example for an extract from a mental model relating to loyalty. See section 4.3 for more detail.

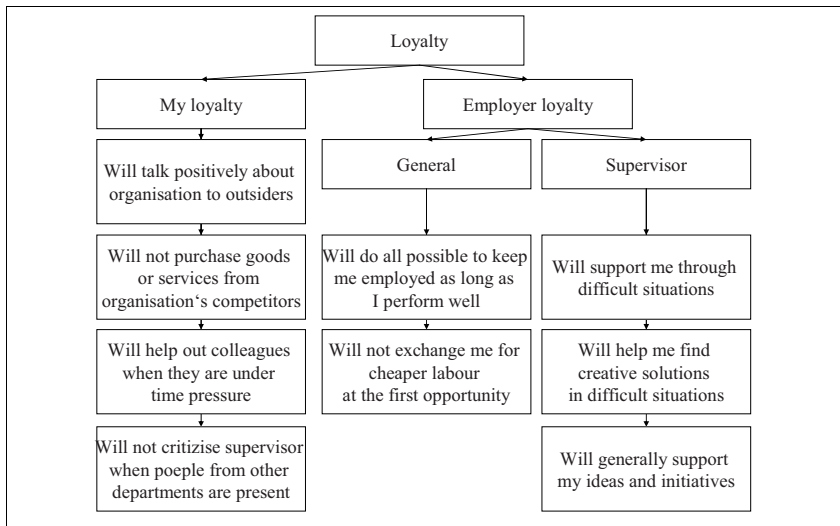


Figure 1: Example of a mental model

The idea that psychological contracts are mental models has guided research on processes involved in psychological contracting such as encoding and decoding of organisational messages (Rousseau, 1995) as well as breach and violation of psychological contracts (Morrison & Robinson, 1997; see section 3.2). Defining psychological contracts as mental models has the advantage that the definition implies



a clear unit of analysis for research: the perceptions of an individual in the organisation. Also, individual perceptions (mental models) of the exchange relationship have been shown to be related to various organisationally relevant outcomes (see Section 3.3). All in all, this definition has triggered a “rich stream of research” (Guest, 1998) resulting in a boom in publications on psychological contracts in the middle of the 1990s.

On the other hand, framing psychological contracts as mental models has been criticised as it focuses solely on the individual. The organisational side to the relationship is not a main focus of attention. If psychological contracts are mental models of individuals, this implies that organisations do not have psychological contracts. In fact, research stemming from the mental model definition has largely disregarded the organisational perspective. Also, if psychological contracts are placed in the mind of the individual, this does not fit the contract metaphor (Guest, 1998). Contracts involve an exchange agreement between two parties. Mental models do not. See section 4.3 for more detail on mental models.

### 2.3.2. Exchange Relationships

Defining psychological contracts as exchange relationships draws on Social Exchange Theory (see section 4.2). The central principle of Social Exchange Theory is that people seek relationships with others who can provide valued resources. Furthermore, people tend to reciprocate on resources received by providing support and resources to others. This phenomenon has been labelled as the “norm of reciprocity” by Gouldner (1960) and its relevance for the exchange relationship described by psychological contracts has been demonstrated by Coyle-Shapiro and Conway (Conway & Coyle-Shapiro, 2006; Coyle-Shapiro & Conway, 2004). Also, Herriot, Manning and Kidd (1997) have provided an insight into individuals’ as well as supervisors’ understanding of mutual obligations showing that when supervisors are assumed to represent the organisational view both parties can formulate an understanding of mutual obligations.

Some authors argue that their empirical findings provide support for a social exchange model rather than a mental model. For example, Rigotti and Mohr (2004) showed that perceptions of fairness of the psychological contract were more important for job satisfaction, commitment and intention to stay than the fulfilment of individual promises. The authors interpret this as meaning that individual assessment of a deal between the two parties is central to psychological contracts, therefore indicating that the central element of a psychological contract is a deal, not a perception.

However, defining psychological contracts as an exchange relationship presents researchers with the so-called agency problem: if psychological contracts are framed as an exchange relationship, who is the second party to the exchange? How can the organisation act as a party to an exchange or alternatively, who represents the organisation? Different members of the organisation may send different messages to the individual employee about organisational contract offers. Is it, therefore, feasible to

frame the organisation as a unified contract partner to the individual? When psychological contracts are defined as mental models, this problem is avoided as organisations are not a central unit of analysis, only the individual's perception of the organisation. Then the organisation can be conceptualised as whatever employees perceive the organisation to be. Also, Herriot, Manning and Kidd (1997) have pointed out that different organisational representatives sending conflicting messages is an organisational reality. This presents one of the reasons why individuals have psychological contracts that are incomplete or unclear.

### 2.3.3. The Currency

When considering definitions of psychological contracts, another issue open to debate is the “currency” (Rousseau, 1995) that psychological contracts deal in. Are psychological contracts concerned with expectations (Kotter, 1973), with obligations (Guest & Conway, 2002a; Herriot, 2001) or with promises (Guest & Conway, 2002a)? And are they concerned with perceptions (Guest & Conway, 2002a; Herriot, 2001) of those expectations, obligations or promises or with beliefs (Rousseau, 1995)? Specifying what psychological contracts are seems to involve clarifying the relationship between expectations, obligations and promises rather than making a choice between the three concepts. It also involves clarifying under which conditions an idea – whether it be an expectation, an obligation or a promise – becomes part of the psychological contract. Concerning the relationship between the three concepts, Guest (1998) has pointed out that consequences of not meeting an expectation will differ from the consequences of not fulfilling an obligation. Sutton and Griffin (2004) have empirically demonstrated the difference. Rousseau (1995) on the other hand refers to “beliefs shaped by the organisation” in her definition and excludes expectations not influenced by the organisation from the analysis. This is partly based on the finding that unfulfilled promises explain more variance in satisfaction, intention to quit and turnover than unmet expectations (Robinson et al., 1994). Rousseau (2001), also points out that promises create obligations. Conway (1996) has proposed that only exchange-based promises matter to psychological contracts, but as promises may be fairly implicit, they may be hard to identify.

These arguments can be interpreted as an indication that it is obligations and promises that are central to psychological contracts rather than expectations. However, Guest (1998) adds that promises also create expectations that are related to a given promise. This implies that expectations become part of psychological contracts as soon as an expectation becomes part of an exchange system where different contributions and inducements become linked to each other. Arnold (1996) has also pointed out that psychological contracts may be based on ideas about what one “should” receive or offer. He reasons that individuals form expectations also on the basis of “what I deserve”, “what would ideally be the case”, “what would have been appropriate in hindsight”; Arnold (1996) bases this argument on empirical findings by Guzzo,

Noonan and Elron (1994) who found that the ratio between what expatriates thought they should receive and what they did receive explained more variance in intention to leave the organisation than what they received in practice.

Following this line of argument, expectations may be highly relevant to psychological contracts, for example when they concern issues as central to the individual as professional goals. Generally, all three concepts – expectations, obligations and promises – appear to be relevant to a psychological contract, but no clear picture emerges from the literature on the relationship between the three. Authors usually do not comment on conceptual differences between perceptions and beliefs and the implication of potential differences between the two concepts for defining psychological contracts. In line with Rousseau (1995), Arnold (1996) and Thompson and Bunderson (2003) it is proposed here that the main currency of psychological contracts are those obligations that individuals believe either they or the other party of the deal have committed themselves to. Obligations refer to employee contributions as well as to organisational inducements or rewards. The latter two terms are used interchangeably here.

The Merriam Webster Dictionary (2005) defines obligations as (1) the action of obligating oneself to a course of action (as by a promise or vow), (2a) something (as a formal contract, a promise, or the demands of conscience or custom) that obligates one to a course of action, (2b) a debt security (as a mortgage or corporate bond), (2c) a commitment (as by a government) to pay a particular sum of money; *also*: an amount owed under such an obligation, (3a) a condition or feeling of being obligated, (3b) a debt of gratitude, (4) something one is bound to do, a duty, a responsibility. Obligate in turn is defined as (1) to bind legally or morally, constrain or (2) to commit (as funds) to meet an obligation. It is thought that in this context definition (2a) for obligation and (1) for obligate are most appropriate for the context of the psychological contract. Morally binding is here to be understood in the sense of the norm of reciprocity as formulated by Ekeh (1974; see section 4.2.5).

Commonly, these obligations will be derived from organisational messages, for example promises explicitly made by a representative of the organisation. Additionally, these perceptions of obligations may originate from professional ideologies or perceptions of “what should be”. See section 3.2.2 for more detail on the kinds of organisational messages that may form the basis on which psychological contracts are built.

#### 2.3.4. Mutuality

People tend to think that others think as they do (Turk & Salovey, 1985). In the context of psychological contracts individuals seem to have a tendency to think that others agree with their perception of required contributions and rewards unless disagreement becomes explicit. In reality disagreements and contract violations do occur, so what role does mutuality play for psychological contracts?

Rousseau (2001) has described four factors that give rise to mutuality:

- Objective accuracy of perceptions of the parties involved
- Information that is shared between the parties involved
- Being in a position to ask for things in one's own interest
- Being in a position to reject or consent to parts of the agreement

Arnold (1996) differentiates between two levels of mutuality:

- Both parties agree that they have expectations towards the other party and that a deal exists
- Both parties share the content of these expectations

Rousseau (2001) has specified that there has to be a perception of mutuality for a psychological contract to exist. It seems plausible that in the case of employees employed under a legal work contract there is commonly an awareness of both parties that some mutual obligations exist as they have been defined and signed in the work contract. However, variation is expected to be fairly large for the degree of agreement between employee and employer about what mutual obligations consist of. It will be hypothesised here that while mutuality about the content of mutual obligations is not a prerequisite for a psychological contract to exist, it is commonly a prerequisite for a psychological contract that will be positive beyond the short term (see section 9.2.6.1).

#### **2.4. The Agency Problem**

As the purpose of this research is to identify ways of managing psychological contracts in organisations, it is necessary to consider the question of whether organisations do have psychological contract more closely. Firstly, there seems to be an implicit assumption in most definitions of psychological contracts that the individual and the organisation are completely separable entities, i.e. the individual is not viewed as part of the organisation. However, one of the interesting features of psychological contracts at work is that the focal individual is a part of the organisation. This implies that individuals have at least a limited opportunity to influence the system that shapes their own psychological contract (Schein, 1970; see section 6.4.3 for more detail).

Secondly, the basic dilemma involved in the agency problem is that when psychological contracts are defined as exchange relationships, there is no clear second party to the exchange. Organisations cannot plausibly be viewed as a unified party to the exchange relationship because representatives of the organisation do not act as such towards individual employees. This has been highlighted by Guest (1998). With respect to shaping the employment relationship, organisations are conglomerates of people with widely varying views of mutual obligations.

As proposed above, one solution to the dilemma is to argue that organisations as a whole do not have psychological contracts. And this is indeed the line of argument followed here. Conceptually and pragmatically, it does not seem plausible to argue that organisations have psychological contracts, firstly because this would require a

definition that would make empirical analysis very difficult and secondly because organisations as a whole do not have a unified perception.

Considering the agency problem draws attention to the fact that viewing psychological contracts solely from an employee perspective is a limited perspective. As will be shown in Chapter 5, an employer perspective on psychological contracts can be developed when research on employment strategies and human resources systems is integrated. However, an additional question is whether individuals who represent the organisation and shape psychological contracts of individual employees can be said to have a perception of the mutual obligations between this individual and the organisation, i.e. whether for example supervisors in their role as organisational representatives can be said to have a psychological contract with their subordinates. The relevant question is whether the way in which supervisor perceptions of mutual obligations are processed is comparable to the way in which employee perceptions of mutual obligations are formed, changed and fulfilled and whether the consequences of non-fulfilment are comparable. While some empirical studies have included supervisor perceptions of mutual obligations (e.g. Tekleab and Taylor, 2003; Coyle-Shapiro and Kessler, 2002), they have not explored the relationships between breach, trust in employee and perceived fairness as well as supervisor behaviours and attitudes towards employees.

In conclusion, while the agency problem renders a definition of psychological contracts as exchange relationships inappropriate for empirical analysis, it highlights the need for research into the processes that influence perceptions of mutual obligations by individuals when they act as representatives of the organisation.

## **2.5. Related Concepts**

### **2.5.1. Social, Normative and Implied Contracts**

There are several other concepts which are related to but different from psychological contracts. Some authors talk about implied contracts when they refer to what other authors would call psychological contracts. Rousseau (1995) differentiates between psychological contracts and three related concepts: implied contracts, normative contracts and social contracts. Psychological contracts are individual beliefs about promises exchanged between that person and another. Normative contracts emerge (Rousseau, 1995; p. 46) “when several people [...] agree on terms in their individual psychological contracts”. Social contracts are described by Rousseau (Rousseau, 1995; p. 13) as “cultural, based on shared, collective beliefs regarding appropriate behaviour in a society”. They reflect what is seen as fair treatment in a society and are based on values shared by members of a society. Social contracts can be explored by looking at cross-cultural differences. For example, cultures differ with regard to how binding a promise is (Rousseau & Schalk, 2000) or the meaning and relevance attached to career advancement (Sparrow, 1996). Interpretations that third parties like a friend, a witness or a potential employee may make regarding the terms of the employment relationship

are labelled as implied contracts by Rousseau (1995). A detailed discussion of these definitions goes beyond the scope and purpose of this research, but it is important to emphasise that according to Rousseau's (1995) definition and the definition adopted for this piece of research, psychological contracts are neither common beliefs held by a group of employees or group of people in one culture, nor judgements made by third people, but the individual perceptions of the employee concerning mutual obligations between this employee and the organisation he or she works for.

#### 2.5.2. Perceived Organisational Support

Perceived organisational support (POS) is a concept proposed by Eisenberger and colleagues (see for example Eisenberger et al., 1986). It describes the overall belief of an individual about the extent to which the employing organisation values contributions made and cares about well-being of the employee. Rhoades and Eisenberger (2002) identify three factors as antecedents of POS: Organisational rewards and working conditions, the support received from supervisors and just procedures. POS and psychological contracts are similar concepts as both focus on the exchange of socio-emotional resources. In both models fairness is considered to be central. Also, both models suggest that positive treatment has more positive consequences when perceived as given voluntarily. Additionally, negative treatment is suggested to have negative consequences for employer and employee in both models.

However, the two models also differ in significant ways (Eisenberger et al., 2002). While POS is mainly concerned with favourable treatment by the organisation, the psychological contract model is more focused on individual comparisons between obligations incurred and obligations kept. Thus, POS research suggests that favourable treatment will have positive consequences for the organisation and for the individual regardless of obligations incurred. Psychological contract research on the other hand implies that the obligations incurred by organisations will be important in order to achieve positive outcomes. Also, according to the POS model an individual obligation to reciprocate consists in caring about the organisation. The psychological contract model on the other hand suggests that the way in which a certain contribution will be reciprocated depends on the psychological contract established beforehand. In conclusion, it can be argued that POS describes one aspect of the more comprehensive psychological contract model: individual contributions made are rewarded by the organisation through care for the individual which in turn is reciprocated by the individual by care for the organisation. Thus, POS describes one of many possible cycles of reciprocation that may or may not be part of an individuals' psychological contract.

#### 2.5.3. Leader-Member Exchange

The leader-member exchange (LMX) model is a transactional theory of leadership and focuses on the quality of the relationship between leader and follower (Hogg, 2004) and how this relationship is related to leader effectiveness. The model is based on the

observation that leaders do not treat all followers in the same way. Subordinates can be divided into an in-group where subordinates have high quality relationships with their leader and an out-group where members have relationships with their leader that are largely restricted to the exchange as regulated in the employment contract (Liden & Graen, 1980). A meta-analytic study has shown high LMX to be associated with higher job performance as well as higher organisational commitment, higher job satisfaction and lower turnover intentions (Gerstner & Day, 1997). Like the psychological contract model, the LMX model is founded in social exchange theory and high quality relationships involve exchanges of material, social and psychological benefits such as information, support or autonomy (Hogg, 2004). Both models are based on relationships that develop beyond formal organisational structures such as legal work contracts (Da Yu & Liang, 2004).

However, there are also many differences between the two models. Whereas LMX is based on the relationship between supervisor and subordinate, psychological contracts describe the mental model of the individual about the relationship with the organisation. So there are differences in the nature of the concept (relationship vs. perception) as well as partners to the relationship (supervisor vs. whole organisation). Whereas psychological contracts are seen to be dynamic and affected by individual and organisational change, LMX is seen to be fairly stable after its formation through role-taking and role-making. There are also wide differences in the relationship with outcomes. Whereas in LMX high quality relationships are related with positive outcomes and low quality relationships are related with negative outcomes such as turnover intentions or lower performance, the issue is more complex with regard to psychological contracts. Although high quality relationships in LMX bear some resemblance to relational psychological contracts, low quality relationships in LMX are dissimilar from transactional psychological contracts as transactional psychological contracts can involve high levels of trust, perceived mutual obligation and may be seen as desirable by the organisation as well as the individual (see section 3.1.2 for more detail on transactional and relational psychological contracts). Trust is seen as an integral part of a positive psychological contract, whether relational or transactional (Millward & Brewerton, 2000). Thus, low quality LMX may be more similar to the concept of violated psychological contracts which have been shown to be related to negative attitudes as well as behaviours.

Whereas psychological contracts involve an exchange with the organisation as a whole, LMX is much more specific in that it restricts the concept of interest to the relationship between supervisor and subordinate which is viewed in isolation from the organisational context. This isolation of the relationship from its context constitutes one of the weaknesses of the LMX model. Although various ways of measuring LMX have been developed, there is little research on the antecedents of high quality LMX. There is some research that addressed the role of demographic similarity between leader and member (Gerstner & Day, 1997).

Tekleab and Taylor (2003) investigated the relationship between LMX and agreement on employee and employer obligations. They found that LMX as evaluated by the supervisor was related to agreement on both employer and employee obligations. For a further empirical study on the relationship between psychological contract and LMX see Restubog et al. (2005).

For the purpose of this research which focuses on the contribution of supervisors to facilitating positive psychological contracts, leadership practices that have been shown to facilitate high quality LMX would have been very informative. However, as mentioned above, such research is not available.

#### 2.5.4. Employment Relationship and Employee-Organisation Relationship

In their literature review Tsui and Wang (2002) have listed various different approaches to studying the employment relationship. The employment relationship is sometimes viewed as the employment contract or the psychological contract. Other researchers describe the employment relationship by means of opposing types of human resource systems, e.g. high commitment vs. low commitment management (Wood & Menezes, 1998) or control-oriented vs. high involvement (Lawler, 1988, 1992). These kinds of approaches are based on work governance as well as human resource management perspectives. Finally, the employment relationship has been described based on the inducement-contribution framework (March & Simon, 1958). Tsui and Wang (2002; p. 105) have defined the employment relationship as “the employer’s expectation of contributions desired from the employee and inducements the employer actually offers”. A balanced employment relationship is achieved when inducements are matched with contributions for both sides of the deal. Tsui et al. (1997) identified various types of employment relationship which are based on either balanced investments, by organisational underinvestment or overinvestment. See section 5.2 and 5.3 for more detail on this kind of employment relationship research. It will be argued in Chapter 5 that the employment strategy is a central aspect of the employment relationship and that types of employment relationship can be described as strategy outcomes.

The inducement-contribution approach proposed by March and Simon (1958) and developed by Tsui et al. (1997) is similar to psychological contracts in that it is based on a social exchange approach where both organisation and employee contribute and receive. Note that the idea of exchange is not included in the work governance or human resource management systems approaches to the employment relationship. However, the employment relationship as viewed by Tsui and colleagues is different from psychological contracts in various important ways: whereas psychological contracts view the individual employee as the main unit of analysis, employment relationship research mostly deals with groups or types of employees, grouping them according to their strategic value to the organisation and the uniqueness of their skills (Lepak & Snell, 2002) or alternatively according to professional groups, e.g. program-



mers or secretaries. Secondly, in contrast to psychological contracts research, employment relationship research takes a very clear employer perspective. So in conclusion, the employment relationship describes different kinds of employment offers extended by organisations towards all employees or certain groups of employees. From a work governance or human resource perspective, these employment offers manifest themselves mainly through the kind of human resource system provided. From an inducement-contributions perspective, these offers refer to an offer to become engaged in a certain type of exchange, e.g. organisation-focused vs. job-focused (Tsui et al., 1997). Research on the employment relationship is usually focused on content, i.e. it described what inducements organisations offer and which contributions they expect in return. Thus, it can be argued that the employment relationship presents a very relevant facet of the exchange relationship that psychological contracts are based on, namely the employer perspective of the deal that is being made.

Note that Shore et al. (2004) also refer to the employee-organisation relationship (EOR). The EOR is formed “by the strategies and goals of the two parties to the relationship, which can result in a relationship in which their respective strategies and goals are either aligned or misaligned” (p. 136). Of the related concepts discussed above, this one is probably most similar to psychological contracts. Like the psychological contract it is based on the relationship between an individual and the organisation and describes an exchange. Yet the EOR differs in two ways from the psychological contract. Firstly, the psychological contract describes a mental model of the exchange whereas the EOR describes the exchange itself. Secondly, the EOR is based on strategies and goals of the two parties. In their model Shore et al. (2004) do not provide detail on how organisational strategies and goals influence and shape individual goals and strategies. In contrast, the psychological contract model assumes a strong influence of the organisation on obligations as perceived by employees, which has been labelled the malleability view (Roehling & Boswell, 2004). In conclusion it can be argued that the EOR is similar to the psychological contract when it is defined as a social exchange relationship. However, as detailed above, this is not the definition adopted for the purpose of this research.

#### 2.5.5. Work Contracts

A work contract constitutes a legal relationship which obligates the employee to work for the employer. The employer is obligated to pay the employee for the work done (May, 2006). Whereas legal contracts require the explicit making and acceptance of an offer, psychological contracts can be formed through various kinds of interaction between parties at different levels (Rousseau, 1995). Also, whereas legal contracts are enforceable by law, psychological contracts are not. Whereas legal contracts involve two or more parties, psychological contracts are a mental model of one party about the exchange. Thus, naming the construct in question psychological contract is in some ways counterintuitive. On the other hand, both legal work contract and psychological

contract are based on an exchange between the organisation and the employee. Whereas the legal work contract deals with the exchange of observable benefits such as pay, hours worked, holiday entitlement, protection against dismissal and job tasks, the psychological contract additionally may include the exchange of less tangible benefits such as recognition and loyalty. So depending on the person, the scope of the exchange as described in a psychological contract may be much larger than that fixed in a legal work contract.

Roehling and Boswell (2004) investigated the discriminant validity of psychological contracts, i.e. they explored whether psychological contracts are “meaningfully distinct” (Roehling & Boswell, 2004; p. 225) from legal work contracts by comparing formal job security policies with employees’ beliefs about good reasons for dismissal in the US. Some of the participants of the study worked for organisations with an at-will employment policy, which means that the organisation states in its application forms and employee handbooks that employment can be terminated “for any reason, or none, with or without prior notice” (Roehling & Boswell, 2004; p. 220). They found that the majority of employees working for organisations with an at-will employment policy nevertheless thought their employer to be highly obligated or very highly obligated to provide a good reason for dismissal. Roehling and Boswell (2004) concluded that the formal employment policy was not significantly related to employee perceptions of organisational obligation. This indicates that the concept of the psychological contract has discriminant validity in comparison to legal work contracts.

## **2.6. Definition Used Here**

For the purpose of this research, psychological contracts are defined as mental models of individual employees about the obligations between themselves and the organisation that they work for. The advantage of this definition is a clear unit of analysis for empirical research: individual perceptions. This definition allows building on research from the Rousseau school, which is important when analysing organisationally relevant outcomes of psychological contracts and managing processes like contract formation, change and violation.

It has also been argued that organisations as a whole do not have psychological contracts with their employees. However, organisations have employment strategies which they use to shape their relationship with employees. Thus, it has been proposed that the concept of the employment relationship can be viewed as the employer flip side of psychological contracts. However, this does automatically imply that the processes that have been suggested to be involved in psychological contracting apply in a comparable way to the employer side. This issue warrants further exploration.

It has also been suggested that individual representatives of the organisation, particularly supervisors, have perceptions of mutual obligations between the employee in question and the organisation. It has been highlighted that research has not explored

how these perceptions are formed and what their consequences are, but it could be speculated that supervisor perceptions of obligation between employee and organisation are fairly similar to psychological contracts in the way they are formed and potentially violated. Yet, supervisor perceptions are also different from psychological contracts: Some of the mutual obligations between employee and organisation that the supervisor perceives may involve the supervisor himself or herself as a contracting partner, e.g. when it is the supervisor's task to fulfil the obligation to offer support with career development. Other obligations may exist between employee and organisation without active involvement of the supervisor, e.g. linking performance to pay. Further research is required to clarify in how far supervisor perceptions of obligations are comparable to employee perceptions of obligations.

Finally, it has been argued that while through the existence of a legal work contract it can be assumed that organisations and employee share the view that mutual obligations exist, wide variations are expected with regard to mutuality about the content of the obligations. It is also argued that this degree of mutuality is reflected in the degree to which supervisor and employee agree on the content of obligations. While agreement is not proposed to be a prerequisite of psychological contracts, it is proposed to be a prerequisite of positive psychological contracts that facilitate positive outcomes both for the organisation and for the individual.

### 3. Dimensions, Processes and Outcomes

#### 3.1. Dimensions, Types and Content

##### 3.1.1. Introduction

This section presents some basic characteristics and dimensions of psychological contracts. The issue most widely discussed is the emergence of the new psychological contract. However, this research contribution largely takes a process perspective and the terms of the psychological contract, whether old or new, are treated as a given. So the aim of this section is not to develop a prescriptive model of the mutual obligations that organisations should attempt to establish. Rather, this section provides an overview of possible obligations that may form part of psychological contracts and the typical patterns of obligations that can be found. This allows an estimation of the range of issues involved as well as the magnitude of possible inter-organisational and intra-organisational differences.

##### 3.1.2. Features and Dimensions

In order to describe the content of psychological contracts in the most general terms Rousseau (1995) suggested six dimensions of psychological contracts listed in Table 2.

	Transactional		Relational
<b>Focus</b>	Economic	↔	Economic and emotional
<b>Inclusion</b>	Partial	↔	Whole Person
<b>Time frame</b>	Closed-ended, specific	↔	Open-ended, indefinite
<b>Formalisation</b>	Written	↔	Written, unwritten
<b>Stability</b>	Static	↔	Dynamic
<b>Scope</b>	Narrow	↔	Pervasive
<b>Tangibility</b>	Public, observable	↔	Subjective, understood

Table 2: Dimensions of psychological contracts (Rousseau, 1995)

Rousseau (1995) argued that these six dimensions jointly form one dimension and that two common types of contracts are located at the extremes of this continuum, labelled transactional and relational psychological contracts. Transactional contracts are thought to involve primarily economic incentives to employees, a limited amount of personal involvement in the job, short duration of the relationship, well-defined employee obligations, little flexibility in mutual obligations and little development on the job. The terms of this kind of exchange can be observed and understood by

outsiders. Relational psychological contracts are defined by involvement that is not only economic but also emotional and holistic; the involvement may last for long periods of time and employee obligations may be partly implicit and subject to change. They may include aspects of personal and family life and may be difficult to observe for a third party.

From the six dimensions listed above, Rousseau (1995) further developed the distinction between relational and transactional contracts into a typology based on two dimensions: time frame and performance requirements. Time frame refers to the time frame in which mutual obligations can be fulfilled. Performance terms refer to the degree to which the organisation has explicitly defined what constitutes high performance. Why or how the two dimensions were derived from the six dimensions used above remains unclear. Rousseau (1995) suggests four types of contracts, which are illustrated in Table 3.

		Performance Terms	
		Specified	Not specified
Time Frame	Short Term	Transactional	Transitional
	Long Term	Balanced	Relational

Table 3: Types of psychological contracts (Rousseau, 1995)

In this typology, transactional psychological contracts are characterised by explicit performance requirements in exchange for tangible, short-term rewards. Transactional psychological contracts describe an exchange relationship that is mostly economic. These psychological contracts are thought to involve low levels of affective commitment to the employer, little learning and development and are usually of short duration. In contrast, relational contracts are characterised by longer duration and higher stability as well as higher affective commitment. The terms of the exchange are less explicit and there is a stronger focus on a socio-emotional exchange between the parties with a high degree of integration into the organisation. Balanced psychological contracts are a mixture of transactional and relational contracts in that they involve well-defined obligations for both parties and the potential for long-term involvement between employer and employee. However, balanced contracts are more dynamic than relational contracts. In order to continue the employee-organisation relationship, development and change may become necessary, either constantly or periodically. Whereas balanced contracts are viewed to involve the best of two worlds (Marr & Fliaster, 2003b), transitional contracts are seen as a temporary solution (Rousseau, 1995) with many disadvantages for both parties: whereas the organisation does not commit to continuing employment beyond the short term and does not specify what employees need to do to be successful, employees show low levels of commitment and there are usually high levels of turnover.

Although the difference between relational and transactional contracts has been widely used in psychological contract research, there is no agreement on whether these are contrasting types of contracts which can be placed on the opposing ends of a continuum – usually referred to as the one-factor solution (Rousseau, 1990; Rousseau & McLean Parks, 1993; Shore & Tetrick, 1994) – or whether a psychological contract of a given employee can be high or low on both a transactional and a relational dimension – usually referred to as a two-factor solution (Shore et al., 2006).

However, two interesting additions to the discussion on relational and transactional contract types have been made by more recent research. Assuming a two-factor solution for the transactional/relational divide, Thompson and Bunderson (2003) have suggested a third factor: an ideological exchange. This is argued to exist when through their membership to an organisation employees pursue a higher cause. Ideology-infused exchanges involve altruistic motives by both organisation and employee. They are argued to be different to both transactional and relational exchanges because the beneficiaries of the exchange are not only the organisation and the employee but also a third party or constituency. Thompson and Bunderson (2003) provide a number of examples: “the poor”, “the environment” or “future generations”. The relevance of this third factor is argued to lie in the strong reactions that violation of an ideological exchange will provoke in employees. See section 3.2.5 for more detail on contract violation. However, Thompson and Bunderson (2003) do not provide empirical data to support their argument.

Janssens et al. (2003) have carried out a cluster analysis based on a large sample of Belgian employees with the aim of identifying common types of contracts. Based on the pattern of features as reported by employees, Janssens et al. (2003) identified six clusters of typical psychological contracts. They also presented employee profiles for each of the six types of psychological contract. The six clusters are listed in Table 4, detailing features that present strong and weak obligations of the organisation and of employees. The meanings of the features are detailed in Table 5.

Janssens et al. (2003) found that about a third of their respondents reported to have an unbalanced psychological contract, either to their own advantage where the organisation was viewed to have higher obligations than themselves (instrumental) or to their disadvantage where their own obligations are higher than that of the organisation (investing).

All in all, this kind of research can provide a useful insight into possible patterns of obligation between employees and their organisations. However, labelling of findings is sometimes confusing and it is sometimes difficult to draw a clear line between features, dimensions, factors or terms of the psychological contract. This essentially highlights that some conceptual basics in psychological contract research still need further development.

	<b>Strong features</b>	<b>Weak features</b>	<b>Profile</b>
<b>Loyal</b>	<u>ORGANISATION</u> Loyalty Equal treatment <u>EMPLOYEE</u> Loyalty	<u>EMPLOYEE</u> Personal investment	Blue-collar or civil servants; operational jobs with low salary in large organisations
<b>Instrumental</b>	<u>ORGANISATION</u> Equal treatment	<u>EMPLOYEE</u> Flexibility Personal investment	Both blue- and white-collar; low level of education in operational jobs
<b>Weak</b>		<u>ORGANISATION</u> Personal treatment Equal treatment Open attitude	Jobs across all hierarchical and pay levels; average level of education
<b>Unattached</b>		<u>EMPLOYEE</u> Long-term involvement Loyalty	Young, educated, white-collar and executive employees in small/medium-sized organisations
<b>Investing</b>	<u>ORGANISATION</u> Equal treatment <u>EMPLOYEE</u> Personal investment Flexibility		Senior management; small organisations
<b>Strong</b>	<u>ORGANISATION AND EMPLOYEE</u> Loyalty Open attitude Personal treatment Flexibility Equal treatment Carefulness Respect		Tenured middle managers; civil servants in large organisations

Table 4: Clusters of psychological contracts (Janssens et al., 2003)

<b>Employer Features</b>	<b>Employee Features</b>
<u>Loyalty</u> : job security	<u>Loyalty</u> : stay with the organisation
<u>Open attitude</u> : clarity of employee right	<u>Open attitude</u> : communicate about the employment relationship
<u>Personal treatment</u> : not treating employees as a number	<u>Personal investment</u> : develop on the job
<u>Carefulness regarding arrangements</u> : commitment to agreed arrangements	<u>Flexibility</u> : tolerate change
<u>Equal treatment</u> : collective treatment of all employees	<u>Respect</u> : for authority in the organisation

Table 5: Meanings of obligations (Janssens et al., 2003)

A plethora of publications have argued in favour of a need for a new psychological contract. As mentioned above, there is no agreement on how fundamental changes in the nature of work are. In the most basic terms, the old psychological contract has been

argued to involve loyalty, compliance and functional expertise as employee obligations and security, regular promotions, salary increases and care in difficult times as employer obligations. Under the new deal employers offer challenge and in exchange expect flexibility, responsibility, accountability and in some places, especially the UK, long hours (Herriot & Pemberton, 1995b). The comment that always reverberates around descriptions of the new deal is that it is unfair and unbalanced: organisations expect more than they are prepared to give back.

Dopson and Neumann (1998) have presented a direct comparison of old versus new psychological contracts for middle managers in the UK. Their results are based on case studies in 16 UK organisations including interviews with 37 middle managers. Although this sample consists of highly qualified employees in mid to late career stages and may not be representative for employees at lower hierarchical levels, results present a good overview and are generally in line with other research. See Table 1 in Chapter 1 for the description.

### 3.1.3. Content

As psychological contracts describe the subjective understanding of employees about mutual obligations between themselves and their employer, psychological contracts are by definition individualised. However, while some obligations may be idiosyncratic and unique to the relationship in which they have come to exist, other obligations are shared by a larger portion of the workforce or by members of an organisation or an organisational sub-unit. One of the most frequently cited studies that has investigated specific obligations as part of psychological contracts was carried out by Herriot, Manning and Kidd (1997) in the UK using the critical incident technique. 184 employees and 184 managers were interviewed about situations where either a manager or an employee fell short of or exceeded what was expected of him or her. A total of approximately 1000 incidents were recorded. Coding resulted in 12 employer obligations and 7 employee obligations. Table 6 lists these obligations.

Analysis of frequencies of incidents for the two groups – employees and managers – showed that while there was general agreement on the obligations, employees emphasised basic hygiene factors (Herzberg, 1968) like environment, pay and security more than managers did. Managers on the other hand put more emphasis on humanity, recognition and benefits. A similar kind of difference was identified for employee obligations: managers put more emphasis on loyalty whereas employees focused on self-presentation and property. The authors explain this by mistrust of employees towards organisations: as employers have violated the old deal – loyalty against job security – employees have reverted to a transactional view of the deal – hours against pay. Managers on the other hand may be stressing relational components in order to brush over inadequate basic provisions like fair pay.

Furthermore, doing the contracted hours, performing well and being honest emerged as the most important employee obligations. Herriot, Manning and Kidd (1997) point



out that this view is very traditional, as it is input- not output-oriented. This puts into question the prevalence of the new psychological contract.

<b>Organisational Obligations</b>	<b>Employee Obligations</b>
Training: providing adequate induction and training	Hours: to work the hours you are contracted to work
Fairness: ensuring fairness of selection, appraisal, promotion and redundancy procedures	Work: to deal honestly with clients and with the organisation
Needs: allowing time off to meet personal or family needs	Loyalty: staying with the organisation, guarding its reputation and putting its interests first
Consult: consulting and communicating with employees on matters which affect them	Property: treating the organisation's property in a careful way
Discretion: minimal interference with employees in terms of how they do their job	Self-presentation: dressing and behaving correctly with customers and colleagues
Humanity: to act in a personally and socially responsible and supportive way towards employees	Flexibility: being willing to go beyond one's job description, especially in emergency
Recognition: recognition of or reward for special contribution or long service	
Environment: provision of a safe and congenial work environment	
Justice: fairness and consistency in the application of rules and disciplinary procedures	
Pay: equitable with respect to market values and consistently awarded across the organisation	
Benefits: fairness and consistency in the administration of the benefits systems	
Security: organisations trying hard to provide what job security they can	

Table 6: The content of the psychological contract (Herriot et al., 1997)

Baccili (2001) investigated obligations between employer and employee in a sample of employees in the US. Using a quantitative and a qualitative approach, participants filled in closed and open-ended questions and a sub-group participated in structured interviews. Although the sample size of 62 participants is small, this study is of particular interest as Baccili (2001) differentiated between two kinds of obligations: those that employees felt the organisation as a whole had towards them and those that they felt their supervisor had towards them. Baccili (2001) argues that supervisors fulfil more than one role with regard to psychological contract management: they contribute to fulfilling organisational obligations acting as both procedural and distributive agent for the organisation. Also, they partner with employees to ensure career success acting as principals. Managerial roles will be discussed in detail in Section 7.3. Table 7 illustrates Baccili's (2001) model.

These two studies have been chosen to provide examples of shared mutual obligations. However, any individual psychological contract may include only some of the obligations listed above and the order of importance of obligations is likely to differ between contracts. For example, the deal for a research assistant at a German university may involve a strong employer obligation to provide job security and job autonomy and a strong obligation for the employee to provide good quality research.

Other obligations may be secondary. On the other hand, the deal for a junior business consultant may involve effective leadership and career success as employer obligations and a high degree of flexibility with regard to hours and mobility, self-presentation and quality of work as employee obligations. The essence of the two deals differs widely. Also, the meaning attributed to terms, for example regarding working hours, may differ widely. In some organisations, e.g. law firms or business consultancies, working overtime regularly without full compensation in terms of days off or extra pay is an employee obligation that goes without saying. In other organisations working overtime is only expected in exceptional situations or to a certain amount and may be compensated with extra days off, e.g. in some public sector organisations in certain jobs. In certain jobs, it may even be tolerated that employees at times work less than the hours contracted under the condition that they have successfully completed the tasks that are part of their job, e.g. in secretarial or administrative functions. In short, while these studies provide an overview of common obligations in the UK and in the US, they cannot be viewed as a blueprint for any individual psychological contract.

<b>Organisational Obligations</b>	<b>Supervisor Obligations</b>
Fair and equitable policies and competent leadership	Developing a positive, open, trusting and respectful work atmosphere
Ensuring the resources for job and career success	Ensuring competent leader-supervisors
Providing competitive compensation	Managing performance and rewards
Creating a high performance infrastructure	Career development
Providing long-term job security	Providing a good job
Providing reasonable job security	Managing group resources

Table 7: Organisational and supervisor obligations (Baccili, 2001)

#### 3.1.4. Conclusions

It has been the aim of this section to present an insight into the wealth of possible obligations between employees and their organisations along with some useful ways of differentiating between types of contracts. There is no commonly accepted best measure of psychological contracts and this lies in the nature of the concept. Ideally, every study on psychological contracts would involve a qualitative approach to identifying mutual obligations. However, this is not economical and makes identification of relationships with other variables difficult if not impossible. Neither Herriot, Manning and Kidd (1997) nor Baccili (2001) have developed their qualitative findings into a quantitative measure.

Whereas Bacilli's (2001) sample comes from the US, Herriot, Manning and Kidd's (1997) as well as Dopson and Neumann's (1998) samples come from the UK.

Rousseau also largely refers to employees located in the US. In Germany, there are few empirical studies measuring specific obligations and there is no study of comparable size to that of Herriot, Manning and Kidd (1997). However, variability within cultures is generally expected to be greater than between cultures (Rousseau & Schalk, 2000).

### 3.2. Basic Processes

#### 3.2.1. Introduction

It is the aim of this section to summarise research on basic processes involved in psychological contracting between organisations and individuals. The most frequently mentioned processes are contract formation, contract breach and violation as well as contract change. Due to the purpose of this study, i.e. identifying opportunities for supervisors to facilitate positive psychological contracts, this section will focus on identifying factors that have been suggested to facilitate the development and maintenance of positive psychological contracts as well as help avoid psychological contract breach and violation.

#### 3.2.2. Formation of the Psychological Contract

Rousseau (1995) has presented a model of psychological contract building that is strongly based on the mental model perspective on psychological contracts. The model is illustrated in Figure 2. Rousseau (1995) posits that psychological contracts are formed on the basis of two kinds of factors: on the one hand organisational messages and social cues, on the other hand individual predispositions and cognitions. Also, psychological contracts are formed through two kinds of processes: encoding and decoding.

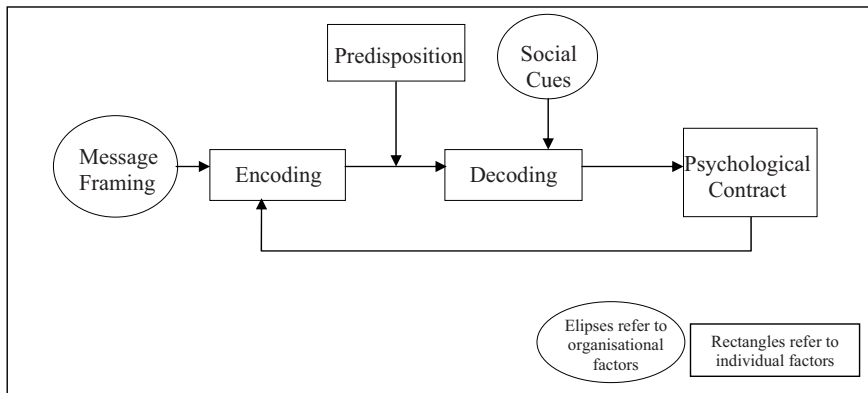


Figure 2: The process of contract formation (Rousseau, 1995)

Rousseau (1995) suggests that psychological contracts are shaped through organisational messages that communicate intentions about the future and as such present commitments to future action. Communication of these messages can take one of several forms: (1) overt statements (e.g. a statement by top management about developing people), (2) observation (e.g. observing how a colleague is treated by his or her superior in a conflictual situation), (3) expression of organisational policies (e.g. in a handbook or other written material) or (4) social constructions (references to the past such as reminding a colleague that in the past a certain position has always been filled from within the organisation). Social cues are events or, more generally, information that an individual employee receives from the organisational environment, mostly his or her co-workers. This additional information helps employees to understand and interpret organisational messages. A comment by a colleagues that a certain manager can be trusted or that a certain policy was never put into practice constitute examples of social cues.

Rousseau (1995) argues that not all organisational messages are encoded, i.e. interpreted as reliable promises or commitments to future actions. However, organisational messages are more likely to be encoded when the person who makes the commitment is seen as powerful, when it is appropriate to make promises in a given situation and when the promise is communicated repeatedly.

When individuals have encoded, i.e. processed organisational messages, they need to interpret these messages by deducing behavioural standards. Rousseau (1995) labels this process decoding. Thus, decoding refers to the process where an individual establishes what it means to be loyal to the organisation or what constitutes high performance in the organisation. Social cues help individuals to decode organisational messages. Once behavioural standards have been identified, individuals can monitor whether they themselves comply with the promises they have made and whether the organisation complies with the promises it has made. Rousseau suggests that the clearer the behavioural standard deduced, the more likely the individual is to adhere to the standard as behavioural standards become goals and obligations.

Although this is probably the most comprehensive model of psychological contract formation that has been proposed so far, it is largely hypothetical. Also, Rousseau (1995) does not draw a clear line between organisational messages and social cues.

Other researchers have taken a different route to understanding contract formation by observing contract development during the early stages of employment. These studies generally find that the content of the psychological contract changes from pre- to post-employment phases (de Vos et al., 2003; Robinson et al., 1994; Tekleab, 2003; Thomas & Anderson, 1998). Generally, two kinds of explanation have been proposed for these changes. Firstly, the norm of reciprocity suggests that people pay back to make up for what they received. Thus, an employee who receives something from the organisation would reciprocate by giving something back which would in turn provoke the organisation to offer more. This process would lead to a steady increase in mutual

obligations over time. Thus, the norm of reciprocity suggests an increase in mutual obligations from pre- to post-employment and from early to later stages of employment. The second explanation makes a contrasting prediction: Most individuals are biased in favour of themselves, i.e. they overestimate their own contributions and underestimate the contributions others make. Thus, new hires would perceive themselves to fulfil their commitments to a greater extent than the organisation fulfils its obligation. Taking an equity approach, this would lead to a reduction in one's own commitments and an increase in the other party's commitments.

In line with this second instrumental explanation, Thomas and Anderson (1998) found that during socialisation newcomers' beliefs about what their employer owes them increase in quantity. Robinson, Kraatz and Rousseau (1994) found that newcomers' beliefs about what they owe the organisation decreases in quantity.

De Vos et al. (2003) suggested that two mechanisms facilitate adaptation of perceived mutual obligations during the first phase of employment. Perceived obligations change through unilateral adaptation and through reciprocal adaptation. Unilateral adaptation occurs when perceptions of obligations of the individual change based on the individual's own behaviour. A new hire may have promised to be flexible and mobile and then observes himself or herself to be less flexible than required. This may lead to a change in the individual's perceived obligation to be flexible. Unilateral adaptation also occurs when perceptions of obligations of the organisation change based on organisational behaviour. For example, getting to know the compensation system will lead to an adaptation of perceived organisational obligations with regard to pay. Reciprocal adaptation occurs when perceptions of obligations of the individual change based on organisational behaviour. For example, a newcomer may perceive that the organisation offers many incentives in addition to those promised during recruitment. This may lead to an increase in the level of obligation the new hire perceives to have towards the organisation. De Vos et al. (2003) found support for both kinds of adaptations in a Belgian sample in a longitudinal study.

In conclusion, research suggests that psychological contract formation starts even before individuals are formally employed by the organisation. It also suggests that psychological contracts may undergo changes from pre- to post-employment. Several mechanisms have been suggested to influence these changes, namely unilateral or reciprocal adaptation, the norm of reciprocity or a self-serving bias that distorts views about fulfilment of obligations. Rousseau (1995) has described the process of contract formation as one of encoding and decoding different kinds of organisational messages. However, her model remains largely hypothetical.

### 3.2.3. Factors Influencing Formation

Rousseau's (1995) model of contract formation suggests four ways in which organisations can influence the psychological contract of employees during its formation:

- Through explicit statements made by representatives of the organisation
- Through organisational policies
- Through shaping organisational culture that will influence social cues and constructions
- Through creating structures and practices that increase the likelihood of employees observing instances of organisational behaviour in line with intended messages about mutual obligations

Rousseau (1995) also suggests that messages about mutual obligations should be conveyed by an organisational representative who is perceived as having the power to keep the commitments made and that messages about mutual obligations should be given repeatedly. In addition to a vision, details and examples of behaviours should be provided to help people interpret the vision in the way intended by the organisation.

Few empirical studies have been concerned with factors that influence psychological contract development. Only one study by Tekleab (2003) was identified that focused on factors under the control of the organisation.

Tekleab (2003) found that providing realistic job previews (RJP) was related to changes in applicants' understanding of reciprocal obligations. Those that had been provided with a realistic preview perceived a higher degree of mutual obligations between themselves and the employer. Furthermore Tekleab (2003) found that the amount of information new employees gathered about for example their role and their task influenced changes in employee obligations towards the organisation.

Tekleab (2003) also found that RJP influenced newcomer's perceptions of organisational obligations and that socialisation influenced newcomer's perceptions of their own obligations. Those that reported high levels of RJP and socialisation reported lower levels of breach of the psychological contract. Tekleab (2003) suggests designing RJP to include information on employee obligations and socialisation programmes to include information on organisational obligations.

Other studies have explored individual factors that influence formation of the psychological contract. For example, de Vos et al. (2005) looked at how work values and locus of control influenced information seeking during socialisation. Table 8 provides a list of other individual factors that have been suggested or shown to influence psychological contract development. However, these studies have researched factors not under control of the organisation. Therefore, these factors are of limited relevance to this study, which aims at identifying organisational and supervisor opportunities to facilitate positive psychological contracts.

<b>Authors</b>	<b>Factor Identified/suggested</b>
Schein (1970)	Needs, values, motives
Larwood and Wright (1998)	Latent roles
Roehling (1997)	Equity sensitivity
Rousseau (2001)	Prior experiences in other organisations
Raja et al. (2004)	Personality

Table 8: Individual factors which influence psychological contracts

### 3.2.4. Psychological Contract Change and Influencing Factors

As mentioned above, Rousseau (1995) differentiates between three kinds of contract change. Contract adaptation and transformation happen in the context of organisational change. Adaptation or transformation of psychological contracts usually affects either all employees in one organisation or certain groups of employees. Whereas contract transformation describes changes that involve the core of the psychological contract, psychological contract adaptation leaves the core of the psychological contract intact. Drift of the psychological contract is defined as instances of “internally induced shifts in how the contract is understood” (Rousseau, 1995; p. 144). Contract drift occurs when employees change their understanding of whether obligations are currently being kept, what certain obligations mean or which obligations are part of the psychological contract. Drift has the potential to cause perceived breach of obligations. Rousseau (1995) suggests three ways that help avoid drift it:

- Regular two-way updates between supervisor and employee, e.g. as part of the performance appraisal interview
- Regular two-way updates between managers and employees in workshops where participants list and compare their expectations
- Regular one-way updates where management reminds employees of their mutual obligations by way of manuals or memos

Rousseau (1995) has also proposed recommendations as to how organisations can manage psychological contract transformations or adaptations. It is beyond the scope of this research to illustrate these recommendations – which are not based on quantitative research – in detail. Other contributions to the field of psychological contract change have mostly involved case studies (Newell & Dopson, 1996; Pate & Malone, 2000). There is a lack of quantitative research which identifies factors that positively influence psychological contract change and thereby highlight opportunities for organisations and particularly supervisors to create positive psychological contracts during times of change.

### 3.2.5. Breach and Violation of the Psychological Contract

Morrison and Robinson (1997) have presented a commonly cited and accepted definition of psychological contract breach and violation. "Perceived breach refers to the cognition that one's organisation has failed to meet one or more obligations within one's psychological contract in a manner commensurate with one's contributions" (Morrison & Robinson, 1997; p. 230). As such, perceived breach is a cognitive assessment of a discrepancy between what is seen as an obligation and organisational reality. Some perceived obligations may be based on promises that have been made very explicitly. For example, a recruiter may say that a pay rise will be given after one year if performance levels are fine. Some promises may be more implicit, e.g. "people usually stay in this job for two to three years, and then they become project leaders". Through encoding and decoding processes described above, an employee may come to see this as a promise having been made and an obligation thus incurred. And this obligation may then be perceived as having been broken if the individual in question is not promoted to project leader within three years. Robinson and Morrison (2000) point out that when breach has occurred it is usually not possible to establish whether a promise has been made explicitly or has been inferred.

In contrast to perceived breach, contract violation is defined as an emotional experience that may under some circumstances result from perceived breach. The emotional experience usually involves disappointment, anger and also resentment, bitterness, indignation or sometimes outrage. For example, an employee may realise that a pay rise promised to happen at a certain point in time was not granted. This constitutes a perceived breach. But only if negative emotions are experienced does perceived breach turn into contract violation.

Although research on the differentiation between breach and violation yields several interesting management implications, the two concepts may not be completely separable (Guest, 1998). Correlations between the two are usually high (see for example Craig, 2001). In empirical studies, some instruments declared to measure violation in reality measure breach (Turnley & Feldman, 1999b). Craig (2001) argues that trying to separate breach from violation may be splitting hairs. However, further research may be needed to understand the exact nature of breach and violation.

Existing research on breach and violation has focused on breach of obligations by the organisation. However, breach of obligations by individuals is probably also common. Furthermore, the reciprocity view indicates that promise breaking by organisations may be a consequence of promise breaking by employees and vice versa. Supervisors are more likely to detect breach of obligations by employees than HR personnel or top management. Detecting breach of obligation in one of their subordinates is likely to influence supervisor motivation to keep promises that have been made to this subordinate. Future research should therefore investigate the antecedents and consequences of breach of obligations by employees.



### 3.2.6. Factors Influencing Breach and Violation

Morrison and Robinson (1997) have suggested that two main factors lead to the development of breach:

- Incongruence in the understanding of mutual obligations between organisation and employee – the organisation may not be aware that a certain promise has been perceived by the employee in question to have been made. Alternatively, there may be agreement that a promise has been made but there may be disagreement on the nature of the promise. Empirical data has shown that incongruence was less likely to occur when employees had gone through a formal socialisation process and when there had been a high degree of interaction with representatives of the organisation prior to hire (Robinson & Morrison, 2000).
- Reneging, which refers to a situation where the organisation is aware of having made a promise but consciously breaks it. Reneging may occur due to three reasons:
  1. the organisation may become unable to keep a promise due to e.g. a downturn in organisational performance
  2. the organisation is no longer willing to keep a promise for example because employee performance is below expectations
  3. the organisation never intended to keep a promise made

Robinson and Morrison (2000) found that breach was indeed more likely when organisational performance and/or employee performance was low.

Also, it has been proposed that vigilance increases the likelihood of perceiving breach. Vigilance refers to monitoring behaviours that consist in consistently scanning one's environment for breach. Robinson and Morrison (2000) found that employees were more likely to report breach when they had a history of perceived breach and when there were several job alternatives at the time of hire. The authors argue that having several job alternatives lowers the hidden costs of detecting breach as quitting one's job is an available way out of a potentially unjust situation.

Morrison and Robinson (1997) also proposed that several factors influence whether breach becomes violation:

- Assessment of outcome – when employees notice that an obligation has not been kept, they assess the magnitude of the loss they have incurred. It can be argued that the greater the loss, the more intense reactions will be. However, Thompson and Bunderson (2003) have argued that this rule has one exception: when breach consists in divergence from a shared ideological goal that the employee contributed to via membership to the organisation, then violation can occur even when there is no directly observable loss to the employee involved in breach. This may occur when an employee finds out that a non-profit organisation implements for-profit strategies in parts of the business.
- Causal attributions – upon non-delivery of an obligation, employees will explain events to themselves in some way or other. When breach of an

obligation is attributed to voluntary renegeing by the organisation, violation is argued to be more likely. Lester et al. (2002) investigated differences in causal attributions made by the employees affected and their supervisors. They found that employees were more likely to attribute breach to willful renegeing or incongruence whereas supervisors were more likely to attribute breach to involuntary renegeing, i.e. factors beyond the control of the organisation.

- Fairness judgements – when breach has resulted from a process that is seen as fair and when the employee in question feels he or she has been treated with respect then violation is less likely (see section 3.3.4.2 for more detail on the role of justice)

Figure 3 summarises the main factors proposed by Robinson and Morrison (2000) to influence the occurrence of breach and violation.

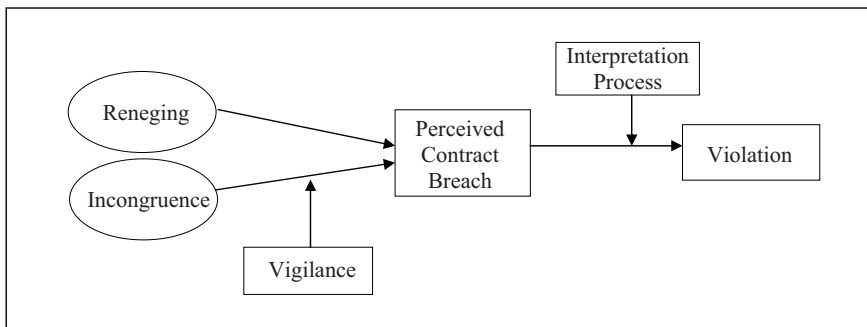


Figure 3: Factors influencing breach and violation (Robinson and Morrison, 2000)

These factors are especially interesting from a management perspective because they indicate opportunities for organisations to intervene. Rousseau (1995) has suggested three ways in which organisations can minimise the likelihood that violation will follow from breach. Firstly, when employees incur a loss through breach of promises the organisation should strive to offer an alternative that reduces the size of the loss. For example, an employee that had been promised off-the-job training could be offered more intensive on-the-job training. When employees are made redundant, outplacement offers may partly reduce the loss because it aims at increasing opportunities to find new employment quickly. In many cases the supervisor may be in a good position to suggest an individualised and creative alternative. Secondly, in order to avoid causal attributions about the breach that are unfavourable for the organisation, the organisation should state the reasons that have lead to the breach. In reality, this may be more difficult. It is unclear whether giving an explanation always alters causal attributions in favour of the organisation. When willful renegeing has occurred, the impact of an explanation may be negative. Turnley and Feldman (1999b) have demonstrated the significance of justifying breach with reasons beyond the

control of the organisation. They showed that justifications moderated the relationship between breach and outcomes such as exit, voice and loyalty. Thirdly, Rousseau (1995) has suggested that organisations should strive to maintain positive perceptions of interactional and procedural justice.

Thus, a multitude of management suggestions can be derived from this research with regard to how organisations can (1) avoid breach and (2) avoid violation if breach has already occurred. They are listed in Table 9. Sutton and Griffin (2004) found that experience of supervision after being hired was a significant predictor of contract violation, more so than pay or job content. This underlines the central role that supervisors play with regard to avoiding contract.

Implications at Organisational Level	Implications at Supervisor Level
Send new hires through a formal socialisation process	Provide regular feedback, especially when performance is below standard
Maximise interaction between organisational representatives and applicants prior to hire	Avoid small breaches that may develop into a sequence
Keep employees informed about downturns in organisational performance	Maintain perceptions of interactional justice where people feel they are being treated with respect and consideration
Implement decision-making procedures that are perceived as fair	
Offer honest explanations as to why breach has occurred	
Offer alternatives that reduce the losses incurred through breach	

Table 9: Management implications of psychological contract breach

While the effectiveness of some of the recommendations with regard to supervisor opportunities to avoid breach and violation has been empirically demonstrated, there are two notable exceptions: (1) the positive impact of offering alternatives to reduce the magnitude of the loss incurred through breach has not been addressed in empirical research; (2) the impact of performance feedback on psychological contract has not been investigated. Management by objectives has been shown to be a powerful driver for performance (Rodgers & Hunter, 1991; Thompson et al., 1981). Management by objectives involves regular feedback from supervisors about goal achievement (Rodgers & Hunter, 1991). Investigating the influence of management by objectives practices on breach and violation by both employer and employee would be an interesting avenue for further research.

### 3.2.7. Conclusions

It has been the first aim of this section to present an overview of the most important processes involved in psychological contracting, namely formation, change, breach and violation. The models proposed by Rousseau (1995) and Robinson and Morrison (1997, 2000) provide an insight into these processes. These models and related

research have a number of implications for organisational opportunities to influence psychological contracts and the following conclusions can be drawn:

Firstly, employees deduce their interpretations of mutual obligations not only from explicit messages made by representatives of the organisation but from various other channels. These channels may convey messages that are not always intended by the organisation. This and the suggestion that psychological contracts are also shaped by individual factors such as work values or personality suggests that psychological contracts can only partly be shaped by organisations and that there is a risk that conflicting messages or distorted messages will be conveyed to employees. This highlights the need for organisations to align explicit messages communicated by top management, line or human resource management with organisational structures and practices and thus organisational culture. It also highlights the need for continuous communication about mutual obligations to avoid breach or violation of the psychological contract caused by drift in the understanding of mutual obligations.

Secondly, the literature highlights that some individuals in the organisation may be in a better position than others to communicate messages that employees will incorporate in their psychological contracts, namely those who are known to have the power to keep the commitment made as a representative of the organisation and those who are trusted by employees to keep the commitments made. Research also indicates that when organisations offer clear behavioural standards that are defined as fulfilling expected contributions this increases the chances that employees will adhere to these expectations.

Thirdly, the literature indicates that active information gathering by employees during the first phase of employment as well as information giving by the organisation by means of realistic job previews influences contract formation positively.

Fourthly, research on contract breach and violation indicates various avenues for organisations to facilitate positive psychological contracts. Several of these opportunities can be directly influenced by supervisors. While the positive effect of maintaining perceptions of interactional and procedural justice has been demonstrated in empirical studies (see section 3.4.2 for more detail), the effect of performance feedback through management by objectives has been suggested but not empirically explored. Neither has the effect of offering explanations for why breach occurred and making alternative offers that reduce the size of the loss after breach been explored in quantitative studies.

Fifthly, studies that have looked at breach and violation have usually analysed breach of obligations by the organisation. The consequences of breach by employees have rarely been explored. This is of particular interest as breach by employee may lead to breach by the organisation.

### 3.3. Outcomes

#### 3.3.1. Introduction

It is the purpose of this section to highlight the relevance of the concept of the psychological contract to organisations based on empirical data. This is achieved by highlighting how breach and violation of the psychological contract relate to variables like in-role performance and organisational citizenship behaviours, intention to leave the organisation and turnover as well as job satisfaction and customer satisfaction.

As Turnley and Feldman (2000; p. 40) have pointed out, “enough research has now been conducted to recognise that psychological contract violations are likely to have wide-ranging negative outcomes in organisations”. A wide range of outcomes of contract breach by the organisation have been identified, namely loss of commitment, loss of job satisfaction, lower organisational citizenship behaviours, lower in-role performance, stronger intention to leave and actual turnover, absenteeism, psychological withdrawal, anticitizenship behaviours and neglect of duties. While there is certainly a large body of research on the outcomes of breach by the organisation, the exact relationship between organisational breach and different kinds of outcomes is not always as clear-cut.

Largely, this is due to three measurement issues:

1. Whereas some researchers have measured contract breach by calculating discrepancy scores between obligations incurred and obligations kept by the organisation, others have used global measures of breach. These measures generally ask participants about the degree of obligation keeping by the organisation. While the first measure indicates the employee’s perception of whether each commitment made has been kept and to what degree, the second measure indicates an overall evaluation of the employee on whether commitments have been kept in general. The two variables do not necessarily measure the same perception.
2. Also, although some authors state they are looking at the relationship between violation and outcomes (see for example Turnley & Feldman, 1999a, 1999b, 2000), in reality they are looking at the relationship between breach and outcomes.
3. There are wide differences between studies with regard to measuring organisational citizenship behaviour.

While the relationship between breach by the organisation and individual attitudes and behaviours has been the subject of numerous studies, other areas are less well researched, for example

- The relationship between breach and organisational outcomes like number of errors or accidents

- The relationship between breach by the employee and outcomes at supervisor and organisational level, e.g. commitment of supervisor to employee, citizenship behaviours of the organisation towards employees, trust in employees.

In the following, five widely researched outcomes of contract breach will be considered in turn. Trust and justice as mediators and moderators between breach and outcomes will also be considered. A number of prominent studies are discussed for each variable. This does not constitute a full literature review including all studies published but a summary of the most prominent and widely cited studies. Table 10 provides an overview of studies on outcomes.

### 3.3.2. Attitudes

#### 3.3.2.1. *Commitment*

Commitment is commonly conceptualised to have three components: affective, continuance and normative commitment (Meyer & Allen, 1991; p. 67). Most studies investigating the relationship of commitment with psychological contract breach have looked at affective commitment, which is defined as “the employee’s emotional attachment to, identification with, and involvement in the organisation”. Several studies using a range of samples (Guzzo et al., 1994; Johnson & O’Leary-Kelly, 2003; Krause et al., 2003; Lester et al., 2000; Rigotti & Mohr, 2004; Thompson & Heron, 2005) have found that affective commitment is negatively related to breach of the psychological contract by the organisation.

To the author’s knowledge there is no study which has looked at the relationship between breach of obligations by an employee and organisational commitment to employees. However, Guest and Conway (2001) found a relationship between organisational promise keeping and commitment to employees: managers who reported that largely their organisation keeps the promises made to employees also reported their organisation to be committed to their employees.

There are several indications that loss of commitment matters to organisations. Low commitment has been shown to be related to crucial outcomes such as turnover, low performance and high absenteeism (Cohen, 1991). Interestingly, Cohen (1991) found the relationship between low commitment and turnover to be particularly strong for younger employees whereas the relationship between low commitment and low performance as well as high absenteeism was particularly strong for employees with tenure of more than nine years. This suggests that reducing the risk of low commitment by avoiding breach of the psychological contract by organisations will have positive consequences both for young graduates as well as for tenured employees.

Dependent Variable	Author(s)	As Perceived by	Measure of Breach	Sample	Effect*
Commitment	Thompson and Heron 2005	Employee	Discrepancy measure	429 knowledge workers from high-tech firms	Significant
	Guzzo, Noonan and Elron 1994	Employee	Discrepancy measure	148 expatriates	Significant
	Coyle-Shapiro and Kessler 2000	Employee	Discrepancy measure	703 managers and 6953 employees from public sector	Significant
	Johnson and O'Leary-Kelly 2003	Employee	Global measure	103 employees from one bank	Significant
	Krause et al.2003	Employee	Global measure	150 employees in one organisation	Significant
	Rigotti and Mohr 2004	Employee	Trust and fairness	201 employees from three samples	Significant
	Lester et al. 2000	Employee	Agreement on fulfilment of promises**	134 dyads from two samples	Significant
Job Satisfaction	Gakovic and Tetric 2003	Employee	Global measure	161 employees from one organisation	Significant
	Sutton and Griffin 2004	Employee	Discrepancy measure	235 occupational therapy graduates	Significant
	Tekleab and Taylor 2003	Employee	Global measure	130 manager-employee dyads employed at a university	Significant
	Johnson and O'Leary-Kelly 2003	Employee	Global measure	See above	Significant
Intention to Leave	Robinson 1996	Employee	Discrepancy measure	125 business school alumni	Significant
	Turnley and Feldman 2000; Turnley and Feldman 1999b	Employee	Discrepancy measure	800 managerial-level employees from various samples	Significant
	Tekleab and Taylor 2003	Employee	Global measure	See above	Significant
	Lo and Ayree 2003	Employee	Discrepancy measure	137 MBA part-time students	Significant
Psychological Withdrawal	Lo and Ayree 2003	Employee	Discrepancy measure	See above	Significant
Organisational Citizenship Behaviour	Turnley and Feldman 2000	Employee	Discrepancy measure	See above	Significant
	Coyle-Shapiro and Kessler 2000	Employee	Discrepancy measure	See above	Significant
	Lo and Ayree 2003	Employee	Discrepancy measure	See above	Significant
	Robinson and Morrison 1995	Employee	Discrepancy measure	126 MBA alumni	Significant

Table 10: Studies on outcomes of psychological contract breach

<b>Organisational Citizenship Behaviour</b>	Robinson 1996	Employee	Discrepancy measure	See above	Significant
	Johnson and O'Leary-Kelly 2003	Co-workers	Global measure	See above	Not significant
	Tekleab and Taylor 2003	Employee	Global measure; breach by employee	See above	Significant
	Tekleab and Taylor 2003	Supervisor	Global measure; breach by employer	See above	Not significant
	Coyle-Shapiro 2002	Employee	Employer obligations	480 public sector employees	Significant
	Lester et al. 2000	Supervisor	Agreement on fulfilment of promises**	See above	Significant
<b>In-role Performance</b>	Robinson 1996	Employee	Discrepancy measure	See above	Significant
	Turnley and Feldman 2000	Employee	Discrepancy measure	See above	Significant
	Tekleab and Taylor 2003	Supervisor	Global measure	See above	Not significant
	Johnson and O'Leary-Kelly 2003	Supervisor	Global measure	See above	Significant
	Lester et al. 2000	Supervisor	Agreement on fulfilment of promises**	See above	Significant
<b>Anticitizenship Behaviour</b>	Kickul et al. 2002	Supervisor	Discrepancy measure	165 dyads; employees are part-time MBA students	Significant
<b>Turnover</b>	Robinson 1996	Objective data	Discrepancy measure	See above	Significant
<b>Neglect</b>	Turnley and Feldman 1999b	Employee	Discrepancy measure	See above	Significant
<b>Absenteeism</b>	Deery et al. 2006	Objective data	Discrepancy measure	480 customer service representatives from a telecommunications company	Significant
	Johnson and O'Leary-Kelly 2003	Objective data	Global measure of breach	See above	Significant

\* For commitment, job satisfaction, OCB and performance all significant relationships are negative except for the study by Lester et al. 2000, where the relationship between agreement and outcomes is positive; for turnover intention, psychological withdrawal, turnover, absenteeism, neglect and anticitizenship behaviours all significant relationships are positive

\*\* A measure of agreement on breach between supervisor and employee

Table 10 continued: Studies on outcomes of psychological contract breach



From a social capital perspective commitment has been argued to be crucial for creating and sharing knowledge in organisations (Nahapiet & Ghoshal, 1998). Thus, loss of commitment is particularly threatening to organisations in knowledge-intensive sectors like consultancy (Robertson & Hammersely, 2000) and research & development (Thompson & Heron, 2005). Moreover, in any organisation there are knowledge-intensive jobs in middle and upper management where loss of commitment will reduce performance significantly. Furthermore, loss of commitment seems to be highly significant for jobs in the service industry. For example, Malhotra and Mukherjee (2004) showed that affective commitment was related to service quality in a number of call centres and branches of a UK retail bank.

### 3.3.2.2. *Job Satisfaction*

A number of studies have shown breach of the psychological contract to be associated with lower job satisfaction (Gakovic & Tetrick, 2003; Johnson & O'Leary-Kelly, 2003; Pate et al., 2003; Sutton & Griffin, 2004; Tekleab & Taylor, 2003). In a longitudinal study, Sutton and Griffin (2004) found that breach of the psychological contract had a stronger effect on job satisfaction than job-related experiences regarding supervision, pay and job characteristics. Johnson and O'Leary-Kelly (2003) have suggested that psychological contract breach may reduce job satisfaction because employees feel disillusioned about the organisation. Whereas job satisfaction has received quite a lot of attention among practitioners and researchers, the relationship between job satisfaction and job performance has long been assumed rather than demonstrated. In a meta-analytic study on 312 samples, Judge et al. (2001) found a correlation of 0.30 between the two constructs. This indicates that breach of the psychological contract will indirectly have a negative impact also on job performance. Job satisfaction has been argued to be related to customer satisfaction (Heskett et al., 1994) and seems especially relevant in customer-facing jobs where customer satisfaction and loyalty are mostly influenced by interaction with the employee (e.g. banking, insurance, hospitality). Again, this suggests that breach of the psychological contract may indirectly have a negative effect on customer satisfaction.

### 3.3.2.3. *Intention to Leave*

A number of studies has showed that intention to leave the organisation is related to breach of the psychological contract by the organisation (Lo & Aryee, 2003; Robinson, 1996a; Turnley & Feldman, 1999b; Turnley & Feldman, 2000). When organisations do not keep their obligations, employees start thinking about leaving the organisation. In contrast to job performance or organisational citizenship behaviour, this consequence is rarely observable. Employees can usually apply for other jobs without the organisation noticing. Therefore, the risk of negative repercussions by the organisation is low for the employee and making plans to leave one's current jobs is a likely outcome of breach by the organisation. Intention to leave is much better researched than actual turnover. In a longitudinal study, Robinson (1996) showed that breach

was related to actual turnover. However, this study involved a sample of business school alumni with a mean age of 30. Turnley and Feldman (1999a) have suggested that the existence of attractive job alternatives, low exit costs and the employee being hard to replace will strengthen the response to psychological contract breach and thus increase the probability that employees will actually leave. It would be interesting to investigate the relationship between breach and turnover for older and less qualified samples. For these employee groups the desire to leave may not be as closely related to actually leaving due to higher exit costs and less attractive job alternatives. However, this is not necessarily to the advantage of the organisation. Where protection against dismissal is very strict – as is the case in Germany – an employee who is disillusioned and wanting but not able to leave due to lack of job offers is not likely to be a high performer. In other words, where low employability and dismissal protection bind employee and employer together against their will, turnover may be a blessing for both parties.

For the organisation, intention to leave becomes a problem when it results in actual turnover among those who are hard to replace. Also, turnover causes costs for recruiting and selecting a new hire. Thirdly, turnover becomes a problem when the organisational turnover rate is high enough to cause disruptions in overall effectivity.

### 3.3.3. Behaviours

#### 3.3.3.1. *Organisational Citizenship Behaviour (OCB)*

Organisational citizenship behaviour (Organ, 1988) is probably one of the most widely studied outcomes of psychological contract breach. It has also been labelled extra-role performance (Van Dyne et al., 1995), prosocial behaviour (Brief & Motowidlo, 1986) or contextual performance (Borman & Motowidlo, 1997). Organ (1988; p. 4) has defined organisational citizenship behaviour (OCB) as “individual behaviour that is discretionary, not directly or explicitly recognised by the formal reward system, and that in the aggregate promotes the effective functioning of the organisation. By discretionary, we mean that the behaviour is not an enforceable requirement of the role or the job description, that is, the clearly specifiable terms of the person’s employment contract with the organisations, the behaviour is rather a matter of personal choice, such that its omission is not generally understood as punishable”. Podsakoff et al. (2000) have conceptualised organisational citizenship behaviour to include seven aspects of discretionary behaviour, which are summarised in Table 11. Note that a wide range of measures of OCB are available and have been used in psychological contract research.

<b>Helping Behaviour</b>	Voluntarily helping others with, or preventing the occurrence of, work-related problems
<b>Sportsmanship</b>	Tolerating inevitable inconveniences and impositions of work without complaining
<b>Organisational Loyalty</b>	Promoting the organisation to outsiders; protecting and defending it against external threats; remaining committed to it even under adverse conditions
<b>Organisational Compliance</b>	Internalisation and acceptance of the organisation's rules, regulations and procedures which results in a scrupulous adherence to them even when no one observes or monitors compliance
<b>Individual Initiative</b>	Voluntary acts of creativity and innovation designed to improve one's task or the organisation's performance; persisting with extra enthusiasm and effort to accomplish one's job; volunteering to take on extra responsibilities and encouraging others in the organisation to do the same
<b>Civic Virtue</b>	Participating actively in organisational governance; monitoring its environment for threats and opportunities and looking out for its best interests, even at great personal costs
<b>Self Development</b>	Voluntary behaviours to improve knowledge, skills and abilities

Table 11: Seven dimensions of organisation citizenship behaviour (Podsakoff et al., 2000)

OCB is probably the most commonly studied outcome of psychological contract breach and violation. Several studies support the idea that OCB as perceived by the employee is associated with contract breach by the organisation (Coyle-Shapiro, 2002; Coyle-Shapiro & Kessler, 2000; Johnson & O'Leary-Kelly, 2003; Lester et al., 2000; Lo & Aryee, 2003; Pate et al., 2003; Robinson, 1996a; Robinson & Morrison, 1995; Tekleab & Taylor, 2003; Turnley & Feldman, 2000). Robinson and Morrison (1995) found that breach at time 1 predicted OCB at time 2 and thus demonstrated the direction of the causal relationship. However, it seems that not all categories of OCB are affected in the same way. Whereas several studies have measured OCB solely as civic virtue and found an effect (Lo & Aryee, 2003; Robinson, 1996b; Robinson & Morrison, 1995), Johnson and O'Leary (2003) measured OCB solely as helping behaviours and found no effect. Coyle-Shapiro (2002) on the other hand did find an effect for helping. Conflicting results may stem from using self-report measures or peer/supervisor reports. Two studies which asked supervisors (Tekleab & Taylor, 2003) or peers (Johnson & O'Leary-Kelly, 2003) to report on OCB of participants found no relationship between breach and OCB. Results of these studies suggest that employees who have experienced breach may reduce discretionary behaviours towards the organisation as a whole, e.g. being less prepared to defend the organisation against criticism brought forward by outsiders, but may not effect loyalty to colleagues not seen as responsible for the breach. Thus, peers do not observe a reduction in voluntary behaviours and participants do indeed continue to help their colleagues. This argument is supported by Pate et al. (2003) who argue that breach does not necessarily result in a change in behaviour for not wanting to let down one's colleagues. Further research needs to clarify which facets of OCB change after a perceived breach of the psychological contract to a degree that the change is observable to third parties.

In sum, research indicates that employees reduce voluntary behaviours that benefit the organisation as a reaction to contract breach by the organisation. OCB seems to be one of the central means by which employees reciprocate rewards promised or delivered by the organisation. On the other hand, there is a clear lack of research on the relationship between employee breach of obligations and organisational citizenship behaviours towards employees. Guest and Conway (2001) included citizenship behaviour of organisations towards employees in their survey of managers and found that managers think that all in all employees are more prepared to put themselves out for the organisation than vice versa. The relationship with employee breach of obligations was not explored, however.

By definition, organisational citizenship behaviours are those behaviours that contribute to the effectiveness of the organisation without being part of the job. Podsakoff et al. (2000) suggest that organisational citizenship behaviour contributes to effectiveness by enhancing co-worker and managerial productivity, by freeing up resources, by facilitating coordination within and across teams, by helping organisations to retain high performers through making jobs more attractive and by helping organisations to adapt to changes. In fact, OCB has been shown to be related to organisational effectiveness measured as quantity produced, product quality, sales performance as well as customer complaints and customer satisfaction (Podsakoff & MacKenzie, 1997). Frese (2007) has argued that individual initiative, one of the facets of OCB, has become a centrally relevant indicator of employee performance. However, individual initiative has not been explored in psychological contract research.

#### 3.3.3.2. *In-Role Performance*

Several studies have explored the relationship between in-role performance and psychological contract breach (Johnson & O'Leary-Kelly, 2003; Lester et al., 2000; Robinson, 1996a; Tekleab & Taylor, 2003; Turnley & Feldman, 2000). Except for Tekleab & Taylor (2003), these studies found support for the idea that breach of the psychological contract is negatively related to in-role performance. However, the case for in-role performance is not as strong as for OCB. Both studies that used self-report measures of performance and supervisor ratings of performance have found a negative correlation between breach and performance. However, most studies measured performance through very general judgements expressed in a few items. It can be argued that the effect of breach on performance must be very strong to be noticeable when such a crude measure of performance is used. An alternative approach for research would be to use the performance measures used in organisations. However, this restricts studies to analysing employees within one organisation so that performance measures are comparable.

Breach may not always have consequences for performance. Turnley (1999a) suggested that when job security is low, when no attractive job alternatives are available,

when there is a high degree of loyalty with colleagues and a high degree of conscientiousness, then breach is less likely to manifest itself in low performance. This may happen for fear of negative repercussions (Turnley & Feldman, 2000) or for not wanting to cause problems to one's colleagues (Pate et al., 2003).

In summary, the case for performance is not yet as strong as for OCB. Nevertheless, any indication of factors that negatively impact on performance should be taken seriously. The link between individual performance and business performance has been argued from a resource-based view on competitive advantage (Barney, 1991) and is widely accepted by management researchers and practitioners.

### 3.3.4. Moderators

#### 3.3.4.1. *Trust*

Several studies suggest that trust is both a mediator and a moderator between breach and outcomes. In the context of psychological contract research, trust has been defined by Robinson (1996; p. 576) as "one's expectations, assumptions, or beliefs about the likelihood that another's future actions will be beneficial, favourable, or at least not detrimental to one's interests". In statistics, mediators are intermediate effects between independent and dependent variables that explain how the treatment effect is produced (Muller et al., 2005). In this respect trust explains the relationship between breach and OCB. When promises are breached by the organisation, this reduces employee trust in the organisation which reduces civic virtue behaviours (Lo & Aryee, 2003). On the other hand, trust also acts as a moderating variable. Moderators influence the strength or direction of the effect between independent and dependent variables (Muller et al., 2005). Robinson (1996) found that if trust was low prior to psychological contract breach, then breach caused another notable decline in trust towards the employer. When prior trust was high, then breach did not cause such a deep decline in trust. Trust thus acts as a strong safeguard against the negative outcomes of breach.

However, there is little research on the effect of employee breach of obligations on supervisor trust in the employee or organisational trust in employees. Guest and Conway (2001) included trust in employees in their survey of managers and interestingly found that trust in employees was higher when the organisation (not the employees) was reported to have kept its promises. This is strong evidence for reciprocity in the relationship, since it suggests that the other party can be trusted if the first party feels it has kept its promises. So trust seems to be based not only on promise keeping of the other party but also on promise keeping of oneself. It would be very interesting to explore whether organisational decisions seen as unfair by supervisors increase mistrust of supervisor towards employees.

#### 3.3.4.2. *Justice and Fairness*

Fairness plays a central role in the context of psychological contract breach. Three facets of fairness are usually mentioned in the research literature: distributive justice, procedural justice and interactional justice.

The concept of distributive justice is based on Adams' (1965) equity theory. Equity is achieved when individuals feel that the ratio of inputs made by themselves in comparison to the output obtained is fair when compared to the input/output ratios of others, for example colleagues or employees in similar jobs in other organisations. Thus, distributive justice can be described as justice of outcomes. However, Thibault and Walker (1975) as well as Leventhal (1980) suggested that individuals are prepared to accept unequal outcomes as long as the process by which a decision about distributing outcomes was reached is perceived as fair. Leventhal (1980) found that in order to be perceived as fair, decision-making processes should fulfil the following six requirements:

1. Consistence of decision-making processes in the organisation without variation across people and across time
2. Unbiased decision-making where personal interests of the decision-makers are disregarded
3. Accurate and complete information as the basis of decisions
4. Integration of a mechanism in the decision-making process that allows revision of the decision when it turns out to have been incorrect
5. Ethical procedures that conform to prevailing standards of behaviour within the organisation
6. Having heard the opinion of all stakeholder groups affected by the decision before it is taken

In addition, Bies and Moag (1986) introduced the concept of interactional justice, which describes whether individuals affected by decisions are treated with dignity and respect during decision-making and during implementation of the decision. Interactional injustice has been suggested to occur when depreciating comments are made during the process, when treatment is perceived as disrespectful or when procedures involve deceit. For a summary of research on these three facets of justice see Hosmer and Kiewitz (2005) or Colquitt et al. (2001).

Additionally, Guest and Conway (2001, 2002b) have conceptualised fairness in several ways in their empirical studies. Fairness was conceptualised as fairness of pay and fairness of rewards in comparison to others in similar jobs when employees were asked to make fairness judgements. This conceptualisation is similar to that of distributive justice. When managers were asked to make fairness judgements, they were asked to judge whether the exchange between employee and employer was balanced. Again, this conceptualisation is similar to the concept of distributive justice. Unfortunately, Guest and Conway (2001, 2002b) do not provide information about why and how these conceptualisations were developed. Neither do Guest and Conway (2001)

evaluate the relationship between their conceptualisation of fairness as perceived by employees and outcomes. Nor do they evaluate the relationship between fairness of the exchange as perceived by managers and outcomes.

Shore and Barksdale (1998) have taken a similar approach to fairness and balance in the exchange. They propose that employees perceive both themselves and their employer to have varying levels of obligation to each other. Thus in this model employees perceive themselves to have either a low or a high level of obligation towards their employer. They also perceive their employer to have a high or low level of obligation towards them. When the two perspectives are combined, either a match or a mismatch in level of obligation occurs with two balanced and two imbalanced types of perceived relationships. This conceptualisation also refers to perceptions of distributive justice. Table 12 illustrates Shore and Barksdale's (1998) model.

		Employer	
		High	Moderate to Low
Employee	High	Mutual High Obligation	Employee Over-obligation
	Moderate to Low	Employee Under-obligation	Mutual Low Obligation

Table 12: Level of obligation in exchange relationships (Shore & Barksdale, 1998)

A study of 327 working MBA students in the US showed that a mutual high obligations scenario yielded higher affective commitment, lower turnover intentions and higher perceived organisational support than the three other scenarios. Interestingly, those working in an employee under-obligation scenario reported lower commitment and perceived organisational support and higher turnover intentions than those participants working in the three other scenarios. Shore and Barksdale (1998) argue that employee under-obligation is an outcome of perceived contract violation. This is based on Robinson et al.'s (1994) finding that after contract violation by the employer, employees perceive their own obligations to decrease whereas employer obligations remain largely unchanged.

The study by Shore and Barksdale (1998) differs from studies on contract breach and violation as it does not consider keeping of obligations but instead measures the perceived level of obligation of both parties involved. It shows that level of obligation is related to outcomes. Thus, this study confirms the relevance of distributive justice or equity in the exchange which has received less attention by psychological contract researchers than interactional and procedural justice.

With regard to the latter two aspects of fairness, Thompson and Heron (2005) found that the relationship between breach and commitment was moderated by procedural and interactional justice. More specifically, when both interactional justice (measured as supervisor justice and supportive management style) and procedural justice were high, this acted as a safeguard against loss of commitment after breach of obligations.

Thompson and Heron's (2005) findings on interactional justice suggest that it may be possible for supervisors to lessen the negative impact of not keeping promises made by treating employees with respect and dignity and by acting in supportive ways. On the other hand, Pate et al. (2003) found no relationship between procedural justice and commitment. Further research is needed to clarify this.

Interactional and procedural justice have also been shown to moderate the relationship between breach by the organisation and anticitizenship behaviours (Kickul et al., 2001). Anticitizenship behaviours are destructive behaviours that involve e.g. direct interference with colleague's work or being disrespectful towards one's supervisor. When both procedural and interactional justice were low, anticitizenship behaviours were significantly higher after a breach of the psychological contract. Rupp and Cropanzano (2002) also found a positive relationship between supervisor interactional justice and outcomes such as organisational citizenship behaviour and employee performance.

So far, procedural and interactional justice have been studied as moderator and mediator variables between breach and outcomes. It has been mentioned above that Robinson (1996) showed that initial trust towards the employer acts as a safeguard against decline of trust after a breach of contract by the employer. Indeed, it does not seem plausible that employees make one-off judgements of justice after breach has occurred and then react to breach based on this judgment. Rather, judgements of procedural and interactional justice may be global judgements about the work setting that are updated after critical incidents. Thus, it would be interesting to empirically explore whether procedural and interactional justice are also independent variables that influence the likelihood that breach is detected by employees.

### **3.4. A Positive Psychological Contract**

In conclusion, lower affective commitment, higher intention to leave and less organisational citizenship behaviours – especially civic virtue behaviours – are well researched consequences of psychological contract breach by the organisation. There is also support for the idea that breach is related to lower job satisfaction and in-role performance. A recent meta-analysis by Zhao et al. (2007) underlined the relationship between breach of the psychological contract and outcomes such as commitment, job satisfaction, intention to leave, organisational citizenship behaviour and in-role performance. In sum, the consequences of breach of the psychological contract by organisations as perceived by employees are worth taking seriously. For example, Kim (2005) showed that organisational citizenship behaviours, commitment, job satisfaction and service motivation jointly explained a significant amount of variance in organisational performance – measured as internal and external effectiveness, efficiency and fairness – in a sample of public sector organisations.

Further research is needed on the outcomes of breach of obligations by employees. Further research is also needed on variables such as interactional and procedural



justice. These variables are of particular interest to organisations because in contrast to e.g. dispositional factors like conscientiousness these factors can be managed in the organisation and are at least partly under the control of supervisors.

Additionally, research indicates some industrial sectors and jobs where the negative consequences of breach are especially threatening to organisational performance and where avoiding violation by the organisation is therefore of particular relevance. The outcomes of breach are of particular importance where quality of service largely depends on the encounter between customer and service staff and where knowledge creation and sharing is crucial. This is likely to be the case in customer-facing jobs in banking and insurance, in consultancy and high tech firms as well as in any industrial sector for customer-facing jobs or jobs in research and development. Avoiding negative outcomes of breach is also of particular importance when individual employees are hard to replace or when there is a risk that whole departments or teams will intend to leave the organisation after a major breach of promise by the employer.

Chapter 3 has provided an overview of the content of mutual obligations, the processes and the outcomes involved in psychological contracting. It has been shown that most of the research is concerned with breach of obligations by the organisation. It has also been shown that trust and justice are important variables in psychological contracting. As it is the purpose of this research to identify ways in which supervisors can contribute to employees having positive psychological contracts, a definition of positive psychological contracts is required. This definition has been mentioned in Chapter 1. It is repeated and detailed here as it is based on the research discussed in Chapter 3. Guest and Conway (2002b) have suggested a definition of the state of the psychological contract, i.e. an indicator that can be used to assess whether the psychological contract of an individual employee is positive. Guest and Conway (2002b) proposed that the state of a psychological contract is defined by (1) the degree of perceived promise keeping by the organisation in the past (2) the degree to which the exchange between employee and organisation is perceived as balanced and (3) employee trust that the organisation will keep its promises in the future.

This definition integrates several of the aspects discussed above. Its first aspect, keeping obligations, highlights the significance of perceived breach by the organisation. Its second aspect, balance of the exchange, integrates distributive justice in the definition. Its third aspect involves the argument that trust is an integral part of any exchange relationship, whether relational or transactional. The definition does not imply that the three factors are independent of each other. As has been discussed above, the relationship between the three factors is complex and requires further analysis on the basis of empirical data. This definition by Guest and Conway (2002b) is adopted here to define the aim of organisational and supervisor psychological contract management. A positive psychological contract is defined as existing when an employee reports (1) that overall the organisation has kept its obligations in the past,

(2) that there is balance in the exchange between the employee and the organisation and (3) that he or she trusts the organisation to keep its obligations in the future.

## **4. Theoretical Basis of Psychological Contracts**

### **4.1. Introduction**

This chapter aims at exploring the theoretical underpinning of the psychological contract model and identifying the implications of different theories for psychological contract research. Two theoretical approaches are presented to achieve this aim: (1) social exchange theory as the sociological basis of the psychological contract model, (2) mental models as the psychological basis of the psychological contract model. A second aim of this chapter is to argue the relevance of the psychological contract model to organisations from a theoretical perspective. In order to achieve the second aim the resource-based view of the firm is considered.

### **4.2. Social Exchange Theory**

#### **4.2.1. Overview**

Psychological contract researchers commonly state social exchange theory as the theoretical basis of the psychological contract. Gouldner (1960) and Blau (1964) are often cited in this context. However, the habit of citing these authors overlooks two issues. Firstly, the centrality of social exchange theory as a source for the psychological contract model depends on how psychological contracts are defined. Secondly, Gouldner (1960) and Blau (1964) offer an incomplete picture of the diverse ideas behind social exchange theory. There is no one social exchange theory but a number of approaches which have widely different implications for how psychological contracts are conceptualised.

In terms of the first issue, section 2.3. showed that existing definitions can be grouped into two categories: either psychological contracts are defined as an exchange relationship or they are defined as a mental model of an exchange relationship. When psychological contracts are defined as exchange relationships, then social exchange theory is thought to be an appropriate and relevant theoretical basis. For the purpose of this research however, psychological contracts are defined as mental models. The content of this mental model is the exchange relationship between employee and employer. Thus, social exchange theory can offer some insight, but it is not sufficient as a theoretical basis of psychological contracts as it misses the perceptual element that is central to the definition.

In terms of the second issue, two different approaches to social exchange theory will be discussed. Also, three aspects of social exchange theory seem to be of particular relevance to conceptualising psychological contracts, namely social exchange vs. economic exchange, reciprocity and inequalities. Implications for the psychological contract model will be highlighted.

#### 4.2.2. Approaches in Social Exchange Theory

Ekeh (1974) presents a lucid discussion of two major approaches to social exchange which he claims to represent two traditions in sociology. The first approach is here represented by Blau (1964) and Homans (1950, 1958) who argue that social exchange can be explained with individual processes. Both authors assume that individual behaviour is based on the aim of maximising gains and minimising losses. They view individuals as utilitarian in their motives. Thus, economic and social exchange are ruled by the same human motives. This will be referred to as the individualistic view of social exchange. Tit-for-Tat research is a domain related to this individualistic view (see for example Axelrod, 1984). Other researchers, represented here by Levi-Strauss (1949), Gouldner (1960), and Stegbauer (2002), have argued that neither economic motives nor psychological processes are sufficient in order to understand social exchange. Levi-Strauss (1949) even rejected the idea that economic motives or psychological processes are of any relevance to social exchange. Rather they argue that social processes or, as Stegbauer (2002) puts it, the context of the social exchange, need to be analysed in order to understand social exchange behaviour. Levi-Strauss (1949; cited in Ekeh, 1974, p. 45) defined social exchange behaviour as a “regulated form of behaviour in the context of societal rules and norms”. This view will be referred to as the collectivistic approach to social exchange. Referring to the two approaches does not imply that these approaches are in themselves homogenous. For example, Homans (1958) based his view of social exchange behaviour on economic motives plus stimulus-response principles from behavioural psychology. Blau’s (1964) approach is mainly based on economic motives. Stegbauer (2002) on the other hand is less radical than Levi-Strauss (1949) in rejecting the relevance of psychological processes.

Ekeh (1974) has proposed five themes common to social exchange approaches:

- Differences between social vs. economic exchange
- Reciprocity
- Restricted vs. generalised exchange
- Exploitation and power
- Social exchange and social solidarity

For a detailed discussion see Ekeh (1974). As mentioned above, three of these aspects will now be discussed.

#### 4.2.3. Social Exchange vs. Economic Exchange

Differentiating social exchange from economic exchange is a central area of disagreement between the individualists and the collectivists among social exchange theorists. Broadly speaking, individualists define social exchange as a subset of economic exchange as both are at least partly ruled by economic motives. Blau (1974) has proposed a number of characteristics that differentiate social exchange from economic exchange:

- In contrast to economic exchange, social exchange requires trust and gratitude
- Benefits of social exchange are harder to detach from the benefit giver than benefits of economic exchange
- In contrast to economic exchange, social exchange is not executed with a single exchange medium, i.e. money
- Social exchange is based not on contractual but on moral obligation

Ekeh (1974) has criticised that these characteristics are not apt to differentiate between the two concepts. He argues that it is unlikely that trust is completely absent from economic exchange; customer loyalty would otherwise not exist. Also, Ekeh (1974) argues that economic exchange is not always carried out with money as a medium; barter does not involve money and thus the exchange medium does not constitute a tenable difference. In essence, when social exchange is assumed to be governed by gain calculations, it becomes hard to identify the difference between economic and social exchange.

Collectivists on the other hand argue that whereas in economic exchange goods of economic value are exchanged, social exchange is ruled by symbolic value; the goods exchanged are desired by the receiver for what they represent between the giver and the receiver. Levi-Strauss (1949) has argued that the motive for social exchange is building a relationship or social networks. Also, it is argued that building relationships has a value per se (Stegbauer, 2002). Another difference between social and economic exchange is argued to be the timing and kind of repayment that will be made. In economic exchange the partners to the exchange establish in advance how and when the debt incurred through the receipt of a commodity will be repaid. In social exchange this does not happen; the giver does not know as precisely when, how and if the receiver will respond to the receipt of the good. Furthermore, in cases of generalised exchange the giver may not expect a direct return of favours from the receiver.

#### 4.2.4. Implications for Psychological Contracts

Whether and to what degree economic or relational motives rule social exchange is a question that the theoretical approaches above cannot provide a definite answer to. However, more recent approaches posit that although non-economic motives are not and cannot be completely formalised in economics (see for example Reckling, 2002), they form a socio-cultural basis without which organisations could not function (see for example Beckert, 2002). Thus, recent research underpins the argument that non-economic motives do exist and play a role in exchange processes between organisations and individuals. Within psychological contract research, the economic/social divide is reflected in the difference between relational and transactional psychological contracts (see section 3.1.2). Whereas transactional psychological contracts are argued to be characterised by economic exchange, relational psychological contracts are argued to be characterised by socioeconomic exchange. Rather than conducting a theoretical debate, researchers tend to validate their arguments by checking the factor

structure of the psychological contract measures used in empirical research (Cavanaugh & Noe, 1999; Robinson et al., 1994). Two-factor solutions indicate two qualitatively different kinds of exchange, which would be in line with the collectivist perspective on social exchange. One-factor solutions indicate quantitative difference in the importance of the relational component of the exchange, which would be in line with the individualist view on social exchange. So far, this approach has not yielded a commonly accepted answer to the factor question, but this may also be related to the fact that there is no one commonly accepted quantitative measure of the psychological contract.

It is argued here that the divide in social exchange theory highlights the importance of closely examining the assumptions made by psychological contract researchers about the motives that they ascribe to employees and organisations. It is speculated here that psychological contract researchers tend to ascribe relational motives to employees and economic motives to the behaviours of organisational representatives. The following points underline this speculation:

1. The psychological contract model is generally built on the assumption that work relationships involve more than the economic exchange formulated in the legal work contract. Firstly, the legal work contract leaves some aspects of the exchange undefined. Secondly, socio-emotional exchange may develop over the years. This view is confirmed by recent research. Using experimental evidence, Brown, Falk and Fehr (2002) have shown that in a market where there are incomplete contracts, in this case work contracts, exchange partners prefer long-term relationships to one-shot transactions. Threat of termination of the relationship is used as a punitive action that fosters good quality performance. This finding supports the importance of relational aspects to employee-organisation relationships.
2. The psychological contract model implies that employees whose motives go beyond the purely economical are better employees. This is implied in focusing on organisational citizenship behaviour as an outcome of positive psychological contracts. Organisational citizenship behaviours are by definition those behaviours that are not formally evaluated in performance appraisal and thus will not yield monetary rewards in a predictable way. Organisational citizenship behaviour as empirically observed outcomes of positive psychological contracts cannot be explained with purely economic motives. When motives are purely economical, an employee will not engage in actions which they cannot put an economic value on in terms of expected pay-back.
3. The focus on breach of the psychological contract by organisations implies that employees are assumed to have kept their part of the deal. This may mean that organisations are ascribed gain-maximising, opportunistic behaviours rather than employees.

Essentially, the debate on the dominance of economic motives among social exchange theorists highlights that psychological contract researchers need to question the motives of both employees and employers more clearly. Psychological contract research has considered the consequences of opportunistic behaviour by organisations. This has been discussed under the label “renegeing” in section 3.2.6. Psychological contract research has not considered opportunistic behaviour by employees, i.e. breach of obligations by employees due to unwillingness to deliver promised contributions. Secondly, psychological contract research should focus more on scenarios where organisations continue to focus on building relationships with their employees instead of focussing solely on breach of obligations by organisations.

Additionally, it seems important to point out that psychological contracts are individual perceptions. Essentially some individuals may have motives that are more economic, others may largely have relational or social motives. There may be no need for psychological contract research to reach an unequivocal conclusion about the dominant motives that employees have in the exchange relationship with their organisation. Ascribing relational motives to employees without providing evidence is in any case inappropriate.

When looking at supervisor opportunities to facilitate positive psychological contracts, the relevant question becomes which dominant motives the focal individual has and how these can be integrated with organisational interests in the exchange relationship.

#### 4.2.5. Reciprocity

Reciprocity is usually referred to in psychological contract research as the “norm of reciprocity” and Gouldner (1960) is cited as the main reference. This presents an incomplete picture of the assumptions on which psychological contract research is built. Gouldner’s (1960) norm of reciprocity is built on a two-person reciprocity scenario: (1) People should help those who have helped them, (2) people should not injure those who have helped them. However, psychological contracts are built on a scenario that involves more than two persons.

Ekeh (1974) has argued for two forms of reciprocity in two-person scenarios: those where mutual reciprocation happens in complete isolation (exclusive restricted exchange) and those where mutual reciprocation happens between two people at any one time, but other partners for mutual reciprocation are available to replace the first if desired.

Ekeh (1974), Stegbauer (2002), Levi-Strauss (1949) and others have argued that reciprocity in two-person situations is qualitatively different from reciprocity in more-than-two-person situations. Levi-Strauss (1949), for example, has introduced the concept of univocal reciprocity where more than two people are involved in an exchange and transactions are not mutual but indirect. Stegbauer (2002) has labelled the same scenario generalised reciprocity. Ekeh (1974) further differentiates between

individual-focused net generalised exchange and group-focused net generalised exchange. Net generalised exchange is defined in contrast to chain generalised exchange. Figure 4, Figure 5 and Figure 6 provide a visualisation of the three kinds of generalised exchange.

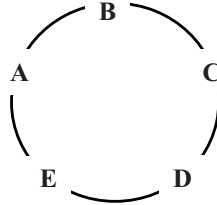


Figure 4: Chain generalised exchange (Ekeh, 1974)

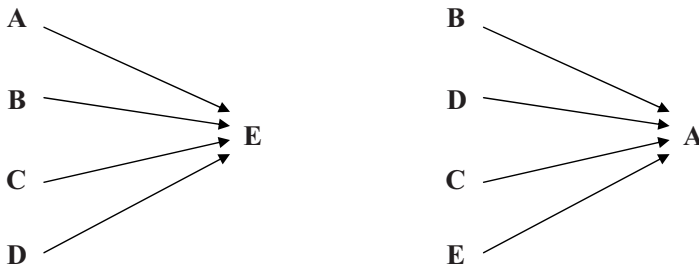


Figure 5: Individual-focused net generalised exchange (Ekeh, 1974)

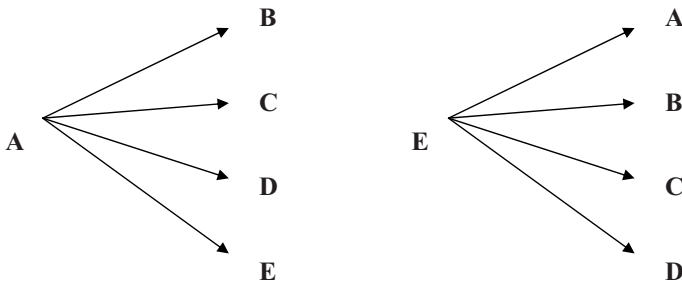


Figure 6: Group-focused net generalised exchange (Ekeh, 1974)

Whereas in chain generalised exchange, transactions move round in a circle, in net generalised exchange all members of a group exchange with each other but no mutual exchange transactions can be isolated at any one time. Individual-focused net generalised exchange has been described by Ekeh (1974; p. 53) as “the group as a whole



benefits each member consecutively until all members have each received the same amount of benefits and attention". Group-focused net generalised exchange has been described as "individuals [...] successively give to the group as a unit and then gain back as part of the group from each of the unit members".

These different forms of reciprocity are not appropriately described by Gouldner's formulation of the norm of reciprocity. Ekeh (1974) has therefore attempted to formulate a norm that accounts for exchange scenarios that involve more than two persons:

- People should help others who now need the type of help they themselves may need from some others in the future
- People should help others who now need help for which they were provided by some others in the past

However, Stegbauer (2002) has argued that reciprocity is much more than a norm. It is a principle of human behaviour based on which relationships are created and maintained. Göbel et al. (2007), in a similar vein, argue that any form of sociality cannot be understood without the inclusion of a morality based on reciprocity.

#### 4.2.6. Implications for Psychological Contracts

Psychological contract researchers have not explicitly concerned themselves with analysing the type of reciprocity underlying the exchange which psychological contracts are based on. Gouldner's (1960) norm of reciprocity is cited as a basic rule of exchange processes between individuals and their organisations. The question of what societal rules of a higher order may govern the way in which goods are exchanged between organisations and individuals has been avoided.

A difficulty that has been addressed in psychological contract research is that of defining the entity which partners with individuals in the psychological contract. This has been labelled the agency problem and discussed in section 2.4. It is argued here that when different types of reciprocity are considered, this can help to alleviate the so-called agency problem. In essence various types of reciprocity may exist within one psychological contract. For example, Baccili (2001) has found that individual employees perceive at least two exchange sets within the organisation: some goods are exchanged between individuals and their supervisors and other goods are exchanged between individuals and the organisation as a whole. Whereas exchanges with a direct superior may be two-person mutual reciprocity situations, exchanges with the organisation may be described as generalised exchanges.

Also, both individual-focused and group-focused net generalised exchange seems to take place in organisations. When individual employees engage in activities that benefit the whole of the organisation, like wearing the logo of the organisation while running a marathon, this can be seen as group-focused exchange. When a human resources manager, colleagues and the direct superior support an individual employee through a period of ill health, this may be seen as an individual-focused exchange.

It is argued here that research on psychological contracts would benefit from considering the different types of reciprocity present in the exchange relationship between organisation and employee. Nevertheless, psychological contracts are above all mental models. It would be an interesting avenue for future research to further categorise the different exchange relationships employees report to have with individuals and with functional groups (e.g. HR, top management, owners, the organisation as a whole) and formulate appropriate exchange rules as well as exchange motives. This could contribute to formulating an appropriate rule of reciprocity that describes the different facets of exchange involved in psychological contracts and allows for a more fine-grained measurement of psychological contract breach.

The network of exchanges between individuals and different representatives is bound to be more complex than described in group- and individual-focused exchanges and in the norm of reciprocity formulated by Ekeh (1974) because the type of exchange and the goods exchanged are restricted by differentiated roles that individual representatives in the organisation hold. This refers to the fact that employees are restricted in their opportunities to reciprocate. For example, a junior sales representative does usually not reciprocate by developing a new organisational strategy for supply management although he or she might like to. Thus, Ekeh's (1974) formulation of the norm of reciprocity is more appropriate than Gouldner's (1960) but overlooks some restrictions of the exchange between employees and organisations.

Also, Ekeh's (1974) differentiation between inclusive and exclusive exchange, although formulated for two-person scenarios, seems relevant to psychological contracts. Depending on the opportunities that employees have on the external labour market, the exchange may tend to be rather inclusive or exclusive. Turnley and Feldman (1999a) have suggested that labour market opportunities influence the strength of an individual's reaction to contract violation; the more able an individual is to find employment elsewhere, the stronger the negative reaction to violation by the organisation. It would be expected here that treatment of employees by their organisations differs depending on whether the exchange is viewed as rather inclusive or exclusive by the organisation. Thus, it is argued that this dimension of reciprocity also merits further exploration by psychological contract researchers.

With regard to this project it is important to keep in mind that although supervisor and employee perspectives are considered, the exchange analysed is that between individual and the organisation as a whole. It is argued that due to role restrictions higher order social rules similar but not identical to the norm of reciprocity formulated by Ekeh (1974) influence behaviour in this exchange.

#### 4.2.7. Exploitation and Power

Blau (1964) is particularly concerned with the emergence of power inequalities resulting from social exchange transactions. His starting point is a scenario where one party bestows benefits on a second party in a way that makes it impossible for the

second party to reciprocate in an appropriate manner due to the lack of resources. A very generous invitation to dinner that cannot be returned by the invited party for financial reasons may be taken as an example. Blau (1964) argued that this temporal indebtedness by the second party, or in other words the inequality in the exchange, lowers the social status of the second party. The imbalance is levelled out by the second party ceding power to the first. Thus, generous giving can force others into subordination.

Ekeh (1974) has pointed to an alternative view of inequalities in exchange. He argues that when an ideological assumption is made that inequalities in social exchange are undesirable – as is common from a collectivistic viewpoint – then not reciprocating in an adequate way constitutes exploitation of the other party.

Ekeh (1974) argues that the two views of inequalities are mirror-images of each other depending on the value assumption that is made about the legitimacy of inequality in social exchange. He also argues that the exploitation view has been overlooked in sociology mainly because the discipline has concerned itself with the legitimation of power rather than with the legitimacy of exploitation. However, the difference between the two views is not only based on ideological assumptions, it is also based on the difference between ability and willingness to repay the debt incurred; Blau's (1964) argument is based on a scenario where the second party is not able to repay due to lack of resources. It can be argued that the idea of exploitation is rather based on unwillingness to repay due to a more powerful position.

#### 4.2.8. Implications for Psychological Contracts

Blau's (1964) perspective on inequality in social exchange is hardly ever mentioned by psychological contract researchers although there is a plethora of research on the consequences of psychological contract breach which is thought to cause imbalance in the relationship. This may be due the fact that it is not possible to apply Blau's (1964) understanding of the emergence of power to the psychological contract model in a straight-forward manner.

If Blau's (1960) basic idea is applied to a scenario commonly analysed by psychological contract researchers, this would mean that when an organisation does not reciprocate the efforts of the individual employee because for whatever reason it cannot, the inequality would be levelled out by the organisation ceding power to the employee. Somehow, this does not seem to be an accurate reflection of organisational reality. Interestingly, the divide between cannot and will not reciprocate has been recognised by psychological contract research as a determinant of reactions to perceived breach of the psychological contract by the organisation. However, the example can be turned around. Considering the case where the individual does not reciprocate on organisational rewards and equals out the inequality by ceding power to the organisation, is an interesting starting point for further analysis. Role restrictions, e.g. job descriptions, may make the employee unable to reciprocate in a way that is strategi-

cally valuable to the organisation. Thus, an inequality may be perceived by representatives of the organisation that is caused by the role that employee has in the organisation. That inequality or failure of the employee to reciprocate in an adequate way may be independent of the employees' willingness to reciprocate through effort and learning but caused by his or her role's potential to contribute strategically. This logic implies that organisations do not reciprocate on effort nor performance but on strategic contribution that not all employees have an opportunity for. Such considerations are not usually included in psychological contract research. However, it explains why organisations extend different exchange offers to different employee groups (see section 5.2.2 for detail).

Once again, it should be kept in mind that the psychological contract is a mental model. Thus, the meaning that individuals attach to observed inequalities is of central relevance – to what extent do they judge what they should receive based on their effort, their performance or their strategic contribution (which may be limited by their role)? Again, this highlights the need for further exploration of the norms of reciprocity underlying employees' understanding of the exchange as well as identifying the point at which the exchange becomes unbalanced to the extent that employees feel exploited or powerless.

#### 4.2.9. Conclusions from Social Exchange Theory

It has been the aim of this section to explore the conceptual origins of the psychological contract in social exchange theory. It has been argued that Gouldner (1960) and Blau (1964) are not sufficient to gain an understanding of psychological contracts and that social exchange theory indeed puts into question some of the implicit assumptions psychological contract researchers seem to make.

Research on social exchange cannot provide a definite conclusion about the differences between social and economic exchange. This is reflected in the empirical dispute among psychological contract researchers on whether psychological contracts are either relational or transactional or whether a psychological contract has a relational and a transactional dimension. However, the debate on economic vs. social motives in social exchange highlights that psychological contract research needs to make its assumptions explicit. What do researchers assume to be the motives that govern employee behaviour in researched scenarios? The recommendation to research is not to become ideology-infused by implicitly ascribing relational motives to employees and economic motives to those who represent the organisation in the psychological contract.

Inspection of different rules of reciprocity has shown that the norm of reciprocity as formulated by Gouldner (1960) cannot adequately describe the exchange between organisation and employee. The norm of reciprocity as formulated by Ekeh (1974) is deemed more appropriate to describe the employee-organisation relationship. The review also showed that the agency problem discussed by Guest (1998) can be alle-

viated when the employee-organisation relationship is thought to involve different types of reciprocal exchanges, some generalised and some mutual.

Considering issues of ability to reciprocate and consequences for power and equality in the relationship showed that psychological contract research would benefit from considering employee job descriptions and skills when exploring reciprocal behaviour by organisations.

This research aims at putting these conclusions into practice by (1) including breach by employees in the empirical analysis, by (2) integrating the idea of subsets of exchange by differentiating between supervisor agent and principal roles (see section 7.3.1 for detail) and by (3) including the uniqueness and strategic value of employee skills in the analysis (see section 5.2.2 for detail).

### **4.3. Mental Models**

#### **4.3.1. Introduction**

Psychological contracts are defined here as individual perceptions which are thought to be based on mental models. This is in line with Rousseau's (1995) description of psychological contracts as mental models in her book *Psychological Contracts in Organisations*. However, Rousseau (1995) also defined psychological contracts as individual beliefs and later (Rousseau, 2001, 2003) described psychological contracts as schemata. In accordance with several sources that she provides, she defines schemata as equivalent to mental models. While "beliefs" are a fairly vague concept that largely escapes scientific classification, mental models and schemata have been researched by contributors from various scientific disciplines (e.g. cognitive psychologists and organisational behaviour researchers).

It is the aim of section 4.3 to explore the conceptual basis of the psychological contract model by offering an overview of the properties of mental models and schemata. While it will be argued that the appropriateness of mental models as a conceptual basis of psychological contracts cannot be unambiguously established, it remains a plausible option that suffices as a working definition. Existing research will be used to derive propositions about how psychological contracts can be influenced by outsiders. This will be achieved by summarising research on three issues: (1) definitions and properties of mental models and schemata, (2) the influence of mental models on behaviour and (3) change in mental models.

#### **4.3.2. Definitions and Properties of Mental Models and Schemata**

There is considerable disagreement among researchers about how the outside world is represented in the brain. Fodor and Pylyshyn (1988), for example, have proposed a symbolic theory of representation that has been influential in this field of research. A short-coming of this theory is that it cannot account for the role that emotions play for human cognition (Damasio, 1994). Mental models on the other hand can do this (Pauen, 2006). Mental models are broadly defined as analogous representations of

objects or facts (Brauner, 1994). Analogous refers to the idea that certain properties of the object are retained in its representation. For example, when someone recalls an image of a house she knows well she will recall the approximate angle of the roof or the size of the garden in comparison to the size of the house. Because the human brain is limited in its information processing capacity, mental models do not retain all the detail available in the outside world. When someone recalls the house she knows well, this person may not be able to remember how many windows there are. Or this person may be sure that there are six windows when in fact there are four. Thus, mental models may involve mistakes where reality is misrepresented. This is not to say that mental models always contain information that can be visualised or that they only contain information that can be compared to an outside objective reality. Mental models can also contain information on complex social situations which cannot be visualised. Brauner (1994) argued that everything that can be perceived can be represented in a mental model. Johnson-Laird (1983) has argued that cognitions can also be represented in a mental model. So mental models can contain very diverse kinds of information: an image of a house, someone's current understanding of the relationship between Vladimir Putin and Angela Merkel, an idea of how intelligent someone is in comparison to his neighbours or about what this person owes the organisation he works for. Moreover, people also have mental models about the mental models other people have (Brauner, 1994). Also, when encountering a situation people can draw mental models of the factual dimension of this situation and people can draw a mental model of the relational dimension. For example, when someone encounters two colleagues in the corridor chatting about their next holiday, this person can take in the fact that they are talking about the holiday (factual dimension) and the fact that they seem to like each other (relational dimension). Druskat and Pescosalido (2002) have pointed to a similar differentiation for team shared mental models: task models and team work models.

Brauner (1994) summarises that mental models have three functions: (1) heuristic function – when knowledge of a given situation is incomplete, informational gaps can be filled with knowledge from existing mental models. Existing mental models can also help to integrate new knowledge. (2) Simulation function – mental models help us to simulate processes before they are enacted. This enables us to avoid potentially costly trial-and-error behaviours in reality. (3) Pragmatic function – mental models guide behaviour.

Dutke (1994) has summarised some central properties of mental models. An abbreviated version of this summary is given in Table 13.

Brauner (1994) has pointed out that most research on mental models has been concerned with complex problems like physics, electricity or navigation. While these problems are complex they can be represented in objective models, they are well-structured problems. However, problems with which managers are confronted are seldom well structured. It is suggested here that the problems with which managers are

confronted often involve a strong relational dimension in addition to a task dimension. Research in organisations on mental models that are complex both on the factual and the relational/social dimension has been rare with the exception of two areas: firstly, shared mental models in teams and secondly psychological contracts. However, psychological contract researchers seldom refer to mental model research.

- Mental models are hypothetical – they are constructs that help us to understand human information processing. They are not directly observable
- Mental models both reduce and elaborate on what they illustrate – they are both incomplete due to limitations of human information processing capacity, but they also contain information that has been added from other existing mental models
- Mental models serve various functions – understanding facts and guiding action
- Mental models are hard to change as long as they are functional – even when mental models are inaccurate, they may help individuals to make predictions
- Mental models can be used to simulate potential future actions
- Mental models are applications of more abstract schemata to specific situations

Table 13: Properties of mental models (Dutke, 1994)

Rousseau (2001) is an exception. Although defining psychological contracts as mental models is largely based on her influence Rousseau (2001; p. 513) has summarised research on schemata, not mental models, and applied this to psychological contracts. However, as mentioned above, she defined schemata as “the cognitive organisation or mental model of conceptually related elements”. While this is slightly confusing, it is probably grounded in the overall disagreement on the definition of mental models. Some researchers (for example Dutke, 1994) argue that mental models are created on the spot to cope with a given situation but information is drawn from more abstract schemata which are more stable. Table 14 summarises the properties of schemata as described by Dutke (1994).

With regard to the relationship between schemata and mental models, Dutke (1994) has argued that in order to build a mental model of a new situation, a more abstract schema needs to be activated which is hierarchically related to mental models of known situations. This enables us to transfer knowledge from known to unknown situations. Dutke (1994) has argued that while mental models are derived from schemata, they are not schematic. Brewer (1987) on the other hand has identified various similarities between schemata and mental models: both are mental representations of the external world, both contain more generic and more specific dimensions, and the knowledge structure both are based on may not be conscious but consciously experienced in specific applications. However, Brewer (1987) also pointed to the

difference between the two: schemata contain already known general information while mental models are created at hoc to deal with new situations.

- Schemata are structures of general knowledge and abstractions of concrete experiences
- They describe objects, actions, situations or persons
- Schemata contain blanks that are filled with data depending on the situation to which the schema is applied
- When data is not available in a concrete situation, the schema contains information about the kind of data (e.g. people or numbers) that usually fills the blank
- Schemata emerge at different levels of abstraction and are hierarchically connected with each other
- Schemata are dynamic as new experiences can change a schema
- Schemata guide perception and recall of information
- Schemata influence a broad range of cognitions, e.g. perception, acquisition of motor skills, understanding the temporal order of actions in social situations

Table 14: Properties of schemata (Dutke, 1994)

Rousseau (2001) summarised research on schemata that she considered important for understanding psychological contracts. Rousseau (2001) stressed six properties of schemata which are listed in the following:

1. Schemata are partly shared between people and some schemata or parts of schemata are unique to the person who holds the schema
2. Schemata are partly conscious, but may also be partly unconscious or less conscious
3. Once a schema has been formed, information is interpreted on the basis of this schema. Schemata help to fill informational gaps
4. Existing schemata influence the emergence of new schemata
5. Schemata have a horizontal and vertical structure. Over time schemata develop into very complex structures
6. Schemata involve incomplete information

While some of these properties are similar to what Dutke (1994) has described as the properties of schemata, Rousseau (2001) also added some other properties. However, she cites no sources for some of the identified properties. It is therefore unclear whether she used her knowledge of psychological contracts to derive properties of schemata or whether she used research on schemata to derive properties of psychological contracts.

#### 4.3.3. Implications for Psychological Contracts

It is the aim of section 4.3 to explore mental models as a conceptual basis of psychological contracts. Exploring the properties of mental models and schemata may



provide insight into the properties of psychological contracts which is ultimately hoped to guide the development of management recommendations. However, the above summary of research on schemata and mental models has shown that this procedure is fraught with difficulty.

Three alternative arguments can be derived from this research about the nature of psychological contracts. Firstly, a given employee may have a schema about what employers and employees generally owe each other. This schema may be influenced by ideological ideas about e.g. the distribution of wealth and power in societies. This general schema may then be applied to this employee's own employment relationship whereby it becomes a mental model which helps the employee to interpret and act on messages from the organisation. In this case psychological contracts would be mental models. Secondly, the psychological contract may be a schema a given employee holds about obligations between himself or herself and the organisation he or she works for. In a given situation where the organisation communicates specific information for example about flexibility to the employee, this schema may be activated to build a mental model of the specific situation that helps the employee to put the information into the wider context of obligations between the organisation and this employee. This specific mental model then focuses mainly on the theme "flexibility" but is backed up by a schema to guide further exploration of this new information on role requirements.

A third way consists in arguing that psychological contracts are a loosely connected group of mental models where each mental model has a specific theme, e.g., working hours, professional development or work-life balance. These mental models are influenced by more abstract schemata, for example "my organisation would exploit me if it could" or "this organisation offers me opportunities". There may be several schemata that guide the specific mental models and some of these schemata may be in conflict with each other. Following this line of argument, it may be that the content of mutual obligations is organised in discrete but related mental models. Evaluations of the psychological contract as to the balance between giving and taking, perceptions of fairness and justice and trust are stored in more abstract schemata. An anecdotal observation that supports this view is that people are rarely able to recite a comprehensive summary of the obligations that they perceive to exist between themselves and their employer when asked to do so immediately. This indicates that the various obligations are not stored in one conscious schema or mental model. This view also accommodates a criticism sometimes put forward, namely that it is not possible to separate the content of psychological contracts from evaluations and outcomes. When the content of a psychological contract is stored in mental models and evaluations are stored in schemata, the two become hard to separate both for individuals as well as for researchers. However, this view is highly speculative.

What Dutke (1994) and Rousseau (2001) agree on is that schemata as well as mental models are simplified models of the information originally or theoretically available.

When a situation does not afford information needed to understand it, individuals fill this gap with information from existing mental models. This argument is underlined by a multitude of case studies of psychological contract-related organisational change initiatives. These case studies show that employees resist change based on the experience that change is either to the worse or does not last (see for example Grant, 1999; Hallier & James, 1997b).

At this point it is not possible to conclude on the exact nature of psychological contracts. However, it is highly plausible that psychological contracts may be appropriately described as mental models or schemata or both, largely because empirical research has yielded results that demonstrate the impact of psychological contracts as mental models/schemata on work attitudes and behaviours. However, research that aims at identifying the exact nature of psychological contracts and either confirms or disconfirms this conceptualisation is urgently needed. This kind of research would have to be qualitative where repertory grid or thinking-aloud techniques could be used to explore how individuals form ideas about mutual obligations at work.

#### 4.3.4. Influence on Behaviour and Attitudes at Work

It is one of the functions of mental models to guide cognition, emotion and behaviour (Stein, 1992). Rousseau (2001) argued that incorrect schemata will cause inaccurate decisions. She also argued that lack of mutuality between people with regard to mental models about a certain topic will hinder coordinated action in teams.

Evidence for the impact of mental models at work comes from research on the impact of shared mental models on team performance. Shared mental models have been defined as “knowledge structures held by members of a team that enable them to form accurate explanations and expectations of the task, and, in turn, to coordinate their actions and adapt their behaviour to demands of the task and other team members” (Cannon-Bower et al., 1993; p. 228). Several studies have shown a positive relationship between shared mental models and team effectiveness (Mathieu et al., 2005; Weick & Roberts, 1998). Whereas the impact of shared mental models of a task on team performance has been demonstrated, the impact of shared mental models of relationships is less well researched. Using an experimental design, von Hecker (2004) found that when people are confronted with ambiguous information about relationships between two or more people, they use contextual information to fill information gaps in their mental models about the relationship.

#### 4.3.5. Implications for Psychological Contracts

Researchers looking into the impact of shared mental models on team performance have not been overly concerned with differentiating between schemata and mental models. However, there are some interesting insights in this literature that may be transferable to psychological contracts. Geulen (1982) has argued that a shared understanding of situations is a prerequisite of successful interaction. Empirical

evidence on shared mental models underlines this. This suggests that an understanding of mutual obligations that is shared between employee and representatives of the organisation is a prerequisite for appropriate behaviour by both organisational representatives and the employee. Displaying the appropriate behaviours may then lead to positive outcomes for both parties. With regard to the psychological contract, this refers to a positive evaluation by the employee and positive behaviours that result from this evaluation. Dabos and Rousseau (2004) demonstrated a positive relationship between agreement on obligations between staff scientists and research directors at one university and research activity and career advancement of staff scientists. Lester et al. (2002) showed that agreement on mutual obligation between employee and supervisor was positively related to affective commitment and organisational citizenship behaviour in a sample of MBA students and employees from a health care organisation. Based on empirical data, Tekleab and Taylor (2003) on the other hand argued that agreement on mutual obligation by itself is not a safeguard against psychological contract breach perceived by the employee. In summary, empirical evidence from both team mental models and psychological contracts suggests that agreement on the content of the psychological contract between employees and their supervisors is an important factor for positive evaluation of the psychological contract by employees. On the other hand agreement is not sufficient to guarantee a positive evaluation.

#### 4.3.6. Stability and Change in Mental Models

Dutke (1994) as well as Rousseau (2001) have argued that mental models or schemata are fairly stable. According to Dutke (1994), mental models remain stable as long as they serve the function they were created for even if they do not represent a situation in an adequate way from an outsider's perspective. Norman (1983) on the other hand has argued that mental models are instable across time because people forget the details of a model they have not used for a while. Based on research by Welch Larson (1994), Rousseau (2001) suggested that schemata that have recently emerged are easier to change than schemata which have developed into very complex structures over time. Rousseau (2001) views this as analogous to differences in novice and expert problem-solving behaviours.

The above indicates two opportunities for change in schemata or mental models: either when they have not been used for a while or when they are not functional any longer. However, as detailed above, mental models serve several functions. It remains unclear which of the functions is critical to mental model change. Possibly, people are motivated to change their mental model of a given situation when the pragmatic, behaviour-guiding function is not fulfilled, i.e. when they receive feedback that indicates that a behaviour shown is not appropriate. On the other hand, the heuristic and the simulation function may suffice for a mental model to remain unchanged.

Rousseau (2001) has proposed several factors that motivate people to change their schemata:

- When they are encouraged to perceive a situation as novices rather than as experts, e.g. when people have to reapply to their jobs during organisational change initiatives
- When new information is unambiguous; mixed messages do not lead to schema change
- When credible and trusted sources are available

Labianca et al. (2000) analysed an empowerment initiative at a health care organisation from a schema perspective. They analysed schema change about how decisions were made in the organisation. Based on this case study evidence, Labianca et al. (2000) suggest various factors that facilitate schema change at work:

1. A two-way dialogue between management and employees about interpretations of present and new, intended schemata
2. “Bold, visible and sincere actions” (p. 253) that are coherent with the new intended schema
3. Regular evaluation of employee evaluations of the new schema allowing and accepting that resistance to change will occur
4. When action is not coherent with the new schema despite effort, admitting that management is also still learning about the new schema
5. Implementing processes through which employees can point to existing inconsistencies so that they can be addressed

When teams develop shared mental models, this may involve mental model change for individual members. Druskat und Pescosolido (2002) have proposed three factors that help teams to develop effective shared mental models. Effective shared mental models are those that contribute to superior team performance.

- In the early phase of existence, teams need organisational/contextual support to develop the shared mental model, e.g. decisions outside the control of the team need to be made by (top) management to provide the team with clear guidelines
- New members should be given information about team expectations and teamwork models
- Support from organisational representatives outside the team, e.g. top management, needs to be continuous

Schemata are guided by both controlled and automatic information processing. Reger and Palmer (1996) have analysed the difference between automatic and controlled processing with regard to managerial schema change. They concluded that managerial schemata are generally fairly hard to change and that mental models carried out with automatic processing are harder to change than mental models that are consciously controlled. Changing mental models requires a high degree of awareness of what these models look like.

#### 4.3.7. Implications for Psychological Contracts

There seems to be disagreement among researchers about the stability of mental models or schemata. There is no systematic evidence on how stable psychological contracts are. However, several researchers have suggested that mental models are less stable under certain conditions.

The suggestions about schema/mental model change proposed by Rousseau (2001), Labianca et al. (2000) and Druskat and Pescosolido (2002) may be transferable to psychological contract change situations. This may either be situations where subordinates and their supervisors are building up a shared understanding of mutual obligations because they recently started working together or where a reduction of disagreement between the two parties is aimed at through employee mental model change. In fact, these themes may also be seen as an ongoing process that aims at maintaining agreement between organisation and employee. Comparing the three approaches, the following themes emerge with regard to how organisations and more specifically supervisors can facilitate psychological contract change and achieve a “shared mental model” on mutual obligations:

- No mixed messages / organisational support:
  - Organisations need to develop a clear strategy about what kinds of contributions they expect from employees and what rewards they want to offer
- Getting the message across:
  - The facts and figures of the mutual obligations desired by the organisation need to be clearly communicated in the organisation
  - Messages about expected contributions and available rewards need to be conveyed by organisational representatives who are trusted by employees
  - Newcomers need to be informed about expected contributions and available rewards
  - These messages need to be matched with behaviours and practices that confirm them
- Two-way process/evaluation:
  - Employees need to have the opportunity to share their view of mutual obligations
  - Management needs to be aware of this view

It seems important to note here that these themes are largely in line with recommendations about how organisations can facilitate change processes. This is not surprising because most organisational change initiatives also involve psychological contract change. However, one should keep in mind the following: the three research contributions cited here were studies carried out by organisational behaviour researchers using a mental model framework and not by cognitive researchers applying mental models to organisational behaviour. Thus, when conclusions arrived

at are very similar to those derived from other case studies in organisational behaviour, this may partly be due to the fact that the contributors may not have left their familiar frame of reference. It may be tempting to conclude that coherence between organisational behaviour change recommendations and mental model change recommendations is good evidence for the appropriateness of the mental model approach to psychological contracts, but this may be an outcome of the original research discipline of the contributor.

In conclusion it seems that empirical evidence generally supports the notion of viewing psychological contracts as mental models or schemata. However, a more systematic analysis of whether psychological contracts are schemata or mental models as well as of the stability of psychological contracts is required. Research efforts indicate that it would be advantageous to have this research carried out by a contributor whose original research discipline is cognitive science, not organisational behaviour.

#### **4.4. The Resource-Based View (RBV) of the Firm**

##### **4.4.1. Introduction**

It is the aim of this section to further develop a formal argument for the business relevance of the psychological contract model. Psychological contracts have not yet been analysed as a resource that may create sustainable competitive advantage. While, as will be shown in this section, the theoretical basis for considering positive psychological contracts and resulting employee behaviours as a source from which sustainable competitive advantage can be created is solid, empirical evidence which convincingly demonstrates a sound cause-and-effect-chain is only emerging. This is partly due to the immense methodological challenge involved in demonstrating the effect.

Firstly, an overview of the resource-based view of the firm will be provided. Then the theoretical argument and evidence for people and human resource practices as a source of sustainable competitive advantage will be reviewed. Finally, the psychological contract model will be positioned in this framework.

##### **4.4.2. Overview**

In contrast to market-based views of organisational success, the resource-based view focuses on internal factors of organisations that contribute to creating rents and competitive advantage (Wolf, 2003). Those internal factors that contribute to organisational success are resources that have four different characteristics which differentiate them from other resources that exist in the organisation but do not contribute to organisational success in a reliable or significant way. Barney (1991; p. 101) defined resources as “all assets, capabilities, organisational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness”.

Barney (1991; p. 102) posits that competitive advantage exists when “a firm is implementing a value creating strategy not simultaneously being implemented by any current or potential competitor”. In addition, sustained competitive advantage can be created when current or potential competitors are unable to copy the resource that creates the advantage. Resources that contribute to organisational success through creating sustainable competitive advantage must therefore (1) create value, (2) be rare, (3) be inimitable (4) not be substitutable by other resources (Barney, 1991).

Resources that create value do so by being strategically relevant and contributing to increases in effectiveness and efficiency. Rareness refers to resources being limited or protected by access barriers. Inimitability arises when resources have developed out of the history of the organisation, i.e. are path-dependent, when outsiders cannot identify the exact cause of the advantage created by this resource and when the resource has emerged from a situation which is complex to a degree where it cannot be systematically controlled. Finally, resources can only create sustainable advantage when they cannot be easily substituted by other resources. Resources that conform to these four characteristics can emerge in the organisation through unique synergies between other existing resources.

One of the shortcomings of this approach is that its fundamental concepts have rarely been tested in empirical research (Barney, 2001). The resource-based view of the firm is commonly used to argue the importance of people management issues for organisational success. In this context mainly human resource practices have been viewed as resources that contribute to creating sustainable competitive advantage. In the following it will be argued that having employees with positive psychological contracts can become a stable source of competitive advantage for organisations.

#### 4.4.3. Human Resources as Sources of Sustainable Competitive Advantage

Wright et al. (1994) have analysed theoretically how human capital, defined as the knowledge, skills and abilities of employees, can create sustainable competitive advantage. According to Firm Specific Human Capital Theory (Hashimoto, 1981), people can only create value when both the demand for labour and the supply of labour are heterogeneous. This seems to be a good reflection of reality as organisations offer different kinds of jobs with different kinds of requirements with regard to knowledge, skills and abilities. Also, individuals have different kinds of skills, knowledge and abilities on offer. Thus, the degree of fit between person and job causes variety in the value created (Steffy & Maurer, 1988). Wright et al. (1994) argue that estimating the value created by human capital is difficult. However, some approaches exist to estimate the value created through human resource practices, for example the value created through a good personnel selection method. See Schmidt et al. (1982) and Boudreau (1983) for more detail. Thus, Wright et al. (1994) argue that value creation through human capital may be hard to demonstrate but research on utility analysis shows that this is generally possible.

On the same rationale that the supply of labour is heterogeneous, Wright et al. (1994) also argue that human capital as a resource is rare. Individuals possess skills, knowledge and abilities that differ in type and in degree of expertise. While certain abilities, e.g. cognitive ability, are normally distributed in the population, some kinds of knowledge or skills may be very rare in the general workforce. Thus, they present a limited resource, not a commodity, and can be considered rare.

Thirdly, Wright et al. (1994) argue that human capital is an inimitable resource because it can arise from socially complex situations, e.g. employee-customer relationships or supervisor-employee relationships. Just as these relationships cannot be completely controlled by management, they cannot be perfectly copied by competitors because the causes of good relationships are sometimes not completely identifiable. Wright et al. (1994) further argue that although individual employees can be hired away, the only way of reliably copying the effect created through people is hiring away the whole of the workforce which means buying the organisation. Thus, in reality human resources as a whole are immobile.

Finally, human capital or human resources cannot be substituted as a whole. While certain skills may become obsolete through technological innovations and requirements may change over time, people cannot be completely substituted by technology.

Although the argument detailed above is fairly general it lays the foundation for arguing that human resources have the potential to create sustainable competitive advantage. The majority of research contributions on human resources in the context of sustainable competitive advantage have analysed human resource practices as the resources that can create sustainable competitive advantage. However, a best practice view and benchmarking activities imply that practices can be copied. Thus, Wright et al. (2001) argue that although human resource practices contribute to creating sustainable competitive advantage, the resource itself lies in the people not the practices. They further differentiate between human capital – the skills, knowledge and abilities that employees have, i.e. the potential – and employee behaviours – the manifestation of human capital in behaviours beneficial for the organisation – and argue that ultimately it is the employee behaviours which create sustainable competitive advantage. While human capital is needed as a prerequisite to produce the desired behaviours and human resource practices can encourage people to show these behaviours, the behavioural output of individual employees is what will impact on organisational performance. Figure 7 illustrates this model. Wright et al. (2001) list in-role behaviours, extra-role behaviours and psychological contracts as components of employee relationships and behaviours. While they do not detail their view on psychological contracts, it seems that employee behaviours as well as relationships as manifested in the psychological contract are seen as the core resource.



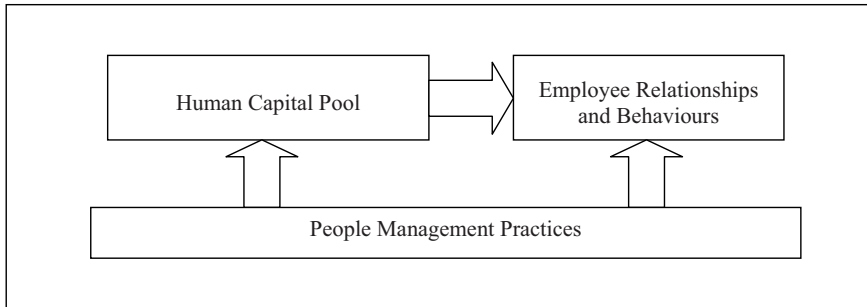


Figure 7: Basic strategic HRM components (Wright et al., 2001)

However, the strategic HRM literature commonly focuses on practices rather than on behaviours. For example, Huselid (1995) demonstrated a positive relationship between high performance work systems (HPWS) and gross rate of return on assets. Koch and McGrath (1996) demonstrated a positive relationship between recruitment, staffing as well as planning practices and labour productivity. Bou and Beltran (2005) showed that organisations that introduced total quality management achieved a stronger positive effect on financial results if implementation was supported by HPWS. Zatzick and Iverson (2004) found that during downsizing, organisations lose the productivity gains that are achieved by HPWS when there is no downsizing. However, those organisations that made additional investments in HPWS during downsizing retained the gains in productivity previously achieved. See Burke (2005) for a summary of studies which have analysed the relationship between human resource practices and organisational performance.

The question of whether human resource practices can create sustainable competitive advantage seems to hinge on the question of whether they can be copied from organisation to organisation. It also hinges on the question of whether a given bundle of practices will be contributing to organisational performance in all cases, i.e. whether copying makes sense for a given organisation. With regard to the second question there are at least three views: Firstly, some management contributors (Pfeffer, 1994, 1997) argue for a best practice approach. Very generally, it is the aim of the best practice approach to identify and implement those human resource practices that work best across a large group of organisations. Secondly, other contributors argue that the relationship between certain human resource practices and organisational performance is moderated by third factors like knowledge intensity, technological intensity or employment mode. This view is called the contingency approach. Lepak and Snell (2002) and Lepak, Takeuchi and Snell (2003) have argued that organisations adopt various employment modes differentiating between employee groups. Different employment modes are associated with different human resource systems and practices. Lepak, Takeuchi and Snell (2003) have shown that mixing different

employment modes is beneficial for firm performance. They also found that technological intensity influences which mix yields best results. See Section 5.2.2 for more detail. Michie and Sheenan (2005) point to a third view, the configurational approach. This view stresses that rather than analysing the impact of individual practices it makes sense to consider the impact of bundles of practices or human resource systems. This view is consistent with research which has considered HPWS rather than individual practices like personnel selection methods. Lepak, Snell and colleagues have also adopted this systems approach. Thus, this third view is complementary rather than supplementary in relation to the best practice and the contingency approach. In conclusion, Burke (2005) argues that there are some practices which will yield positive results in most organisations whereas the positive impact of other practices is contingent on context.

With regard to copying practices from other organisations, a tentative conclusion is that it makes sense for some but not for all human resource practices. However, whether perfect copying is possible is not considered explicitly in the best practice approach, rather it is assumed. Burke (2005) has pointed out that it will take time until new human resource systems or bundles of practices will create an impact on firm performance. In summary, it is not entirely clear whether copying of practices is possible in the short, medium or long term and it is necessary to identify the practices that work well universally. However, it seems human resource practices are not entirely inimitable when a time lag is accepted. Thus, while HR practices can contribute to sustainable competitive advantage, they do not themselves present the core resource. This view is empirically supported by a longitudinal case study carried out in the consulting industry by Boxall and Steeneveld (1999). Observing organisational success over a three year period they found that while one consulting firm was particularly successful at time 1 due to a superior human resource system, three years later two competitors had caught up on the advantage. The authors argue that this may have been due to the two competitors successfully copying the human resource system that produced the advantage. Thus, human resource practices contributed to creating competitive advantage, but the advantage was not sustainable.

#### 4.4.4. Psychological Contracts and Sustainable Competitive Advantage

##### 4.4.4.1. *The Four Characteristics of a Core Resource*

As mentioned above, Wright et al. (2001) argue that although human resources practices and having an appropriate human capital pool contribute to creating sustainable competitive advantage, it is centrally employee behaviours and relationships that constitute the resource that creates sustainable competitive advantage.

Shore et al. (2004) have described some of the implications of the resource-based view of the firm for employee-organisation relationships but pointed out that these implications have not been systematically analysed. Likewise, the implications of a resource-based view of the firm for shaping psychological contracts have not been

explored systematically nor has the potential of psychological contracts to contribute to sustainable competitive advantage been demonstrated. However, there are several indications in the literature that psychological contracts may have this potential:

Wright et al. (1994) argue that “the potential of the human resource capital is realised only to the extent that the possessors of the human capital (i.e. individual employees) choose to allow the firm to benefit from the capital through their behaviour” (p. 320). While there are several avenues through which organisations can motivate employees to let them benefit from their human capital, for example legal work contracts, role descriptions or management by objectives, these present organisational control mechanisms which produce pre-defined behaviours (Wellin, 2007). Psychological contracts on the other hand motivate employees to let the organisation benefit from their human capital because behaviours beneficial to the organisation are seen as reciprocal actions happening within a relationship that is reinforced by showing these behaviours. Along the same lines, Boxall (1996) has argued that the management of mutuality is a major task for organisations that will produce sustainable competitive advantage through human capital. So very broadly speaking, when employees feel motivated to reciprocate on positive behaviours shown by the organisation towards them, they will show the behaviours they are required to show (in-role behaviours) but they will also show behaviours that are not pre-defined but still beneficial to the organisation. These behaviours have been labelled organisational citizenship behaviours.

In the following this argument will be specified. Psychological contracts are individual perceptions of mutual obligations between the organisation and the focal employee. These mutual obligations define the relationship between organisation and employee. While it is unlikely that an individual perception of a relationship will make a difference for firm performance, a positive evaluation of the relationship, i.e. a positive psychological contract, by the majority of the workforce is more likely to have a powerful effect on firm performance through positive employee behaviours. The sum of positive psychological contracts in an organisation can be considered inimitable due to the variation in these mental models within the organisation and because these mental models are partly implicit. Individuals can not always explain how they have come to believe that they owe their employer certain kinds of behaviours. The mental model of the employee-organisation relationship is also inimitable because it is socially complex – relationships have developed over time and under unique circumstances combining organisational messages, prior experiences and individual dispositions. These mental models are highly immobile because they are abstract cognitive constructs unique to individuals that cannot be transferred to other people. Even hiring away the individual who has the mental model will not work as the mental model is about the relationship with the current employer and will not be automatically transferred onto a new employer. However, de la Cruz Deniz-Deniz and de Saa-Perez (2003) have argued that transactional relationships can be copied. Although

transactional relationships are by definition more observable than socio-emotional relationships, it is argued here that while it may be possible to reproduce the terms of the transactional offer that organisations may make to employees, it is not possible to reproduce the unique perception and the positive evaluation of the individual and the resulting relationship.

Positive psychological contracts are also rare. A number of studies have highlighted the high proportion of employees who state that their employer has not kept its commitments (see for example Robinson & Rousseau, 1994). Psychological contracts by themselves cannot create value as they are mental models. However, mental models regulate action and can thus produce behaviours that create value. The behaviours that have been most commonly associated with positive psychological contracts are organisational citizenship behaviours. These are discretionary behaviours which have been recognised by strategic human resource management researchers to be a prerequisite of creating competitive advantage (Wright et al., 2001). It can be argued that organisational citizenship behaviour can lead to leveraging tangible resources in new ways which will take time to imitate (Shore et al., 2004). It can also be argued that organisational citizenship behaviour in itself can become a resource that creates sustainable competitive advantage. In contrast to in-role behaviours that are pre-defined, organisational citizenship behaviours can consist in anything as long as this kind of behaviour is in sum beneficial to the organisation. Thus, when employees are motivated to consistently show organisational citizenship behaviours, this can become a sustainable source of innovation and adaptation to change. However, the ways in which organisational citizenship behaviour can create value have not been explored systematically. Thus, the argument presented here is very general: positive psychological contracts lead to positive behaviours and these behaviours – according to Wright et al.'s (2001) model – are what constitutes the core of the resources that creates the value leading to sustainable competitive advantage.

For the psychological contract–behaviour linkage to constitute a resource that creates sustainable competitive advantage, it must not be substitutable. It could be argued that management by objectives can also produce behaviours that lead to the same type of competitive advantage. It would follow from this that the effect on firm performance produced by psychological contracts can also be achieved by management by objectives. However, management by objectives can only achieve pre-defined goals. Discretionary behaviours motivated through a positive relationship can also consist of the definition of new innovative goals. Psychological contracts have the potential to produce a broader range of behaviours than management by objectives. For example, a line manager may be set the objective of extending the number of key account customers by 10% over the next year. In the sense of management by objectives, optimal behaviour by the line manager would involve extending the number of key account customers by 10% or more. A positive psychological contract produces organisational citizenship behaviours that may consist of additionally

presenting a project plan for the creation of a customer relationship management unit that improves customer retention. Thus, it is argued that the psychological contract–behaviour linkage potentially produces a wealth of beneficial employee behaviours not achievable through management by objectives. It is argued here that the linkage is not substitutable as alternative and control-oriented measures will not produce the full effect and do not constitute the core resource that creates the advantage.

#### *4.4.4.2. The Role of Trust and Justice*

In section 3.3.4 the relevance of trust and justice as moderators between breached obligations and outcomes has been highlighted. Jones and George (1998) have argued that trust can contribute to creating sustainable competitive advantage by acting as an isolating mechanism that makes imitation of resources impossible. Trust, they argue, is a prerequisite to creating synergies through cooperation in organisations and these synergies create the tacit knowledge that through its inimitability makes competitive advantage sustainable. It is argued here that trust enables employee–organisation relationships to function beyond pre-defined performance criteria or incentive systems, qualitatively and quantitatively. Also, Hosmer and Kiewitz (2005) have argued that organisational justice – defined by them as fairness in past treatment – is related to financial performance and competitive advantage. However, they concede that empirical data confirming this argument is only starting to emerge. Based on qualitative data, Kim and Mauborgne (1998) argued that procedural justice in strategic decision-making leads to both better quality strategic decisions and higher quality execution of these decisions which in turn can contribute to creating sustainable competitive advantage.

It is argued here that although procedural justice may contribute to competitive advantage, the effect will not be sustainable because procedural justice can be created through implementing a series of decision-making rules which are identifiable. While this will take time, imitation is possible. However, a second kind of justice, namely interactional justice, will be much harder to imitate because it is not based on clear-cut rules. Interactional justice describes consideration and respect in interaction, mostly operationalised with respect to supervisor–subordinate interactions. It is argued here that interactional justice strengthens the linkage between psychological contracts and positive behaviours. In other words, when there is respect in the relationship between supervisor and subordinate, this strengthens the relationship between subordinate and organisation as a whole and thus the psychological contract–behaviour linkage that leads to sustainable competitive advantage. It remains an object for further analysis whether interactional justice on its own can be considered a resource that creates sustainable competitive advantage or whether it does so only in conjunction with psychological contracts and trust towards the organisation as a whole.

#### 4.4.4.3. An Extended Model of Strategic HRM Components

To sum up, it is suggested here that the psychological contract–behaviour linkage constitutes a resource that can contribute to creating sustainable competitive advantage. It is also argued that this linkage is strengthened by the existence of trust and interactional justice. In other words, when positive employee behaviours – whether in-role or extra-role – are motivated by a trusting and respectful employee-organisation relationship where both parties reciprocate on each others contributions, this will contribute to value creation in the organisation, will be hard to imitate, rare and not substitutable.

It is therefore argued that the model proposed by Wright et al. (2001) can be enlarged to include psychological contracts, justice and trust in the way depicted in Figure 8.



Figure 8: Basic strategic HRM components with psychological contracts included

In line with Wright et al. (2001) it is proposed here that it is the behaviours that make a difference for the organisation. However, behaviours are observable and therefore easier to copy. The relationship that motivates people to behave in certain ways is intangible, complex, unobservable and implicit. It can produce behaviours that are different in quality and quantity to the behaviours produced through conventional performance management systems based on management by objectives. Psychological contracts make behaviours flexible while in the interest of the firm. It is therefore the link between psychological contracts and positive employee behaviours that constitutes the core resource.

In sum it is argued here that

1. Psychological contracts present inimitable resources but do not create value
2. Behaviours are imitable resources which do create value
3. When positive employee behaviours are motivated by positive psychological contracts this constitutes a core resource that can create sustainable competitive advantage as it is rare

4. The content of the employment relationship, i.e. the offer that organisations make to their employees with regard to expected contributions and available rewards does not present a core resource as it does not necessarily produce the desired employee behaviours
5. The human resource and leadership practices that contribute to establishing positive psychological contracts do not present a core resource as they can be copied albeit with a time lag
6. The focus of this research on leadership practices that facilitate positive psychological contracts is in fact based on the argument that leadership practices can be copied. This is the basis on which it makes sense to forward management recommendations at all

There is important common ground between strategic human resource management which aims at achieving competitive advantage through people (Cool, 1998) and the endeavour to manage psychological contracts. It can be speculated that the positive effect of HPWS on firm performance can be explained by the emergence of positive psychological contracts.

#### 4.4.5. Conclusions from the Resource-Based View of the Firm

Barney (1991) proposed four criteria that resources must fulfil to contribute to the creation of sustainable competitive advantage. Wright et al. (1994) argued that human capital fulfils these criteria. However, most contributions applying the resource-based view of the firm to the field of human resources have been concerned with human resources practices as sources of sustainable competitive advantage. Empirical research has demonstrated the impact of human resources policies and practices such as HPWS and recruitment on firm performance. While human resources practices seem to enable organisations to create competitive advantage, the advantage is not necessarily sustainable. Wright et al. (1994) concluded that it is employee behaviours rather than human resources practices or skills, knowledge and abilities that constitute the resource that can create sustainable competitive advantage.

Wright et al. (1994) pointed out that possessors of the resource, i.e. employees, have to allow their organisation to benefit from it by showing beneficial behaviours. Organisational citizenship behaviour is by definition such a beneficial behaviour. It is argued that when organisational citizenship behaviour arises out of a positive psychological contract it is a resource that employees will reliably allow the organisation to benefit from. While for example management by objectives can produce some of these behaviours, intact relationships can produce a larger range of beneficial behaviours. Thus, it is the link between psychological contracts and their behavioural outcomes that constitutes the resource that can contribute to creating sustainable competitive advantage.

While empirical data offers a starting point for arguing that this linkage is rare, further analysis is needed to explore how rare it is by exploring the portion of

employees describing their psychological contract as positive. Also, it would be interesting to explore whether the effect of HPWS on firm performance can be explained by its facilitating the emergence of positive psychological contracts. This kind of finding would strengthen the argument that the psychological contract-behaviour linkage is not substitutable.



## **PART B**

## **5. An Organisational Perspective on Psychological Contracts**

### **5.1. Introduction**

Previous chapters have reviewed psychological contract research that takes an employee perspective. The next three chapters will review research that has contributed to clarifying the employer perspective on psychological contracts. Taking an organisational perspective, there are several central questions: How can the organisational perspective on psychological contracts be described? How can organisations shape psychological contracts in a positive way? And if individual employees have a psychological contract with their organisation, which people or structures contribute to shaping individual employee's psychological contracts?

In order to avoid confusion over terms, it is repeated that psychological contracts have been defined here as mental models of the mutual obligations between organisation and employees. The employment relationship is defined as the organisation's intention with regard to the inducements or rewards offered and the contributions expected from employees. The exchange relationship which is used synonymously with the employee-organisation relationship describes the exchange of rewards and contributions between employee and organisation from a neutral perspective. It is the aim of Chapter 5 to develop an integrated organisational perspective on psychological contracts by identifying central concepts and categories. Currently, there is no integrated model that focuses on the implementation of the employment relationship as intended by the organisation once its content has been determined. Thus, Chapters 6 and 7 will review two streams of research that take an implementation rather than a strategy view on managing psychological contracts. Chapter 6 will review research on the relevance of particular human resource practices for creating positive psychological contracts and Chapter 7 will review research on the role of supervisor for managing psychological contracts.

### **5.2. The Employment Relationship**

The concept of the employment relationship has been defined in section 2.5.4 as “the employer's expectation of contributions desired from the employee and inducements the employer actually offers” (Tsui & Wang, 2002; p. 105) It has been differentiated from the concept of the psychological contract by highlighting that the employment relationship describes the employer perspective of the exchange relationship between employee and organisation. Research on the employment relationship mainly comes out of a strategic (human resource) management tradition where the exchange relationship between employee and employer is viewed from the employer perspective. Tsui and Wang (2002) have pointed to various streams of literature which have contributed to exploring the concept of the employment relationship. Two of these approaches are particularly valuable to studying organisational opportunities to shape psychological contracts in a positive way. The first of these is concerned with models that are based

on a consideration of the exchange of inducements and contributions. This kind of research is spearheaded by Tsui and colleagues. The second approach comes from the strategic human resource management literature and is concerned with the link between employment strategy, human resource systems and organisational performance.

### 5.2.1. Employment Relationship Intended by Employer

Tsui et al. (1997) have proposed a model which describes the relationship between employee and organisation depending on the employer's intentions with regard to inducements offered and contributions expected. Tsui and Wang (2002) argue that this model is very similar to that by Shore and Barksdale (1998) detailed in section 3.3.4.2. However, the difference between the two models lies in the perspective. Shore and Barksdale (1998) have looked at employee perceptions of fairness of the exchange, whereas Tsui et al. (1997) take a pure employer perspective. The basic idea of the model is that there are differences between organisations in the quantity and quality of inducements they offer to employees and in the quantity and quality of contributions they expect from employees. Tsui et al. (1997) explore four possible scenarios that result from combining a high or low level of expected contributions and a high or low level of inducements offered. The model proposed by Tsui et al. (1997) was later also investigated empirically by Wang et al. (2003), but different labels were used. To avoid confusion, both versions of Tsui et al.'s (1997) model (Tsui et al., 1997; Wang et al., 2003) although identical in content, are presented in Table 15. In the following, the labelling adopted by Wang et al. (2003) will be used.

Inducements Offered	Contributions Expected	Tsui et al. 1997	Wang et al. 2003
Low	Low	Quasi Spot Contract	Job-Focused Approach
High	Low	Overinvestment	Overinvestment
Low	High	Underinvestment	Underinvestment
High	High	Mutual Investment	Organisation-focused Approach

Table 15: Relationship outcomes (Tsui et al., 1997; Wang et al., 2003)

According to Tsui et al. (1997) and Wang et al. (2003) a mutual investment or organisation-focused approach to the employment relationship exists when organisations offer a high level of inducements to employees and have high expectations of contributions of employees. Wang et al. (2003) describe the organisation-focused approach to the employment relationship as involving broad, open-ended and unspecified obligations for both sides. The organisation cares for employees' well-being and invests in their careers; employees are loyal and flexible in terms of task assignments, willing to engage in helping behaviours and consider the organisation's interests. For example in the case of expatriate assignments, both employee and organisation see the

assignment as an opportunity for development where what has been learned will be used in the organisation after return. When the organisation offers a high level of inducements, but expectations of employee contributions are low, this constitutes an overinvestment scenario. Overinvestment refers to a situation where the employee focuses on performing specific job tasks only whereas the organisation is offering an open-ended relationship including training and opportunities for career development. Underinvestment refers to a contrasting scenario where the individuals are expected to behave as they would under the organisation-focused scenario whereas the organisation does not show commitment and reciprocates solely in monetary terms. In a job-focused scenario, where level of both expected contributions and offered inducements are low, the relationship is specific and project-based, involving little or no long-term commitment from either of the parties.

Tsui et al. (1997) used a broad sample of permanent, non-unionised employees in various jobs and from various organisations in the US to investigate the impact of each of the four relationship types on task performance, organisational citizenship behaviour and organisational commitment. Results showed that an organisation-focused strategy is optimal in terms of affective commitment, organisational citizenship behaviour and employee task performance. They argue that job-focused approaches may be appropriate only for very specific kinds of position in the organisation and that employing individuals under job-focused conditions where inappropriate may violate expectations of the individuals involved. This was reflected in lower levels of task performance, organisational citizenship behaviours, affective commitment and perceived fairness of employees in job-focused relationships in comparison to those participants working in organisation-focused relationships. Wang et al. (2003) used Tsui et al.'s (1997) model to investigate the link between employment relationship and firm performance. They introduced a contingency perspective where the influence of organisational strategy and ownership structure on the relationship between firm performance and employment relationship was investigated. Results showed that for middle managers, the organisation-focused approach is generally related to superior performance at firm level in comparison to overinvestment, underinvestment or job-focused strategies. The results also show that an organisation that has adopted a prospector rather than a defender strategy according to Miles and Snow (1978) does not perform better at firm-level with an organisation-focused approach to employment relationships than an organisation that has adopted an underinvestment approach. This means that organisation-focused employment relationships do not present added value for organisations with a prospector strategy.

Wang et al. (2003) also investigated the impact of ownership structure on the link between employment relationships and firm performance. They found that in the PR China within the participating sample of Chinese-owned private enterprises, those that adopted an underinvestment approach showed the highest level of firm performance within that group. Due to the particular business environment that organisations face in

the PR China these results may not be transferable to European or US organisations. However, they highlight the relevance of a contingency perspective that has been pointed out by Marr and Fliaster (2003a, 2003b) in the context of managing psychological contracts. The main contribution of Tsui et al.'s (1997) and Wang et al.'s (2003) model to exploring organisational perspectives on psychological contract management is that it highlights different options organisations have with regard to the employment relationship and that organisations do not necessarily aim at creating balance in the exchange relationship with employees. It is argued here that the employment relationship as conceptualised by Tsui and colleagues can in fact be described (1) in terms of the employment strategy which describes what the organisation wants to exchange with its employees or different employee groups and (2) in terms of a strategy outcome which can consist in overinvestment, underinvestment, organisational focus or job focus.

#### 5.2.2. Strategic HRM: Employment Relationships and Human Resources

In their review, Tsui and Wang (2002) identified a number of studies that describe different types of human resource systems or configurations which are related to the employment relationship. Tsui and Wang (2002) argue that most of these studies identify two types of human resource systems, one control-driven, one commitment-driven (see for example Huselid, 1995), that are congruent with two types of employment relationships commonly identified in the workforce governance literature (see for example Lawler, 1988) and the two types of psychological contracts identified by Rousseau (1995). Tsui and Wang (2002) also argue that there are five human resource practices which are usually used to differentiate between the two types of systems:

1. job definition
2. basis for reward
3. participation and voice
4. training
5. employment security

See Tsui and Wang (2002) for a summary of these studies.

Several studies have investigated the relationship between human resource system and firm performance. Arthur (1994) who differentiated between control and commitment human resource systems found that commitment human resource systems were related to higher labour productivity and lower turnover in 30 US organisations in the milling industry. MacDuffie (1995) differentiated between a flexible production system, a transitional system and a mass production system. They found that a flexible production human resource system was related to higher labour productivity and quality in 62 organisations in one industry. Differentiating between administrative and human-capital-enhancing human resource systems, Youndt et al. (1996) found that human-capital-enhancing systems were positively related to employee productivity

and machine efficiency in 97 US organisations in one industry. In the three studies mentioned here, the human resource system found to be related to superior performance was similar to an organisation-focused human resource system where jobs are open-ended, there are opportunities for participative decision-making, comprehensive training and a high degree of job security. These employee rewards are similar to those described by Rousseau (1995) as characterising relational psychological contracts. Therefore these studies confirm the assumption made by researchers concerned with psychological contracts that relational contracts associated with organisation-focused strategy outcomes and high-commitment human resource systems seem to be positively related to performance at the firm level. The main contribution of these studies to the discussion regarding organisational perspectives on psychological contracts is that they highlight the connection between human resources practices integrated in human resource systems, the employment relationship and firm performance.

Lepak and Snell (1999, 2002) also illustrated this connection by proposing and partially testing a model that looks at the relationship between uniqueness as well as value of human capital in an organisation and the employment mode adopted by the organisation, the type of employment relationships in existence and the HR system adopted. What Lepak and Snell (1999, 2002) have labelled employment relationship and employment mode can also be described as employment strategy. Based on human capital theory, transaction cost theory and the resource based view of the firm, they argue that depending on the uniqueness and value of human capital, organisations will adopt one of four employment modes. Each employment mode is associated with a certain type of employment relationship and a certain type of human resource configuration, i.e. human resource system. Table 16 provides an overview of Lepak and Snell's (2002) hypothetical model. Lepak and Snell (1999, 2002) hypothesised that employees who possess unique skills and have a high degree of strategic value to the organisation will be employed on an internal development mode, labelled knowledge-based employment, referring to a "make" rather than "buy" strategy which has been elaborated in transaction cost theory. They would be employed aiming at a relational, organisation-focused relationship characterised by mutual long-term investment and involvement. This relationship would be fostered by a number of integrated high-commitment human resource practices which focus on the development of organisation-specific skills.

Those employees whose skills are of high strategic value to the organisation but not highly unique would be bought into the organisation and employed under a job-based employment relationship where they are hired to perform pre-defined tasks. The associated human resource system would focus on short-term incentives such as a results-oriented performance appraisal system and a market-based wage. Where human capital is unique but of low strategic value, organisations are hypothesised to form alliances with external partners so that the organisation avoids the costs of internal employment while gaining highly unique human capital. As for the human resources

system, organisations are hypothesised to invest in the relationship with partners, rather than in the human capital of the partner in order to improve collaboration and integration. Lepak and Snell (1999, 2002) argue that where value and uniqueness of human capital is low, job-holders are obvious candidates for outsourcing. Their relationships with the organisation will be of a transactional nature where the focus lies on economic exchanges and where commitment is not expected. The associated human resource system will focus on compliance through mechanisms that enforce rules and regulations.

		Value of Human Capital (HC)	
		Low	High
Uniqueness of HC	High	Emp. mode: <b>Alliance</b>	Emp. mode: <b>Internal Development</b>
		Emp. rel.: <b>Partnership</b>	Emp. rel.: <b>Organisation-focused</b>
		HR: <b>Collaborative</b>	HR: <b>Commitment</b>
	Low	Emp. mode: <b>Contracting</b>	Emp. mode: <b>Acquisition</b>
		Emp. rel.: <b>Transactional</b>	Emp. rel.: <b>Symbiotic</b>
		HR: <b>Compliance</b>	HR: <b>Market-based</b>

Table 16: Value of human capital (Lepak & Snell, 1999)

In this model, relational or long-term mutual investment relationships are not viewed as a best practice. Appropriateness of any of the four employment relationship types depends on the degree of value and uniqueness that a focal employee brings to the organisation. So in contrast to Rousseau (1995, 2004), Lepak and Snell (1999) do not argue or assume that relational employment relationships are generally most desirable for employer and employee. However, they do argue that a relational exchange with a high-commitment human resource system is best suited for employees whose human capital has a high degree of value and uniqueness. Lepak and Snell (2002) carried out a survey of 206 executive, senior human resource and line managers from 148 organisations in the US exploring the relationship between human capital uniqueness, employment mode and associated human resource system. Lepak and Snell (2002) found that uniqueness of human capital does influence the employment mode adopted for particular employees: employees who are offered an organisation-focused employment relationship are seen to have the highest level of human capital uniqueness by participants of the study. Employees from the symbiotic and partnership groups have lower human capital uniqueness and employees from the transactional group come last with regard to human capital uniqueness. Interestingly, human capital uniqueness

associated with particular types of jobs varied substantially across firms. Lepak and Snell (2002) also found that high-commitment human resource systems were more common for employees from the organisation-focused group than for employees in other employment modes. Also, compliance human resource systems were more common for employees in the transactional group.

Results were less clear cut for market-based and collaborative human resource systems. Market-based human resource systems were used for employees from the organisation-focused and the symbiotic group and collaborative human resource systems were used for all except the transactional group. Overall, results showed that there is much variation in the human resource systems used for employees from the organisation-focused group. The use of high-commitment human resource systems was not found to be more common than the use of market-based or collaborative human resource systems. Lepak and Snell (2002) offer a number of possible explanations. One potential explanation is that organisations may not have the necessary resources to invest in developing employees or they may not think they will be able to receive a return on their investments as they move in very dynamic markets. They also argue that it may be difficult to change an existing human resource system into a high-commitment one and suggest further research should address potential barriers to adopting high-commitment human resource systems.

### 5.2.3. Conclusions

Models by Tsui et al. (1997), Wang et al. (2003) as well as Lepak and Snell (2002) contribute to developing an employer perspective on psychological contracts by suggesting the following:

1. Employment relationships differ across employee groups – Lepak and Snell (2002) showed that various employment relationships can exist for different employee groups in one organisation

These findings add a layer of complexity to a process-oriented approach to managing psychological contracts. Where some employees may prefer an organisation-focused relationship, the organisation may not adopt this approach or may not adopt it for the employee group the focal employee belongs to. Also, when organisations adopt an underinvestment approach conveying the proposed exchange as fair with regard to distributive justice becomes a significant challenge.

2. Employment relationships differ depending on uniqueness and value of human capital (Lepak & Snell, 1999, 2002), organisational strategy and ownership structure (Wang et al., 2003). These and possibly other contingencies influence the effectiveness of organisation-focused employment relationships

When different employment strategies are adopted for different employee groups, conveying a clear message to each group that is not confused with messages aimed at other groups becomes more complex. Also, perceptions of fairness by employees will



depend on whether criteria for group membership which results in differential treatment of employees are made transparent.

3. Different employment relationships are reflected in different human resource systems, i.e. rewards offered and contributions expected become manifest in human resources practices
4. High-commitment human resources systems are not adopted for all employees

However, whether a mix of systems yields better results in terms of firm performance than a high-commitment human resource system for all employees has not been empirically demonstrated.

5. The employment relationship adopted by organisations influences those outcomes most commonly investigated in psychological contract research: affective commitment and organisational citizenship behaviour (Tsui et al., 1997)
6. The employment relationship can be described more specifically in terms of the employment strategy which defines what the organisation plans to exchange with employees and in terms of strategy outcomes which result from the degree of balance and the level of mutual commitment intended by the organisation

### **5.3. Models of Employment Relationships and Psychological Contracts**

#### **5.3.1. Tsui and Wang (2002)**

Two models have been proposed that integrate research on the employment relationship and research on psychological contracts. Tsui and Wang (2002) have proposed a model based on Tsui et al.'s (1997) work. Unfortunately, Tsui and Wang (2002) do not provide much detail on their model. It is not always clear why some indicators have been included in the model and others have not been included. Also, causal relationships indicated are not in all cases based on a review of the empirical literature. The model is illustrated in Figure 9.

The idea behind the model is that choice of employment relationship by the organisation is influenced by a number of external and internal factors. The relationship between business strategy, employment relationship and firm performance has been explored by Wang et al. (2003). No detail is provided on why the other external and internal factors have been included in the model. Tsui and Wang (2002) propose a number of possible employment relationships. Unbalanced relationships refer to the overinvestment and underinvestment approach detailed by Tsui et al. (1997). Mixed approaches refer to variations or combinations of job-focused and organisation-focused approaches. No further detail is provided on what these mixed approaches could look like. Tsui and Wang (2002) argue that the employment relationship impacts on psychological contracts using four possible types of psychological contract based on Rousseau's (1995) research. They further argue that the impact of the employment relationship on psychological contracts depends on the relationship between employee

and supervisor, on the relationship between employee and co-workers, as well as on individual characteristics such as experience and expectations. They also mention that the employment relationship is implemented through human resource practices such as recruitment, performance appraisal, compensation and training but offer no further detail on this aspect. Tsui and Wang (2002) furthermore argue that the type of psychological contract influences attitudinal and behavioural outcomes at individual level. However, this is not entirely in line with psychological contract research where it has been empirically demonstrated that breach of the psychological contract is related to these outcomes, but not type of psychological contract. Employee attitudes and behaviours are in turn argued to impact on organisational outcomes such as performance, innovation and cohesion. No detail is provided on the inclusion of innovation and cohesion in the model.

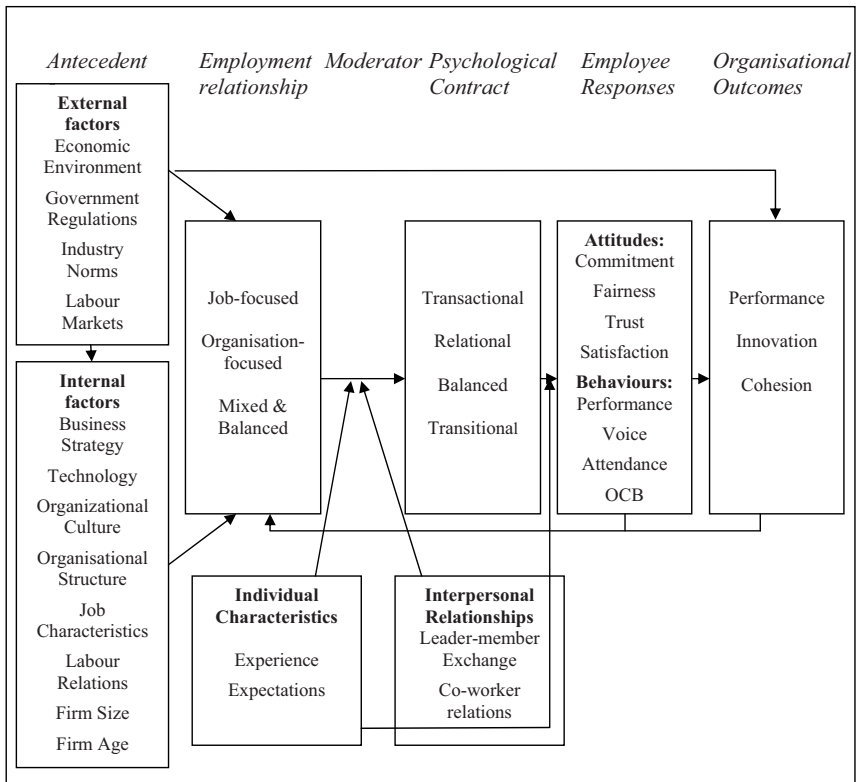


Figure 9: Wang and Tsui's (2002) model of employment relationships & psychological contracts

## 5.3.2. Guest (2004b)

Guest (2004b) has proposed a similar model which is illustrated in Figure 10.

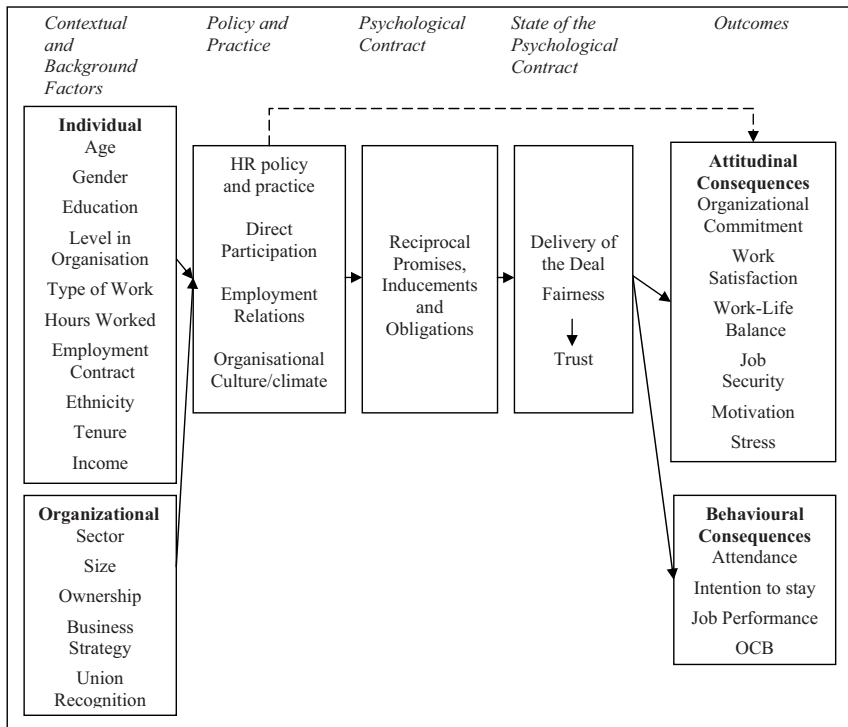


Figure 10: Guest's (2004b) model of psychological contracts & employment relationships

This model is different from that proposed by Tsui and Wang (2002) as it focuses on human resources policies and practices rather than on employment relationships. Guest (2004b) argues that human resource policies and practices, direct participation of employees, employment relations and organisational culture and climate impact on the psychological contract which he defines as reciprocal promises, inducements and obligations. Note that this definition is different from the one adopted for the purpose of this research. The impact of human resource practices on psychological contracts has been explored by Guest and Conway (2001; see section 6.2 for detail). No detail is provided on the reasons for inclusion of the other aspects. In contrast to Tsui and Wang (2002), Guest (2004b) also differentiates between the psychological contract and the state of the psychological contract including the three facets of positive psychological contracts, namely possible breach of the psychological contract by the employer, trust in the organisation and perceived fairness of the exchange. Guest

(2004b) also considers the impact of breach, trust and fairness on individual outcomes. While the inclusion of commitment, job satisfaction, intention to leave, job performance, organisational citizenship behaviour and absenteeism is congruent with empirical research on outcomes (see section 3.3), no detail is offered on the inclusion of outcomes such as work-life balance or stress.

5.3.3. A New Model of Employment Relationships and Psychological Contracts

Neither Guest (2004b) nor Tsui and Wang (2002) offer full explanations of the empirical basis of their models and contend that their models aim at stimulating further research rather than summarising existing research. However, both models as well as Lepak and Snell’s research (Lepak & Snell, 1999, 2002) can be combined at a more abstract level to construct a draft model of the employer perspective on psychological contracts. The combined model is illustrated in Figure 11.

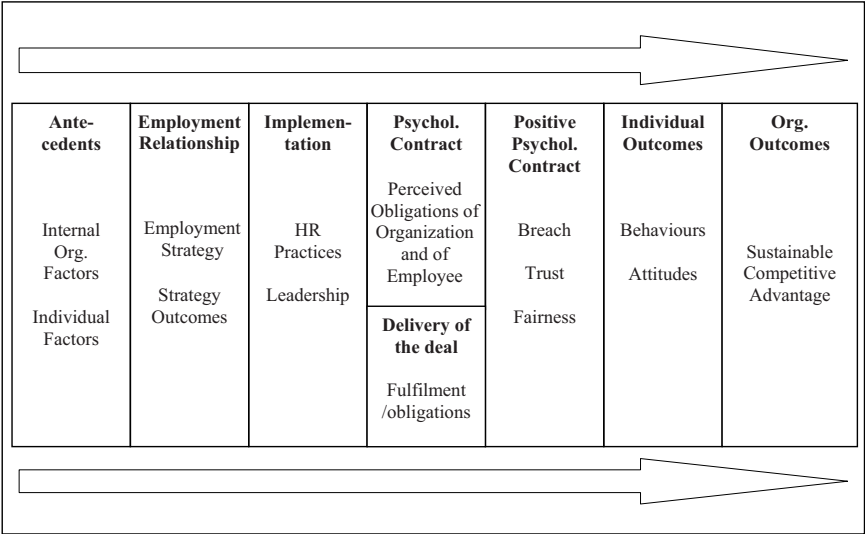


Figure 11: Organisational perspective on psychological contracts

In line with Guest (2004b) and Tsui and Wang (2002) it is argued here that various factors may influence the employment relationship chosen by an organisation. Business strategy may be one such internal organisational factor that has been explored by Wang et al. (2003). Lepak and Snell (1999, 2002) have suggested uniqueness and strategic value of employee skills as a relevant individual factor. In contrast to Tsui and Wang (2002) it is argued here that two aspects of the employment relationship need to be considered separately. Employment strategy refers to the four employment modes or employment relationships identified by Lepak and Snell (1999, 2002). Thus, the employment strategy describes what the organisation wants to

exchange. The four types proposed by Lepak and Snell (1999, 2002) can be seen as ideal types where each mode is balanced in terms of expected contributions and offered inducements. However, reality shows that employment relationships may in fact not be balanced. This is why strategy outcomes are considered separately and are defined to refer to Tsui et al.'s (1997) mutual high, mutual low, overinvestment and underinvestment scenarios. In line with Lepak and Snell (1999, 2002) it is argued that employment relationships are implemented through human resource systems that become manifest in human resource practices. However, it is argued that there is at least one other under-researched aspect, namely implementation through organisational leaders. This argument will be detailed in Chapter 7. It is further argued that the employment relationship and its implementation through human resource practices and leaders influence the psychological contract as well as employee perceptions about fulfilment of obligations by the organisation and by themselves. In line with Guest (2004b), it is argued that perceived mutual obligations and delivery of these obligations by both sides influence perceived breach, trust and fairness which in turn impacts on individual and organisational outcomes such as commitment, job satisfaction, job performance, organisational citizenship behaviour, turnover, absenteeism, product quality and customer satisfaction (see section 3.3 for detail). In reference to the argument proposed in section 4.4, it is suggested that these attitudes and behaviours that emerge based on positive psychological contracts contribute to creating sustainable competitive advantage. Only the expected overall direction of cause-and-effect relationships has been indicated in this model in order to keep it as simple as possible. This does not preclude the existence of other relationships between the included dimension, for example a direct influence of internal organisational factors on the existence of sustainable competitive advantage or a feedback loop where employee trust in the organisation influences leadership.

#### 5.3.4. Implementation of the Employment Relationship

While the model presented above provides an overview of the employer perspective on psychological contracts, it offers little insight into implementation issues that are of practical interest to organisations. This is due to the research it has been derived from, which focuses on strategy.

Various research findings illustrate that in reality implementation of the employment relationship is fraught with difficulties and challenges. One such challenge occurs when the outcome of the adopted employment strategy is an underinvestment approach. It may be difficult for organisations to achieve perceptions of fairness of the exchange relationship in employees when they intend to ask for more than they give. Secondly, Lepak and Snell (2002) pointed out that the employment strategy adopted by an organisation is not always matched with the human resources system through which the strategy is thought to be implemented. Research by Grant (1999) further illustrates this point.

Grant (1999) offers a typology of relationships based on existing matches between human resource practices and organisational rhetoric. Based on case study evidence, Grant (1999) argues that different types of psychological contract develop depending on whether the organisation communicates appealing messages about their human resource management and whether these messages match with reality as perceived by employees. According to Grant (1999), employee expectations are shaped by rhetoric and then checked against reality as observable in human resource practices. Employees then develop one of four psychological contracts depending on the outcome of this process:

1. A congruent psychological contract where organisational rhetoric is in line with practices and seen as appealing
2. A mismatched contract where rhetoric is not appealing and does not match well with reality
3. A partial contract where rhetoric is only partly appealing and only partly matches with reality
4. A trial contract where rhetoric is appealing and employees accept that it will take some time for promises to be fulfilled. When rhetoric finally matches with reality, the contract turns into a congruent one. If not, a mismatched or partial contract emerges

Note that a positive psychological contract as defined here refers to what Grant (1999) has labelled a congruent contract. In conclusion, Grant (1999) stresses that matching employment strategy and human resource practices does not seem to be automatic, particularly when employment strategy is changing.

Yan et al. (2002) explored possible matches or mismatches between employment strategy, categorised into a relational or a transactional approach by the employer, and type of psychological contract. Yan et al. (2002) analysed the effect of four types of relationship on the success of expatriate assignments. They argued that both organisation and employee have an understanding of whether an international assignment involves a transactional or a relational employee-organisation relationship. Depending on each party's understanding, a match or a mismatch occurs resulting in four relationship scenarios illustrated in Table 17. They further argue that assignment success depends on there being a match between employer and employee, proposing that both mutual transaction as well as mutual loyalty scenarios can lead to positive assignment outcomes for employer and employee.

Relationship Intended by Employee	Relationship Intended by Employer	Yan et al. 2002
Transactional	Transactional	Mutual Transaction
Transactional	Relational	Agent Opportunism
Relational	Transactional	Principal Opportunism
Relational	Relational	Mutual Loyalty

Table 17: Organisation-individual alignment matrix (Yan et al., 2002)

In line with Lepak and Snell (1999, 2002), Yan et al. (2002) do not argue that relational contracts are superior to transactional contracts in terms of firm performance, project success or organisationally relevant individual outcomes. Rather, they argue that alignment is key to positive outcomes. Furthermore, in contrast to Tsui et al. (1997), this study did not consider alignment between inducement and contributions offered by the employer, but alignment between employee perceptions and employer intentions about inducements and contributions involved in the relationship.

Yan et al.'s (2002) research highlights the consequences of mismatches between employment strategy and human resource practices: a mismatch between employment strategy and psychological contract. Breach of the psychological contract also involves a mismatch between organisational obligation perceived by the employee and organisational reality, but breach is restricted to a particular instance or particular obligations. Yan et al. (2002) in contrast have considered more systematic and more general mismatches that may affect most or all mutual obligations perceived. Thus, Yan et al.'s (2002) research highlights that organisational endeavours to keep individual promises made may not be sufficient to facilitate positive psychological contracts. General alignment between psychological contracts and employment strategy is of central importance to psychological contract management and may present a significant challenge to organisations.

5.3.5. Conclusions

The employer perspective model presented in Figure 11 provides a general overview of the dimensions that are relevant for formulating an organisational perspective on psychological contracts. Research that highlights the potential complications of psychological contract management was discussed. Firstly, employer intentions of the exchange may be systematically mismatched with employee perceptions of the exchange. Secondly, employer intentions may not be matched with human resource systems. Thirdly, underinvestment strategies may seriously hamper efforts to facilitate perceptions of a fair exchange by employees.

It would be interesting to explore what percentage of organisations has an explicitly formulated employment strategy for different employee groups. It may be that a considerable percentage of organisations have managing directors or CEOs with a vision

about people management. Whether this vision is explicitly formulated in terms of inducements and offers, whether it is shared and understood by top and middle managers would be interesting to analyse.

However, it is suggested here that the research presented above highlights the need to include systematic alignment of employee and employer perceptions of mutual obligations as an important goal for organisational psychological contract management. Thus, alignment is proposed here as the central principle for organisations wanting to facilitate positive psychological contracts that will be sustainable.

#### **5.4. Managing Psychological Contracts**

So far an organisational perspective on psychological contracts has been constructed. The model and related research imply some of the challenges involved in psychological contract management. The proposed model does not offer much detail on how psychological contracts can be managed effectively. However, the psychological contract literature yields more detail that contributes to clarifying how psychological contracts can be managed.

##### **5.4.1. Organisational Representatives**

Rousseau (1995) has proposed a model that contributes to clarifying who represents the organisation in the psychological contract. She differentiates between primary contract makers and secondary contract makers. Contract makers contribute to the formation of the psychological contract. Primary contract makers are people who implicitly or explicitly express what employees then interpret as an expected contribution or an available reward. A recruiter highlighting flat hierarchies, a team culture and opportunities for participation in strategic-decision making acts as a primary contract maker. A CEO becomes a primary contract maker when stressing the organisation's investment in developing staff. The supervisor of a new hire acts as a primary contract maker when stating that the new hire is expected to work on client-facing projects from day one and that when deadlines approach working some weekends may become necessary.

Secondary contract makers are structural signals that the organisation transmits, for example written material such as handbooks or mission statements as well as human resource practices. Handbooks may spell out rules and procedures for dismissal or grievance procedures through which obligations about procedural justice may be conveyed. Mission statements can communicate a broad range of expected contributions and available rewards, e.g. flexibility, entrepreneurship, stability, innovation or loyalty. Various authors (Guzzo & Noonan, 1994; Rousseau & Greller, 1994) have suggested that human resource practices communicate important messages about organisational offers relevant to individuals' psychological contracts. Compensation systems and performance appraisal are central to communicating performance criteria and standards to employees. Training programmes may signal long-term investment by the organisation. Table 18 lists contract makers according to Rousseau (1995).



Primary Contract Maker	Secondary Contract Maker
Top Management	
Line Management	HR practices
HR Specialists	Handbooks
Team	Job Titles
Mentor	

Table 18: Contract makers (Rousseau, 1995)

Rousseau (1995) has also argued that there may be individuals in the organisation who contribute to the organisational offer informally, acting as agents without a mission from organisational leaders or a formal role in the process of communicating organisational offers. Co-workers may become primary contract makers when they repeatedly tell a new hire stories about how people who did well in similar jobs were quickly promoted to positions with more responsibility. This statement may evolve into a perceived obligation of the organisation if it is told repeatedly.

Arnold (1996; p. 512) has suggested differentiating between two different roles in representing the organisation: “One constituency, or even one person, may be responsible for defining (or failing to define) the mutual expectations at the recruitment stage, while other constituencies or other persons may subsequently be responsible for meeting the expectations of an individual or of the original recruiter”. In the following, these two roles will be labelled contract makers and contract keepers. While contract makers in one way or the other contribute to the offer that the organisation is making, contract keepers are those in the organisation who will be held accountable by an employee for keeping the obligations incurred. Thus, while a job advert may have promised responsibility and team culture, the new hire’s supervisor will be the main contract keeper held accountable for providing the promised opportunities by adopting a participative management style.

A further division in role may occur when a recruiter has stressed the positive team spirit in the unit an applicant would go into if hired. Future co-workers will or will not live up to this promise, but will they be held accountable by the new hire if they do not? A similar situation could occur if an applicant was promised career support through a mentoring system. If mentoring does not show the results desired by the applicant who has been hired, whom will the applicant hold accountable, the mentor or the organisation as a whole? These examples highlight that those individuals who act as organisational agents in fulfilling a promise may not be the ones who are ultimately held accountable for fulfilment of that promise. The same applies to administrative contract makers. A sophisticated intranet webpage offering detail about a wide range of in-house training programmes may fulfil an obligation about investment in training. However, if any given employee is unsatisfied with the kind of training her or she receives, it can be expected that he or she will not hold the web master accountable, but line management, the HR manager (who may not have been involved in the

creation of this web page) or both. However, it is ultimately in the eye of the beholder, i.e. the individual employee, whom he or she holds accountable for fulfilment of a certain obligation. The differentiation between contract makers and keepers has not been fully explored in psychological contract research. However, Rousseau (1995, p. 70) mentions an unpublished manuscript by Greenberg (1992), who reports that when employees see compensation as fair, they credit the organisation's fair procedures for this. When compensation is seen as unfair, they blame line management.

As Rousseau (1995) and Rousseau and Greller (1994) have pointed out, there may be disagreement between contract makers. Messages conveyed by top management may be in conflict with messages conveyed by co-workers. This may arise from a mismatch between organisational rhetoric and organisational reality, as discussed above. Also, messages conveyed by training may be in conflict with performance standards communicated through the compensation system. According to Rousseau (1995) this reflects the specialisation in functions in contemporary organisations. Generally, conflicting messages are less likely to occur when there is a strong culture in the organisation where values, norms and behaviour are widely shared (Martin, 1992). When there are conflicting messages, this may have two consequences: employees find it more difficult to understand what is expected of them or the organisation may make an offer that is impossible for contract keepers to fulfil completely due to internal conflict. This highlights that even for each specific obligation, or more generally for each part of the deal between employer and employee, more than one party may have been involved in making the promise and more than one party may be involved in keeping the promise.

As has been mentioned above, employees may differ in their perception of who is responsible for honouring a specific part of the deal. This is mirrored by the fact that for the same kind of deal, different parties may be involved in making and honouring the deal for different employees or groups of employees. While in Germany the supervisory board negotiates and keeps deals regarding CEO compensation packages, a line manager may be responsible for a promised pay increase of a certain subordinate and a human resource specialist may have negotiated a certain compensation package with another new employee at the time of hire. While one employee may have been promised a certain kind of training during recruitment, a colleague in a similar position may have negotiated this kind of training with her supervisor at the time of the annual performance appraisal.

In conclusion, it is argued here that when analysing the way in which organisations shape the psychological contracts of their employees through implementing the employment relationship, the following challenges should be taken into account: Firstly, there are three roles that organisational representatives (people and structures) fulfil, namely contract maker, responsible contract keeper and vicarious agent. Secondly, different representatives may be involved in creating and keeping different parts of the overall deal between employer and employee. Thirdly, more than one

representative may be involved in creating or keeping one part of the deal. Fourthly, for the same kind of deal, different representatives may be involved for different groups of employees and even for different employees in similar positions. Finally, in addition to those representatives who are formally empowered by the organisation to make certain kinds of deals, informal contract makers influence the deal as perceived by the employee.

There is generally little mention of the influence of top management on psychological contracts although it can be assumed that announcements by top management regarding job security or strategic decisions have a profound effect on psychological contract evaluations of employees. Consider the example of Josef Ackermann, CEO of Deutsche Bank, who publicly announced record profits and cutting several thousand jobs at the same time early in 2005. On the other hand Guest and Conway (2002b) found that mission statements and annual staff meetings, i.e. top-down communication with a high degree of involvement by top executives, is considered to be a moderately effective way of communicating the organisation's promises and commitments to employees. Recruitment communication and day-to-day communication were rated more effective by a large sample of managers from the UK. As for the role of co-workers, Rousseau (2005) has addressed their influence on negotiating idiosyncratic deals with the organisation. Also research on distributive justice (e.g. Dornstein, 1988) addresses the role of co-workers as they are potential reference groups when individual employees assess the fairness of their wage. Dornstein's (1988) study of blue-collar and white-collar workers in Israel indicates that co-workers play a complex but limited role for individual employees' fairness evaluations regarding wages.

The role of mentors as organisational representatives shaping mentees' psychological contracts has also not been directly addressed by research. As for the role that HR practices play in shaping psychological contracts, a number of authors have commented on this issue (Guzzo & Noonan, 1994; Hiltrop, 1996; Niehoff et al., 2001; Paul et al., 2000; Rousseau, 1995; Sims, 1994) but fewer authors have based their argument on empirical data (for exceptions see Grant, 1999; for exceptions see Guest & Conway, 1998; Guest & Conway, 2001, 2002a). Chapter 6 will review available research on the role of human resources practices in psychological contract management.

Rousseau (1995) and other authors (see for example Kotter, 1973) have pointed to the central role line management plays as contract makers and contract keepers. Some have also differentiated between various line management roles as agent and principal (Hallier, 1998; Rousseau, 2004). Chapter 7 will review available research on supervisors' influence on their subordinates' psychological contracts.

#### 5.4.2. Communication Opportunities

Managing psychological contracts centrally involves communicating intentions. As detailed in section 3.2.3, perceived obligations may be derived from a range of

organisational messages. Firstly, employees interpret explicit statements such as messages that directly convey a promise. To illustrate this, Rousseau (1995) quotes Jack Welch, former CEO of General Electric, who states that “people with the right values will get a second chance” (p. 36). Secondly, people observe others in a similar situation as to how they are treated and commonly assume that they will be treated in the same way. Observing a colleague getting a bonus for completing a project successfully will usually raise expectations about receiving a bonus as well upon completing one’s own project. Thirdly, people interpret handbooks, manuals, mission statements and human resource systems. For example, Otto (n.d.), a large German mail order company, puts in their mission statement that is published on the internet: “Wir betrachten vorbildliche Führung und partnerschaftliches Miteinander als Verpflichtung” [We consider leading by example and cooperative behaviour as an obligation; own translation]. Fourthly, people rely on past experience, sometimes handed on as stories or myths, to gauge how the organisation will behave in the future, for example if people were laid off during the last recession, how many were laid off and which groups were laid off first?

Although employee interpretations of organisational messages impact on their psychological contracts, employees do not engage in an interpretational process continuously. Guzzo and Noonan (1994) differentiate between shallow, everyday processing of organisational cues, transmitted for example through HR practices, and deep processing which involves profound re-evaluation of messages and can cause changes in attitudes and behaviours. The authors point out that organisations have little control over when employees engage in deep processing. But they contend that some events are likely to trigger deep processing of organisational messages, for example:

- A downturn in the organisation’s financial performance
- Organisational failure to meet a major expectation of an individual employee
- Human resource practices not expected under the current psychological contract
- Having to explain a human resource practice to somebody else, for example a subordinate or a colleague
- A work group an employee belongs to initiating a re-evaluation of a human resource practice

Guzzo and Noonan (1994) focus primarily on the evaluation of messages conveyed by human resource practices and events not under the control of the organisation. As mentioned in section 3.2.3, there are also certain conditions under which organisational messages are likely to be interpreted as promises and integrated in individuals’ psychological contracts. The occurrence of these conditions can be influenced by the organisation:

- When employees perceive the person making a promise to be in a position to commit to an obligation because they are seen to have the power to ensure that the promise will be delivered

- When the situation is appropriate for making promises, which is during periods of change or transition. Rousseau (1995) argues this is especially the case at the time of hire, when negotiating an international assignment or when one party is making a promise – because it is socially appropriate for the other party to reciprocate with a promise.
- When messages are conveyed repeatedly and consistently across various different situations

These considerations have important implications for organisations attempting to shape psychological contracts. When organisations want to communicate important messages that affect psychological contracts, there are three factors they should pay attention to: timing, appointing an appropriate “herald” and consistency across situations. Furthermore, it should be kept in mind that organisations can only partly control when and how employees integrate organisational messages into their psychological contracts.

#### 5.4.3. Communication Channels

Guest and Conway (2001) have listed possible communication channels to convey organisational messages relevant to psychological contracts. Guest and Conway (2001) have pointed out that preferred communication channels primarily depend on understanding of the nature of organisational culture that prevails within the organisation. Organisations that assume that there is an integrated culture in the organisation are hypothesised to engage primarily in top-down communication and communication during the first stage of the employment relationship. Those who follow a differentiation model of culture will focus more on day-to-day communication between managers and subordinates. Thirdly, those who assume that organisational culture is fragmented will be less concerned with communicating about psychological contracts in a systematic way. However, these interesting hypotheses have not been investigated empirically.

A survey Guest and Conway (2001) carried out showed that day-to-day communication between superior and subordinates is viewed by British managers as the most effective way of communicating about psychological contracts. Furthermore, they found that job and personal communication, initial and bureaucratic information as well as top-down communication were positively associated with greater explicitness of the content of psychological contracts. Personal and job communication as well as initial and bureaucratic communication were negatively related to contract breach and positively related to fairness of the exchange relationship between employer and employee as perceived by managers. This suggests that apart from human resource practices related to recruitment, selection and socialisation, direct superiors, i.e. line managers, may be prime candidates for being effective “heralds”. Table 19 gives an overview of the communication channels investigated by Guest and Conway (2001).

Job and Personal Communication	Initial and Bureaucratic Communication	Corporate Downward Communication
Individual objectives and targets		
Team targets	Recruitment process	Annual company meetings with, and reports to, staff
Performance appraisal	Job descriptions	Mission statements
Informal day-to-day interaction	Induction and initial training	Other briefing groups
Briefing by line management	Staff handbook/manual	
Training and development		

Table 19: Methods of communication (Guest &amp; Conway, 2001)

#### 5.4.4. Balanced Psychological Contracts

Marr and Fliaster (2003a) have proposed five guiding principles that are thought to contribute to creating balanced psychological contracts. Marr und Fliaster (2003a; p. 279) define psychological contracts as “*gegenseitige verhaltens- und leistungswirksame Verpflichtungen der Mitarbeiter und der Organisationen, die mit spezifischen Merkmalen der beiden Seiten sowie mit spezifischen Dimensionen ihrer Beziehung zusammenhängen*” [mutual obligations of employees and organisations that impact on behaviour and performance and are related to specific characteristics of both parties and specific dimensions of their relationship; own translation]. A balanced contract (Marr & Fliaster, 2003a; p. 294) is seen as one that is satisfying for both parties and that compromises and integrates such diverse ideas as “*Freiheit und Loyalität, Selbstverwirklichung und Bindung, Geld und Sinn, Differenzierung und Kooperation*” [freedom and loyalty, self-actualisation and retention, money and meaning, differentiation and cooperation; own translation]. Marr and Fliaster’s (2003a) balanced psychological contract can be compared to a relational positive psychological contract which is sustainable because employee and employer understanding of mutual obligations are aligned. Thus, balanced psychological contracts are viewed by Marr and Fliaster (2003a) as ideal psychological contracts provided that organisation and employee both want to establish a relational contract. Marr and Fliaster (2003a) propose that it is desirable for organisations that middle managers have this kind of psychological contract. Table 20 shows an overview of the five principles.

- Principle of external contingency
- Principle of reciprocity and trust
- Principle of resistance to crisis
- Principle of performance orientation
- Principle of balance between rights and obligations

Table 20: Principles of balanced psychological contracts (Marr & Fliaster, 2003a, 2003b)

*Principle of Reciprocity and Trust:* Marr and Fliaster (2003a, 2003b) refer to reciprocity in a broader and in a narrower sense. They argue that in a broader sense, reciprocity refers to both parties sharing their understanding of the kind of employee-organisation relationship that exists between them. This is in line with Yan et al.'s (2002) model of alignment. To achieve reciprocity in this broader sense, they recommend organisations to engage in a strategy of continuous information, especially during turbulent times. Reciprocity in a narrower sense is described as the universal norm of reciprocity which necessitates loyalty, commitment and trust. Marr and Fliaster (2003b) argue that trust building through co-determination is and has been of particular importance for employment relations in Germany. They further argue that balanced psychological contracts enable organisations to maintain and build trust while maintaining ability to compete in the market.

*Principle of resistance to crisis:* Marr and Fliaster (2003a) warn against terminating relational psychological contracts unilaterally and completely: this may lead to instability when high potentials highly sought after in the labour market feel no sense of obligation to their employer. Also, it may inhibit the development of competitive advantage through organisation-specific and partly implicit knowledge, which develops and flourishes in an environment of shared organisational identity. This kind of environment is unlikely to develop where employees hold purely transactional psychological contracts. Marr and Fliaster (2003a) state that an organisation where competitive advantage is unlikely to develop and where employees may leave at any time has a low degree of resistance to crisis.

*Principle of performance orientation:* Performance criteria in the organisation should be transparent and explicit. Marr and Fliaster (2003a; p. 299) base this on the principle “keine Rechte ohne Verpflichtungen” [no rights without obligations; own translation], and point to the need for defining performance criteria, particularly for management staff.

*Principle of balance between rights and obligations:* Based on the principle of “keine Verpflichtungen ohne Rechte” [no obligations without rights; own translation] the authors (Marr & Fliaster, 2003a; p. 300) recommend granting employees influence on organisational processes by means of delegation and decentralisation. This principle is in line with ideas about fairness of the exchange relationship.

In summary, Marr and Fliaster (2003a) recommend organisations create psychological contracts that are relational with a strong focus on performance criteria. Furthermore, they advise organisations to let employees participate in organisational decision-making through co-determination, decentralisation and delegation. Particularly in times of crisis, organisations should continuously supply employees with information about current developments and make performance criteria explicit. Marr and Fliaster's (2003) contribution is mainly that they have taken results from more descriptive research approaches on employment strategy, human resource systems and fairness and derived explicit management recommendations.

#### 5.4.5. Recommendations from Employee-Focused Research

Research on psychological contract formation, change and breach has yielded a number of implications for organisational psychological contract management. Some of these have been discussed in section 3.2. The following presents a summary of the most commonly proposed recommendations for organisational psychological contract management that has been mentioned in the employee-focused stream of research.

The first recommendation commonly given by Rousseau and colleagues, or other researchers taking a similar approach, regards explicitness of mutual obligations. Many authors have highlighted the importance of employee and organisation developing an understanding of the other party's perspective on the kind of mutual obligations involved in the exchange relationship. Robinson and Morrison (1995) have highlighted the need for the organisation to understand their employees' perception of organisational obligations towards them. Sutton and Griffin (2004) have pointed out that organisations need to provide opportunities to establish and re-negotiate psychological contracts. Paul et al. (2000) argue this should be achieved through regular discussions. Robinson and Morrison (2000) add that the amount of contact and communication between organisational agents and applicants as well as new hires is of particular importance. The general message here is that telling the other party what one wants to give and what one expects in return as well as understanding what the other party wants to give and expects is central to creating and maintaining effective psychological contracts. This recommendation is in line with Yan et al.'s (2002) focus on the importance of alignment of mutual obligations between the two parties.

The second main recommendation from the Rousseau school regards promises made by the organisation: organisations should keep the promises they make and should not make promises that they cannot keep (Guest & Conway, 2001; Morrison & Robinson, 1997; Robinson & Morrison, 2000; Sutton & Griffin, 2004). This may refer to expected employee contributions that have been promised to be connected to rewards or to organisational contributions that have been promised regardless of measurable employee contributions. The central aim of this recommendation is to avoid contract breach and violation perceived by the employee. The relevance of avoiding breach and violation through promise-keeping has been discussed in sections 3.2 and 3.3.



The third central recommendation focuses on a situation where contract breach by the organisation has occurred. When contract breach is perceived to have occurred, an honest and credible explanation should be offered by the organisation (Lo & Aryee, 2003; Robinson & Morrison, 2000). Rousseau (1995) adds that when breach has occurred, organisations should be creative in offering compensations for the losses that have been incurred.

The fourth common recommendation refers to several factors that are expected to strengthen the basis that the exchange relationship is built on. Robinson (1996) argues that organisations should foster and maintain trust as high initial levels of trust are argued to heighten the possibility that trust is retained through periods of change. Hiltrop (1996) also advises organisations to adopt a management style that highlights participation, involvement and teamwork. It should offer challenges that enable subordinates to develop and should reward achievements to foster commitment to the organisation. Furthermore, maintaining procedural and interactional justice in the organisation as well as fairness in terms of creating a balanced exchange has been highlighted by a number of contributors (Guest, 2004b; Guest & Conway, 2001, 2002a; Kickul et al., 2001; Sapienza et al., 1997; Thompson & Heron, 2005). See section 3.3.4.2 for detail.

Rousseau (2004) has also suggested three guiding principles for managing psychological contracts in organisations. These integrate some of the recommendations listed above. Firstly, organisations should consistently implement their view of the relationship within the organisation, managing different kinds of working relationships with different groups of staff. In addition to recommendations about alignment of intended messages and human resources practices as well as alignment between organisation and employee about mutual obligations through communication, Rousseau and Greller (1994) recommend educating contract makers to convey realistic information about opportunities, resources and performance standards. Secondly, Rousseau (2004) recommends organisations establish a meta-contract, i.e. rules about the rules of the contract. Meta-contracts should encompass two elements: commitment to open communication about expectations, goals and needs and rules on how to proceed when contract violations have occurred. Rousseau (2004) points out that having rules for the case of contract violation signals to employees that these conflicts are seen to need effective management and can be resolved, which will foster trust in the organisation. Thirdly, Rousseau (2004; p. 126) recommends organisations “build flexibility into psychological contracts”. As organisations have to adapt, psychological contracts have to be adapted. Making psychological contracts adaptive may according to Rousseau (2004) require a process of trial-and-error.

## **5.5. Conclusions**

It has been the aim of Chapter 5 to develop an integrated organisational perspective on psychological contracts. Very broadly, two research streams have been included:

studies that are concerned with strategic human resource management and research that has derived implications for employers from employee-focused psychological contract research. The first stream of research has been used to propose a model that connects the psychological contract with the employment relationship and thus emphasises the two opposing units of analysis: organisational intentions with regard to rewards offered and contributions expected and employee perceptions of contributions owed and rewards expected. Yan et al.'s (2002) model has been used to describe possible matches and mismatches between the two views on the exchange relationship. Thereby it has been highlighted that in addition to promise-keeping, alignment of the two views is an important goal for organisations when implementing a given employment strategy. It has been argued that to achieve effective execution of organisational intentions, alignment between the employment strategy and human resource systems is also important. Grant's (1999) case study research on possible mismatches between management rhetoric and reality as perceived by employees has highlighted the relevance of alignment.

The reviewed research exposes the main dilemma in managing psychological contracts, namely that employer intentions about mutual obligations are not necessarily understood and accepted by employees. This in turn highlights the relevance of the process view taken for the purpose of this research, which is concerned with facilitating effective implementation of a given employment relationship in order to create sustainable and positive psychological contracts. Some recommendations proposed mainly by Rousseau (1995) and Marr and Fliaster (2003a) have been reviewed, but they present isolated ideas. An integrated model that identifies success factors, roles and tasks of organisational representatives in implementing the employment strategy does not exist. However, two further avenues exist that contribute to a specification of how effective implementation can be achieved, namely the role of human resources practices and the role of supervisors. These avenues will be explored in the following two chapters.

## **6. Managing Psychological Contracts through Human Resource Practices**

### **6.1. Introduction**

Organisational human resource systems, instruments, techniques or practices have a profound impact on the interpretations that employees make with regard to the exchange relationship between themselves and their organisation. It is the aim of this chapter to illustrate which human resources practices shape psychological contracts in what way. In the following, the term human resource practice refers to all practices (e.g. annual performance appraisals), specific policies (e.g. equal opportunities), tools (e.g. employee surveys) or techniques (e.g. management by objectives) that contribute to managing human resources in an organisation.

### **6.2. Relevant Practices**

Most if not all human resource practices may impact on employees' psychological contracts. For example, job interviews present an opportunity for the organisation to communicate expectations about employee contributions, equal opportunity policies promise fair treatment, leadership training conveys expectations about leadership behaviours or constitutes a fulfilment of obligations as to professional development. Performance-related compensation may deliver a promise of fair pay and convey expected contributions by detailing performance standards. An in-house nursery or flexible hours can fulfil an obligation regarding support with family needs, a company car can deliver promises of recognition, a mentorship programme can contribute to fulfilling an obligation regarding career development. However, the role that each practice plays for an individual employee depends on the content of that employee's psychological contract and priorities may differ widely between employees and organisations. Nevertheless, some human resource practices play a role beyond making promises or delivering specific perceived obligations. Realistic recruitment, performance appraisal and compensation have been highlighted as particularly relevant to psychological contracts (Niehoff et al., 2001; Rousseau, 1995; Sims, 1994). Also, Guest and Conway (2001) have shown a number of what they call "progressive" human resource practices to be related to the state of the psychological contract and outcomes such as cooperative behaviour by employees, involvement in decision-making, commitment, motivation, organisational citizenship behaviour, innovation and performance. More specifically, application of more of these practices to a greater percentage of the workforce in organisations is related to more positive outcomes. An overview of these progressive human resource practices is offered in Table 21.

Processes to Achieve Involvement	Employment Relation Practices	Personnel Techniques
<p>Tries to make jobs of employees as interesting as possible</p> <p>Actively uses team working where possible</p> <p>Keeps employees informed about business issues</p> <p>Provides opportunities for training or development</p> <p>Tries to get employees involved in workplace decision-making</p> <p>Carries out equal opportunities practices in the workplace</p> <p>Provides regular employee performance appraisals</p>	<p>Has a works council or consultative process to involve employees</p> <p>Has a stated policy of deliberately avoiding compulsory redundancies</p> <p>Has provisions to help employees deal with non-work responsibilities</p>	<p>Uses psychometric tests as a standard part of the selection process</p> <p>Tries to fill vacancies from inside the organisation</p> <p>Has conducted a company-wide staff attitude survey</p> <p>Relates some part of pay to individual performance</p>

Table 21: Progressive human resource practices (Guest & Conway, 2001)

**6.3. Functions of Practices**

In section 5.4.1 human resource practices have been described as secondary contract makers (Rousseau, 1995). In other words, human resource practices contribute to building a psychological contract with job candidates and newcomers. On the one hand this is because mutual obligations are expressed and thus commitments to future action are made by both the applicant who later becomes a new hire and the organisation. Also, candidates may interpret the recruitment process itself in terms of how the organisation treats people (Rousseau & Greller, 1994). Furthermore, during socialisation the newcomer becomes familiar with other human resource practices like performance appraisal and makes further interpretations. But communication of information relevant to psychological contracts is not limited to newcomers. Guzzo and Noonan (1994) argue that communication through human resource practices is continuous. More specifically, Rousseau and Greller (1994) propose that human resource practices can convey messages about commitments to future action by the organisation and they can convey performance standards, i.e. employee obligations. In summary, human resource practices can function as communication channels through which organisations can promise certain rewards and voice expectations of employee contributions.

Secondly, specific human resource practices can convey specific rewards. Equal opportunities policies promise fair treatment, open door policies promise access to information and equality, employee surveys promise participation. As has been pointed out above, most or all human resource practices may be interpreted to involve a promise which evolves into an obligation (Conway and Briner, 2005). Guzzo and Noonan (1994) pointed out that the kind of human resource practices in place convey messages about whether a relational or a transactional contract is proposed by the organisation. Offering employees the opportunity to work flexible hours may signal

concern for employee wellbeing (Scandura & Lankau, 1997) and as such a more relational psychological contract.

Thirdly, Guzzo and Noonan (1994) argue that employees rely on their evaluation of human resource practices to assess whether obligations the organisation has incurred have been kept. Also, Grant (1996) has demonstrated how employees use human resource practices to check whether management rhetoric matches with organisational reality (see section 5.3.4). A working parent may have been promised a family-friendly environment with an opportunity to work from home some of the time. If the way projects are assigned and performance is appraised do not accommodate telework, the promise may be seen as unfulfilled (Nord et al., 2002). Therefore delivering the inducements promised previously is another function of human resource practices in the context of psychological contracts. Again nearly all human resource practices can contribute to fulfilling specific promises made.

Fourthly, certain human resource practices can constitute voice channels that give employees the opportunity to signal that a contract breach or violation has occurred. Based on work by Hirschman (1970), Rousseau (1995) suggests four kinds of behavioural outcomes after contract violation: voice, neglect, loyalty/silence and exit. Voice has been described by Hirschman (1970; p. 30) as “any attempt at all to change rather than to escape from, an objectionable state of affairs” and as “a constructive effort aimed at repairing the employment relationship” by Turnley and Feldman (1999b; p. 900). For the organisation this is expected to be more desirable than neglect of work duties, sabotage or exiting the organisation. Rousseau (1995) argues that voice is more likely when there are voice channels available to the employee whose contract has been violated.

Human resource practices that constitute voice channels can be suggestion schemes, grievance procedures or question & answer (Q&A) sessions (Spencer, 1988). A Q&A session following the announcement of a merger gives employees the opportunity to voice their concerns for example regarding job security and status in the new organisation. So the function of certain human resource practices can be to give employees an opportunity to initiate communication about perceived violations or draw attention to promised inducements that are as yet unfulfilled.

Fifthly, it has been pointed out (Hiltrop, 1996) that high commitment practices such as quality circles or team work give employees the opportunity to influence decisions that contribute to their own psychological contracts being positive by increasing the probability that obligations will be kept and breach avoided. For example an improvement of processes in a business unit suggested by a quality circle may help to reduce the workload of an employee involved in the quality circle. This may contribute to fulfilling a perceived obligation of concern for work-life balance. Thus, employees may participate in psychological contract management.

Sixthly, some human resource practices may allow the organisation to gain insight into the psychological contracts of their employees. Employee surveys may include

questions about psychological contracts; a recruiter may ask what an applicant expects from the organisation.

Finally, Spencer (1988) found that when employees are able to voice dissatisfaction through appropriate voice mechanisms, they are more likely to consider organisational procedures for problem-solving as effective. Also, Guest and Conway’s (2001) progressive human resource practices have been shown to contribute to perceptions of fairness by employees. In section 3.3.4.2 it has been highlighted that fairness through procedural justice is central to effective psychological contracting and mitigates negative consequences of perceived breach. Therefore, some human resource practices such as voice channels or equal opportunities policies may serve to demonstrate the organisations general commitment to fairness. Table 22 provides an overview of the possible functions of human resource practices.

<b>Communication Channel: Organisation - Employee</b>
Communication of promised inducements Communication of expected contributions Communication of desired focus and scope of contract Protection from perceived renegeing
<b>Conveying Specific Messages: Organisation - Employee</b>
Offering specific inducements
<b>Fulfilling Organisational Obligations</b>
Delivering specific inducements
<b>Communication Channel: Employee - Organisation</b>
Opportunity for applicants to voice expectations Opportunity for employees to signal state of psychological contract and perceived mutual obligations
<b>Allowing Employee Participation in Psychological Contract Management</b>
Opportunity for shaping by individual through involvement in decisions Opportunity to negotiate mutual obligations bilaterally
<b>Identifying Employee Perceptions of Organisational Messages</b>
Asking about employees’ views of mutual obligations Evaluating whether specific human resource practices are seen to deliver perceived obligations
<b>Demonstrating Commitment to Fairness</b>

Table 22: Functions of human resource practices for psychological contract management

Employees do not, however, constantly interpret human resource practices as to their meaning with regard to psychological contracts. In other words, human resource practices do not necessarily serve the above-named functions at every instance. Guzzo and Noonan (1994) have pointed out that organisations have little control over when these interpretative processes take place. Consequently, it may be difficult for the organisation to ensure that specific human resource practices function at the time and in the manner intended.

#### **6.4. Functions of Specific Practices**

##### **6.4.1. Realistic Recruitment**

Realistic recruitment or realistic job previews (Wanous, 1980) have been highlighted by various authors as a central means of creating positive psychological contracts (Guzzo & Noonan, 1994; Hiltrop, 1996; Morrison & Robinson, 1997; Niehoff et al., 2001; Paul et al., 2000; Rousseau, 1995; Sims, 1994). Niehoff und Paul (2001) have pointed out that even the career web page of an organisation should be seen as part of realistic recruitment as applicants start building an impression of mutual obligations before the selection process starts.

Realistic job previews usually focus on presenting realistic information to job candidates about the tasks to be fulfilled and other information directly related to the job. But the focus can be widened to also present realistic information about the employment strategy (Guzzo & Noonan, 1994; Paul et al., 2000). Rousseau (1995) suggests including the following three kinds of activities in realistic recruiting:

1. A preview of job responsibilities and career opportunities
2. A work sample that gives applicants practical insights into some job tasks (see also Becker & Brinkkötter, 2005)
3. Detail on the organisational offer regarding the exchange relationship, including information on
  - a. performance expectations
  - b. performance review process
  - c. kinds of training on offer
  - d. expected tenure
  - e. general behavioural expectations regarding e.g. team orientation

Rousseau (1995) also suggests recruiters ask for the expectations of the job candidate and double check whether expectations have been understood correctly. These recommendations imply that realistic recruitment ideally involves a negotiation process aiming at alignment between employment strategy and the psychological contract as emphasised by Yan et al. (2002, see section 5.3.4). Also, realistic recruiting may at a later point protect the organisation from accusations of renegeing – “We told you you would have to work long hours”.

Rousseau (1995) argues that realistic recruitment contributes to building psychological contracts that are more likely to be kept. Sims (1994) clarifies this by highlighting that realistic recruitment has a warning effect: even if organisational offers do not seem desirable to the individual or are not integrated in the psychological contract by the individual for ideological reasons, when violation occurs it does not come unexpectedly. Secondly, Sims (1994) points out that realistic recruitment has a self-selection effect: individuals will only accept the job if the organisational offer at least broadly fits their expectations, thereby again reducing the risk of perceived violation upon confrontation with organisational reality.

#### 6.4.2. Employee Survey and Focus Group

Employee surveys (Domsch, 2003; Freese & Schalk, 1996; Guzzo & Noonan, 1994; Paul et al., 2000) can be used to gain an understanding of the content and state of employees' psychological contracts. Robinson et al. (1994) suggest including questions that ask employees whether they think that the organisation is generally keeping its promises. Guzzo and Noonan (1994) and Paul et al. (2000) particularly mention that surveys could include open-ended questions that ask for employee interpretations of human resource practices. Checking whether employees interpret human resource practices in the way intended by the organisation is a meaningful starting-point in order to ensure alignment between human resources practices and the employment strategy (Lepak & Snell, 1999). Paul et al. (2000) propose that survey responses should be reviewed by a committee including management and employee representatives and that results should be discussed in open meetings to avoid charges of manipulating results. Surveys present a way of taking the temperature at organisational level and contribute to managing psychological contracts indirectly, since they can provide information that is used as input into further actions aimed at facilitating positive psychological contracts. Nevertheless, surveys are fairly inflexible as they are usually carried out annually or biannually and the initiative is taken by the organisation.

Secondly, focus groups can provide insight into psychological contracts. Guzzo and Noonan (1994) recommend asking groups of employees working together in teams or departments to provide information on their interpretations of human resource practices. Guzzo and Noonan (1994) also see this as a way of gauging the impact of human resource practices that have not yet been introduced. Paul et al. (2000) recommend focus groups to include members representing different employee groups. Freese and Schalk (1996) suggest that focus groups are especially useful when new teams are starting to work on a project. A focus group in that case offers an opportunity to exchange views on contributions and rewards. Again, the disadvantage of focus groups is that they are initiated by the organisation. Employees can only voice their opinion when asked to do so by being invited to take part in a focus group.



#### 6.4.3. Suggestion Scheme, Grievance Procedure, Quality Circle

Spencer (1988) found that the number of voice channels provided by the organisation was positively related to retention of employees. Voice channels included in this study were grievance procedures, suggestions schemes, employee-management meetings, counselling services, the existence of an ombudsman, non-management task forces, as well as Q&A session and survey feedback. Consequently, providing employees with communication channels they can access when required can be seen as a way of avoiding exit as a consequence of breach by the organisation.

Furthermore, suggestion schemes as well as non-managerial task forces or quality circles provide an opportunity for employees to contribute to an appropriate implementation of the employment strategy. As any other human resource practice, suggestion schemes can also simply fulfil a specific obligation, in this case about involvement and participation. Furthermore, the existence of formal grievance procedures can convey a general commitment by the organisation to fair treatment: each grievance, regardless of what it consists of and who files it, will be processed through the same pre-established stages. This fulfils two of the pre-requisites of procedural justice in organisations: consistency of procedures across people and time as well as correctability of decisions, which may have been based on incomplete or inaccurate information (see section 3.3.4.2).

#### 6.4.4. Performance Appraisal

Performance appraisal can play a central and complex role for communicating about mutual obligations. Performance appraisal is most importantly an opportunity for the organisation to communicate its expectations about employee contributions by setting performance criteria. But performance appraisal also sends implicit messages to the employee through the way the process has been shaped by the organisation. Rousseau (1996) has pointed out that performance appraisal sends messages in three ways: through what is measured (e.g. group or individual performance), through who measures (superior or 360°) and through how data on performance is used afterwards (linked to pay and/or training). Thus, a particular performance appraisal process may contribute to facilitating positive psychological contracts if its implicit messages confirm other messages that have explicitly been communicated, e.g. "We want team players, we value everyone's opinion and provide continuous development" in the case of a 360-degree process based partly on group performance and linked to training and development. It follows from this that if organisations want to use performance appraisal processes to facilitate positive psychological contracts, the process should be designed in a way that matches promises that have been made about involvement, development and team-orientation vs. rewards for individual performance. As such, performance appraisal can function not only to communicate expectations but also to fulfil obligations already incurred (Guzzo & Noonan, 1994).

If performance appraisal is based on a management by objectives approach and performance appraisal also involves agreeing on new goals for the following appraisal period, then the process also allows for employees to contribute to specifying their own obligations. In this context Wellin (2007) has pointed to the importance of objective setting.

#### 6.4.5. Compensation System

Additionally, Niehoff et al. (2001) have pointed to the relevance of compensation and benefit packages for facilitating positive psychological contracts. They argue that compensation packages reflect management commitment to integrity and fairness. Involvement of employees in the design of compensation packages can improve communication about compensation and contribute to creating realistic expectations about pay. Lucero and Allen (1994) have furthermore described how providing benefits, such as health care insurance, has become an important contractual obligation for US organisations. However, this contribution highlights how employee perceptions of human resource practices are context-specific. Lucero and Allen's (1994) argument is based on health care insurance regulations in the US which do not apply in Germany where the employer's role in health care insurance provisions is different: contributing to pay-rolled staff's health insurance is mandatory not voluntary.

#### 6.4.6. Manuals and Memos

Rousseau (1995) has also proposed that personnel manuals and memos can be used to shape psychological contracts in a way that she calls "cynical" (p. 152). Written documents can be used to frequently remind employees that transactional contract terms that may be seen as unfavourable by employees still hold despite other more relational aspects of the relationship that may have developed over time. To illustrate this, Rousseau (1995) provides the example of US employers confirming time and again that employees are employed and can be dismissed "at-will", i.e. without reason. Thus, memos and manuals may shape psychological contracts by communicating organisational offers and thus offer protection against perceived renegeing.

### 6.5. Conclusions

Table 23 summarises and integrates sections 6.3 and 6.4 by highlighting which of the potential functions of human resource practices for facilitating positive psychological contracts specific human resources practices can serve. Detail is given on whether application of a certain practice influences psychological contracts of individual employees, groups or all employees (Level of Impact) and whether at a given time application of a practice is initiated by an individual employee or organisational representatives (Incident Initiated).

	<b>Practice</b>	<b>Level of Impact</b>	<b>Incident Initiated by</b>
<b>Communication Channel: Organisation – Employee</b>	Realistic recruitment	Individual	Organisation
	Realistic career web page	Organisational/all applicants	Organisation
	Focus group	Group	Organisation
	Performance appraisal	Individual	Organisation
	Memos/manual	All possible	Organisation
<b>Conveying Specific Messages: Organisation – Employee</b>	All possible	All possible	Organisation
<b>Fulfilling Organisational Obligations</b>	All possible	All possible	Organisation
<b>Communication Channel: Employee – Organisation</b>	Realistic recruitment	Individual	Organisation
	Employee surveys	Organisational	Organisation
	Q&A session	Organisational or Group	Organisation
	Suggestion scheme	Individual	Individual
	Grievance procedure	Individual	Individual
	Counselling service or ombudsman	Individual	Individual
<b>Allowing Employee Participation in Psychological Contract Management</b>	Performance appraisal with MBO approach	Individual	Organisation
	Suggestion scheme	Individual	Individual
	Quality circles	Group	Organisation
	Team work	Group	Organisation
<b>Identifying Employee Perceptions of Organisational Messages</b>	Realistic recruitment	Individual	Organisation
	Employee surveys	Organisational	Organisation
	Focus groups	Group	Organisation
<b>Demonstrating Commitment to Fairness</b>	Equal opportunity policy	Organisational	N/a
	Involvement of staff in design of C&B system	Organisational	N/a
	Suggestion scheme	Organisational	N/a
	Grievance procedures	Organisational	N/a
	Q&A sessions	Organisational or Group	N/a
	Focus groups	Organisational	N/a
	Quality circles	Organisational	N/a
Proactively involving work council	Organisational	N/a	

Table 23: Human resource practices associated with each function

However, most of the authors whose work this summary is based on have not empirically demonstrated the relationship between usage of these practices and positive psychological contracts. It is also important to keep in mind that to a certain extent the role of specific human resource practices in fulfilling obligations are person-specific, as it may depend on the person whether there is any perceived obligation to

fulfil. Secondly, the role of specific human resource practices may be organisation-specific as the way in which certain practices are enacted may differ widely – in one organisation performance appraisal may mean ratings on certain criteria while in many German organisations it also entails a so-called “Entwicklungsgespräch”, in which employees are given the opportunity to suggest directions in which they wish to develop. Finally, functions depend on the wider (e.g. national) context in which the organisation moves, e.g. legislation on employer contribution to health care insurance. Consequently, the list of human resource practices given here is neither exhaustive nor final and warrants further analysis.

It has been the aim of this chapter to specify which human resource practices contribute to shaping psychological contracts. This summary highlights that organisations can take various avenues in facilitating positive psychological contracts through human resource practices. Organisations can shape psychological contracts for example by creating recruitment processes that involve clear and realistic communication of contributions expected and rewards offered, by allowing employee participation in the development of the human resource practices that will shape their psychological contracts or by introducing grievance procedures and suggestion schemes that may reduce the impact of breach by allowing employees to voice their concerns and suggest changes. However, there are few indications in the literature on which practices are most important for facilitating positive psychological contracts. For an exception, see Guest and Conway (2001), who found that the progressive human resource practices they explored were related to the extent to which organisations were perceived to have kept the promises made. Furthermore, there are few indications as to how practices should be designed to serve as communication channels about mutual obligations. For an exception see Rousseau’s (1995) instructions on realistic recruitment.

Research presented in this chapter also showed that the influence of human resource practices on psychological contracts is complex: one practice may fulfil various functions and each function is fulfilled by various practices, thus again highlighting the need for alignment firstly with the employment strategy and secondly between human resources practices in order to avoid conflicting messages.

With regard to the focus of this research on the role of supervisors in facilitating psychological contracts, research presented above indicates some interfaces between psychological contract management through human resource practices and through supervisors. Some human resource practices offer frameworks within which supervisors have the opportunity to facilitate positive psychological contracts, mainly recruitment and performance appraisal.

In order to enable supervisors to do this, Rousseau and Greller (1994) have suggested that organisations should educate them so that they are able to convey realistic messages about opportunities, resources and performance requirements that are in line with current human resource practices. Systematically exploring which

human resource practices supervisors make use of to influence the psychological contracts of their subordinates and in what way they do so would be a promising avenue for further research in order to understand the context-dependency of supervisor psychological contract management.

## **7. Supervisor Psychological Contract Management**

### **7.1. Introduction**

It is the aim of this chapter to review the available literature on supervisor psychological contract management. This will include a summary of research on supervisor roles, tasks and behaviours with regard to psychological contract management. Other relevant research on determining the importance of supervisor behaviours for their subordinates' psychological contracts, on antecedents of supervisor psychological contract management and on interfaces with human resource management will be reviewed. It will be shown that although a number of authors have highlighted the central importance of supervisors, there are few indications of specific supervisor behaviours or practices that contribute to facilitating positive psychological contracts. Nonetheless, this literature is helpful for identifying the dimensions involved in supervisor psychological contract management.

### **7.2. Relevance of Line Managers**

Various authors have argued for the centrality of the direct superior for managing psychological contracts. Kotter (1973) has pointed to the importance of supervisors in the context of managing the socialisation phase of new hires. For example, newcomers seem to rely on information provided by supervisors rather than on information provided by recruiters (Fisher et al., 1979). Guest and Conway (2001) found that UK managers judge day-to-day communication between supervisor and subordinate to be the most effective way of managing psychological contracts. Baccili (2001) has argued that supervisors are central for managing psychological contracts as they are an important source of information for their subordinates. They are in a good position to see to it that promised inducements are delivered and they can develop a personal understanding of their subordinates' psychological contracts. Differentiating between inducements provided by the organisations as a whole, e.g. job security, and inducements provided by supervisors, e.g. career support, Baccili (2001) also argues that psychological contracts are changing in such a way that employees focus more on inducements that only supervisors can provide. This implies that the importance of supervisors for facilitating positive psychological contracts is increasing as traditional psychological contracts vanish and new psychological contracts emerge.

Research on leader-member exchange (LMX; see section 2.5.3) and on perceived organisational support provides a good argument that supervisors play a role in psychological contract management which is both centrally relevant and different from that of the organisation as a whole. Settoon et al. (1996) found that the quality of the relationship between employee and supervisor was more strongly related to organisational citizenship behaviours and in-role performance whereas perceived organisational support was more strongly related to commitment. This implies that the relationship between supervisor and employee is related to employee behaviours,

whereas the relationship between employee and organisation is more strongly related to attitudes. Furthermore, Eisenberger et al. (2002) found that perceived supervisor support predicted perceived organisational support six months later but not vice versa. This indicates that supervisor support strongly influences employee evaluation of organisational support. This in turn suggests that supportive supervisor behaviours elicit positive employee behaviours (direct relationship) as well as positive attitudes (indirect relationship via perceived organisational support). Supportive behaviours by the direct superior can thus be viewed as important input not only into the employee-supervisor relationship but also into the employee-organisation relationship. Subordinates achieve balance in the relationship by reciprocating through showing positive behaviours that benefit the whole of the organisation.

### **7.3. Supervisor Roles**

#### **7.3.1. Agent and Principal**

Baccili (2001) has identified two roles that line managers play with regard to psychological contract management: agent of the organisation and principal in the relationship with individual employees. Note that although Baccili (2001) borrows her wording from principal-agent theory, there is no assumption of opportunistic behaviour made. Baccili's (2001) research is not based on principal-agent-theory. As for the first role as organisational agent, line managers implement the employment strategy and ensure employee contributions to the organisation. Although decisions about the employment relationship are commonly made by top management, responsibility for implementation is placed with middle and lower management (Hallier & James, 1997b). Baccili (2001) details that supervisors act as distributive and as procedural agents. As distributive agents they mediate between organisation and individual by making sure that inducements available from the organisation reach employees. For example, respondents in Baccili's (2001) study reported that when the organisation provides resources for performance-related pay, it is the line manager's obligation to administer this pay to employees based on objective criteria. Managers are also seen to act as procedural agents. Employees expect them to compromise between organisational obligations to employees and their own obligation to the organisation to implement change. Respondents in the above-mentioned study reported that effective supervisor behaviour during change exercises did soften the impact on employees of obligations unmet by the organisation.

In their role as principal in relationships with individual employees, managers provide inducements and ask for contributions independent of whether the organisation is instructing them to do so. For example, respondents in Baccili's (2001) study reported that when managers indicated promotion would be contingent on acquiring a certain skill set or increasing work load, subordinates expected supervisors to keep their word without further involvement of the organisation as a whole.

In correspondence to these two supervisor roles, Baccili (2001) has identified two sets of organisational obligations. One set of obligations is viewed by employees as being an obligation of the organisation as a whole, the other set describes supervisor obligations. See section 3.1.3, Table 7, which illustrates these two sets of obligations. See Baccili (2001) for a full description of these obligations. In the context of the roles which managers play in psychological contract management, it can be argued that line managers act as agents with regard to organisational obligations and as principals for the second set of obligations.

### 7.3.2. Facilitator, Implementer, Synthesiser and Champion of Alternatives

Baccili (2001) has been primarily concerned with supervisor behaviours towards their subordinates. Floyd and Wooldridge (1994) have proposed a model that describes the strategic role of middle managers. In contrast to Baccili (2001), Floyd and Wooldridge (1994) are also concerned with supervisor behaviours towards their own superiors, i.e. middle and top management. It is suggested here that this model points to an often neglected dimension of supervisor psychological contract management, namely interaction between organisational leaders in lower hierarchical levels with top management. As has been argued in the previous chapter, supervisors as leaders implement the employment strategy. Evidently, this requires interaction between supervisors and those in top management who determine the employment strategy. However, psychological contract research has so far not addressed this dimension. It is suggested here that although Floyd and Wooldridge's (1994) model refers to middle managers, the essence of the model can also be applied to psychological contract management of supervisors at any managerial level in the organisation.

In their model, Floyd and Wooldridge (1994) argue that middle management can play a role not only in strategy implementation, but also in strategy formulation, which in an earlier study (Wooldridge & Floyd, 1990) was shown to be associated with superior financial performance of participating organisations. Floyd and Wooldridge (1994) explain these results by arguing that effective implementation of strategy through middle managers requires thorough understanding of the strategy which is best achieved by involvement in strategy formulation. Thus, they proposed four roles described by two dichotomies: upward-downward influence and divergent-integrative thinking. Table 24 illustrates these four roles. Implementing deliberate strategy is described as effectively and efficiently deploying resources. This role can be viewed as associated with the classical agent role as described by Baccili (2001). However, two other roles have potential to specify Baccili's (2001) agent role: Championing strategic alternatives and synthesising information. Championing strategic alternatives is argued to involve nurturing new ideas as well as experimenting at operational level and proposing the idea to higher management when positive experiences have been gained. Synthesising information refers to passing on information bottom-up, but also framing this information in certain ways as a result of personal evaluation. Finally,



facilitating adaptability is described by Floyd and Wooldridge (1994) as introducing actions that contribute to achieving strategy goals but are not included in the directives given by top management. This concept is similar to Baccili’s (2001) description of the principal role.

		Behavioural Activity	
		Upward Influence	Downward Influence
Cognitive Influences	Divergent	Championing Strategic Alternatives	Facilitating Adaptability
	Integrative	Synthesising Information	Implementing Deliberate Strategy

Table 24: Middle management’s role in strategic decision-making (Floyd & Woodbridge, 1994)

With regard to psychological contract management, Floyd and Wooldridge’s (1994) model suggests that supervisor agent roles as described by Baccili (2001) can be split up into three further sub-roles. For example, when supervisors manage job security, a typical obligation that requires an agent, not a principal role to be enacted, this may be associated with activities such as experimenting with employability, and developing a small-scale employability initiative that is proposed to higher management if successful. This would be in line with the role as champion of strategic alternatives. Agent roles may also involve gathering and forwarding information to higher management, for example on emerging misalignment between employment strategy and organisational obligations as perceived by employees with regard to job security. This would be in accordance with the role as synthesiser. Explaining the advantages of a new job security policy and why it is unavoidable would be in line with the role as implementer of strategy. Acting in their role as principal, supervisors may soften the impact of a loss of job security by focussing on coaching subordinates, which would be congruent with the facilitator role.

The research discussed above suggests that supervisor psychological contract management involves multiple roles which integrate divergent and convergent behaviours as well as upward and downward communication which can be subsumed in an agent and a principal role.

**7.4. Supervisor Tasks and Behaviours**

Very broadly, supervisory tasks with regard to psychological contract management can be seen as associated with the different processes involved in psychological contracting. Contract formation, contract change as well as contract breach and violation have been identified as central processes in section 3.2. From this perspective, three broad tasks can be identified: building psychological contracts (Liden et al., 2004), updating and changing psychological contracts (Hallier & James,

1997a, 1997b; Morrison & Robinson, 1997; Tekleab & Taylor, 2003) as well as reducing the impact of breach when it has already occurred (Morrison & Robinson, 1997).

Liden et al. (2004) have proposed four behavioural categories for line managers that are viewed as constituting managerial effort toward building a high-quality leader-member exchange and are hypothesised to contribute to perceived organisational support and obligation to the organisation as perceived by a new hire. These four tasks are labelled initiation to group, initiation to task, role definition and achieving congruence in performance evaluation. Liden et al. (2004) argue that these tasks contribute to socialisation of a new employee. Table 25 lists the four tasks and associated leader behaviours which are partly based on behavioural categories proposed by Yukl (2002).

<b>Leader Tasks</b>	<b>Leader Subtasks</b>
<b>Initiation to Group</b>	Management of conflict Internal team building Internal & external networking Supporting employees
<b>Initiation to Task</b>	Motivating subordinates Feedback and reward for performance
<b>Role Definition</b>	Monitoring performance Clarify objectives, performance expectations and deadlines Inform about decisions, plans, activities
<b>Congruence of evaluation</b>	Seeking information Building relationships Influencing

Table 25: Tasks for line management with associated leader behaviours (Liden et al., 2004)

While the model by Liden et al. (2004) is helpful because it specifies supervisor tasks, these tasks are mainly associated with the first phase of employment. Also, the proposed tasks are fairly generic. Only the fourth task, achieving congruence in evaluation, seems to be directly related to psychological contract management because it can be understood as achieving alignment between employee obligations and employee contributions. Furthermore, Liden et al. (2004) offer little detail about the behaviours that are appropriate to fulfil these tasks.

Morrison and Robinson (1997) as well as Tekleab and Taylor (2003) have suggested managerial tasks and behaviours that are argued to contribute to avoiding perceived contract violation. Table 26 lists these tasks. These tasks are suggested independently of the content of mutual obligations and can therefore be interpreted as pertaining to process view on managing psychological contracts.

To the knowledge of the author, no other research is available that specifies supervisor tasks or behaviours in the context of psychological contract management. This highlights the urgent need for further research into this issue. It is argued that the tasks and behaviours suggested by Tekleab and Taylor (2003) and Morrison and Robinson (1997) can be used as a starting point for further specifications when combined with other research presented throughout this review.

- Creating environment where communication about obligations is possible
- Communicating about obligations by
  - Promising new inducements with measure
  - Clarifying employee obligations
- Giving feedback on performance
- Managing attributions of breach in case it occurs

Table 26: Supervisor tasks and behaviours (Morrison & Robinson, 1997; Tekleab & Taylor, 2003)

Firstly, it is suggested here that supervisors can create an environment where communication about mutual obligations is possible by exercising interactional justice. The positive effect of interactional justice as a moderator between breach and outcomes has been described in section 3.3.4.2. It is argued here that when supervisors are perceived to treat their subordinates with respect, interest and concern, this will strengthen trust in the supervisor and facilitate open two-way communication about mutual obligations. It is suggested that this effect will take place independently of the maturity of the relationship and independently of prior occurrence of perceived breach of the psychological contract by the organisation.

Secondly, it is argued here that, as suggested by Tekleab and Taylor (2003) as well as Morrison and Robinson (1997), passing on information about available rewards and expected contributions is an important facet of supervisor psychological contract management. Winter and Jackson (2006) have also stressed that supervisors need to engage in face-to-face communication with their subordinates in order to pass on information that is accessible to themselves but not to their subordinates due to their status in the organisation. However, offering opportunities for employees to voice their perceptions of mutual obligations is also important in order to integrate organisational and employee perspectives on the exchange relationship. The importance of voice has been highlighted by Hirschman (1970), Turnley and Feldman (1999b) as well as Rousseau (1995; see section 6.3). It is therefore suggested that required supervisor behaviours include not only initiating downward communication but also initiating upward communication by employees as well as listening behaviours.

Thirdly, it is suggested that communication about mutual obligations including feedback on performance can be achieved through various communication channels

and management practices as proposed by Guest and Conway (2001; see section 5.4.3). These channels and practices may include for example objective setting (Wellin, 2007), performance appraisal interviews, informal day-to-day communication, briefings by the supervisor or involvement of the supervisor in recruitment and selection processes.

Fourthly, with regard to managing attributions about breach it is suggested that offering an honest explanation for the occurrence of breach, offering an alternative that reduces the loss incurred by employees and informing employees of impending breach by the organisation as early as possible will have a positive effect. These factors have been proposed by Rousseau (1995; see section 3.2.6).

In conclusion, it was shown here that the psychological contract literature offers little information on supervisor tasks and behaviours with regard to facilitating positive psychological contracts. However, existing material can be combined to highlight a number of supervisor behaviours and practices that are expected to facilitate positive psychological contracts. These include initiating two-way communication about mutual obligations, listening behaviours, acting in accordance with ideas about interactional justice, conveying information across a number of available communication channels including objective setting as well as offering explanation, compensation and information when psychological contract breach has occurred. With the exception of interactional justice, these behaviours and practices have not been analysed empirically for their impact on psychological contracts.

### **7.5. Varying Centrality of Supervisors**

There are various indications in the research literature that the centrality of direct superiors for shaping the psychological contracts of their subordinates may vary. Liden et al. (2004) have argued that the development of a positive relationship with one's direct supervisor during socialisation is central for developing positive and realistic perceptions of mutual obligations. Liden et al. (2004) also found that the relationship with the direct supervisor is less central when there are formalised socialisation programmes. They have further suggested that supervisors' centrality for perceived organisational support decreases once employees have developed their own network in the organisation. Baccili (2001) suggests that supervisors are particularly important during times of organisational change when they help their subordinates to interpret changes. Baccili (2001) has also argued that supervisors become more important when employees take responsibility for their careers. When this happens, managers rather than the organisation as a whole are viewed as the exchange partner with regard to career support. Furthermore, Aselage and Eisenberger (2003) have argued that supervisors' centrality for psychological contract management is higher when they are perceived to have a high status in the organisation. Finally, organisational decentralisation is associated with greater centrality of line managers than centralisation (Rousseau, 1997). The degree of individualisation in the mutual obligations

perceived also varies across organisations (Shore & Tetrick, 1994). In summary, the literature suggests that the centrality of the direct supervisor varies across organisations, across contractual situations (change or socialisation), across supervisors and across supervised employees, and that centrality is high

- When the organisation has a decentralised structure
- When there is no formal socialisation programme
- During the first phase of employment
- During organisational change
- When supervisors are perceived to have a high status
- When employees take responsibility for career development

This indicates that depending on various factors employees depend more or less on information provided by their supervisor for their understanding of mutual obligations. Thus, while in some relationships supervisors may have a larger opportunity to facilitate positive psychological contracts through appropriate behaviours, in other relationships their opportunities to manage psychological contracts may be more limited.

#### **7.6. Influences on Supervisor Behaviour**

Shore et al. (2004) list seven categories of influences on organisational representatives' management of the employee-organisation relationship. Figure 1 shows Shore et al.'s (2004) model. Unfortunately, Shore et al. (2004) do not offer much detail on these influences. The model considers organisational influences as well as characteristics of managers and employees.

It is thus hard to reconstruct what exactly is meant by these factors and why they were included in the model. It could be speculated that the factors "organisational strategy" and "value of employee category to firm" refer to ideas similar to that of Lepak and Snell (1999, 2002, see section 5.2.2) where employment strategy depends on the uniqueness and value of the skills of particular employee groups. The factor "available resources" may refer to the leeway supervisors have with regard to promising new inducements or delivering promised inducements. It may also refer to the effect greater or smaller autonomy over resources has on their centrality for subordinates' psychological contracts. However, these are speculations.

Hallier and James (1997b) have analysed the influence that supervisors' own psychological contracts with the organisation may have on their management of subordinates' psychological contracts. Whereas as organisational agent they are in charge of implementing organisational strategy and changes in strategy, in their role as principal of their own psychological contract they are subject to these same changes. Hallier and James (1997b) proposed that when under pressure, managers may knowingly break their subordinates' psychological contracts in order to keep their own. Breach and violation of supervisors' psychological contracts by the organisation may on the other hand lead to overfulfilment of subordinates' psychological contracts

by supervisors. This suggests that supervisors' psychological contracts may influence their behaviour as agent and principal for their subordinates' psychological contracts.

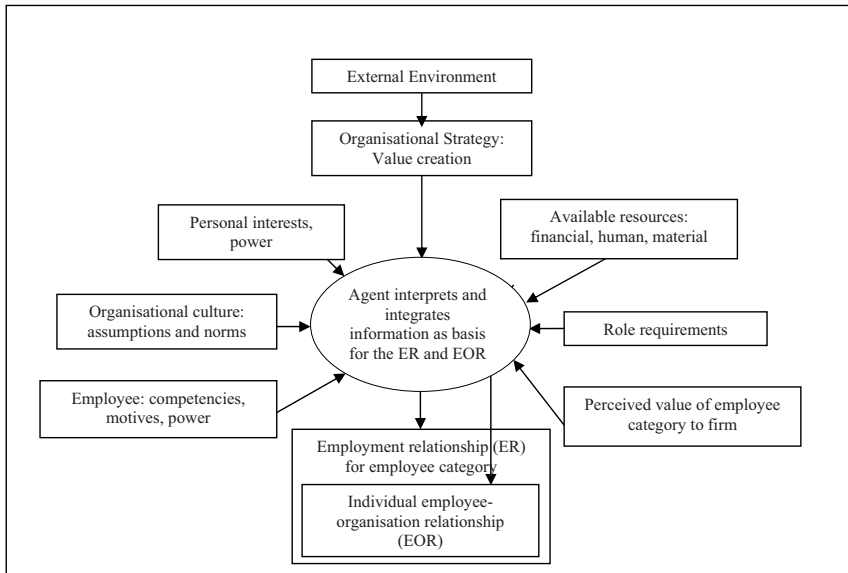


Figure 12: Agent development of the employee-organisation relationship (Shore et al., 2004)

In their case study of an organisational change exercise that affected psychological contracts, Hallier and James (1997b) also identified a number of dysfunctional behaviours by line management. They found that line management did not pass on important information to employees, that information was not passed on from subordinates to top management and that some decisions were collectively avoided by line management. In addition to breaking employee psychological contracts in order to keep their own, Hallier and James (1997b) suggest two other explanations. Firstly, managers may not accept that the relationship with employees is contractual and reciprocal. This may lead them to disregard concerns voiced by employees or to believe that employee consent is not relevant to the implementation of organisational changes. Secondly, supervisors may for some reason not accept their role as agent of the organisation. Furthermore, Hallier and James (1997b) showed that human resource management and line management differed in their understanding of the new psychological contract intended by the organisation. This highlights that a lack of understanding of the employment relationship may be a further factor leading to dysfunctional managerial behaviours.

Hallier and James (1997b) have thus extracted three other influences on supervisor psychological contract management:

- Their possible lack of understanding of the employment relationship chosen by the organisation
- Lack of acceptance of their role as mediator between employee and organisation
- Conflict between their own and their employees' psychological contracts

These findings add another layer of complexity to supervisor psychological contract management since again they highlight that it involves more than appropriately communicating with subordinates.

### **7.7. Interfaces with Human Resources Practices and Human Resource Managers**

As for interaction between supervisor and top management, interfaces between supervisors and human resource managers and human resource practices have not been analysed systematically in the context of psychological contract management. It has been mentioned previously that there are at least two scenarios where supervisors enact organisational human resource practices that impact on psychological contracts, namely performance appraisal and recruitment. By setting specific performance criteria within the process established by the human resources function, line management communicates organisational expectations about the contribution of the employee in question. Alternatively, by agreeing on performance criteria as suggested by Rousseau (1995) and as implied in the German term "Zielvereinbarung" [agreement on goals], line management can allow employee shaping of contributions expected by the organisation. Rousseau (1995) claims that updating psychological contracts may be one of the most useful applications of performance appraisal. As Niehoff et al. (2001) have pointed out, possible incongruence between an employee's psychological contract and organisational expectations on contributions becomes explicit when performance is assessed. Furthermore, performance appraisal may include a section on planning of development activities for the employee which in German organisations is commonly called "Entwicklungsgespräch" and sometimes held separately from performance appraisal sessions. Here, supervisors may promise what is perceived by employees as new inducements, for example by offering mentoring or further training.

Also, during recruitment and selection of new hires, supervisors communicate contributions expected and inducements offered within processes largely established by human resource managers. The same type of situation occurs when employees change jobs within the organisation.

In conclusion, supervisor psychological contract management involves enactment of human resource practices not designed by themselves. Secondly, line managers directly interact with human resource managers in psychological contract management. Although there is no systematic analysis of the influence of interactions between human resource managers and line managers, Hallier and James (1997b) offer some

examples in their case study on a change exercise in a UK organisation. These examples mainly illustrate facets of conflict between the two managerial groups. The case suggests that:

- Line and human resource managers may not agree on their understanding of the contractual relationship
- During change, it may not be clear who is in charge of what regarding change management
- One party may blame the other when there is resistance to change by employees
- Aspirations for greater power in the organisation may distort change management efforts

The degree of devolution of human resource responsibility to line management in an organisation is likely to have a strong influence on patterns of interaction between human resource specialists and line managers (Harris et al., 2002). However, patterns of cooperation between the human resource function and line management with regard to psychological contract management have not yet been addressed by researchers.

## **7.8. Conclusions**

The literature on supervisor psychological contract management is meagre. Various authors mention the central relevance of supervisors for psychological contract management, but few contributors have focused on it. However, the reviewed literature contributes to identifying various dimensions of effective supervisor psychological contract management.

1. Supervisors act as organisational agents towards employees where they pass on information about inducements offered and contributions expected. Activities may also include upward communication behaviours, both convergent and divergent
2. Supervisors act as principal towards employees when they introduce inducements and contributions to the exchange relationship with subordinates independent of the employment strategy
3. Supervisors manage psychological contracts by delivering obligations and managing the impact of unmet obligations
4. Supervisors coordinate their psychological contract management activities with that of other contract makers and keepers in the organisation, for example human resources managers
5. Supervisors apply human resources practices in order to communicate about mutual obligations with subordinates
6. Supervisors communicate with upper management in order to understand the employment relationship approach taken by the organisation
7. Supervisors face and address possible interferences between their own psychological contract and their subordinates' psychological contracts

Figure 13 illustrates the dimensions.



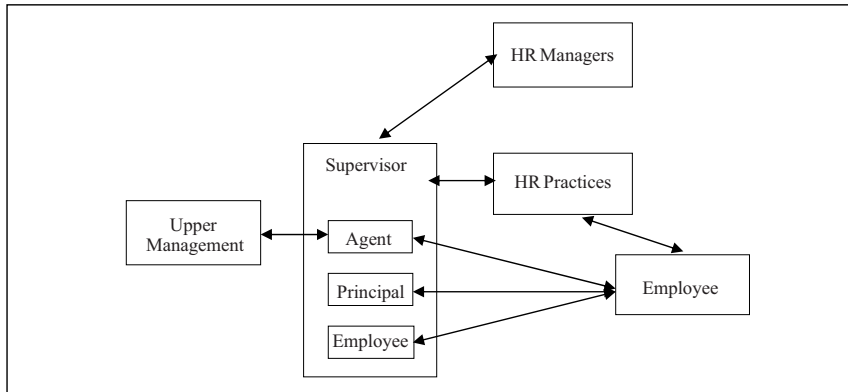


Figure 13: Dimensions of supervisor psychological contract management

A multitude of possible avenues for further research can be derived from this overview. For example:

- Exploring best practices for cooperation between top and line management with regard to psychological contract management. This would be expected to be strongly influenced by organisational culture, more specifically the degree to which participative decision-making is accepted in the organisation
- Exploring best practices of coordination between human resources managers and line management in order to facilitate positive psychological contracts. This would be expected to be contingent on the devolution of responsibility to line management
- Exploring best practices in helping line management to handle conflict between their own psychological contract and the psychological contracts of their subordinates

However, it is argued here that the most pressing issue to be resolved by research is formulating more concrete recommendations about how supervisors can facilitate positive psychological contracts on a day-to-day basis. As has been pointed out, there is no systematic analysis of specific supervisor behaviours and practices that contribute to facilitating positive psychological contracts. However, recommendations by Tekleab and Taylor (2003) as well as Robinson and Morrison (1997) offer a good starting point, suggesting that initiating upward and downward communication with subordinates, listening skills, interactional justice, using a number communications channels, management by objectives as well as offering compensation, explanation and early information in a case where an obligation has not been kept by the organisation will contribute to facilitating positive psychological contracts. These behaviours and practices remain largely unexplored by empirical research.

## **8. Summary of Literature Review**

As has been detailed in Chapter 2, there is no general agreement on the appropriate definition of psychological contracts. For the purpose of this research a definition proposed by Rousseau (1995) has been adopted. Thus, psychological contracts are defined here as perceptions of individual employees about the mutual obligations between themselves and the organisation they work for. The main advantage of this definition is that it offers a clear unit of analysis for empirical research. It has also been argued that organisations do not have psychological contracts with their employees. Organisations have employment strategies which they use to shape the exchange relationship between themselves and their employees. It has been proposed that supervisors do form perceptions of the mutual obligations between their subordinates and the organisation. However, it has also been proposed that they are different from psychological contracts because they are partly third party judgements and thus similar to implied contracts. Exploring similarities and differences between supervisor implied contracts and employee psychological contracts has been highlighted as an interesting question for further research.

It has also been argued that agreement on mutual obligations between organisation and employee is not a prerequisite to the existence of a psychological contract. Wide variations are expected to exist with regard to agreement. It has been suggested that agreement on mutual obligations between organisation and employee is a prerequisite to sustainable, positive psychological contracts.

Chapter 3 offered an overview of employer and employee obligations that may be part of the psychological contract of an individual employee. Various ways of classifying types of obligations have been presented. For the purpose of this research, Baccili's (2001) finding that employees differentiate between supervisor and organisational obligations is of central relevance. It highlights the special role that supervisors play as a partner in the exchange relationship between employee and organisation. Chapter 3 also offered an overview of the central processes involved in psychological contracting, namely formation, change, breach and violation. Research on these processes indicates that organisations can only partly shape the psychological contracts of their employees. However, various avenues to do so have been identified, mainly alignment between explicit messages made by representatives of the organisation and organisational structures and practices, offering information and proactive information gathering by employees before and after hire. Also, some opportunities for supervisors to manage psychological contracts have been highlighted, namely through performance feedback, interactional and procedural justice as well as offering compensation and explanation after breach has occurred.

Reviewed research shows that breach of the psychological contract by the organisation is related to lower affective commitment towards the organisation, lower job satisfaction, higher intention to leave the organisation and fewer organisational citizenship behaviours. Under certain circumstances, for example availability of job

alternatives, it is also related to lower job performance. It has also been highlighted that these outcomes are in turn related to sales performance, turnover, absenteeism, product quality and customer satisfaction. This underlines the relevance of managing psychological contracts on the basis of negative repercussions of breach of obligations for the organisation.

The literature shows that trust and fairness in terms of distributive, interactional and procedural justice are important factors that influence whether breach of psychological contract is followed by negative attitudes and behaviours. It has also been highlighted that the impact of breach of the psychological contract by employees on supervisor trust in employees and on outcomes of trust in employees has not yet been empirically explored. This mirror image of breach of obligations by the organisation is expected to be relevant because fulfilment of organisational obligations is expected to be reciprocally related to fulfilment of employee obligations. Furthermore, a definition of positive psychological contracts was proposed that is also adopted as a goal definition for (supervisor) psychological contract management: a positive psychological contract exists when the employee perceives the organisation to have kept its obligations in the past, agrees that a balanced exchange exists between employee and organisation and trusts the organisations to keep its obligations in the future.

Chapter 4 offered an overview of the theoretical foundations of the psychological contract model. It has been highlighted that some of the relevant questions for psychological contract researchers have been discussed in the context of social exchange theory. The review highlighted that psychological contract researchers need to consider the assumptions that they implicitly make about employee motives in the employee-organisation relationship. The literature on social exchange also highlights that citing Gouldner's (1960) norm of reciprocity is inappropriate for psychological contract research. Research by Ekeh (1974) provides a better approximation to the complexity of the exchange relationship underlying psychological contracts. Further theoretical research is required to identify the different types of exchange that form the basis of psychological contracts. Existing research on reciprocity offers a very good starting point. Blau's (1964) and Ekeh's (1974) work on exploitation and power in social exchange also has potential to shed light on the difference between inability and unwillingness to reciprocate by both organisation and employee. Thus, social exchange theory offers a number of avenues for further theoretical research that could contribute to clarifying the theoretical basis of the psychological contract model. However, these avenues remain largely unexplored.

Research on mental models suggests three alternative views on the nature of psychological contracts as mental models or schemata. However, further research is needed to clarify this issue. The research reviewed also implies a number of recommendations as to how organisations can facilitate shared mental models of mutual obligations. However, existing research on (shared) mental models needs to be extended to include mental models of relationships. It has been suggested that this

research should be carried out by cognitive psychologists rather than by researchers from the organisational behaviour domain.

It can be concluded that the theoretical basis of the psychological contract model is weak. Existing research on social exchange and mental models needs to be integrated with the empirical data collected by psychological contract researchers. Furthermore, a number of open questions remain, for example about the norms that govern the exchange or the nature of the psychological contract as a mental model or schema. Various possible starting points for further research have been highlighted.

Chapter 3 offered an argument for the business relevance of psychological contracts at the level of the individual: individual outcomes of psychological contract breach, like fewer organisational citizenship behaviours and higher intention to leave, have negative consequences for organisations. However, in Chapter 4 the business relevance of the psychological contract model was also argued at the level of the organisation.

More specifically, it has been argued that positive behaviours that arise from a relationship which is perceived as positive by employees constitute a resource that contributes to creating sustainable competitive advantage. It has been highlighted that not the behaviours themselves but the behaviours' arising from an employee-organisation relationship that is evaluated as positive by employees constitute a reliable resource. This resource is inimitable because it arises from a socially complex situation. It has been suggested that trust and interactional justice strengthen this psychological contract-behaviour linkage. It has also been argued that the linkage adds value through its impact on for example organisational citizenship behaviour, individual performance and commitment. Furthermore, there are plausible starting points to argue that the linkage is also rare and cannot be substituted. All in all, this strengthens the view that it is worthwhile for organisations to concern themselves with the psychological contracts of their employees.

Chapters 5, 6 and 7 were concerned with clarifying the organisational perspective on psychological contracts. In Chapter 5 it was highlighted that research from the strategic management literature contributes to developing an employer perspective on psychological contracts. It highlights that organisations may adopt a number of approaches to shaping the exchange relationship with employees. In their model, Lepak and Snell (1999) suggest organisation-focused, symbiotic, contractual and partnership employment modes. Tsui et al. (1997) and Tsui and Wang (2002) suggest that the combination of inducements offered and contributions expected may result in two balanced scenarios of the exchange relationship: mutual high investments and mutual low investments. Alternatively, two imbalanced scenarios may result from the combination of inducements and contributions adopted by organisations: overinvestment or underinvestment by the organisation. This highlights that one of the dimensions of positive psychological contracts, namely perceived fairness of the exchange, may be hard to reconcile with organisational intentions, namely when an underinvest-

ment approach is adopted. Furthermore, research on strategic human resource management has highlighted that the employment relationship ideally manifests itself in the human resources practices adopted. It should be noted that this kind of literature is concerned mainly with strategic issues that will be reflected in the content of the psychological contract.

Furthermore, a model of the employer perspective on psychological contracts has been proposed that has been developed from models by Guest (2004b) and Tsui and Wang (2002). The basic idea behind the model is that organisations adopt an employment strategy which defines the contributions expected and the rewards offered. This strategy results in either a balanced approach with mutual high or mutual low obligations or in an imbalanced approach which constitutes an overinvestment or an underinvestment of the organisation in their employees. This has been labelled strategy outcome. Employment strategy and strategy outcome jointly determine the employment relationship which has been defined as organisational intentions as to the employee-organisation relationship. This definition is in line with Tsui and Wang (2002). The employment relationship manifests itself in human resources practices and is implemented through organisational leaders. These manifestations of the employment relationship impact on the psychological contracts of employees. Delivery of the rewards offered influences perceptions of breach, trust and perceptions of fairness of the deal. This in turn impacts on individual and organisation outcomes. Although this model provides a first overview, it does not specify how exactly organisations can implement their intentions through human resource practices as well as leadership. In a first attempt to answer this question, the importance of (1) alignment between intended input by the organisation and expected input by employees and (2) alignment between employment relationship and human resource practices as well as leadership have been pointed out.

Also, the psychological contract literature offers some recommendations on how the employment relationship can be implemented effectively. For example, Rousseau (1995) has listed organisational representatives involved in contract making and contract keeping and has stressed the role of both people as well as practices. Guest and Conway (2001) have presented a more fine-grained analysis by suggesting communication channels like team briefings, objective setting or informal interaction. They have particularly highlighted that communication channels closest to day-to-day communication between supervisor and employee are perceived as most effective by managers in their study. In addition, Marr and Fliaster (2003a) have proposed some recommendations which are based on the premise that organisations want to create relational contracts with employees. Some of the recommendations made are of particular interest to the process perspective taken here, namely the importance of employee participation in decision-making, the importance of a continuous downward flow of information and the importance of fairness of the exchange. Additional recommendations have been summarised, stressing the importance of promise-keeping

by organisations, making mutual obligations explicit and offering explanations and compensation in the case of psychological contract breach by the organisation.

Chapter 6 argued that human resource practices can fulfil a number of functions with regard to psychological contract management. Most if not all human resources practices implicitly convey specific inducements offered and contributions expected as well as deliver obligations incurred previously. Some human resources practices can additionally be used as communication channels to explicitly and intentionally convey messages about mutual obligations. Some communication channels primarily allow for the flow of information from organisation to employee. Other channels give employees the opportunity to convey their perspective to the organisation. Human resource practices can also convey a general commitment by the organisation to fairness and particularly procedural justice. Also some human resources practices offer employees the opportunity to participate in decision-making that will later influence their own psychological contract or that of co-workers. Recruitment, performance appraisal as well as compensation systems, suggestions schemes and quality circles, grievance procedures, employee surveys, focus groups and Q&A sessions have been highlighted as human resource practices that serve multiple functions. However, the way in which each practice contributes to psychological contract management depends on the way it is designed and implemented in organisations. More specific research is needed. It is expected that some practices need to be adapted in order to contribute to psychological contract management effectively.

It has also been highlighted that some of these practices, mainly recruitment and performance appraisal, require the involvement of supervisors. It has been pointed out that this interface between psychological contract management through human resources practices and through leadership remains largely unexplored.

Various authors have highlighted the importance of employee's direct superiors as managers of psychological contracts. Guest and Conway (2001) for example report that day-to-day communication between supervisor and employee is judged by managers as the most effective way of managing psychological contracts. Chapter 7 reviewed available detail on supervisor psychological contract management. It was found that there is little information on supervisor tasks, behaviours or practices. No systematic account of supervisor opportunities to facilitate positive psychological contracts exists.

Baccili (2001) proposed that supervisors have two roles with regard to psychological contract management: they act as organisational agent mediating between employee and organisation for obligations that only the organisation as a whole can fulfil, e.g. providing job security. Also, they act as principal when they offer inducements that only they can deliver, e.g. providing career support through mentoring or granting autonomy over how job tasks are fulfilled. While this model has a strong focus on downward communication by supervisors, it was integrated with research by Floyd and Wooldridge (1994), in order to specify Baccili's (2001) agent role by identifying

three sub-roles that supervisors may enact: straight implementer of the employment strategy, champion of alternative employment strategies as well as synthesiser of information on psychological contracts for upper management.

With regard to tasks and behaviours, Liden et al.'s (2004) recommendations with regard to employee socialisation were presented. It was pointed out that the weakness of Liden et al.'s (2004) task definition lies in being restricted to the first phase of employment, in being very generic and in failing to define the behaviours associated with fulfilling the tasks identified.

Tekleab and Taylor (2003) as well as Morrison and Robinson (1997) have proposed supervisor tasks and behaviours which are very informative for a process perspective on supervisor psychological contract management. The tasks proposed are argued here to present a valuable starting point for further analysis as they can be specified with the help of the literature previously reviewed. Doing this suggests that the following supervisor behaviours contribute to facilitating positive psychological contracts: (1) initiating downward communication with subordinates, (2) initiating and encouraging upward communication by employees, (3) exercising interactional justice, (4) communicating about mutual obligations through various communications channels including practices such as objective setting as well as (5) offering compensation, explanation and early information when the organisation is perceived not to have fulfilled its obligations. With the exception of interactional justice, the relevance of these supervisor behaviours and practices for facilitating positive psychological contracts has not been investigated in a published quantitative study.

Finally, a list of the various dimensions of supervisor psychological contract management was presented and a preliminary model of these dimensions was proposed. The model indicates that while communication with subordinates is an important part of supervisor psychological contract management, it also involves coordination with the human resource function as well as application of human resource management tools. Furthermore, it involves communication and coordination with upper management in a range of agent roles. Coordination of potential interference between employee psychological contracts and supervisors' own psychological contracts with the organisation also form part of supervisor psychological contract management activities.

## **PART C**



## **9. Aims and Hypotheses of the Empirical Study**

### **9.1. Aims of the Empirical Study**

It is a first aim of this empirical study to clarify the relationship between the three dimensions of a positive psychological contract, namely breach of obligation by the organisation, employee trust in organisation and employee perceptions of fairness of the exchange. This presents an extension of existing research on breach of the psychological contract. The first aim is addressed by considering the relationship between different evaluations of breach as well as trust in the organisation and perceived fairness of the exchange. Clarifying the relationship between the dimensions of a positive psychological contract is viewed as a prerequisite to researching supervisor opportunities to facilitate positive psychological contracts.

It is the second aim of this empirical study to replicate and extend research on the relationship between positive psychological contracts and individual outcomes. Although individual outcomes have been researched repeatedly, research has focused on behaviours that are not considered highly relevant to employee performance, for example civic virtue, and neglected facets that are thought to be of high relevance for individual and organisational performance, for example individual initiative (Frese, 2007). Underpinning the relationship of positive psychological contracts with relevant outcomes for a German sample is viewed as a prerequisite to arguing that supervisor psychological contract management is relevant to organisations.

It is the third aim of this empirical study to obtain a more complete image of the exchange processes at work between employee and organisation. Therefore, both breach by the organisation and breach by employees will be analysed. More specifically, (1) employee breach as perceived by supervisors and its consequences for supervisor trust in employees and perceived fairness of the exchange as well as (2) supervisor citizenship behaviours will be analysed.

As the literature overview has shown, no comprehensive model of supervisor influence on their subordinates' psychological contracts has been proposed so far. It is the fourth and most important aim of this empirical study to contribute to the development of such a model by bringing together ideas spread across the literature on psychological contracts.

This focus does not imply the assumption that supervisors can facilitate positive psychological contracts on their own. As has been discussed, psychological contracts are also shaped through a number of organisational representatives, practices and decisions by upper management. It is suggested here that psychological contract management will be fruitless unless it is supported and implemented at supervisor level.

As there are wide interorganisational differences in employment strategy and wide interpersonal differences in the content of psychological contracts, the content of mutual obligations will be treated as a given in this empirical study. The focus of this

empirical study lies on identifying those opportunities for facilitating positive psychological contracts that exist independently of the content of obligations. This approach has been labelled process view.

In section 7.8 a model of the dimensions involved in supervisor psychological contract management has been presented. This model highlights that supervisor psychological contract management involves interaction with subordinates, upper management and human resource functions as well as coordination with their personal interests as employees of the organisation. Ideas about supervisor behaviours and practices in the psychological contract literature focus on interaction with subordinates. Although coordination with other organisational representatives presents an interesting avenue for further research, it is the aim of this empirical study to explore ideas about facilitating positive psychological contracts through interaction with subordinates.

As ideas about tasks and roles in the psychological contract literature are fairly generic this empirical study aims at offering more specific information. Thus, this empirical study aims at specifying how roles and tasks can be fulfilled. It also aims at offering descriptions of behaviours that can be used as input into leadership training.

The central issue that guided the empirical part of this study is the following: In a given organisational structure, with a given employment strategy, what can supervisors do to contribute to facilitating positive psychological contracts through interaction with their subordinates?

In summary, it is the fourth aim of this empirical study to identify opportunities for supervisors to facilitate positive psychological contracts focussing on those factors that

- Are related to interaction between supervisor and subordinates
- Are effective independently of the content of the psychological contract
- Are under the control of the supervisor
- Offer ideas on how already identified roles and tasks can be fulfilled
- Can be measured in a quantitative study

Thus, this empirical study takes a clear process or implementation perspective on psychological contract management and is not concerned with content management or employment strategies.

Furthermore, it is the fifth aim of this empirical study to identify supervisor opportunities to avoid breach of obligations by employees.

## **9.2. Hypotheses of the Empirical Study**

### **9.2.1. Introduction**

Before the hypotheses are presented, it seems important to note the following: In quantitative studies it is common to propose hypotheses suggesting neat cause-and-effect chains where only direct effects are regarded. The approach to hypothesis formulation taken here is different. Here, direct and indirect effects are expected.

There are two reasons why this approach has been taken. Firstly, it does not seem plausible that perceptions of the organisation and cognitive processing involving evaluations of trust and fairness can be described by consistent, unidirectional and clear-cut paths. It seems more plausible that different dimensions of perception and processing are interrelated in complex ways. Secondly, the relationship between different kinds of evaluations about breach of obligations, trust in the organisation and perceived fairness of the exchange is not entirely clear. It is therefore more difficult to formulate hypotheses about antecedents that confidently propose relationships with one of the above variables but not with the others. Again, this would involve making the assumption of clear-cut cause-and-effect chains which may in reality not be discernable.

A note on numbering: Hypotheses are presented in thematic order starting with the first aim of the empirical study. Nevertheless, hypotheses are numbered so that all hypotheses which will be analysed by means of one multiple regression are grouped together. For example, all antecedents of global evaluation of breach by the organisation belong to hypothesis 9. In order to provide a better overview, figures presented towards the end of each section illustrate each hypothesis.

### 9.2.2. Aim 1: A Positive Psychological Contract for Employees

For the purpose of this research a positive psychological contract has been defined to exist when employees perceive their organisation to have kept its obligations, when the exchange relationship is perceived to be balanced and when the employee trusts the organisation to continue keeping its obligations (Guest and Conway, 2002b, see section 3.4).

Creating positive psychological contracts has also been defined as the aim of organisational psychological contract management because positive psychological contracts have been shown to be related to positive behavioural and attitudinal outcomes such as increased organisational citizenship behaviour, higher commitment and lower intention to leave (Coyle-Shapiro & Kessler, 2000; Guzzo et al., 1994; Johnson & O'Leary-Kelly, 2003; Krause et al., 2003; Lester et al., 2000; Lo & Aryee, 2003; Rigotti & Mohr, 2004; Robinson, 1996a; Tekleab & Taylor, 2003; Thompson & Heron, 2005; Turnley & Feldman, 2000; see section 3.3). Breach of the psychological contract occurs when either employee or organisation do not keep the obligations incurred as perceived by the employee (Morrison & Robinson, 1997; see section 3.2).

With regard to a situation where the organisation fails to keep a promise, Morrison and Robinson (1997) have suggested that two separate processes are involved. Breach is the recognition of a failure to keep obligations incurred by one of the parties involved. Violation is the emotional reaction to this breach of promises. It has been suggested that the two constructs are different from each other as violation only follows from breach when certain conditions are fulfilled. The majority of the studies concerned with the impact of broken psychological contracts have only included

breach, but not violation in their analysis. The only study known to the authors that has stringently operationalised the separation of breach and violation has been carried out by Rigotti and Mohr (2004).

However, it seems plausible that perceived breach of psychological contracts involves a complex cognitive process where breach only leads to changes in behaviour and attitudes towards the employee-organisation relationship when further evaluations are made. This complexity is well reflected in the three-dimensional definition of a positive psychological contract as proposed by Guest and Conway (2002b) where breach, trust and fairness are proposed to be central evaluations. However, Guest and Conway (2002b) treat the three dimensions as if they were independent of each other. This does not seem plausible. It can be argued that breach is an evaluation of the past based on the degree of promise keeping. Fairness is an evaluation of the past based on an input-output ratio as known in the literature on distributive justice (see section 3.3.4.2). Trust, in contrast is oriented towards the future.

Furthermore, in practice there are two different versions of measuring breach. Breach can be measured by asking employees directly whether all in all the organisation has kept its obligations. This has been labelled global evaluation of breach. Also, breach can be measured by calculating the mean of obligation keeping for a series of perceived promises such as job security, career advancement, autonomy and so on. This has been labelled discrepancy measure of breach. See Table 10 for an overview of studies using either of the two approaches. It is argued here that the two operationalisations of breach may measure two different things. Global evaluation of breach may include a weighting of obligations not measured in the discrepancy measure of breach. Weighting becomes relevant when breach of some obligations is more important than breach of other obligations. Also, global evaluation of breach may include evaluations on obligations that are not included in the list of obligations used in the discrepancy measure.

In line with the above considerations, it is argued here that employee evaluations of organisational keeping of particular obligations (operationalised as the discrepancy measure of breach) strongly influence their global evaluation of the degree of obligation keeping by the organisation but do not determine it completely.

***Hypothesis 1a:***

***Discrepancy*** between organisational obligations perceived and organisational obligations delivered as viewed by the subordinate is positively related to ***global evaluation of breach*** of the psychological contract by the organisation as viewed by the subordinate.

Furthermore, it is argued that evaluation of fairness of the exchange is based on perception of the ratio of contributions to the exchange relationship by employee and by organisation. Evaluation of contributions by the organisation is thought to be based on the degree of obligation keeping by the organisation. It is thus argued that

perceived fairness of the exchange will be related to discrepancy measures of breach but not as strongly as global breach.

**Hypothesis 1b:**

**Discrepancy** between organisational obligations perceived and organisational obligations delivered as viewed by the subordinate is negatively related to subordinate perception of **fairness of the exchange**.

Trust that the organisation will keep its obligations in the future is expected to be strongly related to global evaluation of breach as well as the discrepancy measure of breach where global evaluation partly explains the effect of discrepancy measures on trust.

**Hypothesis 1c:**

The relationship between **discrepancy** between organisational obligations perceived and organisational obligations delivered as viewed by the subordinate and **trust** in the organisation is (partially) **mediated** by global evaluation of breach.

Figure 14 illustrates hypothesis 1 which presents a considerable conceptual specification of previous studies on breach of the psychological contract. The three-dimensional definition of a positive psychological contract is refined here to integrate both overall evaluation of obligation keeping as well as more fine-grained evaluations of obligation keeping for specific themes like job security, career support or training. Note that in the following figures the abbreviation EP refers to employee perception where as the abbreviation SP refers to supervisor perception.

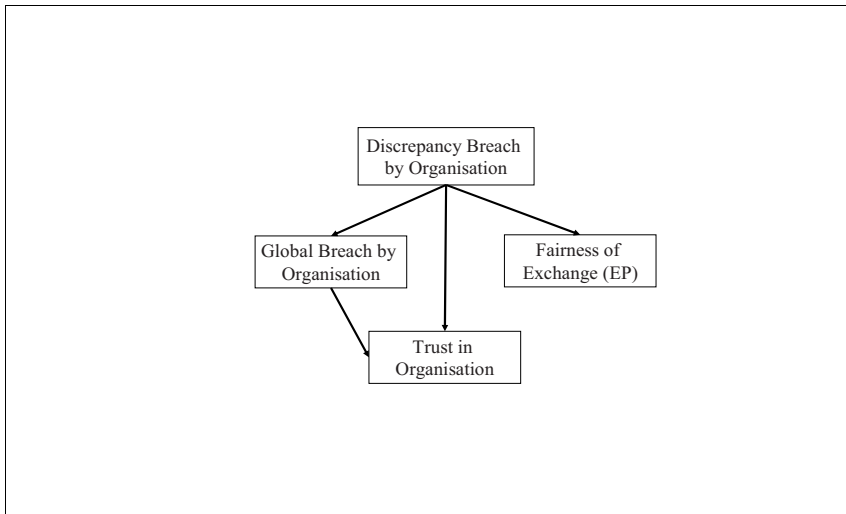


Figure 14: Hypothesis 1

### 9.2.3. Aim 2: Outcomes of Positive Psychological Contracts

The business relevance of analysing psychological contracts lies in their consequences. A number of studies have shown positive psychological contracts to be related to higher levels of organisational citizenship behaviour, commitment and lower intention to leave (see section 3.3). Organisational citizenship behaviour has been repeatedly studied and especially the positive relationship between breach and civic virtue has been demonstrated. Taking into account the hypothesised relationship between breach and trust as well as fairness, it is argued here that civic virtue is primarily related to trust and fairness as trust in organisation and perceived fairness of the exchange are more advanced evaluations of the state of the psychological contract.

***Hypothesis 2a:***

*Subordinate trust in the organisation is positively related to civic virtue of the subordinate (self-perception and supervisor perception).*

***Hypothesis 2b:***

*Fairness of the exchange as perceived by the subordinate is positively related to civic virtue of the subordinate (self-perception and supervisor perception).*

However, previous studies on organisational citizenship behaviour have shown that not all dimensions of organisational citizenship behaviour seem to be related to breach in the same way. Various authors have highlighted the need for further exploration of the relationship between breach and the different dimensions of organisational citizenship behaviour (Pate et al., 2003). For example, helping behaviours towards colleagues were found not to be related to breach in one study but were negatively related to breach in another study (Johnson and O'Leary-Kelly; 2003, Coyle-Shapiro; 2002). It has been suggested that breach affects only those behaviours that would have benefitted the party seen as having caused the breach. It is argued here that individual initiative, a facet of organisational citizenship behaviour introduced by Moorman and Blakely (1995), will be reduced when trust and fairness of the exchange are reduced after breach of the psychological contract. It is argued that individual initiative will be affected as it directly concerns discretionary efforts to improve team performance through participation and avoidance of groupthink. This is beneficial to the team and the organisation as a whole rather than to individual colleagues. Individual initiative is also an interesting dimension of organisational citizenship behaviour because it deals with performance improvement and as such has direct business relevance.

***Hypothesis 2c:***

*Subordinate trust in the organisation is positively related to individual initiative of the subordinate (self-perception and supervisor perception).*

***Hypothesis 2d:***

*Fairness of the exchange as perceived by the subordinate is positively related to individual initiative of the subordinate (self-perception and supervisor perception).*

Several studies (Lo & Aryee, 2003; Robinson, 1996a; Tekleab & Taylor, 2003; Turnley & Feldman, 2000) have shown that employees whose psychological contracts have been broken have a stronger intention to leave the organisation. One study has also shown that employees whose psychological contracts had been broken were more likely to actually leave the organisation (Robinson, 1996a). It is therefore argued here that those employees whose trust in the organisation and perceived fairness of the exchange has suffered from a breach of the psychological contract will be more likely to intend leaving the organisation than those employees who trust the organisation and perceive the exchange relationship as fair.

***Hypothesis 3a:***

*Subordinate trust in the organisation is negatively related to intention to leave the organisation.*

***Hypothesis 3b:***

*Fairness of the exchange as perceived by the subordinate is negatively related to intention to leave the organisation.*

Also, several studies (Coyle-Shapiro & Kessler, 2000; Guzzo et al., 1994; Rigotti & Mohr, 2004) have shown that employees whose psychological contract has been broken have lower affective commitment to the organisation. It is argued here that a similar but probably even stronger effect exists for the relationship between commitment and trust as well as fairness.

***Hypothesis 4a:***

*Subordinate trust in the organisation is positively related to affective commitment of the subordinate.*

***Hypothesis 4b:***

*Fairness of the exchange as perceived by the subordinate is positively related to affective commitment of the subordinate.*

Figure 15, Figure 16 and Figure 17 illustrate hypotheses 2, 3 and 4 which present a conceptual development on previously tested hypotheses as relationships are hypothesised not with evaluations of breach but with trust and fairness evaluations.

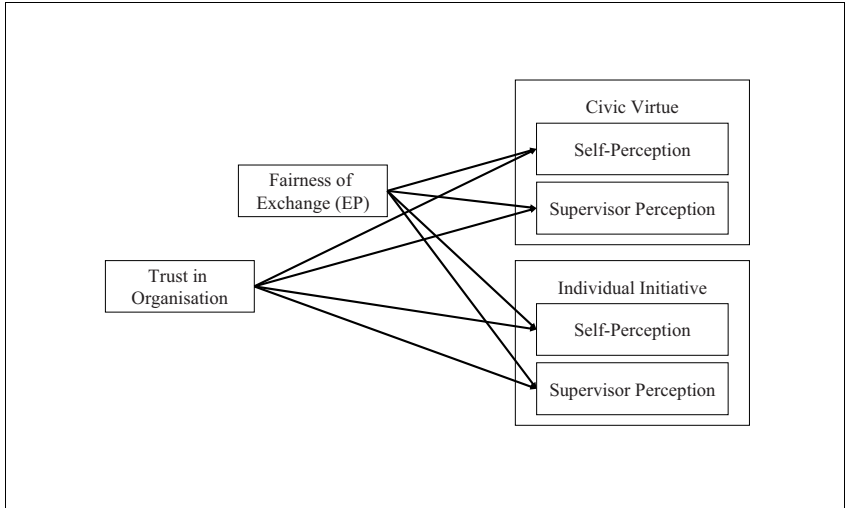


Figure 15: Hypothesis 2

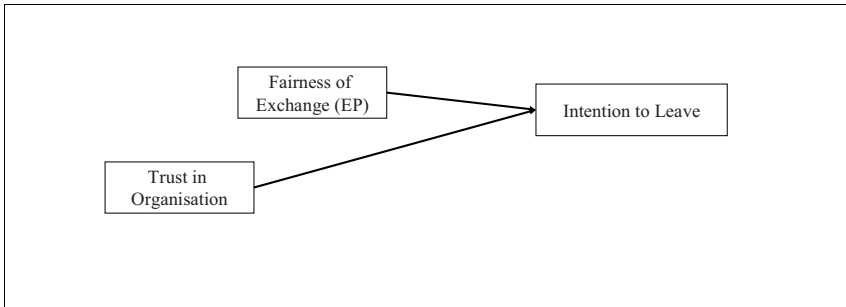


Figure 16: Hypothesis 3

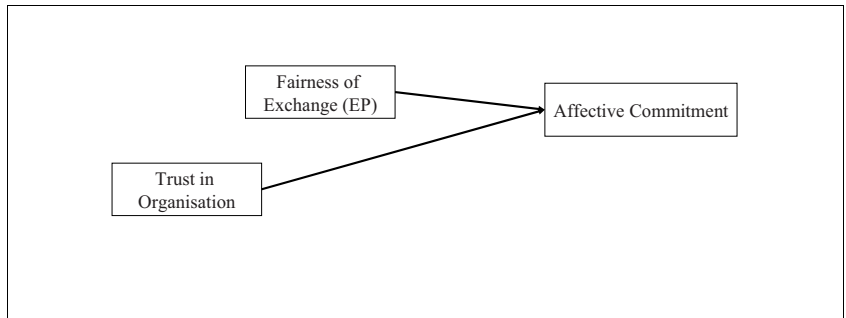


Figure 17: Hypothesis 4



### 9.2.4. Aim 3: Obligation Keeping by Employee as Perceived by Supervisor

It has been proposed that organisations do not have psychological contracts with employees (see section 2.6). It has also been argued that supervisors are primary contract makers, (Rousseau, 1995, see section 5.4.1) and that supervisors monitor promise keeping by employees, partly through performance evaluation. The literature on leader-member exchange (Hogg, 2004; see section 2.5.3) indicates that supervisors do not have the same kind of relationship with all their employees. It is not argued here that supervisors do have a psychological contract with each of their subordinates. Nevertheless, it seems plausible that some aspects of the exchange relationship between employee and organisation as perceived by the employee are mirrored by the exchange relationship between organisation and subordinate as perceived by the supervisor of this employee.

Guest and Conway (2001) have regarded organisational trust in employees, but have not looked at breach of obligations by employees. It is argued here that corresponding to the hypothesised relationship between breach and trust as well as fairness as perceived by the employee, supervisors evaluate obligation keeping by the employee. Evaluations of employee obligation keeping are expected to be related to supervisor trust in employee and fairness of the exchange relationship as perceived by the supervisor.

#### ***Hypothesis 5a:***

***Discrepancy*** between employee obligations perceived and employee obligations delivered as viewed by the supervisor is positively related to **global evaluation of breach** of obligations by the subordinate as viewed by the supervisor.

#### ***Hypothesis 5b:***

***Discrepancy*** between employee obligations perceived and employee obligations delivered as viewed by the supervisor is negatively related to supervisor perception of **fairness of the exchange**.

#### ***Hypothesis 5c:***

The relationship between **discrepancy** between employee obligations perceived and employee obligations delivered as viewed by the supervisor and **trust** in the subordinate is (partially) **mediated** by global evaluation of breach of obligations by the subordinate as viewed by the supervisor.

Figure 18 illustrates hypothesis 5.

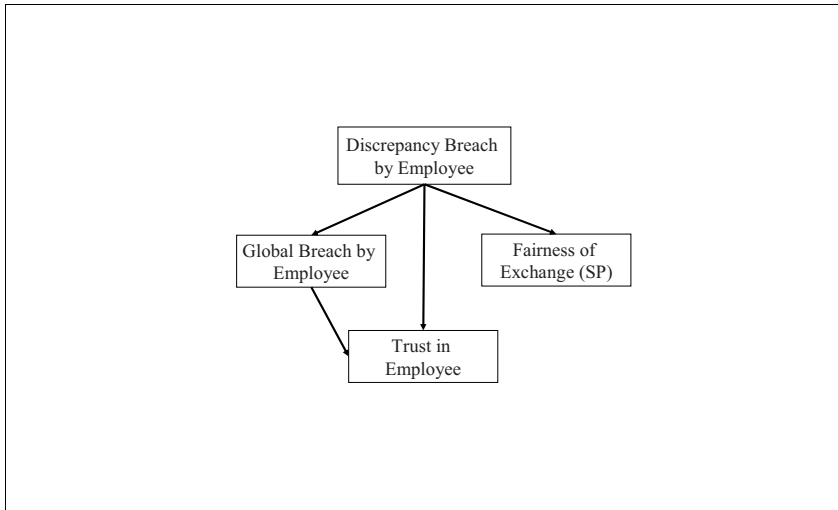


Figure 18: Hypothesis 5

### 9.2.5. Aim 3: Outcomes of Obligation Keeping by Employee

As has been mentioned, psychological contract studies usually only analyse the impact of organisational breach of promises as perceived by employees on individual outcomes. It is argued here that the effect observed for employees may be mirrored by a similar effect for supervisors. Guest and Conway (2001; see section 3.3.3.1) have measured citizenship behaviours towards employees, but have not explored the relationship with promise-breaking by employees. It is suggested here that those supervisors whose trust in the employee has suffered from a perceived breach of promise by the employee will be less likely to display beneficial behaviours towards this employee when this would involve effort beyond formal role requirements. The same is argued for fairness of the exchange as perceived by supervisors.

#### **Hypothesis 6a:**

*Supervisor **trust in the subordinate** is positively related to **supervisor citizenship behaviours** towards the subordinate.*

#### **Hypothesis 6b:**

***Fairness of the exchange** as perceived by the supervisor is positively related to **supervisor citizenship behaviours** towards the subordinate.*

Figure 19 illustrates hypothesis 6.

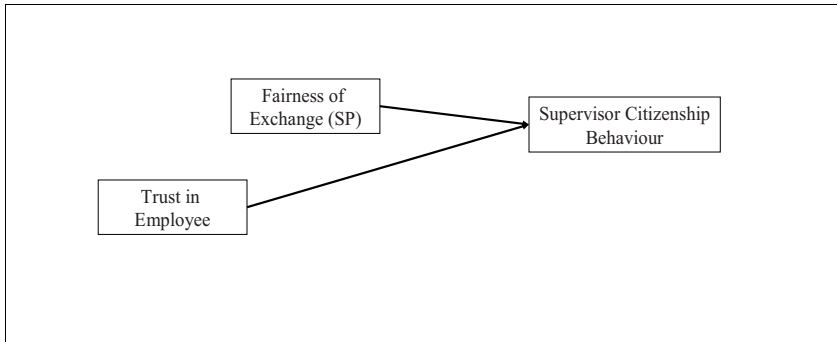


Figure 19: Hypothesis 6

## 9.2.6. Aim 4: Supervisor Contributions to Positive Psychological Contracts

### 9.2.6.1. *Agreement on Organisational Obligations*

It is the first and most central aim of this empirical study to identify ways in which supervisors can facilitate positive psychological contracts, i.e. the mirror image of broken psychological contracts. Morrison and Robinson (1997, see section 3.2.6) have argued that incongruence is an important source of perceived contract breach. Incongruence refers to disagreement between organisation and employee about the obligations that exist between the two parties (Yan et al, 2002; see section 5.3.4). Such incongruence may arise from various sources. Firstly, employees form their psychological contract on the basis of information they obtain from various sources, for example their supervisor, their colleagues or human resource practices (Rousseau, 1995, see section 5.4.1). Information received from these different sources may contain conflicting information which leads to disagreements between representatives of the organisation and employee (Grant, 1999; see section 5.3.4). Secondly, Rousseau (1995, see section 3.2.2) argued that organisational messages about mutual obligations may not always consist in overt statements but may be derived from observation and social constructions which are vulnerable to misinterpretations by the employee. Thirdly, individual predispositions may influence what becomes part of an employee's psychological contract, for example work values (de Vos et al., 2005) or ideological convictions (Thompson and Bunderson, 2003). Fourthly, research on mental models and schemata indicates that individuals add information into incomplete mental models from previous experience (Dutke, 1994; see section 4.3.2). These four factors increase the risk of incongruence in perceived obligations between the organisation and the employee.

It is argued here that if incongruence is a major source of breach, then lowering incongruence will contribute to building positive psychological contracts. Tekleab and Taylor (2003) have analysed the relationship between incongruence and breach and

found no relationship between the two. However, they only used a global two-item measure of breach that may not have been sensitive enough to detect the effect.

Mental model research also suggests that coordinating action in situations where more than one person is involved requires consensus on the definition of the situation, i.e. a shared mental model (Geulen, 1982b). This also highlights the need for agreement on mutual obligations as a prerequisite for coordinating action that contributes to fulfilling these mutual obligations.

In summary, this suggests that achieving agreement on mutual obligations between organisation and employee will offer a safe-guard against perceived breach of obligations, in this case against organisational breach of obligations. It is proposed here that not only agreement on obligations is important but also agreement on what the organisation is presently contributing to the relationship in fulfilment of obligations, in other words the delivery of inducements. Furthermore, it is suggested that agreement between supervisor and subordinate presents a good indicator of agreement between subordinate and organisation.

***Hypothesis 8a:***

*Agreement between supervisor and subordinate on **obligations** of the organisation is negatively related to **discrepancy** between organisational obligations perceived and organisational obligations delivered as viewed by the subordinate.*

***Hypothesis 8b:***

*Agreement between supervisor and subordinate on **delivery of inducements** by the organisation is negatively related to **discrepancy** between organisational obligations perceived and organisational obligations delivered as viewed by the subordinate.*

***Hypothesis 9a:***

*Agreement between supervisor and subordinate on **obligations** of the organisation is negatively related to **global evaluation of breach** of the psychological contract by the organisation as viewed by the subordinate.*

***Hypothesis 9b:***

*Agreement between supervisor and subordinate on **delivery of inducements** by the organisation is negatively related to **global evaluation of breach** of the psychological contract by the organisation as viewed by the subordinate.*

Various authors (Liden et al., 2004; Baccili, 2001; Aselage and Eisenberger, 2003; Millward and Brewerton, 2000, see section 7.5) have suggested that centrality of the supervisor for the employee's psychological contract varies depending on the existence of a formalised socialisation programme, on the employee having a strong social network in the organisation and on the degree of stability in the organisation. Particularly, the influence of the direct superior on the psychological contract of his or her subordinates varies depending on the perceived status of the supervisor in the organisation. Along similar lines, Rousseau (1995, see section 3.2.3) has argued that

messages from the organisation are more likely to be encoded as part of the psychological contract when the person conveying the message is perceived as powerful enough to keep the commitment made. This suggests that the strength of the expected negative relationship between agreement on mutual obligations and perceived breach by organisation will vary depending on the centrality of the supervisor.

Supervisor centrality is described here as the degree to which the supervisor has power over resources which will enable him or her to keep the commitments made. It is also described as the amount of influence the supervisor is reported to have on the content of a subordinate's psychological contract.

***Hypothesis 8c:***

*The relationship between **agreement** between supervisor and subordinate on organisational obligations and **discrepancy** between organisational obligations perceived and organisational obligations delivered as viewed by the subordinate is **moderated by centrality of the supervisor** for the psychological contract of the subordinate.*

9.2.6.2. *Communication Behaviours*

Baccili (2001, see section 7.3.1) has argued that supervisors have two roles in psychological contract management. Broadly speaking, their role as agent is to ensure that the inducements offered by the organisation reach the employee and that contributions expected from the employee are delivered. As principals they introduce their own set of obligations between themselves and their subordinates without a directive from upper management to do so. This implies that a considerable part of communicating about mutual obligations between organisation and employee can be achieved through supervisors.

Communicating about mutual obligations is usually seen as one of the core aspects of psychological contract management (Sutton and Griffin, 2004; Paul et al., 2000; Robinson and Morrison, 2000; Robinson and Wolfe Morrison, 1995; see section 5.4.2). Research on mental models also suggests that communicating about the content of one's mental model contributes to the emergence of shared mental models which is a prerequisite to coordinated action in order to fulfil mutual obligations (Geulen, 1982b, Labianca et al.2000). Organisations are recommended to explicitly and clearly communicate to employees what is expected of them and what they will be offered in return. Organisations are also recommended to make an effort to understand their employees' views of mutual obligations and offer opportunities to renegotiate mutual obligations when change has occurred. Guest and Conway (2001) as well as Baccili (2001) have pointed to the central relevance of communication between supervisor and subordinate as a way of managing psychological contracts, but have not specified relevant behaviours. Also, a review of the literature on supervisor influence on psychological contracts (see Chapter 7) has shown that contributors define tasks and roles for

supervisors but no framework has been offered that would systematically define the various communicative behaviours required from supervisors. It was argued in section 7.4 that communication between supervisor and subordinate in its most general terms – passing on information to subordinates and giving subordinates the opportunity to voice their opinions and concerns – will contribute to facilitating positive psychological contracts. So communication behaviours are expected to contribute to achieving agreement on psychological contract.

**Hypothesis 7a:**

*Supervisor **communication behaviours** (self-perception and subordinate perception) are positively related to **agreement** between supervisor and subordinate on **obligations** of the organisation.*

**Hypothesis 7c:**

*Supervisor **communication behaviours** (self-perception and subordinate perception) are positively related to **agreement** between supervisor and subordinate on **delivery of inducements** by the organisation.*

As communication behaviours are hypothesised to be positively related to agreement and agreement is hypothesised to be negatively related to the discrepancy measure of breach, an indirect effect of communication behaviours on the discrepancy measure of breach is expected. The same applies to an expected indirect effect of communication on global evaluation of breach. However, it seems plausible that communication behaviours would also have a direct effect on the discrepancy measure of breach and on global evaluation of breach by the organisation.

For example, a direct effect is expected when a direct superior communicates messages that he or she does not agree with but passes on to the subordinate in an agent role. A direct effect on global evaluation of breach may occur when there is a strong weighting of obligations where keeping or breaking one or a few central obligations strongly determines global evaluation of breach. Also, a direct effect on breach is expected when communication behaviours are high quality but do not regard mutual obligations while still creating a positive atmosphere of low vigilance where little attention is devoted to monitoring potential breach of obligations. A similar direct effect can be expected for trust in the organisation.

**Hypothesis 8d:**

*Supervisor **communication behaviours** (self-perception and subordinate perception) are negatively related to **discrepancy** between organisational obligations perceived and organisational obligations delivered as viewed by the subordinate.*

**Hypothesis 9c:**

Supervisor **communication behaviours** (self-perception and subordinate perception) are negatively related to **global evaluation of breach** of the psychological contract by the organisation as viewed by the subordinate.

**Hypothesis 10a:**

Supervisor **communication behaviours** (self-perception and subordinate perception) are positively related to **trust in the organisation** by the subordinate.

9.2.6.3. *Communication Channels*

Guest and Conway (2001) have analysed a number of communication channels that may be used by the organisation to manage psychological contracts. Senior managers who participated in Guest and Conway's (2001) study viewed those communication channels closest to day-to-day work as most effective. Guest and Conway (2001) concluded that these results confirm the importance of communication between supervisor and employee for psychological contract management. Spencer (1986, see section 6.3) also suggested various channels that organisations can use for communicating about psychological contracts, focussing on what he labelled voice channels, i.e. communication channels that enable employees to initiate communication about mutual obligations. Spencer (1986) also demonstrated that number of communication channels available to employees was related to retention. It is argued here that while existence of communication channels may be a good first indicator of psychological contract management, it is more interesting whether these channels are used by representatives of the organisation to communicate about mutual obligations. It has been highlighted in section 7.7 that involvement in recruitment and selection processes as well as performance appraisal are those human resource practices which supervisors are expected to commonly access as part of their work. Also human resource practices in general and communication channels in particular have been argued to serve a number of functions in psychological contract management (see sections 6.3 und 6.4), for example conveying information about what the organisation will offer and what is expected of employees.

It is suggested here that supervisors can make use of a number of opportunities to communicate about mutual obligations. The more channels they use, the smaller the risk of incongruence about obligations or delivery of inducements. Thus, when supervisors use a multitude of ways to exchange views about mutual obligations with their subordinates, this is expected to act as a safe-guard against perceived breach of promises by the organisation.

**Hypothesis 7b:**

Number of **communication channels** used by the supervisor is positively related to **agreement** between supervisor and subordinate on **obligations** of the organisation.

***Hypothesis 7d:***

*Number of **communication channels** used by the supervisor is positively related to **agreement** between supervisor and subordinate on **delivery of inducements** by the organisation.*

It is also argued here that number of communication channels used by the supervisor may have direct effects on the discrepancy measure of breach when the supervisor communicates messages that he or she does not agree with but passes on to subordinates in an agent role. A direct effect on global evaluation of breach may occur when there is a strong weighing of obligations where keeping or breaking one or a few central obligations strongly determines global evaluation of breach.

***Hypothesis 8e:***

*Number of **communication channels** used by the supervisor is negatively related to **discrepancy** between organisational obligations perceived and organisational obligations delivered as viewed by the subordinate.*

***Hypothesis 9d:***

*Number of **communication channels** used by the supervisor is negatively related to **global evaluation of breach** of the psychological contract by the organisation as viewed by the subordinate.*

#### *9.2.6.4. Interactional and Procedural Justice*

Robinson and Morrison (1997) as well as Rousseau (1995; see section 3.2.6) have proposed various factors that influence whether violation results from breach, namely size of the loss incurred through breach, perceived reasons for breach and judgements of justice throughout the process. The impact of justice on the relationship between breach and outcomes has been empirically demonstrated (e.g. Thompson & Heron, 2005; see section 3.3.4.2). This implies that when employees detect a discrepancy between promises made and promises kept, they make a snapshot judgement of the degree of interactional and procedural justice displayed in this one instance of breach. Based on this judgement – and on other factors – they may react by adopting a more negative attitude and by changing their behaviour to the worse. This view appears rather mechanistic and assumes that employees judge procedural and interactional justice in this one instance of breach and in isolation from justice judgements in other situations. It seems more plausible that employees make general judgements of procedural justice in the organisation and interactional justice of their supervisor. It has been argued that particularly interactional justice is a prerequisite to communication about mutual obligations between supervisor and subordinate (see section 7.4). It seems plausible that perceptions of justice influence trust and fairness evaluations, indeed it also seems plausible that they do more than that.

Robinson and Morrison (2000, see section 3.2.6) have suggested that monitoring for potential breach of contract will heighten the possibility of detecting breach. They



further suggested that monitoring can arise from prior experience of breach. It seems plausible that monitoring can also arise from a judgement that procedural and interactional justice in the organisation is low. It is therefore argued that perceived procedural and interactional justice will be related to the detection of breach of obligations by the organisation. While judgements of interactional justice are commonly measured as an outcome of supervisor behaviours, procedural justice is measured as a judgement of process fairness in the organisation as a whole. Some of the processes that are judged as fair or unfair by employees are also shaped by supervisors. Therefore, it is argued that although supervisors do not have full control over procedural justice in the organisation, the way they shape the processes under their own control will contribute to judgements of procedural justice.

**Hypothesis 8f:**

*Subordinate perception of supervisor **interactional justice** is negatively related to **discrepancy** between organisational obligations perceived and organisational obligations delivered as viewed by the subordinate.*

**Hypothesis 8g:**

*Subordinate perception of **procedural justice** is negatively related to **discrepancy** between organisational obligations perceived and organisational obligations delivered as viewed by the subordinate.*

**Hypothesis 9e:**

*Subordinate perception of supervisor **interactional justice** is negatively related to **global evaluation of breach** of the psychological contract by the organisation as viewed by the subordinate.*

**Hypothesis 9f:**

*Subordinate perception of **procedural justice** is negatively related to **global evaluation of breach** of the psychological contract by the organisation as viewed by the subordinate.*

**Hypothesis 10b:**

*Subordinate perception of supervisor **interactional justice** is positively related to **trust in the organisation** by the subordinate.*

**Hypothesis 10c:**

*Subordinate perception of **procedural justice** is positively related to **trust in the organisation** by the subordinate.*

**Hypothesis 11a:**

*Subordinate perception of supervisor **interactional justice** is positively related to subordinate perception of **fairness of the exchange**.*

***Hypothesis 11b:***

*Subordinate perception of **procedural justice** is positively related to subordinate perception of **fairness of the exchange**.*

9.2.6.5. *Information, Explanation and Compensation*

As has been mentioned above, loss reducing strategies by management after breach and giving adequate explanations of why breach occurred have been suggested to influence the relationship between breach and violation (Morrison and Robinson, 1997; Rousseau, 1995; see section 3.2.6). However, this relationship has not been demonstrated empirically. It is suggested here that loss reduction through (symbolic) compensation, explanation and early information about impending breach are opportunities for supervisors to minimise the negative outcomes of breach by the organisation. Therefore information, explanation and compensation are expected attenuate the negative affect of breach on trust and fairness. As these strategies are only appropriate shortly after breach has occurred, a general effect on monitoring similar to that hypothesised for procedural and interactional justice is not expected. However, a direct effect on perceived fairness of the exchange is expected as offering compensation after a loss directly deals with redressing the balance of the exchange.

***Hypothesis 11c:***

***Information, explanation and compensation** offered by supervisors after the occurrence of breach by the organisation is positively related to perception of **fairness of the exchange**.*

***Hypothesis 1d:***

*The relationship between **discrepancy** between organisational obligations perceived and organisational obligations delivered by the organisation and **trust** in the organisation is **moderated** by **information, explanation and compensation** offered by supervisors after the occurrence of breach by the organisation.*

9.2.6.6. *Overview*

Figure 20, Figure 21, Figure 22, Figure 23, Figure 24 and Figure 25 illustrate the hypotheses formulated above.

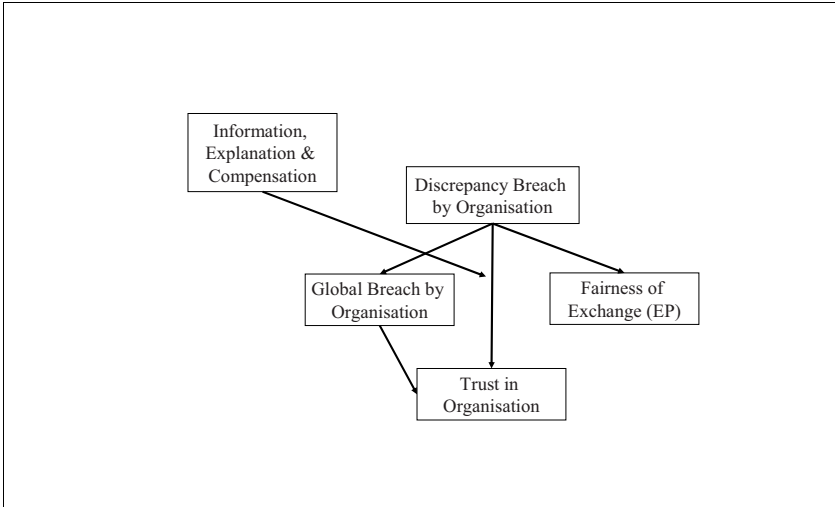


Figure 20: Hypothesis 1 with Hypothesis 1d added

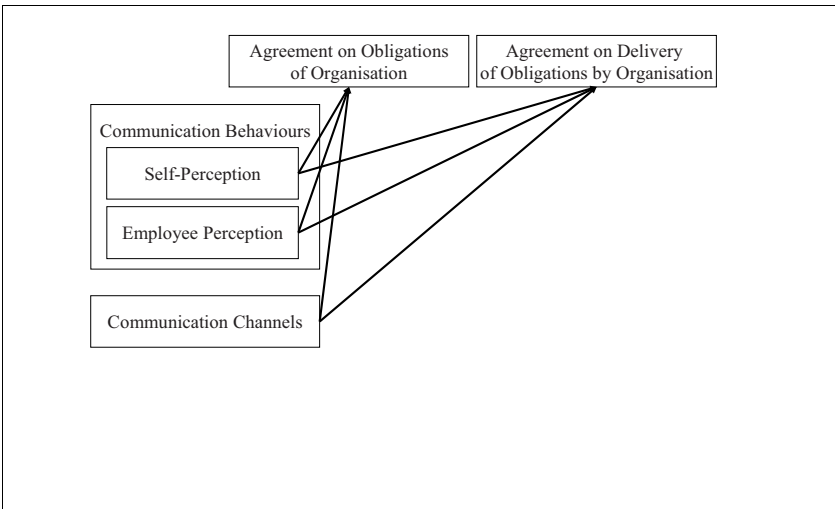


Figure 21: Hypothesis 7

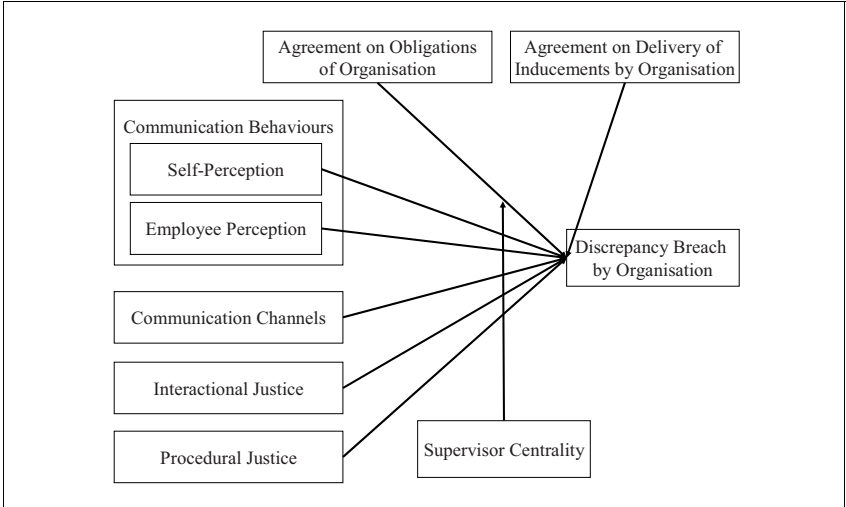


Figure 22: Hypothesis 8

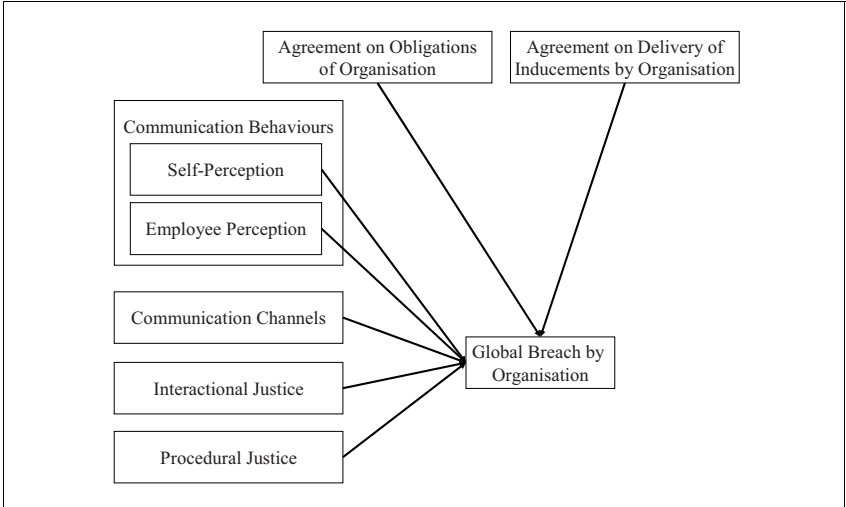


Figure 23: Hypothesis 9

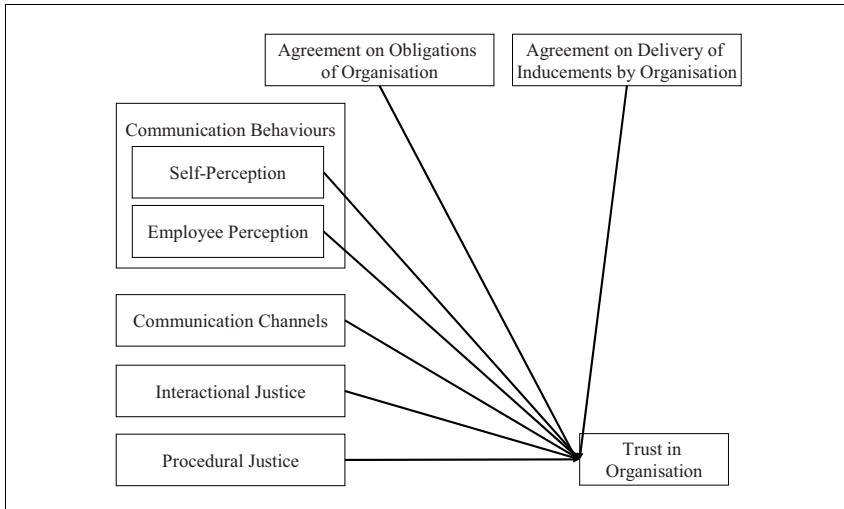


Figure 24: Hypothesis 10

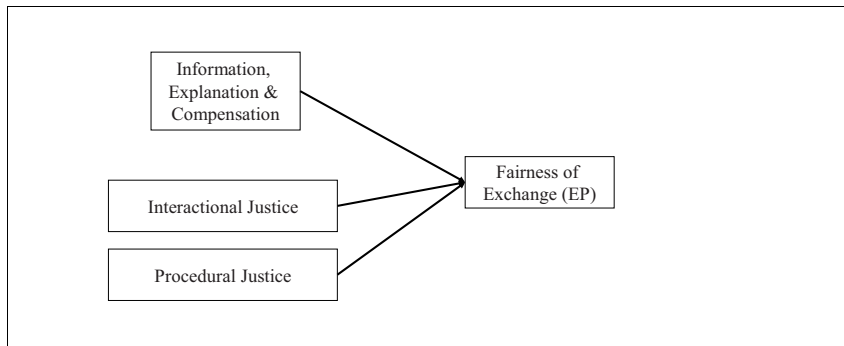


Figure 25: Hypothesis 11

9.2.7. Aim 5: Supervisor Contributions to Obligation Keeping by Employee

9.2.7.1. Agreement on Employee Obligations

Research cited above proposes that communication about mutual obligations heightens agreement on obligations and lowers incongruence, which should in turn reduce the risk of breach of obligations. It is plausible that this also applies to agreement on obligations of the individual towards the organisation and employee breach of obligations as perceived by supervisors. Liden et al. (2004, see section 7.4) have argued that it is one of the tasks of supervisors to achieve congruence in performance evaluation in order to facilitate high quality leader-member exchanges.

Note that the following hypotheses are not psychological contract hypotheses as the psychological contract is defined as employee perceptions of mutual obligations. The following hypotheses deal with supervisor evaluations of employee contributions to the employee-organisation relationship.

**Hypothesis 13a:**

*Agreement* between supervisor and subordinate on **obligations** of the subordinate is negatively related to **discrepancy** between employee obligations perceived and employee obligations delivered as viewed by the supervisor.

**Hypothesis 13b:**

*Agreement* between supervisor and subordinate on **delivery of contributions** by the subordinate is negatively related to **discrepancy** between employee obligations perceived and employee obligations delivered as viewed by the supervisor.

**Hypothesis 14a:**

*Agreement* between supervisor and subordinate on **obligations** of the subordinate is negatively related to **global evaluation of breach** of obligations by the subordinate as viewed by the supervisor.

**Hypothesis 14b:**

*Agreement* between supervisor and subordinate on **delivery of contributions** by the subordinate is negatively related to **global evaluation of breach** of obligations by the subordinate as viewed by the supervisor

9.2.7.2. *Communication Behaviours and Channels*

Communication about mutual obligations is argued to contribute to avoiding breach of promises by the organisation through the avoidance of incongruence, i.e. achieving agreement on obligations. It is argued that this also applies to obligations of the individual. It is plausible that supervisor communication behaviours and number of communication channels are positively related to agreement on employee obligations and delivery of employee contributions. It is also plausible that communication is directly and negatively related to global evaluation of employee breach as well as trust in employee as communication behaviours may create a positive atmosphere that lowers supervisor vigilance and thereby lowers the probability of detecting employee breach. In contrast to the expected scenario for organisational breach, a direct effect of supervisor communication on the discrepancy measure of employee breach is unlikely.

**Hypothesis 12a:**

*Supervisor communication behaviours* (self-perception and subordinate perception) are positively related to **agreement** between supervisor and subordinate on **obligations** of the subordinate.

**Hypothesis 12b:**

Number of **communication channels** used by the supervisor is positively related to **agreement** between supervisor and subordinate on **obligations** of the subordinate.

**Hypothesis 12d:**

Supervisor **communication behaviours** (self-perception and subordinate perception) are positively related to **agreement** between supervisor and subordinate on **delivery of contributions** by the subordinate.

**Hypothesis 12e:**

Number of **communication channels** used by the supervisor is positively related to **agreement** between supervisor and subordinate on **delivery of contributions** by the subordinate.

**Hypothesis 14c:**

Supervisor **communication behaviours** (self-perception and subordinate perception) are negatively related to **global evaluation of breach** of obligations by the subordinate as viewed by the supervisor.

**Hypothesis 14d:**

Number of **communication channels** used by the supervisor is negatively related to **global evaluation of breach** of obligations by the subordinate as viewed by the supervisor.

**Hypothesis 15:**

Supervisor **communication behaviours** (self-perception and subordinate perception) are positively related to **trust in the subordinate** by the supervisor.

9.2.7.3. *Objective Setting*

Rousseau (1995) as well as Niehoff and Paul (2001; see section 6.4.4) have pointed out that performance appraisal is an important tool for managing psychological contracts. Research on mental models also suggests that in order to build an appropriate mental model of employee obligations, guidance by management in terms of clarifying expectations is important (Druskat und Pescosolido; 2002, see section 4.3.5). Tekleab and Taylor (2003) have suggested that giving feedback on performance is an important supervisor task with regard to psychological contract management. Giving feedback involves discussing the degree to which employees are currently keeping their obligations, thus reducing the risk of contract breach by the employee through incongruence. Additionally, it has been argued in section 6.4.4 that performance appraisal involving objective setting has a further advantage: when goals for the next year are actually agreed on and not imposed, then employees have an opportunity to shape the obligations they incur (Wellin, 2007).

**Hypothesis 12c:**

Use of **objective setting** by the supervisor is positively related to the **agreement** between supervisor and subordinate on **obligations** of the subordinate.

**Hypothesis 12f:**

Use of **objective setting** by the supervisor is positively related to **agreement** between supervisor and subordinate on **delivery of contributions** by the subordinate.

9.2.8. Overview

Figure 26, Figure 27, Figure 28 and Figure 29 illustrate the hypotheses formulated above.

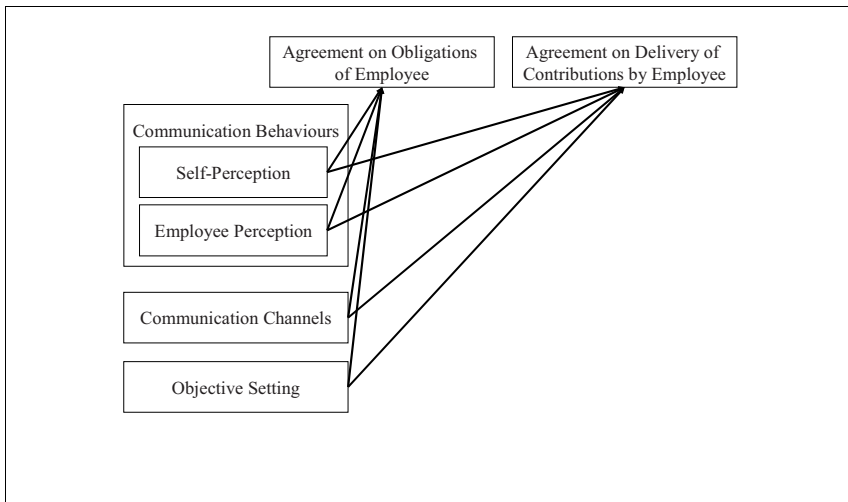


Figure 26: Hypothesis 12

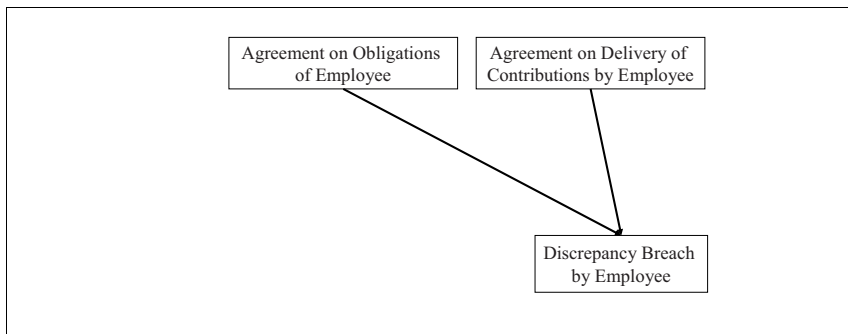


Figure 27: Hypothesis 13



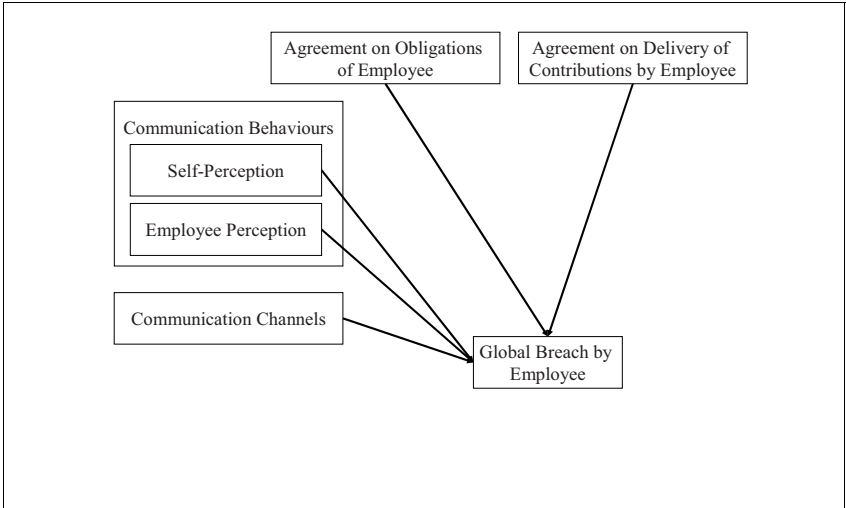


Figure 28: Hypothesis 14

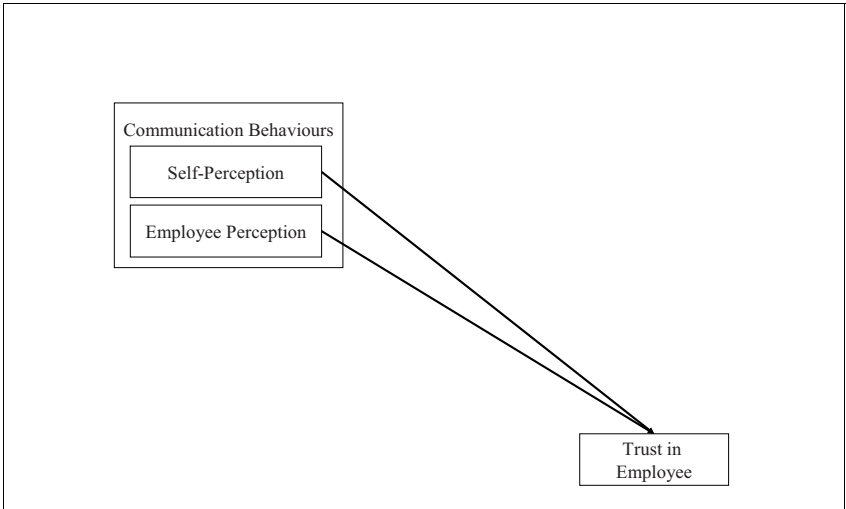


Figure 29: Hypothesis 15



## **10. Method of the Empirical Study**

### **10.1. Design**

Ideally, every study on psychological contracts would involve a qualitative approach to identifying mutual obligations because perceived mutual obligations can be highly individualised. However, this is not economical and makes identification of relationships with other variables difficult. Neither Herriot, Manning and Kidd (1997) nor Baccili (2001), who have carried out large qualitative studies focussing on the content of the psychological contract, have developed their qualitative findings into a quantitative measure.

Employee-focused research on psychological contracts is mainly quantitative, cross-sectional and uses single-source data. This kind of research has been criticised as results may be inflated by common method bias. With a few exceptions (e.g. Guest and Conway, 2001), organisation-focused research on psychological contracts is qualitative focussing on organisational case studies.

Including a mix of employee-focused and organisation-focused issues, this research adopts a quantitative, cross-sectional design using data from two sources, employees and their direct superiors.

While some of the variables used have only been collected from either subordinates or supervisors, two other techniques were used to increase the richness of the collected data. Firstly, some variables were mirrored from subordinates to supervisors, for example subordinates were asked about their trust in their direct superior and the organisation as a whole while supervisors were asked about their trust in the subordinate. Also, supervisors were asked about organisational citizenship behaviours of their subordinates and subordinates were asked about citizenship behaviours of their direct superiors towards them. This reflects the reciprocal nature of the relationship between employees and their supervisors as well as their organisation as a whole. Secondly, some variables were used as self-ratings and as ratings of the other party (subordinate and supervisor). For example, supervisor interactional justice was measured both as a self-rating of the supervisor and a rating of the subordinate. Civic virtue was measured both as a self-rating of the subordinate and as a rating by the supervisor. This second technique aims at reducing common method bias.

However, for some of the hypotheses tested here single-source data is necessary because intra-individual cognitive processes are analysed. For example, the relationship between perceived breach of psychological contract by the organisation, trust in the organisation as well as perceived fairness of the relationship requires single-source data. While the effect of common method bias may be criticised to inflate results, a similar effect is argued to influence real behaviours of the individuals in question.

This empirical study draws on various aspects of previous studies. For example, the method adopted in order to measure the content of subordinates' psychological contracts as well as their supervisors' perspective on mutual obligations has been

adopted from a large quantitative study carried out by Jacqueline Coyle-Shapiro and colleagues (Coyle-Shapiro, 2002; Coyle-Shapiro & Kessler, 2000, 2002, 2003). Also, measures from one large employer-focused and one large employee-focused study by David Guest and Neil Conway (Guest & Conway, 2001, 2002b) were used to measure various variables related to breach, trust and fairness.

Variables referring to supervisor influence were measured with a mixture of well-established instruments and newly developed instruments. While interactional and procedural justices were measured with established instruments, leadership communication and objective setting were measured with instruments recently developed by other contributors. For some of the relevant variables identified in previous research no instruments were available and were thus developed for the purpose of this research.

Participants of the study were offered free participation in a personality test as an incentive for participation. This personality test included instant feedback to participants. The personality test used was the Visual Questionnaire (scanM, n.d.). The relationship between individual factors and psychological contracts does not present the focus of this work. However, the influence of personality on the content and state of the psychological contract has rarely been researched and represents an interesting counterbalance to researching organisational opportunities to facilitate positive psychological contracts. Results are not reported here and will be published separately.

## 10.2. Sample

Data was collected from participants who worked full-time or part-time during the day and enrolled in evening courses of the Hanseatische Verwaltungsakademie (VWA) or Fachhochschule für Oekonomie und Management (FOM) to study for a degree. Overall, 175 subordinate employees and 60 direct superiors filled in the questionnaire. Response rates were not calculated for subordinate participants because students filled in the questionnaire on the spot. Response rate for supervisors was 34.3%.

After screening the data, 22 subordinates and 2 supervisors were excluded from the analysis because their tenure together was less than five months. It is argued that these respondents are still in a socialisation phase and their responses about mutual obligations and evaluations of behaviours of the other party may not be reliable. Thus, for the questionnaire data there was a sample size of 153 for the subordinate group and 58 for the supervisor group.

Age of subordinate participants ranged from 20 to 49 with a mean of 29.70 (SD = 6.55). Age of supervisor participants ranged from 28 to 62 with a mean of 44.67 (SD = 9.42). 45.1% of subordinate participants were female, 54.9% were male. 81% of participating supervisors were male and 17.2% were female. Data was missing for one

participant. 94.8% of subordinate participants worked full-time and 83% had a permanent work contract. See Figure 30, Figure 31, Figure 32 and Figure 33 for sample statistics on occupational area, industrial sector of organisation/business unit, level of qualification of participants and size of organisation participants came from. Tables describe frequencies.

Due to a concern of a participant in the pilot study, data on tenure was not collected by asking for the date of employment but for the quarter in which the employee had started working with the organisation and with the current supervisor. This measure was adopted in order to protect anonymity of participants. However, this measure caused problems as in some cases participants had misunderstood the instruction. This became evident because some participants stated starting dates incoherent with the quarter system (for example VI/2002). Tenure with supervisor and with organisation was therefore calculated taking into account both the possibility that participants had indicated either the month or the quarter of the beginning of the relationship. For participants who reported that they started working with their supervisor in 2006 – the year in which the data was collected – a fine-grained procedure was adopted. These participants were sorted into four categories: (1) those where the starting date definitely indicated a tenure with supervisor of at least five months, (2) those where the situation was not clear but upon comparison with the starting date given by the supervisor a tenure of more than five months was likely, (3) those where tenure with supervisor could not be established with certainty to be more than 5 months (4) those where tenure with supervisor was definitely less than five months. As mentioned above, participants from categories (3) and (4) were excluded from the analysis, participants from categories (1) and (2) were then treated as if all participants had reported months not quarters. This seemed to be the most pragmatic solution. However, this method involved a maximum error of eight months overestimation of tenure for some participants.

Thus, estimated mean tenure of subordinate participants in the organisation ranged from 6 to 335 months with a mean of 67.24 (SD = 54.95), estimated mean tenure of subordinates with their supervisors ranged from 5 to 201 months with a mean of 37.89 (SD = 30.37). Tenure of supervisors with the organisation ranged from 14 to 478 months with a mean of 163.75 (SD = 135.92).

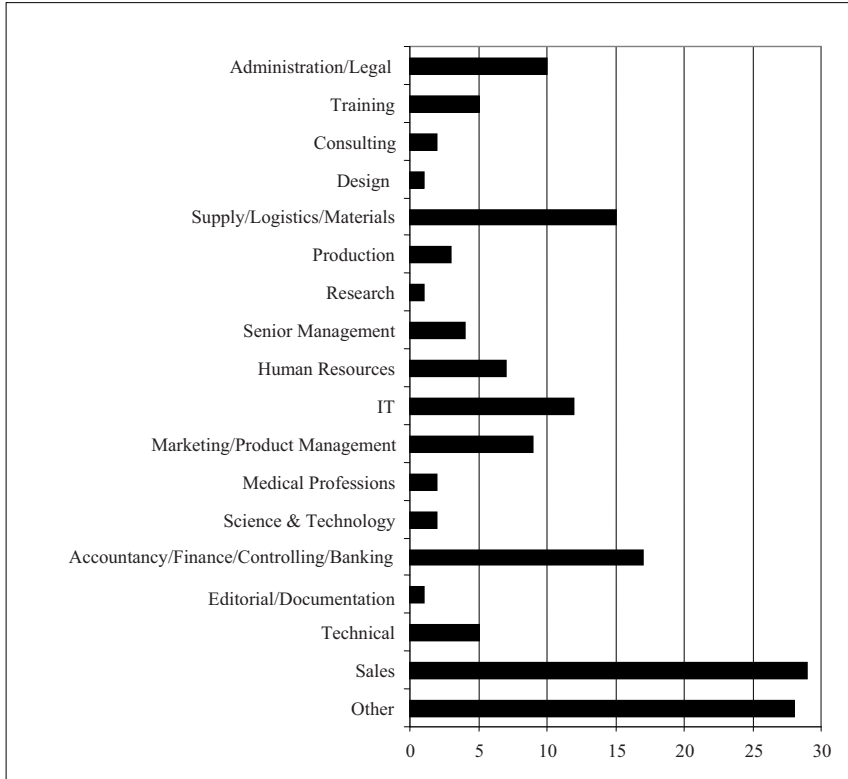


Figure 30: Number of subordinate participants in different occupational areas

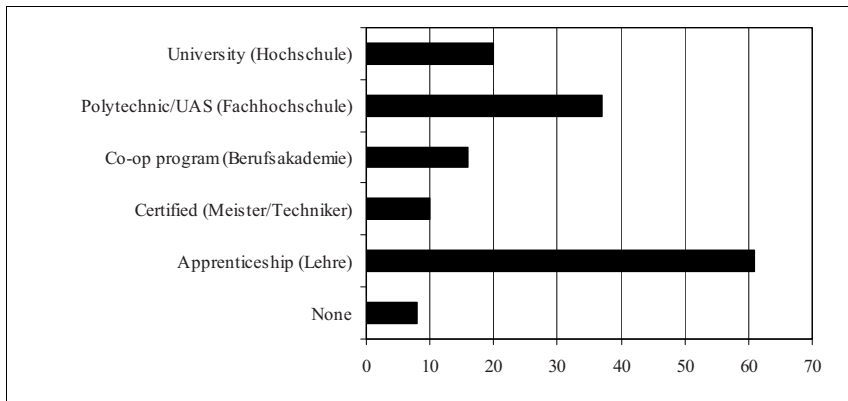


Figure 31: Number of subordinate participants with different levels of qualification

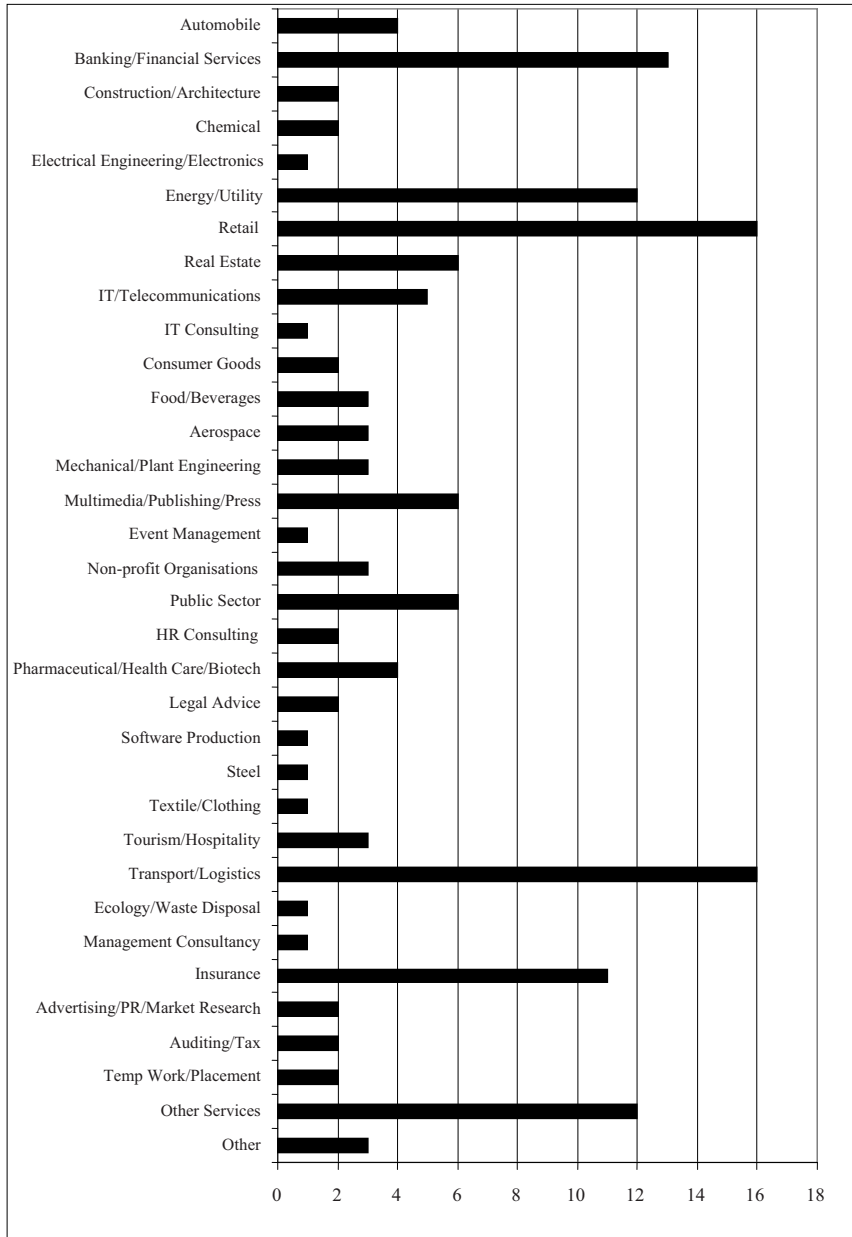


Figure 32: Number of subordinate participants in different industrial sectors



Figure 33: Size of Organisations

### 10.3. Procedure

Data was collected by means of a paper and pencil questionnaire from employees in dependent employment and their direct superiors.

With a few exceptions (for example communication behaviours), measures adapted from other studies were available only in English. In order to prepare the questionnaire, items from existing instruments were translated into German. Translations were done by the author and checked for correctness by a bilingual professional translator. The German version was also checked for clarity by a specialist for organisational communication. Due to translation factor structures in well-established measures may change (Behling & Law, 2000) and ideally reliability and validity of a measure have to be tested separately for translated versions. This unavoidable shortcoming of the measures used here was reduced by conducting reliability tests for all variables and factor analyses were appropriate. Reliability was measured using Cronbach's Alpha. Reliability was deemed acceptable when it was higher than 0.6 (Malhotra, 2004). Results are reported in section 10.4.

For those instruments which had to be developed for the purpose of this research (information, explanation & compensation as well as supervisor centrality and communication channels), items were derived from ideas in the existing literature. Details are reported in section 10.4.

Supervisor and subordinate versions of the questionnaire were piloted with 10 subordinates and 6 direct supervisors who were employees of the Helmut-Schmidt-University. Changes were made according to the results of the pilot study regarding the wording of some of the items.

In a first phase of the main study, data was collected from a group of 17 VWA students and 7 supervisors in June 2006 during a lecture where employee participants



were given time to fill in the questionnaire. After this the questionnaire was enlarged to contain a number of additional variables. One instrument was shortened to three items and a second pilot study was carried out to test the new items. A sample of nine subordinates participated in this second pilot study coming from a variety of public and private sector organisations. Changes were made in accordance with the pilot study results.

In the second phase of the main study, data was collected during nine lectures given to FOM and VWA students in the period from June to December 2006. In most cases subordinate participants were given time during lectures to fill in the questionnaire. On two occasions students asked to take the questionnaires home and returned them by post. All participants were also given a questionnaire for their direct superior in a separate envelop and were asked to pass the questionnaire on. Supervisors returned the questionnaire per post. Stamped envelopes were provided.

As an incentive for participation, participants were also offered the opportunity to do a personality test that included an immediate, individualised feedback. The personality test was made available online. In order to access the test, participants provided their e-mail address and were sent a personalised link.

Between four and approximately 100 students were present during these lectures. At the start of each session the overall purpose of the study was explained to the students. They were offered detail about anonymity. Because access to the personality test required an e-mail address, anonymity towards the researcher was not granted, but participants were assured that data would not be shared with third parties in connection with their e-mail address. Participants were informed that those who were self-employed, unemployed or did mainly freelance work could not participate in the study. In the larger classes, this usually excluded up to 5 students. Participants were then informed about the procedure involved and the questionnaire was distributed. Participants took between approximately 20 and 35 minutes to fill in the questionnaire. At the end of the session they were reminded to pass on the separate envelope to their direct superior at work.

Supervisors were also asked to provide their e-mail address, and personalised links to access the personality test were sent out as soon as the questionnaires arrived by post.

Questionnaire data was entered in SPSS. In order to sort together questionnaire data from supervisors and subordinates a unique identification code was used.

At the beginning of 2007, an online version of the same questionnaire was prepared to conduct a second study. The online version was also piloted for clarity and function. A link to the online version of the questionnaire was sent to 127 alumni of the Nordakademie Elmshorn (NAK), also requesting them to invite their supervisors to participate. However, only 19 subordinate participants and only 3 supervisor participants finished the questionnaire. Because the sample characteristics of the NAK alumni are different to those of the VWA/FOM and because the NAK sample was too

small to be analysed on its own, data collected from NAK alumni was not analysed further as part of this research.

#### 10.4. Measures

With one exception, variables were measured with a 5-point Likert scale. For measuring employee and organisational obligations and their fulfilment the scale was illustrated with five verbal markers ranging from “Überhaupt nicht/in sehr geringem Maße”, “Wenig”, “Teilweise”, “Überwiegend” to “In hohem Maße”. These are German equivalents to the English scaling from “Not at all” to “To a great extent”. For most of the other variables a 5-point Likert scale ranging from “Trifft nicht zu”, “Trifft wenig zu”, “Teils/teils”, “Trifft weitgehend zu” to “Trifft völlig zu” was used. These are German equivalents of “does not apply” through to “applies to a great extent”. For the variable communication channels a different response format was used, which is detailed below.

The questionnaires handed out to participants were fairly comprehensive. Because data collection from pairs of supervisors and employees can be difficult, the opportunity was taken to collect data on a greater number of variables. Some of the variables measured are not included in this piece of research in order to allow for a clear focus. For example, employees were asked which communication channels their supervisors had used to talk about mutual obligations and which communication channels they had used to tell the organisation about their understanding of mutual obligations. However, use of communication channels by employees will be analysed elsewhere. For this reason, the questionnaire included in Appendix A includes some items not included in this analysis.

##### 10.4.1. Psychological Contract Variables

*Employee perceptions of organisational obligations* were measured with an instrument adopted from Coyle-Shapiro and Kessler (2000), who in turn had further developed an instrument by Rousseau (1990). While Rousseau (1990) had identified seven items describing typical obligations of organisations towards employee, Coyle-Shapiro and Kessler (2000) extended the instrument to 14 items and changed two items referring to pay so that they were appropriate for the public sector. The version used for this research included the 14 items proposed by Coyle-Shapiro and Kessler (2000), but the two items about pay were changed back to the original proposed by Rousseau (1990). Employees were asked to state to what extent they see their organisation as obligated to provide to them the following: long-term job security, good career prospects, support with personal problems, information on important developments, involvement in decision-making, up-to-date training and development, necessary training to do the job well, necessary autonomy to do the job well, policies and procedures that help to do the job well, support with learning new skills, high pay, pay based on current levels of performance, fair pay for responsibilities on the job and fringe benefits comparable to employees doing similar jobs in other organisations.

The measure by Coyle-Shapiro and Kessler (2000) was chosen because it is based on the Rousseau (1990) measure which has been used in many studies. Also, Coyle-Shapiro and Kessler (2000) showed good Alpha coefficients beyond 0.85 for this measure. As mentioned above, a 5-point Likert scale was used to measure responses. Response options were titled “Degree of Obligation” and the scale ranged from “Überhaupt nicht/in sehr geringem Maße” to “In hohem Maße”. Also, a “Don’t know” category was offered.

*Supervisor perceptions of organisational obligations* were measured by showing supervisors the same list of 14 items. Supervisors were asked to what degree they saw the organisation obligated to provide inducements listed to the employee in question. Supervisors were explicitly asked to answer in their function as direct superior. The same Likert scale was used as for employees and a “don’t know” category was also included.

*Employee perceptions of employee obligations* were measured by presenting participants with nine typical employee obligations adopted from Coyle-Shapiro and Kessler (2002). The trigger sentence for this set of items was to what degree employees felt they were obligated to provide the following to their organisation: working extra hours when necessary, volunteering to do tasks that are not part of the job, looking for better ways of doing the job, looking to improve the way things are done in the department, being flexible about which tasks are part of the job, being flexible in working hours, working unpaid hours to finish a task, looking for ways to save costs and adapting to changes in the way the job is done. A 5-point Likert scale was used to measure responses titled with “degree of obligation” and the scale ranging from “Überhaupt nicht/in sehr geringem Maße” to “In hohem Maße”. Also a “Don’t know” category was offered.

*Supervisor perceptions of employee obligations* were measured by presenting supervisors with the same set of nine items asking to what degree they saw the employee in question obligated to provide the following items. Supervisors were explicitly asked to answer in their function as direct superior. The same Likert scale was used as for employees. A “Don’t know” category was included.

*Discrepancy measure of organisational breach as perceived by employees:* Both employee and supervisor participants were presented for a second time with the 14 items which had been used to measure organisational obligations. This time participants were asked to what degree the organisation had delivered these inducements in reality. Supervisors were explicitly asked to answer in their function as direct superior. A 5-point Likert scale was used to measure responses titled with “Degree of actual offer” and the scale ranging from “Überhaupt nicht/in sehr geringem Maße” to “In hohem Maße”. Also a “Don’t know” category was offered.

Commonly, squared differences are used to calculate differences scores. By squaring the difference scores, information on the direction of the difference is lost. This assumes that contract breaches for some obligations can be equalled out by over-

fulfilling other obligations. It is suggested here that this is not necessarily the case. In order to avoid rendering the variable invalid due to false assumptions, difference scores were calculated using the following procedure: (1) the item score for actual provision was subtracted from the item score for obligation to provide for each item, (2) a mean was calculated from all items where the difference score was greater than zero, i.e. where obligations had not been fulfilled. In the following this is referred to as the discrepancy measure of breach by the organisation or discrepancy breach by the organisation where smaller values indicate greater contract fulfilment and larger values indicate under-fulfilment of obligations.

Exploratory factor analysis were carried out for difference scores of each item. This presented a factor analysis of employee perceptions of organisational promise keeping. All difference scores were used, not only those which were greater than zero, because using only positive difference scores inappropriately reduced the number of cases in the sample. Exploratory factor analysis for employee perceptions of organisational obligation keeping showed three factors explaining 60.24% of the variance. Factors can be interpreted as (1) keeping promises similar to those made under new psychological contracts (autonomy, participation, innovation), (2) keeping pay promises and (3) keeping promises similar to those made under traditional psychological contracts (job security, personal support). Reliability of the measure – evaluated on the basis of positive difference scores only – was good (Cronbach's Alpha = 0.89).

*Discrepancy measure of employee breach as perceived by supervisors* was calculated using a similar procedure: both groups were presented the nine items about employee obligations for a second time, this time asking to what degree the employee had provided these items in reality. Supervisors were explicitly asked to answer in their function as direct superior. A 5-point Likert scale was used to measure responses titled with "Degree of actual offer" and the scale ranging from "Überhaupt nicht/in sehr geringem Maße" to "In hohem Maße". A "Don't know" category was offered. As above, difference scores were calculated by summing the differences between obligation to provide and provision in reality for each item if obligation was greater than provision. In the following this is referred to as the discrepancy measure of breach by employee or discrepancy breach by employee where smaller values indicate greater contract fulfilment and larger values indicate under-fulfilment of obligations. Again, summing up of positive differences is argued to be more appropriate than calculating the sum of squared differences as the direction of the differences matters.

Exploratory factor analysis of supervisor perceptions of employee breach yielded 4 factors explaining 75.04% of the variance. Factors can be interpreted as promise keeping as to (1) improvements and changes (2) working times and (4) flexibility with regard to tasks. The third factor involves aspects also included in factors 2 and 4. Overall, the factor structure is not that clear. Cronbach's Alpha was 0.79.

Also, four indicators of *agreement between supervisor and employees on the content of the psychological contract* were calculated from the above items. Agree-

ment indicators were calculated as the mean of absolute differences between item scores provided by supervisors and employee participants. This was done for organisational and employee obligations as well as for actual provision of contributions by employee and organisation. The resulting mean scores were then subtracted from 4, the maximum discrepancy score. Therefore scores ranged from 0 to 4 where high values reflected high agreement and low values reflected low agreement. This procedure is slightly different from those of other authors who use the sum of squared differences. However, using squared differences restricts the distribution. This can be avoided by using absolute differences. The four indicators of agreement are labelled (1) agreement on organisational obligations, (2) agreement on employee obligations, (3) agreement on delivery of inducements by organisation and (4) agreement on delivery of contributions by employee. Exploratory factor analysis of agreement on organisational obligations yielded four factors explaining 70.26% of the variance. Cronbach's Alpha was 0.87. Exploratory factor analysis of agreement on employee obligations yielded three factors explaining 68.94%. Cronbach's Alpha was 0.78. Exploratory factor analysis of agreement on delivery of inducements by organisation yielded four factors explaining 66.10%. Cronbach's Alpha was 0.87. Exploratory factor analysis of agreement on delivery of contributions by employee yielded three factors explaining 68.92%. Cronbach's Alpha was 0.80.

Coyle-Shapiro and Kessler (2000, 2002) did not report results for factor analyses on obligations, discrepancy or agreement scores. The factor solution for employee perceptions of organisational obligations found for this sample is roughly in line with the transactional-relational divide commonly found for organisational obligations (Rousseau, 1995). However, all other factor solutions for discrepancy and agreement variables did not conform to this two-dimensional structure. This is interesting as it calls into question the often cited differentiation between transactional vs. relational, traditional vs. new psychological contract. These differentiations may be an artefact of using single source data and asking only about organisational obligations.

**Trust in employee:** Two items were adapted from Guest and Conway (2001). Supervisors were asked to what extent the statements presented applied to the employee in question. Statements referred to whether the organisation can trust the employee with respect to two aspects: protecting the organisation's interests and promise keeping. Responses were measured using a 5-point Likert and scales ranged from "Trifft nicht zu" to "Trifft völlig zu". A sample item was "Die Organisation kann darauf vertrauen, dass diese/r Mitarbeiter im Interesse der Organisation handelt". Cronbach's Alpha was 0.77.

**Trust in organisation:** To measure employee trust in the organisation, the two items used to measure trust in employee from Guest and Conway (2001) were developed into four items. This four-item measure differentiated between trust in supervisor and trust in top management. A sample item was "Ich kann darauf vertrauen, dass mein/e direkte/r Vorgesetzte/r meine Interessen schützt". Responses were measured using a 5-

point Likert and scales ranged from “Trifft nicht zu” to “Trifft völlig zu”. Because this variable was an extended version of the instrument used by Guest and Conway (2001), an exploratory factor analysis was conducted. Factor analysis yielded one factor with similar factor loadings for the four items. Cronbach’s Alpha was 0.85.

***Fairness of exchange as perceived by employees and supervisors:*** Items were adapted from Guest and Conway (2001, 2002b). In the pilot study, organisational fairness as judged by employees was measured with two items adapted from Guest and Conway (2002b). The original two items produced nearly identical responses in the pilot study. Therefore one item was changed to mirror the supervisor fairness variable which was adapted from Guest and Conway (2001). Fairness as judged by supervisors was measured with two items adapted from Guest and Conway (2001). One item was changed after the pilot to mirror the employee fairness variable.

Both variables, supervisor and employee perception of fairness, measure two aspects of fairness: the existence of a balanced exchange where input is similar to output and achieving an output that is similar to the output that other comparable organisations/individuals obtain. A sample item for fairness of exchange as perceived by employees is “Im Vergleich zu anderen, die ähnliche Aufgaben erledigen wie ich, werde ich fair entlohnt“. A sample item for fairness of exchange as perceived by supervisor was “Wenn man vergleicht, was die Organisation in die Beziehung zu diesem/r Mitarbeiter/in hineinsteckt und was sie im Gegenzug erhält, ist das Verhältnis ausgewogen“. Responses were measured using a 5-point Likert scale ranging from “Trifft nicht zu” to “Trifft völlig zu”. Cronbach’s Alpha for fairness as perceived by employees was 0.72. For supervisor perception of fairness of the exchange, Cronbach’s Alpha was unacceptably low (0.45). Therefore, this variable was excluded from further analysis.

***Global evaluation of breach by organisation:*** In addition to the discrepancy measure of breach, a global measure of breach of the psychological contract as perceived by subordinates was used. As has been discussed in section 9.2.2, the advantage of using two different measures of breach lies in the following: while the discrepancy measure offers detail on the specific obligations that have not been kept, it cannot measure whether the employee evaluates the overall deal as kept or not kept. The global measure of breach used here can achieve this by asking directly about the extent to which promises have been kept overall. Using both measures offers a better basis for explaining the effects of antecedents as both variables measure slightly different constructs. In fact, the correlation between global evaluation of breach and the discrepancy measure of breach by the organisation was 0.49. This indicates that two different constructs were measured in this study. Global employee evaluation of breach by the organisation was measured with three items adapted from Tekleab and Taylor (2003). A sample item is “Die Organisation hat ihre wichtigste Verpflichtung mir gegenüber erfüllt“. Responses were measured using a 5-point Likert scale ranging

from “Trifft nicht zu” to “Trifft völlig zu”. Cronbach’s Alpha for global evaluation of breach by the organisation as perceived by employees was 0.82.

**Global measure of breach by employee:** Two items from Tekleab and Taylor (2003) were used to measure employee breach of obligations as perceived by the supervisor. A sample item was “Diese/r MitarbeiterIn hat ihre/seine Verpflichtungen der Organisation gegenüber erfüllt“. Responses were measured using a 5-point Likert scale ranging from “Trifft nicht zu” to “Trifft völlig zu”. Cronbach’s Alpha was 0.63 which is low but acceptable due to the small number of items.

#### 10.4.2. Outcome Variables

**Individual initiative and civic virtue:** A number of different organisational citizenship behaviour (OCB) measures have been used in psychological contract research. However, some of them do not reflect the factor-structure of OCB commonly accepted in the OCB literature. In the pilot study, a commonly used 5-item measure by Tekleab and Taylor (2003) was used to measure employee OCB as perceived by supervisors. However, results from the pilot did not suggest a normal distribution of responses. Therefore, a different measure was adopted in the main study. Only two aspects of OCB were measured. The first is civic virtue, which is the aspect of OCB that has been researched most extensively. Four items developed by Podsakoff et al. (1990) were used. The second aspect of OCB measured here was individual initiative. This aspect was chosen as it reflects individual discretionary behaviours that are expected to have a more direct link to business outcomes than some other aspects of OCB. Individual initiative was measured with five items developed by Moorman and Blakely (1995). See Table 11 for details on initiating structure and civic virtue.

OCB items were measured both as self-perception of employees and as perception of employee OCB by supervisors. A sample item for civic virtue is “Ich bin bei Meetings anwesend, die als wichtig angesehen werden, auch wenn die Teilnahme nicht verpflichtend ist“. A sample item for initiative is „Ich motiviere oft andere Mitarbeiter, ihre Ideen und Meinungen auszudrücken“. Responses were measured using a 5-point Likert scale ranging from “Trifft nicht zu” to “Trifft völlig zu”. As individual initiative is an established measure of organisational citizenship behaviour, a confirmatory factor analysis for self-perception of individual initiative was carried out. It showed that one factor explained 54.63% of the variance. As factor loadings were unequal for the five items, unrotated factor values were saved and used for further analysis. Cronbach’s Alpha for self-perception of individual initiative was 0.79. Supervisor perception of subordinate individual initiative was also submitted to a confirmatory factor analysis. One factor explained 51.28% of the variance. Because factor loadings were unequal, unrotated factor values were saved and used for further analysis. Cronbach’s Alpha for supervisor perception of individual initiative was 0.76.

A confirmatory factor analysis for self-perception of civic virtue showed that while the first factor explained 49.42% of the variance, the second factor explained still more



than 20% of additional variance. As factor loadings were roughly equal, this indicated an unclear factor structure. Thus, factor values were not saved, but the variable was created using the mean of the four items. Cronbach's Alpha for self-perception of civic virtue was 0.66, which is low but still acceptable. Confirmatory factor analysis for supervisor perception of civic virtue showed that the first factor explained 63.09% but the second factor still explained beyond 20% of additional variance indicating an unclear factor structure. However, the first factor explained the majority of the variance and factor loadings were unequal. Thus, unrotated factor values were saved and used for further analysis. Cronbach's Alpha for supervisor perception of civic virtue was 0.80.

**Supervisor citizenship behaviours** towards subordinates were measured using two items from Guest and Conway (2001). Guest and Conway measured citizenship behaviour of organisation towards employee. For the purpose of the present research, items were adapted to measure supervisor citizenship behaviours to subordinates as perceived by subordinates. A sample item is "Mein Vorgesetzter ist bereit, ungewöhnliche Lösungen zu finden, um mir zu helfen". Responses were measured using a 5-point Likert scale ranging from "Trifft nicht zu" to "Trifft völlig zu". Employees not supervisors were asked to judge supervisor citizenship behaviours. Cronbach's Alpha was 0.88.

**Affective commitment** was measured with 3 items. This measure includes the three highest loading items identified by McGee and Ford (1987) from Meyer and Allen's (1984) original scale. A sample item was "Die Organisation hat für mich eine große persönliche Bedeutung". Responses were measured using a 5-point Likert scale ranging from "Trifft nicht zu" to "Trifft völlig zu". Cronbach's Alpha was 0.91.

**Intention to leave** the organisation was measured using two items adopted from Tekleab and Taylor (2003). While Tekleab and Taylor (2003) cite Camman et al. (1979) as a source for their measure, the measure developed by Camman et al. (1979) is different from that used by Tekleab and Taylor (2003). Thus, the original source of the instrument is unknown. Cronbach's Alpha was 0.80.

#### 10.4.3. Supervisor Variables

Supervisor **communication behaviours** (*self-perception and employee perception*): Leadership communication is more commonly measured as quantity than as quality. Mohr et al. (2004a, 2004b) developed two instruments that measure different aspects of communication quality of supervisors towards their subordinates.

Leadership communication quality, the first instrument, measures for example whether information is conveyed in a clear way, whether an appropriate amount of detail is communicated to subordinates or whether supervisors are prepared to listen to their subordinates. The measure comprises 8 items, for example "Mein/e Vorgesetzte/r formuliert schwierige Sachverhalte verständlich".



Verbal leadership, the second instrument, also measures communication behaviours. The original measure from Mohr et al. (2006) comprises six items of which five were used for this research. A sample item was “Mein/e Vorgesetzte/r fordert mich auf, eigene Anliegen einzubringen“.

A conceptual differentiation between verbal leadership and leader communication behaviour is difficult as both are concerned with communication behaviours of leaders towards subordinates. Data on correlations between the two constructs was not available from the original authors. Pearson correlation between the two measures was 0.86 for employee perceptions. Because differentiation between the two variables was difficult from a conceptual as well as from a statistical perspective, the two original indicators were amalgamated into one 13-item variable labelled supervisor communication behaviours. Responses were measured using a 5-point Likert scales ranging from “Trifft nicht zu” to “Trifft völlig zu”. Cronbach’s Alpha for the new variable was 0.94.

Supervisors were also asked to answer these items in a reworded version. For supervisor self-perception, the Pearson correlation between verbal leadership and leadership communication quality was 0.66. This suggests two constructs. To explore this view, a confirmatory factor analysis was carried out. The two factors explain 47.06% of the variance. The unrotated factor solution showed that the first factor explained 34.11% of variance. The second factor explained 12.95%. Inspection of the unrotated factor loadings showed all items loaded on the first factor with factor loadings between 0.45 and 0.70. Inspection of rotated factor loadings showed that factor loadings did not reflect the expected divide between verbal leadership and leadership communication. An additional exploratory factor analysis showed four factors explaining 63.44% of the variance. In conclusion, factor analysis indicated that at least two different constructs had been measured, but that these constructs were not verbal leadership and leadership communication quality. On the basis of these factor analyses it is argued that for self-perception of communication behaviours no important loss of information is involved when one variable is created. Thus, for self-perception of communication behaviours, the data was amalgamated into one 13-item variable. Cronbach’s Alpha for this variable was 0.83.

**Communication Channels:** Guest and Conway (2001; see section 5.4.3) have suggested that organisations can use a variety of communication channels to convey messages about mutual obligations. They found that usage of a variety of communication channels was negatively related to breach of obligations by the organisation. Guest and Conway (2001), measured a wide range of communication channels available to the organisation. For the purpose of this research, communication channels used by supervisors are of interest. From the communication channels suggested by Guest and Conway (2001) those channels commonly used by supervisors were chosen and partly integrated or extended. For example, goal setting, performance appraisal as well as training & development were formulated as two items: performance appraisal

and “Entwicklungsgespräch”. Goal setting practices were measured separately. Four items were thus derived from Guest and Conway’s (2001) measure. These four items were included in the second pilot study. Participants in the second pilot study were also asked to indicate any other communication channels that their supervisors had used to communicate about mutual obligations. No additional channels were indicated. However, another instrument, namely employee resource utilisation, which is not included in this research, was also tested in the second pilot study. One participant indicated that he/she had talked about mutual obligations during a job interview for another job in the same organisation. Therefore, job interviews applying for a job in the organisation and job interviews applying for a change of job within the organisation were included as separate items. Thus, six communication channels were measured. Apart from the four channels already mentioned, employee briefings/meetings as well as informal communication were included in the measure.

In the main study, participants were also asked to indicate further communication channels their supervisor may have used. One participant indicated that the supervisor had addressed mutual obligations during a personal conversation. This response was counted as belonging to the items “informal communication”. Another participant indicated “during a meeting initiated by the employee”. This response was counted as a separate category.

Employees were asked which channels their supervisor had used during the last two years in order to communication about mutual obligations. The response format was “Yes”, “No, there was no opportunity” and “No, although the opportunity would have been there”. The differentiation between the latter two responses was introduced in order to avoid that supervisors from organisations which for example have no structured “Entwicklungsgespräch” obtain lower scores although they have used all available communication channels. The original idea was to calculate a quotient of channels available and channels used.

However, the pattern of results indicated that respondents may have difficulties with differentiating between the latter two response options. Therefore the variable communication channels was calculated by adding the number of channels used. Only employees were asked to indicate communication channels used by the supervisor.

***Interactional and procedural justice:*** a very well established measure developed by Moorman (1991) was adapted with 7 items measuring procedural justice and 6 items measuring interactional justice from the perspective of the employee. A sample item for interactional justice was “In Entscheidungssituationen behandelt mein/e Vorgesetzte/r mich freundlich und mit Respekt”. A sample item for procedural justice was „Die Entscheidungsprozesse sind so gestaltet, dass die Anliegen aller von der Entscheidung Betroffenen gehört werden“. Responses were measured using a 5-point Likert scale ranging from “Trifft nicht zu” to “Trifft völlig zu”. As employee perception of interactional justice is a well established measure, a confirmatory factor analysis was conducted. The first factor explained 59.36% of the variance and Cron-

bach's Alpha was 0.86. A confirmatory factor analysis was carried out for employee perception of procedural justice. The first factor explained 59.14%. Cronbach's Alpha was 0.88.

**Information, explanation & compensation:** no measure was available that captures remedial action of supervisors after breach has occurred according to the recommendations proposed by Morrison and Robinson (1997) and Rousseau (1995). Therefore a measure was developed. Items were derived from theory based on three factors that have been suggested to reduce the impact of contract breach by the organisation on outcomes: (1) informing employees about impending breach of obligations as early as possible, (2) offering an explanation that is honest and places responsibility for the breach outside the control of the organisation and (3) offering some sort of alternative that reduces the loss that employees have incurred through psychological contract breach. Originally, 11 items were derived from theory and included in the second pilot study. Response to items was dependent on a filter question, thus not all participants in the second pilot study answered these items, leaving data from four participants. Due to this lack of pilot data, a crude strategy was used for reducing the number of items. All items with no variation in responses were omitted from the measure, leaving seven items reflecting the three aspects named above. Responses were measured using a 5-point Likert scale ranging from "Trifft nicht zu" to "Trifft völlig zu". Response to the items depended on a filter question. Respondents only answered questions on information, explanation and compensation when they agreed at least partly to the previous item "Die Organisation hat Ihre Verpflichtungen mir gegenüber wiederholt nicht erfüllt". 35 employee participants answered these items. Exploratory factor analysis showed that two factors explain 64.71% of the variance. Interpretation of factors is tentative as only 35 participants answered these items. A possible interpretation of the two-factor structure is that the first factor reflects "first-class" attempts to reduce losses incurred through personally offering an alternative, giving an explanation that is honest and places the breach outside the control of the organisation as well as providing information as early as possible. The second factor could reflect "second class" attempts where the supervisor explains the breach with unforeseeable changes. This and possible other explanations presented by the supervisor have induced the employee to perceive the loss incurred as less severe. However, a greater sample would be needed to confirm this two-factor structure. While reliability of the four items that loaded onto the first factor was good (Cronbach's Alpha 0.78), reliability was unacceptable for the second factor (Cronbach's Alpha 0.59). Thus, factor values for the first Varimax-rotated factor which explained 36.65% of the variance were saved and used for further analysis.

**Supervisor Centrality:** Various authors (see section 7.5) have suggested that there are differences across organisations, employees and supervisors with regard to the influence of a supervisor on the content of his or her subordinate's psychological contract. No instrument was available to measure supervisor impact on content. In the

literature, supervisor centrality has not been defined in detail. Therefore, supervisor centrality was defined here as the impact of the supervisor on content of mutual obligations and power to keep promises through access to resources. Accordingly, three items were developed and included in the second pilot study. Employee participants were asked to indicate the influence of their supervisor on their understanding of their own obligations, on the obligations of the organisation and the extent to which the supervisor has the power to keep commitments made. While the sample for the second pilot study was too small to conduct any formal tests, results showed a clear association between the first two items and a weak association with the third item. This was interpreted as reflecting two factors in supervisor centrality: impact on promise making and impact on promise keeping. Promise keeping was then extended into two items, one reflecting the extent to which the supervisor can influence others in the organisation in order to ensure that promises are kept. The other item reflects the extent to which the supervisor has access to financial and personnel resources – the latter for example referring to access to additional man power when required – in order to ensure promise keeping. Responses were measured using a 5-point Likert scale ranging from “Trifft nicht zu” to “Trifft völlig zu”. A sample item was “Mein/e Vorgesetzte/r hat genügend Einfluß auf andere in der Organisation, um dafür zu sorgen, dass die Organisation ihre Verpflichtungen mir gegenüber im Großen und Ganzen einhält“. Only employees were asked to indicate supervisor centrality. An exploratory factor analysis of the four items showed two factors explaining 83.48% of the variance. Items loaded onto the two factors as predicted, the first factor indicating influence of supervisors on the content of the psychological contract of the subordinate and the second factor describing power to keep commitments through influence on people and access to material resources. Cronbach’s Alpha for the four items measure was 0.71.

**Objective setting:** Objective setting was measured with 11 items from the perspective of supervisors. Items were adopted from Scheffer and Scherm (in review) and Scheffer (unpublished research). Items measured a number of aspects, e.g. whether goals are specific and measurable, whether goal achievement is tied to pay and career development. Supervisors were asked to indicate to which degree these aspects that define best practices in objective setting reflected their own use of objective setting. A sample item was “Ich definiere einen klaren Zeitrahmen für das Erreichen der Ziele“. Responses were measured using a 5-point Likert scale ranging from “Trifft nicht zu” to “Trifft völlig zu”. Cronbach’s Alpha was 0.89. Because this measure has only recently been developed, an exploratory factor analysis was carried out. Three factors explained 71.42% of the variance. Varimax rotation yielded factor loadings which can be interpreted as follows: Factor 1 is similar to SMART objective setting (Locke & Latham, 1985) including six items on time frame and measurability of goals, on aligning goals with organisational strategy, on feedback being given on goal achievement, on setting challenging goals and on goals being binding. The second factor included three items that reflect subordinate involvement, namely subordinate

participation in goal setting, alignment of goals with personal interests of the subordinate and subordinate commitment to the goals set. The third factor included two items and reflected alignment of goals with subordinate compensation and career progress. As the first factor explained the largest portion of the variance, Varimax-rotated factor scores were saved and used for further analysis.

#### 10.4.4. Control Variables

**Supervisor participation:** Participating supervisors were recruited for the survey by their subordinates. It was expected that there would be significant selection effects for supervisors. Firstly, it was expected that only those subordinates who expected medium to high levels of support from their supervisor would ask their supervisor to participate. Secondly, it is argued that participating in this study constituted a form of supervisor citizenship behaviour towards the subordinate. Also, it was expected that where trust between subordinate and supervisor was at the lower end of the range, supervisors would either not be asked to participate or would not agree to participate. In order to control for potential impact of these factors on the variables measured here, supervisor participation was used as a dichotomous control variable.

**Uniqueness of skills:** Lepak and Snell (1999, 2002) have suggested that uniqueness and strategic value of employees' skills are associated with the employment strategy and human resource system that organisations offer to employees. Different employment strategies may also be reflected in differential treatment by the supervisor. Supervisors may exert more effort with employees with unique and valuable skills. However, according to Lepak and Snell (1999, 2002) only those who have skills with a high strategic value will be employed within the organisation. Those with skills with low strategic value and low uniqueness will be employed through temping agencies or through shared services. Those with skills with low strategic value but high uniqueness of skills will be located in other organisations with which the organisation forms a partnership when required. Thus, it is argued that employees in any given organisation will be viewed as having skills with a moderate to high strategic value, i.e. variation in strategic value of skills will be small to moderate. Variation in the uniqueness of skills is argued to be higher. Thus, only uniqueness of skills is included here. For the first pilot study and the first part of the study, a 10-item measure of uniqueness of skills as judged by supervisors was adapted from Lepak and Snell (2002). However, the first part of the study showed that some of the item distributions were unacceptable spanning only the lower half of the distribution. The measure was therefore shortened to three items. Only those items with distributions spanning at least four of the five available scaling points were retained. Responses were measured using a 5-point Likert scale ranging from "Trifft nicht zu" to "Trifft völlig zu". A sample item was "Diese/r MitarbeiterIn hat Fähigkeiten, die nur schwer zu ersetzen wären". Only supervisors were asked to indicate uniqueness of skills. Cronbach's Alpha was 0.83.

**Age of subordinate:** Age was used as a continuous variable.

### 10.5. Data Analysis

Data was first inspected for missing data according to a procedure suggested by Tabachnik and Fidell (2007). Missing data was substituted using mean substitution only for one variable, namely age. Descriptive statistics were prepared focusing on the content of the psychological contract as reported by participants.

In order to test the hypotheses, the following procedure was adopted. A scatter plot of the dependent and independent variable was produced in order to identify outliers and check for the linearity of potential relationships. When there were outliers, they were excluded from analysis for the hypothesis in question. The criterion for excluding outliers was that a single data point was clearly located outside the distribution of the other data points in a way that would distort an otherwise linear relationship. This presented a fairly conservative rule for exclusion of cases. Scatter plots are not reported but exclusion of cases from the analysis is reported.

Next, the distribution of the dependent variable was inspected visually. With the kind of data collected, perfect normal distributions cannot be expected due to the restriction in the range of replies. Most scales for dependent variables allowed for a range between 1 and 5. Difference scores could only range from 0 to 4 and the variables are strictly speaking not metric but interval data. This puts a limit on the degree of normality achievable with this kind of data. This is a common problem in the behavioural sciences which is often solved by not reporting data on normality. Here, a decision was made on the basis of the appearance of the distribution. When the distribution was clearly not shaped like an inverse U but had a clear upward slope towards one side, the distribution was categorised as non-normal. When distribution shapes looked similar to a normal distribution, they were treated as normal, which is common practices in the behavioural sciences. Additionally, values and standard errors (SE) for Schiefe and kurtosis are reported as suggested by Hopkins and Weeks (1990).

When distribution of the dependent variable was normal, a Pearson correlation was produced to test the relationship between the dependent and the independent variable. When the correlation was significant ( $p \leq 0.05$ ) and in the expected direction, a regression model was calculated.

Three variables were potentially used as control variables: Age, skills and supervisor participation. When only employee data was used for testing the hypothesis, a Pearson correlation was calculated for the dependent variable and age of employee. A one-way ANOVA was carried out to estimate the effect of supervisor participation on the dependent variable. When supervisor data was also used for the hypothesis in question, Pearson correlations between the dependent variable and age of employee as well as skills of employee (a variable only available for those employees who participated with their supervisor) were calculated.

While it is customary to always include control variables, inclusion of non-significant terms in the regression model distorts the calculation of the  $\beta$  values of the significant terms. Furthermore, it is not plausible to apply stricter rules for inclusion in

the regression model to independent variables than to control variables. Therefore, control variables were only included in the regression model when Pearson correlations or ANOVA had been significant.

In various cases, a number of hypotheses were tested in one multiple stepwise regression. When this was the case, the two appropriate control variables were included in the model in the first block if correlations or ANOVA had been significant. Also, those independent variables where Pearson correlations had been significant were included in the model. Each independent variable was entered in a separate block in order to analyse changes in the explained variance for each variable independently. The only exception from this rule was made for interactional justice and communication behaviours. See section 11.2.8 for detail.

In some cases, direct and indirect effects on the dependent variable were measured. In order to separate direct and indirect effects, those variables which had in earlier regression analyses been shown to be related to the dependent and independent variables were entered into the regression model first. These variables can be interpreted as partial mediators between independent and dependent variable. Independent variables were entered afterwards. When the mediator term remained significant and the independent variables explained incremental variance in the dependent variable beyond the effect of the mediators, this was interpreted as support for both direct and indirect effects.

Corrected  $R^2$ , change in corrected  $R^2$ , significance of the overall model and significance of changes in F values from one block of the regression model to the next as well as significance of standardised  $\beta$  values were used to interpret the regression model. Finally, regression residuals were inspected.

Mediator hypotheses were tested using a procedure suggested by Baron and Kenny (1986). Moderator hypotheses were tested using multiple stepwise regression where the independent variable, the moderator variable and the product term of the two variables were entered as regressors (Bortz, 2005; Saunders, 1956).

When data screening indicated non-normal distributions, hypotheses were evaluated using Spearman's  $\rho$  correlations and Mann-Whitney U tests. Regression models were also calculated but only corrected  $R^2$  was interpreted.

## 11. Results

### 11.1. Data Screening and Descriptive Results

#### 11.1.1. Missing Values

The final data set including 211 cases of subordinates and supervisors was first checked for plausibility of maximum and minimum values to detect errors that may have occurred during data entry. No irregularities were detected. A missing value analysis was then carried out. An important concern according to Tabachnick and Fidell (2007) is whether there are systematic differences between cases with missing data and cases without missing data. With respect to this data set, the most important concern was whether those subordinates who had participated without their superiors differed systematically from those that had participated with their supervisor. Therefore, analyses of variance were carried out for each variable that subordinates had responded to using participation with or without superior as an independent variable.

Various significant differences between subordinates with and without supervisors emerged. Table 27 shows ANOVA results for variables with significant group differences.

Variable	Mean		F	Sig.
	without supervisor	with supervisor		
Trust in Organisation	3.21	3.54	4.33	0.04
Individual Initiative	- 0.16*	0.28*	7.12	0.01
Supervisor Citizenship Behaviour	2.90	3.55	13.11	0.00
Intention to Leave	2.46	1.93	6.38	0.01
Communication Behaviours	3.33	3.81	11.73	0.00
Interactional Justice	3.34	3.68	6.76	0.01
Supervisor Centrality	2.77	3.11	5.95	0.02

\* Means for rotated factor scores

Table 27: Differences between subordinates who participated with or without their supervisor

The table clearly shows that the two groups differed with respect to various variables. Participants who did not participate with their supervisor described themselves as showing less initiative at work, trusting their organisation less and wanting to leave more. They described their supervisors as less just, less powerful, less open to two-way communication and less prepared to put themselves out on the subordinate's account.

Furthermore, potential differences between the two participant groups with regard to demographic data were explored using analysis of variance and cross-tabs with Pearson's Chi-square test. Results showed that those who participated with their superior had a permanent rather than a temporary contract. There were no significant differences with regard to gender, age, tenure with organisation or with supervisor.

All in all, there seem to have been significant self-selection effects in the sample with regard to how participants describe themselves and their supervisors. These self-selection effects restricted the range of data for supervisors as only certain kinds of



subordinates participated with certain kinds of supervisors. This may negatively have affected the observed strength of relationships between supervisor and other variables.

Additionally, the data set was explored for missing values spread across the data. According to Tabachnick and Fidell (2007) when less than 5% of cases are missing, this is unproblematic. Apart from those variables which were not included in the first part of the main study (see section 10.3 for detail), missing values affected less than 5% of the cases for any one item. As substituting missing values generally constitutes a distortion of the data, missing values were not generally substituted. However, one exception was made. There were four cases for which age of subordinate was missing and three supervisors participated in the study without their subordinate. As age was used as a control variable in regression models, this would have meant losing four subordinate cases and five supervisor cases (as two of the subordinates with missing data on age participated with their supervisor). This would have meant reducing the supervisor sample by nearly 10%. Therefore missing values for age were substituted with the mean age which was 30. This procedure is in line with Tabachnick and Fidell (2007).

#### 11.1.2. The Content of the Psychological Contract

This study involved a process perspective on the psychological contract. Therefore, results regarding the content of the psychological contract are presented in a descriptive manner only. Means and standard deviations were used to identify the most important organisational and employee obligations as well as the degree to which inducements were delivered by organisations and contributions made by employees in reality. Also, tables show the perceived degree of promise keeping for each obligation. Promise keeping is illustrated using a discrepancy score where level of delivery was deducted from level of obligation. As can be seen from the tables, mean obligation was on average higher than mean delivery of obligations, with the exception of employee views of employee promise-keeping. It could be argued that the extent of promise breaking as perceived by employees and supervisors is related to a tendency to underestimate the contributions that the other party makes. Saying this, it is still argued that inter-individual differences in the extent of perceived promise breaking are meaningful. For this reason and in order to illustrate areas of risk for organisations more clearly, an adjusted index of relative promise keeping ( $\Delta$  adjusted) was calculated. This was achieved by deducting mean discrepancy from the discrepancy value. This index of relative promise keeping is reported in the last column. Negative values indicate a perception that the obligation is being kept, positive values indicate lack of promise keeping.

Table 28 illustrates the results for mean level of organisational obligations. The results show that being informed about important developments in the organisation, autonomy, being offered a salary that is fair in comparison to the tasks and being offered the necessary training are the four most important organisational obligations as viewed by participants. The adjusted index in the last column of the table shows that the organisational obligation to offer autonomy that is necessary to do one's job well is perceived as being fulfilled. Obligations regarding information about important developments, compensation that is fair in comparison to the tasks and necessary training on the other hand are not seen to be fulfilled. Note that organisational obligations regarding job security are on average being seen as fulfilled by employees.

Subordinate Perspective	Organisational Obligation			Organisational Delivery			Promise Keeping	
	Rank	Mean	SD	Rank	Mean	SD	$\Delta$	$\Delta$ adjusted
Job Security	7	3.70	1.14	1	3.60	1.15	0.10	-0.49
Career Prospects	10	3.52	0.98	11	2.88	1.07	0.64	0.05
Personal Support	14	2.96	1.01	9	2.97	1.15	-0.01	-0.60
Information/Developments	1	4.23	0.89	5	3.14	0.97	1.09	0.50
Involvement/Decisions	12	3.27	0.93	13	2.76	1.02	0.51	-0.08
Up-to-date Training	6	3.84	1.03	3	3.23	1.35	0.61	0.02
Necessary Training	4	4.17	1.05	2	3.09	1.14	1.08	0.49
Autonomy	2	3.95	0.90	7	3.58	1.03	0.38	-0.22
Standardisation	9	3.58	0.92	6	3.12	0.93	0.46	-0.13
New Skills	8	3.63	1.03	8	3.08	1.18	0.55	-0.04
High Salary	13	3.13	1.00	14	2.75	0.98	0.39	-0.20
Compensation/Performance	5	3.90	1.04	12	2.87	1.06	1.03	0.44
Compensation/Task	3	4.10	0.99	10	2.89	1.04	1.21	0.62
Fringe Benefits	11	3.41	1.11	4	3.18	1.28	0.23	-0.36
<b>Mean</b>		<b>3.67</b>			<b>3.08</b>		<b>0.59</b>	

Table 28: Organisational obligations, delivery and obligation keeping as viewed by subordinates

Table 29 describes the same organisational obligations but viewed by supervisors. Information about important developments, offering the necessary training and autonomy are also regarded as important obligations by supervisors. However, in contrast to the employee perspective, supervisors also reported relatively high levels of obligations with regard to job security. The table shows that on average supervisors and employees agree as to the most important obligations of the organisation with the exceptions of job security.

Supervisor Perspective	Organisational Obligation			Organisational Delivery			Promise Keeping	
	Rank	Mean	SD	Rank	Mean	SD	$\Delta$	$\Delta$ adjusted
Job Security	3	4.14	0.85	1	4.12	0.88	0.02	-0.22
Career Prospects	11	3.62	0.81	12	3.31	1.03	0.31	0.07
Personal Support	9	3.72	0.89	5	3.69	0.90	0.03	-0.21
Information/Developments	1	4.21	0.74	3	3.72	0.81	0.48	0.24
Involvement/Decisions	13	3.43	0.75	13	3.17	0.90	0.26	0.02
Up-to-date Training	8	3.81	0.89	9	3.53	1.20	0.28	0.04
Necessary Training	2	4.17	0.78	7	3.60	0.94	0.57	0.33
Autonomy	3	4.14	0.79	2	3.79	0.82	0.35	0.11
Standardisation	9	3.72	0.85	11	3.47	0.86	0.26	0.02
New Skills	7	3.90	0.79	10	3.52	0.86	0.38	0.14
High Salary	14	2.76	0.76	14	2.96	0.97	-0.21	-0.45
Compensation/Performance	6	3.97	0.75	8	3.55	0.78	0.41	0.17
Compensation/Task	5	4.10	0.64	3	3.72	0.77	0.38	0.14
Fringe Benefits	12	3.49	1.07	6	3.67	1.06	-0.18	-0.42
<b>Mean</b>		<b>3.80</b>			<b>3.56</b>		<b>0.24</b>	

Table 29: Organisational obligations, delivery and obligation keeping as viewed by supervisors

Figure 34 shows promise keeping as perceived by subordinates and supervisors. Obligations are ordered according to employee ranking of organisational obligation and based on the adjusted index of promise keeping. The figure shows that supervisors and subordinates on average tend to agree on the degree to which less important obligations are being kept. Agreement is lower for keeping of obligations that are more important to employees. The figure also shows that disagreement on promise keeping is highest regarding a salary that is fair when considering the tasks that are being fulfilled by employees. Interestingly, the figure also shows that where employees view obligations regarding job autonomy as over-fulfilled, supervisors view them as slightly under-fulfilled. Note that the reported results refer to average agreement, not to agreement between any particular dyad of supervisor and subordinate.

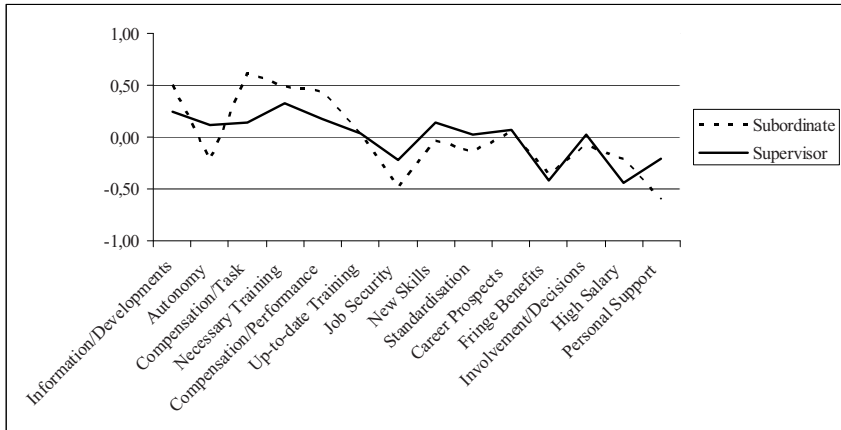


Figure 34: Keeping of organisational obligations

Table 30 shows employee obligations as viewed by employees. The table shows that employees see looking to improve the way one’s own work and that of the team is done as their most important obligation. Also, being flexible as to how the work is done is an important obligation and putting in the overtime necessary to get a job done. On average, employees do not feel that they completely fulfil their obligation to look for improvements whereas they do feel that they fulfil their obligations with regard to working overtime.

Subordinate Perspective	Employee Obligation			Employee Delivery			Promise Keeping	
	Rank	Mean	SD	Rank	Mean	SD	Δ	Δ adjusted
Necessary Overtime	4	3.96	0.84	1	4.33	0.84	-0.37	-0.31
Unpaid Overtime	9	2.94	1.27	8	3.34	1.53	-0.40	-0.34
Additional Tasks	8	3.45	0.93	5	3.84	1.00	-0.38	-0.33
Improvement/Job	1	4.08	0.80	6	3.80	0.83	0.28	0.34
Improvement/Team	2	4.01	0.87	7	3.71	0.97	0.30	0.35
Flexibility/Tasks	5	3.75	0.87	3	3.89	0.86	-0.14	-0.09
Flexibility/Hours	6	3.67	0.89	4	3.86	1.07	-0.18	-0.13
Cost Reduction	7	3.47	1.04	9	3.16	1.14	0.31	0.37
Flexibility/Processes	3	4.00	0.81	2	3.91	0.92	0.09	0.15
<b>Mean</b>		<b>3.70</b>			<b>3.76</b>		<b>-0.05</b>	

Table 30: Employee obligations, delivery and obligation keeping as viewed by subordinates

Table 31 shows employee obligations as viewed by supervisors. The top four employee obligations as perceived by supervisors are identical with those being reported by employees, namely looking for improvements, doing the necessary overtime and being flexible about how the work is done.

Supervisor Perspective	Employee Obligation			Employee Delivery			Promise Keeping	
	Rank	Mean	SD	Rank	Mean	SD	$\Delta$	$\Delta$ adjusted
Necessary Overtime	2	4.16	0.85	1	4.07	0.92	0.09	-0.01
Unpaid Overtime	9	2.71	1.27	9	3.00	1.48	-0.29	-0.39
Additional Tasks	8	3.48	0.78	2	3.91	0.82	-0.43	-0.53
Improvement/Job	2	4.16	0.67	4	3.83	0.78	0.33	0.23
Improvement/Team	4	4.02	0.74	7	3.66	0.83	0.36	0.26
Flexibility/Tasks	5	4.00	0.76	6	3.75	0.83	0.25	0.15
Flexibility/Hours	6	3.76	0.86	5	3.78	1.03	-0.02	-0.11
Cost Reduction	7	3.53	0.98	8	3.28	0.82	0.25	0.16
Flexibility/Processes	1	4.19	0.63	3	3.84	0.83	0.34	0.25
<b>Mean</b>		<b>3.78</b>			<b>3.68</b>		<b>0.10</b>	

Table 31: Employee obligations, delivery and obligation keeping as viewed by supervisors

Figure 35 shows promise keeping as perceived by subordinates and supervisors. The illustration is based on the adjusted index of promise keeping. Supervisors and employees generally agree on the degree to which obligations are being fulfilled. However, there are notable differences with regard to working overtime. Whereas employees on average view the obligation to be over-fulfilled, supervisors view it as completely fulfilled but not over-fulfilled. Results are similar for flexibility with regard to processes. Whereas subordinates view this obligation as over-fulfilled, supervisors view it as slightly under-fulfilled.

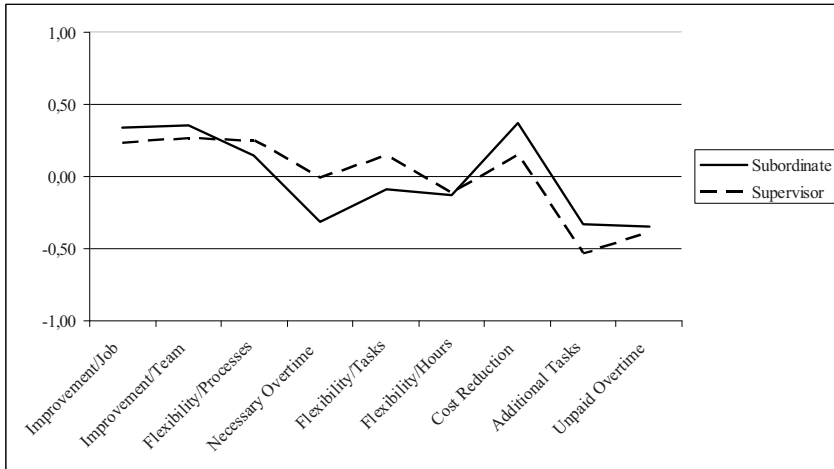


Figure 35: Keeping of employee obligations

### 11.1.3. Overview: Means, Standard Deviations and Correlations

Table 32 provides an overview of means, standard deviations and correlations between the variables used to test the hypotheses. In the table, EP refers to employee perception, SP refers to supervisor perception. As discussed in section 10.4, in some cases not unweighted variable means but factor scores were used for hypothesis testing. Means and standard deviations in Table 32 are based on the unweighted means for all relevant items. When factor scores were used for hypothesis testing but not for the means table, variable names are marked with an asterisk in Table 32. All correlations reported in this table are Pearson correlations. Correlations marked with one asterisk are significant at  $p < 0.05$ . Correlations marked with two asterisks are significant at  $p < 0.01$ . Correlation sizes reported here and reported in section 11.2 may vary in various cases, namely

1. When Spearman  $\rho$  correlations were used for hypothesis testing. When applicable this is indicated in section 11.2.
2. When factor values had been used for the analysis. This was indicated in section 10.4.
3. When sample sizes were reduced due to the needs of the particular analysis. This is indicated in section 11.2.
4. When outliers were excluded from the analysis. This is indicated in section 11.2.

	N	Mean	Standard Deviations	Discrepancy Breach by Organisation: EP	Global Breach by Organisation: EP	Fairness of the Exchange: EP	Trust in Organisation: EP	Info, Explanation, Compensation*	Civic Virtue: EP	Civic Virtue: SP*	Individual Initiative: EP*
Discrepancy Breach by Organisation: EP	152	0.96	0.58	1							
Global Breach by Organisation: EP	152	2.18	0.88	.49**	1						
Fairness of the Exchange: EP	153	3.09	1.00	-.42**	-.61**	1					
Trust in Organisation: EP	153	3.33	0.93	-.51**	-.69**	.51**	1				
Info, Explanation, Compensation*	35	2.44	0.75	-.38*	-.46**	.41*	.69**	1			
Civic Virtue: EP	153	3.75	0.71	.04	-.19*	.14	.27**	.10	1		
Civic Virtue: SP*	57	3.75	0.79	-.11	-.07	-.02	.26	.28	.23	1	
Individual Initiative: EP*	153	3.38	0.73	-.15	-.19*	.02	.19	-.38*	.23**	-.06	1
Individual Initiative: EP*	57	3.29	0.64	-.11	-.15	.04	.28	-.07	.21	.45**	.22
Intention to Leave	153	2.27	1.28	.34*	.47**	-.38**	-.42**	-.27	-.17*	-.06	-.15
Affective Commitment	153	3.27	1.00	-.17*	-.35**	.34**	.42**	-.13	.39**	.12	.18*
Discrepancy Breach by Employee: SP	58	0.49	0.45	-.06	-.09	.03	-.04	-.17	-.19	-.45**	.20
Global Breach by Employee: SP	57	1.57	0.64	-.01	.07	.13	-.13	-.30	-.20	-.36**	.10
Trust in Employee: SP	57	4.54	0.60	-.11	-.12	.01	.40**	.37	-.05	.53**	-.11
Supervisor Citizenship Behaviour	153	3.13	1.09	-.40**	-.52**	.42**	.64**	.65**	.18*	.26	.22**
Agreement on Organisational Obligations	55	0.98	0.46	.20	.05	.09	.03	-.21	-.03	-.06	-.09
Agreement on Delivery of Org. Contributions	55	0.91	0.38	-.25	-.15	.27*	.41**	.18	.07	.04	.10
Supervisor Communication Behaviour: EP	137	3.50	0.81	-.45**	-.60**	.45**	.71**	.70**	.20*	.06	.15
Supervisor Communication Behaviour: SP	51	3.95	0.38	.19	.04	-.10	.07	.10	.14	.210	.09
Communication Channels	135	2.56	1.58	-.18*	-.27**	.26**	.30**	.29	.10	-.23	.11
Supervisor Centrality	137	2.89	0.81	-.30**	-.40**	.34**	.48**	.34*	.18*	.25	.25**
Interactional Justice	152	3.46	0.79	-.42**	-.54**	.40**	.75**	.75**	.21**	.26	.16*
Procedural Justice	152	2.86	0.75	-.37**	-.51**	.41**	.64**	.41*	.20*	.23	.15
Agreement on Employee Obligations	55	0.91	0.43	.19	-.11	.14	.21	-.29	.07	-.16	.14
Agreement on Delivery of Emp. Contributions	55	0.94	0.42	-.04	.04	.03	.11	.29	.14	.30*	.01
Objective Setting*	57	3.75	0.67	-.04	-.04	.11	-.12	.44	.26	-.06	.12
Age	149	29.70	6.55	.04	-.01	.08	-.14	-.34*	.01	-.11	.14
Uniqueness of Skills	57	3.50	0.98	-.10	-.06	.10	.21	.35	.06	.38*	-.17

Table 32: Means, standard deviations and correlations

	Individual Initiative: EP*	Intention to Leave	Affective Commitment	Discrepancy Breach by Employee: SP	Global Breach by Employee: SP	Trust in Employee: SP	Supervisor Citizenship Behaviour	Agreement on Organisational Obligations	Agreement on Delivery of Org. Contributions	Supervisor Communication Behaviour: EP
Discrepancy Breach by Organisation: EP										
Global Breach by Organisation: EP										
Fairness of the Exchange: EP										
Trust in Organisation: EP										
Info, Explanation, Compensation*										
Civic Virtue: EP										
Civic Virtue: SP*										
Individual Initiative: EP*	1									
Individual Initiative: EP*		1								
Intention to Leave	-.08		1							
Affective Commitment	.19	-.45**		1						
Discrepancy Breach by Employee: SP	-.32*	-.03	-.16		1					
Global Breach by Employee: SP	-.31*	-.16	-.15	.47**		1				
Trust in Employee: SP	.29*	-.07	.09	-.29*	-.45**		1			
Supervisor Citizenship Behaviour	.30*	-.32**	.31**	-.09	-.14	.42**		1		
Agreement on Organisational Obligations	-.03	-.13	-.15	-.18	-.05	-.14	-.02		1	
Agreement on Delivery of Org. Contributions	.20	-.14	-.08	-.25	.01	.09	.19	.30*		1
Supervisor Communication Behaviour: EP	.06	-.45	.38**	-.02	-.14	.29*	.74**	.00	.13	
Supervisor Communication Behaviour: SP	.10	-.02	.20	-.11	-.27	.11	.27	.00	-.46**	.16
Communication Channels	-.19	-.26**	.32**	.28	.23	.11	.33**	.00	-.04	.46**
Supervisor Centrality	.28	-.40**	.39**	.04	.09	.21	.44**	-.12	-.04	.47**
Interactional Justice	.23	-.44**	.33**	-.14	-.10	.39**	.72**	.11	.29*	.85**
Procedural Justice	.26	-.31**	.41**	.06	.09	.28*	.43**	.00	.27*	.52**
Agreement on Employee Obligations	.22	-.02	.03	-.21	-.20	.10	.12	.26	.30*	.02
Agreement on Delivery of Emp. Contributions	.25	.20	-.02	-.42**	-.26	.19	.01	.02	.25	-.03
Objective Setting*	-.21	-.18	-.02	.08	.11	-.06	.10	-.18	.00	.12
Age	.07	-.05	.10	-.08	-.02	-.28*	-.16	-.14	-.08	-.25**
Uniqueness of Skills	.17	-.20	.15	-.31**	-.16	.40**	.26	.16	.22	.24

Table 32: continued: Means, standard deviations and correlations



	Supervisor Communication Behaviour: SP	Communication Channels	Supervisor Centrality	Interactional Justice	Procedural Justice	Agreement on Employee Obligations	Agreement on Delivery of Emp. Contributions	Objective Setting*	Age	Uniqueness of Skills
Discrepancy Breach by Organisation: EP										
Global Breach by Organisation: EP										
Fairness of the Exchange: EP										
Trust in Organisation: EP										
Info, Explanation, Compensation*										
Civic Virtue: EP										
Civic Virtue: SP*										
Individual Initiative: EP*										
Individual Initiative: EP*										
Intention to Leave										
Affective Commitment										
Discrepancy Breach by Employee: SP										
Global Breach by Employee: SP										
Trust in Employee: SP										
Supervisor Citizenship Behaviour										
Agreement on Organisational Obligations										
Agreement on Delivery of Org. Contributions										
Supervisor Communication Behaviour: EP										
Supervisor Communication Behaviour: SP	1									
Communication Channels	-.03	1								
Supervisor Centrality	-.01	.33**	1							
Interactional Justice	.16	.38**	.50**	1						
Procedural Justice	.09	.47**	.54**	.59**	1					
Agreement on Employee Obligations	-.13	.20	-.07	.08	.06	1				
Agreement on Delivery of Emp. Contributions	-.09	-.14	-.01	.07	.10	.48**	1			
Objective Setting*	.26	.13	.07	-.07	-.08	-.06	-.07	1		
Age	-.08	-.25*	-.11	-.24**	-.12	.03	.13	.09	1	
Uniqueness of Skills	.05	-.01	.16	.37**	.26	-.15	.06	-.11	-.28*	1

Table 32: continued: Means, standard deviations and correlations

For example, the correlation reported here between age and supervisor citizenship behaviour is based on the full employee sample size of 153. The correlation reported for Hypothesis 6a is different because it was calculated for the sub-sample of 55 subordinates who participated with their supervisor and whose data could therefore be included in the analysis of Hypothesis 6a.

An exploratory analysis of variance was used to check for the impact of subordinate sex on the variables included in the analysis. ANOVA results were significant for the effect of employee sex on information, explanation and compensation ( $F= 4.60, p>0.05$ ). Male participants reported higher levels of information, explanation and compensation behaviours than females. This effect disappeared when only those 21 participants that were included in hypothesis testing for information, explanation and compensation were included in the analysis ( $F=1.28; ns$ ). See section 11.2.1, Hypothesis 1d, for an explanation as to why only 21 participants were included. Thus, data analysis indicated no significant effect of subordinate sex on the results of this study.

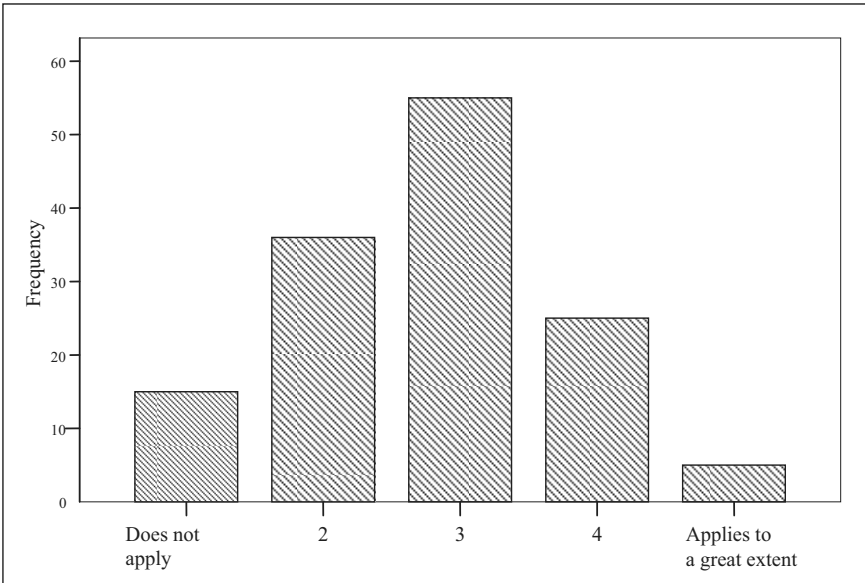


Figure 36: Supervisor influence on perceptions of organisational obligations

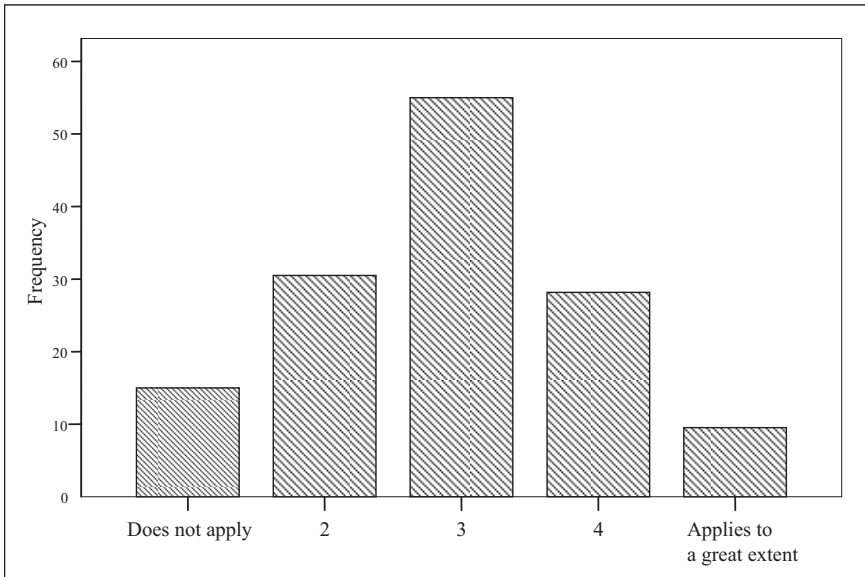


Figure 37: Supervisor influence on perceptions of employee obligations

For the purpose of the research, the assumption was made that supervisors can influence the psychological contracts of their subordinates. In order to test this assumption, supervisor centrality was measured using four items as described in section 10.4.3. Figure 36 and Figure 37 show the distribution for the two items “My supervisor has influenced my understanding of organisational obligations towards me” and “My supervisor has influenced my understanding of my obligations towards the organisation”. Item distributions are largely normal which supports the view that supervisors are generally able to influence the content of their subordinates’ psychological contracts.

## 11.2. Hypothesis Testing

Slightly varying sample sizes are a result of missing data which was not substituted (except for age, see section 11.1.1). Also, some items were not included in the version of the questionnaire used during the first phase of the main study (see section 10.3).

### 11.2.1. Hypothesis 1

Hypothesis 1 predicted the relationship between the two measures of breach, trust and fairness as perceived by subordinates. Hypothesis 1a predicted a positive relationship between discrepancy breach by the organisation as perceived by subordinate and global evaluation of breach by the organisation as perceived by subordinate. Inspection of the scatter plot showed no outliers. Schiefe is 0.68 with a standard error (SE) of 0.20. Kurtosis is - 0.28 with a standard error of 0.39. Pearson correlation between

discrepancy breach by organisation and global breach by organisation is 0.49 ( $p < 0.01$ ;  $N = 151$ ). The hypothesis was therefore tested using hierarchical regression analysis. Pearson correlation between global breach and age ( $r = -0.01$ ) is not significant. One-way ANOVA showed that supervisor participation has no significant effect on global breach by organisation ( $F = 3.64$ ). The two controls were therefore not entered into the regression model. Discrepancy breach by organisation was entered as the independent variable. As shown in Table 33, discrepancy breach by organisation (standardised  $\beta = 0.49$ ;  $p < 0.01$ ) has a significant effect on global evaluation of breach by organisation. Discrepancy breach by organisation explains a significant part of the variance in global breach by organisation ( $\Delta R^2 = 0.24$ ;  $\Delta F = 46.96$ ,  $p < 0.01$ ). Thus, Hypothesis 1a is supported.

Variables and Steps	Global Breach by Organisation	
		<i>Step 1</i>
Supervisor Participation	F = 3.64 ns	-
Age	$r = -0.01$ ns	-
<i>Step 1</i>		
Discrepancy Breach by Org.		0.49**
F		46.96**
Change in F		46.96**
Change in R <sup>2</sup>		0.24
Adjusted R <sup>2</sup>		0.24

\* Significant at 0.05 level; \*\* significant at 0.01 level

\*\*\* Standardised beta coefficients are reported in columns

N = 151

Table 33: Regression analysis Hypothesis 1a\*\*\*

Hypothesis 1b predicted a negative relationship between discrepancy breach by organisation as perceived by subordinate and fairness of the exchange as perceived by subordinate. Inspection of the scatter plot showed no outliers. Schiefe is -0.21 (SE = 0.20). Kurtosis is -0.60 (SE = 0.39). Pearson correlation between discrepancy breach by organisation and fairness of the exchange is -0.42 ( $p < 0.01$ ;  $N = 152$ ). The hypothesis was therefore tested using hierarchical regression analysis. Pearson correlation between fairness of the exchange and age ( $r = -0.08$ ; ns) is not significant. One-way ANOVA showed that supervisor participation has no significant effect on fairness of the exchange ( $F = 0.90$ ). The two controls were therefore not entered into the regression model. Discrepancy breach by organisation was entered into the regression model. As shown in Table 34, discrepancy breach by organisation (standardised  $\beta = -0.42$ ;  $p < 0.01$ ) has a significant effect on fairness of the exchange. Discrepancy breach by organisation explains a significant part of the variance in fair-

ness of the exchange ( $\Delta R^2 = 0.18$ ;  $\Delta F = 32.29$ ,  $p < 0.01$ ). Thus, Hypothesis 1b is supported.

Variables and Steps		Fairness of Exchange
		<i>Step 1</i>
Supervisor Participation	F = 0.90 ns	-
Age	r = 0.08 ns	-
<i>Step 1</i>		
Discrepancy Breach by Org.		-0.42**
F		32.29**
Change in F		32.29**
Change in R <sup>2</sup>		0.18
Adjusted R <sup>2</sup>		0.17

\* Significant at 0.05 level; \*\* significant at 0.01 level

\*\*\* Standardised beta coefficients are reported in columns

N = 152

Table 34: Regression analysis Hypothesis 1b\*\*\*

Hypothesis 1c predicted that the negative relationship between discrepancy breach by organisation as perceived by subordinate on trust in the organisation would be mediated by global breach by organisation as perceived by subordinate. A procedure suggested by Baron and Kenny (1986) was followed to test this hypothesis. Mediation is present when three conditions are fulfilled. Firstly, the independent variable must be related to the mediator. Secondly, the independent variable must affect the dependent variable. Thirdly, the effect of the independent variable on the dependent variable must be smaller when the mediator is included in the regression model. When entering the mediator into the regression model renders the independent variable insignificant, this is labelled full mediation. When the effect of the independent on the dependent variable decreases once the mediator has been entered into the regression model, this is labelled partial mediation.

The relationship between the independent variable discrepancy breach by organisation and the mediator global breach by organisation has already been established in Hypothesis 1a. So the first condition for mediation is fulfilled. Inspection of the scatter plots for discrepancy breach by organisation and trust as well as global breach by organisation and trust showed no outliers. Schiefe is -0.59 (SE = 0.20). Kurtosis is -0.10 (SE = 0.39) for the distribution of trust in organisation. Pearson correlation between discrepancy breach by organisation and trust is -0.52 ( $p < 0.01$ ; N = 152). Pearson correlation between global breach by organisation and trust is -0.69 ( $p < 0.01$ ; N = 152). Pearson correlation between trust and age ( $r = -0.14$ ; ns) is not significant. One-way ANOVA showed that the effect of supervisor participation on trust is significant ( $F = 4.33$ ;  $p < 0.05$ ). Supervisor participation

was therefore entered in the first block of the regression model as a control variable. Discrepancy breach by organisation and global breach by organisation were entered in subsequent blocks.

<b>Variables and Steps</b>		<b>Trust in Organisation</b>		
		<i>Step 1</i>	<i>Step 2</i>	<i>Step 3</i>
<i>Step 1</i>				
Supervisor Participation	F = 4.33*	0.17*	0.10 ns	0.05 ns
Age	r = - 0.14 ns	-	-	-
<i>Step 2</i>				
Discrepancy Breach by Org.			- 0.50**	- 0.24**
<i>Step 3</i>				
Global Breach by Org.				- 0.56**
F		4.26*	28.28**	52.05**
Change in F		4.26*	50.88**	72.33**
Change in R <sup>2</sup>		0.03	0.25	0.24
Adjusted R <sup>2</sup>		0.02	0.27	0.51

\* Significant at 0.05 level; \*\* significant at 0.01 level

\*\*\* Standardised beta coefficients are reported in columns

N = 151

Table 35: Regression analysis Hypothesis 1c\*\*\*

As Table 35 (Step 2) shows, discrepancy breach by organisation, the independent variable (standardised  $\beta = -0.50$ ,  $p < 0.01$ ), explains a significant part of the variance in the dependent variable trust ( $\Delta R^2 = 0.25$ ;  $\Delta F = 50.88$ ,  $p < 0.01$ ). This fulfils the second condition for mediation. Table 35 (Step 3) also shows that when the mediator (standardised  $\beta = -0.56$ ;  $p < 0.01$ ) is entered into the regression model, it explains additional variance in trust ( $\Delta R^2 = 0.24$ ;  $\Delta F = 72.33$ ,  $p < 0.01$ ) while the  $\beta$  coefficient for discrepancy breach by organisation (standardised  $\beta = -0.24$ ;  $p < 0.01$ ) decreases considerably. The  $\beta$  coefficient for discrepancy decreases but is still significant when the mediator is entered. This indicates partial mediation. Thus, global breach by organisation partially mediates the relationship between discrepancy breach by organisation and trust in organisation. Hypothesis 1c is supported.

Hypothesis 1d predicted a moderating effect of information, explanation and compensation on the relationship between discrepancy breach by organisation and trust. The sample size for this hypothesis was considerably lower. Only those participants who had previously indicated that they partially, mostly or completely agreed with the statement that the organisation had repeatedly not kept its obligations were asked to answer items on information, explanation and compensation. This affected 26 participants. Data was completely or partially missing for five of these cases. However, some participants answered these items although they were not asked to do so due to their response to the filter question. This applied to 13 participants. These cases were

excluded from the analysis. It was assumed that they had overlooked the instructions. Thus, 21 cases were included in this analysis which constitutes 13.73% of the whole sample. Therefore a completely separate analysis was carried out although parts of the analysis are identical to Hypothesis 1a.

The scatter plot for the variables discrepancy breach by organisation and trust did not indicate outliers. The scatter plot for the variables information, explanation & compensation and trust did not indicate outliers. Pearson correlation between discrepancy breach by organisation and trust in organisation is - 0.31 (ns; N = 26). Pearson correlation between information, explanation & compensation and trust in organisation is - 0.59 (p < 0.01; N = 21). Correlation between age and trust is not significant (r = - 0.36; ns) but ANOVA showed that supervisor participation had a significant effect on trust in the organisation (F = 14.16; p < 0.01). Supervisor participation was therefore entered into the regression model as a first step. Table 36 illustrates the regression model.

Variables and Steps		Trust in Organisation			
		<i>Step 1</i>	<i>Step 2</i>	<i>Step 3</i>	<i>Step 4</i>
<i>Step 1</i>					
Supervisor Participation	F= 14.16**	0.54*	0.50*	0.54 **	0.48**
Age	r = - 0.36 ns	-	-	-	-
<i>Step 2</i>					
Discrepancy Breach by Org.			- 0.22 ns	- 0.07 ns	- 0.26 ns
<i>Step 3</i>					
Information, Explanation & Compensation (I, E & C)				0.59**	0.88*
<i>Step 4</i>					
I, E & C X Discrepancy Breach by Org.					- 0.40 ns
F		7.72*	4.57*	10.84**	8.23**
Change in F		7.72*	1.30 ns	15.83**	0.79 ns
Change in R <sup>2</sup>		0.29	0.05	0.32	0.02
Adjusted R <sup>2</sup>		0.25	0.26	0.60	0.59

\* Significant at 0.05 level; \*\* significant at 0.01 level  
 \*\*\* Standardised beta coefficients are reported in columns  
 N = 21

Table 36: Regression analysis Hypothesis 1d\*\*\*

The regression model shows that the interaction term information, explanation & compensation X discrepancy breach by organisation (standardised β value - 0.4; ns) does not explain additional variance in trust in organisation beyond what is explained by information, explanation & compensation as well as discrepancy breach by organisation. Thus, Hypothesis 1d is not supported. However, the regression analysis indicated a significant direct effect of information, explanation and compensation on trust in

organisation. This relationship was further explored in an additional regression analysis which is illustrated in Table 37.

Variables and Steps		Trust in Organisation	
<i>Step 1</i>		<i>Step 1</i>	<i>Step 2</i>
Supervisor Participation	F= 14.16**	0.54*	0.59**
Age	r = - 0.36 ns	-	-
<i>Step 2</i>			
Information, Explanation & Compensation			0.60**
F		7.72*	16.86**
Change in F		7.72*	18.77**
Change in R <sup>2</sup>		0.29	0.36
Adjusted R <sup>2</sup>		0.25	0.61

\* Significant at 0.05 level; \*\* significant at 0.01 level  
 \*\*\* Standardised beta coefficients are reported in columns  
 N = 21

Table 37: Regression analysis: direct effect of information, explanation & compensation\*\*\*

As shown in Table 37, information, explanation and compensation (standardised  $\beta = 0.60$ ;  $p < 0.01$ ) has a significant effect on trust in the organisation. Information, explanation and compensation explains a significant part of the variance in trust in the organisation ( $\Delta R^2 = 0.36$ ;  $\Delta F = 18.77$ ,  $p < 0.01$ ).

11.2.2. Hypothesis 2

Hypothesis 2 predicted the relationship between trust and fairness as well as organisational citizenship behaviour. Hypothesis 2a predicted a positive relationship between trust in the organisation and civic virtue behaviours of the subordinate. Civic virtue was measured as self-perception of the subordinate and as perceived by supervisor. Inspection of the scatter plot for trust in organisation and self-perception of civic virtue showed no outliers. Inspection of the scatter plot for trust in organisation and supervisor perception of civic virtue showed no outliers. Schiefe is - 0.52 (SE = 0.20) and kurtosis is 0.24 (SE = 0.39) for the distribution of self-perception of civic virtue. Schiefe is - 0.21 (SE = 0.33) and kurtosis is - 0.93 (SE = 0.65) for the distribution of supervisor perception of civic virtue. Pearson correlation for trust and self-perception of civic virtue is 0.27 ( $p < 0.05$ ; N = 153). Pearson correlation for trust and supervisor perception of civic virtue is 0.26 ( $p < 0.10$ ; N = 50). As the rule was only to calculate regression models when Pearson correlation was significant at  $p < 0.05$ , supervisor perception of civic virtue was not explored further. The relationship between self-perception of civic virtue and trust was explored further in a multiple regression jointly with fairness of the exchange.



Hypothesis 2b predicted a positive relationship between fairness of the exchange and civic virtue of the subordinate. Inspection of the scatter plot for fairness of the exchange and self-perception of civic virtue showed no outliers. Inspection of the scatter plot for fairness of the exchange and supervisor perception of civic virtue showed no outliers. Skiefe and Kurtosis values for civic virtue were reported above. Pearson correlation for fairness of the exchange and self-perception of civic virtue is 0.14 (ns; N = 153) and - 0.02 (ns; N = 50) for fairness of the exchange and supervisor perception of civic virtue. As Pearson correlations were not significant, fairness of the exchange was not entered in the regression analysis as an independent variable.

A hierarchical regression model was calculated where trust in organisation was used as independent variable and self-perception of civic virtue was used as dependent variable. Correlation between age and the dependent variable is not significant ( $r = 0.01$ ; ns). ANOVA results showed no significant effect of supervisor participation on the dependent variable ( $F = 0.08$ ). Therefore control variables were not entered in the regression model. As shown in Table 38, trust in organisation (standardised  $\beta = 0.27$ ;  $p < 0.01$ ) has a significant effect on self-perception of civic virtue. Trust in the organisation explains a significant part of the variance in civic virtue ( $\Delta R^2 = 0.07$ ;  $\Delta F = 11.79$ ,  $p < 0.01$ ). Thus, Hypothesis 2a is supported for self-perception but not for supervisor perception of civic virtue behaviours by subordinates. Trust in the organisation explains a relatively small part of the variance (7%) in civic virtue behaviours. Hypothesis 2b is not supported.

Variables and Steps		Self-perception: Civic Virtue
		<i>Step 1</i>
Has Partner	F= 0.08 ns	-
Age	r = 0.01 ns	-
<i>Step 1</i>		
Trust in Organisation		0.27**
F		11.79**
Change in F		11.79**
Change in R <sup>2</sup>		0.07
Adjusted R <sup>2</sup>		0.07

\* Significant at 0.05 level; \*\* significant at 0.01 level

\*\*\* Standardised beta coefficients are reported in columns

N = 153

Table 38: Regression analysis Hypotheses 2a\*\*\*

Hypothesis 2c predicted a positive relationship between trust in the organisation and individual initiative of the subordinate. Individual initiative was measured as self-perception of the subordinate and as perceived by supervisor. Inspection of the scatter plot for trust in organisation and self-perception of individual initiative showed no

outliers. Inspection of the scatter plot for trust in organisation and supervisor perception of individual initiative showed no outliers. Schiefe is - 0.08 (SE = 0.20) and kurtosis is - 0.42 (SE = 0.39) for the distribution of self-perception of individual initiative. Schiefe is - 0.25 (SE = 0.32) and kurtosis is 0.20 (SE = 0.63) for the distribution of supervisor perception of individual initiative. Pearson correlation for trust and self-perception of individual initiative is 0.19 ( $p < 0.05$ ;  $N = 153$ ). Pearson correlation for trust and supervisor perception of individual initiative is 0.28 ( $p < 0.05$ ;  $N = 54$ ). The relationship between self and supervisor perceptions of individual initiative as well as trust in organisation were explored further in two multiple regression analyses.

Hypothesis 2d predicted a positive relationship between fairness of the exchange and individual initiative of the subordinate. Inspection of the scatter plot for fairness of the exchange and self-perception of individual initiative showed no outliers. Inspection of the scatter plot for fairness of the exchange and supervisor perception of individual initiative showed no outliers. Schiefe and Kurtosis values for individual initiative were reported above. Pearson correlation for fairness of the exchange and self-perception of individual initiative is 0.02 (ns;  $N = 153$ ) and 0.04 (ns;  $N = 54$ ) for fairness of the exchange and supervisor perception of individual initiative. As Pearson correlations were not significant, fairness of the exchange was not entered in the regression analyses as an independent variable.

Variables and Steps		Self-perception: Individual Initiative	
<i>Step 1</i>		<i>Step 1</i>	<i>Step 2</i>
Supervisor Participation	F= 7.12**	0.21**	0.19*
Age	r = 0.14 ns	–	–
<i>Step 2</i>			
Trust in Organisation			0.16*
F		7.19**	5.66**
Change in F		7.19**	4.06*
Change in R <sup>2</sup>		0.05	0.03
Adjusted R <sup>2</sup>		0.04	0.06

\* Significant at 0.05 level; \*\* significant at 0.01 level

\*\*\* Standardised beta coefficients are reported in columns

N = 153

Table 39: Regression analysis Hypothesis 2c for self-perception of individual initiative\*\*\*

Two hierarchical regression models were calculated. In the first model, trust in organisation was used as independent variable and self-perception of individual initiative was used as dependent variable. Correlation between age and the dependent variable is not significant ( $r = 0.14$ ; ns). ANOVA showed a significant effect of supervisor participation on the dependent variable ( $F = 7.12$ ;  $p < 0.01$ ). Therefore supervisor

participation was entered into the regression model as a control variable. As shown in Table 39, trust in organisation (standardised  $\beta = 0.16$ ;  $p < 0.05$ ) has a significant effect on self-perception of individual initiative. Trust in the organisation explains a significant but small part of the variance in individual initiative ( $\Delta R^2 = 0.03$ ;  $\Delta F = 4.06$ ;  $p < 0.05$ ).

In the second model, trust in organisation was used as independent variable and supervisor perception of individual initiative was used as dependent variable. Correlation between age and the dependent variable is not significant ( $r = 0.07$ ; ns). ANOVA showed no effect of supervisor participation on the dependent variable ( $F = 0.62$ ). Therefore the control variables were not entered into the regression model. As shown in Table 40, trust in organisation (standardised  $\beta = 0.28$ ;  $p < 0.05$ ) has a significant effect on supervisor perception of individual initiative. Trust in the organisation explains a significant part of the variance in individual initiative ( $\Delta R^2 = 0.08$ ;  $\Delta F = 4.28$ ,  $p < 0.05$ ). Thus, Hypothesis 2c is supported for both self-perception and supervisor perception of individual initiative by subordinates. Hypothesis 2d is not supported.

Variables and Steps		Self-perception: Individual Initiative
		<i>Step 1</i>
Supervisor Participation	F = 0.62 ns	-
Age	r = 0.07 ns	-
<i>Step 1</i>		
Trust in Organisation		0.28*
F		4.28*
Change in F		4.28*
Change in R <sup>2</sup>		0.08
Adjusted R <sup>2</sup>		0.06

\* Significant at 0.05 level; \*\* significant at 0.01 level

\*\*\* Standardised beta coefficients are reported in columns

N = 54

Table 40: Regression analysis Hypothesis 2c for supervisor perception of individual initiative\*\*\*

### 11.2.3. Hypothesis 3

Hypothesis 3 predicted the relationship between trust and fairness as well as intention to leave the organisation. Hypothesis 3a predicted a negative relationship between trust in the organisation and intention to leave the organisation. Inspection of the scatter plot for trust in organisation and intention to leave showed no outliers. Schiefe is 0.76 (SE = 0.20). Kurtosis is -0.64 (SE = 0.39) for the distribution of intention to leave. Pearson correlation for trust and intention to leave is -0.42 ( $p < 0.01$ ; N = 153). The relationship between intention to leave and trust was explored further in a multiple regression jointly with fairness of the exchange.

Hypothesis 3b predicted a negative relationship between fairness of the exchange and intention to leave the organisation. Inspection of the scatter plot for fairness of the exchange and intention to leave showed no outliers. Schiefe and Kurtosis values for the distribution of intention to leave were reported above. Pearson correlation for fairness of the exchange and intention to leave is  $-0.38$  ( $p < 0.01$ ;  $N = 153$ ). The relationship between intention to leave and fairness was explored further in a multiple regression jointly with trust.

Variables and Steps		Intention to leave		
		<i>Step 1</i>	<i>Step 2</i>	<i>Step 3</i>
Supervisor Participation	F= 6.38*	-0.2*	-0.14 ns	-0.14 ns
Age	r = -0.05 ns	-	-	-
<b><i>Step 2</i></b>				
Trust in Organisation			-0.4 **	-0.28**
<b><i>Step 3</i></b>				
Fairness of Exchange				-0.23**
F		6.38*	18.29**	15.33**
Change in F		6.38*	29.01**	7.76**
Change in R <sup>2</sup>		0.04	0.16	0.04
Adjusted R <sup>2</sup>		0.03	0.19	0.22

\* Significant at 0.05 level; \*\* significant at 0.01 level

\*\*\* Standardised beta coefficients are reported in columns

N = 153

Table 41: Regression analysis Hypothesis 3\*\*\*

A hierarchical regression model was calculated where trust in the organisation and fairness of the exchange were used as independent variables and intention to leave as dependent variable. Pearson correlation between age and the dependent variable is not significant ( $r = -0.05$ ; ns). ANOVA showed a significant effect of supervisor participation on the dependent variable ( $F = 6.38$ ;  $p < 0.05$ ). Therefore supervisor participation was entered into the regression model in the first block as a control variable. As shown in Table 41, trust in organisation has a significant (standardised  $\beta = -0.4$ ;  $p < 0.01$ ) effect on intention to leave. Trust in the organisation explains a significant ( $\Delta R^2 = 0.16$ ;  $\Delta F = 29.01$ ;  $p < 0.01$ ) part of the variance in intention to leave. Fairness of the exchange (standardised  $\beta = -0.23$ ;  $p < 0.01$ ) also has a significant effect on intention to leave. It explains a significant amount of additional variance beyond what is explained by trust in the organisation ( $\Delta R^2 = 0.04$ ;  $\Delta F = 7.76$ ,  $p < 0.01$ ). Thus, Hypotheses 3a and 3b are supported. Jointly, trust and fairness explain 22% of the variance in intention to leave the organisation.

#### 11.2.4. Hypothesis 4

Hypothesis 4 predicted the relationship between trust and fairness as well as affective commitment to the organisation. Hypothesis 4a predicted a positive relationship between trust in the organisation and affective commitment. Inspection of the scatter plot for trust in organisation and affective commitment showed no outliers. Schiefe is  $-0.24$  ( $SE = 0.20$ ). Kurtosis is  $-0.50$  ( $SE = 0.39$ ) for the distribution of affective commitment. Pearson correlation for trust and affective commitment is  $0.42$  ( $p < 0.01$ ;  $N = 153$ ). The relationship between affective commitment and trust was explored further in a multiple regression jointly with fairness of the exchange.

Hypothesis 4b predicted a positive relationship between fairness of the exchange and affective commitment. Inspection of the scatter plot for fairness of the exchange and affective commitment showed no outliers. Schiefe and Kurtosis values are reported above. Pearson correlation for fairness of the exchange and affective commitment was  $0.38$  ( $p < 0.01$ ;  $N = 153$ ). The relationship between affective commitment and fairness was explored further in a multiple regression jointly with trust in the organisation.

Variables and Steps		Affective Commitment	
		Step 1	Step 2
Supervisor Participation	F= 3.39 ns	–	–
Age	r = 0.10 ns	–	–
<b>Step 1</b>			
Trust in Organisation		0.42**	0.34**
<b>Step 2</b>			
Fairness of Exchange			0.17*
F		32.42**	18.48**
Change in F		32.42**	3.92*
Change in R <sup>2</sup>		0.18	0.02
Adjusted R <sup>2</sup>		0.17	0.19

\* Significant at 0.05 level; \*\* significant at 0.01 level

\*\*\* Standardised beta coefficients are reported in columns

N = 153

Table 42: Regression analysis Hypothesis 4\*\*\*

A hierarchical regression model was calculated where trust in organisation and fairness of the exchange were used as independent variables and affective commitment as dependent variable. Pearson correlation between age and the dependent variable is not significant ( $r = 0.10$ ; ns). ANOVA showed no significant effect of supervisor participation on the dependent variable ( $F = 3.39$ ; ns) Therefore the control variables were not entered in the regression model. As shown in Table 41, trust in organisation (standardised  $\beta = 0.42$ ;  $p < 0.01$ ) has a significant effect on affective commitment.

Trust in the organisation explains a significant part of the variance in affective commitment ( $\Delta R^2 = 0.18$ ;  $\Delta F = 32.42$ ,  $p < 0.01$ ). Fairness also has a significant effect (standardised  $\beta = 0.17$ ;  $p < 0.05$ ) on affective commitment and explains a significant additional amount of variance in commitment beyond that explained by trust ( $\Delta R^2 = 0.02$ ;  $\Delta F = 3.92$ ,  $p < 0.05$ ). Thus, Hypotheses 4a and 4b are supported. Jointly, trust and fairness explain 19% of the variance in commitment. However,  $\beta$  values indicate that trust is the more important of the two variables.

### 11.2.5. Hypothesis 5

Hypothesis 5 predicted the relationship between discrepancy breach by the subordinate as perceived by the supervisor as well as global evaluation of breach by the subordinate as perceived by the supervisor, trust in subordinate and fairness of the exchange as perceived by the supervisor.

Hypothesis 5a predicted a positive relationship between discrepancy breach by subordinate as perceived by supervisor and global evaluation of breach by the subordinate as perceived by supervisor. Inspection of the scatter plot showed no outliers. Schiefe is 0.69 (SE = 0.32). Kurtosis is -0.71 (SE = 0.62). Visual inspection of the distribution indicated strong deviations from normality with frequencies gradually increasing towards the lower side of the range. Non-parametric tests were therefore used. Spearman's  $\rho$  correlation between discrepancy breach by subordinate and global breach by subordinate is 0.48 ( $p < 0.01$ ;  $N = 57$ ). A Mann-Whitney U test was also carried out. Data on discrepancy breach by subordinate was therefore converted into a dichotomous variable using a median split. Test results are significant ( $z = -2.20$ ;  $p < 0.05$ ), indicating a positive relationship between global breach by subordinate and discrepancy breach by subordinate. Thus, Hypothesis 5a is supported.

A hierarchical regression analysis was also conducted to estimate the size of the effect. Spearman's  $\rho$  correlation between global breach by subordinate and age ( $r = -0.03$ ; ns) is not significant. Spearman's  $\rho$  correlation between global breach by subordinate and uniqueness of skills ( $r = -0.20$ ; ns) is not significant. The two controls were therefore not entered into the regression model. Discrepancy breach by subordinate was entered as the independent variable. As the dependent variable is not normally distributed, F statistics cannot be meaningfully interpreted. However, adjusted  $R^2$  can be interpreted. The regression model shows that discrepancy breach by subordinate explains a considerable part of the variance in global breach by subordinate, namely 21% ( $\Delta R^2 = 0.23$ ; adjusted  $R^2 = 0.21$ ).

Hypothesis 5b predicted a negative relationship between discrepancy breach by the subordinate and fairness of the exchange as perceived by the supervisor. This hypothesis could not be evaluated as reliability of the variable fairness of the exchange was unacceptably low (see section 10.4.1 for detail).

Hypothesis 5c predicted that the relationship between discrepancy breach by the subordinate and trust in the subordinate is (partially) mediated by global evaluation of

breach by the subordinate as perceived by the supervisor. The procedure suggested by Baron and Kenny (1986) which was used to test Hypothesis 1c was also followed to test this hypothesis.

The relationship between the independent variable discrepancy breach by subordinate and the mediator global breach by subordinate has already been established in Hypothesis 5a, albeit using non-parametric tests. This presents no difficulty as regression analysis requires the dependent variable to be normally distributed but not the mediator or the independent variable. So the first condition for mediation is fulfilled. Inspection of the scatter plot for discrepancy breach by subordinate and trust in subordinate indicated one outlier which was excluded from the analysis. Inspection of the scatter plot for global breach by subordinate and trust in subordinate showed no further outliers. Schiefe is  $-1.09$  ( $SE = 0.32$ ). Kurtosis is  $0.22$  ( $SE = 0.63$ ) for the distribution of trust in subordinate. Visual inspection of the distribution showed serious deviations from normal distribution with frequencies increasing towards the higher end of the range. 93.3 % of participating supervisors reported a value of 4 or higher on a scale ranging from 1 to 5. Thus, non-parametric tests were used. Spearman's  $\rho$  correlation between discrepancy breach by subordinate and trust in subordinate is not significant ( $\rho = -0.18$ ; ns;  $N = 56$ ). Spearman's  $\rho$  correlation between global breach by subordinate and trust is significant ( $\rho = -0.48$ ;  $p < 0.01$ ;  $N = 57$ , including the outlier which had previously been excluded). The second condition of mediation according to Baron and Kenny (1986) is thus not fulfilled as there is no significant relationship between the independent and the dependent variable. Hypothesis 5c is not supported.

However, a strong negative relationship was identified between global breach by subordinate and trust in subordinate. This relationship was further explored using non-parametric tests. In order to run a Mann-Whitney U Test, global breach by subordinate was transformed into a dichotomous variable using a median split. Results are significant ( $z = -3.94$ ;  $p < 0.01$ ), indicating a negative relationship between breach by subordinates and trust in subordinates as perceived by supervisor.

A hierarchical regression analysis was also conducted to estimate the size of the effect. Spearman's  $\rho$  correlation between trust in subordinate and age is significant ( $\rho = -0.36$ ;  $p < 0.01$ ;  $N = 57$ ). Spearman's  $\rho$  correlation between global breach by subordinate and uniqueness of skills is also significant ( $\rho = 0.41$ ;  $p < 0.01$ ;  $N = 57$ ). The two controls were therefore entered in the regression model in the first block. Global breach by subordinate was entered as the independent variable. As the dependent variable is not normally distributed, F statistics cannot be meaningfully interpreted. However, adjusted  $R^2$  can be interpreted. While the two control variables jointly explain 16% of the variance in trust in subordinate ( $\Delta R^2 = 0.19$ ; adjusted  $R^2 = 0.16$ ), global breach by subordinate explains an additional 15% of the variance in trust in subordinate beyond that explained by control variables ( $\Delta R^2 = 0.16$ ; adjusted  $R^2 = 0.31$ ).

### 11.2.6. Hypothesis 6

Hypothesis 6 predicted the relationship between trust in subordinate as well as fairness of the exchange as perceived by the supervisor and supervisor citizenship behaviours towards the subordinate as perceived by the subordinate. Hypothesis 6a predicted a positive relationship between trust in subordinate and supervisor citizenship behaviours.

Inspection of the scatter plot for trust in subordinate and supervisor citizenship behaviours showed one outlier that was excluded from the analysis. Two distributions were inspected. Schiefe is  $-0.02$  ( $SE = 0.20$ ) and Kurtosis is  $-0.74$  ( $SE = 0.39$ ) for the distribution of supervisor citizenship behaviours for the complete subordinate sample ( $N = 152$ ). Schiefe is  $-0.39$  ( $SE = 0.33$ ) and Kurtosis is  $-0.54$  ( $SE = 0.64$ ) for the distribution including only those subordinates who participated with their supervisor ( $N = 54$ ). Only this latter sub-sample was included in the evaluation of Hypothesis 6a. The greater value for Schiefe for the restricted sample was to be expected since participating in a scientific study as requested by the subordinate can be interpreted as supervisor citizenship behaviour. Thus, the distribution of the variable reflects that only those supervisors who display higher citizenship behaviours towards their subordinates may have been willing to participate in this study. However, distribution for the restricted sample is still near normal. Pearson correlation for trust and supervisor citizenship behaviours is  $0.47$  ( $p < 0.01$ ;  $N = 54$ ). The relationship between supervisor citizenship behaviours and trust in employee was explored further in a multiple regression.

Hypothesis 6b predicted a positive relationship between fairness of the exchange as perceived by supervisor and supervisor citizenship behaviours. This hypothesis could not be evaluated as reliability for fairness of the exchange was unacceptably low (see section 10.4.1).

A hierarchical regression model was calculated where trust in employee was used as independent variable and supervisor citizenship behaviours as dependent variable. Correlation between age and the dependent variable is  $-0.22$  (ns;  $N = 55$ ; only those subordinates participating with their supervisor were included). Correlation between uniqueness of skills and the dependent variable is  $0.26$  (ns;  $N = 55$ ). Therefore the control variables were not entered into the regression model. As shown in Table 43, trust in employee (standardised  $\beta = 0.42$ ;  $p < 0.01$ ) has a significant effect on supervisor citizenship behaviours. Trust in employee explains a significant part of the variance in supervisor citizenship behaviours ( $\Delta R^2 = 0.18$ ;  $\Delta F = 11.22$ ;  $p < 0.01$ ). Thus, Hypothesis 6a is supported. Trust in employee explains 16% of the variance in supervisor citizenship behaviours.



Variables and Steps		Supervisor Citizenship Behaviour
		<i>Step 1</i>
Employee Skills	$r = -0.26$ ns	–
Age	$r = -0.22$ ns	–
<i>Step 1</i>		
Trust in Organisation		0.42**
F		11.22**
Change in F		11.22**
Change in R <sup>2</sup>		0.18
Adjusted R <sup>2</sup>		0.16

\* Significant at 0.05 level; \*\* significant at 0.01 level

\*\*\* Standardised beta coefficients are reported in columns

N = 55

Table 43: Regression analysis Hypothesis 6\*\*\*

### 11.2.7. Hypothesis 7

Hypothesis 7 predicted a positive relationship between communication and agreement between supervisor and employee on obligations of the organisation and on delivery of inducements by the organisation. Note that these hypotheses refer to what the organisation should deliver and what it has delivered. They do not regard agreement on promise keeping. Hypothesis 7a predicted a positive relationship between communication behaviours and agreement on the obligations of the organisation. Communication behaviours were measured as a self-perception of the supervisor and as perceived by subordinates. Inspection of the scatter plot for subordinate perception of communication behaviours and agreement on obligations of the organisation showed one outlier which was excluded. Inspection of the scatter plot for self-perception of communication behaviours and agreement on obligations of the organisation showed one outlier which was excluded. Schiefe is  $-0.08$  (SE = 0.33). Kurtosis is 2.56 (SE = 0.64) for the distribution of agreement on obligations of the organisation. Pearson correlation for subordinate perception of communication behaviours and agreement on obligations of the organisation is 0.05 (ns; N = 48). Pearson correlation for self-perception of communication behaviours and agreement on obligations of the organisation is 0.00 (ns; N = 48). As the rule was only to calculate regression models when Pearson correlation was significant at  $p < 0.05$ , the relationship between communication behaviours and agreement on obligations of the organisation was not explored further. Hypothesis 7a is not supported.

Hypothesis 7b predicted a positive relationship between number of communication channels used by the supervisor and agreement on the obligations of the organisation. Inspection of the scatter plot for communication channels and agreement on obligations of the organisation showed no outliers. Schiefe and Kurtosis values have been reported above. Pearson correlation for communication channels and agreement

on obligations of the organisation is 0.00 (ns;  $N = 48$ ). As the rule was only to calculate regression models when Pearson correlation was significant at  $p < 0.05$ , the relationship between communication channels and agreement on obligations of the organisation was not explored further. Hypothesis 7b is not supported.

Hypothesis 7c predicted a positive relationship between communication behaviours and agreement on the delivery of inducements by the organisation. Delivery of inducements referred to offering employees what may or may not be seen as an obligation, e.g. job security, careers etc. Note that participants were not asked whether the organisation had kept its promises. They were asked whether the organisation had delivered a number of inducements independently of whether the organisation was perceived as obligated to do so. Inspection of the scatter plot for subordinate perception of communication behaviours and agreement on delivery of inducements by the organisation showed one outlier which was excluded. Inspection of the scatter plot for self-perception of communication behaviours and agreement on delivery by the organisation showed one outlier which was excluded. Schiefe is  $-1.03$  ( $SE = 0.33$ ). Kurtosis is  $1.32$  ( $SE = 0.64$ ) for the distribution of agreement on delivery of inducements by the organisation. Pearson correlation for subordinate perception of communication behaviours and agreement on delivery by the organisation was  $0.19$  (ns;  $N = 48$ ). Pearson correlation for self-perception of communication behaviours and agreement on delivery by the organisation was  $-0.45$  ( $p < 0.01$ ;  $N = 47$ ). While the second correlation is significant, it is not in the expected direction. Hypothesis 7c is not supported.

Hypothesis 7d predicted a positive relationship between number of communication channels used by the supervisor and agreement on delivery of inducements by the organisation. Inspection of the scatter plot for communication channels and agreement on delivery by the organisation showed one outlier that was excluded. Schiefe and Kurtosis values have been reported above. Pearson correlation for communication channels and agreement on delivery by the organisation is  $0.15$  (ns;  $N = 47$ ). As the rule was only to calculate regression models when Pearson correlation was significant at  $p < 0.05$ , the relationship between communication channels and agreement on delivery by the organisation was not explored further. Hypothesis 7d is not supported. Thus, none of the hypotheses predicting a relationship between communication and agreement on obligations and their delivery by the organisation is supported.

#### 11.2.8. Hypothesis 8

Hypothesis 8 predicted the relationship between various antecedents of positive psychological contracts, namely communication, justice as well as agreement and discrepancy breach by the organisation as perceived by employees. Hypothesis 8a predicted a negative relationship between agreement on the obligations of the organisation and discrepancy breach by the organisation as perceived by the employee. Inspection of the scatter plot for discrepancy breach by organisation and agreement on

obligations of the organisation showed one outlier which was excluded. Schiefe is 0.53 (SE = 0.20). Kurtosis is 0.16 (SE = 0.39) for the distribution of discrepancy breach by the organisation. Pearson correlation for discrepancy breach by organisation and agreement on obligations of the organisation is 0.06 (ns; N = 54). As the rule was only to include independent variables in regression models when Pearson correlation was significant at  $p < 0.05$ , the relationship between discrepancy breach by organisation and agreement on obligations of the organisation was not explored further. Hypothesis 8a is not supported.

Hypothesis 8b predicted a negative relationship between agreement on delivery of inducements by the organisation and discrepancy breach by the organisation as perceived by subordinate. Inspection of the scatter plot for discrepancy breach by organisation and agreement on delivery of inducements by the organisation showed no outliers. Schiefe and Kurtosis values have been reported above. Pearson correlation for discrepancy breach by organisation and agreement on delivery of inducements by the organisation is - 0.25 (ns; N = 55). As the rule was to include independent variables in regression models only when Pearson correlation was significant at  $p < 0.05$ , the relationship between discrepancy breach by organisation and agreement on delivery by the organisation was not explored further. Hypothesis 8b is not supported.

Hypothesis 8c predicted that the relationship between agreement on obligations of the organisation and discrepancy breach by the organisation was moderated by supervisor centrality. The scatter plot for supervisor centrality and discrepancy breach by organisation did not indicate outliers. Pearson correlation between discrepancy breach by organisation and supervisor centrality is - 0.30 ( $p < 0.01$ ; N = 136). As shown for Hypothesis 8a, agreement on obligations is not significantly related to discrepancy breach by organisation. However, when moderator variables are hypothesised, it may occur that the moderator or the independent variables have no direct effect on the dependent variable and only the interaction term does. Therefore, a regression model was calculated. Pearson correlation between discrepancy breach by organisation and age ( $r = 0.04$ ; ns; N = 152) is not significant. Pearson correlation between discrepancy breach by organisation and uniqueness of skills is - 0.10 (ns; N = 55). Neither of the control variables was therefore entered into the regression model. Table 44 shows that neither the regression model as a whole nor the interaction term is significant. Hypothesis 8c is not supported.

Hypothesis 8d predicted a negative relationship between the independent variables self and subordinate perception of communication behaviours as well as the dependent discrepancy breach by the organisation as perceived by subordinates. Inspection of the scatter plot for subordinate perception of communication behaviours and discrepancy breach by the organisation showed no outliers. Inspection of the scatter plot for self-perception of communication behaviours and discrepancy breach by the organisation showed no outliers. Schiefe and Kurtosis values have been reported for Hypothesis 8a. Pearson correlation for subordinate perception of communication behaviours and

discrepancy breach by the organisation is  $-0.45$  ( $p < 0.01$ ;  $N = 136$ ). Pearson correlation for self-perception of communication behaviours and discrepancy breach by the organisation is  $0.19$  (ns;  $N = 48$ ). The relationship between subordinate perception of communication behaviours and discrepancy breach by the organisation was explored further jointly with the other significantly related independent variables identified below.

Variables and Steps		Discrepancy Breach by Organisation		
		Step 1	Step 2	Step 3
Skills	$r = -0.10$ ns	–	–	–
Age	$r = 0.04$ ns	–	–	–
<b>Step 1</b>				
Agreement on Obligations		0.18 ns	0.16 ns	0.57 ns
<b>Step 2</b>				
Supervisor Centrality			$-0.23$ ns	0.46 ns
<b>Step 3</b>				
Agreement on Obligations X Supervisor Centrality				$-0.76$ ns
F		1.65 ns	2.14 ns	1.57 ns
Change in F		1.65 ns	2.58 ns	0.47 ns
Change in $R^2$		0.03	0.05	0.01
Adjusted $R^2$		0.01	0.05	0.03

\* Significant at 0.05 level; \*\* significant at 0.01 level

\*\*\* Standardised beta coefficients are reported in columns

$N = 49$

Table 44: Regression analysis Hypothesis 8c\*\*\*

Hypothesis 8e predicted a negative relationship between number of communication channels used by the supervisor as well as discrepancy breach by the organisation as perceived by the subordinate. Inspection of the scatter plot for communication channels and discrepancy breach by the organisation showed no outliers. Schiefe and Kurtosis values have been reported for Hypothesis 8a. Pearson correlation for communication channels and discrepancy breach by the organisation is significant. ( $r = -0.18$ ;  $p < 0.05$ ;  $N = 134$ ). The relationship between communication channels and discrepancy breach by the organisation was explored further jointly with other significantly related independent variables identified below.

Hypothesis 8f predicted a negative relationship between supervisor interactional justice and discrepancy breach by the organisation. Inspection of the scatter plot for supervisor interactional justice and discrepancy breach by the organisation showed no outliers. Schiefe and Kurtosis values have been reported for Hypothesis 8a. Pearson correlation for supervisor interactional justice and discrepancy breach by the organi-

sation is  $-0.42$  ( $p < 0.01$ ;  $N = 151$ ). The relationship between supervisor interactional justice and discrepancy breach by the organisation was explored further jointly with the other significantly related independent variables identified below.

Hypothesis 8g predicted a negative relationship between procedural justice and discrepancy breach by the organisation. Inspection of the scatter plot for procedural justice and discrepancy breach by the organisation showed no outliers. Schiefe and Kurtosis values have been reported for Hypothesis 8a. Pearson correlation for procedural justice and discrepancy breach by the organisation is significant ( $r = -0.37$ ;  $p < 0.01$ ;  $N = 151$ ). The relationship between procedural justice and discrepancy breach by the organisation was explored further jointly with the other significantly related independent variables.

A regression model was built to further explore those independent variables where significant correlations with the dependent variable had been found. Pearson correlation between age and discrepancy breach by organisation is not significant, as reported for Hypothesis 8c. ANOVA showed no significant effect of supervisor participation on discrepancy breach by organisation ( $F = 2.85$ ; ns;  $N = 152$ ). Therefore control variables were not included in the regression model. Subordinate perception of communication behaviours and supervisor interactional justice were very highly correlated ( $r = 0.85$ ;  $p < 0.01$ ;  $N = 136$ ). This high correlation indicates that multicollinearity may be a problem. Therefore, in the following, when a regression analysis included both variables, they were entered in one regression step. However, according to Brosius (2006), multicollinearity is only a problem when tolerance values for the two variables are lower than 0.1. For this regression model, the tolerance value for communication behaviours is 0.28. The tolerance value for interactional justice is also 0.28. Thus, it can be assumed that the two variables are sufficiently different from each other to merit differential interpretation of their relationships with the dependent variable.

Table 45 illustrates the regression analysis. Firstly, the regression model shows that communication behaviours and interactional justice jointly explain a significant and considerable part of the variance in discrepancy breach by organisation ( $\Delta R^2 = 0.22$ ;  $\Delta F = 18.08$ ,  $p < 0.01$ ). However, the regression terms for communication behaviours (standardised  $\beta = -0.20$ ; ns) and for interactional justice (standardised  $\beta = -0.29$ ; ns) are not significant. As the two variables are highly correlated, the interpretation of this is not entirely clear.

To explore the relationship between supervisor interactional justice, communication behaviours and discrepancy breach by organisation further, the regression analysis was re-run two times. In the first re-run, only communication behaviours were included in the first block. Results of the last regression model including only communication behaviours in the first block are reported in Table 45 under *Step 3: only communication*. In the second re-run, only supervisor interactional justice was included in the first block. Results are reported in Table 45 under *Step 3: only*

*interactional justice*. When only communication behaviours were entered into the regression, the regression term remained highly significant from step 1 through to step 3 (standardised  $\beta = -0.36$ ;  $p > 0.01$  after step 3) and the overall model when it only included communication behaviours was also significant ( $\Delta R^2 = 0.20$ ;  $\Delta F = 31.77$ ,  $p < 0.01$  after step 1). When only interactional justice was entered into the regression, the regression term also remained highly significant from step 1 through to step 3 (standardised  $\beta = -0.36$ ;  $p > 0.01$  after step 3) and the overall model was also significant when it only included interactional justice ( $\Delta R^2 = 0.21$ ;  $\Delta F = 34.13$ ,  $p < 0.01$  after step 1). It seems that two highly correlated variables jointly cancelled out the effect each of them had individually. It is not clear why this happened. However, it is clear that both interactional justice and communication behaviours have a significant negative effect on discrepancy breach by organisation, jointly and individually explaining approximately 20% of the variance in discrepancy breach by organisation. Hypothesis 8d is thus supported for subordinate perception of communication behaviours. Hypothesis 8f is also supported.

Variables and Steps		Discrepancy Breach by Organisation				
		Step 1	Step 2	Step 3	Step 3: only Communication	Step 3: only Inter. Justice
Supervisor Participation	F = 2.85 ns	–	–	–	–	–
Age	r = 0.04 ns	–	–	–	–	–
<b>Step 1</b>						
Communication Behaviours		–0.20 ns	–0.21 ns	–0.21 ns	–0.36** (°°)	–
Supervisor Interactional Justice		–0.29 ns	–0.28 ns	–0.19 ns	–	–0.36** (°°)
<b>Step 2</b>						
Communication Channels			0.03 ns	0.09 ns	0.10 ns (°°)	0.05 ns (°°)
<b>Step 3</b>						
Procedural Justice				–0.20*	–0.24*(°°)	–0.20*(°°)
F		18.08**	12.00**	10.20**	13.02**	12.87**
Change in F		18.08**	0.10 ns	3.98*	31.77** (°)	34.13** (°)
Change in R <sup>2</sup>		0.22	0.00	0.02	0.20 (°)	0.21 (°)
Adjusted R <sup>2</sup>		0.21	0.20	0.22	0.22	0.21

\* Significant at 0.05 level; \*\* significant at 0.01 level

\*\*\* Standardised beta coefficients are reported in columns

° for step 1 of the regression model

°° for step 3 of the regression model

N = 133

Table 45: Regression analysis Hypothesis 8 (except 8c) \*\*\*

Secondly, the regression model shows that number of communication channels does not explain a significant amount of variance beyond that explained by communication behaviours or interactional justice. Hypothesis 8e is thus not supported.

Thirdly, the regression model shows that procedural justice has a significant (standardised  $\beta = -0.20$ ;  $p < 0.05$ ) effect on discrepancy breach by organisation. Procedural justice explains a significant part of the variance in discrepancy breach by organisation ( $\Delta R^2 = 0.02$ ;  $\Delta F = 3.98$ ,  $p < 0.05$ ) beyond that already explained by communication behaviours, interactional justice and communication channels. Thus, Hypothesis 8g is supported. However, the additional variance explained by procedural justice is small (2%).

#### 11.2.9. Hypothesis 9

Hypothesis 9 predicted the relationship between various antecedents of positive psychological contracts, namely communication, justice as well as agreement and global evaluation of breach by the organisation as perceived by employees. Hypothesis 9a predicted a negative relationship between agreement on the obligations of the organisation and global evaluation of breach by the organisation as perceived by the employee. Inspection of the scatter plot for global evaluation of breach by organisation and agreement on obligations of the organisation showed one outlier which was excluded. Schiefe is 0.68 (SE = 0.20) and Kurtosis is -0.28 (SE = 0.39) for the distribution of global evaluation of breach by organisation. Pearson correlation for global evaluation of breach by organisation and agreement on obligations of the organisation is -0.11 (ns;  $N = 54$ ). As the rule was only to include independent variables in regression models when Pearson correlation was significant at  $p < 0.05$ , the relationship between global evaluation of breach by organisation and agreement on obligations of the organisation was not explored further. Hypothesis 9a is not supported.

Hypothesis 9b predicted a negative relationship between agreement on delivery of inducements by the organisation between supervisor and subordinate and global evaluation of breach by organisation as perceived by subordinate. Inspection of the scatter plot for global evaluation of breach by organisation and agreement on obligations of the organisation showed no outliers. Schiefe and Kurtosis values have been reported above. Pearson correlation for global evaluation of breach by organisation and agreement on delivery of obligations of the organisation is not significant ( $r = -0.15$ ; ns;  $N = 55$ ). As the rule was to include independent variables in regression models only when Pearson correlation was significant at  $p < 0.05$ , the relationship between global evaluation of breach by organisation and agreement on delivery by the organisation was not explored further. Hypothesis 9b is not supported.

Hypothesis 9c predicted a negative relationship between self and subordinate perception of communication behaviours as well as global evaluation of breach by organisation as perceived by subordinate. Inspection of the scatter plot for subordinate

perception of communication behaviours and global evaluation of breach by organisation showed no outliers. Inspection of the scatter plot for self-perception of communication behaviours and global evaluation of breach by organisation showed no outliers. Schiefe and Kurtosis values have been reported for Hypothesis 9a. Pearson correlation for subordinate perception of communication behaviours and global evaluation of breach by organisation is  $-0.60$  ( $p < 0.01$ ;  $N = 136$ ). Pearson correlation for self-perception of communication behaviours and discrepancy breach by the organisation is  $0.04$  (ns;  $N = 48$ ). The relationship between subordinate perception of communication behaviours and global evaluation of breach by organisation was explored further jointly with the other significantly related independent variables identified below.

Hypothesis 9d predicted a negative relationship between number of communication channels used by the supervisor as well as global evaluation of breach by organisation as perceived by subordinates. Inspection of the scatter plot for communication channels and global evaluation of breach by organisation showed no outliers. Schiefe and Kurtosis values have been reported for Hypothesis 9a. Pearson correlation for communication channels and global evaluation of breach by organisation is significant ( $r = -0.27$ ;  $p < 0.01$ ;  $N = 134$ ). The relationship between communication channels and global evaluation of breach by organisation was explored further jointly with the other significantly related independent variables identified below.

Hypothesis 9e predicted a negative relationship between supervisor interactional justice and global evaluation of breach by organisation. Inspection of the scatter plot for supervisor interactional justice and global evaluation of breach by organisation showed no outliers. Schiefe and Kurtosis values have been reported for Hypothesis 9a. Pearson correlation for supervisor interactional justice and global evaluation of breach by organisation is  $-0.54$  ( $p < 0.01$ ;  $N = 152$ ). The relationship between supervisor interactional justice and global evaluation of breach by organisation was explored further jointly with the other significantly related independent variables identified below.

Hypothesis 9f predicted a negative relationship between procedural justice and global evaluation of breach by organisation. Inspection of the scatter plot for procedural justice and global evaluation of breach by organisation showed no outliers. Schiefe and Kurtosis values have been reported for Hypothesis 9a. Pearson correlation for procedural justice and global evaluation of breach by organisation is significant ( $r = -0.51$ ;  $p < 0.01$ ;  $N = 152$ ). The relationship between procedural justice and global evaluation of breach by organisation was explored further jointly with the other significantly related independent variables.

A regression model was built to further explore those independent variables where significant correlations with the dependent variable had been found. Pearson correlation between age and global evaluation of breach by organisation is not significant ( $r = -0.01$ ; ns;  $N = 152$ ). ANOVA showed no significant effect of supervisor participation on discrepancy breach by organisation ( $F = 3.46$ ; ns;  $N = 152$ ).



Therefore control variables were not included in the regression model. In the first block, discrepancy breach by organisation was entered because only direct effects of the independent variables on global evaluation of breach by organisation were of interest. Thus, any variance explained by the independent variables would constitute an effect additional to that produced through discrepancy breach by organisation. In line with the procedure for Hypothesis 8, communication behaviours and interactional justice were entered into the regression model in one block. For this regression model, the tolerance value for communication behaviours is 0.27. The tolerance value for interactional justice is also 0.27. Thus, it can be assumed that the two variables are sufficiently different from each other to merit differential interpretation of their relationships with the dependent variable. Table 46 illustrates the results of the regression analysis.

Variables and Steps		Global Breach by Organisation			
		<i>Step 1</i>	<i>Step 2</i>	<i>Step 3</i>	<i>Step 4</i>
Supervisor Participation	F= 3.46 ns	–	–	–	–
Age	r= –0.01ns	–	–	–	–
<b><i>Step 1</i></b>					
Discrepancy Breach by Org.		0.48**	0.25**	0.25**	0.20**
<b><i>Step 2</i></b>					
Communication Behaviours			–0.36**	–0.36**	–0.37**
Supervisor Interactional Justice			–0.15 ns	–0.15 ns	–0.04 ns
<b><i>Step 3</i></b>					
Communication Channels				–0.01 ns	0.08 ns
<b><i>Step 4</i></b>					
Procedural Justice					–0.28**
F		38.36**	31.72**	23.61**	22.63**
Change in F		38.36**	22.19**	0.01 ns	11.19**
Change in R <sup>2</sup>		0.23	0.20	0.00	0.05
Adjusted R <sup>2</sup>		0.23	0.42	0.43	0.47

\* Significant at 0.05 level; \*\* significant at 0.01 level

\*\*\* Standardised beta coefficients are reported in columns

N = 133

Table 46: Regression analysis Hypothesis 9\*\*\*

The regression mode firstly shows that communication behaviours and interactional justice jointly explain a significant and considerable part of the variance in global evaluation of breach by organisation beyond what is explained by discrepancy breach by organisation ( $\Delta R^2 = 0.20$ ;  $\Delta F = 22.19$ ,  $p < 0.01$ ). However, this effect seems to be largely attributable to communication behaviours (standardised  $\beta = -0.36$ ;  $p < 0.01$ ) and not to interactional justice (standardised  $\beta = -0.15$ ; ns). Hypothesis 9c is thus

supported for subordinate perception of communication behaviours. Hypothesis 9e is not supported.

Secondly, the regression model shows that number of communication channels does not explain a significant amount of variance beyond that explained by discrepancy breach by organisation, communication behaviours and interactional justice. Hypothesis 9d is thus not supported. Thirdly, the regression model shows that procedural justice (standardised  $\beta = -0.28$ ;  $p < 0.01$ ) has a significant effect on global evaluation of breach by organisation. Procedural justice explains a significant part of the variance in global evaluation of breach by organisation ( $\Delta R^2 = 0.05$ ;  $\Delta F = 11.19$ ,  $p < 0.01$ ) beyond that already explained by discrepancy breach by organisation, communication behaviours, interactional justice and communication channels. Thus, Hypothesis 9f is supported. However, the additional variance explained by procedural justice is fairly small (5%). All five regressors combined explain 47% of the variance in global evaluation of breach by organisation.

#### 11.2.10. Hypothesis 10

Hypothesis 10 predicted the relationship between communication as well as justice and trust in the organisation. Hypothesis 10a predicted a positive relationship between self- and subordinate perception of communication behaviours and trust in the organisation. Inspection of the scatter plot for subordinate perception of communication behaviours and trust in organisation showed no outliers. Inspection of the scatter plot for self-perception of communication behaviours and trust in organisation showed no outliers. Schiefe is  $-0.59$  (SE = 0.20) and Kurtosis is  $-0.10$  (SE = 0.39) for the distribution of trust in organisation. Pearson correlation for subordinate perception of communication behaviours and trust in organisation is  $0.71$  ( $p < 0.01$ ;  $N = 137$ ). Pearson correlation for self-perception of communication behaviours and trust in organisation is  $0.07$  (ns;  $N = 48$ ). The relationship between subordinate perception of communication behaviours and trust in organisation was explored further jointly with the other significantly related independent variables identified below.

Hypothesis 10b predicted a positive relationship between supervisor interactional justice and trust in organisation. Inspection of the scatter plot for supervisor interactional justice and trust in organisation showed no outliers. Schiefe and Kurtosis values have been reported for Hypothesis 10a. Pearson correlation for supervisor interactional justice and trust in organisation is  $0.75$  ( $p < 0.01$ ;  $N = 152$ ). The relationship between supervisor interactional justice and trust in organisation was explored further jointly with the other significantly related independent variables identified below.

Hypothesis 10c predicted a positive relationship between procedural justice and trust in organisation. Inspection of the scatter plot for procedural justice and trust in organisation showed no outliers. Schiefe and Kurtosis values have been reported for Hypothesis 10a. Pearson correlation for procedural justice and trust in organisation is

0.64 ( $p < 0.01$ ;  $N = 152$ ). The relationship between procedural justice and trust in organisation was explored further jointly with the other significantly related independent variables.

A regression model was built to further explore those independent variables where significant correlations with the dependent variable had been found. Pearson correlation between age and trust in organisation was  $-0.14$  (ns;  $N = 152$ ). ANOVA showed a significant effect of supervisor participation on trust in organisation ( $F = 4.33$ ;  $p < 0.05$ ;  $N = 153$ ). Therefore supervisor participation was included in the regression model as a control variable. In the second block, discrepancy breach by organisation was entered and in the third block global evaluation of breach by organisation was entered because only direct effects of the independent variables on trust in organisation were of interest. Thus, any variance explained by the independent variables would constitute an effect additional to that produced through discrepancy breach and global evaluation of breach by organisation. In line with the procedure adopted for Hypotheses 8 and 9, interactional justice and communication behaviours were entered into the regression model in one step. For this regression model, the tolerance value for communication behaviours is 0.26. The tolerance value for interactional justice is also 0.26. Thus, it can be assumed that the two variables are sufficiently different from each other to merit differential interpretation of their relationships with the dependent variable. Table 47 illustrates the results of the regression analysis.

Firstly, the regression model shows that communication behaviours and interactional justice jointly explain a significant and considerable part of the variance in trust in organisation beyond what is explained by discrepancy breach by organisation and global breach by organisation ( $\Delta R^2 = 0.11$ ;  $\Delta F = 25.88$ ;  $p < 0.01$ ).

However, this effect seems to be largely attributable to interactional justice (standardised  $\beta = 0.36$ ;  $p < 0.01$ ) and not to communication behaviours (standardised  $\beta = 0.10$ ; ns). Hypothesis 10a is thus not supported. Hypothesis 10b is supported. Secondly, the regression model shows that procedural justice (standardised  $\beta = 0.19$ ;  $p < 0.01$ ) has a significant effect on trust in organisation. Procedural justice explains a significant part of the variance in global evaluation of breach by organisation ( $\Delta R^2 = 0.02$ ;  $\Delta F = 10.78$ ;  $p < 0.01$ ) beyond that already explained by discrepancy breach by organisation, global evaluation of breach by organisation, communication behaviours and interactional justice. Thus, Hypothesis 10c is supported. However, the additional variance explained by procedural justice is fairly small (2%). All seven regressors combined explain 72% of the variance in trust in the organisation.

Variables and Steps		Trust in Organisation				
		Step 1	Step 2	Step 3	Step 4	Step 5
<i>Step 1</i>						
Supervisor Participation	F= 4.33*	0.23**	0.14 ns	0.10 ns	0.01 ns	0.02 ns
Age	r= - 0.14 ns	-	-	-	-	-
<i>Step 2</i>						
Discrepancy Breach by Org.			-0.54**	-0.26**	-0.17**	-0.15**
<i>Step 3</i>						
Global Breach by Org.				-0.59**	-0.38**	-0.32**
<i>Step 4</i>						
Communication Behaviours					0.10 ns	0.10 ns
Supervisor Interactional Justice					0.36**	0.29**
<i>Step 5</i>						
Procedural Justice						0.19**
F		7.30**	33.10**	64.71**	63.33**	58.57**
Change in F		7.30**	55.88**	85.53**	25.28**	10.78**
Change in R <sup>2</sup>		0.05	0.28	0.26	0.11	0.02
Adjusted R <sup>2</sup>		0.05	0.32	0.59	0.70	0.72

\* Significant at 0.05 level; \*\* significant at 0.01 level

\*\*\* Standardised beta coefficients are reported in columns

N = 135

Table 47: Regression analysis Hypothesis 10\*\*\*

### 11.2.11. Hypothesis 11

Hypothesis 11 predicted the relationship between justice as well as information, explanation & compensation and fairness of the exchange as perceived by subordinates. Hypothesis 11a predicted a positive relationship between supervisor interactional justice and subordinate perception of fairness of the exchange. Inspection of the scatter plot for supervisor interactional justice and fairness of the exchange showed no outliers. Schiefe is - 0.21 (SE = 0.20) and Kurtosis is - 0.60 (SE = 0.39) for the distribution of fairness of the exchange. Pearson correlation for supervisor interactional justice and fairness of the exchange is 0.40 ( $p < 0.01$ ; N = 152). The relationship between supervisor interactional justice and fairness of the exchange was explored further jointly with the other significantly related independent variables identified below.

Hypothesis 11b predicted a positive relationship between procedural justice and fairness of the exchange. Inspection of the scatter plot for procedural justice and fairness of the exchange showed no outliers. Schiefe and Kurtosis values have been reported for Hypothesis 11a. Pearson correlation for procedural justice and fairness of the exchange is 0.41 ( $p < 0.01$ ; N = 152). The relationship between procedural justice

and fairness of the exchange was explored further jointly with the other significantly related independent variables identified.

Hypothesis 11c predicted a positive relationship between information, explanation & compensation and fairness of the exchange. Inspection of the scatter plot for information, explanation & compensation and fairness of the exchange showed no outliers. As with Hypothesis 1d, only 21 participants were included in the sub-sample to test this hypothesis. Schiefe is 0.38 (SE = 0.50) and Kurtosis is -0.65 (SE = 0.97) for the distribution of fairness of the exchange for the 21 participants. Pearson correlation for information, explanation & compensation and fairness of the exchange is 0.40 (ns; N = 21). The relationship between information, explanation & compensation and fairness of the exchange was not explored further. Hypothesis 11c is not supported.

A regression model was built to further explore the relationship between justice and the dependent variable. Pearson correlation between age and fairness of the exchange is not significant ( $r = 0.08$ ; ns; N = 153). ANOVA showed no significant effect of supervisor participation on fairness of the exchange ( $F = 0.90$ ; N = 153). Therefore control variables were not included in the regression model. In the second block, discrepancy breach by organisation was entered because only direct effects of the independent variables on fairness of the exchange were of interest. Thus, any variance explained by the independent variables would constitute an effect additional to that produced by discrepancy breach by organisation. Interactional and procedural justice were entered in the second and third block. Table 48 illustrates the results.

Variables and Steps		Fairness of Exchange		
		Step 1	Step 2	Step 3
Supervisor Participation	F=0.90 ns	-	-	-
Age	R=0.08 ns	-	-	-
<b>Step 1</b>				
Discrepancy Breach by Org.		-0.43**	-0.31**	-0.28**
<b>Step 2</b>				
Supervisor Interactional Justice			0.27**	0.16 ns
<b>Step 3</b>				
Procedural Justice				0.22*
F		33.05**	23.54**	18.29**
Change in F		33.05**	11.66**	6.15*
Change in R <sup>2</sup>		0.18	0.06	0.03
Adjusted R <sup>2</sup>		0.18	0.23	0.26

\* Significant at 0.05 level; \*\* significant at 0.01 level

\*\*\* Standardised beta coefficients are reported in columns

N = 152

Table 48: Regression analysis Hypotheses 11a und 11b\*\*\*

The regression model shows that procedural and interactional justice jointly explain a significant and considerable part of the variance in fairness of the exchange beyond what is explained by discrepancy breach ( $\Delta R^2 = 0.09$ ;  $\Delta F = 11.66$ ,  $p < 0.01$  for step 2 and  $\Delta F = 6.15$ ,  $p < 0.05$  for step 3). While the  $\beta$  coefficient for interactional justice (standardised  $\beta = 0.27$ ;  $p < 0.01$ ) is significant in step 2, it is rendered insignificant when procedural justice is entered into the regression equation. Procedural justice (standardised  $\beta = 0.22$ ;  $p < 0.05$ ) also has a significant effect on fairness beyond that explained by discrepancy breach by organisation and interactional justice. Thus, Hypothesis 11a and b are supported. However, it seems that the effect of interactional justice on fairness is mediated by procedural justice.

#### 11.2.12. Hypothesis 12

Hypothesis 12 predicted the relationship between agreement on employee obligations as well as delivery of contributions and communication as well as objective setting. Hypothesis 12a predicted a positive relationship between supervisor communication behaviours and agreement on the obligations of the subordinate. Communication behaviours were measured as self-perception of the supervisor and as perceived by subordinates. Inspection of the scatter plot for subordinate perception of communication behaviours and agreement on obligations of the subordinate showed no outliers. Inspection of the scatter plot for self-perception of communication behaviours and agreement on obligations of the subordinate showed no outliers. Schiefe is  $-0.67$  ( $SE = 0.32$ ) and Kurtosis is  $0.33$  ( $SE = 0.63$ ) for the distribution of agreement on obligations of the organisation. Pearson correlation for subordinate perception of communication behaviours and agreement on obligations of the subordinate is not significant ( $r = 0.02$ ; ns;  $N = 49$ ). Pearson correlation for self-perception of communication behaviours and agreement on obligations of the subordinate is not significant ( $r = -0.13$ ; ns;  $N = 48$ ). As the rule was only to calculate regression models when Pearson correlation was significant at  $p < 0.05$ , the relationship between communication behaviours and agreement on obligations of the subordinate was not explored further. Hypothesis 12a is not supported.

Hypothesis 12b predicted a positive relationship between number of communication channels used by the supervisor and agreement on the obligations of the subordinate. Inspection of the scatter plot for communication channels and agreement on obligations of the subordinate showed no outliers. Schiefe and Kurtosis values have been reported above. Pearson correlation for communication channels and agreement on obligations of the subordinate was  $0.20$  (ns;  $N = 48$ ). As the rule was only to calculate regression models when Pearson correlation was significant at  $p < 0.05$ , the relationship between communication channels and agreement on obligations of the subordinate was not explored further. Hypothesis 12b is not supported.

Hypothesis 12c predicted a positive relationship between objective setting and agreement on the obligations of the subordinate. Inspection of the scatter plot for

objective setting and agreement on obligations of the subordinate showed no outliers. Schiefe and Kurtosis values have been reported above. Pearson correlation for objective setting and agreement on obligations of the subordinate is not significant ( $r = -0.06$ ; ns;  $N = 54$ ). As the rule was only to calculate regression models when Pearson correlation was significant at  $p < 0.05$ , the relationship between objective setting and agreement on obligations of the organisation was not explored further. Hypothesis 12c is not supported.

Hypothesis 12d predicted a positive relationship between communication behaviours and agreement on delivery of contributions by the subordinate. Delivery of contributions referred to offering the organisation what may or may not be seen as an obligation, for example working overtime or suggesting opportunities for improvement in one's team. Note that participants were not asked whether they had kept their promises but whether they had made certain contributions, whether obligated or not. Inspection of the scatter plot for subordinate perception of communication behaviours and agreement on delivery of contributions by the subordinate showed no outliers. Inspection of the scatter plot for self-perception of communication behaviours and agreement on delivery of contributions by the subordinate showed no outliers. Schiefe is  $-0.60$  ( $SE = 0.32$ ) and Kurtosis is  $-0.56$  ( $SE = 0.63$ ) for the distribution of agreement on delivery of contributions by the subordinate. Pearson correlation for subordinate perception of communication behaviours and agreement on delivery of contributions by the subordinate is  $-0.03$  (ns;  $N = 49$ ). Pearson correlation for self-perception of communication behaviours and agreement on delivery of contributions by the subordinate is  $-0.09$  (ns;  $N = 48$ ). The relationship between communication behaviours and agreement on delivery of contributions by the subordinate was not explored further. Hypothesis 12d is not supported.

Hypothesis 12e predicted a positive relationship between number of communication channels used by the supervisor and agreement on delivery of contributions by the subordinate. Inspection of the scatter plot for communication channels and agreement on delivery of contributions by the subordinate showed no outliers. Schiefe and Kurtosis values have been reported above. Pearson correlation for communication channels and agreement on delivery of contributions by the subordinate is not significant ( $r = -0.14$ ; ns;  $N = 48$ ). As the rule was only to calculate regression models when Pearson correlation was significant at  $p < 0.05$ , the relationship between communication channels and agreement on delivery of contributions by the subordinate was not explored further. Hypothesis 12e is not supported.

Hypothesis 12f predicted a positive relationship between objective setting and agreement on the delivery of contributions by the employee. Inspection of the scatter plot for objective setting and agreement on delivery of contributions by the subordinate showed no outliers. Schiefe and Kurtosis values have been reported above. Pearson correlation for objective setting and agreement on delivery of contributions by the subordinate is  $-0.07$  (ns;  $N = 54$ ). The relationship between objective setting and

agreement on delivery of contributions by the subordinate was not explored further. Hypothesis 12f is not supported. Thus, none of the hypotheses predicting a relationship between communication or objective setting and agreement on obligations or delivery of contributions by the employee were supported.

### 11.2.13. Hypothesis 13

Hypothesis 13 predicted the relationship between discrepancy breach by subordinate and agreement on obligations as well as contributions by the subordinate. Hypothesis 13a predicted a negative relationship between agreement on obligations of the subordinate and discrepancy breach by the subordinate as perceived by the supervisor. Inspection of the scatter plot for discrepancy breach by subordinate and agreement on obligations of the subordinate showed no outliers. Schiefe is 0.71 (SE = 0.31). Kurtosis is -0.30 (SE = 0.62) for the distribution of discrepancy breach by the employee. Visual inspection of the distribution indicated strong deviations from normality with the curve being deeply indented and frequencies gradually increasing towards the lower end of the range. Non-parametric tests were therefore used. Spearman's  $\rho$  correlation between discrepancy breach by employee and agreement on obligations of the subordinate is -0.27 ( $p < 0.05$ ;  $N = 55$ ). A Mann-Whitney U test was also carried out. Data on agreement on obligations of subordinate was therefore converted into a dichotomous variable using a median split. Test results were significant ( $z = -2.50$ ;  $p < 0.05$ ), indicating a negative relationship between agreement on the obligations of the employee and supervisor perception of discrepancy breach by the employee. Thus, Hypothesis 13a is supported.

Hypothesis 13b predicted a negative relationship between agreement on delivery of contributions by the subordinate and discrepancy breach by the employee as perceived by the supervisor. An inspection of the scatter plot showed no outliers. Schiefe and Kurtosis have been reported above. Non-parametric tests were used to evaluate the hypothesis. Spearman's  $\rho$  correlation between discrepancy breach by employee and agreement on delivery of contributions by the subordinate was significant ( $\rho = -0.45$ ;  $p < 0.01$ ;  $N = 55$ ). A Mann-Whitney U test was also carried out. Data on agreement on delivery of contributions by subordinate was therefore converted into a dichotomous variable using a median split. Test results were significant ( $z = -3.18$ ;  $p < 0.01$ ), indicating a negative relationship between agreement on delivery of contributions by the employee and supervisor perception of discrepancy breach by the employee. Thus, Hypothesis 13b is supported.

A hierarchical regression analysis was also conducted to estimate the size of the effect for agreement on obligations and agreement on delivery of contributions. Spearman's  $\rho$  correlation between discrepancy breach by employee and age ( $\rho = -0.11$ ; ns) is not significant. Spearman's  $\rho$  correlation between discrepancy breach by employee and uniqueness of skills ( $\rho = -0.33$ ;  $p < 0.05$ ;  $N = 57$ ) is significant. Uniqueness of skills was therefore entered into the regression model in the first



block. Agreement on obligations and agreement on delivery were entered in the second and third block. As the dependent variable is not normally distributed, F statistics cannot be meaningfully interpreted. However, adjusted  $R^2$  can be interpreted. The regression model showed that agreement on obligations explained a considerable part of the variance in discrepancy breach by employee beyond that explained by employee skills, namely 7 % ( $\Delta R^2 = 0.07$ ; adjusted  $R^2 = 0.14$ ). The model also showed that agreement on delivery of contributions by employee explained additional variance in discrepancy breach by employee beyond that explained by uniqueness of skills and agreement on obligations, namely 10 % ( $\Delta R^2 = 0.10$ ; adjusted  $R^2 = 0.23$ ).

#### 11.2.14. Hypothesis 14

Hypothesis 14 predicted the relationship between agreement, communication and global evaluation of breach by the employee as viewed by the supervisor. Hypothesis 14a predicted a negative relationship between agreement on obligations of the subordinate and global evaluation of breach by the subordinate as perceived by the supervisor. Inspection of the scatter plot for global evaluation of breach by subordinate and agreement on obligations of the subordinate showed no outliers. As reported for Hypothesis 5a, the distributions of global breach by employee showed strong deviations from normality and non-parametric tests were therefore used.

Spearman's  $\rho$  correlation between global breach by employee and agreement on obligations of the subordinate is - 0.25 (ns;  $N = 55$ ). The relationship was not explored further. Hypothesis 14a is not supported.

Hypothesis 14b predicted a negative relationship between agreement on delivery of contributions by the subordinate and global breach by the employee as perceived by the supervisor. An inspection of the scatter plot showed no outliers. Non-parametric tests were used to further evaluate the hypothesis. Spearman's  $\rho$  correlation between global breach by employee and agreement on delivery of contributions by the subordinate is - 0.28 ( $p < 0.05$ ;  $N = 55$ ). A Mann-Whitney U test was also carried out. Data on agreement on delivery of contributions by subordinate was therefore converted into a dichotomous variable using a median split. Test results were significant ( $z = - 2.20$ ;  $p < 0.05$ ) indicating a negative relationship between agreement on delivery of contributions by the employee and supervisor perception of global breach by the employee. Thus, Hypothesis 14b is supported.

Hypothesis 14c predicted a negative relationship between communication behaviours and global evaluation of breach by the subordinate as perceived by the supervisor. An inspection of the scatter plot for subordinate perception of communication behaviours and global evaluation of breach by the subordinate showed no outliers. An inspection of the scatter plot for self-perception of communication behaviours and global evaluation of breach by the subordinate showed no outliers. Schiefe and Kurtosis has been reported above. Non-parametric tests were used to further evaluate the hypothesis. Spearman's  $\rho$  correlation between global breach by

employee and subordinate perception of communication behaviours is - 0.18 (ns; N = 49). Spearman's  $\rho$  correlation between global breach by employee and self-perception of communication behaviours is - 0.26 (ns; N = 50). The relationship between communication behaviours and global breach by employee was not explored further. Hypothesis 14c is not supported.

Hypothesis 14d predicted a negative relationship between number of communication channels and global evaluation of breach by the subordinate as perceived by the supervisor. An inspection of the scatter plot for communication channels and global evaluation of breach by the subordinate showed no outliers. Schiefe and Kurtosis has been reported above. Non-parametric tests were used to further evaluate the hypothesis. Spearman's  $\rho$  correlation between global breach by employee and communication channels was 0.21 (ns; N = 48). The relationship between communication channels and global breach by employee was not explored further. Hypothesis 14d is not supported.

#### 11.2.15. Hypothesis 15

Hypothesis 15 predicted a positive relationship between communication behaviours (self-perception and subordinate perception) and trust in the subordinate by the supervisor. An inspection of the scatter plot for subordinate perception of communication behaviours and trust in employee showed no outliers. An inspection of the scatter plot for self-perception of communication behaviours and trust in employee showed no outliers. In line with Hypothesis 5c, non-parametric tests were used to evaluate this hypothesis due to strong deviations from normality in the distribution of the dependent variable. Spearman's  $\rho$  correlation between trust in employee and subordinate perception of communication behaviours is 0.25 (ns; N = 49). Spearman's  $\rho$  correlation between trust in employee and self-perception of communication behaviours is 0.16 (ns; N = 50). The relationship between communication behaviours and trust in employee was not explored further. Hypothesis 15 is not supported.

#### 11.2.16. Summary

Figure 38, Figure 39, Figure 40 and Figure 41 provide an overview of the supported hypotheses.

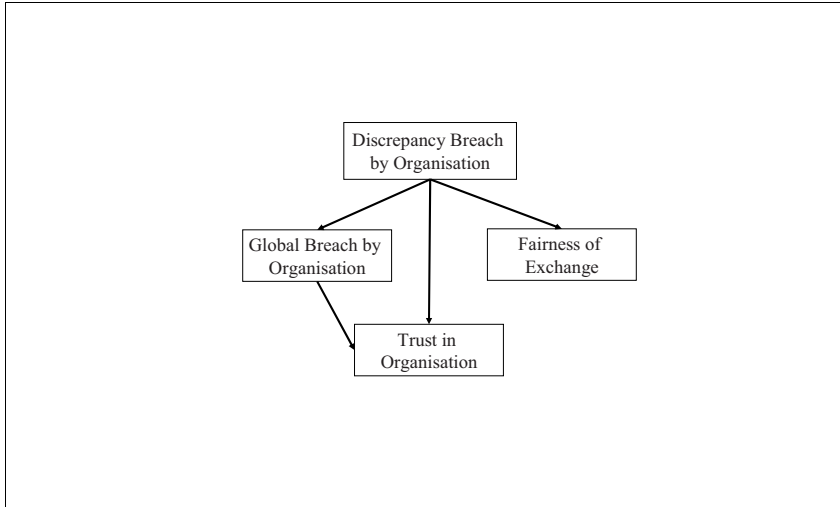


Figure 38: Overview supported hypotheses – a positive psychological contract

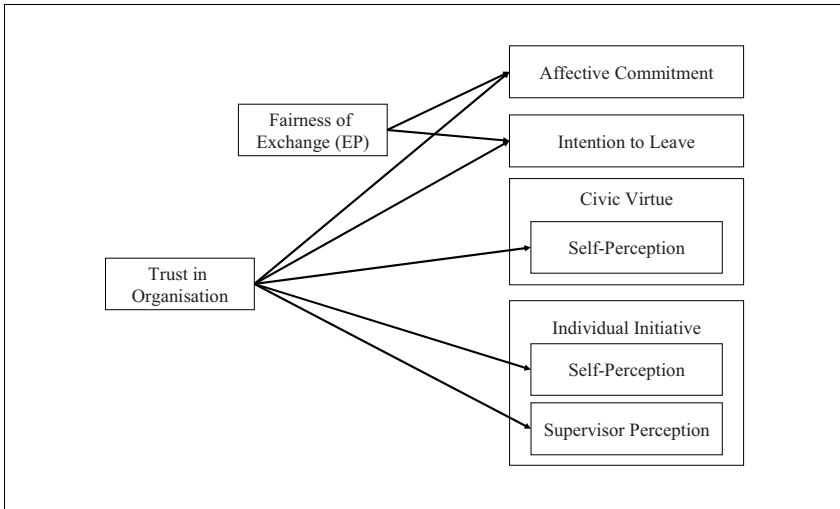


Figure 39: Overview supported hypotheses – outcomes of positive psychological contracts

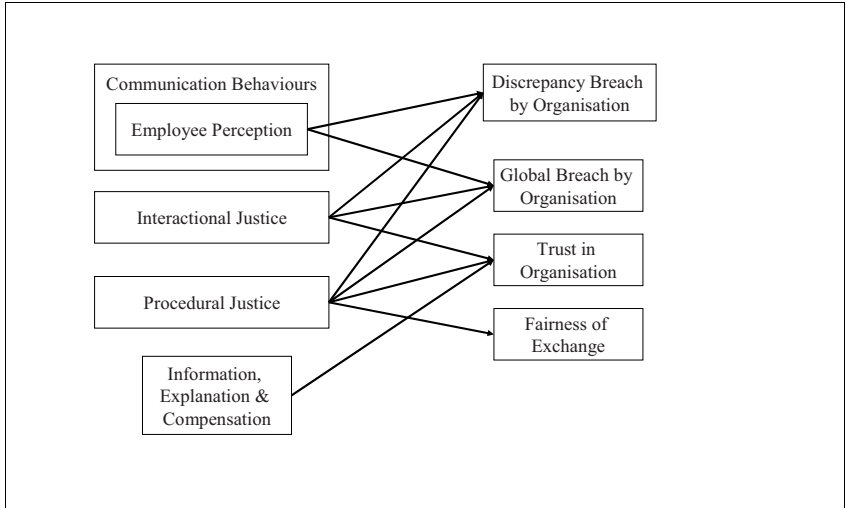


Figure 40: Overview supported hypotheses – antecedents of positive psychological contracts

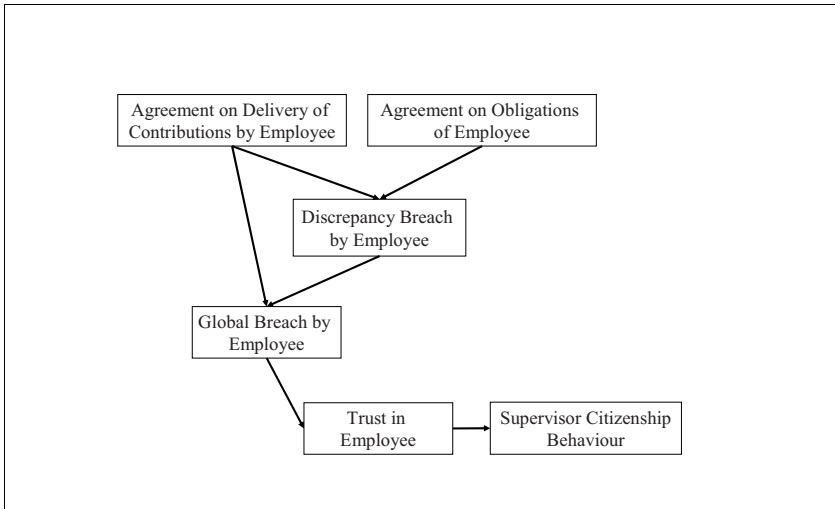


Figure 41: Overview supported hypotheses – breach by employee

## 12. Discussion

### 12.1. Modelling Positive Psychological Contracts

The first hypothesis aimed at clarifying the relationship between the three dimensions of a positive psychological contract: obligation keeping by the organisation, trust in the organisation to keep its obligations in the future and fairness of the exchange. This also presented the first aim of the empirical study.

The central processes involved in breach of the psychological contract have been the subject of considerable interest to researchers. Whereas Morrison and Robinson (1997) have differentiated between breach (a cognitive evaluation) and violation (an emotional evaluation of observed breach), most empirical studies have only measured breach but labelled it violation. In contrast, Guest and Conway (2002a) have suggested the tripartite conceptualisation of the state of the psychological contract that has been adapted here as the definition of a positive psychological contract. However, Guest and Conway (2002a) have not specified the relationship between the three suggested dimensions of a positive psychological contract. For the purpose of this empirical study, three different ideas have been integrated to describe positive psychological contracts and their antonyms, broken psychological contracts: firstly, Morrison and Robinson's (1997) idea that the process leading to negative consequences of breach of the psychological contract involves a number of evaluations by the employee; secondly the idea that trust is a relevant mediator that influences the relationship between breach and its outcomes and thirdly Guest and Conway's (2002a) conceptualisation of the state of the psychological contract.

It was hypothesised that these three dimensions are not independent of each other but that lack of obligation keeping, or in other words breach of the psychological contract, by the organisation is negatively related to trust and perceived fairness. More specifically, it was suggested that global evaluation by employees about the degree to which their organisation has kept its obligations overall is influenced by the sum of evaluations of obligation keeping for each specific promise perceived. While of course regression analysis can not establish cause-and-effect chains, the data showed a strong relationship between global evaluation and the sum of particular evaluations for obligation keeping. The data also showed that both global evaluation of obligation keeping as well as the sum of evaluations on keeping a number of particular obligations are negatively related to trust in the organisation to keep its obligations in the future. The data also showed that global evaluation of obligation keeping partly explains the effect of totalised evaluations of particular obligations on trust. Furthermore, the data showed that totalised evaluations of obligation keeping are negatively related to fairness of the exchange as perceived by the employee.

In line with the hypotheses formulated the three dimensions that constitute a positive psychological contract are found not to be independent of each other. Higher degrees of perceived promise breaking by the organisation are associated with lower trust in

the organisation and with lower perceived fairness of the exchange. These results confirm findings by Rigotti and Mohr (2004) as well as by Lo and Aryee (2003).

Furthermore, an underlying structure of the three dimensions of a positive psychological contract which was measured here with the help of four different variables was suggested by hypothesising that fairness and trust would be primarily related to breach rather than to each other. This constituted an operationalisation of the idea that trust in the organisation and perceived fairness of the exchange are two different outcomes of the same antecedent, namely breach of obligations by the organisation. While all three hypotheses related to this relationship are supported, the correlational data also shows that the four measured constructs are all correlated and that relationships between the variables are of similar strength. Correlations are low enough to indicate that four different constructs were measured. Nevertheless, the structure proposed in the hypotheses does not seem to offer the only plausible explanation for the data at hand. A possible alternative view would be that the four constructs which are all cognitive evaluations cannot be structured into unambiguous cause-and-effect relationships.

While the data does not shed as much light on the precise relationship between breach, trust and fairness as was hoped, it adds to the few studies which have included trust and fairness in the analysis of psychological contracting. It confirms their findings that breach is negatively related to fairness of the exchange and trust in the organisation. This finding forms an essential building block for the hypothesised overall model which links supervisor behaviour and employee behaviour as well as attitudes through explicating their relationship with positive psychological contracts.

## **12.2. The Business Relevance of Psychological Contracts**

Hypotheses 2, 3 and 4 were concerned with analysing the relationship between trust and fairness and its behavioural as well as attitudinal outcomes. This addressed the second aim of the empirical study.

A large number of studies have analysed the relationship between breach of the psychological contract by the organisation and individual behavioural and attitudinal outcomes. The majority of studies have explored attitudinal outcomes like commitment and intention to leave. Also civic virtue as one dimension of organisational citizenship behaviour has been widely analysed and measured as a self-perception. Largely, authors measured the relationship between breach and these outcomes. Tekleab and Taylor (2003) measured the relationship between breach and supervisor perception of organisational citizenship behaviour and found no effect. Lester et al. (2000) measured the relationship between agreement on obligations between supervisor and employee and supervisor perception of organisational citizenship behaviour and found an effect.

Analysis of the data showed that perceived fairness of the exchange and trust in the organisation are both related to commitment and intention to leave the organisation. In other words, employees who trust their organisation to keep its obligations in the

future are more likely to feel a strong emotional bond with their organisation and are less likely to plan on leaving their organisation than employees who do not trust their organisation. The same holds true for those employees who evaluate their exchange relationship with the organisation as fair in the sense that they feel that they give roughly as much as they receive back from the organisation. This finding is in line with Shore and Barksdale's (1998) findings that distributive justice is related to commitment and intention to leave.

These results also present an interesting addition to Tsui et al.'s (1997) finding that balanced and high mutual investment relationships had a more positive impact on attitudes and both extra-role and in-role behaviours than unbalanced or mutual low investment scenarios. In contrast, this study indicates that perceived balance, whether resulting in a mutual high or mutual low investment, affects attitudes but not extra-role behaviours. More generally, this study extended findings of other studies which found significant relationships between breach and commitment as well as intention to leave by explicitly considering trust and fairness as integral dimensions of positive psychological contracts.

The data also showed that trust is positively related to two behavioural outcomes: civic virtue and individual initiative. Employees who trust their organisation to keep its obligations in the future are more likely to engage in behaviours that are beneficial to their organisation although they are not part of the job description. Namely, they attend meetings and events where attendance is not mandatory. They keep track of changes in the organisation by reading newsletters, memos et cetera. Also, they are more likely to show individual initiative in the sense that they make suggestions on how to improve the way their own work or that of the team is done. These employees may voice their opinions and motivate others to do so when it is known that third parties will disagree. In this sense individual initiative behaviours are likely to foster process improvements, innovation and learning which have been argued to be essential in times of fast changes in the organisational environment. Frese (2007) suggested that individual initiative should in fact be considered a central measure not of extra-role performance but of in-role performance. This further highlights the relevance of the concept to organisations.

The data analysed here shows that broken psychological contracts which reduce trust in the organisation hamper individual initiative. The data also shows that this not only holds true for self-perception of individual initiative but also for supervisor perception of individual initiative. Thus, those employees who reported lower trust in the organisation were more likely to have their supervisor reporting lower degrees of individual initiative behaviours. This means that broken psychological contracts not only have negative consequences for employee attitudes but also affect performance-relevant behaviours in a way that is observable to third parties, in this case to the direct superior.

These findings for organisational citizenship behaviour are important in various ways. Firstly, the effect of broken psychological contracts on behaviour has largely been shown using civic virtue. The data analysed here showed the effect of lowered trust on self-perception of civic virtue. However, depending on the circumstances civic virtue may or may not be relevant to individual or team performance. Civic virtue may become a trigger of individual or team performance when by attending meetings and reading newsletters an employee has gained access to information that would otherwise not have been available and when this information enables this person and/or the team to make better decisions. However, this situation may or may not occur and attending non-mandatory meetings may just as well be without consequence to in-role performance. Additionally, this study also showed an effect for individual initiative which is much closer to in-role performance than civic virtue.

Secondly, only two recent studies have used supervisor perception of organisational citizenship behaviour. While Tekleab and Taylor (2003) found no significant relationship between breach and organisational citizenship behaviour as perceived by supervisor. Lester et al. (2000) found an effect for in-role performance as well as organisational citizenship behaviour. Thus, this study is one of the few that have analysed supervisor perception of organisational citizenship behaviour and it confirms Lester et al.'s (2000) findings.

Thirdly, findings for supervisor perception of individual initiative offer a solid argument for why psychological contracts matter to organisations. The concept of the psychological contract has sometimes been criticised by claiming that it is concerned with processes that solely affect perception, evaluations and attitudes of individuals that do not necessarily manifest themselves in observable and relevant consequences. However, this study shows that broken psychological contracts and lowered trust are likely to reduce the degree to which employees show constructive, proactive behaviours. These are argued to be relevant to performance in any working environment but of particular relevance when learning is a prerequisite of performance in complex and dynamic environments. Being able to show that broken psychological contracts reduce performance-relevant individual behaviours will contribute to strengthen the interest that organisations have in psychological contract management.

All in all, findings discussed above serve to replicate and extend the model of psychological contract breach and its consequences. In psychological contract research this negative view is commonly adopted. On the other hand, findings also suggest a basic model which shows the opportunities that arise from managing psychological contracts well. When an organisation has demonstrated its reliability with regard to keeping commitments, this strengthens trust in the organisation, facilitates perceptions of fairness and affective commitment and increases employee intentions to stay with the organisation. Employees repay the favour by showing behaviours beneficial to the organisation, namely proactiveness that fosters learning and innovation. Interestingly, this repaying of favours is not necessarily thematically related to the original favour



received by the organisation. Reciprocation for a salary and benefits that are perceived as generous may manifest itself as a high willingness to work overtime. However, reciprocation may also manifest itself as expressing one's opinion in an important matter. This may in the first instance cause conflict but later on in the process it may improve team performance by enabling better decision-making. It is argued that this leeway that employees have in choosing how to reciprocate is what makes psychological contract management a more powerful management tool than management by objectives. It is also argued that this leeway in choosing how to reciprocate is what contributes to creating sustainable competitive advantage.

### **12.3. Modelling Breach of Obligations by Employee**

Hypotheses 5 and 6 were concerned with the mirror image of psychological contract breach by the organisation, namely with establishing the relationship between breach of obligations by employee as perceived by supervisor, trust in employee, supervisor fairness perception and supervisor behaviour. This addressed the third aim of the empirical study.

The most common perspective for psychological contract researchers is to focus exclusively on psychological contract breach by the organisation. This perspective carries with it a risk of pillorying organisations for not keeping their obligations. The data showed that on average perceived obligations of the organisation were rated higher than the inducements actually delivered. This effect did not occur for self-perception of employee obligations. On average, employees described their degree of obligation to the organisation as roughly equal to the contributions that they deliver in reality. This may be interpreted as employees keeping their obligations and organisations not keeping their obligations. This in turn may be used to argue for a ruthless and systematic exploitation of employees by their organisations. Or more mildly, it has been used to admonish executive managers not to shift the risks arising from global competition onto the shoulders of employees. On the other hand the differences in averages may indicate a bias that leads subordinates to overestimate their own contributions and underestimate the contributions of the organisation. In any case, exploring how perceptions of employee contributions influence attitudes and behaviours of organisational representatives towards these employees forms an important aspect when exploring the employee-organisation relationship.

The noticeable lack of research on breach of obligations by employees is surprising. One reason for this lack may be that employee obligations at first sight may be considered equal to employee performance, a concept that has been widely researched (see for example Green, 2000; Houldsworth & Jirasinghe, 2006; Schuler, 2004). However, it is argued here that employee performance is different from employee obligations. While the concept of employee performance has been shaped by the need to measure performance as objectively as possible, this does not apply to the concept of employee obligations. Employee obligations describe much more general and

abstract concepts. In contrast to perceived performance criteria, employee obligations are not only shaped by what employees have been explicitly asked to contribute.

Lack of research on breach of obligations by employees is also surprising as the concept of the psychological contract is clearly built on ideas about reciprocity. The concept of reciprocity suggests that when someone receives a benefit of whatever kind from some other party, this person re-establishes a perceived balance by bestowing some sort of benefit in return. This scenario may develop into a trusting relationship where benefits are repeatedly exchanged (Stegbauer, 2002). On the other hand the concept of reciprocity suggests that when someone stops receiving benefits this person will sooner or later stop dispensing benefits to those involved in the deal. This suggests that breach of obligation by the organisation is in some way related to breach of obligations by employees.

Few studies have been concerned with this perspective. Tekleab and Taylor (2003) looked at the relationship between agreement on employee obligations and breach of obligations as perceived by the supervisor and found no effect. Thus, the hypotheses presented here aimed at filling a research gap.

As hypothesised, the data showed a strong relationship between supervisor global perception of employee breach and the sum of evaluations for employee keeping of obligations as perceived by the supervisor. The data also showed a strong relationship between global perception of employee breach and trust that the employee will keep his or her obligations towards the organisation in the future. Additionally, the data showed that breach of obligations by employees manifests itself in behavioural outcomes, in this case supervisor citizenship behaviours towards the employee. Supervisor citizenship behaviour was here operationalised as supervisors showing support to the subordinate to a degree that clearly surpasses what would be required. Thus, the data indicates that those supervisors who perceive their subordinate to have kept his or her obligations towards the organisation as a whole are more likely to trust the subordinate to keep to commitments in the future. These supervisors are also more likely to go out of their way to support this subordinate.

Thus, the basic model of obligation keeping, trust and behavioural outcomes holds true not only for employees when they evaluate their relationship with the organisation but also for supervisors when they evaluate the relationship between subordinate and organisation. This finding is all the more interesting because it is not vulnerable to common method bias criticisms. Lower trust in employee as perceived by the supervisor is related to lower supervisor citizenship behaviours as perceived by employees. To sum up, breach or keeping of obligations towards the organisation as a whole by employees (1) influences supervisor trust in employee (2) manifests itself in supervisor behaviours, (3) that are observable to third parties and (4) involve a clear reciprocal element where supervisors act as representatives of the organisation redressing the balance in the relationship between employee and organisation.

It could be argued that in contrast to Rousseau's (1995) definition these findings suggest that organisations – represented by direct superiors in this case - do have psychological contracts. However, there are a number of conceptual differences between the employee and the supervisor perspective on the employee-organisation relationship.

Firstly, an employee clearly constitutes one of the parties in the exchange relationship between organisation and employee. Supervisors on the other hand are part of the harder to define organisational side of the deal with a diffusion of responsibility for the exchange relationship between supervisors, recruiters, other human resources staff and executive management (Rousseau, 1995). Direct superiors may not have comprehensive knowledge of what the organisation has committed to and what the employee has committed to because some of the communication that shaped obligations as viewed by the employee may have been with the human resources department and not with the direct superior. Also, obligations perceived through working with a different supervisor previously may have shaped perceived obligations. Thus, the supervisor is not as involved in any given employee-organisation relationship as the employee.

Secondly, there are probably differences in the mind set with which supervisors and subordinates approach the subject. Subordinates may be primed by negative stories told by people they know or biased media reports to closely watch their organisation for potential breach of commitments. When breach occurs there may be a tendency to attribute this to either thoughtlessness or ruthlessness. Supervisors on the other hand may have been trained to attribute employee failure to keep commitments to lack of motivation or lack of qualification, both of which they may have been trained to think of as potentially correctable if only appropriate action is taken. In other words while employees may see organisational behaviour as largely uncontrollable by themselves, supervisors may feel that employee behaviours can be influenced for the benefit of the organisation. This may influence the degree of threat to one's well-being perceived when a breach of obligation occurs.

Thirdly, supervisors usually have more than one subordinate. The personal stakes they have in the relationship between subordinate and the organisation may vary from subordinate to subordinate, for example depending on the relevance that a given employee's performance has for the performance of the supervisor.

In short, it is suggested that the exchange relationship between employee and organisation has more personal relevance to the employee involved than to the supervisor who is one of various representatives of the organisation in this exchange relationship. This may cause differences in vigilance regarding keeping of obligations, differences in the threshold that marks the difference between a small disappointment and a perceived breach of obligation, differences in perceived power to change the situation when breach has occurred and differences in the expected consequences for one's performance, well-being or career prospects in the organisation. In conclusion, it

is argued here that a supervisor cannot be said to have a psychological contract with a subordinate that is comparable to the psychological contract that a subordinate has with the organisation. However, the data analysis showed the relevance of supervisor evaluations of employee obligation keeping to supervisor behaviour. Therefore, the issue merits further exploration.

#### **12.4. Supervisor Opportunities to Facilitate Positive Psychological Contracts**

##### **12.4.1. Introduction**

Hypotheses 7, 8, 9, 10 and 11 were concerned with exploring the influence of supervisor behaviours and practices on organisational breach of obligations as perceived by the employee, trust in the organisation and perceived fairness of the exchange. In other words this part of the study aimed at analysing what supervisors can contribute to facilitating positive psychological contracts when the content of the exchange deal that is proposed to employees is treated as a given. This addressed the fourth and most important aim of the empirical study.

In quantitative research in general and in psychological contract research in particular, it is common to devise models that imply neat and simple cause-and-effect chains. Not doing that may be considered extensive testing (Dubin, 1969). However, those constructs which were used as dependent variables for this part of the study, namely perceptions of breach, trust in the organisation and perception of fairness, are all evaluations of the same individual. Prior to this research, the relationship between these variables could only be hypothesised. As discussed above, all four variables are highly correlated. Establishing a reliable and precise model of the relationship between the four cognitive evaluations was not possible here and may be generally difficult. Therefore it seemed that claiming *a priori* that all antecedents explored here are related to only one kind of evaluation made by the individual, for example breach, but not directly related to another kind, for example trust, would have meant pushing the need for cause-and-effect models too far.

For this empirical study, the following approach was adopted: when the existing literature indicated it or when there were plausible reasons, the same antecedent was hypothesised to be directly related to more than one dimension of a positive psychological contract. Using multiple regression analyses allowed for the separation of direct from indirect relationships between supervisor antecedents and breach-related dependent variables.

##### **12.4.2. Agreement on Organisational Obligations**

Many authors have highlighted the relevance of the direct supervisor for facilitating positive psychological contracts, but few authors have explored this issue empirically. Various facets of supervisor influence on psychological contracts were analysed in this empirical study. The first aspect of supervisor influence regarded agreement on obligations.

Several authors have highlighted that working towards agreement on obligations is an effective way to avoid perceived breach as it reduces incongruence as a source of breach. Tekleab and Taylor (2003) looked at the relationship between agreement on obligations between supervisor and subordinate and breach by the organisation and found no effect. However, they used only a global measure of breach by the organisation. Lester et al. (2000) also studied agreement on obligations but in relation to outcomes such as commitment.

It was suggested here that agreement on obligations of the organisation between supervisor and subordinate would reduce breach of obligations as perceived by employees. Additionally, it was suggested that agreement on what inducements the organisation has delivered to what degree would be negatively related to breach. In contrast to Tekleab and Taylor (2003), the discrepancy measure of breach, a more fine-tuned measure, was used here to evaluate the hypotheses. Furthermore, the statistical procedure used for evaluating the hypotheses differed from the one adopted by Tekleab and Taylor (2003). Regression analysis was used here. It was also hypothesised that the relationship between agreement and breach by the organisation would be moderated by the influence that the supervisor was deemed to have for the content of the psychological contract.

However, the data confirmed none of the hypotheses describing expected relationship between agreement and breach. There is a range of reasons as to why the data did not show a negative relationship between agreement on obligations as well as on delivery and breach by the organisation as perceived by employees. Firstly, a potential explanation lies in the way agreement was measured in this study. Agreement was measured as the sum of absolute differences between supervisor and subordinate scores for the fourteen items on organisational obligations and delivery of incentives. Discrepancy breach, the dependent variable, was measured as the sum of positive differences (where obligation is greater than delivery) between obligations perceived and incentives delivered. It was thought that this kind of measurement would allow for differentiated results. However, it may have been too abstract as employees were not directly asked about agreement nor were they directly asked about promise-keeping for each obligation.

Secondly, hypotheses built on the idea that incongruence, i.e. lack of agreement between organisation and employee, is a common source of breach (Rousseau, 1995). However, if incongruence is not as common a reason for perceived breach as thought, then avoiding incongruence by achieving agreement would not make a significant difference. It may be that renegeing is a more common cause for organisational breach of obligations. Renegeing has been described to occur when the organisation withdraws from an obligation that organisational representatives would agree existed beforehand (Rousseau, 1995).

Thirdly, the basic idea is that incongruence is the absence of agreement between organisation and employee (Rousseau, 1995). Here it was suggested that the

supervisor of any given employee would commonly be the best possible substitute for the organisation as a whole when wanting to measure the organisational perspective on mutual obligations. This necessitated the assumption that supervisors are able to produce a fairly reliable and clear image of what the organisation as a whole has promised and is delivering to the employee. However, for several reasons supervisors may in reality not always be able to do so. For example, the supervisor may be subject to the same misunderstandings about organisational intentions as the employee. In that case, agreement with one's supervisor means being unified in unrealistic prognoses about organisational behaviour. This in turn would not present a safe-guard against perceived breach of obligations by the organisation.

Fourthly, the offer that the organisation is making to certain employee groups may not be clear to anyone in the organisation in some cases. This would be expected to happen in times of organisational change. In this case, agreeing with one's supervisor on the offer being made by the organisation would not lower the risk of breach either because organisational behaviour would be largely unpredictable for any one member of the organisation.

Summing up, the data showed that agreeing on obligations with one's supervisor does not in itself help to avoid perceived breach by the organisation. It is suggested here that agreement is powerful in avoiding perceived breach by the organisation only when (1) an employment strategy has been created by top management, (2) when top management has communicated its intentions with regard to employment relationships to supervisors, (3) when top management reliably keeps the obligations incurred and (4) when supervisors have understood the employment strategy. However, these ideas are subject to further research.

#### 12.4.3. Communication Behaviours

The reviewed literature suggested that communicating about mutual obligations is important for passing on the offer that the organisation is extending to the employee, to understand the perspective of the employee and thus to create a shared mental model (Labianca et al., 2000). These ideas bear on agreement as a mediator between communication and low breach as perceived by employees. As discussed above, the data did not confirm the relationship between agreement and breach. Nevertheless, this relationship has been argued to exist when certain conditions are fulfilled.

In line with the above ideas it was hypothesised here that agreement on obligations and delivery of incentives would both be positively related to supervisor communication behaviours and number of communication channels used by the supervisor to communicate about mutual obligations. However, the corresponding hypotheses were not confirmed. It may be that passing on relevant information and being receptive to employee ideas as well as communicating about obligations in a range of different situations may in itself not generate agreement. Agreement may be based on an explicit process of negotiation. It would be interesting to explore at what occasions and

in what manner those supervisor-subordinate dyads that agree on organisational and individual obligations negotiate the deal.

In contrast to other research, it was also suggested here that positive supervisor communication behaviours may lower perceived breach of obligations by the organisation independently of agreement with supervisor. For this reason not only an indirect but also a direct effect of communication behaviours on breach by the organisation was hypothesised. To the knowledge of the author, so far no quantitative published study has looked at the relationship between communication behaviours and breach of the psychological contract. The data analysis showed that positive communication behaviours are related to both discrepancy breach as well as global evaluation of breach by the organisation.

Interestingly, supervisor interactional justice is highly correlated with communication behaviours for this sample. Other studies have demonstrated the role of interactional justice for psychological contracts (Kickul et al., 2001; Thompson & Heron, 2005), albeit mainly as a mediator or moderator between breach by the organisation and individual outcomes. Although the two constructs communication behaviours and interactional justice were jointly entered into the regression analyses, analysis of  $\beta$ -values did show that while both constructs were jointly related to discrepancy breach, the relationship with global breach was mainly attributable to communication behaviours, not interactional justice.

There are various potential explanations for the overall pattern of relationships between communication behaviours, interactional justice, agreement and breach by the organisation as perceived by employees. Firstly, it may be that while open two-way communication does not automatically foster agreement on mutual obligations, it does create an atmosphere of respect where employees are less vigilant about potential breach of obligations by the organisation or more forgiving and forgetful when breach of obligations happens.

A second plausible explanation for the results is that being informed about important developments in the organisation was one of the top three organisational obligations for this sample. Thus, the kind of communication behaviours measured here may actually constitute a top priority obligation of the organisation as perceived by employees. When two-way communication is at a high level, this in itself may significantly have contributed to fulfilment of the psychological contract for this sample.

In any case, the results clearly showed that communication behaviours focussing on passing on relevant information, allowing employees to voice their views and ensuring an adequate understanding of subordinates' points of view contribute to facilitating positive psychological contracts. This result is an important contribution to the research literature as it allows a formulation of supervisor behaviours. The few existing previous studies have rather focused on tasks or roles and conceptualisations remained fairly abstract. The relationship between communication behaviours and

interactional justice warrants further analysis. It would be interesting to see whether the relationship between the two constructs is as strong in other samples.

#### 12.4.4. Communication Channels

Rousseau (1995) suggested that in order to convey the organisational understanding of mutual obligations, organisations should communicate relevant messages in a consistent manner across various situations. In a similar vein, Spencer found that number of communication channels available to employees was related to retention. Among the various communication channels available to organisations, a sample of British managers rated personal communication between supervisor and subordinate as most effective in order to address the content of reciprocal obligations between organisation and employee (Guest & Conway, 2001). Guest and Conway (2001) also found a significant relationship between effectiveness of certain communication channels as rated by senior managers and extent to which organisational promises were kept by the organisation as rated by senior managers.

It was hypothesised here that the number of communication channels used by supervisors to communicate about mutual obligations would be positively related to agreement on mutual obligations and negatively related to breach by the organisation. This was not confirmed by the data. The data does not support the idea that employees whose supervisors make use of a range of opportunities to communicate about obligations have more positive psychological contracts than employees whose supervisors always use the same opportunity e.g. performance appraisal to talk about mutual obligations. The data rather indicates that how supervisors generally communicate with their subordinates is more important than at what occasion they address mutual obligations for facilitating positive psychological contracts. In conclusion, the range of occasions at which supervisor addressed mutual obligations did not contribute to facilitating positive psychological contracts.

#### 12.4.5. Interactional and Procedural Justice

As discussed above, previous studies have found justice to be a relevant mediator and moderator of the relationship between organisational breach of the psychological contract as perceived by the employee and outcomes. These studies measured justice as interactional and procedural justice. For the purpose of this study interactional justice, procedural justice and fairness of exchange - a measure similar to distributive justice - were included. Findings for distributive justice were discussed in section 12.1. In contrast to previous studies interactional and procedural justice were treated as independent variables here hypothesised to affect the three dimensions of a positive psychological contract, namely breach, trust and fairness of the exchange. Data analysis showed that interactional and procedural justice were significantly related to all three dimensions of a positive psychological contract.

More precisely, both facets of justice were negatively related to discrepancy breach as perceived by employees. Procedural justice was also related to global breach as



perceived by employees. Both interactional and procedural justice were found to have direct effects on trust beyond the effect of both measures of breach. Furthermore both justice facets were related to fairness of the exchange. However, the analysis indicated that procedural justice mediated the effect of interactional justice and can therefore be considered the more important construct with regard to perception of fairness of the exchange by employees.

Findings support the view that interactional and procedural justice are more than mediators or moderators between breach and outcomes. It suggests that evaluations of the two justice dimensions strongly influence whether individual employees report to have a positive psychological contract. These results are of interest to organisations because both kinds of justice evaluations can be influenced through organisational or supervisor behaviours.

Procedural justice was measured here as just procedures regarding decision-making in the organisation at large. Nevertheless, items used to measure procedural justice can be easily transformed into rules for decision-making processes that any organisational member may go through, in this case direct superiors. The data shows that following these decision-making rules contributes to facilitating positive psychological contracts. Evaluation of procedural justice for the organisation as a whole is expected to have a stronger effect than evaluation of supervisor procedural justice.

Nevertheless, it is suggested here that supervisors can contribute to facilitating positive psychological contracts by following these rules when going through decision-making processes that affect subordinates. Firstly, when a series of similar decisions are to be made, the same decision-making criteria should be used across time and regardless of the people involved. Secondly, those involved in taking the decision should take care to obtain all the important information and double check it for being correct before the decision is taken. Thirdly, once the decision is taken it should be checked for being correct. If this is not the case, the decision-making process should be designed so that a wrong decision can be reversed. Fourthly, the process should involve all important stakeholders of the outcomes of the decision. Fifthly, all important stakeholders should be heard before the decision is taken. Sixthly, the decision maker should give feedback on the decision and its execution. Seventhly, requests for further information on the decision should be addressed. These seven rules are in line with a conceptualisation by Moorman (1991) and have been measured as part of this study. Two other aspects have been suggested by Leventhal (1980): the decision should not be influenced by vested personal interests and the decision should conform to common ethical standards.

Both Thibault and Walker (1975) as well as Leventhal (1980) have argued that when the procedure for arriving at a decision is fair, people are more tolerant towards losses that they incur. This offers an explanation for why those employees that reported higher degrees of procedural justice in their organisation also reported lower levels of breach by the organisation and higher levels of trust in the organisation. Thus,

supervisor procedural justice can contribute to facilitating positive psychological contracts.

Interactional justice is a more abstract concept which involves aspects of kindness, consideration, truthfulness and concern for employees. However, data analysis showed that interactional justice evaluation is closely related to supervisor communication behaviours which suggests that in order to facilitate perceived interactional justice which in turn contributes to facilitating positive psychological contracts supervisors should take care to (1) pass on important information about developments in the organisation or subordinate performance precisely and with the appropriate amount of detail (2) give instructions in a clear manner, (3) word complex information in a comprehensible way, address requests for more detail and clarify the message by summarising its most important points, (4) word negative feedback in a constructive way, (5) encourage subordinates to voice their points of view and concerns, give subordinates enough to time to voice their opinions and double check that points of view have been understood correctly.

In short, the data analysis suggests that when supervisors display certain communication behaviours this contributes to facilitating positive justice evaluations by employees. It was found that decision-making procedures and positive communication behaviours as described above shape these justice evaluations. These behaviours constitute supervisor opportunities to contribute to avoidance of perceived breach, higher perception of fairness of exchange and higher degrees of trust in the organisation. It is important to point out that these opportunities are independent of the content of the psychological contract.

#### 12.4.6. Information, Explanation, Compensation

Finally, hypotheses involved testing one idea that has been proposed by Rousseau (1995) more than ten years ago but to the knowledge of the author has never been the subject of a published empirical study. Rousseau (1995) suggested that the emotional reaction to breach of the psychological contract could be attenuated by the offender by offering information as early as possible, by offering an explanation as to why breach of promises occurred and by offering some sort of compensation to offset the loss incurred by the employee. This seems plausible if one argues that being seen to make an effort and ideally arguing convincingly that the breach of promise happened due to circumstances beyond the control of the organisation would be expected to make a breach of promise more forgivable. Here, it was hypothesised that it would attenuate the negative effect of breach on trust. The moderator hypothesis was not confirmed.

However, a clear direct effect of the information, explanation and compensation variable on trust was found. The direct but not the moderating effect is expected to be due to the reduced sample included in this analysis. Only those participants who reported that they had previously experienced breach by their employer had answered items on information, explanation and compensation. The direct effect found in the

data clearly indicates that for those employees that have experienced severe breach, supervisor behaviours that are related to offering symbolic compensation, offering an honest explanation and announcing unavoidable episodes of breach of obligation by the organisation as early as possible are associated with higher levels of trust. This finding is in line with Rousseau (1995). However, this result needs to be replicated with a bigger sample of employees who have experienced severe breach.

Of course, it has to be kept in mind that supervisors may in some cases have reasons not to disperse the relevant information in a timely fashion, for example in the case of impending downsizing, or at all, for example when the reasons for not granting a promotion lie in vested interests. Thus, application to managerial practice may require an individual specification of the circumstances under which an honest explanation can be given.

## **12.5. Supervisor Opportunities to Avoid Breach of Obligations by Employees**

### **12.5.1. Objective Setting**

Hypotheses 12, 13, 14 and 15 addressed supervisor opportunities to avoid breach of obligations by subordinates. This addressed the fifth aim of the empirical study. Supervisor opportunities to enhance subordinate performance have been widely discussed in the research literature within the research areas of leadership and motivation. However, this part of the discussion is concerned with supervisor opportunities to contribute to keeping of abstract and broad obligations as discussed in section 12.3.

Nevertheless, an overlap between conventional performance management tools and psychological contract management has been suggested by various authors. Rousseau (1995) and Niehoff and Paul (2001) have suggested that performance appraisal is an important tool for managing psychological contracts. Tekleab and Taylor (2003) suggested that feedback on performance is an important supervisor task with regard to psychological contract management. As supervisor objective setting practices form an integral part of performance management, they were hypothesised here to contribute positively to agreement on obligations and contributions of the employee between supervisor and subordinate. However, this view was not supported by the data.

Objective setting was operationalised here using 11 items. As detailed in section 10.4.3 only the first factor was used in the analysis of the data. The first factor included items relating to (1) setting challenging goals, (2) setting goals in accordance with organisational strategy, (3) giving feedback on goal achievement, (3) setting measurable goals, (4) setting a deadline for goal achievement and (5) making goals binding. The factor identified here is similar to the concept of SMART goal setting which refers to setting goals that are (1) specific, (2) measurable, (3) achievable, (4) realistic and (5) time-bound (Prather, 2005).

The analysis clearly showed that setting smart objectives and giving feedback on goal achievement does not contribute to facilitating agreement between supervisor and employee on employee obligations and employee contributions. There are two poten-

tial explanations for this result: Firstly, it may be that some facets of performance appraisal contribute to achieving agreement but not smart objective setting. For example it may be that factors like involvement of the employee in the goal setting process would be more important to agreement than setting smart goals. Involvement emerged here as the second factor in the goal setting measure used. However, the factor was not used for analysis as it explained too small a part of the variance.

Secondly, it may be that the obligations discussed in objective setting are different from the obligations involved in the psychological contract. The results may be interpreted to confirm the view that psychological contract management is different from performance management. This seems plausible as best practice for goal setting includes specific and measurable goals while obligations included in the psychological contract are much more general and abstract. This in turn indicates that the idea that performance management is an important part of psychological contract management needs specification. It is suggested that more general employee obligations towards the organisation have to be addressed separately and explicitly so that performance management can be used to manage psychological contracts. Furthermore performance management in the first place seems to offer an appropriate structure for clarifying employee obligations. Explicitly clarifying organisational obligations may be out of place during performance appraisal sessions.

#### 12.5.2. Agreement on Employee Obligations

As discussed for breach by the organisation, the literature suggests a negative relationship between agreement on obligations and breach of obligations. The data did not support this idea for agreement on organisational obligations. However, it was also hypothesised here that agreement between supervisor and employee would be negatively related to employee breach as perceived by the supervisor. These hypotheses were confirmed by the data. Both agreement on employee obligations and agreement on contributions by the employee in fulfilment of obligations were negatively related to employee breach as perceived by the supervisor when the discrepancy measure of breach was used. In other words, where supervisor and employee agree about what the employee owes and what he or she contributes, supervisors are more likely to report a higher degree of keeping of obligations than where supervisor and employee disagree. This also held true for agreement on contributions when global evaluation of employee breach by the supervisor was used.

This suggests that fostering agreement on obligations of the employee can be seen as a safe-guard against breach of promises by the employee. In this case it is all the more interesting to note that achieving this agreement was not related to SMART goal setting. Neither was it related to supervisor communication behaviours. This in turn, suggests a number of things: Firstly, what does foster agreement if not positive communication behaviours nor SMART goal setting? It may be that involvement in the definition of obligations and explicit negotiation involving specification of the

terms will foster agreement. Secondly, findings suggest that antecedents of perceived breach are different for employee and organisational obligations. Whereas positive supervisor communication behaviours are related to low levels of breach by the organisation and agreement was not found to be related to low breach by organisation, communication behaviours do not present a safeguard against perceived breach by the employee but agreement does. In future research it would be consistent and interesting to ask what employees can do to reduce employee breach as perceived by supervisors.

### **12.6. Supervisor Content Management**

The process perspective on psychological contract management forms the focus of this study. Its most important aim was to formulate supervisor contributions to positive psychological contracts that work independently of the specific obligations incurred. However, analysing the results referring to the content of the psychological contract as viewed by supervisors and subordinates suggests various potential areas of supervisor psychological contract management that are dependent on specific obligations incurred. This means that the suggestions detailed below only have potential to be effective when it is assumed that the subordinates that are being led have the same psychological contract as the participants of this study.

As discussed in Chapter 7, Baccili (2001) presented a study that differentiated between those obligations where employees view the organisation as a whole as responsible for fulfilment and those obligations where employees view their direct supervisor as responsible for fulfilment. Baccili (2001) reported that while employees see the organisation as a whole to be responsible for providing a performance management system, supervisors are seen to play a central role in the implementation of the system. Supervisors are seen as responsible for monitoring performance, giving feedback on performance, having a clear understanding of financial rewards available, making employee contributions known to the human resource department and allocating rewards accordingly.

On average, participants of this study reported that their organisation does not fully fulfil its obligation to provide pay that is based on current levels of performance. This may be due to lack of a fair performance management system or due to the way rewards are allocated by the supervisor. If further qualitative and organisation-specific enquiry shows that employees describe the latter to be part of the problem, then supervisor attention to reward allocation has potential for closing the gap between promises perceived and promises fulfilled as observed in this study.

With regard to the organisational obligation to offer pay that is fair in comparison to job tasks there are various dimensions that would be interesting to explore further. The perception of non-fulfilment by employees may have various reasons. Firstly, basic pay may be considered too low for the tasks that are part of the job. Secondly, job tasks may have developed over time and are now viewed as too big in number, too complex or too responsible for the salary offered. Thirdly, the job may involve

additional project-related temporary tasks that are not reflected in additional pay. Depending on the specific reasons for perceived non-fulfilment, supervisors may have greater or lesser opportunities to influence perceived fulfilment. While changing base salary or introducing additional project rewards would usually not be under control of the supervisor, job design and task allocation within the team can usually be influenced by the supervisor. However, as with performance-related pay, further qualitative and organisation-specific research is required to establish whether additional efforts in task allocation can substantially improve employee perception of promise-keeping.

Thirdly, employees on average reported that their organisation does not keep its obligation to provide information on important developments in the organisation. Again, a qualitative and organisation-specific approach would be interesting in order to explore whether this mainly refers to information from top management or whether non-fulfilment refers to information from direct superiors regarding new projects, career opportunities or changes in processes and/or strategy for the team. If the latter holds true, then supervisors can contribute to positive psychological contract by providing the requested information.

The fourth organisational obligation that was reported not to be fulfilled by employees was offering the training that is necessary to do one's job well. Again, non-fulfilment has various potential reasons. Firstly, the training needed may simply not be offered by the organisation. However, both supervisors and employees reported that the obligation to offer up-to-date training was over-fulfilled by the organisation. Other potential reasons for non-fulfilment may be that employees do not have the opportunity to attend off-the-job trainings or that on-the job training is perceived as insufficient. This may refer to initial training or mentoring by the supervisor. The results of this study suggest that supervisors can contribute to facilitating positive psychological contracts by ensuring that employees can attend to training on offer in the organisation and by offering support when employees have to master tasks that are new to them. Again, organisation-specific and qualitative research is needed to estimate to which degree these activities can contribute to close the gaps in promise-keeping that have been reported here.

It should be pointed out again that the content of the psychological contract can vary widely between individuals and organisations. Also performance management systems, training systems and organisational culture with regard to intra-organisational communication differ widely between organisations. In contrast to recommendations made from the process perspective that dominates this study, the suggestions made in this section only apply to work settings and to employees where the top four organisational obligations found here apply.

## **PART D**

### 13. Conclusions

#### 13.1. Management Implications and Recommendations

The following management implications and recommendations are based on the integrative model of psychological contracts and employment relationships detailed in Figure 11 and discussed in section 5.3.3. They also integrate the management challenges identified section 5.3.4 and specify the management recommendations reviewed in section 5.4 on the basis of the results of the empirical study and on the basis of the material on human resources practices and supervisor roles reviewed in Chapters 6 and 7.

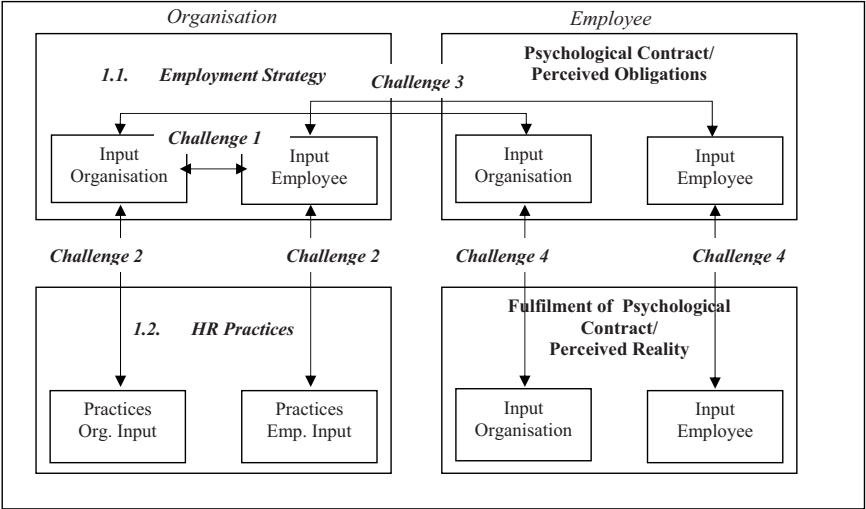


Figure 42: Alignment model of psychological contract management

It is suggested here that four major challenges can be identified for organisations that aim at creating positive psychological contracts. It is also argued that the common theme of these four challenges is alignment. Alignment refers to achieving coherence between a number of systems, perspectives and intentions present in the organisation. The first challenge for organisations is to create a clear exchange offer, involving aspects of the employment strategy and strategy outcomes. Alignment has been achieved when planned organisational input into the employee-organisation relationship and requested employee input are balanced out in the medium and long run. The second challenge is to align the employment strategy with human resources systems as they are applied in organisational practice. The third challenge consists in achieving a definition of mutual obligations that is shared by organisation and employee. The fourth challenge is to achieve employee perceptions that the obligations incurred as



part of the exchange offer are being kept by the organisation, i.e. that psychological contracts and organisational reality are aligned. Figure 42 illustrates the alignment model of psychological contract management. How organisations can address these four challenges will be discussed in the following. Supervisor opportunities to contribute to addressing these challenges will also be discussed.

### 13.1.1. Challenge 1

The first challenge that organisations face with regard to psychological contract management is creating an exchange offer where planned organisational and employee input into the relationship are balanced. Whether this balance exists is in this case not evaluated by employees but by those who create the offer or by third parties, for example consultants or researchers.

This study did not primarily take a content perspective on psychological contract management. Therefore a comprehensive discussion of the first challenge is beyond the scope of this study. See Marr and Fliaster (2003a) for a detailed discussion. However, it seems important to discuss three issues that emerge from the present study as a comment on Marr and Fliaster's (2003a) suggested principles for creating sustainable psychological contracts. The three issues that will be discussed in the following concern (1) creating a set of mutual obligations, (2) creating a fair exchange offer and (3) creating a range of offers for different employee groups.

Addressing the creation of a set of mutual obligations, the following points seem important to note: Firstly, no organisation except for one that has been newly and recently founded will be in a situation where an employment strategy is designed from scratch. So creating a set of mutual obligation more precisely refers to changing an existing set of obligations or clarifying and fine-tuning an existing set of mutual obligations. Secondly, it is important to point out that employment strategies differ widely between organisations. Choice of employment strategy is influenced by a number of factors, for example business strategy. Marr and Fliaster (2003a) recommend an employment strategy that will lead to a relational psychological contract for middle managers. It seems important to point out that this recommendation is not made here. It seems inappropriate to propose a certain employment strategy when the decision is mainly based on hierarchical level. This study did not include a systematic analysis of the internal and external factors that may influence the appropriateness of choice of employment strategy. Therefore, general recommendations regarding choice of employment strategy cannot be made.

Thirdly, it seems obvious that choice of employment strategy is a responsibility of top rather than line management. However, results of the empirical study suggest an important issue that supervisors are recommended to explore when aiming at facilitating positive psychological contracts.

Analysis of the data collected as part of this study showed that employees view necessary training to do the job well, information about important developments in the

organisation, autonomy and compensation that is fair in comparison to tasks as the most important obligations of the organisation. Supervisors also stated that these were the most important organisational obligations but added job security. Results showed that on average participating organisations had kept their obligations with regard to job security from supervisors' and subordinates' perspectives. Whereas subordinates on average stated that obligations with regard to autonomy had been kept, supervisors stated that obligations with regard to autonomy were not quite kept. Both sides also agreed that obligations regarding training, information and pay were not kept although the degree of breach perceived by employees was higher than perceived by supervisors. Thus, in this sample supervisors put more emphasis on job security than employees. Training and pay, signalling a shorter term focus of the employee-organisation relationship and possibly a focus on employability, were more important to employees than job security. Information on important developments, signalling an interest in empowerment, was also more important to employees than job security.

This may mean that employees have accepted empowerment and employability, elements of the so called new psychological contract, to a greater degree than organisations as represented by supervisors who, put proverbially, preach the new psychological contract but may not practice it. There are also features in the data that do not fit with this interpretation, for example the fact that participation in decision-making, another dimension of empowerment, was not viewed as a top priority obligation of the organisation by neither subordinates nor supervisors. It should be kept in mind that interpretation of results with regard to acceptance of the new psychological contract is speculative.

However, it is recommended here that supervisors explore whether their understanding of the relevance of job security to their subordinates is appropriate. When exploration shows that job security is not of central importance, then establishing what subordinates view as feasible alternatives to job security, for example training that fosters employability, is recommended. Feeding this information back to top management will help to avoid false assumptions on employee priorities and thus support top management in creating an appropriate set of mutual obligations that constitutes the employment strategy. This kind of supervisor activity can be described as fulfilment of the role as champion of strategic alternatives. This role has been proposed by Floyd and Wooldridge (1994) and was discussed in Chapter 7. While the results regarding job security were particularly salient for this sample, the process described here may be taken as exemplary. It may just as well apply to any other obligation involved in the set of mutual obligations envisioned and practiced. Also, it illustrates a more general implication, namely that although shaping the employment strategy is mostly a top management task, lower level management can play a valuable role by passing on information and testing strategic alternatives on a small scale.

With regard to the second issue, the creation of a fair exchange, the following points seem worth mentioning: Perceived fairness of the exchange, i.e. distributive justice,

was defined here as one of the three dimensions of a positive psychological contract. Tsui et al. (1997) and Wang et al. (2003) described a range of employment strategies and argued that employment strategies are not necessarily intended to be fair in the sense of a balanced exchange. Tsui et al. (1997) also showed that a balanced employment strategy with mutual high investments between employer and employee was positively related to employee extra-role and in-role performance. Does this mean that imbalanced employment strategies constitute bad management? This research showed that balance in the exchange as perceived by employees is related to positive attitudes such as affective commitment and intention to stay in the organisation. However, this research also showed that procedural and interactional justice as perceived by employees are related to trust in the organisation which is in turn related to positive attitudes and behaviours such as individual initiative and civic virtue. This finding is in line with previous research by Leventhal (1980) who showed that people are prepared to accept a lack of distributive justice when there is procedural justice. Wang et al. (2003) demonstrated that an unbalanced underinvestment strategy did not fare worse than a balanced mutual high investment strategy in terms of organisational performance when the organisation adopted a prospector strategy. For the creation of a fair exchange this suggests the following: Imbalances in the exchange do negatively impact on employee attitudes but they may not impact on performance-relevant behaviours as long as trust in the organisation is fostered by respectful treatment and fair procedures. It is suggested here that when balance is not a central aim of the employment strategy, protecting trust in the organisation is of major importance. In order to do this, employees have to understand the reasons for underinvestment, e.g. an organisational crisis or kicking off a new business. Furthermore, employees have to understand what the imbalanced deal consists in. This will heighten the chance that the psychological contract - albeit imbalanced - will be perceived to be kept. It is also suggested here that imbalance is more likely to be tolerable to employees when it is announced to be temporary. When there is long-term imbalance in the exchange this is likely to damage perceptions of interactional justice due to possible feelings of systematic exploitation by the organisation. This may in turn negatively affect trust and thus employee behaviours. Marr and Fliaster (2003a) formulated their principle of balance as follows "no rights without obligations" (p. 176) and "no obligations without rights" (p. 177). This generally holds true and it is argued here that creating balanced exchanges will contribute to sustainable positive psychological contracts in the long run. However, imbalanced employment strategies will not necessarily have a negative effect on employee behaviours when perceptions of procedural and interactional justice are protected. As previously discussed, supervisors are in a good position to facilitate perceived interactional and procedural justice in the organisation by offering explanations for the occurrence of imbalances and stressing that the strategy is limited in duration.

With regard to the third issue, creating a range of offers for different employee groups, the following points seem worth noting: Marr and Fliaster (2003a) proposed that qualification, professional area, tenure, national culture are relevant criteria for differentiating between employee groups. Lepak and Snell (1999, 2002) argued that uniqueness and strategic value of employee skills can be used to differentiate among employee groups. Lepak and Snell (1999, 2002) also described different human resources systems and different employment strategies associated with the employee groups identified. In this study, two thirds of supervisors agreed at least partially that their subordinate has skills that would be difficult to replace, that skills were developed through experience on this job and that skills are adapted to the particular needs of the business. Every fourth supervisor stated that these statements mostly or completely applied to the subordinate participant. This indicates that supervisors ascribed medium to high uniqueness of skills to their employees. Analysing subordinate participants' profiles showed that about 50% currently held a completed apprenticeship as their highest qualification and about 20% had already completed a degree at university. The average age was 30. While this profile does not suggest that the majority of this sample would be typical examples of fast-track career employees, supervisors' focus on job security as an obligation that is being kept does indicate an orientation towards organisation-focused employment and a relational focus. The focus on training and pay on the other hand indicates an orientation towards market-based employment. In short, a clear categorisation of this sample into one of the employee groups suggested by Lepak and Snell (1999, 2002) is not possible on the basis of the data collected. However, in addition to the criteria suggested by Marr and Fliaster (2003a), analysing uniqueness and strategic value of skills of individual employees or employee groups in order to create a deal that is functional for the organisation seems appropriate. Again, supervisors are in a good position to do this. When this analysis leads to a number of employment strategies being applied in one organisation, reasons for membership to certain employee groups have to be made transparent. This will contribute to avoiding confusion over obligations when employees compare themselves to others in the organisation. Supervisors are in a good position to clarify different types of deals and criteria for membership.

### 13.1.2. Challenge 2

The second challenge faced by organisations who want to manage psychological contracts systematically is aligning the human resource system with the employment strategy that has been adopted. This research suggested that obligations that can be subsumed under empowerment and employability, although accepted by employees as important obligations, are only partly being kept by the organisations in this sample. This may be due to a lack of alignment between the espoused employment strategy and the human resources practices experienced by employees. Or it may be due to a lack of integration of different human resources practices into a coherent system. It has

been argued in previous chapters that human resources practices can fulfil various functions with regard to psychological contract management. When talking about the integration of employment strategies and human resource systems, the focus is on human resource practices not as communication channels but as transmitters of specific obligations or as fulfilment of specific obligations previously incurred (see section 6.3). Performance management offers a good example for what constitutes alignment. When an organisation has adopted an employment strategy that focuses on employee participation and empowerment, this strategy is aligned to developing individual goals in cooperation with the employees who will have to achieve these goals. Participation is not aligned with a goal setting process where employees are informed about their goals without an opportunity for involvement. When employment strategy focuses on customer orientation as an important employee obligation then this is in line with performance criteria which include customer satisfaction or retention. Stressing customer orientation and at the same time measuring performance as sales volume would probably be considered as misalignment by employees. Achieving a match between the employee-organisation relationship as intended by the employer and human resource practices which translate intention into organisational reality is important for conveying organisational messages to employees.

However, alignment between strategy and human resources system may not always be complete (Lepak & Snell, 2002). While previous authors have stressed the importance of alignment, it may not be so easy to achieve. Systematically aligning human resource system and employment strategy potentially affects all aspects of people management in an organisation. It is argued here that an alignment process may in actual fact require a change in organisational culture which may take several years to complete. Nevertheless, working towards consistency in human resource systems and alignment with employment strategy is an important goal for human resource management. Human resource professionals and line managers are recommended to reflect on the employment strategy adopted by the organisation and its current match with human resource practices. Detecting inconsistencies is expected to build awareness of potential areas of conflict. Line managers and human resource professionals then need to take action to reduce conflict between organisational intention and practice where possible. But most importantly, they need to clarify the meaning of the employment strategy to employees while pointing out areas of conflict with current organisational practices.

### 13.1.3. Challenge 3

The third challenge faced by organisations is creating alignment between the employment strategy and the psychological contract, i.e. mutual obligations as perceived by employees. Previous research has highlighted the relevance of developing a common understanding of mutual obligations through communicating about them (Paul et al., 2000; Robinson & Morrison, 1995; Robinson & Morrison, 2000;

Sutton & Griffin, 2004). The focus has been on telling employees about organisational intentions and understanding employee perspectives. It has been suggested that communication would reduce incongruence about mutual obligations and thus protect organisations from breach of obligations as perceived by employees. More specifically, Rousseau (1995) has suggested to carefully time the occasion when employees are informed about the organisational perspective on mutual obligations, to convey the messages through heralds trusted by employees and to ensure consistency in the message across people, across occasions and across time.

However, the data analysed here showed that agreement on organisational obligations between supervisor and subordinate did not protect against perceived breach by the organisation. It did show that agreement on obligations of the employee was associated with lower degrees of breach by the employee as perceived by supervisors. This research also showed that various supervisor behaviours aiming at establishing effective two-way communication did not foster agreement neither on employee nor on organisational obligations. The data also showed that supervisors who used a range of communication channels to address mutual obligations did not necessarily have subordinates who reported lower levels of breach by the organisation. This suggests that when viewed in isolation neither agreement with supervisor on organisational obligations nor conveying messages across situations are effective means of facilitating positive psychological contracts. These findings form the basis for the following management recommendations.

Firstly, it is suggested that achieving alignment between the employment strategy and the psychological contract is primarily a task that lies in the hands of direct supervisors. However, it is suggested that agreement with supervisors on mutual obligations can only offer a safe-guard against breach if supervisor understanding of the employment strategy and the organisational perspective on mutual obligations is representative for the organisation at large. To achieve this, supervisors need to engage with human resources professionals and upper management. Hallier and James (1997b) showed that agreement between human resource managers and line managers on obligations between employee and organisation does not necessarily exist. They also suggested that supervisors themselves do not necessarily have an adequate understanding of the employment strategy adopted by the organisation, particularly in times of change. Supervisors are therefore recommended to ensure an adequate understanding of the employment strategy by engaging in discussion with human resource managers, particularly recruiters, and upper management levels. Actively requesting information from upper management and heads of personnel about the meaning of the employment strategy and engaging in open discussion with human resource managers is expected to either heighten agreement on the meaning of the strategy or make differences in understanding more explicit. Either way is expected to enable supervisors to enact their role as organisational representative for subordinates more clearly. One important occasion where coordinated action between line managers

and human resource managers is necessary is recruitment. While supervisors usually define the criteria that make certain positions attractive to candidates, recruiters formulate job adverts that already convey messages about mutual obligations to the potential employee. In a wider sense, supervisors are encouraged to coordinate their action with human resource managers to make recruitment realistic by offering information on performance expectations and performance review processes, on available training, career prospects or other employer inducements. When open discussion is not taking place this may be due to line managers viewing human resource managers as service-providers rather than partners in people management. Line managers are encouraged to rethink. In short, alignment of employment strategy and psychological contracts is expected to be furthered by aligning the messages conveyed across people and functions in the organisation. When this is the case, agreement between employee and supervisor on mutual obligation is expected to offer protection not only against breach of obligations by employees as perceived by supervisors but also against breach of obligations by the organisation as perceived by employees.

Secondly, previous research has pointed towards telling employees about organisational obligations in order to influence psychological contracts. This can be conceptualised as the implementing role described by Floyd and Wooldridge (1994; see section 7.3.2). However, it is recommended here that supervisors engage in two more interactive kinds of behaviour in order to manage psychological contracts, namely negotiation and convincing. This can be conceptualised as the facilitating role described by Floyd and Wooldridge (1994). Working towards alignment of employment strategy and psychological contracts in this way requires that supervisors reflect on both their agent and their principal role (Baccili, 2001, see section 7.3.1).

In their agent role supervisors pass on the elements of the employment strategy which have been fixed by others in the organisation, for example obligations with regard to job security or compensation standards. Negotiating these elements would be risky as promise-keeping usually does not lie in the hands of the supervisor. However, explaining the meaning of these terms of the employment strategy, explaining why the strategy was adopted, highlighting advantages and opportunities, listening to employee concerns with regard to the strategy and addressing them are all communication behaviours that go way beyond just telling employees about organisational intentions. They centrally involve convincing employees through a two-way communication process. These types of supervisor communication behaviours were related to lower levels of organisational breach of obligations as perceived by employees in this study.

Also, supervisors are encouraged to reflect on their principal role when managing psychological contracts. As principals supervisors have the opportunity to adapt the employment strategy to the work situation and the needs of individual subordinates through episodes of negotiation. The magnitude of negotiable elements depends on the degree of standardisation inherent in the human resource system and organisational



leadership practices. Supervisors are recommended to identify potential elements of the exchange relationship where they have control over promise-keeping. With regard to organisational obligations, these elements may involve for example personally offering support with career development, adapting the degree of autonomy with regard to how tasks are done by the employee, increasing the variety of tasks, finding individual arrangements with regard to working times or granting access to available resources. It is important to highlight here that supervisors need to differentiate clearly between two kinds of obligations: (1) non-negotiable obligations fixed in the employment strategy where they have incomplete control over promise-keeping and should therefore focus on explaining the strategy and on the other hand (2) obligations where they do have control over promise-keeping and can therefore use them to create balance in the exchange relationship thereby fostering acceptance of non-negotiable obligations by employees. This recommendation specifies Rousseau's (1995, p. 126) remark that organisations should "build flexibility into psychological contracts".

Thirdly, there may be situations when supervisors feel that alignment between employment strategy and psychological contracts becomes systematically impossible to achieve. This may be the case when the employment strategy is badly matched with the human resource system or when the employment strategy is clearly imbalanced in the long run. In this case supervisors are recommended to enact their role as champion of strategic alternatives or as upward-communicator by synthesising information (Floyd and Wooldridge, 1994). While the synthesising role involves primarily gathering and passing on information about problematic issues, championing alternatives involves experimenting with one's team in order to suggest alternative solutions to upper management that have already been tested in practice. For example, while offering flexible working arrangements may be part of the employment strategy, this may only be practiced in the organisation for office support staff. Allowing for example a consultant to work full-time in a four-day week in order to keep promises of flexibility and being able to show the absence of detrimental effects on performance may be communicated to senior human resource managers. This may support them in developing ways of adapting the human resource system so that promises about flexibility are seen as being kept.

Fourthly, it has been suggested that performance appraisal plays an important role in psychological contract management. However, this research showed that setting objectives that are measurable, time-bound, challenging, that are tied to the organisational strategy and that are tied to feedback are not related to higher agreement between supervisor and employee on employee obligations. In other words, setting SMART goals does not clarify employee obligations when they are formulated at a more abstract level. This suggests two interpretations. Either supervisors have to address a different set of employee obligations in performance management or supervisors have to address obligations in a different way. It is recommended that supervisors create an occasion within the performance management process where



employee as well as organisational obligations are addressed explicitly and more generally than is the case when defining objectives. This may be difficult to integrate into goal setting and performance appraisal session, but may be more easily integrated into development sessions, in German “Entwicklungsgespräch”.

#### 13.1.4. Challenge 4

The fourth challenge faced by organisations lies in aligning obligations perceived by employees with organisational reality as perceived, i.e. work towards perceptions of promise-keeping by the organisation. Various authors have laconically noted that organisations should ensure that they keep the promises they have made and make additional promises with measure. It is suggested here that the responsibility for achieving perceptions of promise-keeping is split between top management, human resource management and supervisors. What can organisations do to ensure promise-keeping?

Firstly, they can take measures to document the promises that have been made explicitly so that promises are not forgotten. When organisations formulate leadership guidelines this constitutes an example of documenting promises made. Also, it is relatively easy to document promises made during recruitment. Secondly, when the employment strategy is implemented through the human resource system this also formalises promise-keeping by the organisation. Thirdly, monitoring current levels of perceived promise-keeping by the organisation through employee surveys, grievance systems or focus groups will enable organisations to address problematic issues before they start to affect the majority of employees.

With regard to supervisor’s roles in facilitating perceptions of promise-keeping, this research shows that agreement on obligations is not the be all and end all. This research also showed why. For four out of the five organisational obligations that are most important to employees, supervisor and employee agree that the organisation is not keeping them. However, a content analysis also shows what supervisors can do to change this. When Baccili’s (2001) model of principal and agent roles is applied to the most important organisational obligations that are perceived as not being kept, the following issues emerge (also see section 12.6): supervisors have few opportunities to change base pay levels which are argued to largely determine perceived appropriateness of pay in comparison to the tasks done. Neither can supervisors introduce pay for performance systems. Thus, supervisors act as agents with regard to promises about pay. However, they act as principals with regard to perceptions of fair performance assessments. Supervisors can also influence perceptions of promise-keeping with regard to job autonomy by adapting available levels of autonomy. Furthermore, supervisors can act as principal promise-keepers with regard to the obligation to provide information about important developments in the organisation – unless they have difficulties with accessing information themselves. With regard to attending necessary training supervisors have little influence over the kinds of training generally

available in the organisation. However, they may act as principal promise-keepers with regard to training on-the-job and with regard to allowing employees to attend available off-the-job training sessions during work time. These examples serve to demonstrate that supervisors are able to and need to take initiative in addressing perceptions of promise-breaking by changing the work situation where possible.

When perceived obligations and perceived reality cannot be aligned, then supervisors are challenged to reduce the potential negative impact of breach. This research showed that offering compensation when breach by the organisation has already occurred protects trust in future promise keeping by the organisation. Thus, supervisors are encouraged to identify inducements they can deliver themselves which can be used to reduce the loss incurred by employees (Rousseau, 1995). The examples given above may serve as starting points. Furthermore, this research showed that giving an honest explanation protects trust in the organisation when breach has occurred. The recommendation to supervisors is to offer an honest explanation unless this undermines perceptions of interactional justice. When the honest explanation would consist in admitting that a certain promise was not kept because it was personally more advantageous for the supervisor not to do so this is expected to undermine trust and increase rather than reduce the negative consequences of breach on employee attitudes and behaviour. Thus, the recommendation made by Rousseau (1995) to offer honest explanation is specified here by suggesting that honest explanations are only appropriate if they further perceptions of interactional justice. If this is not expected to be the case, then supervisors should rather focus on offering symbolic compensation.

Furthermore, this research showed that protecting images of respectful treatment and transparency in decision-making is associated with lower levels of perceived breach by the organisation and higher levels of trust that the organisation will keep its commitments in the future. Supervisors are therefore recommended to plan decision-making processes, particularly those that are related to promise-keeping, following the rules commonly formulated to define procedural justice: (1) for similar kinds of decisions, the same criteria should be applied across people and across time, (2) personal interests that may bias the decision should be disregarded, (3) an appropriate amount of information should be collected and important stakeholders of the decision should be heard before it is taken, (4) ethical standards that are commonly applied in the organisation should be followed and (5) feedback on the decision should be given allowing for the decision to be challenged. Experimental research has shown that interactional justice can be trained (Skarlicki & Latham, 1997). Supervisors are recommended to make use of training when they discover that subordinate perceptions of interactional justice are low.

### 13.1.5. Determining the Need for Psychological Contract Management

It is a temptation to recommend that all organisations and all supervisors should concern themselves with their employees' psychological contracts because breach by the organisation as perceived by employees is difficult to revert. More realistically, it seems important to point out that facilitating positive psychological contracts is more important for some employee groups and individual employees than for others. Reality shows that employees leave their organisations because they feel that their work situation has not lived up to what they were promised when they started the job. Reality also shows that these employees are sometimes easily replaced by others with no further damage caused. This may be the case where employee skills are evaluated by the organisation as being of low strategic value and of low uniqueness. It therefore seems important to point to a number of scenarios where facilitating positive psychological contract is of particular relevance: in service positions when customer satisfaction and retention is tied to employee commitment, in environments where innovation is achieved through personal initiative and in training situations where retention is important because the organisation has invested in individual employees.

Previous research offers no systematic account of when and which organisations should particularly focus on facilitating positive psychological contracts. Table 49 lists symptoms and risk factors both at organisational and at individual level that indicate scenarios where addressing psychological contracts may be appropriate. The table also includes a list of communication channels that can be used to monitor for possible disturbances in psychological contracts. This list draws on indications spread across the psychological contract literature, particularly drawing on research on outcomes discussed in section 3.3, on case study research, for example by Hallier and colleagues (Hallier, 1998; Hallier & James, 1997a, 1997b) and on the work of Rousseau (1995).

	<b>Symptoms</b>	<b>Risk Factors</b>	<b>Detecting disturbance</b>
<b>Organisational Level</b>	High turnover of employee groups Low commitment and job satisfaction High levels of absenteeism Low trust and perceived fairness	Changes in business strategy Wide-spread changes in job tasks Job cuts Relocations Changes in employment strategy	Employee meetings Grievance procedures Work council Employee survey Focus groups
<b>Individual Level</b>	Low initiative Low civic virtue Low performance Intention to leave References made by employee to mistrust and perceived unfairness	Changes in supervisor Little contact before hire Changes in job tasks Decisions about pay rises, promotion, participation in training Highly qualified and sought after employees Changes in personal circumstances of employee Previous negative experiences of employee	Performance appraisal and development talks Informal communication Management briefings Training sessions Interviews for job changes within the organisation Leaving interviews

Table 49: Determining the need for psychological contract management

### 13.1.6. Leadership Training

It was the aim of the empirical part of this study to focus on those aspects of supervisor psychological contract management that are specific enough to be used in leadership training. Table 50 outlines ideas for a leadership training programme focussing on psychological contract management.

It is unlikely that managers have the time and the opportunity to engage in a training programme that involves all the aspects listed below. Rather the outline should be regarded as a source of ideas for issues that may be of relevance and of interest to the managers and organisations involved.

**Module 1: The Concept of the Psychological Contract**

*Content:* The work relationship as an exchange relationship – Relevance to organisations – What positive psychological contracts look like – Participants' own psychological contracts

**Module 2: Challenges for Organisations**

*Content:* Identifying challenges in participants organisation – Understanding employment strategies – Identifying participant leeway to shape perceived mutual obligations – Identifying potential conflict

**Module 3: Understanding and Practicing Positive Communication Behaviours**

*Content:* Relevant communication behaviours – Peer feedback on communication behaviours – Identifying potential for change

**Module 4: Understanding and Practicing Interactional Justice**

*Content:* Specifying personal meanings of concern, respect and esteem - Peer feedback on interactional justice –Identifying potential for change

**Module 5: Understanding and Practicing Procedural Justice**

*Content:* What makes procedures fair – Peer feedback on procedural justice – Barriers to fair procedures – The importance of information, explanation and compensation

**Module 6: Coordinating and Networking for Positive Psychological Contracts**

*Content:* Performance management as a means of psychological contract management – Opportunities for cooperation with human resource managers – Synthesising and championing strategic change

Table 50: Outline for leadership training in psychological contract management

### 13.2. Research Implications

Gaps in psychological contract research have been discussed throughout this study. It has been argued here that psychological contract research runs a risk of remaining largely irrelevant to practitioners, gaining little acceptance by researchers outside the field and becoming ideologically tinted if it continues to focus on breach by the organisation while neglecting breach by employees, the organisational perspective on psychological contracts and if it fails to develop a stronger theoretical basis.

This research went beyond prior research on psychological contracts by

1. exploring mental model research and social exchange theory as a theoretical basis of the concept of the psychological contract
2. exploring the resource-based view of the firm as a theoretical basis for arguing the relevance of psychological contracts for organisations
3. conceptually clarifying the aim of psychological contract management and exploring the relationship between the three facets of a positive psychological contract, namely breach, trust and fairness
4. empirically testing the role of communication for psychological contract management in terms of behaviours and channels
5. empirically testing the role of objective setting for psychological contract management
6. empirically testing the role of information, compensation and explanation for psychological contract management
7. empirically testing antecedents and outcomes of breach of obligations by employees
8. identifying four major challenges that organisations face from a process perspective that are integrated in an alignment model of organisational psychological contract management
9. identifying the dimensions of supervisor psychological contract management
10. specifying what supervisors can contribute to mastering the four challenges
11. outlining a leadership training in psychological contract management.

In the following, five ideas for further research are discussed. The first suggestion regards practical aspects of psychological contract management on a daily basis. This research showed that a high number of communication channels used by the supervisor and setting clear and challenging objectives do not contribute to facilitating positive psychological contract and avoiding breach of obligations by employees. Furthermore, it has been demonstrated that initiating a two-way communication process with subordinates does contribute to facilitating positive psychological contracts. However, the role of communication behaviours did not become entirely clear as they did not facilitate agreement on neither employee nor organisational obligations between supervisor and subordinate. So what do supervisors talk about with their subordinates that helps avoid perceived organisational breach of obligations? Hirsh, Jackson and Kidd (2001) have published some very practical research on what effective career discussions at work look like. Taking a qualitative approach, they explored for example where effective career discussions take place, with whom, what is discussed and which skills are seen to be important for the people who offer career discussions. This kind of approach seems relevant to psychological contract management in order to further specify the management recommendations proposed in section 13.1. A qualitative study could address with whom employees who have positive psychological contracts talk about obligations between themselves and

their organisation, in what way they talk about these obligations – do they address specific elements of the psychological contract like training or pay or do they generally discuss promises and obligations? – and which skills they deem necessary for the person whom with they discuss these issues. This approach is expected to yield interesting results particularly because data collected by the author that has not been included in this study shows that those employees who used a greater number of communication channels to address mutual obligations with organisational representatives reported higher levels of promise-keeping by the organisation.

The second idea refers to further developing a view on involvement of several organisational representatives in psychological contract management. The empirical part of this research has focused on the supervisor as an organisational representative. It has been argued that supervisors do not act independently when managing psychological contracts. Also other researchers have argued (see section 7.5 for detail) that in some work scenarios the direct supervisor may be of little importance to the employee as a representative of the organisation with regard to psychological contract management. Quantitative research can be conducted to explore who is seen as a central stakeholder of the psychological contract under which working conditions. This would be of particular interest when comparing standard work situations with work in project organisations, training situations which involve frequent changes of supervisor or work situations where technical supervision and disciplinary supervision are carried out by two different people. The output of this research could then be used for a qualitative approach that identifies best practices in integrating psychological contract management between supervisors, human resource managers, recruiters and middle as well as upper management in a more systematic way than was possible here. While a best practice approach does not seem appropriate for employment strategies, it does seem appropriate when analysing psychological contract management from a process perspective.

The third research idea regards promise breaking by employees. This research showed that promise breaking by employees is related to changes in supervisor behaviour that are observable to subordinates. However, with the exception of agreement on employee obligations, none of the factors empirically explored in this study explained differences in employee promise-breaking as observed by supervisors. Therefore, this study was not able to identify causes of employee promise-breaking beyond lack of agreement between supervisor and employee on employee obligations. It may be that promise-breaking by employees is a consequence of promise-breaking by the organisation. Conway and Coyle-Shapiro (2006) have conducted a longitudinal study where they demonstrated that promise-breaking by the organisation was a consequence of low performance by employees. A very similar approach could explore whether promise-breaking by employees is a consequence of promise-breaking by organisations. It seems important that this kind of research clearly differentiates employee-promise breaking from low employee performance. This kind

of research would also contribute to focussing more than past research on reciprocity as a central element in psychological contract research. In a similar vein, qualitative research could explore potential ties between specific employee obligations and specific employer obligations, a suggestion that has also been made by Conway and Briner (2005). Are training and pay primarily reciprocated for by working overtime? Or can training just as well be reciprocated for with flexibility with regard to what tasks are part of the job? This kind of research would help organisations to make more exact prognoses about employee reactions to unavoidable promise-breaking by the organisation.

The fourth research idea concerns strengthening the conceptual basis of supervisor psychological contract management. Psychological contracts have been defined here as employee perceptions of mutual obligations. Organisations do not have psychological contracts because they cannot be said to have perceptions. Organisations remain ill-defined in the context of psychological contract research. However, this research showed that the perceived-breach-reduces-positive-behaviours logic can also be applied to employee breach as perceived by supervisors. It has been argued in the discussion section of this study that supervisors can not be said to have psychological contracts with their employees as their stakes are different. Supervisors have relationships with more than one subordinate. On average breach by employee is expected not to be as threatening to the supervisor as is breach by the organisation to the employee. Also, employees constitute one of the two parties relevant to their own psychological contract. Supervisors on the other hand constitute the other party only jointly with other organisational representatives. This study has described supervisors as managers of their subordinate's psychological contract by using roles, dimensions and behaviours.

However, there is urgent need for a concept that describes supervisors' involvement as an exchange concept. While the concept of leader-member exchange has been discussed in this context, it only includes supervisors' roles as principal, but not as agent of the organisation in Baccili's (2001) sense. It is expected that the literature on strategic management can be helpful in exploring this. Clarifying the exchange situation in which supervisors interact with their subordinates with the help of existing models will enable research to derive hypotheses about supervisor behaviours in a more systematic way. Additionally, it is suggested that further qualitative research ask supervisors to describe the exchange relationships they have with different parties in the organisation. Supervisors could also be asked to describe whom they see as responsible for providing what and who in their view is entitled to receive what from them. This approach would present a mirror image of the perspective Baccili (2001) has taken. Based on an exploratory study involving 16 nurse managers, Bligh and Carsten (2005) have suggested that supervisors have multi-foci contracts with both top management and their subordinates. This presents a promising first result.



The fifth idea proposed here also concerns broadening the theoretical basis of the concept of the psychological contract. Previous research has concerned itself with the motives that govern psychological contracts. As discussed in section 3.1.2 attention has focused on the divide between economic and socio-emotional motives in the exchange relationship. Psychological contract research usually refers to Blau (1964) and sometimes to Adam's (1965) equity theory. However, Blau (1964) argued that human behaviour is motivated by maximising gains. He also argued that economic and social exchange are ruled by the same economic motives. Adam's (1965) on the other hand argued that people strive for achieving balance in their exchange relationships and compare themselves to reference groups in order to assess the degree of equity in the relationship they have with others. The two theories make different prognoses about human behaviour in exchange situations. This research included a first attempt at exploring social exchange theories as a conceptual basis of the psychological contract model. However, research also needs to analyse and test whether the prognoses made by equity theory fit with empirical results from psychological contract research. They might not fit as well as previously thought. This research provided evidence that balance, a concept related to distributive justice, is related to employee attitudes. On the other hand this research also showed that interactional and procedural justice influence attitudes as well as behaviours independently of distributive justice. This suggests that balance may play a different role for positive psychological contracts than previously thought.

### **13.3. Critical Evaluation**

This study involved a number of weaknesses which will be discussed in the following. The first critical issue concerns the validity of the instruments used in this study. There is no agreed-upon best measure neither for the content of the psychological contract or for breach of the psychological contract. Measuring the content of the psychological contract in a quantitative study where participants are confronted with a number of obligations and asked whether these apply to their exchange relationship does not integrate the idea that the content of a psychological contract can be highly idiosyncratic. The obligation that may be most important to the participant may not be part of the list. Also, breaching some obligations may weigh more heavily. For example breach of the obligation to provide job security may weigh more heavily than breach of the obligation to provide the training necessary to do one's job well. This may be the case even though training obligations are rated higher than job security obligations.

This does constitute a measurement problem when organisational breach of the psychological contract is measured as a discrepancy between obligations perceived and rewards delivered. The discrepancy measure of breach may not reflect the overall evaluation of the participant well when important obligations were not included in the measure or when for example unimportant obligations were kept but important ones were not kept.

This weakness of the discrepancy measure of breach was compensated for here by also using a global measure of breach where participants were asked about their overall evaluation of obligation-keeping by the organisation. While this measure is fairly crude, it integrates possible weighing and additional obligations not included in the content measure.

As mentioned in the methodology chapter, the empirical study was originally planned to involve two samples. The response rate in the second sample was too low to allow for a quantitative analysis of the data and the data was therefore excluded from the analysis. Nevertheless, this study contained an interesting additional feature: an open format was used to measure the content of the psychological contract in addition to the closed format. Participants were asked to formulate the most important organisational obligations and their own most important obligation. If there were other important obligations, participants were also asked to list them. Participants were also asked to provide a concrete example for the obligation and rate the degree to which the organisation kept this obligation. Results showed that while some of the most important obligations, for example those regarding pay, surfaced in both measures, one obligation surfaced in the open format that was not included in the closed format, namely the organisational obligation to provide challenging job tasks. This indicates that when the focus of the study is on interpreting results regarding the content of the psychological contract then using an open format in addition to a closed format is deemed appropriate.

A related weakness of this study regards the differentiation between the content of the psychological contract and its antecedents as well as outcomes. This is generally problematic in psychological contract research. While interactional justice was measured here as an antecedent of positive psychological contracts, it may be viewed by some participants as an important organisational obligation to treat employees with concern and respect. Along the same lines, organisational citizenship behaviour was measured here as an outcome of a positive psychological contract. However, some participants may view individual initiative as one of their core obligations towards the organisation. On one hand, this makes research on the psychological contract conceptually fuzzy. This is mainly due to defining of the psychological contract as including whatever the employee views as his or her own and his or her organisation's obligation. It is suggested here that while separating independent from dependent variables is necessary for conventional quantitative data analysis, a conceptualisation into employee and organisational contributions including all antecedents and outcomes under study would be more appropriate; unless evidence emerges that commitment and organisational citizenship behaviour are not commonly viewed as employee obligations and that interactional and procedural justice as well as positive communication behaviours are not commonly viewed as organisational obligations. Also, this alternative conceptualisation would contribute to addressing reciprocity as an under-researched theoretical basis of psychological contracts.

The second weakness involves the state of research on psychological contract breach. Previous studies have conceptualised it as involving breach – a cognition – and violation – an emotion. Most studies have however operationalised breach as such while labelling it violation. When considering organisational opportunities to manage psychological contracts a clear conceptualisation of breach of the psychological contract by the organisation is not sufficient. A clear goal state for successful psychological contract management has to be defined. This study followed Guest and Conway's (2001) suggestion of the state of the psychological contract as a three-dimensional concept integrating breach, trust and fairness. Furthermore, it was hypothesised and empirically confirmed that the three dimensions are not independent of each other but strongly related. While the hypotheses relating to the relationship between the two measures of breach and trust as well as fairness were confirmed, the four constructs were closely related and study design as well data analysis did not allow for establishing clear cause-and-effect relationships. Thus, further research is needed to establish the nature of the relationship between the three facets of a positive psychological contract more precisely in order to allow more specific hypotheses about the relationship between antecedents and the dimensions of a positive psychological contract.

Conway and Briner (2005) have pointed out that most studies use a single-source cross-sectional design to explore psychological contracts. While this study was not restricted to single-source data, it did use a cross-sectional design. This kind of approach has the general disadvantage that cause-and-effect chains can not be demonstrated empirically but can only be inferred on the basis of plausibility. In the case of psychological contract research cross-sectional designs have the additional disadvantage that breach of the psychological contract is a process that unfolds across time. The consequences of breach or fulfilment of the psychological contract may only fully manifest themselves when some time has passed. Also the content of the psychological contract may change across time depending on participants' work-life situation or changes in the work situation. These aspects are more appropriately studied with longitudinal designs.

A final weakness of this study should be mentioned. The organisation was conceptualised here as whatever the employee views as the organisation. Generally speaking, this is clearly an unsatisfactory description of the organisation. However, this was due to the individual level analysis of this study. While this study belongs to the few studies which have taken an organisational perspective on psychological contracts, it still focused on evaluations and behaviours of individual employees and individual supervisors. It is acknowledged that research practice requires a clarification of central terms. It is thought that in the case of psychological contract research, the definition should be proposed by the employees whose perspective this research aims at understanding. As discussed above, it would be of particular interest to explore

which organisational representatives are thought to be of greatest relevance for forming and keeping psychological contracts.

While Baccili (2001) differentiated between the organisation as a whole and supervisors, this study focused solely on supervisors as organisational representatives. Two particular weaknesses resulted from this choice. While it is plausible that commonly the direct supervisor is the most important representative of the organisation for the employee, this may not always be the case. In project organisations, there may not be one supervisor. In some cases a mentor may be more influential than the direct supervisor. These possible deviations from the norm were only partly controlled for in this study by checking the distribution for questionnaire items on supervisor influence on psychological contracts. Secondly, supervisors were asked to report their view on the exchange relationship between subordinate and organisation. It was argued that the supervisor is commonly the one person with the best insight into this relationship. However, it would have been better to calculate an organisational view as a mean of several views collected from a range of organisational representatives including human resources managers, recruiters and colleagues. In sum, it is recognised that the way in which the organisation was conceptualised here was incomplete.

#### **13.4. Summary**

It was main purpose of this study to further develop the organisational perspective on psychological contracts. More specifically, it was the first aim of this research to explore the organisational view on obligations between the organisation and their employees at a conceptual level. Two previous publications addressed this issue (Guest, 2004b; Tsui & Wang, 2002). This research further developed the proposed ideas into a more inclusive and coherent model that integrates a psychological contract perspective with strategic management research. Put shortly, the model highlights that employees have psychological contracts which describe their understanding of mutual obligations between themselves and their organisation. The model also highlights that organisations do not have psychological contracts but they have employment strategies which involve a definition of the offer that the organisation extends to its employees with regard to what is to be exchanged between the two parties. Furthermore, the model highlights that the employment strategy results in balanced or (temporarily) imbalanced strategy outcomes. Employment strategies are implemented in the organisation through the human resource system and through leadership. Employment strategy, strategy outcome and implementation influence but do not determine what employees view as organisational and their own obligations, whether they perceive this deal to be fair, whether they believe that the organisation is keeping its part of the deal and whether they trust the organisation to keep the deal in the future. These employee evaluations in turn influence a number of employee behaviours and attitudes

that are of relevance to the organisation, for example affective commitment and individual initiative as an important facet of employee performance.

It was the second purpose of this research to describe the main challenges that organisations which want to facilitate positive psychological contracts face. The literature review showed that a number of interesting ideas are spread across the literature on psychological contracts but that no integrated model has so been proposed so far. It has been proposed here that there are four major alignment processes that organisations have to address in order to manage psychological contract in a systematic way. As these processes involve a wide array of people management aspects, they are described here as challenges. The first challenge identified regards devising an employment strategy that is balanced not necessarily in the short run, but in the long run such that organisational input in the relationship with employees is deemed roughly equivalent to input requested from employees. The second challenge involves aligning the employment strategy with existing human resources systems so that the human resource system conveys the idea of the employment strategy to employees and at the same time contributes to the fulfilment of the obligations that the organisation has incurred as part of the employment strategy. The third challenge involves alignment between employment strategy and psychological contracts which was argued here to be achievable also through leadership. The fourth challenge refers to achieving alignment between perceptions of organisational obligations and organisational reality, i.e. facilitating employee perceptions of promise-keeping by the organisation, fairness of the exchange as well as trust in the organisation. Output of this research regarding the second aim also included a summary of symptoms and risk factors that indicate a need to address psychological contracts within a specific organisation or with a specific individual employee.

It was the third aim of this research to identify supervisor opportunities to influence the psychological contracts of their subordinates in a positive way. The literature review showed that a number of interesting ideas have been proposed in the literature but no integrated model is available. In fact very few studies have directly and centrally addressed the role of the direct supervisor in psychological contract management. At a conceptual level the third purpose was achieved by identifying different dimensions of supervisor psychological contract management. These dimensions include enactment of principal and agent roles, enactment of roles as promise maker and promise keeper, enactment of a mediator role in case of unkept obligations, coordination of action with human resource management and upper management, use of human resource practices and integration of the role as organisational representative with the role as employee.

In the empirical study the third aim of the study was addressed by analysing the relationship of a range of supervisor behaviours and practices with positive psychological contracts. The results showed that supervisors can facilitate psychological contracts when they engage in two-way communication with their

subordinates, when taking care to make decision processes fair and transparent to employees and when treating employees with concern and respect. Findings also showed that when breach of obligations by the organisation has occurred supervisors can protect trust in the organisation by offering symbolic compensation for the losses incurred by the employee and offering an honest explanation about the reasons for breach of the obligation. Results on positive communication behaviours and the positive effect of information, explanation and compensation practices present important additions to the existing literature as they had not been previously addressed in published empirical research.

Finally, the third aim of this study was addressed by integrating the literature review and the results of the empirical study in order to suggest how supervisors can contribute to mastering the four challenges identified. It was argued that supervisor opportunities to facilitate positive psychological contracts are mainly related to challenge 3 and 4. Supervisors are recommended to ensure that they have an adequate understanding of the employment strategy by seeking open discussion and coordinating action with human resources managers, recruiters and upper management. They are also recommended engage in episodes of convincing and negotiation with their subordinates. This process requires clarity over the leeway that supervisors have with regard to adapting the employment strategy defined by upper management to create an individualised deal with subordinates. Also, supervisors are recommended to act as mediators when breach of obligations by the organisation has occurred or seems systematically unavoidable. This may involve offering information, explanation and compensation to employees or it may involve feeding information about recurring problematic issues back to upper management. Furthermore, supervisors are recommended to identify opportunities where they explicitly address mutual obligations with their subordinates. It can not be assumed that this automatically happens during performance appraisal. Describing supervisor activities within the framework of four organisational alignment challenges constitutes a significant contribution to the literature on psychological contract management as a systematic description has not been attempted in previous published research. Output of this research also included an outline for a training programme for line managers that is based on the conclusions of this study.

It was the fourth aim of this study to explore a neglected perspective on the exchange relationship between individual employees and their employing organisation, namely breach of obligations by the employee. This purpose aimed at contributing to a widening of the research perspective on psychological contracts rather than to the development of recommendations for practice. This goal was achieved by analysing both antecedents and outcomes of breach of mutual obligations by employees. The data showed that breach by employees is significantly related to behaviour of the supervisor. Analysis also showed that neither positive communication behaviours nor smart objective setting offered a save-guard against perceived breach

of obligations by employees. These results pose interesting questions for further research as supervisors cannot be coherently argued to have psychological contracts with their subordinates. This highlights further conceptual gaps in the organisational perspective on psychological contracts. The analysis of employee breach of obligations contributes to reintegrating aspects of reciprocity into psychological contract research.

It was a secondary aim of this study to explore the theoretical basis of the concept of the psychological contract, a neglected but important research issue. Again, this aimed at a widening of the research perspective and a strengthening of its conceptual basis. In order to achieve this, three very different theoretical models were chosen. The review showed that research on mental models is largely coherent with research on psychological contracts that has followed Rousseau's (1995) definition of a psychological contract as an individual perception. However, this kind of research adds little to the current state of research on psychological contracts. Exploring social exchange theories exposed the importance of the nature of motives in the employee-organisation relationship. It also exposed that psychological contract research has not tested its assumption that employees strive towards balance against the alternative assumption that employees strive to maximise their gains. It also highlights that different sub-sets of mutual and generalised exchange may exist as part of the employee-organisation relationship. Furthermore, the review showed that employee ability to reciprocate may be limited by the role that an employee has in the organisation. While the first two theoretical models considered were concerned with the concept of the psychological contract as such, the third theoretical approach was concerned with managing psychological contracts. The resource-based view of the firm was employed in order to deliver further arguments for the relevance of psychological contracts for organisations. This analysis showed that the link between psychological contracts and employee behaviours, in other words a situation where positive employee behaviours are caused not by for example financial incentives but by positive psychological contracts, can be considered to contribute to creating sustainable competitive advantage.

The weaknesses of this research have been discussed in the previous section. Its strengths include the use of multi-source data for the empirical study, demonstrating the business relevance of psychological contracts both empirically and theoretically, the specification of effective supervisor behaviours within a management framework of four challenges and the inclusion of promise-breaking by employees.

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# Appendix

## Appendix A: Subordinate Questionnaire

- note that not all questionnaire items were analysed as part of this study -

### Fragebogen Psychologische Verträge

VWA100MA

Teilnehmergruppe: Mitarbeiter in abhängigen Beschäftigungsverhältnissen

Vielen Dank für Ihre Bereitschaft, sich an dieser Befragung zu beteiligen!

### Inhalt der Studie

- Gegenseitige Verpflichtungen
- Zwischen Arbeitgeber und Arbeitnehmer
- Positive Gestaltung der Beziehung

Inhalt dieser Studie sind die wahrgenommenen gegenseitigen Verpflichtungen, die sich zwischen Arbeitgeber und Arbeitnehmer über die Zeit entwickeln – der psychologische Vertrag. Diese Verpflichtungen können eng an die im schriftlichen Arbeitsvertrag getroffenen Vereinbarungen geknüpft sein oder in Inhalt und Umfang weit über den Arbeitsvertrag hinausgehen. Übergeordnetes Ziel dieser Studie ist es zu erforschen, wie Vorgesetzte und Mitarbeiter diesen psychologischen Vertrag positiv gestalten können.

### Ablauf der Befragung

1. Fragebogen „Psych. Verträge“
2. ViQ Persönlichkeitstest
3. Feedback ViQ

Diese Befragung besteht aus zwei Teilen. Der erste Teil der Befragung ist der vorliegende Fragebogen „Psychologische Verträge“, der zweite Teil ist der Persönlichkeitstest ViQ. Den ViQ können Sie online bearbeiten. Zur Bearbeitung des ViQ benötigen Sie eine Zugangsberechtigung. **Um Ihnen diese schicken zu können, benötigen wir Ihre e-mail.** Nach Bearbeitung des ViQ erhalten Sie ein individuelles Feedback, das an Ihre Mail-Adresse geschickt wird.

Bitte tragen Sie hier Ihre e-mail Adresse ein:

Bitte tragen Sie hier Ihre e-Mail Adresse nochmals ein:

**Anonymität**

Ihre Daten werden weder Ihrem/r Vorgesetzten noch einer dritten Person zugänglich gemacht.

**Kennung und e-mail dienen ausschließlich der Zuordnung Ihres Fragebogens zu Ihrem ViQ-Ergebnis und den Ergebnissen Ihres/r Vorgesetzten.**

Zum Zwecke der Auswertung enthält dieser Fragebogen eine Kennung, die es uns ermöglicht, Ihre Daten denen Ihres/r Vorgesetzten zuzuordnen. Außerdem ermöglicht Ihre e-mail Adresse die Zuordnung Ihres ViQ-Ergebnisses zum vorliegenden Fragebogen. Bei der Auswertung und Veröffentlichung der Ergebnisse dieser Studie hat die Wahrung Ihrer Anonymität Priorität, d.h. Ihre Daten werden an keiner Stelle in Zusammenhang mit Ihrer e-mail Adresse oder in einer Form, die Rückschlüsse auf Ihre Identität zulässt, veröffentlicht oder dritten Personen zugänglich gemacht. Zum Fragebogen „Psychologische Verträge“ erhalten Sie kein individuelles Feedback.

**Zeitaufwand**

Circa 35 min

Die Bearbeitung dieses Fragebogens nimmt ca. 25 Minuten in Anspruch. Die Bearbeitung des ViQs dauert ungefähr 10 Minuten.

Bei weiteren Fragen zur Studie und deren Durchführung stehen wir Ihnen gerne zur Verfügung. Fragen zu den Ergebnissen Ihres/r Vorgesetzten können wir grundsätzlich nicht beantworten!

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**A Bitte geben Sie an, in welchem Grad Ihre Organisation (Ihr Arbeitgeber/das Unternehmen, für das Sie arbeiten) Ihrer Einschätzung nach verpflichtet ist, Ihnen folgendes anzubieten:**

	Grad der Verpflichtung				
	Überhaupt nicht/in sehr geringem Maße	Wenig	Teilweise	Überwiegend	In hohem Maße
Langfristige Arbeitsplatzsicherheit	0	0	0	0	0
Gute Karriereaussichten	0	0	0	0	0
Unterstützung bei persönlichen Schwierigkeiten	0	0	0	0	0
Informationen über wichtige Entwicklungen	0	0	0	0	0
Beteiligung an Entscheidungsprozessen	0	0	0	0	0
Aktuelle Weiterbildungsangebote	0	0	0	0	0
Notwendiges Training, um die Arbeit gut erledigen zu können	0	0	0	0	0
Notwendige Autonomie, um die Arbeit gut erledigen zu können	0	0	0	0	0
Richtlinien und standardisierte Abläufe, die die Erledigung der Arbeit erleichtern	0	0	0	0	0
Unterstützung beim Erwerb neuer Fähigkeiten	0	0	0	0	0
Hohes Gehalt	0	0	0	0	0
Ein auf der derzeitigen Leistung basierendes Gehalt	0	0	0	0	0
Ein Gehalt, das den übernommenen Aufgaben angemessen ist	0	0	0	0	0
Zusätzliche Sozialleistungen, die dem entsprechen, was man in anderen Organisationen bei ähnlichen Aufgaben bekommt	0	0	0	0	0

Grad der Verpflichtung

**B** Bitte geben Sie an, in welchem Grad Ihre Organisation Ihnen folgendes tatsächlich anbietet:

	Grad des tatsächlichen Angebotes					Weiß nicht
	Überhaupt nicht/in sehr geringem Maße	Wenig	Teilweise	Überwiegend	In hohem Maße	
Langfristige Arbeitsplatzsicherheit	0	0	0	0	0	0
Gute Karriereaussichten	0	0	0	0	0	0
Unterstützung bei persönlichen Schwierigkeiten	0	0	0	0	0	0
Informationen über wichtige Entwicklungen	0	0	0	0	0	0
Beteiligung an Entscheidungsprozessen	0	0	0	0	0	0
Aktuelle Weiterbildungsangebote	0	0	0	0	0	0
Notwendiges Training, um die Arbeit gut erledigen zu können	0	0	0	0	0	0
Notwendige Autonomie, um die Arbeit gut erledigen zu können	0	0	0	0	0	0
Richtlinien und standardisierte Abläufe, die die Erledigung der Arbeit erleichtern	0	0	0	0	0	0
Unterstützung beim Erwerb neuer Fähigkeiten	0	0	0	0	0	0
Hohes Gehalt	0	0	0	0	0	0
Ein auf der derzeitigen Leistung basierendes Gehalt	0	0	0	0	0	0
Ein Gehalt, das den übernommenen Aufgaben angemessen ist	0	0	0	0	0	0
Zusätzliche Sozialleistungen, die dem entsprechen, was man in anderen Organisationen bei ähnlichen Aufgaben bekommt	0	0	0	0	0	0

Grad des tatsächlichen Angebotes

**C Bitte geben Sie an, in welchem Grad Sie Ihrer Einschätzung nach verpflichtet sind, Ihrer Organisation folgendes anzubieten:**

	Grad der Verpflichtung				
	Überhaupt nicht/in sehr geringem Maße	Wenig	Teilweise	Überwiegend	In hohem Maße
Wenn notwendig, Leisten von Überstunden	0	0	0	0	0
Unbezahlte Überstunden, um eine Aufgabe fertig zu stellen	0	0	0	0	0
Freiwillige Übernahme von Aufgaben, die nicht Teil der Arbeitsplatzbeschreibung sind	0	0	0	0	0
Suche nach besseren Wegen, die Arbeit zu erledigen	0	0	0	0	0
Suche nach Verbesserungsmöglichkeiten für die Abteilung/Gruppe/Team	0	0	0	0	0
Flexibilität in Bezug darauf, welche Aufgaben Teil des Arbeitsplatzes sind	0	0	0	0	0
Flexibilität in Bezug auf die Arbeitszeiten	0	0	0	0	0
Suche nach Einsparungsmöglichkeiten	0	0	0	0	0
Anpassung an Veränderungen in den Arbeitsabläufen	0	0	0	0	0

Grad der Verpflichtung

**D Bitte geben Sie an, in welchem Grad Sie Ihrer Organisation folgendes tatsächlich bieten:**

	Grad des tatsächlichen Angebotes					Weiß nicht
	Überhaupt nicht/in sehr geringem Maße	Wenig	Teilweise	Überwiegend	In hohem Maße	
Wenn notwendig, Leisten von Überstunden	0	0	0	0	0	0
Unbezahlte Überstunden, um eine Aufgabe fertig zu stellen	0	0	0	0	0	0
Freiwillige Übernahme von Aufgaben, die nicht Teil der Arbeitsplatzbeschreibung sind	0	0	0	0	0	0
Suche nach besseren Wegen, die Arbeit zu erledigen	0	0	0	0	0	0
Suche nach Verbesserungsmöglichkeiten für die Abteilung/Gruppe/Team	0	0	0	0	0	0
Flexibilität in Bezug darauf, welche Aufgaben Teil des Arbeitsplatzes sind	0	0	0	0	0	0
Flexibilität in Bezug auf die Arbeitszeiten	0	0	0	0	0	0
Suche nach Einsparungsmöglichkeiten	0	0	0	0	0	0
Anpassung an Veränderungen in den Arbeitsabläufen	0	0	0	0	0	0

Grad des tatsächlichen Angebotes



**E Bitte geben Sie jeweils an, in welchem Grad die folgenden Aussagen auf Sie persönlich zutreffen:**

	Trifft nicht zu	Trifft wenig zu	Teils/teils	Trifft weitgehend zu	Trifft völlig zu
Ich habe eine emotionale Bindung zu meiner Organisation	0	0	0	0	0
Diese Organisation hat für mich eine große persönliche Bedeutung	0	0	0	0	0
Ich habe ein starkes Zugehörigkeitsgefühl zu dieser Organisation	0	0	0	0	0
Ich möchte die Organisation im Laufe eines Jahres verlassen	0	0	0	0	0
Ich würde gerne mindestens drei weitere Jahre für die Organisation arbeiten	0	0	0	0	0
Bei Angelegenheiten, die erhebliche Konsequenzen haben könnten, sage ich ehrlich meine Meinung, auch wenn andere diese vermutlich nicht teilen	0	0	0	0	0
Ich motiviere oft andere, ihre Ideen und Meinungen auszudrücken	0	0	0	0	0
Ich ermutige andere dazu, ihre Arbeit auf neue und effektivere Art zu erledigen	0	0	0	0	0
Ich ermutige zurückhaltende oder zögernde MitarbeiterInnen, Ihre Meinung auszudrücken, wenn diese sich andernfalls nicht zu Wort melden würden	0	0	0	0	0
Ich mache regelmäßig gegenüber KollegenInnen Vorschläge, wie die Gruppe sich verbessern kann	0	0	0	0	0
Ich halte mich über Veränderungen in der Organisation auf dem Laufenden	0	0	0	0	0
Ich bin bei Meetings anwesend, die als wichtig angesehen werden, auch wenn die Teilnahme nicht verpflichtend ist	0	0	0	0	0
Ich nehme freiwillig an Veranstaltungen teil, die für das Image der Organisation förderlich sind	0	0	0	0	0
Ich halte mich durch das Lesen von Betriebsmitteilungen, Memos oder ähnlichem auf dem Laufenden	0	0	0	0	0

	Trifft nicht zu	Trifft wenig zu	Teils/teils	Trifft weitgehend zu	Trifft völlig zu
Ich kann darauf vertrauen, dass <u>mein/e direkte/r Vorgesetzte/r</u> meine Interessen schützt	0	0	0	0	0
Ich kann darauf vertrauen, dass das <u>obere Management</u> meine Interessen schützt	0	0	0	0	0
Ich vertraue darauf, dass <u>mein/e direkte/r Vorgesetzte/r</u> eingegangene Verpflichtungen und Versprechen einhalten wird	0	0	0	0	0
Ich vertraue darauf, dass das <u>obere Management</u> eingegangene Verpflichtungen und Versprechen einhalten wird	0	0	0	0	0

**F Bitte geben Sie im nächsten Abschnitt an, in welchem Grad die folgenden Aussagen auf Ihre Arbeitssituation zutreffen:**

	Trifft nicht zu	Trifft wenig zu	Teils/teils	Trifft weitgehend zu	Trifft völlig zu
Bei wichtigen Angelegenheiten informiert mich <u>mein/e Vorgesetzte/r</u> ausführlich.	0	0	0	0	0
<u>Mein/e Vorgesetzte/r</u> gibt mir genaue Rückmeldungen zu meiner Arbeit.	0	0	0	0	0
<u>Mein/e Vorgesetzte/r</u> stellt nichts zu knapp dar	0	0	0	0	0
<u>Mein/e Vorgesetzte/r</u> fasst den Sinn des Besprochenen zusammen	0	0	0	0	0
<u>Mein/e Vorgesetzte/r</u> formuliert schwierige Sachverhalte verständlich	0	0	0	0	0
<u>Mein/e Vorgesetzte/r</u> gibt mir klare und verständliche Anweisungen	0	0	0	0	0
<u>Mein/e Vorgesetzte/r</u> kritisiert mich konstruktiv	0	0	0	0	0
Bei meiner/m <u>Vorgesetzten</u> kann ich Dinge direkt loswerden	0	0	0	0	0
<u>Mein/e Vorgesetzte/r</u> lässt MitarbeiterInnen ausreden	0	0	0	0	0

	Trifft nicht zu	Trifft wenig zu	Teils/teils	Trifft weitgehend zu	Trifft völlig zu
Mein/e Vorgesetzte/r erfragt die Sichtweisen anderer	0	0	0	0	0
Mein/e Vorgesetzte/r fordert mich auf, eigene Anliegen einzubringen	0	0	0	0	0
Wenn ich Beiträge liefere, gibt mein/e Vorgesetzte/r diese präzise wieder	0	0	0	0	0
Wenn ich nachfrage, erklärt mein/e Vorgesetzte/r bereitwillig	0	0	0	0	0
Wenn man vergleicht, was ich in die Beziehung zur Organisation hineinstecke und was ich im Gegenzug erhalte, ist das Verhältnis ausgewogen	0	0	0	0	0
Im Vergleich zu anderen, die ähnliche Aufgaben erledigen wie ich, werde ich fair entlohnt	0	0	0	0	0
Mein/e Vorgesetzte/r ist bereit, sich Umstände zu machen, um mir zu helfen	0	0	0	0	0
Mein/e Vorgesetzte/r ist bereit, ungewöhnliche Lösungen zu finden, um mir zu helfen	0	0	0	0	0
Mein/e Vorgesetzte/r beeinflusst mein Verständnis von <u>meinen Verpflichtungen der Organisation gegenüber</u> maßgeblich	0	0	0	0	0
Mein/e Vorgesetzte/r beeinflusst mein Verständnis von <u>den Verpflichtungen, die die Organisation mir gegenüber hat</u> , maßgeblich	0	0	0	0	0
Mein/e Vorgesetzte/r hat genügend Einfluss auf andere in der Organisation, um dafür zu sorgen, dass die Organisation ihre Verpflichtungen mir gegenüber im Großen und Ganzen einhält	0	0	0	0	0
Mein/e Vorgesetzte/r verfügt über genügend <u>finanzielle und personale Mittel</u> , um dafür zu sorgen, dass die Organisation ihre Verpflichtungen mir gegenüber im Großen und Ganzen einhält	0	0	0	0	0
Die Organisation hat ihre Verpflichtungen mir gegenüber erfüllt	0	0	0	0	0
Die Organisation hat ihre <u>wichtigste</u> Verpflichtung mir gegenüber erfüllt	0	0	0	0	0
Die Organisation hat ihre Verpflichtungen mir gegenüber <u>wiederholt nicht erfüllt</u>	0	0	0	0	0

**Wenn Sie die vorherige Aussage „Die Organisation hat ihre Verpflichtungen mir gegenüber wiederholt nicht erfüllt“ mit „trifft nicht zu“ oder „trifft wenig zu“ beantwortet haben, gehen Sie bitte direkt zu Fragenblock H.**

G	In Fällen, in denen eine von Organisationsseite mir gegenüber eingegangene Verpflichtung nicht eingehalten wurde,...	Trifft nicht zu	Trifft wenig zu	Teils/teils	Trifft weitgehend zu	Trifft völlig zu
...	hat mein/e Vorgesetzter/ selbst ein alternatives Angebot gemacht, welches den mir entstandenen Nachteil mindestens teilweise ausgeglichen hat	0	0	0	0	0
...	hat die Organisation mir <u>kein</u> alternatives Angebot gemacht, welches den mir entstandenen Nachteil mindestens teilweise ausgeglichen hätte	0	0	0	0	0
...	hat mein/e Vorgesetzter/ mir überzeugende Gründe genannt, die mich dazu gebracht haben, den entstandenen Verlust als <u>weniger schwerwiegend</u> einzuschätzen	0	0	0	0	0
...	hat mein/e Vorgesetzter/ mir <u>offen und ehrlich</u> erklärt, warum	0	0	0	0	0
...	hat mein/e Vorgesetzter/ das <u>glaubwürdig mit sich ändernden Umständen</u> außerhalb des Einflusses der Organisation erklärt	0	0	0	0	0
...	hat mein/e Vorgesetzter/ das <u>glaubwürdig mit unvorhersehbaren Gründen</u> erklärt	0	0	0	0	0
...	hat mein/e Vorgesetzter/ mich darüber <u>frühzeitig</u> informiert	0	0	0	0	0
...	war das meistens <u>mein eigener Fehler</u> , weil meine Erwartungen unrealistisch waren	0	0	0	0	0
...	war das meistens aufgrund <u>sich ändernder Umstände</u> außerhalb des Einflusses der Organisation	0	0	0	0	0
...	war das aus <u>nicht vorhersehbaren</u> Gründen	0	0	0	0	0
In den meisten Fällen, in denen eine Verpflichtung von der Organisation nicht eingehalten wurde, hat die Organisation mich <u>wissenschaftlich in die Irre geführt</u>	0	0	0	0	0	0
Im Grunde genommen wurde ich hier <u>angelogen</u> - deswegen habe ich Dinge, die mir versprochen wurden, nicht bekommen	0	0	0	0	0	0

### H Bitte geben Sie auch im nächsten Abschnitt an, zu welchem Grad die angegebenen Aussagen auf Ihre Arbeitssituation zutreffen:

	Trifft nicht zu	Trifft wenig zu	Teils/teils	Trifft weitgehend zu	Trifft völlig zu
Bei anstehenden Entscheidungen berücksichtigt mein/e Vorgesetzte/r meinen Standpunkt	0	0	0	0	0
Bei Entscheidungen lässt mein/e Vorgesetzte/r persönliche Vorurteile außer Acht	0	0	0	0	0
Bei Entscheidungen gibt mein/e Vorgesetzte/r rechtzeitig Feedback zur Entscheidung und deren Konsequenzen	0	0	0	0	0
In Entscheidungssituationen behandelt mein/e Vorgesetzte/r mich freundlich und mit Respekt	0	0	0	0	0
Mein/e Vorgesetzte/r sorgt sich um meine Rechte als Arbeitnehmer	0	0	0	0	0
In Entscheidungssituationen ergreift mein/e Vorgesetzte/r Maßnahmen, um offen mit mir zu reden	0	0	0	0	0
Die Entscheidungsprozesse in der Organisation zielen darauf ab, <u>genau die</u> Informationen zu erhalten, die notwendig sind, um Entscheidungen treffen zu können	0	0	0	0	0
Die Entscheidungsprozesse sind so gestaltet, dass sie die Möglichkeit beinhalten, <u>Entscheidungen in Frage zu stellen oder anzufechten</u>	0	0	0	0	0
Die Entscheidungsprozesse sind so gestaltet, dass alle von der Entscheidung betroffenen Parteien <u>einbezogen</u> werden	0	0	0	0	0
Die Entscheidungsprozesse sind so gestaltet, dass sie <u>einheitliche Standards</u> für die Entscheidungsfindung setzen	0	0	0	0	0
Die Entscheidungsprozesse sind so gestaltet, dass die <u>Anliegen aller</u> von der Entscheidung Betroffenen <u>gehört</u> werden	0	0	0	0	0
Die Entscheidungsprozesse sind so gestaltet, dass ein <u>sinnvolles Feedback zur Entscheidung</u> und deren Umsetzung gegeben wird	0	0	0	0	0
Die Entscheidungsprozesse sind so gestaltet, dass <u>Klärungsbedarf</u> oder Bedarf nach weiteren Informationen zur Entscheidung <u>berücksichtigt</u> wird	0	0	0	0	0

**I Auf welche Weise haben Sie der Organisation in den letzten zwei Jahren etwas über Ihr Verständnis der gegenseitigen Verpflichtungen zwischen Ihnen und der Organisation mitgeteilt?**

	NEIN: die Gelegenheit bestand nicht	NEIN: obwohl die Gelegenheit bestand	JA
Im Rahmen eines strukturierten Beurteilungsgespräches	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Im Rahmen eines strukturierten Entwicklungsgespräches	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Im Rahmen Ihres Bewerbungsgespräches oder damit in Zusammenhang stehenden Gesprächen	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Im Rahmen von Gesprächen wegen eines Stellenwechsels in der Organisation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Im Rahmen von Mitarbeiterbriefings/ oder -meetings	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Bei informellen Gesprächen mit Ihrem/r Vorgesetzten	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Bei einem von Ihnen initiierten Mitarbeitergespräch mit Ihrer/m Vorgesetzten	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Bei Gesprächen mit einer/m MitarbeiterIn der Personalabteilung	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Im Rahmen eines anonymen, strukturierten Vorgesetztenfeedbacks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Im Rahmen einer anonymen Mitarbeiterbefragung	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Über das Vorschlagswesen der Organisation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Über das Beschwerdemanagementsystem der Organisation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Über den Betriebs- bzw. Personalrat	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Bei anderen Gelegenheiten BITTE NENNEN:	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Bei anderen Gelegenheiten BITTE NENNEN:	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**J Auf welche Weise hat Ihnen Ihr/e Vorgesetzte/r in den letzten zwei Jahren etwas über sein/ihr Verständnis der gegenseitigen Verpflichtungen zwischen Ihnen und der Organisation mitgeteilt?**

	NEIN: die Gelegenheit bestand nicht	NEIN: obwohl die Gelegenheit bestand	JA
Im Rahmen eines strukturierten Beurteilungsgespräches	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Im Rahmen eines strukturierten Entwicklungsgespräches	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Im Rahmen Ihres Bewerbungsgespräches oder damit in Zusammenhang stehenden Gesprächen	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Im Rahmen von Gesprächen wegen eines Stellenwechsels in der Organisation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Im Rahmen von Mitarbeiterbriefings/ oder -meetings	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Bei informellen Gesprächen	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Bei anderen Gelegenheiten BITTE NENNEN:	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Bei anderen Gelegenheiten BITTE NENNEN:	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>



**K** Abschließend stellen Sie uns bitte die folgenden persönlichen Angaben zur Verfügung:

Bitte ordnen Sie Ihre derzeitige Stelle einem der folgenden Berufsfelder zu

Bitte benutzen Sie die Kategorien auf Karte 1

Bitte nennen Sie Ihren höchsten Ausbildungsabschluss

Bitte benutzen Sie die Kategorien auf Karte 2

Beinhaltet Ihre Stelle Führungsverantwortung für andere MitarbeiterInnen?

Ja O      Nein O

Wenn ja, für wie viele MitarbeiterInnen sind Sie verantwortlich?

Bitte benutzen Sie die Kategorien auf Karte 3

Seit wann sind Sie bei Ihrer Organisation beschäftigt?

Bitte benutzen Sie die Kategorien auf Karte 4

Seit wann sind Sie Ihrem/r derzeitigen Vorgesetzten unterstellt?

Bitte benutzen Sie die Kategorien auf Karte 4

Mit was für einem Arbeitsvertrag sind Sie angestellt?

Bitte benutzen Sie die Kategorien auf Karte 5

Arbeiten Sie Teilzeit oder Vollzeit?

Teilzeit O      Vollzeit O

In welcher Branche ist Ihre Organisation tätig?

Bitte benutzen Sie die Kategorien auf Karte 6

Wie viele MitarbeiterInnen arbeiten bei Ihrer Organisation?

Bitte benutzen Sie die Kategorien auf Karte 7

Wie alt sind Sie?

Geschlecht

weiblich O      männlich O

Zur Bearbeitung des Persönlichkeitstests ViQ benötigen Sie eine Zugangsberechtigung, die wir Ihnen in den nächsten Tagen per mail zuschicken.

Die Bearbeitung des ViQ nimmt nur 10 Minuten in Anspruch. **Bitte bearbeiten Sie den ViQ bis zu dem im Anschreiben angegebenen Datum!** Sie erhalten im Anschluss ein ausführliches individuelles Feedback zu Ihrem Persönlichkeitstyp.

**VIELEN DANK!**



**Karten 1 – 7 für Mitarbeiter****Karte 1: Berufsfelder**

Administration/Recht	Medizinische Berufe
Aus- und Weiterbildung	Naturwissenschaft/Technologie
Consulting	Rechnungswesen/Finanzen/Controlling/Banking
Design/Gestaltung	Redaktion/Dokumentation
Einkauf/Logistik/Materialwirtschaft	Technik
Geschäftsleitung/Senior Management	Vertrieb
HR/Personal	Fertigung/Produktion
IT/Telekommunikation	Forschung
Marketing/Produktmanagement	Sonstiges

**Karte 2: Höchster Abschluss**

Lehr-/Anlernabschluss	Meister-, Techniker-Fachschulabschluss	Fachhochschulabschluss
Ohne beruflichen oder Hochschulabschluss	Abschluss einer Berufsakademie	Hochschulabschluss

**Karte 3: Zahl der eigenen Mitarbeiter**

1	2	3	4	5	6	7	8	9	10
11	12	13	14	15	16	17	18	19	20
>20	>50	>100	>500						

**Karte 4: Seit wann beschäftigt & seit wann mit Vorgesetztem/r: Bitte Angabe mit Quartal**

2/2006	1/2006	4/2005	3/2005	2/2005	1/2005	4/2004	3/2004	2/2004	1/2004
4/2003	3/2003	2/2003	1/2003	4/2002	3/2002	usw.	usw.	usw.	usw.

**Karte 5: Arbeitsvertrag**

Unbefristeter Vertrag	Befristeter Vertrag <b>ohne</b> Möglichkeit der Verlängerung/Erneuerung	Befristeter Vertrag <b>mit</b> Möglichkeit der Verlängerung/Erneuerung
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**Karte 6: Branche**

Aus- und Weiterbildung	Messe- und Kongressmanagement
Automobilindustrie (inkl. Zulieferer)	Non-profit Organisations
Banken und Finanzdienstleister	Öffentlicher Dienst
Bauindustrie und Architektur	Personalberatung
Bestattung und Friedhof	Pharma/Health Care/Biotechnik
Chemieindustrie	Rechtsberatung
Elektrotechnik/Elektronik	Rohstoffabbau
Energie/Utility	Software-Hersteller
Feinmechanik/Optik	Sonstiges
Forschung	Stahlindustrie
Handel	Textil- und Bekleidungsindustrie
Hardwareindustrie	Tourismus/ Gastronomie
Immobilien	Transport/Logistik/Verkehr
IT/Telekommunikation	Umweltschutz/Entsorgung
IT-Beratung	Unternehmensberatung
Konsumgüter/Markenartikel	Versicherung
Land- und Forstwirtschaft	Werbung/PR/Marktforschung
Lebensmittel	Wirtschaftsprüfung/Steuerberatung
Luft- und Raumfahrt	Zeitarbeit/Personalvermittlung
Maschinen- und Anlagenbau	(sonstige) Dienstleistung
Medien (Multimedia, Verlag, Presse)	(sonstiges) produzierendes Gewerbe

**Karte 7: Mitarbeiter in der Organisation**

2 – 10 Mitarbeiter	11 – 50 Mitarbeiter	50 – 500 Mitarbeiter
500 – 5.000 Mitarbeiter	5.000 – 50.000 Mitarbeiter	mehr als 50.000 Mitarbeiter

## Appendix B: Supervisor Questionnaire

- note that not all questionnaire items were analysed as part of this study -

VWA100FK

### Fragebogen Psychologische Verträge Teilnehmergruppe: Vorgesetzte

Vielen Dank für Ihre Bereitschaft, sich an dieser Befragung zu beteiligen!

#### Inhalt der Studie

- Gegenseitige Verpflichtungen
- Zwischen Arbeitgeber und Arbeitnehmer
- Positive Gestaltung der Beziehung

Inhalt dieser Studie sind die wahrgenommenen gegenseitigen Verpflichtungen, die sich zwischen Arbeitgeber und Arbeitnehmer über die Zeit entwickeln – der psychologische Vertrag. Diese Verpflichtungen können eng an die im schriftlichen Arbeitsvertrag getroffenen Vereinbarungen geknüpft sein oder in Inhalt und Umfang weit über den Arbeitsvertrag hinausgehen. Übergeordnetes Ziel dieser Studie ist es zu erforschen, wie Vorgesetzte und Mitarbeiter diesen psychologischen Vertrag positiv gestalten können.

#### Ablauf der Befragung

1. Fragebogen „Psych. Verträge“
2. ViQ Persönlichkeitstest
3. Feedback ViQ

Diese Befragung besteht aus zwei Teilen. Der erste Teil der Befragung ist der vorliegende Fragebogen „Psychologische Verträge“, der zweite Teil ist der Persönlichkeitstest ViQ. Den ViQ können Sie online bearbeiten. Zur Bearbeitung des ViQ benötigen Sie eine Zugangsberechtigung. **Um Ihnen diese schicken zu können, benötigen wir Ihre e-mail, die uns Ihr(e) MitarbeiterIn mit Ihrem Einverständnis schickt.** Nach Bearbeitung des ViQ erhalten Sie ein individuelles Feedback, das an Ihre Mail-Adresse geschickt wird.

**Sie sind durch eine/e Ihrer MitarbeiterInnen gebeten worden, an dieser Studie teilzunehmen. Bitte beziehen Sie Ihre Antworten im Fragebogen „Psychologische Verträge“ auf diese/n MitarbeiterIn!**

**Anonymität**

**Ihre Daten werden weder Ihrem/r MitarbeiterIn noch einer dritten Person zugänglich gemacht.**

**Kennung und e-mail dienen ausschließlich der Zuordnung Ihres Fragebogens zu Ihrem ViQ-Ergebnis und den Ergebnissen Ihres/r MitarbeiterIn.**

Zum Zwecke der Auswertung enthält dieser Fragebogen eine Kennung, die es uns ermöglicht, Ihre Daten denen Ihres/r MitarbeiterIn zuzuordnen. Außerdem ermöglicht Ihre e-mail Adresse die Zuordnung Ihres ViQ-Ergebnisses zum vorliegenden Fragebogen. Bei der Auswertung und Veröffentlichung der Ergebnisse dieser Studie hat die Wahrung Ihrer Anonymität Priorität, d.h. Ihre Daten werden an keiner Stelle in Zusammenhang mit Ihrer e-mail Adresse oder in einer Form, die Rückschlüsse auf Ihre Identität zulässt, veröffentlicht oder dritten Personen zugänglich gemacht. Zum Fragebogen „Psychologische Verträge“ erhalten Sie kein individuelles Feedback.

Mit einer Ausnahme:

Sollten Sie den Fragebogen oder den ViQ bis zu dem im Anschreiben genannten Datum noch nicht bearbeitet haben, würden wir Sie per mail daran erinnern.

**Zeitaufwand**

Circa 30 min

Die Bearbeitung dieses Fragebogens nimmt ca. 20 Minuten in Anspruch. Die Bearbeitung des ViQs dauert ungefähr 10 Minuten.

Bei weiteren Fragen zur Studie und deren Durchführung stehen wir Ihnen gerne zur Verfügung. Fragen zu den Ergebnissen Ihres/r MitarbeiterIn können wir grundsätzlich nicht beantworten!

Maida Petersitzke  
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**A Bitte geben Sie an, in welchem Grad - nach Ihrer Einschätzung als Vorgesetzter - die Organisation/das Unternehmen, für das Sie arbeiten, verpflichtet ist, diesem/r MitarbeiterIn folgendes anzubieten:**

	Grad der Verpflichtung					Weiß nicht
	Überhaupt nicht/in sehr geringem Maße	Wenig	Teilweise	Überwiegend	In hohem Maße	
Langfristige Arbeitsplatzsicherheit	0	0	0	0	0	0
Gute Karriereaussichten	0	0	0	0	0	0
Unterstützung bei persönlichen Schwierigkeiten	0	0	0	0	0	0
Informationen über wichtige Entwicklungen	0	0	0	0	0	0
Beteiligung an Entscheidungsprozessen	0	0	0	0	0	0
Aktuelle Weiterbildungsangebote	0	0	0	0	0	0
Notwendiges Training, um die Arbeit gut erledigen zu können	0	0	0	0	0	0
Notwendige Autonomie, um die Arbeit gut erledigen zu können	0	0	0	0	0	0
Richtlinien und standardisierte Abläufe, die die Erledigung der Arbeit erleichtern	0	0	0	0	0	0
Unterstützung beim Erwerb neuer Fähigkeiten	0	0	0	0	0	0
Hohes Gehalt	0	0	0	0	0	0
Ein auf der derzeitigen Leistung basierendes Gehalt	0	0	0	0	0	0
Ein Gehalt, das den übernommenen Aufgaben angemessen ist	0	0	0	0	0	0
Zusätzliche Sozialleistungen, die dem entsprechen, was man in anderen Organisationen bei ähnlichen Aufgaben bekommt	0	0	0	0	0	0

Grad der Verpflichtung

**B** Bitte geben Sie an, in welchem Grad - nach Ihrer Einschätzung als Vorgesetzter - Ihre Organisation diesem/r MitarbeiterIn folgendes tatsächlich anbietet:

	Grad des tatsächlichen Angebotes					Weiß nicht
	Überhaupt nicht/in sehr geringem Maße	Wenig	Teilweise	Überwiegend	In hohem Maße	
Langfristige Arbeitsplatzsicherheit	0	0	0	0	0	0
Gute Karriereaussichten	0	0	0	0	0	0
Unterstützung bei persönlichen Schwierigkeiten	0	0	0	0	0	0
Informationen über wichtige Entwicklungen	0	0	0	0	0	0
Beteiligung an Entscheidungsprozessen	0	0	0	0	0	0
Aktuelle Weiterbildungsangebote	0	0	0	0	0	0
Notwendiges Training, um die Arbeit gut erledigen zu können	0	0	0	0	0	0
Notwendige Autonomie, um die Arbeit gut erledigen zu können	0	0	0	0	0	0
Richtlinien und standardisierte Abläufe, die die Erledigung der Arbeit erleichtern	0	0	0	0	0	0
Unterstützung beim Erwerb neuer Fähigkeiten	0	0	0	0	0	0
Hohes Gehalt	0	0	0	0	0	0
Ein auf der derzeitigen Leistung basierendes Gehalt	0	0	0	0	0	0
Ein Gehalt, das den übernommenen Aufgaben angemessen ist	0	0	0	0	0	0
Zusätzliche Sozialleistungen, die dem entsprechen, was man in anderen Organisationen bei ähnlichen Aufgaben bekommt	0	0	0	0	0	0

Grad des tatsächlichen Angebotes

**C** Bitte geben Sie an, in welchem Grad - nach Ihrer Einschätzung als Vorgesetzter – diese/r MitarbeiterIn verpflichtet ist, der Organisation folgendes anzubieten:

	Grad der Verpflichtung					Weiß nicht
	Überhaupt nicht/in sehr geringem Maße	Wenig	Teilweise	Überwiegend	In hohem Maße	
<i>Wenn notwendig, Leisten von Überstunden</i>	0	0	0	0	0	0
<i>Unbezahlte Überstunden, um eine Aufgabe fertig zu stellen</i>	0	0	0	0	0	0
<i>Freiwillige Übernahme von Aufgaben, die nicht Teil der Arbeitsplatzbeschreibung sind</i>	0	0	0	0	0	0
<i>Suche nach besseren Wegen, die Arbeit zu erledigen</i>	0	0	0	0	0	0
<i>Suche nach Verbesserungsmöglichkeiten für die Abteilung/Gruppe/Team</i>	0	0	0	0	0	0
<i>Flexibilität in Bezug darauf, welche Aufgaben Teil des Arbeitsplatzes sind</i>	0	0	0	0	0	0
<i>Flexibilität in Bezug auf die Arbeitszeiten</i>	0	0	0	0	0	0
<i>Suche nach Einsparungsmöglichkeiten</i>	0	0	0	0	0	0
<i>Anpassung an Veränderungen in den Arbeitsabläufen</i>	0	0	0	0	0	0

Grad der Verpflichtung

**D** Bitte geben Sie an, in welchem Grad - nach Ihrer Einschätzung als Vorgesetzter – diese/r MitarbeiterIn der Organisation folgendes tatsächlich bietet:

	Grad des tatsächlichen Angebotes					Weiß nicht
	Überhaupt nicht/in sehr geringem Maße	Wenig	Teilweise	Überwiegend	In hohem Maße	
<i>Wenn notwendig, Leisten von Überstunden</i>	0	0	0	0	0	0
<i>Unbezahlte Überstunden, um eine Aufgabe fertig zu stellen</i>	0	0	0	0	0	0
<i>Freiwillige Übernahme von Aufgaben, die nicht Teil der Arbeitsplatzbeschreibung sind</i>	0	0	0	0	0	0
<i>Suche nach besseren Wegen, die Arbeit zu erledigen</i>	0	0	0	0	0	0
<i>Suche nach Verbesserungsmöglichkeiten für die Abteilung/Gruppe/Team</i>	0	0	0	0	0	0
<i>Flexibilität in Bezug darauf, welche Aufgaben Teil des Arbeitsplatzes sind</i>	0	0	0	0	0	0
<i>Flexibilität in Bezug auf die Arbeitszeiten</i>	0	0	0	0	0	0
<i>Suche nach Einsparungsmöglichkeiten</i>	0	0	0	0	0	0
<i>Anpassung an Veränderungen in den Arbeitsabläufen</i>	0	0	0	0	0	0

Grad des tatsächlichen Angebotes

**E Bitte geben Sie im nächsten Abschnitt an, in welchem Grad die Aussagen auf diese/n MitarbeiterIn zutreffen:**

	Trifft nicht zu	Trifft wenig zu	Teils/teils	Trifft weitgehend zu	Trifft völlig zu
Diese/r MitarbeiterIn motiviert oft andere Mitarbeiter, ihre Ideen und Meinungen auszudrücken	0	0	0	0	0
Diese/r MitarbeiterIn sagt bei Angelegenheiten, die erhebliche Konsequenzen haben könnten, ehrlich seine/Ihre Meinung, auch wenn andere diese vermutlich nicht teilen	0	0	0	0	0
Diese/r MitarbeiterIn ermutigt andere dazu, ihre Arbeit auf neue und effektivere Art zu erledigen	0	0	0	0	0
Diese/r MitarbeiterIn ermutigt zurückhaltende oder zögernde Mitarbeiter, ihre Meinung auszudrücken, wenn diese sich andernfalls nicht zu Wort melden würden	0	0	0	0	0
Diese/r MitarbeiterIn macht regelmäßig gegenüber Kollegen Vorschläge, wie die Gruppe sich verbessern kann	0	0	0	0	0
Diese/r MitarbeiterIn hält sich über Veränderungen in der Organisation auf dem Laufenden	0	0	0	0	0
Diese/r MitarbeiterIn ist bei Meetings anwesend, die als wichtig angesehen werden, auch wenn die Teilnahme nicht verpflichtend ist	0	0	0	0	0
Diese/r MitarbeiterIn nimmt freiwillig an Veranstaltungen teil, die für das Image der Organisation förderlich sind	0	0	0	0	0
Diese/r MitarbeiterIn hält sich durch das Lesen von Betriebsmitteilungen, Memos oder ähnlichem auf dem Laufenden	0	0	0	0	0
Die Organisation kann darauf vertrauen, dass diese/r MitarbeiterIn eingegangene Verpflichtungen und Versprechen einhalten wird	0	0	0	0	0
Die Organisation kann darauf vertrauen, dass diese/r MitarbeiterIn im Interesse der Organisation handelt	0	0	0	0	0



	Trifft nicht zu	Trifft wenig zu	Teils/teils	Trifft weitgehend zu	Trifft völlig zu
Wenn man vergleicht, was die Organisation in die Beziehung zu diesem/r MitarbeiterIn hineinsteckt und was sie im Gegenzug erhält, ist das <u>Vernhältnis ausgewogen</u>	0	0	0	0	0
Im Vergleich zu Mitarbeitern anderer Organisationen, die ähnliche Aufgaben erledigen wie diese/r MitarbeiterIn, erbringt diese/r MitarbeiterIn eine angemessene Leistung für die Organisation	0	0	0	0	0
Diese/r MitarbeiterIn hat ihre/seine Verpflichtungen der Organisation gegenüber erfüllt	0	0	0	0	0
Diese/r MitarbeiterIn hat ihre/seine <u>wichtigste Verpflichtung</u> der Organisation gegenüber erfüllt	0	0	0	0	0
In Fällen, in denen diese/r MitarbeiterIn eine Verpflichtung nicht eingehalten hat, war das meistens <u>mein eigener Fehler</u> , weil meine Erwartungen unrealistisch waren	0	0	0	0	0
In den meisten Fällen, in denen diese/r MitarbeiterIn eine Verpflichtung nicht eingehalten hat, war das aus <u>nicht vorhersehbaren</u> Gründen	0	0	0	0	0
In Fällen, in denen diese/r MitarbeiterIn eine Verpflichtung nicht eingehalten hat, war das meistens aufgrund <u>sich ändernder Umstände</u> außerhalb seines/ihrer Einflusses	0	0	0	0	0
In den meisten Fällen, in denen diese/r MitarbeiterIn eine Verpflichtung nicht eingehalten hat, hat der/die MitarbeiterIn mich <u>wissentlich in die Irre geführt</u>	0	0	0	0	0
Im Grunde genommen hat diese/r MitarbeiterIn mich <u>angelogen-</u> deswegen wurden Versprechen nicht eingelöst	0	0	0	0	0
Diese/r MitarbeiterIn hat Fähigkeiten, die sehr schwierig zu ersetzen wären	0	0	0	0	0
Diese/r MitarbeiterIn hat Fähigkeiten, die durch Erfahrungen an diesem Arbeitsplatz weiterentwickelt wurden	0	0	0	0	0
Diese/r MitarbeiterIn hat Fähigkeiten, die an unsere speziellen Bedürfnisse angepasst sind	0	0	0	0	0

**F Bitte geben Sie jeweils an, in welchem Grad die folgenden Aussagen auf Sie zutreffen:**

	Trifft nicht zu	Trifft wenig zu	Teils/teils	Trifft weitgehend zu	Trifft völlig zu
Bei anstehenden Entscheidungen berücksichtige ich den Standpunkt dieses/r Mitarbeiters/in	0	0	0	0	0
Bei Entscheidungen lasse ich persönliche Vorurteile außer Acht	0	0	0	0	0
Bei Entscheidungen gebe ich diesem/r MitarbeiterIn rechtzeitig Feedback zur Entscheidung und deren Konsequenzen	0	0	0	0	0
In Entscheidungssituationen behandle ich diese(n) MitarbeiterIn freundlich und mit Respekt	0	0	0	0	0
Ich Sorge mich um die Rechte dieses/r Mitarbeiters/in als Arbeitnehmer	0	0	0	0	0
In Entscheidungssituationen ergreife ich Maßnahmen, um offen mit diesem/r MitarbeiterIn zu reden	0	0	0	0	0
Bei wichtigen Angelegenheiten informiere ich diese/n MitarbeiterIn ausführlich.	0	0	0	0	0
Ich gebe dieser/m MitarbeiterIn genaue Rückmeldungen zu ihrer/seiner Arbeit.	0	0	0	0	0
Ich gebe dieser/m MitarbeiterIn klare und verständliche Anweisungen	0	0	0	0	0
Ich kritisiere diese/n MitarbeiterIn konstruktiv	0	0	0	0	0
Ich stelle nichts zu knapp dar	0	0	0	0	0
Ich fasse den Sinn des Besprochenen zusammen	0	0	0	0	0
Ich formuliere schwierige Sachverhalte verständlich	0	0	0	0	0
Bei mir kann diese/r MitarbeiterIn Dinge direkt loswerden	0	0	0	0	0
Ich lasse MitarbeiterInnen ausreden	0	0	0	0	0

	Trifft nicht zu	Trifft wenig zu	Teils/teils	Trifft weitgehend zu	Trifft völlig zu
Ich erfrage die Sichtweisen anderer	0	0	0	0	0
Ich fordere diese/n MitarbeiterIn auf, eigene Anliegen einzubringen	0	0	0	0	0
Wenn diese/r MitarbeiterIn Beiträge liefert, gebe ich diese präzise wieder	0	0	0	0	0
Wenn diese/r MitarbeiterIn nachfragt, erkläre ich bereitwillig	0	0	0	0	0

**G Bitte geben Sie an, zu welchem Grad die folgenden Aussagen auf die Organisation zutreffen:**

	Trifft nicht zu	Trifft wenig zu	Teils/teils	Trifft weitgehend zu	Trifft völlig zu
Die Entscheidungsprozesse in der Organisation zielen darauf ab, <u>genau die Informationen zu erhalten, die notwendig sind, um Entscheidungen zu treffen</u>	0	0	0	0	0
Die Entscheidungsprozesse sind so gestaltet, dass sie die <u>Möglichkeit beinhalten, Entscheidungen in Frage zu stellen oder anzufechten</u>	0	0	0	0	0
Die Entscheidungsprozesse sind so gestaltet, dass alle von der Entscheidung <u>betroffenen Parteien einbezogen</u> werden	0	0	0	0	0
Die Entscheidungsprozesse sind so gestaltet, dass sie <u>einheitliche Standards</u> für die Entscheidungsfindung setzen	0	0	0	0	0
Die Entscheidungsprozesse sind so gestaltet, dass die <u>Anliegen aller</u> von der Entscheidung Betroffenen <u>gehört</u> werden	0	0	0	0	0
Die Entscheidungsprozesse sind so gestaltet, dass ein <u>sinnvolles Feedback zur Entscheidung</u> und deren Umsetzung gegeben wird	0	0	0	0	0
Die Entscheidungsprozesse sind so gestaltet, dass <u>Klarungsbedarf</u> oder Bedarf nach weiteren Informationen zur Entscheidung <u>berücksichtigt</u> wird	0	0	0	0	0

Die Organisation hat ihre Verpflichtungen diesem/r MitarbeiterIn gegenüber erfüllt	0	0	0	0
Die Organisation hat ihre <u>wichtigste</u> Verpflichtung diesem/r MitarbeiterIn gegenüber erfüllt	0	0	0	0
Die Organisation hat ihre Verpflichtungen diesem/r MitarbeiterIn gegenüber <u>wiederholt nicht erfüllt</u>	0	0	0	0

**Wenn Sie die vorherige Aussage „Die Organisation hat ihre Verpflichtungen diesem/r MitarbeiterIn gegenüber wiederholt nicht erfüllt“ mit „trifft nicht zu“ oder „trifft wenig zu“ beantwortet haben, gehen Sie bitte direkt zu Fragenblock I.**

	Trifft nicht zu	Trifft wenig zu	Teils/teils	Trifft weitgehend zu	Trifft völlig zu
<b>H In Fällen, in denen eine von Organisationsseite diesem/r MitarbeiterIn gegenüber eingegangene Verpflichtung nicht eingehalten wurde,...</b>	0	0	0	0	0
... habe ich selbst ein alternatives Angebot gemacht, welches den ihm/ihr entstandenen Nachteil mindestens teilweise ausgeglichen hat	0	0	0	0	0
... hat die Organisation diesem/r MitarbeiterIn <u>kein</u> alternatives Angebot gemacht, welches den ihm/ihr entstandenen Nachteil mindestens teilweise ausgeglichen hätte	0	0	0	0	0
... habe ich diesem/r MitarbeiterIn überzeugende Gründe genannt, die sie/ihn dazu gebracht haben, den entstandenen Verlust als <u>weniger schwerwiegend</u> einzuschätzen	0	0	0	0	0
... habe ich diesem/r MitarbeiterIn <u>offen und ehrlich</u> erklärt, warum	0	0	0	0	0
...habe ich das mit sich ändernden Umständen außerhalb des Einflusses der Organisation <u>erklärt</u>	0	0	0	0	0
... habe ich das mit unvorhersehbaren Gründen <u>erklärt</u>	0	0	0	0	0
... habe ich diese/n MitarbeiterIn darüber <u>frühzeitig</u> informiert	0	0	0	0	0

**I Nun bitten wir Sie noch um eine kurze Rückmeldung zu Ihrer Zielsetzungspraxis:**

	Trifft nicht zu	Trifft wenig zu	Teils/teils	Trifft weitgehend zu	Trifft völlig zu
Ich vereinbare mit meinen MitarbeiterInnen klare, anspruchsvolle Ziele	0	0	0	0	0
Die vereinbarten Ziele folgen einer unternehmerischen Gesamtstrategie	0	0	0	0	0
Über das Erreichen der Ziele gebe ich objektives Feedback	0	0	0	0	0
Die Ziele sind direkt messbar	0	0	0	0	0
Ich definiere einen klaren Zeitrahmen für das Erreichen der Ziele	0	0	0	0	0
Ich beteilige die MitarbeiterInnen an der Zielvereinbarung	0	0	0	0	0
Die MitarbeiterInnen fühlen sich den gemeinsamen Zielen verpflichtet	0	0	0	0	0
Das Erreichen der Ziele dient auch den persönlichen Interessen der MitarbeiterInnen	0	0	0	0	0
Die gesetzten Ziele haben in unserer Organisation einen verbindlichen Charakter	0	0	0	0	0
Das Erreichen gesetzter Ziele entscheidet über das persönliche Fortkommen	0	0	0	0	0
Die Gehaltsfindung hängt auch davon ab, inwieweit man die vereinbarten Ziele erreicht	0	0	0	0	0

### J Abschließend stellen Sie uns bitte die folgenden persönlichen Angaben zur Verfügung:

Bitte ordnen Sie Ihre derzeitige Stelle einem der folgenden Berufsfelder zu:

Bitte nennen Sie Ihren höchsten Ausbildungsabschluss:

Für wie viele MitarbeiterInnen sind Sie verantwortlich?

Seit wann sind Sie in der Organisation beschäftigt?

Seit wann ist diese/r MitarbeiterIn Ihnen unterstellt?

In welcher Branche ist Ihre Organisation tätig?

Wie viele MitarbeiterInnen arbeiten in Ihrer Organisation?

Wie alt sind Sie?

Geschlecht

Bitte schicken Sie diesen Fragebogen in dem beiliegenden frankierten Umschlag an uns zurück!

Zur Bearbeitung des Persönlichkeitstests ViQ benötigen Sie eine Zugangsberechtigung, die wir Ihnen per e-mail zuschicken. Bitte schicken Sie uns unter Angabe der 7-stelligen Identifikationsnummer, die Sie auf Seite 1 des Fragebogens finden (z.B. NA059FK) eine Mail mit dem Betreff „Zugang anfordern“ an: [petersitzke@hsu-hh.de](mailto:petersitzke@hsu-hh.de).

Die Bearbeitung des ViQ nimmt nur 10 Minuten in Anspruch. **Bitte bearbeiten Sie den ViQ bis zu dem im Anschreiben genannten Datum!** Sie erhalten im Anschluss ein ausführliches individuelles Feedback zu Ihrem Persönlichkeitstyp.

**VIELEN DANK!**

## Karten 1 – 6 für Vorgesetzte

### Karte 1: Berufsfelder

Administration/Recht	Medizinische Berufe
Aus- und Weiterbildung	Naturwissenschaft/Technologie
Consulting	Rechnungswesen/Finanzen/Controlling/Banking
Design/Gestaltung	Redaktion/Dokumentation
Einkauf/Logistik/Materialwirtschaft	Technik
Geschäftsleitung/Senior Management	Vertrieb
HR/Personal	Fertigung/Produktion
IT/Telekommunikation	Forschung
Marketing/Produktmanagement	Sonstiges

### Karte 2: Höchster Abschluss

Lehr-/Anlernabschluss	Meister-, Techniker- Fachschulabschluss	Fachhochschulabschluss
Ohne beruflichen oder Hochschulabschluss	Abschluss einer Berufsakademie	Hochschulabschluss

### Karte 3: Zahl der eigenen Mitarbeiter

1	2	3	4	5	6	7	8	9	10
11	12	13	14	15	16	17	18	19	20
>20	>50	>100	>500						

### Karte 4: Seit wann beschäftigt & seit wann mit diesem/r MitarbeiterIn: Bitte Angabe mit Quartal

2/2006	1/2006	4/2005	3/2005	2/2005	1/2005	4/2004	3/2004	2/2004	1/2004
4/2003	3/2003	2/2003	1/2003	4/2002	3/2002	usw.	usw.	usw.	usw.

### Karte 5: Branche

Aus- und Weiterbildung	Messe- und Kongressmanagement
Automobilindustrie (inkl. Zulieferer)	Non-profit Organisations
Banken und Finanzdienstleister	Öffentlicher Dienst
Bauindustrie und Architektur	Personalberatung
Bestattung und Friedhof	Pharma/Health Care/Biotechnik
Chemieindustrie	Rechtsberatung
Elektrotechnik/Elektronik	Rohstoffabbau
Energie/Utility	Software-Hersteller
Feinmechanik/Optik	Sonstiges
Forschung	Stahlindustrie
Handel	Textil- und Bekleidungsindustrie
Hardwareindustrie	Tourismus/ Gastronomie
Immobilien	Transport/Logistik/Verkehr
IT/Telekommunikation	Umweltschutz/Entsorgung
IT-Beratung	Unternehmensberatung
Konsumgüter/Markenartikel	Versicherung
Land- und Forstwirtschaft	Werbung/PR/Marktforschung
Lebensmittel	Wirtschaftsprüfung/Steuerberatung
Luft- und Raumfahrt	Zeitarbeit/Personalvermittlung
Maschinen- und Anlagenbau	(sonstige) Dienstleistung
Medien (Multimedia, Verlag, Presse)	(sonstiges) produzierendes Gewerbe

### Karte 6: Mitarbeiter in der Organisation

2 – 10 Mitarbeiter	11 – 50 Mitarbeiter	50 – 500 Mitarbeiter
500 – 5.000 Mitarbeiter	5.000 – 50.000 Mitarbeiter	mehr als 50.000 Mitarbeiter